Q3-2023 Management's Discussion and Analysis

Dollar amounts in thousands of Canadian dollars (except as noted)

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PART I

Business Overview and Strategy

Killam Apartment REIT ("Killam," the "Trust," or the "REIT"), based in Halifax, Nova Scotia (NS), is one of Canada's largest multi-residential property owners, owning, operating, managing and developing a $5.0 billion portfolio of apartments, manufactured home communities (MHCs) and commercial properties across seven provinces. Killam was founded in 2000 to create value through the consolidation of apartments in Atlantic Canada and MHCs across Canada. Killam entered the Ontario (ON) apartment market in 2010, the Alberta (AB) apartment market in 2014, and the British Columbia (BC) apartment market in 2020. Killam broke ground on its first development in 2010 and has completed 18 projects to date, with another project currently under construction.

Killam's strategy to drive value and profitability focuses on three priorities:

1) Increase earnings from the existing portfolio;

2) Expand the portfolio and diversify geographically through accretive acquisitions, targeting newer properties; and

3) Develop high-quality properties in its core markets.

The apartment business is Killam's largest segment and accounted for 88.1% of Killam's net operating income (NOI) for the nine months ended September 30, 2023. As at September 30, 2023, Killam's apartment portfolio consisted of 19,133 units, including 1,343 units jointly owned with institutional partners. Killam's 227 apartment properties are located in Atlantic Canada's six largest urban centres (Halifax, Moncton, Saint John, Fredericton, Charlottetown and St. John's), Ontario (Ottawa, London, Toronto and Kitchener-Waterloo-Cambridge), Alberta (Edmonton and Calgary), and British Columbia (Greater Victoria). Killam plans to continue to increase its presence outside Atlantic Canada through acquisitions and developments.

In addition, Killam owns 5,975 sites in 40 MHCs, also known as land-lease communities or trailer parks, in Ontario and Atlantic Canada. Killam owns the land and infrastructure supporting these communities and leases sites to tenants who own their own homes and pay Killam site rent. The MHC portfolio accounted for 6.2% of Killam's NOI for the nine months ended September 30, 2023. Killam also owns 949,879 square feet (SF) of stand-alone commercial space that accounted for 5.7% of Killam's NOI for the nine months ended September 30, 2023.

Declaration of Trust

Killam's investment guidelines and operating policies are set out in its Amended and Restated Declaration of Trust (DOT) dated November 27, 2015, which is available on SEDAR+ at www.sedarplus.ca. A summary of the guidelines and policies is as follows:

Investment Guidelines

- The Trust will acquire, hold, develop, maintain, improve, lease and manage income-producing real estate properties;
- Investments in joint ventures, partnerships (general or limited) and limited liability companies are permitted;
- Investments in land for development that will be capital property for Killam are permitted; and
- Investments that would disqualify Killam as a "mutual fund trust" or a "unit trust" as defined within the *Income Tax Act* (Canada) are prohibited.

Operating Policies

- Overall indebtedness is not to exceed 70% of Gross Book Value, as defined by the DOT;
- Guarantees of indebtedness that would disqualify Killam as a "mutual fund trust" or a "unit trust" as defined within the *Income Tax Act* (Canada) are prohibited; and
- Killam must maintain property insurance coverage in respect of potential liabilities of the Trust.

As at September 30, 2023, Killam was in compliance with all investment guidelines and operating policies.

Basis of Presentation

The following Management's Discussion and Analysis (MD&A) has been prepared by Management and focuses on key statistics from the annual consolidated financial statements, including the notes thereto, and pertains to known risks and uncertainties. This MD&A should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2022 and 2021, and in conjunction with the Trust's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and 2022, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These documents, along with Killam's 2022 Annual Information Form (AIF), are available on SEDAR+ at www.sedarplus.ca.

The discussions in this MD&A are based on information available as at November 7, 2023. This MD&A has been reviewed and approved by Management and the REIT's Board of Trustees.

Forward-Looking Statements Disclaimer

Certain statements contained in this MD&A may contain forward-looking statements and forward-looking information (collectively, “forward-looking statements”), including within the meaning of applicable securities law.

In some cases, forward-looking statements can be identified by the use of words such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "potential," "continue," "target," "committed," "priority," "remain," "strategy," or the negative of these terms or other comparable terminology, and by discussions of strategies that involve risks and uncertainties.

Such forward-looking statements contained in this MD&A may include, among other things, statements regarding: Killam’s expectations for market demand, rent growth, occupancy levels and rental incentives; the effect of government-imposed rental rate restrictions; Killam's strategy and priorities, including increasing earnings from Killam's existing portfolio, expanding Killam's portfolio through acquisitions and developing high-quality properties in core markets; top-line growth driving same property NOI growth; Killam's increased presence outside of, and maintained market presence in, Atlantic Canada through acquisitions and development; Killam's development pipeline and the qualities thereof; the expansion of Killam's portfolio for future developments; future acquisitions, including the amount expected to be invested in such acquisitions and the location of such acquisitions; Killam’s property developments, including cost and timing of completion thereof and Management’s expectations regarding capital improvement costs; short- and longer-term targets relating to same property NOI growth, capital recycling, dispositions, portfolio growth, geographic diversification and NOI generated outside of Atlantic Canada, development of high-quality properties, strengthening Killam's balance sheet and debt maintenance or reductions, investments in sustainability, return on investment, and affordable housing and the factors that may affect the achievement of such targets; asset dispositions, the use of proceeds therefrom and the timing thereof; Killam's joint venture partners; Killam's ability to mitigate cost increases and property taxes; maintenance and operating costs; the effect of completed developments on Killam's business, including funds from operations (FFO) per unit; the expansion and optimization of Killam's repositioning program, the units eligible therefor and expected revenues generated thereunder; interest rate fluctuations; reduced debt levels and long-term debt reduction targets, including reducing variable rate debt and the related sources of funds; the continued monitoring of the acquisition market and identification of cap-rate changes; commodity prices and the impacts thereof on Killam's operating costs; seasonal revenue; the impact of efficiency initiatives on Killam's operating costs and NOI growth; credit availability; the effect of inflation on financing costs, including increased interest expenses; the pace and scope of future acquisitions, construction, development and renovation, renewals and leasing; the estimated population, demographic, economic and other changes in key markets and the related effects on Killam's business; the GDP growth across the country; the continued capital investment from governments and the private sector in key markets; the sufficiency of Killam's liquidity and capital resources, including of mortgage refinancing and construction loans to fund value-enhancing capex, principal repayments and developments; refinancing opportunities and the timing thereof; the availability and sources of capital to fund further acquisitions and investments in Killam's business; replacing construction financing with permanent mortgage financing; the impact of maintenance capex and value-enhancing upgrades; capital investment and the amount and timing thereof; Killam's normal course issuer bid (NCIB) program and share purchases thereunder; the required expenditures to comply with environmental regulations; expiration of leases and the effect thereof on Killam's business; Killam's commitment to environmental, social and governance (ESG); investment in ESG initiatives and technology and their impact on Killam's energy consumption and costs and carbon footprint; the expected annual energy production from Killam's photovoltaic (PV) solar arrays; augmenting Killam's sustainability programs and policies and Killam's actions thereunder; reducing Killam's impact on the environment; and the installation of electric vehicle (EV) charging stations and other energy-related projects across Killam's portfolio.

Readers should be aware that these forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated or implied, or those suggested by any forward-looking statements, including: the effects and duration of local, international or global events, such as the COVID-19 pandemic, and any government responses thereto; national and regional economic conditions (including rising interest rates and inflation); the availability of capital to fund further investments in Killam's business and the risks, uncertainties and other factors found under the "Risk Management" section of Killam's MD&A for the year ended December 31, 2022, and under the "Risk Factors" section of Killam's most recent AIF, and identified in other documents Killam files from time to time with securities regulatory authorities in Canada, available on SEDAR+ at www.sedarplus.ca. Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements contained, or incorporated by reference, in this MD&A for the three and nine months ended September 30, 2023.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events contained therein may not occur. Although Management believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that future results, levels of activity, performance or achievements will occur as anticipated.

While Killam anticipates that subsequent events and developments may cause this view to change, Killam does not intend to update or revise any forward-looking statement, whether as a result of new information, future events, circumstances, or such other factors that affect this information, except as required by applicable law. The forward-looking statements in this document are provided for the limited purpose of enabling current and potential investors to evaluate an investment in Killam. Readers are cautioned that such statements may not be appropriate and should not be used for any other purpose.

Non-IFRS Financial Measures

Management believes the following non-IFRS financial measures, ratios and supplementary information are relevant measures of the ability of Killam to earn revenue and to evaluate Killam's financial performance. Non-IFRS financial measures should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS, as indicators of Killam's performance or the sustainability of Killam's distributions. These measures do not have standardized meanings under IFRS and, therefore, may not be comparable to similarly titled measures presented by other publicly traded organizations.

Non-IFRS Financial Measures

- FFO is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. FFO, and applicable per unit amounts, are calculated by Killam as net income adjusted for fair value gains (losses), interest expense related to Exchangeable Units, gains (losses) on disposition, deferred tax expense (recovery), unrealized gains (losses) on derivative liability, internal commercial leasing costs, depreciation on an owner-occupied building, interest expense related to lease liabilities, and non-controlling interest. FFO is calculated in accordance with the REALPAC definition. A reconciliation between net income and FFO is included on page 28.
- Adjusted funds from operations (AFFO) is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. AFFO, and applicable per unit amounts and payout ratios, are calculated by Killam as FFO less an allowance for maintenance capital expenditures ("capex") (a three-year rolling historical average capital investment to maintain and sustain Killam's properties), commercial leasing costs and straight-line commercial rents. AFFO is calculated in accordance with the REALPAC definition. Management considers AFFO an earnings metric. A reconciliation from FFO to AFFO is included on page 29.
- Adjusted cash flow from operations (ACFO) is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. ACFO is calculated by Killam as cash flow provided by operating activities with adjustments for changes in working capital that are not indicative of sustainable cash available for distribution, maintenance capital expenditures, commercial leasing costs, amortization of deferred financing costs, interest expense related to lease liabilities and non-controlling interest. Management considers ACFO a measure of sustainable cash flow. A reconciliation from cash provided by operating activities to ACFO is included on page 30. ACFO is calculated in accordance with the REALPAC definition.
- Adjusted earnings before interest, tax, depreciation and amortization ("adjusted EBITDA") is calculated by Killam as net income before fair value adjustments, gains (losses) on disposition, income taxes, interest, depreciation and amortization. A reconciliation is included on page 32.
- Normalized adjusted EBITDA is calculated by Killam as adjusted EBITDA that has been normalized for a full year of stabilized earnings from recently completed acquisitions and developments, on a forward-looking basis. A reconciliation is included on page 32.
- Net debt is a non-IFRS financial measure used by Management in the computation of debt to normalized adjusted EBITDA. Net debt is calculated as the sum of mortgages and loans payable, credit facilities and construction loans (total debt) reduced by the cash balances at the end of the period. The most directly comparable IFRS measure to net debt is debt.

Non-IFRS Ratios

- Interest coverage is calculated by dividing adjusted EBITDA by mortgage, loan and construction loan interest and interest on credit facilities. The calculation is included on page 32.
- Debt service coverage is calculated by dividing adjusted EBITDA by mortgage loan and construction loan interest, interest on credit facilities and principal mortgage repayments. The calculation is included on page 32.
- Per unit calculations are calculated using the applicable non-IFRS financial measures noted above, i.e. FFO, AFFO and/or ACFO, divided by the basic or diluted number of units outstanding at the end of the relevant period.
- Payout ratios are calculated using the distribution rate for the period divided by the applicable per unit amount, i.e. AFFO and/or ACFO.
- Debt to normalized adjusted EBITDA is calculated by dividing net debt by normalized adjusted EBITDA. The calculation is included on page 32.

Supplementary Financial Measures

- Same property NOI is a supplementary financial measure defined as NOI for stabilized properties that Killam has owned for equivalent periods in 2023 and 2022. Same property results represent 92.0% of the fair value of Killam's investment property portfolio as at September 30, 2023. Excluded from same property results in 2023 are acquisitions, dispositions and developments completed in 2022 and 2023, and non-stabilized commercial properties linked to development projects.
- Same property average rent is calculated by taking a weighted average of the total residential rent for the last month of the reporting period, divided by the relevant number of the units per region for stabilized properties that Killam has owned for equivalent periods in 2023 and 2022. For total residential rents, rents for occupied units are based on contracted rent, and rents for vacant units are based on estimated market rents if the units were occupied.

Capital Management Financial Measure

- Total debt as a percentage of total assets is a capital management financial measure and is calculated by dividing total debt by total assets, excluding right-of-use assets. This measure is reconciled in Note 21 of the condensed consolidated interim financial statements.

PART II

Key Performance Indicators

To assist Management and investors in monitoring Killam's achievement of its objectives, Killam utilizes a number of key performance indicators to measure the success of its operating and financial performance:

1) FFO per unit – A standard measure of earnings for real estate entities. Management is focused on growing FFO per unit.
2) AFFO per unit – A standard measure of earnings for real estate entities. Management is focused on growing AFFO per unit.
3) Payout Ratio – Killam monitors its FFO, AFFO and ACFO payout ratios and targets lower payout ratios. The ACFO payout ratio is a measure to assess the sustainability of distributions. The FFO and AFFO payout ratios are used as supplementary measures. Although Killam expects to sustain and grow distributions, the amount of distributions will depend on debt repayments and refinancings, capital investments, and other factors that may be beyond the control of the REIT.
4) Same Property NOI – This measure considers Killam's ability to increase its same property NOI, removing the impact of recent acquisitions, dispositions and developments.
5) Occupancy – Management is focused on maximizing occupancy, while also managing the impact of higher rental rates. This measure is a percentage based on gross potential residential rent less dollars of lost rent from vacancy, divided by gross potential residential rent.
6) Rental Increases – Management expects to increase average annual rental rates and tracks average annual rate increases.
7) Total Debt as a Percentage of Total Assets – Killam's primary measure of its leverage is total debt as a percentage of total assets. Total debt as a percentage of total assets is calculated by dividing total interest-bearing debt by total assets, excluding right-of-use assets. Killam's DOT operating policies stipulate that overall indebtedness is not to exceed 70% of Gross Book Value.
8) Weighted Average Interest Rate of Mortgage Debt and Total Debt – Killam monitors the weighted average cost of its mortgage and total debt.
9) Weighted Average Years to Debt Maturity – Management monitors the weighted average number of years to maturity on its debt.
10) Debt to Normalized Adjusted EBITDA – A common measure of leverage used by lenders, this measure considers Killam's financial health and liquidity. In normalizing recently completed acquisitions and developments, Killam uses a forward-looking full year of stabilized earnings. Generally, the lower the debt to normalized adjusted EBITDA ratio, the lower the credit risk.
11) Debt Service Coverage – A common measure of credit risk used by lenders, this measure considers Killam's ability to pay both interest and principal on outstanding debt. Generally, the higher the debt service coverage ratio, the lower the credit risk.
12) Interest Coverage – A common measure of credit risk used by lenders, this measure considers Killam's ability to pay interest on outstanding debt. Generally, the higher the interest coverage ratio, the lower the credit risk.

Financial and Operational Highlights

The following table presents a summary of Killam's key IFRS and non-IFRS financial and operational performance measures:

	Three months ended September 30,			Nine months ended September 30,		
Operating Performance	**2023**	2022	Change (1)	**2023**	2022	Change (1)
Property revenue	**$89,534**	$85,301	5.0%	**$261,292**	$244,313	6.9%
Net operating income	**$60,515**	$56,792	6.6%	**$167,555**	$153,740	9.0%
Net income	**$68,349**	$3,600	N/A	**$266,345**	$132,344	101.3%
FFO (2)	**$39,234**	$37,144	5.6%	**$105,722**	$99,885	5.8%
FFO per unit – diluted (2)	**$0.32**	$0.31	3.2%	**$0.87**	$0.84	3.6%
AFFO (2)	**$34,143**	$32,188	6.1%	**$90,298**	$84,934	6.3%
AFFO per unit – diluted (2)	**$0.28**	$0.27	3.7%	**$0.74**	$0.71	4.2%
Weighted average number of units outstanding – diluted (000s)	**121,848**	120,292	1.3%	**121,466**	119,341	1.8%
Distributions paid per unit	**$0.18**	$0.18	—%	**$0.52**	$0.52	—%
AFFO payout ratio – diluted (2)	**62%**	65%	(300) bps	**71%**	74%	(300) bps
AFFO payout ratio – rolling 12 months (2)	**72%**	75%	(300) bps			
Portfolio Performance						
Same property NOI (2)	**$57,082**	$52,782	8.1%	**$156,999**	$146,060	7.5%
Same property NOI margin	**67.7%**	66.1%	160 bps	**64.1%**	62.9%	120 bps
Same property apartment occupancy	**98.5%**	98.4%	10 bps			
Same property apartment weighted average rental increase (3)	**5.9%**	4.2%	170 bps	**5.0%**	3.3%	170 bps
Same property apartment weighted average rental increase year-over-year as at September 30	**4.7%**	3.6%	110 bps			

As at	**September 30, 2023**	December 31, 2022	Change (1)
Leverage Ratios and Metrics			
Debt to total assets	**42.8%**	45.3%	(250) bps
Weighted average mortgage interest rate	**3.00%**	2.74%	26 bps
Weighted average years to debt maturity	**4.0**	3.8	0.2 years
Debt to normalized EBITDA (2)	**10.51x**	11.21x	(6.2)%
Debt service coverage (2)	**1.46x**	1.51x	(3.3)%
Interest coverage (2)	**3.11x**	3.31x	(6.0)%

(1) Change expressed as a percentage, basis points (bps) or years.

(2) FFO, AFFO, AFFO payout ratio, debt to normalized EBITDA ratio, debt service coverage ratio, interest coverage ratio and same property NOI are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or entities (see "Non-IFRS Financial Measures").

(3) The combined weighted average rental increase achieved during the three and nine months ended September 30, 2023 and 2022, on units renewed and turned (released).

Summary of Q3-2023 Results and Operations

Generated Net Income of $68.3 Million

Killam generated net income of $68.3 million in Q3-2023, compared to $3.6 million in Q3-2022. The increase in net income is primarily attributable to fair value gains on investment properties of $38.5 million, compared to fair value losses of $41.3 million in the same period in 2022. The gains in Q3-2023 were a direct result of strong NOI growth, partially offset by an expansion in cap rates in Ontario, BC and PEI. The fair value losses in Q3-2022 were related to an expansion of cap-rates across the portfolio.

Achieved Same Property NOI Growth of 8.1%

Killam achieved an 8.1% increase in same property NOI during the quarter, based on a 5.6% increase in same property revenue and a 0.7% increase in same property operating expenses. Revenue growth was driven by a 4.7% increase in apartment rental rates, coupled with a 10 bps increase in same property apartment occupancy and further reduction in rental incentives. General operating expenses increased 1.7%, driven by higher wages and contract costs, partially offset by lower insurance, bad debt and repairs and maintenance costs, while property tax expense decreased 0.9%. Lower natural gas pricing partially offset higher electricity and water costs, resulting in only a 1.3% increase in utility and fuel expenses compared to the same period in 2022. The strong performance resulted in an operating margin expansion of 160 bps for the same property portfolio compared to Q3-2022.

Delivered 3.2% FFO per Unit Growth and 3.7% AFFO per Unit Growth

Killam delivered FFO per unit of $0.32 in the quarter, a 3.2% increase from $0.31 per unit in Q3-2022. AFFO per unit increased 3.7% to $0.28, compared to $0.27 in Q3-2022. The growth in FFO and AFFO was attributable to strong NOI growth from Killam's same property portfolio, coupled with incremental contributions from developments completed in 2022. This growth was partially offset by a 1.3% increase in the weighted average number of Trust Units outstanding, along with higher interest expense as a result of rising interest rates.

Continued Progress on Killam's Disposition Strategy

During Q3-2023, Killam completed the disposition of Parkwood Apartments, located in Saint John, NB, for gross proceeds of $15.0 million. Parkwood Apartments is a complex containing 205 apartment units across 20 buildings. It was originally built in 1947 and was acquired by Killam in 2004. Proceeds were used to reduce Killam's credit facility and to fund on-going developments. The sale of the property aligns with Killam's strategy to optimize value from the existing portfolio. During the first nine months of 2023, Killam completed five dispositions for gross proceeds of $97.0 million.

Completion of Two Development Projects

Two developments reached substantial completion in Q3: Civic 66, containing 169 apartment units and 3,000 SF of ground floor commercial space located in Kitchener, and The Governor, containing 12 luxury apartment units and 3,500 SF of ground floor commercial space located in Halifax. The total combined development cost of the properties was $94.1 million. Civic 66 is currently 54% leased, while The Governor is currently 42% leased. The Carrick, a 139-unit property located in Waterloo, is currently under development and expected to be completed in the second half of 2025, with an expected cost of $83.5 million. Killam also owns a 10% interest in the second phase of the Nolan Hill development in Calgary, which is expected to be completed in December 2023. Killam has a commitment to purchase 100% of the development for $65.0 million.

Focus on Reduced Leverage

Year-to-date, debt to total assets decreased 250 bps, from 45.3% at December 31, 2022, to 42.8% at September 30, 2023. Since the beginning of the year, Killam's variable rate debt has been reduced by $110.5 million, as funds from dispositions, mortgage refinancings, and general operations were used to reduce the balance on Killam's credit facility, and permanent financing has replaced construction loans. Variable rate debt as a percentage of total debt has decreased to 4.9% at the end of Q3-2023 from 9.8% as at December 31, 2022. Looking ahead, Killam expects to continue to reduce variable rate debt during the fourth quarter, with the placement of permanent financing on two developments and a further reduction in the credit facility. Overall, Killam's weighted average mortgage interest rate increased 26 bps at the end of Q3-2023 to 3.0%, compared to 2.7% at December 31, 2022. The maturity dates for Killam's mortgages are staggered to help mitigate interest rate risk, and the weighted average term to maturity is four years.

ESG Progress

In October, Killam received a green, three-star designation for its 2023 GRESB real estate assessment. During the quarter, Killam invested $2.5 million in energy initiatives, and, to date, Killam has 19 PV solar arrays producing power, with an expected 1,900 MWh of annual energy production. PV solar arrays, along with geothermal heating and cooling systems at Killam’s new developments, illustrate Killam’s ongoing commitment to lowering its carbon footprint. Additionally, Killam is installing Level II EV charging stations across its portfolio, with 355 charging stations operational at 47 properties, plus an additional 54 charging stations underway at seven additional properties. Killam's 2022 ESG report can be accessed on its website at https://killamreit.com/esg. The report summarizes Killam's commitment to creating and maintaining sustainable communities, and details its progress and future plans to achieve its long-term targets.

Dollar amounts in thousands of Canadian dollars (except as noted)

Strategic Targets

Growth in Same Property NOI	
2023 Target	Achieve same property NOI growth averaging 3.0% – 5.0%.
2023 Performance to Date	Killam achieved same property NOI growth of 7.5% for the nine months ended September 30, 2023. Based on the results achieved to date in 2023, Killam expects same property NOI growth in 2023 to exceed the top end of its target and has increased its target to over 7.0%.

Capital Recycling	
2023 Target	Sell a minimum of $100 million of non-core assets.
2023 Performance to Date	Year-to-date, Killam has completed five dispositions totalling 580 units, for a combined sale price of $97.0 million. Subsequent to quarter end Killam completed the disposition of a 96-unit building located in Miramichi, NB, for gross proceeds of $11.0 million and the disposition of 139 units in Sydney, NS for gross proceeds of $22.5 million.

Geographic Diversification	
2023 Target	Earn at least 36% of 2023 NOI outside Atlantic Canada.
2023 Performance to Date	Killam is on track to exceed this target, with 37.2% of NOI generated outside Atlantic Canada as of September 30, 2023. The completion and lease-up of Civic 66 and planned dispositions in Eastern Canada will further increase NOI generated outside Atlantic Canada during the remainder of the year.

Development of High-Quality Properties	
2023 Target	Complete construction of two development projects and break ground on one additional development in 2023.
2023 Performance to Date	Killam is on track to meet this target; The Governor, a 12-unit building located in Halifax, NS, and Civic 66, a 169-unit building located in Kitchener, ON, both reached substantial completion in July 2023.

Strengthened Balance Sheet	
2023 Target	Reduce debt as a percentage of total assets to below 45%.
2023 Performance to Date	Debt as a percentage of total assets was 42.8% as at September 30, 2023 (December 31, 2022 – 45.3%).

Sustainability	
2023 Target	Invest a minimum of $8.0 million in energy initiatives in 2023.
2023 Performance to Date	Killam has invested $6.5 million in energy initiatives year-to-date, including new boilers, window replacements, building upgrades including new cladding and insulation and the installation of EV chargers at various buildings across the portfolio.

Outlook

Demand Remains Strong for Apartments

Killam expects robust demand for apartments to continue as demand outpaces supply. Following record population growth in 2022 of over 1 million people, Canada is targeting to welcome 465,000 new permanent residents in 2023, 485,000 in 2024 and 500,000 in both 2025 and 2026. The increase in international migration is related to efforts by the Government of Canada to ease labour shortages in key sectors of the economy. With supply unable to keep up with demand, further pressure on rents is expected.

Management expects to increase rents to market rates as units turn and are released, which is expected to lead to continued top-line growth and same property NOI growth of over 7% in 2023. For renewals, rent growth in 2024 is expected to outpace 2023 renewals based on approved rent control guidelines, including Ontario (capped at 2.5% in 2024), Nova Scotia (capped at 5.0% in 2024/25), British Columbia (capped at 3.5% in 2024) and Prince Edward Island (capped at 3.0% in 2024).

Population Growth and Opportunity in Atlantic Canada

Halifax, the largest city in Atlantic Canada, which contributed 27.1% of Killam's NOI for the nine months ended September 30, 2023, has experienced acceleration in population growth over the past three years. Halifax's population grew by 2.1% in 2021, followed by 4.5% in 2022, with a record number of interprovincial migrants moving to the city. Halifax's age profile is also decreasing. In 2022, for the third consecutive year, the largest age group of newcomers moving to Halifax was the 25–39 cohort, accounting for 36% of the city's population growth. These trends have continued in 2023, increasing demand for apartments in the region. Recently released population statistics confirm another strong year of growth in Atlantic Canada, with population up 2.8% for the 12-month period ending September 30, 2023, Management anticipates strong demand for rental units to continue.

$94 Million of Developments Completed in 2023

During Q3-2023, Killam reached substantial completion on two developments, Civic 66 and The Governor, both of which are currently in their lease-up phase. Killam has one development underway which is expected to be completed in 2025. In addition, Killam has a 10% interest in a 234-unit development project in Calgary, which is expected to be completed, and the remaining 90% acquired by Killam, in December 2023. The completion and stabilization of these projects are expected to contribute positively to Killam’s 2024 FFO per unit growth. Killam has a robust development pipeline of over 4,000 units, with 70% of the future projects located outside of Atlantic Canada. Planning is well underway for a number of these upcoming projects.

Strategic Focus on Capital Recycling Program

Killam's disposition program is focused on non-core and slower growth assets, or those which may be more capital intensive. Killam has completed six dispositions to date in 2023, including the disposition of Edward Court, a 96-unit apartment building located in Miramichi, NB, subsequent to quarter-end, for a sale price of $11.0 million and net cash proceeds of $5.1 million. Killam expects to complete additional dispositions in the fourth quarter, with proceeds to be used to reduce variable rate debt, fund future acquisition and development activity, and potentially buy back Trust Units through Killam's NCIB program.

Interest Rate Volatility Driving Increased Borrowing Costs

Killam has $83.0 million of mortgages maturing with an average interest rate of 3.30% in the remainder of 2023. Further, $303.5 million in mortgages having an average interest rate of 2.66% will mature in 2024. With current interest rates above these levels, Management anticipates higher rates on refinancings. Management has diversified Killam’s mortgages to avoid dependence on any one lending institution and has staggered maturity dates to mitigate interest rate risk. Killam's mortgage maturity schedule is included on page 33. Killam expects to continue reducing its variable rate interest expense through the remainder of 2023 with the placement of permanent fixed-rate mortgages on two developments (Luma and The Governor), the use of funds from the capital recycling program, and an increase in CMHC-insured mortgages on its existing portfolio. Management remains committed to maintaining debt as a percentage of total assets below 45%.

Moderating Operating Expenses

Killam monitors inflation, given the risk of increasing operating and capital costs. After experiencing sharp increases in natural gas costs over the last 18 months due to volatility in domestic and international gas markets, Killam saw a reduction in natural gas pricing in the second and third quarters, and guidance has indicated lower prices are expected in the 2024 winter heating season, assuming average winter temperatures. Approximately 58% of Killam's units are heated with natural gas, and fluctuations in natural gas pricing impacts Killam's operating costs. Investments in energy and water-saving initiatives and the further introduction of building automation controls are expected to moderate operating costs into 2024. Potential savings in natural gas may be partially offset by higher property taxes in 2024. Killam has experienced property tax savings in 2023 due to lower charges in New Brunswick and PEI. Property tax growth in these provinces is expected to revert to historic norms in 2024.

Dollar amounts in thousands of Canadian dollars (except as noted)

PART III

Portfolio Summary

The following table summarizes Killam's apartment, MHC and commercial portfolios by market as at September 30, 2023:

Apartment Portfolio				
	Units (1)	Number of Properties	NOI ($) (2)	NOI (2) (% of Total)
Nova Scotia				
Halifax	5,751	67	$45,354	27.1%
Sydney	139	2	$1,066	0.6%
	5,890	69	$46,420	27.7%
New Brunswick				
Moncton	2,246	39	$15,181	9.1%
Fredericton	1,529	23	$11,288	6.7%
Saint John	997	13	$6,450	3.9%
Miramichi	96	1	$554	0.3%
	4,868	76	$33,473	20.0%
Ontario				
Ottawa	1,447	9	$10,534	6.3%
London	523	5	$4,688	2.8%
Kitchener-Waterloo-Cambridge-GTA	2,010	14	$17,921	10.7%
	3,980	28	$33,143	19.8%
Newfoundland and Labrador				
St. John's	958	13	$6,490	3.9%
Grand Falls	148	2	$698	0.4%
	1,106	15	$7,188	4.3%
Prince Edward Island				
Charlottetown	1,041	22	$6,919	4.1%
Summerside	86	2	$458	0.3%
	1,127	24	$7,377	4.4%
Alberta				
Calgary	764	4	$6,347	3.8%
Edmonton	882	6	$7,581	4.5%
	1,646	10	$13,928	8.3%
British Columbia				
Victoria	516	5	$6,107	3.6%
Total Apartments	**19,133**	**227**	**$147,636**	**88.1%**
Manufactured Home Community Portfolio				
	Sites	Communities	NOI ($) (2)	(% of Total)
Nova Scotia	2,850	18	$4,077	2.4%
Ontario (3)	2,284	17	$5,238	3.1%
New Brunswick (3)	671	3	$728	0.5%
Newfoundland and Labrador	170	2	$309	0.2%
Total MHCs	**5,975**	**40**	**$10,352**	**6.2%**
Commercial Portfolio (4)				
	SF (5)	Properties	NOI ($) (2)	(% of Total)
Prince Edward Island (5)	386,729	1	$2,669	1.6%
Ontario	311,106	2	$3,880	2.3%
Nova Scotia (6)	218,829	5	$2,613	1.6%
New Brunswick	33,215	1	$405	0.2%
Total Commercial	**949,879**	**9**	**$9,567**	**5.7%**
Total Portfolio		**276**	**$167,555**	**100.0%**

(1) Unit count includes the total unit count of properties held through Killam's joint arrangements. Killam has a 50% ownership interest in apartment properties in Ontario, representing a proportionate ownership of 672 units of the 1,343 units in these properties. Killam manages the operations of all the co-owned apartment properties.
(2) For the nine months ended September 30, 2023.
(3) Killam's New Brunswick and Ontario MHC communities include seasonal operations, which typically commence in mid-May and run through the end of October.
(4) Killam has 187,617 SF of ancillary commercial space in various residential properties across the portfolio, which is included in apartment results.
(5) Square footage represents 100% of the commercial property located in PEI.
(6) Square footage includes Killam's 50% ownership interest in two office properties that are third-party managed.

Core Market Update

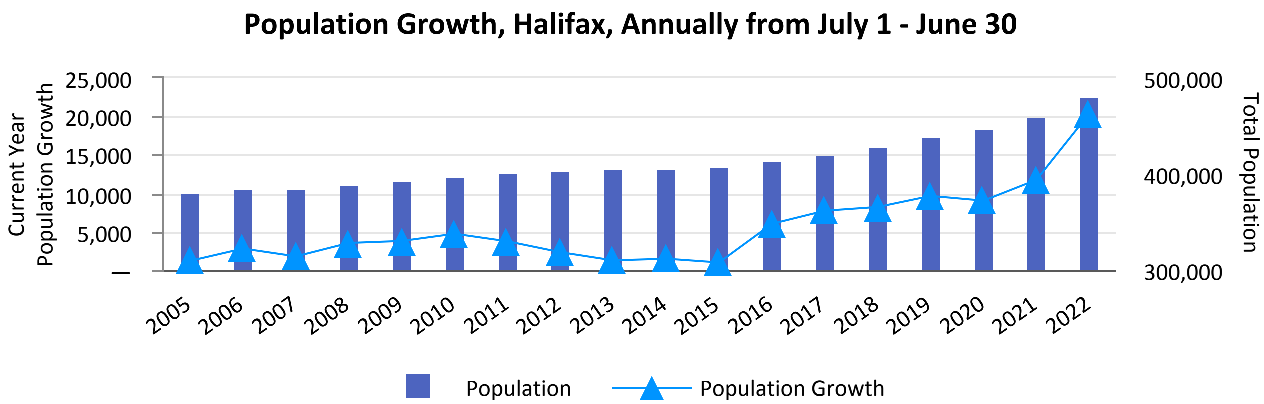
Halifax

Twenty-seven percent of Killam’s NOI was generated by its Halifax apartment properties for the nine months ended September 30, 2023. Halifax is the largest city in Atlantic Canada and is home to 19% of Atlantic Canadians. Halifax’s diverse economy generates 56% of Nova Scotia’s GDP and houses 47% of the province’s population. With six degree-granting universities and three large college campuses, Halifax has approximately 37,000 full-time students, including 7,350 international students. Halifax’s employment base is diversified, with the largest sectors focused on public service, health care, education, retail and wholesale trade. Halifax is home to the largest Canadian Forces Base by number of personnel, and the Department of National Defence is the city's single largest employer. There is also tremendous opportunity to leverage science and technology in Canada's ocean sectors, furthering the knowledge-based ocean economy.

According to CMHC's Rental Market Report, the city's rental market totals 57,635 units, with an additional 6,660 rental units currently under construction. Halifax's vacancy rate remains very low, attributable to the city's rising population, specifically in the city's downtown core. CMHC reported Halifax's average monthly rent increased 8.9% in 2022, the highest single-year increase and four times the historical average growth rate.

Scotiabank’s December 2022 provincial analysis report noted that Halifax's recent surge in interprovincial migration has fuelled robust growth in the housing sector. Though rising interest rates tempered housing sales, residential investment remains strong and is well above the national per capita average. Scotiabank expects heightened construction activity to continue in 2023, with demand from the rising population.

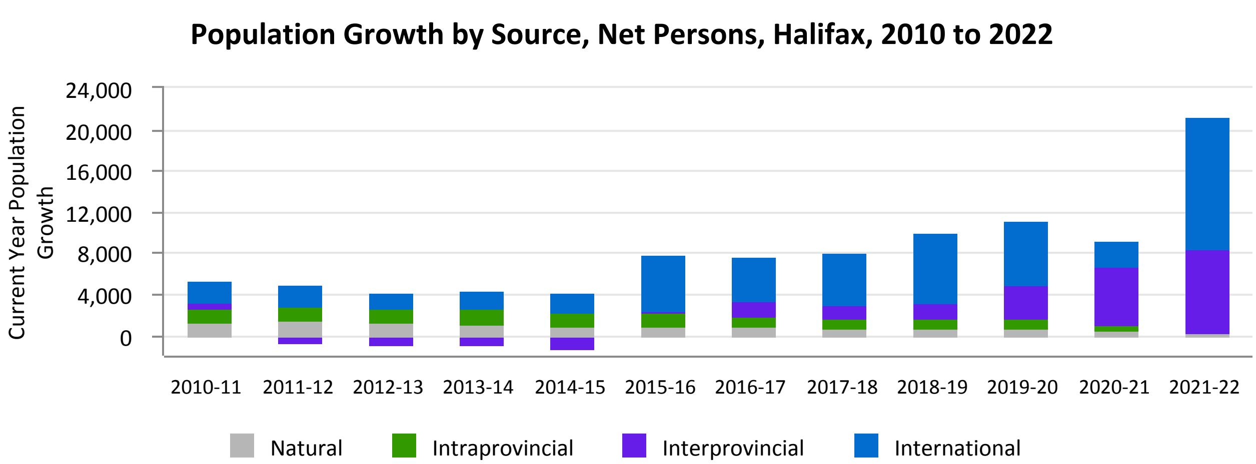
The following chart summarizes Halifax's population growth from 2005 to 2022:



Source: Statistics Canada

Between July 1, 2021 and June 30, 2022, Halifax's population grew by 4.5%, the largest annual increase the city has seen in decades. This per capita growth rate is the second fastest across Canada's 35 largest cities, behind only Moncton, and is driven by immigration and urbanization. During this period, international migration was the largest source of new residents, representing 60% of the total, while interprovincial migration represented 38%. This is the highest number of interprovincial migrants Halifax has ever experienced. Net natural growth contributed 2% of the growth in this period, while intraprovincial migration contributed a loss of less than 1%.

The following chart summarizes Halifax's population growth by source from 2010 to 2022:



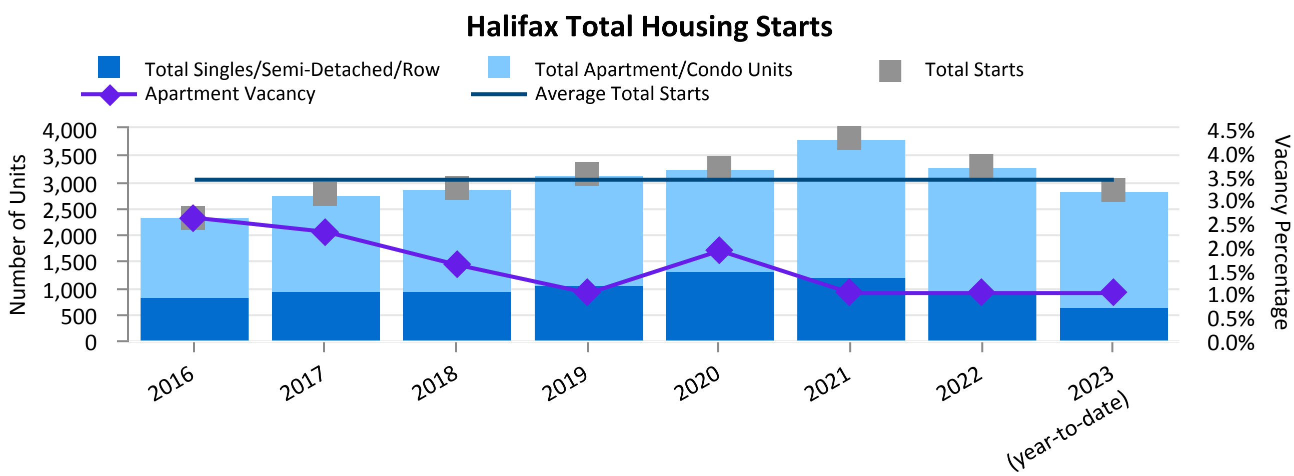
Source: Statistics Canada

For the nine months ended September 30, 2023, Statistics Canada estimated total net population growth in Nova Scotia exceeded 23,000, and is now estimated to total 1,058,700.

With the recent record levels of international and interprovincial newcomers, the arrival of younger migrants has helped rejuvenate the population, with the median age dropping from 45.1 years in 2018 to 44.2 years in 2022. This increase in working-age migrants has helped the province meet the demands of employers and is expected to support employment growth through 2024.

RBC's September 2023 Provincial Outlook report details that Nova Scotia's expanding population, strong demographic trends and low household indebtedness have helped maintain spending and investment in the province and keep employment growth positive. Like most other provinces, high interest rates have hindered building efforts across Nova Scotia in 2023, down 5.2% year-to-date. However, the weakening trend in housing starts is not expected to last, as sustained demand and government investment in new housing supply initiatives are expected to bring starts up to a 12% increase year-over-year. High inflation and increased interest rates have contributed to decelerated economic growth, down from a 2.6% GDP growth rate in 2022 to 1.5% in 2023. RBC forecasts GDP growth to decline further to 1.2% in 2024.

The following chart summarizes Halifax's housing start activity from 2016 to 2023 (year-to-date, as of September 30, 2023):



Source: CMHC

New Brunswick

Twenty percent of Killam's NOI was generated by apartments in New Brunswick's three major urban centres – Fredericton, Moncton and Saint John – for the nine months ended September 30, 2023. Fredericton is the provincial capital and home to the province's largest university and a significant public-sector workforce. Moncton is the province's largest city and is a transportation and distribution hub for Atlantic Canada. Given the relatively affordable cost of living, New Brunswick has become a destination for both Canadians and newcomers, and the province has seen an increase in net migration from other provinces in the past few years. According to Statistics Canada, New Brunswick's population grew by 2.1% for the nine months ended September 30, 2023.

According to RBC's September 2023 Provincial Outlook report, New Brunswick's booming population and relatively low household indebtedness have supported solid gains in employment and consumer spending. The influx of newcomers has been especially positive for the province's labour market. However, it has highlighted capacity constraints with the existing infrastructure, such as housing, to accommodate demand. This comes at a time when high interest rates are holding back new private residential construction. Overall, RBC forecasts the province's GDP growth to be 1.4% in 2023, compared to 1.8% in 2022, and expects a further decline to 0.9% in 2024.

St. John's, Newfoundland

Four percent of Killam's NOI was generated by apartments in St. John's, Newfoundland, for the nine months ended September 30, 2023. RBC's September 2023 Provincial Outlook report notes that the province's key oil industry has declined over the first half of 2023, resulting in a 0.7% forecasted GDP growth rate, compared to a 1.7% decline in 2022. RBC noted that prospects for a resurgence of the Terra Nova offshore oil platform and a more favourable mining outlook are expected to drive growth in 2024, contributing to an expected 1.4% growth rate. Following five consecutive years of decline in population, 2022 saw record immigration and the resumption of positive net interprovincial migration flows for Newfoundland, boosting population growth to a 12-year high at 1.3%, as measured by Statistics Canada. Population growth has continued in 2023, up 1.0% for the nine months ended September 30, 2023. Improved demographics will further sustain stronger demand for goods and services as well as housing in the region.

Dollar amounts in thousands of Canadian dollars (except as noted)

Prince Edward Island

Four percent of Killam's NOI was generated by apartments in Prince Edward Island for the nine months ended September 30, 2023. According to RBC's September 2023 Provincial Outlook report, low levels of household debt coupled with a booming population have sustained consumer spending and employment in the province. Statistics Canada estimates population in the province increased 2.7% in 2023, year-to-date. RBC notes that per capita population growth on the island is on track to be the highest among the provinces for a sixth consecutive year in 2023. However, high interest rates have taken a toll on the construction and housing sectors, with residential construction investment down 46% as of Q2-2023, the largest drop of all provinces. This, alongside disruptions to the lobster harvesting season, has resulted in the PEI economy slowing, with RBC forecasting GDP growth to slow to 1.7% in 2023 compared to 2.9% in 2022, ticking back up to 2.1% in 2024.

Ontario

Killam's Ontario apartment portfolio generated 19.8% of its NOI for the nine months ended September 30, 2023. RBC's September 2023 Provincial Outlook notes that rising interest rates and a higher cost of living in Ontario have resulted in less consumer spending and economic tightening in the province. With higher borrowing costs, residential investment in the province has declined; however, capital investment in electrical vehicles, battery production and transportation infrastructure is growing. RBC forecasts Ontario's GDP to grow by 1.1% in 2023, compared to a growth rate of 3.6% in 2022, but to slow further to 0.2% in 2024. Year-to-date, Ontario is leading the country in population growth, welcoming over 320,000 newcomers, up 2.1% as reported by Statistics Canada.

Alberta

Eight percent of Killam's NOI was earned in Alberta for the nine months ended September 30, 2023. According to RBC's September 2023 Provincial Outlook report, Alberta is forecasted to rank first among the provinces in 2023 in terms of GDP growth, forecasted at 2.2% compared to 5.1% in 2022. This growth is driven by the massive upswing in global energy markets, coupled with investment in the manufacturing and real estate sectors, supported by the region's increasing population. Capital investment increased 29% in 2022 to $24.6 billion, with a further 10% increase estimated in 2023. Drilling activity trended higher in 2022, and the Alberta Energy Regulator expects oil and gas capital spending to increase by 56% in 2023 and remain above levels preceding the pandemic. The completion of the region's Trans Mountain Pipeline expansion will also increase the transportation capacity for crude oil and will open up new export avenues in the coming year. However, RBC notes that rising interest rates and elevated inflation have weighed down household and business spending in 2023, and forecasts GDP growth to slow to 1.7% in 2024. Statistics Canada reported that Alberta's population has grown by 2.9% for the nine months ended September 30, 2023, the highest growth rate of all provinces.

British Columbia

Killam earned 3.6% of its NOI in the British Columbia market for the nine months ended September 30, 2023. RBC's September 2023 Provincial Outlook reported that forest fires coupled with labour strikes in the region have impacted economic growth, with GDP growth forecasted at 0.5% in 2023, compared to 3.6% in 2022. This decrease is further attributed to higher interest rates, inflation and decreasing household spending in the region. RBC notes that British Columbians carry the heaviest debt loads in Canada, making them especially sensitive to interest rate increases. These pressures are expected to continue into 2024, with GDP forecasted at 0.3%. However, record immigration is expected to boost residential capital investment, as builders, developers and policymakers address long-standing supply issues. Statistics Canada estimates that British Columbia's population grew by 2.1% for the nine months ended September 30, 2023, helping sustain demand for goods and services.

Diversified Exposure to Rent Control

In terms of NOI generated for the nine months ended September 30, 2023, approximately 40% of Killam's portfolio is not impacted by rent control restrictions, which provides Killam the opportunity to move rents to market rates in these regions. There is no rent control in Newfoundland and Labrador, New Brunswick or Alberta. Killam is also not restricted on rental increases for its commercial or seasonal resort properties.

The table below summarizes rent control restrictions in place for 2023 and 2024:

	2023		2024	
Province	**Apartments**	**MHCs**	**Apartments**	**MHCs**
Nova Scotia (1)	2.0%	2.2%	5.0%	5.8%
Ontario (2)	2.5%	2.5%	2.5%	2.5%
Prince Edward Island (3)	0.0%	0.0%	3.0%	N/A
British Columbia	2.0%	2.0%	3.5%	N/A

(1) The Government of Nova Scotia announced a temporary rent restriction measure in November 2020, limiting rental increases on renewals to 2.0% until the end of 2023. The government has announced that the restricted increase on lease renewals will rise to 5.0% for apartments in 2024 and 2025 and 5.8% for MHCs in 2024.

(2) The Government of Ontario announced a 2.5% allowable guideline increase for 2023 and 2024 lease renewals. Rent control does not apply to new construction in Ontario completed after November 25, 2018, which represents 601 units of Killam's Ontario portfolio. Additionally, property owners can apply for above-guideline rent increases in Ontario for major capital work performed, up to a maximum of 3.0% per year.

(3) The *Residential Tenancy Act* in Prince Edward Island limits the annual maximum allowable rent increase to 3.0%, which is set annually by the Director of Residential Tenancy.

Dollar amounts in thousands of Canadian dollars (except as noted)

PART IV

Q3-2023 Operational and Financial Results

Consolidated Results

For the three months ended September 30,

	Total Portfolio			Same Property (1)		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$89,534**	$85,301	5.0%	**$84,317**	$79,834	5.6%
Property operating expenses						
General operating expenses	**13,093**	12,704	3.1%	**12,336**	12,134	1.7%
Utility and fuel expenses	**5,893**	5,763	2.3%	**5,556**	5,487	1.3%
Property taxes	**10,033**	10,042	(0.1)%	**9,343**	9,431	(0.9)%
Total operating expenses	**$29,019**	$28,509	1.8%	**$27,235**	$27,052	0.7%
NOI	**$60,515**	$56,792	6.6%	**$57,082**	$52,782	8.1%
Operating margin %	**67.6%**	66.6%	100 bps	**67.7%**	66.1%	160 bps

For the nine months ended September 30,

	Total Portfolio			Same Property (1)		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$261,292**	$244,313	6.9%	**$244,956**	$232,375	5.4%
Property operating expenses						
General operating expenses	**39,841**	37,680	5.7%	**37,482**	36,202	3.5%
Utility and fuel expenses	**24,216**	22,996	5.3%	**22,678**	21,733	4.3%
Property taxes	**29,680**	29,897	(0.7)%	**27,797**	28,380	(2.1)%
Total operating expenses	**$93,737**	$90,573	3.5%	**$87,957**	$86,315	1.9%
NOI	**$167,555**	$153,740	9.0%	**$156,999**	$146,060	7.5%
Operating margin %	**64.1%**	62.9%	120 bps	**64.1%**	62.9%	120 bps

(1) Same property results exclude acquisitions and developments completed during the comparable 2023 and 2022 periods, which are classified as non-same property. For the three and nine months ended September 30, 2023, NOI contributions from acquisitions and developments completed in 2022 and 2023 were $2.0 million and $5.6 million. For the three and nine months ended September 30, 2022, the NOI contributions from acquisitions and developments completed in 2022 were $1.8 million and $2.7 million.

For the three and nine months ended September 30, 2023, Killam achieved strong overall portfolio performance. Revenues increased by 5.0% and 6.9%, while total operating expenses grew by 1.8% and 3.5%. In aggregate, NOI increased by 6.6% and 9.0% for the three and nine months ended September 30, 2023.

Same property results include properties owned during comparable 2023 and 2022 periods. Same property results represent 92% of the fair value of Killam's investment property portfolio as at September 30, 2023. Non-same property results include acquisitions, dispositions and developments completed in 2022 and 2023, and commercial assets acquired for future residential development.

Same property revenue grew by 5.6% and 5.4% for the three and nine months ended September 30, 2023, compared to the same periods in 2022. This growth was driven by strong rental rate growth, increases in both seasonal MHCs and commercial revenues, and a 10 bps increase in apartment occupancy.

Same property operating expenses increased by 0.7% for the three months ended September 30, 2023. The increase for the quarter was driven by a 1.7% increase in general operating expenses, coupled with a 1.3% increase in utility and fuel expenses. These increases were offset by a 0.9% decrease in property taxes, which was the result of a decrease in property tax mill rates in New Brunswick and property tax subsidies in PEI. Total same property operating expenses grew by 1.9% for the nine months ended September 30, 2023. The growth was driven by higher natural gas pricing in the first quarter, which contributed to a 4.3% increase in utility and fuel expenses, coupled with a 3.5% increase in general operating expenses. These were offset by a 2.1% decrease in property taxes.

Overall, same property NOI grew by 8.1% and 7.5% for the three and nine months ended September 30, 2023.

Dollar amounts in thousands of Canadian dollars (except as noted)

Apartment Results

For the three months ended September 30,

	Total			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$77,225**	$73,808	4.6%	**$72,300**	$68,659	5.3%
Property operating expenses						
General operating expenses	**11,016**	10,671	3.2%	**10,193**	10,069	1.2%
Utility and fuel expenses	**5,025**	4,875	3.1%	**4,708**	4,616	2.0%
Property taxes	**8,902**	8,945	(0.5)%	**8,237**	8,358	(1.4)%
Total operating expenses	**$24,943**	$24,491	1.8%	**$23,138**	$23,043	0.4%
NOI	**$52,282**	$49,317	6.0%	**$49,162**	$45,616	7.8%
Operating margin %	**67.7%**	66.8%	90 bps	**68.0%**	66.4%	160 bps

For the nine months ended September 30,

	Total			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$229,414**	$214,583	6.9%	**$213,820**	$203,218	5.2%
Property operating expenses						
General operating expenses	**33,972**	31,989	6.2%	**31,468**	30,404	3.5%
Utility and fuel expenses	**21,505**	20,390	5.5%	**20,068**	19,166	4.7%
Property taxes	**26,301**	26,628	(1.2)%	**24,486**	25,175	(2.7)%
Total operating expenses	**$81,778**	$79,007	3.5%	**$76,022**	$74,745	1.7%
NOI	**$147,636**	$135,576	8.9%	**$137,798**	$128,473	7.3%
Operating margin %	**64.4%**	63.2%	120 bps	**64.4%**	63.2%	120 bps

Apartment Revenue

Total apartment revenue for the three and nine months ended September 30, 2023, was $77.2 million and $229.4 million, an increase of 4.6% and 6.9% over the same periods in 2022. Revenue growth was augmented by contributions from properties acquired and developed over the past two years, coupled with high occupancy and accelerating rent growth on turns given strong demand for units.

Same property apartment revenue increased 5.3% and 5.2% for the three and nine months ended September 30, 2023. This was driven by a 4.7% increase in year-over-year average rent as at September 30, 2023, coupled with a decrease in rental incentives and an increase in occupancy during the periods.

The operating margin on Killam's same property apartment portfolio for the three and nine months ended September 30, 2023, was up 160 bps and 120 bps to 68.0% and 64.4%, respectively. This was largely due to above-average rental rate growth and a decrease in property taxes during these periods, which partially offset the increases in general operating and utility and fuel expenses.

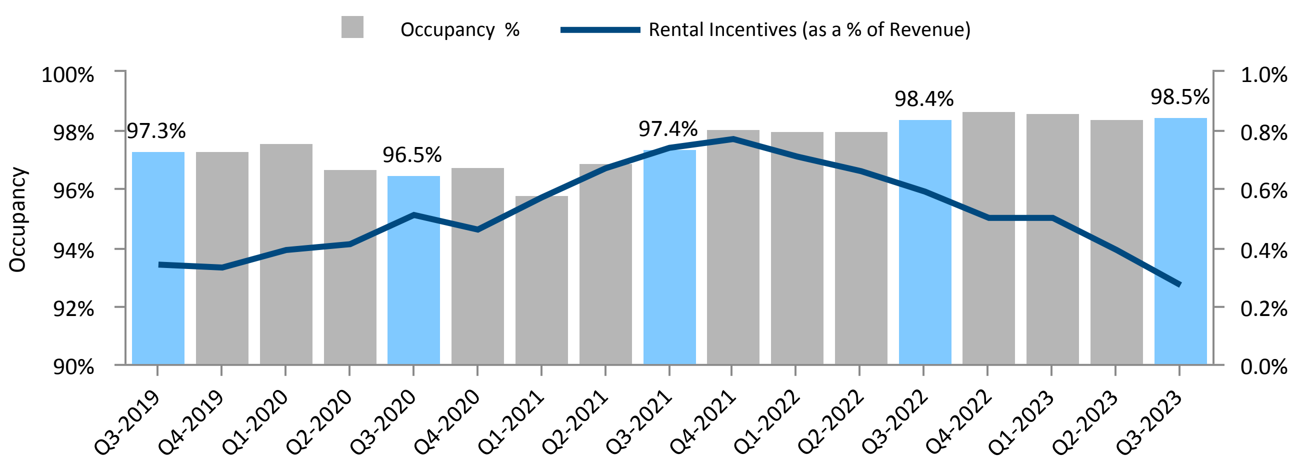
Dollar amounts in thousands of Canadian dollars (except as noted)

Apartment Occupancy Analysis by Core Market (% of Residential Rent) [(1)]

For the three months ended September 30,	# of Units	Total Occupancy 2023	2022	Change (bps)	Same Property Occupancy 2023	2022	Change (bps)
Nova Scotia							
Halifax	5,890	**98.3%**	98.8%	(50)	**99.1%**	98.8%	30
Ontario							
Ottawa [(2)]	1,447	**97.1%**	87.2%	990	**97.1%**	97.4%	(30)
London	523	**98.9%**	99.1%	(20)	**98.9%**	99.1%	(20)
KWC-GTA [(3)]	2,010	**90.1%**	98.0%	(790)	**98.4%**	99.0%	(60)
New Brunswick							
Moncton	2,342	**98.6%**	99.0%	(40)	**98.6%**	99.0%	(40)
Fredericton	1,529	**98.2%**	96.5%	170	**98.2%**	96.5%	170
Saint John	997	**97.7%**	98.1%	(40)	**97.6%**	98.1%	(50)
Newfoundland and Labrador							
St. John's	1,103	**98.3%**	95.9%	240	**98.3%**	95.9%	240
Prince Edward Island							
Charlottetown	1,127	**99.4%**	99.3%	10	**99.4%**	99.2%	20
Alberta							
Calgary	764	**99.2%**	98.6%	60	**99.2%**	98.6%	60
Edmonton	882	**96.4%**	97.9%	(150)	**96.4%**	97.9%	(150)
British Columbia							
Victoria	516	**98.3%**	98.2%	10	**99.0%**	98.3%	70
Total Apartments (weighted average)	**19,130**	**97.1%**	97.5%	(40)	**98.5%**	98.4%	10

(1) Occupancy as a percentage of residential rent is calculated as vacancy (in dollars) divided by gross potential residential rent (in dollars) for the period.
(2) Total 2022 occupancy for Ottawa was impacted by Latitude and Luma, two development projects undergoing initial lease-up.
(3) Total 2023 occupancy for KWC-GTA was impacted by Civic 66, a recently completed 169-unit development property undergoing initial lease-up.

Historical Same Property Apartment Occupancy & Rental Incentives (as a % of Revenue)



Killam continues to see a decrease in rental incentives as a percentage of total revenue in Q3-2023 compared to Q3-2022. Rental incentives decreased in nearly all Killam's regions quarter-over-quarter. The majority of the incentives in Q3-2023 were in Alberta, although incentives in this region did decline 61% compared to Q3-2022.

Dollar amounts in thousands of Canadian dollars (except as noted)

Year-Over-Year Average Rent Analysis by Core Market

As at September 30,

		Average Rent			Same Property Average Rent		
	# of Units	**2023**	2022	% Change	**2023**	2022	% Change
Nova Scotia							
Halifax	5,890	**$1,324**	$1,266	4.6%	**$1,322**	$1,265	4.5%
Ontario							
Ottawa	1,447	**$2,119**	$2,040	3.9%	**$2,105**	$2,020	4.2%
London	523	**$1,524**	$1,433	6.4%	**$1,524**	$1,433	6.4%
KWC-GTA	2,010	**$1,660**	$1,509	10.0%	**$1,549**	$1,467	5.6%
New Brunswick							
Moncton	2,342	**$1,167**	$1,110	5.1%	**$1,167**	$1,110	5.1%
Fredericton	1,529	**$1,251**	$1,177	6.3%	**$1,251**	$1,177	6.3%
Saint John	997	**$1,073**	$998	7.5%	**$1,073**	$998	7.5%
Newfoundland and Labrador							
St. John's	1,103	**$1,029**	$1,002	2.7%	**$1,029**	$1,002	2.7%
Prince Edward Island							
Charlottetown (1)	1,127	**$1,102**	$1,100	0.2%	**$1,102**	$1,100	0.2%
Alberta							
Calgary (2)	764	**$1,365**	$1,290	5.8%	**$1,365**	$1,290	5.8%
Edmonton (3)	882	**$1,544**	$1,497	3.1%	**$1,544**	$1,497	3.1%
British Columbia							
Victoria	516	**$1,807**	$1,704	6.0%	**$1,952**	$1,836	6.3%
Total Apartments (weighted average)	**19,130**	**$1,355**	$1,273	6.4%	**$1,327**	$1,267	4.7%

(1) The average rent in Charlottetown as at September 30, 2023, decreased compared to the previous period as a result of dispositions completed in the second quarter.
(2) Including the reduction in rental incentives, year-over-year same property average rent increased 8.6% in Calgary as at September 30, 2023.
(3) Including the reduction in rental incentives, year-over-year same property average rent increased 6.2% in Edmonton as at September 30, 2023.

Dollar amounts in thousands of Canadian dollars (except as noted)

Same Property Rental Increases – Tenant Renewals versus Unit Turns

The rental increases in the table below reflect rental increases achieved on units renewed or turned (released) for the three and nine months ended September 30, 2023, whereas rental increases in the previous section reflect the year-over-year change in average rent by region as at September 30, 2023, compared to September 30, 2022.

Killam historically turned approximately 30%–32% of its units each year; however, this ratio has declined over the past four years. Due to the tightening of the housing and rental markets across Canada, turnover levels in 2022 were 22%, down from 26% in 2021. Turnover has continued to trend lower during the first nine months of 2023 and is expected to finish the year below 20%. Upon turn, Killam will typically generate rental increases by moving rental rates to market and, where market demand exists, by upgrading units for unlevered returns of 15% on capital invested.

Killam earned a 170 bps increase in its same property weighted average rental increase quarter-over-quarter, up from 4.2% in Q3-2022 to 5.9% in Q3-2023. This growth was a result of higher rental increases on both unit turns and lease renewals. Population growth and supply constraints across Canada continues to drive higher market rents.

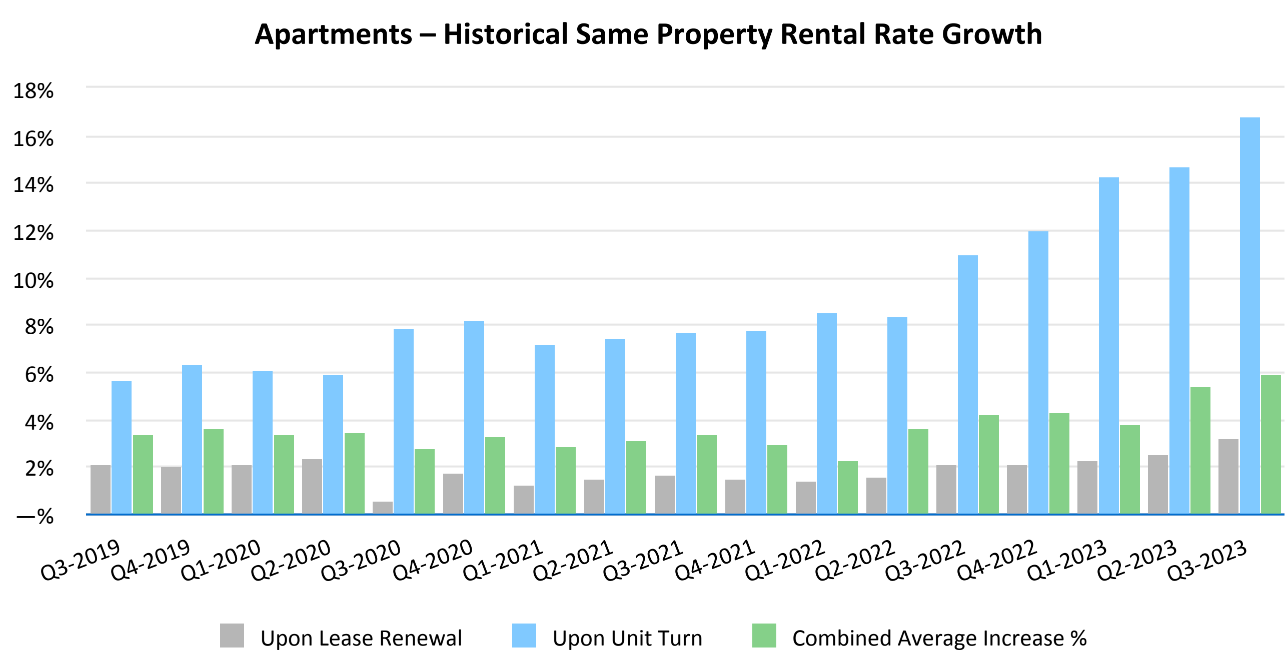
Year-to-date, the weighted average rental rate increased 5.0%. This growth was primarily due to strong market fundamentals continuing to drive higher rental increases on unit turns, which were up from 9.5% for the nine months ended September 30, 2022, to 15.5% for the same period in 2023. This was coupled with higher rental increases on renewals, up 100 bps from 1.7% to 2.7%. The chart below summarizes the rental increases earned during the three and nine months ended September 30, 2023 and 2022.

The mark-to-market opportunity on unit turns continues to expand, increasing to an average of 25% – 30% across the portfolio.

	For the three months ended September 30,				**For the nine months ended September 30,**			
	2023		**2022**		**2023**		**2022**	
	Rental Increases	Turnovers & Renewals (1)	Rental Increases	Turnovers & Renewals (1)	Rental Increases	Turnovers & Renewals (1)	Rental Increases	Turnovers & Renewals (1)
Lease renewal (2)	**3.2%**	**26.7%**	2.1%	25.4%	**2.7%**	**69.2%**	1.7%	67.0%
Unit turn	**16.8%**	**6.3%**	11.0%	7.3%	**15.5%**	**14.8%**	9.5%	17.4%
Rental increase (weighted avg)	**5.9%**		4.2%		**5.0%**		3.3%	

(1) Percentage of suites turned over or renewed during the periods, based on the total weighted average number of units held during the periods, adjusted for Killam's 50% ownership in jointly held properties.
(2) The large weighting of renewals during the nine months ended September 30, 2023 and 2022, is due to many leases across the portfolio renewing on January 1.

The following chart summarizes the weighted average rental rate increases achieved by quarter on lease turns and renewals.



Dollar amounts in thousands of Canadian dollars (except as noted)

Apartment Expenses

Total operating expenses for the three and nine months ended September 30, 2023, were $24.9 million and $81.8 million, a 1.8% and 3.5% increase over the same periods in 2022. This is due to incremental costs associated with recent acquisitions and developments, coupled with inflationary pressures and increased natural gas pricing in the first quarter.

Total same property operating expenses increased by 0.4% and 1.7% for the three and nine months ended September 30, 2023. The increase includes a 2.0% and 4.7% increase in utility and fuel expenses, driven primarily by higher water and natural gas costs. Natural gas commodity pricing increased in the first quarter, but decreased across the majority of Killam's regions in the second and third quarters. Oil and propane costs increased 4.1% and decreased 7.0% for the three and nine months ended September 30, 2023, as a result of lower commodity pricing in the first half of the year, and a modest uptick in pricing in Q3-2023 compared to Q3-2022.

Property Operating Expenses
Property operating expenses for the apartment portfolio include repairs and maintenance, contract services, insurance, property management and property management wages and benefits, uncollectible accounts, marketing, advertising and leasing costs. The increase in same property general operating expenses of 1.2% and 3.5% for the three and nine months ended September 30, 2023, was due to higher wage costs, increased contract service costs and higher general and administrative expenses. These increases were partially offset by savings in insurance premiums, lower repairs and maintenance costs and a decline in bad debt expense.

Same Property Utility and Fuel Expenses

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	**2023**	2022	% Change
Natural gas	**$740**	$864	(14.4)%	**$7,293**	$6,749	8.1%
Electricity	**1,872**	1,795	4.3%	**6,202**	6,170	0.5%
Water	**1,948**	1,815	7.3%	**5,694**	5,311	7.2%
Oil & propane	**127**	122	4.1%	**818**	880	(7.0)%
Other	**21**	20	5.0%	**61**	56	8.9%
Total utility and fuel expenses	**$4,708**	$4,616	2.0%	**$20,068**	$19,166	4.7%

Killam’s apartment portfolio is heated with natural gas (56%), electricity (36%), oil (3%), district heat (2%), geothermal (2%) and propane (less than 1%). Electricity costs relate primarily to common areas, as unit electricity costs are typically paid by tenants, reducing Killam’s exposure to the majority of Killam's 6,800 apartments heated with electricity. Fuel costs associated with central natural gas or oil-fired heating plants are paid by Killam.

Utility and fuel expenses accounted for approximately 20% and 26% of Killam’s total apartment same property operating expenses for the three and nine months ended September 30, 2023. Total same property utility and fuel expenses increased 2.0% for the three months ended September 30, 2023, and 4.7% for the nine months ended September 30, 2023.

Same property natural gas expenses decreased 14.4% and increased 8.1% for the three and nine months ended September 30, 2023, due to higher natural gas pricing in the first quarter, followed by lower pricing in the second and third quarters. This included commodity price decreases of 43% in Alberta, 45% in Nova Scotia, 55% in Ontario and 29% in New Brunswick during Q3-2023, compared to Q3-2022.

Electricity costs increased 4.3% and 0.5% for the three and nine months ended September 30, 2023. The increase in Q3-2023 is a result of increased pricing, while the smaller year-to-date increase was supported by warmer temperatures and the transfer of unit electricity costs to tenants on turn.

Oil and propane costs increased by 4.1% and decreased by 7.0% for the three and nine months ended September 30, 2023, compared to the same periods in 2022. The increase in Q3-2023 is the result of an increase in oil prices during the quarter compared to Q3-2022, mainly driven by carbon tax pricing. The year-to-date decrease was supported by lower commodity pricing in the first half of the year. The majority of Killam's heating oil and propane costs are in Prince Edward Island.

Property Taxes
Same property tax expenses for the three and nine months ended September 30, 2023, were $8.2 million and $24.5 million, down 1.4% and 2.7% from the same periods in 2022. This decline is due to a reduction in regional mill rates in New Brunswick, coupled with property tax subsidies in Prince Edward Island. The tax subsidies in PEI are to compensate apartment owners for the rent control restrictions limiting any rental rate growth in 2023. New Brunswick and PEI both experienced a 12.1% decrease in property taxes during the nine months ended September 30, 2023, compared to the same period in 2022. All other regions were up approximately 2.0% to 4.0%, year-over-year. Killam actively reviews its property tax assessments and appeals tax assessment increases wherever possible.

Dollar amounts in thousands of Canadian dollars (except as noted)

Apartment Same Property NOI by Region

Three months ended September 30,

	Property Revenue			Property Expenses			Net Operating Income		
	2023	2022	% Change	**2023**	2022	% Change	**2023**	2022	% Change
Nova Scotia									
Halifax	**$24,176**	$23,065	4.8%	**($7,309)**	($7,153)	2.2%	**$16,867**	$15,912	6.0%
	24,176	23,065	4.8%	**(7,309)**	(7,153)	2.2%	**16,867**	15,912	6.0%
Ontario									
Ottawa	**3,784**	3,620	4.5%	**(1,191)**	(1,175)	1.4%	**2,593**	2,445	6.1%
London	**2,417**	2,260	6.9%	**(765)**	(731)	4.7%	**1,652**	1,529	8.0%
KWC-GTA	**7,910**	7,523	5.1%	**(2,706)**	(2,578)	5.0%	**5,204**	4,945	5.2%
	14,111	13,403	5.3%	**(4,662)**	(4,484)	4.0%	**9,449**	8,919	5.9%
New Brunswick									
Moncton	**8,592**	8,238	4.3%	**(3,086)**	(3,208)	(3.8)%	**5,506**	5,030	9.5%
Fredericton	**5,840**	5,401	8.1%	**(1,853)**	(1,957)	(5.3)%	**3,987**	3,444	15.8%
Saint John	**3,253**	3,052	6.6%	**(1,149)**	(1,206)	(4.7)%	**2,104**	1,846	14.0%
	17,685	16,691	6.0%	**(6,088)**	(6,371)	(4.4)%	**11,597**	10,320	12.4%
Newfoundland and Labrador									
St. John's	**3,448**	3,263	5.7%	**(962)**	(936)	2.8%	**2,486**	2,327	6.8%
	3,448	3,263	5.7%	**(962)**	(936)	2.8%	**2,486**	2,327	6.8%
Prince Edward Island									
Charlottetown	**3,551**	3,514	1.1%	**(1,158)**	(1,222)	(5.2)%	**2,393**	2,292	4.4%
	3,551	3,514	1.1%	**(1,158)**	(1,222)	(5.2)%	**2,393**	2,292	4.4%
Alberta									
Calgary	**3,371**	3,102	8.7%	**(1,086)**	(1,045)	3.9%	**2,285**	2,057	11.1%
Edmonton	**4,086**	3,870	5.6%	**(1,453)**	(1,410)	3.0%	**2,633**	2,460	7.0%
	7,457	6,972	7.0%	**(2,539)**	(2,455)	3.4%	**4,918**	4,517	8.9%
British Columbia									
Victoria	**1,872**	1,751	6.9%	**(420)**	(422)	(0.5)%	**1,452**	1,329	9.3%
	$72,300	$68,659	5.3%	**($23,138)**	($23,043)	0.4%	**$49,162**	$45,616	7.8%

Dollar amounts in thousands of Canadian dollars (except as noted)

Nine months ended September 30,

	Property Revenue			Property Expenses			Net Operating Income		
	2023	2022	% Change	**2023**	2022	% Change	**2023**	2022	% Change
Nova Scotia									
Halifax	**$71,497**	$68,500	4.4%	**($25,491)**	($24,143)	5.6%	**$46,006**	$44,357	3.7%
	71,497	68,500	4.4%	**(25,491)**	(24,143)	5.6%	**46,006**	44,357	3.7%
Ontario									
Ottawa	**11,176**	10,632	5.1%	**(3,625)**	(3,429)	5.7%	**7,551**	7,203	4.8%
London	**7,088**	6,655	6.5%	**(2,405)**	(2,334)	3.0%	**4,683**	4,321	8.4%
KWC-GTA	**23,478**	22,305	5.3%	**(8,510)**	(8,122)	4.8%	**14,968**	14,183	5.5%
	41,742	39,592	5.4%	**(14,540)**	(13,885)	4.7%	**27,202**	25,707	5.8%
New Brunswick									
Moncton	**25,492**	24,357	4.7%	**(9,758)**	(10,293)	(5.2)%	**15,734**	14,064	11.9%
Fredericton	**17,189**	16,105	6.7%	**(5,908)**	(6,139)	(3.8)%	**11,281**	9,966	13.2%
Saint John	**9,584**	9,011	6.4%	**(3,781)**	(3,945)	(4.2)%	**5,803**	5,066	14.5%
	52,265	49,473	5.6%	**(19,447)**	(20,377)	(4.6)%	**32,818**	29,096	12.8%
Newfoundland and Labrador									
St. John's	**10,276**	9,630	6.7%	**(3,092)**	(3,072)	0.7%	**7,184**	6,558	9.5%
	10,276	9,630	6.7%	**(3,092)**	(3,072)	0.7%	**7,184**	6,558	9.5%
Prince Edward Island									
Charlottetown	**10,617**	10,500	1.1%	**(4,026)**	(4,190)	(3.9)%	**6,591**	6,310	4.5%
	10,617	10,500	1.1%	**(4,026)**	(4,190)	(3.9)%	**6,591**	6,310	4.5%
Alberta									
Calgary	**9,860**	8,974	9.9%	**(3,508)**	(3,313)	5.9%	**6,352**	5,661	12.2%
Edmonton	**12,114**	11,341	6.8%	**(4,526)**	(4,389)	3.1%	**7,588**	6,952	9.1%
	21,974	20,315	8.2%	**(8,034)**	(7,702)	4.3%	**13,940**	12,613	10.5%
British Columbia									
Victoria	**5,449**	5,208	4.6%	**(1,392)**	(1,376)	1.2%	**4,057**	3,832	5.9%
	$213,820	$203,218	5.2%	**($76,022)**	($74,745)	1.7%	**$137,798**	$128,473	7.3%

Halifax

Killam's Halifax apartment portfolio achieved a same property revenue increase of 4.8% and 4.4% for the three and nine months ended September 30, 2023, compared to the same periods in 2022. This increase was driven by a 4.5% increase in year-over-year average rent in the region, coupled with a 30 bps increase in occupancy to 99.1% in Q3-2023. Total same property operating expenses for the three and nine months ended September 30, 2023, were 2.2% and 5.6% higher compared to the same periods in 2022. The increase in expenses was driven by higher salary costs, contract service expenses, and higher utility and fuel costs, which were up 8.1% year-to-date, mainly attributable to natural gas. In aggregate, NOI was 6.0% and 3.7% higher for the three and nine months ended September 30, 2023. Killam expects natural gas costs in Halifax to be lower in the 2024 heating season, assuming average winter temperatures.

Ontario

Same property apartment revenue in Ontario grew 5.3% and 5.4% for the three and nine months ended September 30, 2023. This was due to a 5.1% increase in year-over-year average rent, partially offset by a 40 bps decrease in occupancy to 98.0% in the quarter. Total same property operating expenses for the three and nine months ended September 30, 2023, increased 4.0% and 4.7% compared to the same periods in 2022. This increase was a result of higher salary and repairs and maintenance costs, coupled with increased natural gas pricing experienced in the first half of the year. The net impact was a 5.9% and 5.8% increase in NOI for the three and nine months ended September 30, 2023.

New Brunswick
Killam's apartment portfolio in New Brunswick generated an aggregate same property revenue increase of 6.0% and 5.6% for the three and nine months ended September 30, 2023. This increase was driven by a year-over-year average rent increase of 6.0%, coupled with a 30 bps increase in occupancy to 98.3%. Fredericton experienced significant occupancy gains in Q3-2023, up 170 bps to 98.2%, while occupancy in Saint John and Moncton decreased by 50 bps and 40 bps to 97.6% and 98.6%, respectively. Total same property operating expenses for the three and nine months ended September 30, 2023, decreased by 4.4% and 4.6% compared to the same periods in 2022. This decrease was driven by a reduction in regional tax mill rates in New Brunswick, which resulted in an aggregate year-to-date 12.1% decrease in realty taxes despite an average 20% increase in property assessments. Additionally, utility and fuel expenses were relatively flat due to warmer temperatures and unit electricity being transferred to tenants upon turnover. Overall, NOI grew by 12.4% and 12.8% for the three and nine months ended September 30, 2023.

Newfoundland and Labrador
Same property apartment revenue in Newfoundland and Labrador grew 5.7% and 6.7% for the three and nine months ended September 30, 2023. This growth was primarily due to a 240 bps increase in occupancy in the quarter, up from 95.9% to 98.3%. This was coupled with a 2.7% increase in year-over-year average rent. Total same property operating expenses for the three and nine months ended September 30, 2023, increased by 2.8% and 0.7% compared to the same periods in 2022. This was a result of higher salary and utility and fuel expenses, offset by lower advertising and repairs and maintenance expenses as a result of higher occupancy. In aggregate, NOI increased by 6.8% and 9.5% for the three and nine months ended September 30, 2023.

Prince Edward Island
Same property apartment revenue in Prince Edward Island increased by 1.1% for both the three and nine months ended September 30, 2023, compared to the same periods in 2022. Occupancy in the region grew by 20 bps to 99.4% in Q3-2023; however, rental growth was limited by rent control in the region, which prohibits rental increases in 2023. Total same property operating expenses for the three and nine months ended September 30, 2023, decreased by 5.2% and 3.9% compared to the same periods in 2022. This decline was due to property tax subsidies in the region to help offset the 0% rent control in 2023. This resulted in a year-to-date 12.1% decrease in realty taxes. Additionally, utility and fuel expenses remained relatively flat due to lower oil and propane costs in the first half of the year. The net impact was a 4.4% and 4.5% increase in NOI for the three and nine months ended September 30, 2023.

Alberta
Killam's Alberta apartment portfolio achieved same property revenue growth of 7.0% and 8.2% for the three and nine months ended September 30, 2023, compared to the same periods in 2022. This growth was primarily due to a 4.3% increase in year-over-year average rent in the region and a 36.2% year-to-date decrease in rental incentives. This was partially offset by a 50 bps decrease in occupancy. A 150 bps decrease in Edmonton to 96.4% was partially offset by a 60 bps increase in Calgary to 99.2%. Total same property operating expenses for the three and nine months ended September 30, 2023, increased by 3.4% and 4.3% compared to the same periods in 2022. This was driven primarily by higher salary and utility and fuel costs, offset by lower repairs and maintenance and advertising costs. Overall, NOI was up 8.9% and 10.5% for the three and nine months ended September 30, 2023.

British Columbia
Same property apartment revenue in British Columbia increased by 6.9% and 4.6% for the three and nine months ended September 30, 2023. This growth was a result of a 6.3% increase in year-over-year average rent in the region, coupled with a 70 bps increase in occupancy in Q3-2023, to 99.0%. Total same property operating expenses decreased 0.5% and increased 1.2% for the three and nine months ended September 30, 2023. The decline in expenses during the quarter was due to lower insurance and general and administrative expenses, while the year-to-date increase was driven by higher salary costs and property taxes. In aggregate, NOI increased by 9.3% and 5.9% for the three and nine months ended September 30, 2023.

Dollar amounts in thousands of Canadian dollars (except as noted)

MHC Results

For the three months ended September 30,

	Total Portfolio			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$6,997**	$6,707	4.3%	**$6,818**	$6,467	5.4%
Property operating expenses	**2,164**	2,044	5.9%	**2,141**	2,029	5.5%
NOI	**$4,833**	$4,663	3.6%	**$4,677**	$4,438	5.4%
Operating margin %	**69.1%**	69.5%	(40) bps	**68.6%**	68.6%	– bps

For the nine months ended September 30,

	Total Portfolio			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$16,088**	$15,443	4.2%	**$15,684**	$15,070	4.1%
Property operating expenses	**5,736**	5,373	6.8%	**5,616**	5,391	4.2%
NOI	**$10,352**	$10,070	2.8%	**$10,068**	$9,679	4.0%
Operating margin %	**64.3%**	65.2%	(90) bps	**64.2%**	64.2%	– bps

Killam's MHC portfolio generated $4.8 million and $10.4 million, or 8.0% and 6.2%, of Killam's total NOI for the three and nine months ended September 30, 2023. The MHC business generates its highest revenues and NOI during the second and third quarters of each year due to the contribution from its nine seasonal resorts that earn approximately 60% of their NOI between July and October. In aggregate, same property NOI from the MHC portfolio increased by 5.4% and 4.0% for the three and nine months ended September 30, 2023. This growth is attributable to a 5.4% and 4.1% increase in revenue for the three and nine months ended September 30, 2023, offset by increases in property operating expenses of 5.5% and 4.2% compared to the same periods in 2022.

For the three months ended September 30,

	Property Revenue			Property Expenses			Net Operating Income		
	2023	2022	% Change	**2023**	2022	% Change	**2023**	2022	% Change
Permanent MHCs	**$3,375**	$3,215	5.0%	**($1,035)**	($978)	5.8%	**$2,340**	$2,237	4.6%
Seasonal Resorts	**3,443**	3,252	5.9%	**(1,106)**	(1,051)	5.2%	**2,337**	2,201	6.2%
	$6,818	$6,467	5.4%	**($2,141)**	($2,029)	5.5%	**$4,677**	$4,438	5.4%

For the nine months ended September 30,

	Property Revenue			Property Expenses			Net Operating Income		
	2023	2022	% Change	**2023**	2022	% Change	**2023**	2022	% Change
Permanent MHCs	**$9,979**	$9,681	3.1%	**($3,439)**	($3,296)	4.3%	**$6,540**	$6,385	2.4%
Seasonal Resorts	**5,705**	5,389	5.9%	**(2,177)**	(2,095)	3.9%	**3,528**	3,294	7.1%
	$15,684	$15,070	4.1%	**($5,616)**	($5,391)	4.2%	**$10,068**	$9,679	4.0%

For the three and nine months ended September 30, 2023, same property permanent MHCs generated a 4.6% and 2.4% increase in NOI, with average rent increasing 3.5% in Q3-2023 to $297 per site, compared to $287 per site in Q3-2022. Occupancy decreased by 20 bps quarter-over-quarter, but remained high at 98.3% in Q3-2023. Revenue and NOI growth were further augmented through MHC site expansions at many of Killam's communities.

Killam's seasonal resort portfolio achieved strong same property revenue growth, generating a 5.9% increase in revenue for both the three and nine months ended September 30, 2023, compared to the same periods in 2022. This was partially offset by an increase in property operating expenses, which saw upticks of 5.2% and 3.9% as a result of higher salary and repairs and maintenance costs. Overall, NOI for same property seasonal MHCs grew by 6.2% and 7.1% for the three and nine months ended September 30, 2023.

Dollar amounts in thousands of Canadian dollars (except as noted)

Commercial Results

For the three months ended September 30,						
	Total Portfolio			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$5,312**	$4,786	11.0%	**$5,199**	$4,708	10.4%
Property operating expenses	**1,912**	1,974	(3.1)%	**1,956**	1,980	(1.2)%
NOI	**$3,400**	$2,812	20.9%	**$3,243**	$2,728	18.9%

For the nine months ended September 30,						
	Total Portfolio			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$15,790**	$14,287	10.5%	**$15,452**	$14,087	9.7%
Property operating expenses	**6,223**	6,193	0.5%	**6,319**	6,179	2.3%
NOI	**$9,567**	$8,094	18.2%	**$9,133**	$7,908	15.5%

Killam's commercial property portfolio contributed $3.4 million and $9.6 million, or 5.6% and 5.7%, of Killam's total NOI for the three and nine months ended September 30, 2023.

Killam's commercial property portfolio totals 949,879 SF and is located in four of Killam's core markets. The commercial portfolio includes Westmount Place, a 300,000 SF retail and office complex located in Waterloo; Royalty Crossing, a 386,300 SF shopping centre in PEI, of which Killam has a 75% interest and is the property manager; the Brewery Market, a 180,000 SF retail and office property in downtown Halifax; and other smaller properties located in Halifax and Moncton. Total commercial occupancy increased to 94.8% in Q3-2023, compared to 92.5% in Q3-2022.

The increase in NOI during the three and nine months ended September 30, 2023, relates to increased occupancy, coupled with higher rental rates on renewals and an increase in percentage rents. Commercial same property results represent approximately 97.9% of Killam's commercial square footage. Same property results do not include properties that were recently acquired or those that are slated for redevelopment and not operating as stabilized properties.

Dollar amounts in thousands of Canadian dollars (except as noted)

PART V

Other Income and Expenses and Net Income

Net Income and Other Comprehensive Income

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	**2023**	2022	% Change
Net operating income	**$60,515**	$56,792	6.6%	**$167,555**	$153,740	9.0%
Other income	**612**	464	31.9%	**1,400**	1,350	3.7%
Financing costs	**(17,771)**	(16,285)	9.1%	**(50,906)**	(44,126)	15.4%
Depreciation	**(151)**	(173)	(12.7)%	**(420)**	(447)	(6.0)%
Administration	**(4,771)**	(4,463)	6.9%	**(14,374)**	(12,877)	11.6%
Fair value adjustment on unit-based compensation	**(74)**	539	(113.7)%	**(214)**	2,544	(108.4)%
Fair value adjustment on Exchangeable Units	**936**	7,608	(87.7)%	**(4,717)**	33,396	(114.1)%
Fair value adjustment on investment properties	**38,530**	(41,328)	(193.2)%	**201,535**	14,214	1,317.9%
Loss on disposition	**(301)**	—	N/A	**(1,380)**	—	N/A
Income before income taxes	**77,525**	3,154	2,358.0%	**298,479**	147,794	102.0%
Deferred tax (expense) recovery	**(9,176)**	446	(2,157.4)%	**(32,134)**	(15,450)	108.0%
Net income and comprehensive income	**$68,349**	$3,600	1,798.6%	**$266,345**	$132,344	101.3%

Net income and comprehensive income increased by $64.7 million and $134.0 million for the three and nine months ended September 30, 2023, as a result of $38.5 million and $201.5 million of fair value gains on Killam's investment properties, compared to $41.3 million of fair value losses and $14.2 million of fair value gains for the same periods in 2022. This was coupled with a $3.7 million and $13.8 million increase in net operating income driven by contributions from completed developments and same property NOI growth for the three and nine months ended September 30, 2023. Additionally, there was a $9.6 million and $16.7 million increase in deferred tax expense for the three and nine months ended September 30, 2023, compared to the same periods in 2022.

Financing Costs

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	**2023**	2022	% Change
Mortgage, loan and construction loan interest	**$16,098**	$14,026	14.8%	**$45,887**	$39,610	15.8%
Interest on credit facilities	**818**	1,202	(31.9)%	**3,222**	1,893	70.2%
Interest on Exchangeable Units	**682**	701	(2.7)%	**2,046**	2,102	(2.7)%
Amortization of deferred financing costs	**951**	878	8.3%	**2,734**	2,649	3.2%
Amortization of fair value adjustments on assumed debt	**57**	77	(26.0)%	**166**	117	41.9%
Unrealized loss (gain) on derivative liability	**—**	11	(100.0)%	**68**	(159)	(142.8)%
Interest on lease liabilities	**123**	98	25.5%	**319**	293	8.9%
Capitalized interest	**(958)**	(708)	35.3%	**(3,536)**	(2,379)	48.6%
	$17,771	$16,285	9.1%	**$50,906**	$44,126	15.4%

Total financing costs increased $1.5 million, or 9.1%, for the three months ended September 30, 2023, compared to Q3-2022. For the nine months ended September 30, 2023, financing costs increased $6.8 million, or 15.4%, compared to the same period in 2022, primarily as a result of acquisitions and developments.

Mortgage, loan and construction loan interest expense was $16.1 million and $45.9 million for the three and nine months ended September 30, 2023, an increase of $2.1 million and $6.3 million, or 14.8% and 15.8%, compared to the same periods in 2022. Killam's mortgage, loan and construction loan liability balance increased by $43.1 million over the past 12 months as Killam upfinanced maturing mortgages within its existing portfolio, advanced its development projects with construction financing and obtained financing for acquisitions. The average interest rate on refinancings for the nine months ended September 30, 2023, was 4.54%, 160 bps higher than the average interest rate on expiring debt.

Dollar amounts in thousands of Canadian dollars (except as noted)

Interest on credit facilities decreased $0.4 million and increased $1.3 million for the three and nine months ended September 30, 2023, compared to the same periods in 2022. The increase year-to-date is due to a rapid increase in variable interest rates over the past nine months and a higher balance on the credit facility at the beginning of the year related to acquisitions and equity into development projects. The decrease in Q3-2023 is a result of Killam's capital recycling program whereby net proceeds were used to reduce the balance on Killam's credit facility. As at September 30, 2023, Killam has decreased the balance on its credit facilities by $68.3 million compared to December 31, 2022. Interest expense related to credit facilities is expected to decrease further in the fourth quarter, as funds from dispositions are used to further reduce the balance on Killam's credit facilities.

Deferred financing costs include mortgage assumption fees, application fees and legal costs related to financings and refinancings. These costs are amortized over the term of the respective mortgages. CMHC insurance fees are amortized over the amortization period of the mortgage. Deferred financing costs amortization increased 8.3% and 3.2% for the three and nine months ended September 30, 2023, following new debt placement on mortgage refinancings. This expense may fluctuate annually with refinancings.

Capitalized interest increased 35.3% and 48.6% for the three and nine months ended September 30, 2023, compared to the same periods in 2022. Capitalized interest will vary depending on the number of development projects underway and their stages in the development cycle. Interest costs associated with development projects are capitalized to the respective development property until substantial completion. Capitalized interest will decrease in Q4-2023 as two development projects were completed in Q3-2023.

Administration Expenses

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	**2023**	2022	% Change
Administration	**$4,771**	$4,463	6.9%	**$14,374**	$12,877	11.6%
As a percentage of total revenues	**5.3%**	5.2%	10 bps	**5.5%**	5.2%	30 bps

Administration expenses include expenses that are not specific to individual properties, including Toronto Stock Exchange (TSX)-related costs, Management and head office salaries and benefits, marketing costs, office equipment leases, professional fees, and other head office and regional office expenses.

For the three and nine months ended September 30, 2023, total administration expenses increased $0.3 million and $1.5 million, or 6.9% and 11.6%, compared to the same periods in 2022. This was due to higher travel expenses, increased wages, increased professional and consulting fees, as well as higher information technology costs. Administration expenses as a percentage of total revenue were 5.3% for Q3-2023, a 10 bps increase over Q3-2022.

Fair Value Adjustments

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	**2023**	2022	% Change
Investment properties	**$38,530**	($41,328)	(193.2)%	**$201,535**	$14,214	1,317.9%
Deferred unit-based compensation	**(74)**	539	(113.7)%	**(214)**	2,544	(108.4)%
Exchangeable Units	**936**	7,608	(87.7)%	**(4,717)**	33,396	(114.1)%
	$39,392	($33,181)	(218.7)%	**$196,604**	$50,154	292.0%

Killam recognized fair value gains of $38.5 million and $201.5 million related to its investment properties for the three and nine months ended September 30, 2023, compared to fair value losses of $41.3 million and fair value gains of $14.2 million for the three and nine months ended September 30, 2022. The fair value gains recognized in Q3-2023 relate to continued high demand for apartments in Canada. While this is driving strong NOI growth, it was partially offset by a modest expansion in capitalization rates in several of Killam's core markets, including BC, Ontario and PEI.

Restricted Trust Units (RTUs) governed by Killam's RTU Plan are awarded to certain members of Management as a portion of their compensation. Non-executive members of the Board of Trustees have the right to receive a percentage of their annual retainer in the form of RTUs. This aligns the interests of Management and the Trustees with those of unitholders. For the three and nine months ended September 30, 2023, there was an unrealized fair value loss of $0.1 million and $0.2 million, compared to a $0.5 million and $2.5 million gain for the same periods in 2022, due to changes in the market price of the underlying Killam Trust Units.

Distributions paid on Exchangeable Units are consistent with distributions paid to Killam’s unitholders. The Exchangeable Units are redeemable on a one-for-one basis into Trust Units at the option of the holder. The fair value of the Exchangeable Units is based on the trading price of Killam’s Trust Units. For the three and nine months ended September 30, 2023, there was an unrealized gain on remeasurement of $0.9 million and unrealized loss of $4.7 million, compared to an unrealized gain of $7.6 million and $33.4 million for the same periods in 2022. The unrealized gain in the quarter reflects a decrease in Killam's unit price as at September 30, 2023, compared to June 30, 2023.

Deferred Tax Expense (Recovery)

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	**2023**	2022	% Change
	$9,176	($446)	(2,157.4)%	**$32,134**	$15,450	108.0%

Killam converted to a real estate investment trust (REIT) effective January 1, 2016, and, as such, qualifies as a REIT pursuant to the *Income Tax Act* (Canada) (the "Tax Act"). The Tax Act contains legislation affecting the tax treatment of publicly traded trusts (the "SIFT Legislation") and the criteria for qualifying for the real estate investment trust exemption (the "REIT Exemption"), which would exempt Killam from income tax under the SIFT Legislation. Killam is classified as a flow-through vehicle; therefore, only deferred taxes of Killam's corporate subsidiaries are recorded. If Killam fails to distribute the required amount of income to unitholders or if Killam fails to qualify as a REIT under the Tax Act, substantial adverse tax consequences may occur. Management operates Killam in a manner that enables Killam to continually qualify as a REIT and expects to distribute all of its taxable income to unitholders; therefore, it is entitled to deduct such distributions for income tax purposes.

Killam's deferred tax expense increased by $9.6 million and $16.7 million for the three and nine months ended September 30, 2023, compared to the same periods in 2022. This is due to fair value gains recorded on investment properties in the current periods, compared to fair value losses recorded in Q3-2022, and lower fair value gains recorded for the nine months ended September 30, 2022.

PART VI

Per Unit Calculations

As Killam is an open-ended mutual fund trust, unitholders may redeem their Trust Units, subject to certain restrictions. As a result, Killam's Trust Units are classified as financial liabilities under IFRS. Consequently, all per unit calculations are considered non-IFRS financial measures. The following table reconciles the number of units used in the calculation of non-IFRS financial measures on a per unit basis:

	Weighted Average Number of Units (000s)						Outstanding Number of Units (000s)
	Three months ended September 30,			Nine months ended September 30,			as at September 30,
	2023	2022	% Change	**2023**	2022	% Change	**2023**
Trust Units	**117,753**	116,126	1.4%	**117,379**	115,170	1.9%	**117,930**
Exchangeable Units	**3,898**	4,004	(2.6)%	**3,898**	4,004	(2.6)%	**3,898**
Basic number of units	**121,651**	120,130	1.3%	**121,277**	119,174	1.8%	**121,828**
Plus:							
Units under RTU Plan (1)	**197**	162	21.6%	**189**	167	13.2%	**—**
Diluted number of units	**121,848**	120,292	1.3%	**121,466**	119,341	1.8%	**121,828**

(1) Units are shown on an after-tax basis. RTUs are net of attributable personal taxes when converted to REIT Units.

Funds from Operations

FFO is recognized as an industry-wide standard measure of a real estate entity's operating performance, and Management considers FFO per unit to be a key measure of operating performance. REALPAC, Canada's senior national industry association for owners and managers of investment real estate, has recommended guidelines for a standard industry calculation of FFO based on IFRS. Killam calculates FFO in accordance with the REALPAC definition. Notwithstanding the foregoing, FFO does not have a standardized meaning under IFRS and is considered a non-IFRS financial measure; therefore, it may not be comparable to similarly titled measures presented by other publicly traded companies. FFO for the three and nine months ended September 30, 2023 and 2022, are calculated as follows:

	Three months ended September 30,			**Nine months ended September 30,**		
	2023	2022	% Change	**2023**	2022	% Change
Net income	**$68,349**	$3,600	1,798.6%	**$266,345**	$132,344	101.3%
Fair value adjustments	**(39,392)**	33,181	(218.7)%	**(196,604)**	(50,154)	292.0%
Non-controlling interest	**(3)**	(5)	(40.0)%	**(10)**	(12)	(16.7)%
Internal commercial leasing costs	**90**	75	20.0%	**270**	225	20.0%
Deferred tax expense (recovery)	**9,176**	(446)	(2,157.4)%	**32,134**	15,450	108.0%
Interest expense on Exchangeable Units	**682**	701	(2.7)%	**2,046**	2,102	(2.7)%
Loss on disposition	**301**	—	N/A	**1,380**	—	N/A
Unrealized loss (gain) on derivative liability	**—**	11	(100.0)%	**68**	(159)	(142.8)%
Depreciation on owner-occupied building	**25**	21	19.0%	**76**	72	5.6%
Change in principal related to lease liabilities	**6**	6	—%	**17**	17	—%
FFO	**$39,234**	$37,144	5.6%	**$105,722**	$99,885	5.8%
FFO per unit – basic	**$0.32**	$0.31	3.2%	**$0.87**	$0.84	3.6%
FFO per unit – diluted	**$0.32**	$0.31	3.2%	**$0.87**	$0.84	3.6%
FFO payout ratio – diluted	**55%**	56%	(100) bps	**60%**	62%	(200) bps
Weighted average number of units – basic (000s)	**121,651**	120,130	1.3%	**121,277**	119,174	1.8%
Weighted average number of units – diluted (000s)	**121,848**	120,292	1.3%	**121,466**	119,341	1.8%

Killam earned FFO of $39.2 million, or $0.32 per unit (diluted), for the three months ended September 30, 2023, compared to $37.1 million, or $0.31 per unit (diluted), for the three months ended September 30, 2022. FFO growth is attributable to same property NOI growth and contributions from completed developments. These increases were partially offset by a 1.3% increase in the weighted average number of units outstanding as well as higher interest and administration costs.

Killam earned FFO of $105.7 million, or $0.87 per unit (diluted), for the nine months ended September 30, 2023, compared to $99.9 million, or $0.84 per unit (diluted), for the nine months ended September 30, 2022. FFO growth is attributable to same property NOI growth and contributions from completed developments. These increases were partially offset by a 1.8% increase in the weighted average number of units outstanding as well as higher interest and administration costs.

Adjusted Funds from Operations

AFFO is a non-IFRS financial measure used by real estate analysts and investors to assess FFO after taking into consideration capital invested to maintain the earning capacity of a portfolio. AFFO may not be comparable to similar measures presented by other real estate trusts or companies. Management believes that significant judgment is required to determine the annual capital expenditures that relate to maintaining the earning capacity of an asset, compared to the capital expenditures that generate higher rents or more efficient operations.

Killam uses a rolling three-year historical average of actual maintenance capex for its apartment and MHC portfolios to calculate AFFO. For 2022, this included a maintenance capex reserve of $950 per apartment unit, $300 per MHC site and $0.95 per SF for commercial properties. Details regarding the maintenance capex calculations are included in Killam's MD&A for the year ended December 31, 2022. The same reserves as 2022 have been used in the calculations for 2023.

The weighted average number of units, MHC sites and square footage owned during the quarter were used to determine the capital adjustment applied to FFO to calculate AFFO:

	Three months ended September 30,			**Nine months ended September 30,**		
	2023	2022	% Change	**2023**	2022	% Change
FFO	**$39,234**	$37,144	5.6%	**$105,722**	$99,885	5.8%
Maintenance capital expenditures	**(5,031)**	(4,856)	3.6%	**(15,229)**	(14,402)	5.7%
Commercial straight-line rent adjustment	**31**	(29)	(206.9)%	**83**	(169)	(149.1)%
Internal and external commercial leasing costs	**(91)**	(71)	28.2%	**(278)**	(380)	(26.8)%
AFFO	**$34,143**	$32,188	6.1%	**$90,298**	$84,934	6.3%
AFFO per unit – basic	**$0.28**	$0.27	3.7%	**$0.74**	$0.71	4.2%
AFFO per unit – diluted	**$0.28**	$0.27	3.7%	**$0.74**	$0.71	4.2%
AFFO payout ratio – diluted	**62%**	65%	(300) bps	**71%**	74%	(300) bps
AFFO payout ratio – rolling 12 months (1)	**72%**	75%	(300) bps			
Weighted average number of units – basic (000s)	**121,651**	120,130	1.3%	**121,277**	119,174	1.8%
Weighted average number of units – diluted (000s)	**121,848**	120,292	1.3%	**121,466**	119,341	1.8%

(1) Based on Killam's annual distribution of $0.69996 for both the 12-month period ended September 30, 2023, and the 12-month period ended September 30, 2022.

The payout ratio of 62% in Q3-2023, compared to the rolling 12-month payout ratio of 72%, corresponds with the seasonality of Killam's business. Killam's first quarter typically has the highest payout ratio due to the lower operating margin from higher heating costs in the winter months. In addition, the MHC portfolio typically generates its highest revenues and NOI during the second and third quarters of the year due to the contribution from its seasonal resorts that generate approximately 60% of their NOI between July and October each year.

The improvement in the AFFO payout ratio for the three and nine months ended September 30, 2023, is attributable to higher AFFO per unit growth of 3.7% and 4.2%, driven by earnings generated from strong same property results. Killam's Board of Trustees evaluates the Trust's payout ratio quarterly, but has not established an AFFO payout target.

Dollar amounts in thousands of Canadian dollars (except as noted)

Adjusted Cash Flow from Operations

ACFO is a non-IFRS financial measure and was introduced in February 2017 in REALPAC's "White Paper on Adjusted Cash Flow from Operations (ACFO) for IFRS" as a sustainable, economic cash flow metric. Upon review of REALPAC's white paper, Management incorporated ACFO as a useful measure to evaluate Killam's ability to fund distributions to unitholders. ACFO should not be construed as an alternative to cash flows provided by or used in operating activities determined in accordance with IFRS.

Killam calculates ACFO in accordance with the REALPAC definition but may differ from other REITs' methods and, accordingly, may not be comparable to ACFO reported by other issuers. ACFO is adjusted each quarter for fluctuations in non-cash working capital not indicative of sustainable cash flows, including prepaid property taxes, prepaid insurance and construction holdbacks related to developments. ACFO is also adjusted quarterly for capital expenditure accruals, which are not related to sustainable operating activities.

A reconciliation from cash provided by operating activities (refer to the condensed consolidated interim statements of cash flows for the three and nine months ended September 30, 2023 and 2022) to ACFO is as follows:

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	**2023**	2022	% Change
Cash provided by operating activities	**$33,031**	$31,999	3.2%	**$92,025**	$78,358	17.4%
Adjustments:						
Changes in non-cash working capital not indicative of sustainable cash flows	**7,864**	6,146	28.0%	**17,737**	22,335	(20.6)%
Maintenance capital expenditures	**(5,031)**	(4,856)	3.6%	**(15,229)**	(14,402)	5.7%
External commercial leasing costs	**(28)**	(23)	21.7%	**(91)**	(234)	(61.1)%
Amortization of deferred financing costs	**(951)**	(878)	8.3%	**(2,734)**	(2,649)	3.2%
Non-controlling interest	**(3)**	(5)	(40.0)%	**(10)**	(12)	(16.7)%
ACFO	**$34,882**	$32,383	7.7%	**$91,698**	$83,396	10.0%
Distributions declared (1)	**21,558**	21,279	1.3%	**64,492**	63,384	1.7%
Excess of ACFO over cash distributions	**$13,324**	$11,104	20.0%	**$27,206**	$20,012	35.9%
ACFO payout ratio – diluted (2)	**62%**	66%	(400) bps	**70%**	76%	(600) bps

(1) Includes distributions on Trust Units, Exchangeable Units and restricted Trust Units, as summarized on page 42.

(2) Based on Killam's monthly distribution of $0.05833 per unit.

Killam's ACFO payout ratio is 62% and 70% for the three and nine months ended September 30, 2023, lower than the payout ratio for the three and nine months ended September 30, 2022. Similar to the AFFO payout ratio, Killam's first quarter typically has the highest ACFO payout ratio due to the lower operating margin in the period. This is attributable to higher heating costs in the winter and the fact that the MHC portfolio typically generates its highest revenues and NOI during the second and third quarters of the year.

Cash Provided by Operating Activities and Distributions Declared

In accordance with the guidelines set out in National Policy 41-201, "Income Trusts and Other Indirect Offerings," the following table outlines the differences between cash provided by operating activities and total distributions declared, as well as the differences between net income and total distributions.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Net income	**$68,349**	$3,600	**$266,345**	$132,344
Cash provided by operating activities	**$33,031**	$31,999	**$92,025**	$78,358
Total distributions declared	**$21,558**	$21,279	**$64,492**	$63,384
Excess (shortfall) of net income over total distributions declared (1)	**$46,791**	($17,679)	**$201,853**	$68,960
Excess (shortfall) of net income over net distributions paid (1)(2)	**$53,229**	($11,255)	**$221,709**	$88,137
Excess of cash provided by operating activities over total distributions declared	**$11,473**	$10,720	**$27,533**	$14,974

(1) The shortfall of net income over total distributions declared and net distributions paid for the three months ended September 30, 2022, is a result of fair value losses taken on investment properties in Q3-2022, a non-cash item.

(2) Killam has a distribution reinvestment plan that allows unitholders to elect to have all cash distributions from the Trust reinvested in additional units.

Dollar amounts in thousands of Canadian dollars (except as noted)

PART VII

Liquidity and Capital Resources

Management oversees Killam's liquidity to fund major property maintenance and improvements, debt principal and interest payments, distributions to unitholders, and property acquisitions and developments. Killam's sources of capital include: (i) cash flows generated from operating activities; (ii) cash inflows from mortgage refinancings; (iii) mortgage debt secured by investment properties; (iv) credit facilities with two Canadian chartered banks; and (v) equity and debt issuances.

Management expects to have sufficient liquidity for the foreseeable future, based on its evaluation of the following capital resources:

(i) Cash flows from operating activities are expected to be sufficient to fund the current level of distributions and maintenance capex.

(ii) Killam currently has capacity of approximately $156.0 million of capital under its credit facilities and cash on hand.

(iii) Mortgage refinancings and construction loans are expected to be sufficient to fund value-enhancing capex, principal repayments and developments. Killam has $78.6 million of mortgage debt scheduled for refinancing in the remainder of 2023, expected to lead to upfinancing opportunities of $20.0—$25.0 million.

(iv) Upcoming mortgage maturities are expected to be renewed through Killam's mortgage program.

(v) Killam has unencumbered assets of approximately $110.0 million, on which debt could be placed.

Killam is in compliance with all financial covenants contained in the DOT and through its credit facilities. Under the DOT, total indebtedness of Killam is limited to 70% of gross book value determined as the greater of (i) the value of Killam's assets as shown on the most recent condensed consolidated interim statement of financial position, and (ii) the historical cost of Killam's assets. Total debt as a percentage of assets as at September 30, 2023, was 42.8%.

Killam has financial covenants on its credit facilities. The covenants require Killam to maintain a leverage limit of not more than 70% of debt to total assets, debt to service coverage of not less than 1.3 times and unitholders' equity of not less than $900.0 million. As at November 7, 2023, Killam was in compliance with said covenants.

The table below outlines Killam's key debt metrics:

As at	September 30, 2023	December 31, 2022	Change
Weighted average years to debt maturity	**4.0**	3.8	0.2 years
Total debt as a percentage of total assets	**42.8%**	45.3%	(250) bps
Interest coverage	**3.11x**	3.31x	(6.0)%
Debt service coverage	**1.46x**	1.51x	(3.3)%
Debt to normalized EBITDA (1)	**10.51x**	11.21x	(6.2)%
Weighted average mortgage interest rate	**3.00%**	2.74%	26 bps
Weighted average interest rate of total debt	**3.19%**	3.01%	18 bps

(1) Ratio calculated net of cash.

Killam's primary measure of capital management is the total debt as a percentage of total assets ratio. The calculation of the total debt as a percentage of total assets is summarized as follows:

As at	September 30, 2023	December 31, 2022
Mortgages and loans payable	**$2,062,130**	$1,979,442
Credit facilities	**$52,700**	$121,014
Construction loans	**$52,797**	$94,972
Total interest-bearing debt	**$2,167,627**	$2,195,428
Total assets (1)	**$5,069,594**	$4,849,903
Total debt as a percentage of total assets	**42.8%**	45.3%

(1) Excludes right-of-use asset of $10.4 million as at September 30, 2023 (December 31, 2022 - $9.6 million).

Total debt as a percentage of total assets was 42.8% as at September 30, 2023, down from 45.3% as at December 31, 2022. Management is focused on maintaining conservative debt levels. Total debt to total assets is sensitive to changes in the fair value of investment properties, in particular cap-rate changes.

Dollar amounts in thousands of Canadian dollars (except as noted)

The quantitative sensitivity analysis shown below illustrates the value increase or decrease in Killam's debt to total asset ratio given the change in the noted input (cap-rate sensitivity). This analysis excludes the impact of any change in NOI growth.

Cap-Rate Sensitivity Increase (Decrease)	Fair Value of Investment Properties (1)	Total Assets	Total Debt as % of Total Assets	Change (bps)
(0.50)%	$5,641,766	$5,728,669	37.8%	(500)
(0.25)%	$5,324,568	$5,411,471	40.1%	(270)
—%	$4,982,691	$5,069,594	42.8%	—
0.25%	$4,788,383	$4,875,286	44.5%	170
0.50%	$4,559,730	$4,646,633	46.6%	380

(1) The cap-rate sensitivity calculates the impact on Killam's apartment and MHC portfolios, which are valued using the direct income capitalization method, and Killam's commercial portfolio, which is valued using the discounted cash flow method.

Normalized Adjusted EBITDA

The following table reconciles Killam's net income to normalized adjusted EBITDA for the 12 months ended September 30, 2023, and December 31, 2022:

Twelve months ended,	September 30, 2023	December 31, 2022	% Change
Net income	**$256,781**	$122,532	109.6%
Deferred tax expense	**35,251**	18,813	87.4%
Financing costs	**68,278**	61,499	11.0%
Depreciation	**547**	573	(4.5)%
Loss on disposition	**1,380**	—	N/A
Fair value adjustment on unit-based compensation	**524**	(2,234)	(123.5)%
Fair value adjustment on Exchangeable Units	**8,615**	(29,497)	(129.2)%
Fair value adjustment on investment properties	**(167,451)**	19,870	(942.7)%
Adjusted EBITDA	**203,925**	191,556	6.5%
Normalizing adjustment (1)	**1,395**	3,437	(59.4)%
Normalized adjusted EBITDA	**205,320**	194,993	5.3%
Net debt	**$2,156,955**	$2,186,275	(1.3)%
Debt to normalized adjusted EBITDA	**10.51x**	11.21x	(6.2)%

(1) Killam's normalizing adjustment includes NOI adjustments for recently completed acquisitions, dispositions and developments to account for the difference between NOI booked in the period and stabilized NOI over the next 12 months.

Interest and Debt Service Coverage

Rolling 12 months ending,	September 30, 2023	December 31, 2022	% Change
NOI	**$220,728**	$206,912	6.7%
Other income	**1,847**	1,797	2.8%
Administration	**(18,650)**	(17,153)	8.7%
Adjusted EBITDA	**203,925**	191,556	6.5%
Interest expense (1)	**65,487**	57,851	13.2%
Interest coverage ratio	**3.11x**	3.31x	(6.0)%
Principal repayments	**74,077**	69,033	7.3%
Interest expense	**65,487**	57,851	13.2%
Debt service coverage ratio	**1.46x**	1.51x	(3.3)%

(1) Interest expense includes mortgage, loan and construction loan interest, and interest on credit facilities.

Dollar amounts in thousands of Canadian dollars (except as noted)

Mortgages and Other Loans

Killam's long-term debt consists of fixed-rate, long-term mortgages. Mortgages are secured by a first or second charge against individual properties. Killam's weighted average interest rate on mortgages as at September 30, 2023, was 3.00%, a 26 bps increase compared to the rate as at December 31, 2022.

Refinancings

For the nine months ended September 30, 2023, Killam refinanced the following mortgages:

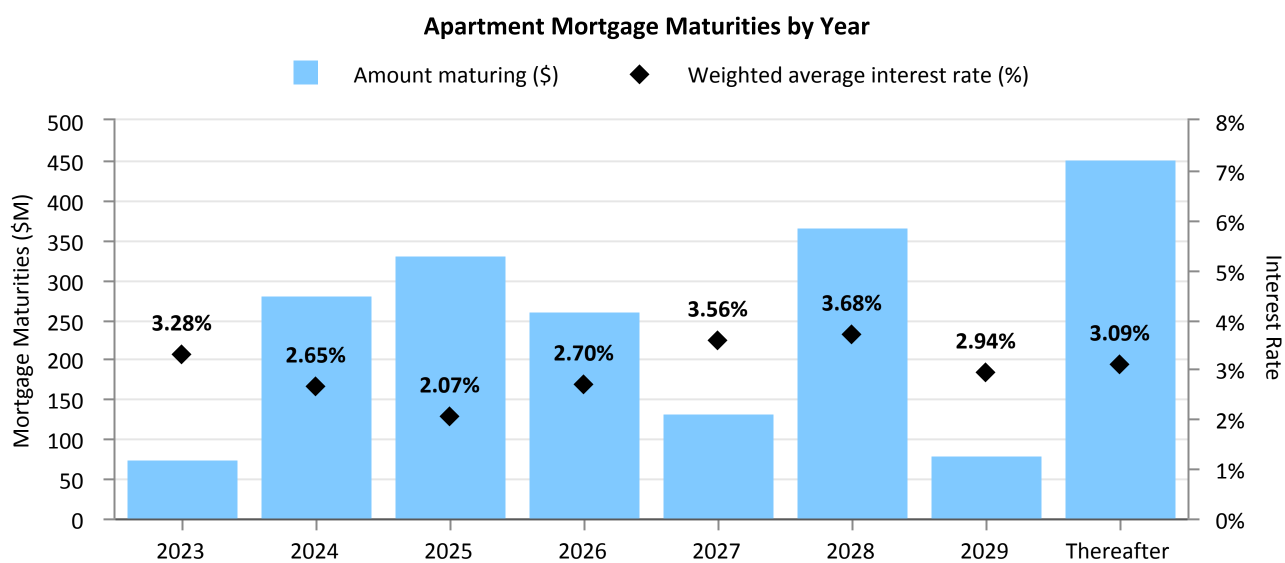
	Mortgage Debt Maturities		Mortgage Debt on Refinancing		Weighted Average Term	Net Proceeds
Apartments	$153,388	2.86%	$193,252	4.46%	6.0 years	$39,864
MHCs and Commercial	19,185	3.56%	27,028	5.13%	4.6 years	7,843
	$172,573	**2.94%**	**$220,280**	**4.54%**	**5.8 years**	**$47,707**

During Q3-2023, Killam also placed permanent financing on Civic 66, replacing $36.2 million in construction financing with a CMHC-insured MLI select loan for $57.8 million at an interest rate of 4.33%, for a 10-year term.

The following table details the maturity dates and average interest rates of mortgage and vendor debt, and the percentage of apartment mortgages that are CMHC-insured by year of maturity:

	Apartments			MHCs and Commercial		Total	
Year of Maturity	Balance September 30	Weighted Avg Int. Rate %	% CMHC Insured	Balance September 30	Weighted Avg Int. Rate %	Balance September 30 (1)	Weighted Avg Int. Rate %
2023	$74,807	3.28%	37.0%	$8,233	3.57%	$83,040	3.30%
2024	280,617	2.65%	73.2%	22,869	2.75%	303,486	2.66%
2025	332,152	2.07%	51.7%	20,190	2.61%	352,342	2.10%
2026	260,217	2.70%	72.7%	7,346	2.69%	267,563	2.70%
2027	133,755	3.56%	75.7%	43,267	5.13%	177,022	3.94%
Thereafter	900,790	3.31%	100.0%	20,044	4.76%	920,834	3.35%
	$1,982,338	**2.95%**	**80.5%**	**$121,949**	**3.95%**	**$2,104,287**	**3.00%**

(1) Excludes $2.6 million in variable rate demand loans secured by development properties, which are classified as mortgages and loans payable as at September 30, 2023.



Dollar amounts in thousands of Canadian dollars (except as noted)

Access to mortgage debt is essential in refinancing maturing debt and financing acquisitions. Management has diversified Killam's mortgages to avoid dependence on any one lending institution and has staggered maturity dates to manage interest rate risk. Management anticipates continued access to mortgage debt for both acquisitions and refinancings. Access to CMHC-insured financing gives apartment owners an advantage over other asset classes, as lenders are provided a government guarantee and, therefore, are able to lend at more favourable rates.

As at September 30, 2023, approximately 80.5% of Killam's apartment mortgages were CMHC-insured (75.8% of total mortgages, as MHC and commercial mortgages are not eligible for CMHC insurance) (December 31, 2022 - 77.2% and 72.5%). The weighted average interest rate on the CMHC-insured mortgages was 2.98% as at September 30, 2023 (December 31, 2022 - 2.71%).

The following tables present the NOI for properties that are available to Killam to refinance at debt maturity in the remainder of 2023 and 2024:

Remaining 2023 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	12	$8,166	$73,793
MHCs and commercial with debt maturing	2	848	4,846
	14	**$9,014**	**$78,639**

2024 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	47	$31,877	$270,106
MHCs and commercial with debt maturing	5	5,617	39,734
	52	**$37,494**	**$309,840**

Future Contractual Debt Obligations

As at September 30, 2023, the timing of Killam's future contractual debt obligations is as follows:

For the twelve months ending September 30,	**Mortgages and loans payable**	**Construction loans (1)**	**Credit facilities**	**Total**
2024	$372,670	$52,797	$—	$425,467
2025	315,420	—	52,700	368,120
2026	307,359	—	—	307,359
2027	229,079	—	—	229,079
2028	341,374	—	—	341,374
Thereafter	540,984	—	—	540,984
	$2,106,886	**$52,797**	**$52,700**	**$2,212,383**

(1) Construction loans are demand loans that are expected to be replaced with permanent mortgage financing on development completion and lease-up.

Dollar amounts in thousands of Canadian dollars (except as noted)

Credit Facilities

Killam has access to two credit facilities with credit limits of $155.0 million ($175.0 million with the accordion feature) and $25.0 million (December 31, 2022 - $155.0 million ($175.0 million with the accordion feature) and $15.0 million) that can be used for acquisition and general business purposes.

The $155.0 million facility bears interest at prime plus 55 bps on prime rate advances, or 155 bps over bankers' acceptances ("BAs"). The facility includes a $30.0 million demand revolver and a $125.0 million committed revolver, as well as an accordion option to increase the $155.0 million facility by an additional $20.0 million. The agreement includes certain covenants and undertakings with which Killam was in compliance as at September 30, 2023. This facility matures December 16, 2024, and includes a one-year extension option.

Killam increased its demand facility from $15.0 million to $25.0 million in Q1-2023, which bears interest at prime plus 75 bps on advances and 135 bps on issuance of letters of credit in addition to 50 bps per annum. The agreement includes certain covenants and undertakings with which Killam was in compliance as at September 30, 2023.

As at September 30, 2023	Maximum Loan Amount (1)	Amount Drawn	Letters of Credit	Amount Available
$155.0 million facility	$175,000	$40,000	$—	$135,000
$25.0 million facility	25,000	12,700	2,033	10,267
Total	**$200,000**	**$52,700**	**$2,033**	**$145,267**

As at December 31, 2022	Maximum Loan Amount (1)	Amount Drawn	Letters of Credit	Amount Available
$155.0 million facility	$175,000	$112,000	$—	$63,000
$15.0 million facility	15,000	9,014	2,320	3,666
Total	$190,000	$121,014	$2,320	$66,666

(1) Maximum loan includes a $20.0 million accordion option, for which collateral is pledged.

Construction Loans

As at September 30, 2023, Killam had access to four variable rate non-revolving demand construction loans totalling $60.8 million for the purpose of financing development and property expansion projects. As at September 30, 2023, $52.8 million was drawn on the construction loans (December 31, 2022 - $95.0 million). Payments are made monthly on an interest-only basis. The weighted average contractual interest rate on amounts outstanding for the three months ended September 30, 2023, was 6.56% (December 31, 2022 - 5.19%). Once construction is complete and rental targets achieved, the construction loans are expected to be repaid in full and replaced with conventional mortgages. During the fourth quarter, Killam expects to replace two construction loans with permanent financing with a total balance of $42.3 million as at September 30, 2023.

Dollar amounts in thousands of Canadian dollars (except as noted)

Investment Properties

As at

	September 30, 2023	December 31, 2022	% Change
Investment properties	**$4,878,717**	$4,637,792	5.2%
Investment properties under construction (IPUC)	**61,154**	135,196	(54.8)%
Land for development	**42,820**	39,813	7.6%
	$4,982,691	$4,812,801	3.5%

Continuity of Investment Properties

As at

	September 30, 2023	December 31, 2022	% Change
Balance, beginning of period	**$4,637,792**	$4,284,030	8.3%
Acquisition of properties	**4,061**	116,377	(96.5)%
Disposition of properties	**(96,970)**	—	N/A
Transfer from inventory	**1,053**	—	N/A
Transfer to assets held for sale	**(44,700)**	—	N/A
Transfer from IPUC	**109,602**	170,337	(35.7)%
Transfer from land for development	**—**	1,394	(100.0)%
Capital expenditures and development costs (1)	**65,323**	104,726	(37.6)%
Fair value adjustment – Apartments	**202,108**	(20,050)	(1,108.0)%
Fair value adjustment – MHCs	**227**	(16,570)	(101.4)%
Fair value adjustment – Commercial	**221**	(2,452)	(109.0)%
Balance, end of period	**$4,878,717**	$4,637,792	5.2%

(1) Development costs are costs incurred related to development projects subsequent to when they were transferred from IPUC to investment properties.

Killam reviewed its valuation of investment properties in light of inflation and increased borrowing costs as at September 30, 2023, assessing the impact on cap-rates, rental rate growth and occupancy assumptions. It is not possible to forecast with certainty the duration and full scope of the economic impact of higher inflation and interest rates and other consequential changes on Killam's business and operations, both in the short term and in the long term. The fair value gains on Killam's apartment portfolio recognized during the quarter are supported by robust NOI growth driven by strong apartment fundamentals.

The key valuation assumption in the determination of fair market value, using the direct capitalization method, is the cap-rate. A summary of the high, low and weighted average cap-rates used in the valuation models as at September 30, 2023 and 2022, and December 31, 2022, is as follows:

Capitalization Rates

	September 30, 2023			December 31, 2022			September 30, 2022		
	Low	**High**	**Effective Weighted Average**	Low	High	Effective Weighted Average	Low	High	Effective Weighted Average
Apartments	**3.40%**	**6.60%**	**4.53%**	3.25%	7.00%	4.48%	3.00%	7.10%	4.43%
MHCs	**5.25%**	**6.50%**	**5.77%**	5.25%	6.50%	5.78%	5.25%	6.50%	5.78%

Killam's weighted average cap-rates for its apartment and MHC portfolios as at September 30, 2023, were 4.53% and 5.77%, compared to the weighted average cap-rates as at December 31, 2022, of 4.48% and 5.78%.

Fair Value Sensitivity

The following table summarizes the impact of changes in capitalization rates and stabilized NOI on the fair value of Killam's investment properties:

		Change in Stabilized NOI (1)				
		(2.00)%	**(1.00)%**	**— %**	**1.00%**	**2.00%**
Change in Capitalization Rate	**(0.50)%**	488,404	543,666	598,928	654,191	709,453
	(0.25)%	178,032	230,127	282,222	334,317	386,412
	—%	(98,546)	(49,273)	—	49,273	98,546
	0.25%	(346,579)	(299,837)	(253,095)	(206,353)	(159,611)
	0.50%	(570,282)	(525,822)	(481,363)	(436,904)	(392,445)

(1) Includes Killam's apartment and MHC portfolios, which are valued using the direct income capitalization method, and commercial assets, which are valued using a discounted cash flow approach.

Dollar amounts in thousands of Canadian dollars (except as noted)

2023 Acquisitions

Property	Location	Acquisition Date	Ownership Interest	Property Type	Units	Purchase Price (1)
Blackshire Court (2)	St. John's, NL	11-Sep-23	100%	Apartment	N/A	**$320**
48–66 Harlington Cres (3)	Halifax, NS	21-Sep-23	100%	Apartment	10	**4,000**
Total Acquisitions						**$4,320**

(1) Purchase price does not include transaction costs.
(2) Killam owned a 96.8% interest in this property, and now owns 100% after purchasing the remaining partnership units.
(3) Property is located adjacent to existing Killam assets and allows for future redevelopment opportunity.

Blackshire Court
On September 11, 2023, Killam completed the acquisition of three units located in St. John's, NL, for $0.3 million. Killam previously owned 69 units of this property, and now owns the entire 72-unit property after purchasing the remaining three units.

48-66 Harlington Cres
On September 21, 2023, Killam completed the acquisition of 10 townhouses located in Halifax, NS, for $4.0 million. The properties are located beside existing Killam properties on Harlington Crescent and will allow for future redevelopment opportunity.

2023 Dispositions

Property	Location	Disposition Date	Ownership Interest	Property Type	Units	Sale Price	Net Cash Proceeds (1)
266 Bronson Ave	Ottawa, ON	17-Mar-23	100%	Apartment	43	**$9,800**	**$7,000**
The James	Halifax, NS	21-Apr-23	100%	Apartment	108	**33,000**	**20,100**
Browns and University (2)	Charlottetown, PE	12-May-23	100%	Apartment	122	**21,320**	**8,240**
Kristin Way	Ottawa, ON	16-May-23	100%	Apartment	102	**17,850**	**12,480**
Parkwood Apartments (3)	Saint John, NB	13-Sep-23	100%	Apartment	205	**15,000**	**14,000**
Total Dispositions						**$96,970**	**$61,820**

(1) Net cash proceeds, after mortgage repayment, does not include transaction costs.
(2) The properties comprised 182 units, and 122 units were sold as part of the transaction. Killam continues to own and operate the remaining 60 units.
(3) Excluded from net cash proceeds is a $1.0 million vendor take-back mortgage. The mortgage bears interest at 7.0% and full repayment of the mortgage is due within 24 months from the initial advance in September 2023.

266 Bronson Ave
On March 17, 2023, Killam completed the disposition of a 43-unit apartment property located in Ottawa, ON, for a sale price of $9.8 million. Killam's cash proceeds from the disposition were $7.0 million, net of the previous mortgage associated with the property.

The James
On April 21, 2023, Killam completed the disposition of a 108-unit apartment property located in Halifax, NS, for a sale price of $33.0 million. Killam's cash proceeds from the disposition were $20.1 million, net of the previous mortgage associated with the property.

Browns and University
On May 12, 2023, Killam completed the disposition of 14 residential townhouses containing 122 units located in Charlottetown, PEI, for a sale price of $21.3 million. Killam retained 60 units at the property. Killam's cash proceeds from the disposition were $8.2 million, net of the previous mortgage associated with the property.

Kristin Way
On May 16, 2023, Killam completed the disposition of a 102-unit apartment property located in Ottawa, ON, for a sale price of $17.9 million. Killam's cash proceeds from the disposition were $12.5 million, net of the previous mortgage associated with the property.

Parkwood Apartments
On September 13, 2023, Killam completed the disposition of a 205-unit apartment property located in Saint John, NB, for a sale price of $15.0 million. Killam's cash proceeds from the disposition were $14.0 million, as there was a $1.0 million vendor take-back mortgage included in the sale agreement and no mortgage associated with the property.

Dollar amounts in thousands of Canadian dollars (except as noted)

Completed Developments

The Governor
The Governor, containing 12 luxury apartment units and 3,500 SF of ground floor commercial space, reached substantial completion during Q3-2023. The building is located adjacent Killam's 240-unit building, The Alexander, and The Brewery Market, in Halifax, NS. The final project costs were $24.3 million. The first tenants moved in July 2023, and the building is currently 42% leased.

Civic 66
Civic 66, located in Kitchener, ON, and containing 169 apartment units and 3,000 SF of ground floor commercial space, reached substantial completion in Q3-2023. The final project costs were $69.8 million, and to date, fair value gains of $11.3 million have been recorded for this property. The building is currently 54% leased.

Investment Properties Under Construction

As at

	September 30, 2023	December 31, 2022	% Change
Balance, beginning of period	**$135,196**	$201,319	(32.8)%
Fair value adjustment	**3,752**	19,801	(81.1)%
Capital expenditures	**33,372**	63,217	(47.2)%
Interest capitalized	**2,426**	2,559	(5.2)%
Transfer to inventory	**—**	(3,073)	(100.0)%
Transfer to investment properties	**(109,602)**	(170,337)	(35.7)%
Transfer (to) from land for development	**(3,990)**	21,710	(118.4)%
Balance, end of period	**$61,154**	$135,196	(54.8)%

Land for Development

As at

	September 30, 2023	December 31, 2022	% Change
Balance, beginning of period	**$39,813**	$55,528	(28.3)%
Fair value adjustment	**(4,773)**	—	N/A
Capital expenditures	**2,680**	2,536	5.7%
Interest capitalized	**1,110**	853	30.1%
Acquisitions	**—**	4,000	(100.0)%
Transfer to investment properties	**—**	(1,394)	(100.0)%
Transfer from (to) IPUC	**3,990**	(21,710)	(118.4)%
Balance, end of period	**$42,820**	$39,813	7.6%

Killam's development projects currently underway include the following:

Property	**Location**	**Ownership**	**Number of Units**	**Project Budget (millions)**	**Start Date**	**Completion Date**	**Anticipated All-Cash Yield**
The Carrick	Waterloo, ON	100%	139	$83.5	Q2-2022	2025 (1)	4.00%–4.25%
Total (2)(3)			139	$83.5			

(1) Estimated completion date is in the second half of 2025.

(2) In addition, Killam has a 10% interest in the second phase (234 units) of the Nolan Hill development in Calgary, AB, which broke ground during the fourth quarter of 2021 and is expected to be completed in the fourth quarter of 2023. Killam has a $65.0 million commitment in place to purchase the second phase, following completion of construction and the achievement of certain conditions.

(3) In addition, Killam has a 50% interest in the construction of 18 townhouses for future sale on a portion of the Sherwood Crossing land in Charlottetown, which were completed in the first half of 2023. The investment in the townhouses is recorded in residential inventory and will be sold outright or through a rent-to-own program. As of September 30, 2023, one townhouse has sold and three townhouses are under the rent-to-own program.

The Carrick
The Carrick, the first phase of a multi-phase project located next to Killam's Westmount Place in Waterloo, ON, broke ground in Q2-2022. This 139-unit project is expected to be completed in the second half of 2025 and has a development budget of $83.5 million.

Dollar amounts in thousands of Canadian dollars (except as noted)

Phase 2 Nolan Hill

Killam has a 10% interest in the second phase (three buildings; 234 units) of the Nolan Hill development in Calgary, AB, which broke ground during the fourth quarter of 2021 and is expected to be completed in the fourth quarter of 2023. Killam has a $65.0 million commitment in place to purchase the second phase, and expects to complete the transaction prior to the end of the year.

Future Development Pipeline

Killam has a development pipeline, with almost 70% of the future projects located outside of Atlantic Canada. Killam targets yields 50 – 150 bps higher than the expected market cap-rate on completion. Below is a listing of land currently available for future development:

Property	Location	Killam's Interest	Development Potential (# of Units) (1)	Status	Estimated Year of Completion
Developments expected to start in 2024–2026					
Eventide	Halifax, NS	100%	55	Pre-construction	2026
Westmount Place Phase 2	Waterloo, ON	100%	239	In design	2026
Northfield Gardens Expansion	Waterloo, ON	100%	133	Concept design	2026
Medical Arts	Halifax, NS	100%	200	Concept design	2027
Hollis Street	Halifax, NS	100%	100	Concept design	2027
Nolan Hill Phase 3 (2)	Calgary, AB	10%	200	In design	2027
Gloucester City Centre Phase 3	Ottawa, ON	50%	200	Concept design	2027
Additional future development projects					
Nolan Hill Phase 4 (2)	Calgary, AB	10%	200	Future development	TBD
Christie Point	Victoria, BC	100%	312	Development agreement in place	TBD
Quiet Place	Waterloo, ON	100%	160	Future development	TBD
Gloucester City Centre (Phase 4–5)	Ottawa, ON	50%	400	Future development	TBD
Westmount Place (Phase 3–5)	Waterloo, ON	100%	800	Future development	TBD
Kanata Lakes	Ottawa, ON	50%	80	Future development	TBD
St. George Street	Moncton, NB	100%	60	Future development	TBD
Aurora	Halifax, NS	100%	65	Future development	TBD
Stratford Land	Charlottetown, PE	100%	100	Future development	TBD
Sherwood Crossing	Charlottetown, PE	100%	325	Future development	TBD
15 Haviland	Charlottetown, PE	100%	60–90	Future development	TBD
671 Woolwich St.	Guelph, ON	100%	150	Future development	TBD
Topsail Road	St. John's, NL	100%	225	Future development	TBD
Block 4	St. John's, NL	100%	80	Future development	TBD
Total Development Opportunities (3)			**4,159**		

(1) Represents total number of units in the potential development.

(2) Killam has a 10% interest in the remaining two phases of the Nolan Hill development in Calgary, AB, with the potential to purchase the remaining 90% interest upon completion of each phase.

(3) Killam has identified opportunities for additional density through redevelopment of existing properties in Halifax of over 4,000 units. Killam is exploring rezoning opportunities, including the incorporation of an affordability component in each of the potential future redevelopments.

Dollar amounts in thousands of Canadian dollars (except as noted)

Capital Improvements

Capital improvements are a combination of maintenance capex and value-enhancing upgrades. Maintenance capex investments are not expected to increase the NOI or efficiency of a building; however, these expenditures will extend the life of the asset. Examples of maintenance capex include roof, window and building envelope repairs, and are in addition to repairs and maintenance costs that are expensed to NOI. Value-enhancing capital investments are expected to result in higher rents or lower operating costs. These investments include unit and common area upgrades and energy-efficiency projects. Killam's AFFO discussion provides further disclosure on the allocation between maintenance capex and value-enhancing capex investments.

During the three and nine months ended September 30, 2023, Killam invested $22.5 million and $65.3 million in capital improvements, a decrease of 36.2% and 4.7% compared to the same periods in 2022. This is the result of timing of larger multi-phase capital projects, investment in energy initiatives and Killam's repositioning program. Killam expects to invest $85–$95 million in capital improvements during 2023.

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	**2023**	2022	% Change
Apartments	**$19,936**	$31,939	(37.6)%	**$57,915**	$60,991	(5.0)%
MHCs	**1,411**	1,586	(11.0)%	**3,593**	3,641	(1.3)%
Commercial	**1,167**	1,747	(33.2)%	**3,815**	3,889	(1.9)%
	$22,514	$35,272	(36.2)%	**$65,323**	$68,521	(4.7)%

Apartments – Capital Investment

A summary of the capital investment for the apartment segment is included below:

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	**2023**	2022	% Change
Suite renovations and repositionings	**$6,501**	$11,174	(41.8)%	**$19,696**	$23,245	(15.3)%
Building improvements	**8,912**	13,812	(35.5)%	**25,686**	24,399	5.3%
Appliances	**1,015**	2,001	(49.3)%	**3,351**	4,117	(18.6)%
Energy	**2,522**	3,827	(34.1)%	**6,540**	6,711	(2.5)%
Common area	**986**	1,125	(12.4)%	**2,642**	2,519	4.9%
Total capital invested	**$19,936**	$31,939	(37.6)%	**$57,915**	$60,991	(5.0)%
Average number of units outstanding (1)	**18,444**	18,835	(2.1)%	**18,635**	18,619	0.1%
Capital invested – $ per unit	**$1,081**	$1,696	(36.3)%	**$3,108**	$3,276	(5.1)%

(1) Weighted average number of units, adjusted for Killam's 50% ownership in jointly held properties.

Killam invested $1,081 and $3,108 per unit for the three and nine months ended September 30, 2023, compared to $1,696 and $3,276 per unit for the same periods in 2022. The decrease in capital investment is due to timing of larger multi-phase capital projects focused on increasing the resiliency of Killam's buildings. Additionally, Killam's focus on development and acquisition of newer properties translates into a lower maintenance capex per unit than many other apartment owners in Canada. Thirty-two percent of Killam's apartments, as a percentage of 2023 forecasted NOI, were built in the past 10 years, and the average age of Killam's portfolio is 29 years. This portfolio of newer assets allows Killam to focus on value-enhancing opportunities, as the maintenance capital requirements are lower.

Suite Renovations and Repositionings

Killam invested $6.5 million and $19.7 million in suite renovations during the three and nine months ended September 30, 2023, a decrease of 41.8% and 15.3% over the total investment of $11.2 million and $23.2 million for the three and nine months ended September 30, 2022. Killam has continued to focus on renovations in order to maximize occupancy and rental growth. However, the reduction in spending during the quarter and year-to-date can be attributed to the decrease in turnover, coupled with the opportunity for market rent growth without the investment in full-suite repositioning.

Killam targets a minimum return on investment (ROI) of 10% for its unit renovations. The timing of unit renovation investment is influenced by tenant turnover, market conditions and individual property requirements. The length of time that Killam has owned a property and the age of the property also impact capital requirements. Year-to-date, Killam repositioned 304 units, with an average investment of approximately $35,040 per suite. This generated an average ROI of approximately 16.4%, compared to the 496 units repositioned in the first nine months of 2022, with an average investment of approximately $29,911 per suite, generating an average ROI of 13.0%.

Dollar amounts in thousands of Canadian dollars (except as noted)

Killam is targeting a minimum of 400 repositionings in 2023, lower than in 2022, as a result of a decrease in unit turnover. Killam estimates that the repositioning opportunity within its portfolio is approximately an additional 5,500 units. Over time, this would generate an estimated $25–$30 million in annualized revenue, representing an increase of over $400 million in net asset value.

Building Improvements
These investments include larger building improvement projects, such as exterior cladding and brick work, balcony refurbishments, and roof upgrades, as well as projects such as plumbing improvements, fire safety, security systems and window upgrades. The increase in building investments for the nine months ended September 30, 2023, relates to the timing of multi-phase building envelope projects.

Energy
Killam continues to invest in energy-efficiency initiatives, augmenting its sustainability programs and reducing operating expenses. Killam is committed to continuously lowering and reporting on its greenhouse gas emissions and also completing benchmarking using third-party validation. Energy-related projects planned for the remainder of 2023 and 2024 include the installation of PV solar panels at select properties, installation of EV chargers, new boilers and heat pumps, window replacements, insulation upgrades, as well as electricity and water conservation projects. Specifically, during Q3-2023, Killam invested $2.5 million in water and sewer upgrades, window replacements and building upgrades, as well as the installation of EV chargers in various buildings across the portfolio.

MHCs – Capital Investment

A summary of the capital investment for the MHC segment is included below:

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	**2023**	2022	% Change
Water and sewer upgrades	**$373**	$258	44.6%	**$1,028**	$682	50.7%
Site expansion and land improvements	**452**	389	16.2%	**921**	817	12.7%
Other	**503**	518	(2.9)%	**1,159**	1,294	(10.4)%
Roads and paving	**75**	387	(80.6)%	**466**	724	(35.6)%
Equipment	**8**	34	(76.5)%	**19**	124	(84.7)%
Total capital invested – MHCs	**$1,411**	$1,586	(11.0)%	**$3,593**	$3,641	(1.3)%
Average number of sites	**5,975**	5,971	0.1%	**5,975**	5,907	1.2%
Capital invested – $ per site	**$236**	$266	(11.3)%	**$601**	$616	(2.4)%

Management expects to invest between $750 and $1,000 per MHC site annually. Consistent with the apartment portfolio, a portion of the MHC capital is considered maintenance capital and a portion is considered value enhancing. Maintenance capital includes costs to support the existing infrastructure, and value-enhancing capital includes improvements to roadways, work to accommodate future expansion, and community enhancements. A portion of MHC capital may be recovered through above-guideline increases in provinces with rent control, leading to increased NOI from the investments.

Total capital invested during the three and nine months ended September 30, 2023, was $1.4 million and $3.6 million, compared to $1.6 million and $3.6 million for the same periods in 2022, a decrease of 11.0% and 1.3%. Year-to-date capital investment relates to various community enhancements, largely water and sewer upgrades. As with the apartment portfolio, the timing of MHC capital investment changes based on the requirements at each community.

Commercial — Capital Investment

During the three and nine months ended September 30, 2023, Killam invested $1.2 million and $3.8 million in its commercial portfolio, compared to $1.7 million and $3.9 million for the three and nine months ended September 30, 2022. These investments relate to property upgrades and tenant improvements for new leasing opportunities at Killam's three stand-alone commercial properties: The Brewery, Westmount Place and Royalty Crossing. The significant capital investment at Royalty Crossing has led to the addition of 3,507 SF of new gross leasable area to the property, and on-going work will add another approximately 15,000 SF of leasable area that should be completed before year-end. The timing of the capital investment will vary based on tenant turnover.

Dollar amounts in thousands of Canadian dollars (except as noted)

Unitholders' Equity

As Killam is an open-ended mutual fund trust, unitholders of Trust Units are entitled to redeem their Trust Units at any time at prices determined and payable in accordance with the conditions specified in Killam's DOT. Consequently, under IFRS, Trust Units are defined as financial liabilities; however, for purposes of financial statement classification and presentation, Trust Units may be presented as equity instruments, as they meet the puttable instrument exemption under IAS 32.

All Trust Units outstanding are fully paid, have no par value and are voting Trust Units. The DOT authorizes the issuance of an unlimited number of Trust Units. Trust Units represent a unitholder's proportionate undivided beneficial interest in Killam. No Trust Unit has any preference or priority over another. No unitholder has or is deemed to have any right of ownership in any of the assets of Killam. Each unit confers the right to one vote at any meeting of unitholders and to participate pro rata in any distributions and, on liquidation, to a pro rata share of the residual net assets remaining after preferential claims thereon of debt holders.

Unitholders have the right to redeem their units at the lesser of (i) 90% of the market price of the Trust Unit (market price is defined as the weighted average trading price of the previous 10 trading days), and (ii) the most recent closing market price (closing market price is defined as the weighted average trading price on the specified date) at the time of the redemption. The redemption price will be satisfied by cash, up to a limit of $50 thousand for all redemptions in a calendar month, or a note payable. For the three and nine months ended September 30, 2023, no unitholders redeemed Trust Units.

Killam's Distribution Reinvestment Plan (DRIP) allows unitholders to elect to have all cash distributions from the Trust reinvested in additional units. Unitholders who participate in the DRIP receive an additional distribution of units equal to 3% of each cash distribution reinvested. The price per unit is calculated by reference to the 10-day volume weighted average price of Killam's units on the TSX preceding the relevant distribution date, which typically is on or about the 15th day of the month following the distribution declaration.

The following chart highlights Killam's distributions paid and Trust Units reinvested.

Distribution Reinvestment Plan and Net Distributions Paid

	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	% Change	**2023**	2022	% Change
Distributions declared on Trust Units	**$20,802**	$20,517	1.4%	**$62,224**	$61,086	1.9%
Distributions declared on Exchangeable Units	**682**	701	(2.7)%	**2,046**	2,102	(2.7)%
Distributions declared on awards outstanding under RTU Plan	**74**	61	21.3%	**222**	196	13.3%
Total distributions declared	**$21,558**	$21,279	1.3%	**$64,492**	$63,384	1.7%
Less:						
Distributions on Trust Units reinvested	**(6,364)**	(6,362)	—%	**(19,634)**	(18,981)	3.4%
Distributions on RTUs reinvested	**(74)**	(62)	19.4%	**(222)**	(196)	13.3%
Net distributions paid	**$15,120**	$14,855	1.8%	**$44,636**	$44,207	1.0%
Percentage of distributions reinvested	**29.9%**	30.2%		**30.8%**	30.3%	

Normal Course Issuer Bid

In May 2022, Killam announced that the TSX had accepted Killam's notice of intention to make a normal course issuer bid for its Trust Units, whereby Killam could acquire up to 3,000,000 Trust Units commencing on June 2, 2022, and ending on June 1, 2023. Killam renewed its normal course issuer bid to acquire up to 3,000,000 Trust Units effective June 22, 2023, which will expire June 21, 2024. All purchases of Trust Units are made through the facilities of the TSX at the market price of the Trust Units at the time of acquisition. Daily repurchases by Killam are limited to 55,257 Trust Units, other than block purchase exemptions. Any Trust Units acquired will be cancelled.

During the nine months ended September 30, 2023, 11,822 Trust Units were purchased and cancelled at a weighted average purchase price of $16.92 per unit.

PART VIII

Summary of Selected Consolidated Quarterly Results

	Q3-2023	Q2-2023	Q1-2023	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021
Property revenue	**$89,534**	$86,863	$84,895	$84,534	$85,301	$81,548	$77,464	$76,998
NOI	**$60,515**	$56,226	$50,815	$53,169	$56,792	$51,685	$45,263	$47,921
Net income (loss)	**$68,349**	$114,538	$83,460	($9,810)	$3,600	$68,716	$60,027	$74,801
FFO	**$39,234**	$36,207	$30,283	$32,719	$37,144	$34,078	$28,665	$30,514
FFO per unit – diluted	**$0.32**	$0.30	$0.25	$0.27	$0.31	$0.28	$0.24	$0.27
AFFO	**$34,143**	$30,985	$25,170	$27,417	$32,188	$29,002	$23,739	$25,669
AFFO per unit – diluted	**$0.28**	$0.26	$0.21	$0.23	$0.27	$0.24	$0.20	$0.22
Weighted average units – diluted (000s)	**121,848**	121,472	121,072	120,676	120,292	119,938	117,765	114,571

Risks and Uncertainties

Killam faces a variety of risks, the majority of which are common to real estate entities. These are described in detail in the MD&A of Killam's 2022 Annual Report and in Killam's AIF, both filed on SEDAR+ at www.sedarplus.ca. These factors continue to exist and remain relatively unchanged.

Critical Accounting Policies and Significant Accounting Judgments, Estimates and Assumptions

The condensed consolidated interim financial statements should be read in conjunction with Killam's most recently issued Annual Report, which includes information necessary or useful to understanding Killam's business and financial statement presentation. In particular, Killam's significant accounting policies were presented in note 2 to the audited consolidated financial statements for the year ended December 31, 2022, and any changes in the accounting policies applied have been described in note 2 to the condensed consolidated interim financial statements for the three and nine months ended September 30, 2023.

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions. Significant areas of judgment, estimates and assumptions are set out in note 3 to the audited consolidated financial statements found in Killam's 2022 Annual Report. The most significant estimates relate to the fair value of investment properties and deferred income taxes.

The condensed consolidated interim financial statements dated September 30, 2023, have been prepared considering the current inflationary economic environment, the impact of rising interest rates and the potential for government intervention, and how increased uncertainty could impact the valuation of investment properties. Killam has used the best information available as at September 30, 2023, in determining its estimates and the assumptions that affect the carrying amounts of assets and liabilities, and earnings for the period. Actual results could differ from those estimates. Killam considers the estimates that could be most significantly impacted to include those underlying the valuation of investment properties and the estimated credit losses on accounts receivable.

Disclosure Controls, Procedures and Internal Controls

Management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that Killam’s disclosure controls, procedures or internal controls will prevent or detect all error and all fraud. Because of the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within Killam have been detected. During the most recent interim period, there have been no significant changes to Killam's disclosure controls, procedures or internal controls.

Subsequent Events

On October 5, 2023, Killam completed the disposition of Edward Court, a 96-unit apartment building located in Miramichi, NB, for a sale price of $11.0 million, and net cash proceeds of $5.1 million after mortgage repayment.

On November 2, 2023, Killam completed the disposition of two apartment buildings totalling 139 units located in Sydney, NS, for a combined sale price of $22.5 million, and net cash proceeds of $10.1 million after mortgage repayment and issuance of a vendor take-back mortgage.

On October 16, 2023, Killam announced a distribution of $0.05833 per unit, payable on November 15, 2023, to unitholders of record on October 31, 2023.