Q3-2022 Management's Discussion and Analysis

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

TABLE OF CONTENTS

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 $4.8 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 15 projects to date, with a further four projects 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 88.2% of Killam's net operating income (NOI) for the nine months ended September 30, 2022. As at September 30, 2022, Killam's apartment portfolio consisted of 19,527 units, including 1,176 units jointly owned with institutional partners. Killam's 231 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 is Atlantic Canada's largest owner of multi-residential apartments and plans to continue increasing its presence outside Atlantic Canada through acquisitions and developments; however, it will continue to invest strategically in Atlantic Canada to maintain its market presence.

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 6.6% of Killam's NOI for the nine months ended September 30, 2022. Killam also owns 946,372 square feet (SF) of stand-alone commercial space that accounted for 5.2% of Killam's NOI for the nine months ended September 30, 2022.

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. 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, 2022, 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, 2021, and 2020, and in conjunction with the Trust's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2022, and 2021, 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 2021 Annual Information Form (AIF), are available on SEDAR at www.sedar.com.

The discussions in this MD&A are based on information available as at November 8, 2022. 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 with regard to market demand and rent growth; the effect of government-imposed rental rate restrictions; Killam's growth strategy; net asset value growth; planned growth of the property portfolio; the expansion of the land portfolio for future developments; future acquisitions, including the amount expected to be invested in such acquisitions, the location of such acquisitions, improvements in profitability of Killam's property portfolio, 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, portfolio growth, NOI generated outside of Atlantic Canada, investment in completed developments, debt maintenance or reductions, environmental, social and governance (ESG) investment, return on investment, and affordable housing; Killam's joint venture partners; Killam's ability to mitigate cost increases; maintenance costs; the effect of completed developments on Killam's business; the expansion of Killam's repositioning program; uncertainties and risks arising as a result of the spread of the COVID-19 pandemic, including uncertainty surrounding disruptions to financial markets, regional economies and the world economy; the return to pre-pandemic employment levels; interest rate fluctuations; credit availability; financing costs; market values; pace and scope on future acquisitions, construction, development and renovation, renewals and leasing; the ability to expand into other geographical regions of Canada in an economically viable way and geographically diversify Killam's portfolio; the estimated population and economic growth in key markets; the rate of transition from rental to homeownership; the GDP growth across the country post-pandemic; the continued capital investment from governments and the private sector in key markets; the availability of capital to fund further acquisitions and investments in Killam's business; replacing construction financing with permanent mortgage financing; Killam's commitment to ESG and its ESG policy, including investment in ESG initiatives and technology and its impact on Killam's energy consumption and costs; augmenting Killam's sustainability programs and improving its global real estate sustainability benchmark (GRESB) rating; reducing Killam's impact on the environment; and the benefit of building certifications and high operating and living standards.

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, as well as government responses to, the COVID-19 pandemic, and the effectiveness of measures intended to mitigate the impact of COVID-19; national and regional economic conditions; and the availability of capital to fund further investments in Killam's business. Further information regarding these risks, uncertainties and other factors may be found under the "Risk Management" section of Killam's MD&A for the year ended December 31, 2021 and Killam's most recent AIF. Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements contained, or incorporated by reference, in Killam's MD&A for the year ended December 31, 2021.

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 Killam's 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 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

- Funds from operations (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 27.

- 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 28.
- 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 29. 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 30.
- 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 30.
- 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 30.
- 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 30.
- 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 30.

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 2022 and 2021. Same property results represent 86.0% of the fair value of Killam's investment property portfolio as at September 30, 2022. Excluded from same property results in 2022 are acquisitions, dispositions and developments completed in 2021 and 2022, 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 2022 and 2021. 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 AFFO and ACFO payout ratios and targets lower payout ratios. The ACFO payout ratio is a measure to assess the sustainability of distributions. The AFFO payout ratio is used as a supplementary measure. Although Killam expects to sustain and grow distributions, the amount of distributions will depend on debt repayments and refinancings, capital investments, and other factors which 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	**2022**	2021	Change (1)	**2022**	2021	Change (2)
Property revenue	**$85,301**	$76,244	11.9%	**$244,313**	$213,919	14.2%
Net operating income	**$56,792**	$50,455	12.6%	**$153,740**	$135,315	13.6%
Net income	**$3,600**	$46,634	(92.3)%	**$132,344**	$210,726	(37.2)%
FFO (2)	**$37,144**	$34,246	8.5%	**$99,885**	$88,721	12.6%
FFO per unit – diluted (2)	**$0.31**	$0.30	3.3%	**$0.84**	$0.80	5.0%
AFFO (1)	**$32,188**	$29,510	9.1%	**$84,934**	$74,769	13.6%
AFFO per unit – diluted (2)	**$0.27**	$0.26	3.8%	**$0.71**	$0.68	4.4%
Weighted average number of units outstanding – diluted (000s)	**120,292**	114,250	5.3%	**119,341**	110,633	7.9%
Distributions paid per unit (3)	**$0.18**	$0.17	5.9%	**$0.70**	$0.68	2.9%
AFFO payout ratio – diluted (2)	**65%**	66%	(100) bps	**74%**	76%	(200) bps
AFFO payout ratio – rolling 12 months (2)	**75%**	77%	(200) bps			
Portfolio Performance						
Same property NOI (2)	**$49,469**	$47,088	5.1%	**$136,506**	$130,158	4.9%
Same property NOI margin	**66.8%**	66.8%	– bps	**63.4%**	63.6%	(20) bps
Same property apartment occupancy	**98.4%**	97.4%	100 bps			
Same property apartment weighted average rental increase (4)	**3.6%**	3.4%	20 bps			

As at	**September 30, 2022**	December 31, 2021	Change (2)
Leverage Ratios and Metrics			
Debt to total assets	**45.0%**	45.0%	– bps
Weighted average mortgage interest rate	**2.67%**	2.58%	9 bps
Weighted average years to debt maturity	**4.0**	4.0	– years
Debt to normalized EBITDA (2)	**11.20x**	11.33x	(1.1)%
Debt service coverage (2)	**1.51x**	1.53x	(1.3)%
Interest coverage (2)	**3.42x**	3.53x	(3.1)%

(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 and Supplementary Financial Measures").

(3) The Board of Trustees approved a 2.9% increase in Killam's distribution on an annualized basis to $0.70 per unit, effective for the September 2021 distribution.

(4) Year-over-year, as at September 30.

Summary of Q3-2022 Results and Operations

Net Income Impacted by Fair Value Losses

Killam earned net income of $3.6 million in Q3-2022, compared to $46.6 million in Q3-2021. The decrease in net income is due to fair value losses on investment properties of $41.3 million in the current period, compared to fair value gains of $25.8 million in Q3-2021. These fair value losses reflect an expansion of cap-rates in several of Killam's core markets. Killam's weighted average cap-rate for its apartment portfolio as at September 30, 2022, was 4.43%, a 5 bps increase from the weighted average cap-rate as at June 30, 2022. The losses associated with the expansion in cap-rates were partially offset with NOI growth of $6.3 million in the quarter, compared to the same period in 2021, driven by acquisitions, completed developments, and increased earnings from the existing portfolio.

Achieved 3.3% FFO per Unit Growth and 3.8% AFFO per Unit Growth

Killam delivered FFO per unit of $0.31 in the quarter, a 3.3% increase from $0.30 per unit in Q3-2021. AFFO per unit increased 3.8% to $0.27, compared to $0.26 in Q3-2021. The growth in FFO and AFFO was attributable to increased NOI from Killam's same property portfolio and incremental contributions from acquisitions, which total over $500 million since the beginning of 2021. This growth was partially offset by a 5.3% increase in the weighted average number of Trust Units outstanding, along with higher interest expense.

Revenue Growth Drives Average Same Property NOI Growth of 5.1%

Killam generated 5.1% growth in same property NOI during Q3-2022. This improvement was driven by 5.1% growth in same property revenue, partially offset by a 5.2% increase in same property operating expenses. Revenue growth was supported by a 3.6% increase in apartment rents, coupled with a 100 bps increase in same property apartment occupancy in the quarter. Operating expenses increased due to higher natural gas pricing in Killam's core markets, resulting in a 9.8% increase in same property utility and fuel expenses. Same property general operating expenses increased by 5.5%, driven by higher wages and contract services. Property tax expenses increased modestly by 2.3%.

Continued Advancement of Development Pipeline and Completion of Third Development in 2022

Killam's joint venture development project, Luma, a 168-unit building located in Ottawa, ON, opened to tenants in June 2022, and reached substantial completion in the third quarter. The property is currently 62% leased and is expected to generate $3.4 million in NOI annually once stabilized ($1.7 million for Killam's 50% interest). The Kay, located in Mississauga, opened in April and was fully leased at the end of the third quarter. This marks one of Killam's fastest new development lease-ups to date.

Killam continues to advance its development pipeline and has two developments close to completion and one development that commenced in Q2-2022, totalling 320 units, with an expected combined development cost of $177.5 million. During the third quarter, Killam invested $14.6 million in its active development projects, the majority of which was funded through construction financing.

Rising Interest Rates

The maturity dates of Killam's mortgages are staggered to help mitigate interest rate risk. During Q3-2022, Killam refinanced $22.4 million of maturing mortgages with $27.1 million of new debt, all of which were for five-year terms at a weighted average interest rate of 4.05%, 177 bps higher than the maturing debt.

ESG Update

In October, Killam received a green, three-star designation for its 2022 GRESB real estate assessment, and achieved a 15% score improvement from its 2021 rating. During Q3-2022, Killam invested $3.8 million in energy initiatives, which included $1.3 million in new boilers, $1.2 million in building improvements, $1.1 million in window replacements and $0.3 million in solar panels. As of September 30, 2022, Killam had 16 photovoltaic (PV) solar arrays producing power, with an expected 1,610 MWh of annual energy production. This is the equivalent amount of energy to supply 304 apartment units with electricity annually, based on the average consumption per unit in Killam's apartment portfolio. 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.

Killam's 2021 ESG report can be accessed on its website at https://killamreit.com/esg. It 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	
2022 Target	Achieve same property NOI growth averaging 2.0%–3.0%.
2022 Performance to Date	Killam achieved same property NOI growth of 4.9% for the nine months ended September 30, 2022. Growth is attributable to increased rental rates and occupancy, partially offset by expense growth. Killam expects to exceed its target and achieve above 4.0% same property NOI growth in 2022.

Expanded Portfolio	
2022 Target	Complete a minimum of $150 million in acquisitions.
2022 Performance to Date	Year-to-date, Killam has grown its portfolio by $118.6 million, with acquisitions in many of its core markets, including Halifax, Waterloo, Guelph, Victoria, and Courtenay. Following recent increases to cost of capital and increasing interest rates, Management has made the decision to slow down its acquisition program for the remainder of 2022 to adjust to market conditions.

Geographic Diversification	
2022 Target	Earn at least 35% of 2022 NOI outside Atlantic Canada.
2022 Performance to Date	Killam is on track to meet this target, with 35.7% of NOI generated outside Atlantic Canada year-to-date as of September 30, 2022. The completion and lease-up of Latitude, The Kay and Luma, as well as recently completed acquisitions, will further augment NOI generated outside Atlantic Canada during the remainder of the year.

Development of High-Quality Properties	
2022 Target	Complete construction of four buildings and break ground on two additional developments in 2022.
2022 Performance to Date	Year-to-date, Killam has completed three developments, Latitude (Q1-2022), The Kay (Q2-2022) and Luma (Q3-2022). Due to construction delays, The Governor, a 12-unit building located in Halifax, is expected to be completed in Q1-2023. Killam has also broken ground on The Carrick, a 139-unit building in Waterloo, ON, and the second phase of Nolan Hill in Calgary. Due to permit delays the decision for the start date of the Eventide and Aurora development in Halifax is pending.

Strengthened Balance Sheet	
2022 Target	Maintain debt as a percentage of total assets ratio below 45%.
2022 Performance to Date	Debt as a percentage of total assets was 45.0% as at September 30, 2022.

Sustainability	
2022 Target	Invest a minimum of $8.0 million in energy initiatives in 2022.
2022 Performance to Date	Killam invested $6.7 million in energy initiatives year-to-date, including $2.0 million in new boilers, $2.0 million in building improvements, $1.5 million in window replacements, $0.8 million in solar panel investments and $0.4 million in electric vehicle chargers.

Outlook

Strong Demand for Apartments Expected to Drive Market Rents Higher
Killam expects robust demand for apartments to continue through the end of 2022 and into 2023, driving increasing market rents and maintaining high occupancy across the portfolio. Management expects to increase rents to market rates as units turn and are released, which is expected to lead to continued top-line growth. For renewals, 2023 rent growth is likely to be tempered by government-imposed rental rate restrictions in four of Killam's core markets, namely Ontario (capped at 2.5% in 2023), Nova Scotia (capped at 2.0% in 2023), British Columbia (capped at 2.0% in 2023) and Prince Edward Island (capped at 5.2% in 2023 (10.8% for units heated with oil)). Canada recently updated its immigration target to welcome 465,000 new permanent residents in 2023, 485,000 in 2024 and 500,000 in 2025 which is expected to further contribute to the strong demand for apartments and continued expansion of mark-to-market opportunities.

Population Growth and Opportunity in Halifax
Halifax, which contributed 29.0% of Killam's NOI as of September 30, 2022, has experienced acceleration in population growth over the past few years. In 2021, Halifax's population grew by 2.1%, with a record number of interprovincial migrants moving to Halifax. In addition, second quarter 2022 net interprovincial migration in Halifax was the highest in over ten years and has been trending positive since 2016. Halifax's age profile is also shifting downward. In 2021, for the second consecutive year, most newcomers to Halifax were in the 25–39 age group, accounting for 53% of the population growth. These trends are projected to continue through the remainder of 2022 and into 2023, increasing demand for apartments in the region.

Developments to Contribute to Earnings Growth
Development remains an important component of Killam's growth strategy, with the completion of three developments to date in 2022 and a further two projects expected to be completed in 2023. The completion and stabilization of these projects is expected to contribute positively to Killam's future FFO per unit growth. Killam broke ground on a 139-unit development in the second quarter of 2022 and expects the project to be completed in 2024. Killam has a robust development pipeline of over 4,200 units, with 70% of the future projects located outside of Atlantic Canada.

Increased Borrowing Costs
Killam has $25.5 million of mortgages maturing in the remainder of 2022, with an average interest rate of 3.44%, and a further $279.1 million maturing in 2023 with an average interest rate of 3.07%. With current borrowing costs above these levels, Management anticipates higher interest expense 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 32.

Monitoring Capitalization Rates
Killam's weighted average cap-rate for its apartment portfolio as at September 30, 2022, was 4.43%, up from 4.38% as at June 30, 2022. Management monitors market transactions and data throughout the year and adjusts cap-rates as required to match market values. Given current market conditions and interest rate trends, Management expects cap-rates may increase and will revisit cap-rate assumptions in the fourth quarter.

Inflation and Higher Operating Expenses
Killam monitors inflation given the risk of increasing operating and capital costs. Approximately 58% of Killam's units are heated with natural gas, and fluctuations in natural gas pricing have impacted Killam's operating costs. Domestic and international natural gas markets continue to experience cost pressures in 2022, and this is expected to continue into the 2023 heating season. Investments in energy and water-saving initiatives, as well as operational efficiencies, are expected to help offset a portion of the rising operating costs. Management expects to invest a minimum of $8.0 million in energy-related projects in 2023. These projects should contribute to same property NOI growth by reducing consumption and improve Killam's sustainability metrics.

Investing in Our Properties
Killam is improving repositioning efficiencies and targeting improved performance metrics, including the percentage of repositionings completed in 28 days. Unit repositionings represent unit upgrades costing more than $10,000, and Killam targets a return on investment (ROI) of at least 10%. Killam has been successful and will continue to mitigate construction cost increases through the use of bulk purchasing of renovation products, as well as the use of in-house labour. Killam has over 5,500 units that are eligible for repositioning as they come vacant.

Positive Same Property NOI Expected
Despite inflationary pressures, Killam expects top-line revenue growth to continue to drive increasing same property NOI growth.

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, 2022:

Apartment Portfolio				
	Units (1)	Number of Properties	NOI ($) (2)	NOI (2) (% of Total)
Nova Scotia				
Halifax	5,847	67	$44,643	29.0%
Sydney	139	2	$1,105	0.7%
	5,986	69	$45,748	29.7%
New Brunswick				
Moncton	2,246	39	$13,531	8.8%
Fredericton	1,529	23	$9,962	6.5%
Saint John	1,202	14	$5,731	3.8%
Miramichi	96	1	$532	0.3%
	5,073	77	$29,756	19.4%
Ontario				
Ottawa	1,592	11	$8,468	5.5%
London	523	5	$4,441	2.9%
Kitchener-Waterloo-Cambridge-GTA	1,839	13	$15,545	10.1%
	3,954	29	$28,454	18.5%
Newfoundland and Labrador				
St. John's	955	13	$5,957	3.9%
Grand Falls	148	2	$583	0.4%
	1,103	15	$6,540	4.3%
Prince Edward Island				
Charlottetown	1,163	24	$7,121	4.6%
Summerside	86	2	$445	0.3%
	1,249	26	$7,566	4.9%
Alberta				
Calgary	764	4	$5,597	3.7%
Edmonton	882	6	$6,960	4.5%
	1,646	10	$12,557	8.2%
British Columbia				
Victoria	516	5	$4,955	3.2%
Total Apartments	**19,527**	**231**	**$135,576**	**88.2%**
Manufactured Home Community Portfolio				
	Sites	**Communities**	**NOI ($) (2)**	**(% of Total)**
Nova Scotia	2,850	18	$3,996	2.6%
Ontario (3)	2,284	17	$5,078	3.3%
New Brunswick (3)	671	3	$693	0.5%
Newfoundland and Labrador	170	2	$303	0.2%
Total MHCs	**5,975**	**40**	**$10,070**	**6.6%**
Commercial Portfolio (4)				
	SF (5)	**Properties**	**NOI ($) (2)**	**(% of Total)**
Prince Edward Island (5)	383,222	1	$1,873	1.2%
Ontario	311,106	2	$3,828	2.5%
Nova Scotia (6)	218,829	5	$2,066	1.3%
New Brunswick	33,215	1	$327	0.2%
Total Commercial	**946,372**	**9**	**$8,094**	**5.2%**
Total Portfolio		**280**	**$153,740**	**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, 2022.
(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 181,117 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

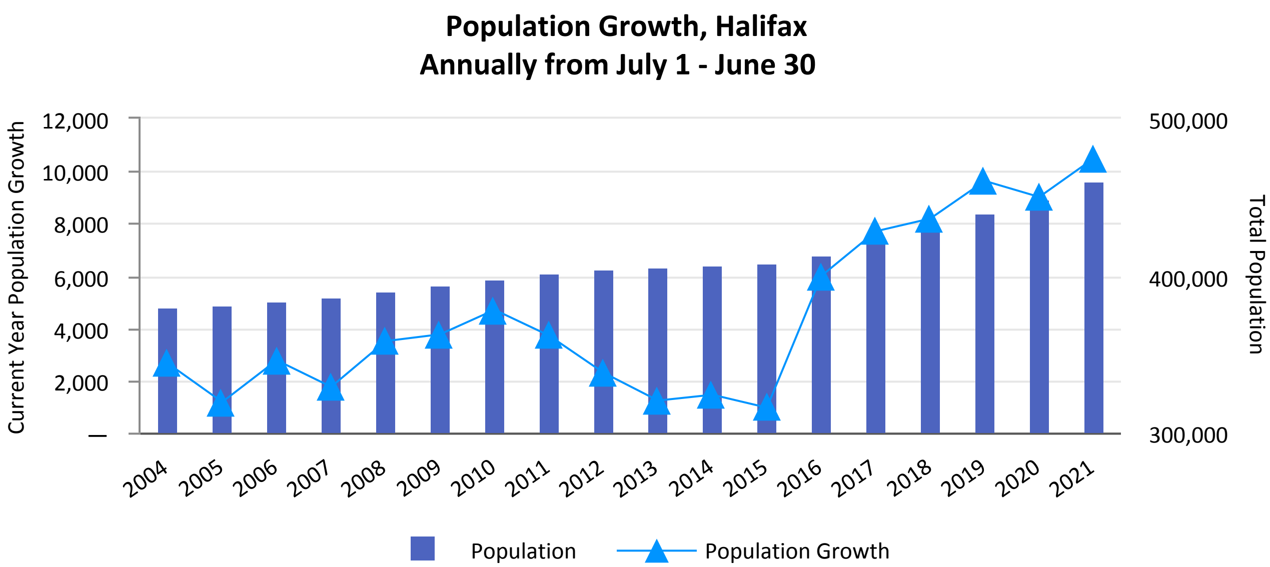
Thirty percent of Killam's NOI was generated by its Halifax apartment properties for the nine months ended September 30, 2022. Halifax is the largest city in Atlantic Canada and is home to 18% of Atlantic Canadians. Halifax's diverse economy generates 56% of Nova Scotia's GDP and is home to 46% of the province's population. According to Canadian and Mortgage Housing Corporation's (CMHC) Rental Market Report, the city's rental market totals 57,060 units, with an additional 7,470 rental units currently under construction. Halifax's vacancy rate decreased to 1.0% in 2021, compared to 1.9% in 2020. The decrease in vacancy is attributed to the city's rising population and lack of housing availability, specifically in the city's downtown core. CMHC reported that the average monthly rent for two-bedroom apartments increased 6.4% to $1,334 in 2021, compared to $1,254 in 2020.

With six degree-granting universities and three large college campuses, Halifax has approximately 35,560 full-time students, including 7,290 international students. Halifax's employment base is diversified, with the largest sectors focused on public service, health care, education, and 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.

Scotiabank's January 2022 provincial analysis report noted that Halifax remains Atlantic Canada's high wage services hub, with flexibility to work remotely, which is expected to contribute to further interprovincial migration. The economic outlook forecasts year-over-year growth in 2022 for Nova Scotia's GDP, employment rates and Consumer Price Index.

There is tremendous opportunity to leverage science and technology in Canada's ocean sectors, furthering the knowledge-based ocean economy. Canada's Ocean Supercluster aims to build Canada's ocean economy into one of the country's most significant and sustainable economic segments through federal government and private sector co-investment totalling more than $300 million over the next four years. Over 300 companies are participating in ocean-sector businesses in Nova Scotia, with more than 80 innovators of new, high-tech products and services.

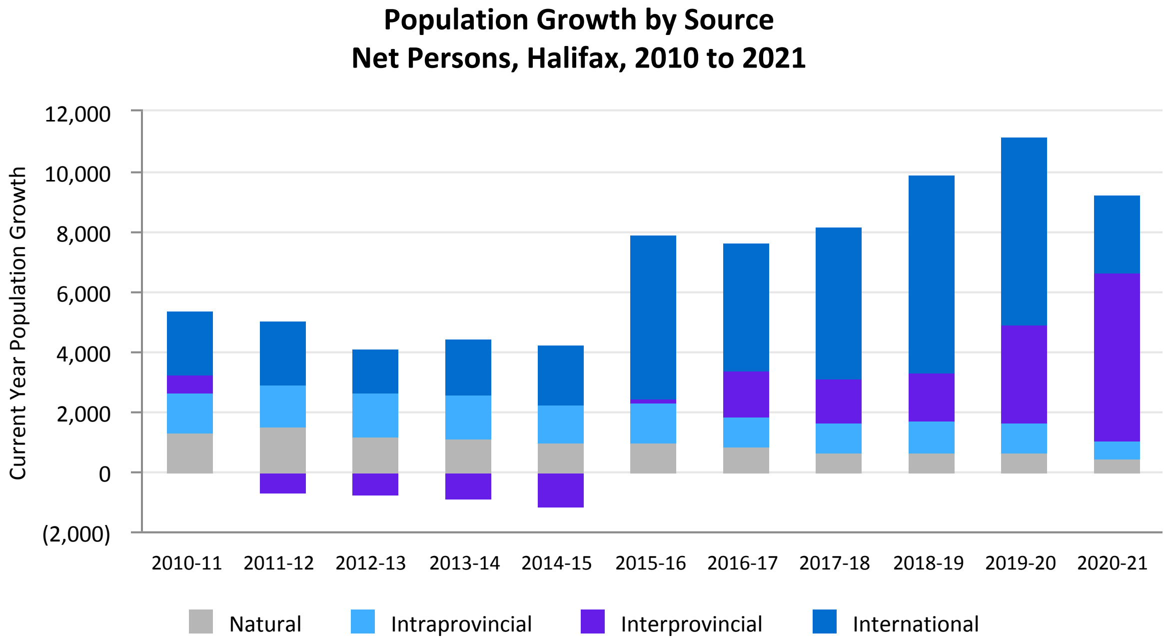
The following chart summarizes Halifax's population growth from 2005 to 2021, the most recent year for which detailed population growth data is available:



Source: Statistics Canada

Halifax's population has been rising by approximately 2.0% per year since 2016 and has grown by an average of 2.2% per year between 2019 and 2021, driven by immigration and urbanization. Halifax is one of Canada's fastest-growing cities, showing the third-highest growth across all Canadian metropolitan areas between July 1, 2020 and June 30, 2021. During this period, interprovincial migration was the largest source of new residents, representing 60.4% of the total. This is the highest number of interprovincial migrants Halifax has ever seen, and the first time that it has constituted a larger share of growth than new Canadians. The share of new Canadians dropped below 50% for the first time since 2013 and represents 28% of the total growth for 2020–2021. Intraprovincial migration contributed 6.4%, while net natural growth represented 5.2%.

The following chart summarizes Halifax's population growth by source from 2010 to 2021, the most recent year for which detailed population growth data is available:



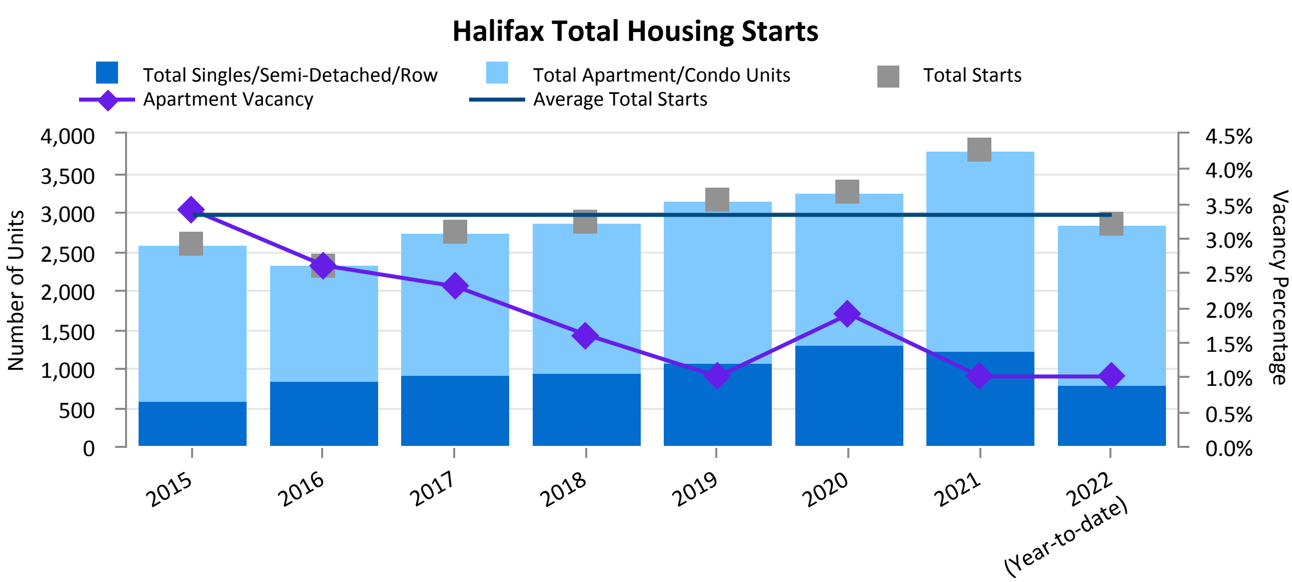
Source: Statistics Canada

As of September 30, 2022, Statistics Canada estimated total net population growth in Nova Scotia was over 21,000 year-to-date, which included the highest net interprovincial migration to Nova Scotia in over ten years. In 2022, Nova Scotia's population also passed the one million mark.

Nova Scotia as a whole is benefiting from increased population growth. RBC's September 2022 Provincial Outlook expects momentum to slow in 2022 and 2023, with forecasted GDP growth of 1.9% and 0.4%, compared to the achieved growth rate of 5.8% in 2021. However, Atlantic Canada continues to benefit from surging interprovincial migration, providing growth opportunities for the provincial economy.

In response to an increasing population, there has been an increase in housing starts over the last five years. Despite this supply increase, housing prices were up 5.8% in September 2022 compared to September 2021.

The following chart summarizes Halifax's housing start activity from 2015 to 2022 (year-to-date, as of September 30, 2022):



Source: CMHC

New Brunswick
Nineteen percent of Killam’s NOI was generated by apartments in New Brunswick's three major urban centres – Fredericton, Moncton and Saint John. 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. New Brunswick saw a significant increase in net migration from other provinces during the pandemic, as noted in Scotiabank's January 2022 Provincial Analysis, the vast majority from Ontario, leading to population growth in the province and its core cities. The population of New Brunswick increased by 2.67% as of September 30, 2022, compared to the previous year, as measured by Statistics Canada. This has led to decreased apartment vacancy in the region; according to CMHC, New Brunswick's vacancy decreased 130 bps to 1.7% in 2021, compared to 3.0% in 2020.

According to RBC's September 2022 Provincial Outlook report, New Brunswick's outlook for 2022 is positive, with expected GDP growth of 1.8% in 2022 and 0.5% in 2023. RBC reports New Brunswick's economic growth is expected to remain strong, with agriculture and construction, demand for housing, and tourism continuing to drive growth.

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, 2022. RBC's September 2022 Provincial Outlook reported the projected GDP growth rate for Newfoundland is 1.1% in 2022 and 1.7% in 2023. Higher mineral production, retail sales growth and rebounding tourism are expected to drive economic growth, followed by significant projects in offshore oil activity. Statistics Canada reported that Newfoundland and Labrador's population has increased by 1.1% as of Q3-2022, compared to the previous year.

Prince Edward Island
Five percent of Killam's NOI was generated by apartments in Prince Edward Island. According to RBC’s September 2022 Provincial Outlook report, PEI’s economy appears to have fully recovered to pre-pandemic levels. Strong residential investment, further recovery in the manufacturing sector and consumer spending are expected to drive GDP growth at a rate of 2.3% in 2022 and 1.1% in 2023. Prince Edward Island is seeing strong population growth driven by immigration and net interprovincial migration, with an estimated growth of 3.5% as of September 30, 2022, compared to the previous year, as measured by Statistics Canada.

Ontario
Killam's Ontario apartment portfolio generated 18.5% of its NOI for the nine months ended September 30, 2022. RBC’s September 2022 Provincial Outlook reported Ontario's projected GDP growth rate to be 3.2% in 2022 and 0.3% in 2023. RBC reports that growth in Ontario continues to be driven by advances in the healthcare industry and activity in real estate and professional services industries. Although residential activity has been strong, RBC reports this is expected to slow and decline due to high inflation and rising interest rates, causing challenges for consumers and businesses. As a net energy consuming region, Central Canada would be impacted by potentially rising oil and gas prices.

Alberta
Eight percent of Killam's NOI was earned in Alberta for the nine months ended September 30, 2022. According to RBC's September 2022 Provincial Outlook report, Alberta is expected to achieve a GDP growth rate of 5.1% in 2022 and 1.8% in 2023, which should enable the Alberta economy to recover to pre-pandemic levels after the nearly 8.0% decline in GDP in 2020. This growth is driven by the massive upswing in global energy markets, as well as increased activity in its agricultural sectors. Statistics Canada reports that Alberta's population grew by 2.2% in the last year as of September 30, 2022, compared to September 30, 2021, the highest level since 2013–2014.

British Columbia
Killam earned 3.2% of its NOI in the British Columbia market for the nine months ended September 30, 2022. RBC's September 2022 Provincial Outlook reported British Columbia's GDP growth to be 3.0% in 2022 and 0.4% in 2023, down from 5.9% in 2021. RBC reports that capital investment in the natural resource sector will remain key to growth in the region. Net migration from other provinces reached a 25-year high during the pandemic, and RBC expects that a sharp rise in immigration in 2022 will further boost population growth. This is in line with a drop in vacancy rates in the region, which decreased to 1.4% in 2021, compared to 2.5% in 2020, as reported by CMHC.

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

PART IV

Q3-2022 Operational and Financial Results

Consolidated Results

For the three months ended September 30,

	Total Portfolio			Same Property (1)		
	2022	2021	% Change	**2022**	2021	% Change
Property revenue	**$85,301**	$76,244	11.9%	**$74,080**	$70,485	5.1%
Property operating expenses						
General operating expenses	**12,704**	11,407	11.4%	**11,163**	10,584	5.5%
Utility and fuel expenses	**5,763**	5,127	12.4%	**4,920**	4,480	9.8%
Property taxes	**10,042**	9,255	8.5%	**8,528**	8,333	2.3%
Total operating expenses	**$28,509**	$25,789	10.5%	**$24,611**	$23,397	5.2%
NOI	**$56,792**	$50,455	12.6%	**$49,469**	$47,088	5.1%
Operating margin %	**66.6%**	66.2%	40 bps	**66.8%**	66.8%	– bps

For the nine months ended September 30,

	Total Portfolio			Same Property (1)		
	2022	2021	% Change	**2022**	2021	% Change
Property revenue	**$244,313**	$213,919	14.2%	**$215,195**	$204,668	5.1%
Property operating expenses						
General operating expenses	**37,680**	33,866	11.3%	**33,067**	32,100	3.0%
Utility and fuel expenses	**22,996**	18,350	25.3%	**20,074**	17,529	14.5%
Property taxes	**29,897**	26,388	13.3%	**25,548**	24,881	2.7%
Total operating expenses	**$90,573**	$78,604	15.2%	**$78,689**	$74,510	5.6%
NOI	**$153,740**	$135,315	13.6%	**$136,506**	$130,158	4.9%
Operating margin %	**62.9%**	63.3%	(40) bps	**63.4%**	63.6%	(20) bps

(1) Same property results exclude acquisitions and developments completed during the comparable 2022 and 2021 periods, which are classified as non-same property. For the three and nine months ended September 30, 2022, NOI contributions from acquisitions and developments completed in 2021 and 2022 were $8.3 million and $19.3 million. For the three and nine months ended September 30, 2021, the NOI contributions from acquisitions and developments completed in 2021 were $4.2 million and $7.0 million.

For the three and nine months ended September 30, 2022, Killam achieved strong overall portfolio performance. Revenues grew 11.9% and 14.2%, offset by increases in total operating expenses of 10.5% and 15.2%, due to the increased size of Killam's portfolio as well as increases in utility and fuel expenses year-over-year. In aggregate, NOI increased by 12.6% and 13.6% for the three and nine months ended September 30, 2022.

Same property results include properties owned during comparable 2022 and 2021 periods. Same property results represent 86% of the fair value of Killam's investment property portfolio as at September 30, 2022. Non-same property results include acquisitions, dispositions and developments completed in 2021 and 2022, and commercial assets acquired for future residential development.

Same property revenue increased by 5.1% for both the three and nine months ended September 30, 2022, compared to the same periods in 2021. This growth was driven by a 100 bps increase in apartment occupancy due to strong market conditions, rental rate growth and growth in both seasonal MHCs and commercial revenues.

Total same property operating expenses increased by 5.2% for the three months ended September 30, 2022. The increase for the quarter was driven by a 9.8% increase in utility and fuel expenses due to increases in natural gas, oil and propane pricing across Killam's portfolio, coupled with increases in general operating expenses and property taxes of 5.5% and 2.3%, respectively.

Total same property operating expenses increased by 5.6% for the nine months ended September 30, 2022. The increase was driven by significant increases in natural gas pricing across Killam's portfolio, which contributed to a 14.5% increase in utility and fuel expenses year-to-date. In addition, general operating expenses and property taxes increased by 3.0% and 2.7%, respectively.

Overall, same property NOI grew by 5.1% and 4.9% for the three and nine months ended September 30, 2022.

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

Apartment Results

For the three months ended September 30,

	Total			Same Property		
	2022	2021	% Change	**2022**	2021	% Change
Property revenue	**$73,808**	$65,579	12.5%	**$64,146**	$61,217	4.8%
Property operating expenses						
General operating expenses	**10,671**	9,452	12.9%	**9,372**	8,885	5.5%
Utility and fuel expenses	**4,875**	4,354	12.0%	**4,223**	3,920	7.7%
Property taxes	**8,945**	8,163	9.6%	**7,663**	7,494	2.3%
Total operating expenses	**$24,491**	$21,969	11.5%	**$21,258**	$20,299	4.7%
NOI	**$49,317**	$43,610	13.1%	**$42,888**	$40,918	4.8%
Operating margin %	**66.8%**	66.5%	30 bps	**66.9%**	66.8%	10 bps

For the nine months ended September 30,

	Total			Same Property		
	2022	2021	% Change	**2022**	2021	% Change
Property revenue	**$214,583**	$186,806	14.9%	**$189,891**	$181,012	4.9%
Property operating expenses						
General operating expenses	**31,989**	28,126	13.7%	**28,137**	27,257	3.2%
Utility and fuel expenses	**20,390**	16,357	24.7%	**18,115**	15,875	14.1%
Property taxes	**26,628**	23,246	14.5%	**22,970**	22,364	2.7%
Total operating expenses	**$79,007**	$67,729	16.7%	**$69,222**	$65,496	5.7%
NOI	**$135,576**	$119,077	13.9%	**$120,669**	$115,516	4.5%
Operating margin %	**63.2%**	63.7%	(50) bps	**63.5%**	63.8%	(30) bps

Apartment Revenue

Total apartment revenue for the three and nine months ended September 30, 2022, was $73.8 million and $214.6 million, an increase of 12.5% and 14.9% over the same periods in 2021. Revenue growth was augmented by contributions from recently acquired and developed properties, coupled with higher rental rates.

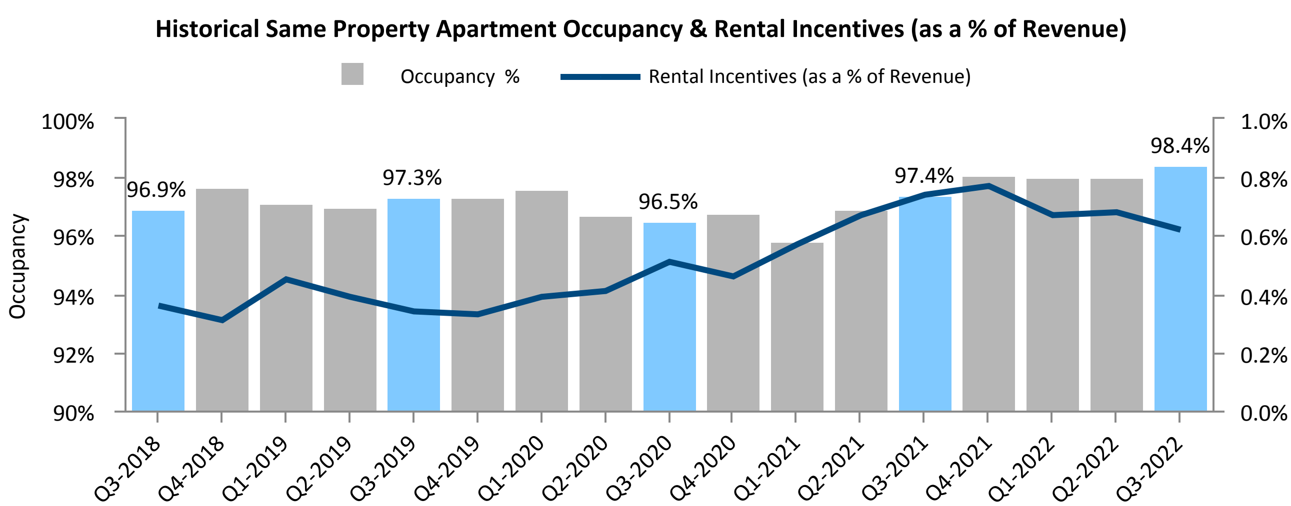
Same property apartment revenue increased 4.8% and 4.9% for the three and nine months ended September 30, 2022. This was driven by a 100 bps and 160 bps increase in occupancy during the periods, coupled with increased year-over-year average rent of 3.6% as at September 30, 2022. The operating margin on Killam's same property apartment portfolio for the three months ended September 30, 2022, was up 10 bps to 66.9%; however, the operating margin for the nine months ended September 30, 2022 was down 30 bps to 63.5% due to higher utility and fuel expenses, most of which were realized in the first half of the year.

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

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

		Total Occupancy			Same Property Occupancy		
For the three months ended September 30,	# of Units	**2022**	2021	Change (bps)	**2022**	2021	Change (bps)
Nova Scotia							
Halifax	5,986	**98.8%**	98.6%	20	**98.8%**	98.5%	30
Ontario							
Ottawa [2]	1,592	**87.2%**	94.0%	(680)	**97.2%**	94.0%	320
London	523	**99.1%**	98.5%	60	**99.1%**	98.5%	60
KWC-GTA	1,839	**98.0%**	98.7%	(70)	**99.2%**	99.4%	(20)
New Brunswick							
Moncton	2,342	**99.0%**	98.5%	50	**99.0%**	98.5%	50
Fredericton	1,529	**96.5%**	96.8%	(30)	**96.5%**	96.8%	(30)
Saint John	1,202	**98.1%**	97.0%	110	**98.1%**	97.0%	110
Newfoundland and Labrador							
St. John's	1,103	**95.6%**	94.6%	100	**95.9%**	94.3%	160
Prince Edward Island							
Charlottetown	1,249	**99.3%**	98.0%	130	**99.3%**	98.2%	110
Alberta							
Calgary [3]	764	**98.6%**	93.5%	510	**98.8%**	92.3%	650
Edmonton	882	**97.9%**	94.0%	390	**98.1%**	94.0%	410
British Columbia							
Victoria	516	**98.2%**	98.3%	(10)	**98.3%**	98.3%	—
Total Apartments (weighted average)	**19,527**	**97.5%**	97.4%	10	**98.4%**	97.4%	100

(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, recently completed development projects undergoing initial lease-up.
(3) Total 2021 occupancy for Calgary was impacted by Nolan Hill, a 233-unit development that was undergoing initial lease-up during the first half of 2021.



Killam continues to see a decrease in rental incentives as a percentage of total revenue during Q3-2022, compared to Q3-2021. This is due primarily to its Nova Scotia, Newfoundland and Labrador and Prince Edward Island portfolios, which saw decreases of 90%, 63% and 70%, respectively. Rental incentives in Alberta saw an increase of 41% in Q3-2022, compared to the same period in 2021; however, in the latter part of the third quarter, Killam saw an easing of required rental incentives in this region as occupancy increased.

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	**2022**	2021	% Change	**2022**	2021	% Change
Nova Scotia							
Halifax	5,986	**$1,269**	$1,219	4.1%	**$1,268**	$1,219	4.0%
Ontario							
Ottawa	1,592	**$1,905**	$1,814	5.0%	**$1,854**	$1,814	2.2%
London	523	**$1,433**	$1,383	3.6%	**$1,433**	$1,383	3.6%
KWC-GTA	1,839	**$1,509**	$1,400	7.8%	**$1,646**	$1,583	4.0%
New Brunswick							
Moncton	2,342	**$1,110**	$1,056	5.1%	**$1,088**	$1,054	3.2%
Fredericton	1,529	**$1,177**	$1,106	6.4%	**$1,177**	$1,106	6.4%
Saint John	1,202	**$959**	$910	5.4%	**$959**	$910	5.4%
Newfoundland and Labrador							
St. John's	1,103	**$1,002**	$979	2.3%	**$1,007**	$983	2.4%
Prince Edward Island							
Charlottetown	1,249	**$1,114**	$1,096	1.6%	**$1,090**	$1,079	1.0%
Alberta							
Calgary	764	**$1,290**	$1,275	1.2%	**$1,287**	$1,270	1.3%
Edmonton	882	**$1,497**	$1,477	1.4%	**$1,486**	$1,477	0.6%
British Columbia							
Victoria (1)	516	**$1,704**	$1,764	(3.4)%	**$1,836**	$1,764	4.1%
Total Apartments (weighted average)	**19,527**	**$1,279**	$1,212	5.5%	**$1,253**	$1,210	3.6%

(1) The decline in the average net rent in the Victoria region relates to two acquisitions completed in Q2-2022, consisting of 199 units.

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 for the three and nine months ended September 30, 2022, whereas rental increases in the previous section reflect the year-over-year change in average rent by region as at September 30, 2022, compared to September 30, 2021.

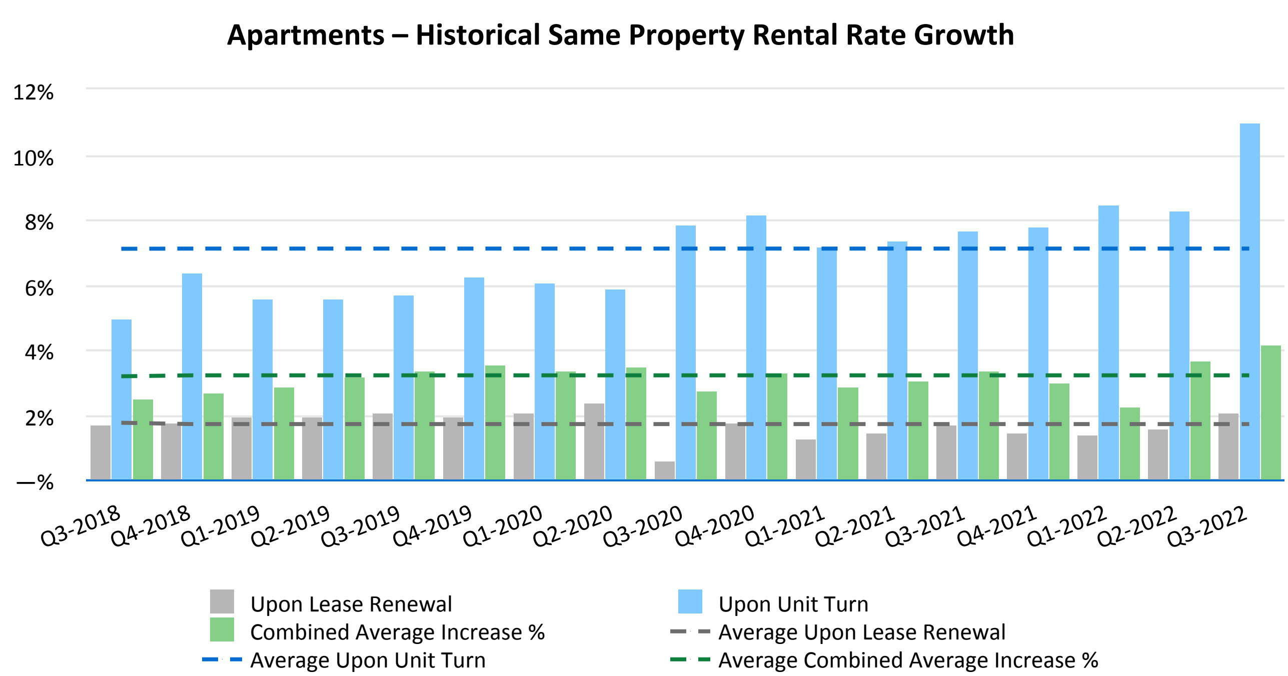
Killam historically turned approximately 30%–32% of its units each year; however, this ratio has declined over the past two years. Turnover levels in 2020 were down 160 bps from 2019 to approximately 29%, with a further decrease in 2021 to approximately 26%, due to the tightening of the housing and rental markets across Canada. Killam expects this percentage to decline further by the end of 2022.

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 approximately 10% on capital invested. As measured by units that turned or renewed in Q3-2022, Killam saw an 80 bps increase in its same property weighted average rental increase, to 4.2% on combined turns and renewals achieved during the third quarter, compared to the same period in 2021. This growth is driven by expansion in mark-to-market opportunities for both regular turns and repositions in the majority of Killam's core markets.

Year-to-date, the weighted average rental rate increased 10 bps from 3.2% to 3.3%. The main contributor to this growth is the weighted average rental increase seen on unit turns, which increased 200 bps year-to-date to 9.5%, compared to 7.5% in 2021. Rental increases on unit turns have increased compared to 2021 as a result of continued population growth across Canada, which continues to drive higher market rents. The chart below summarizes the rental increases earned during the three and nine months ended September 30, 2022 and 2021.

	For the three months ended September 30,				For the nine months ended September 30,			
	2022		2021		2022		2021	
	Rental Increases	Turnovers & Renewals	Rental Increases	Turnovers & Renewals	Rental Increases	Turnovers & Renewals	Rental Increases	Turnovers & Renewals
Lease renewal	**2.1%**	**77.6%**	1.7%	72.0%	**1.7%**	**79.4%**	1.5%	73.1%
Unit turn	**11.0%**	**22.4%**	7.7%	28.0%	**9.5%**	**20.6%**	7.5%	26.9%
Rental increase (weighted avg)	**4.2%**		3.4%		**3.3%**		3.2%	

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, 2022, were $24.5 million and $79.0 million, an 11.5% and 16.7% increase over the same periods in 2021. This is due to incremental costs associated with recent acquisitions and developments, coupled with rising natural gas prices.

Total same property operating expenses increased by 4.7% and 5.7% for the three and nine months ended September 30, 2022. The increase was driven by a 7.7% and 14.1% increase in utility and fuel expenses due to increases in natural gas costs, with a weighted average price increase of 35.1% in the third quarter. Oil and propane costs also increased significantly, up 9.5% and 41.5% for the three and nine months ended September 30, 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 costs of 5.5% and 3.2% for the three and nine months ended September 30, 2022, was due to higher salary costs, increased contract service costs and higher property administration expenses. These increases reflect inflationary increases.

Same Property Utility and Fuel Expenses

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	**2022**	2021	% Change
Natural gas	**$847**	$627	35.1%	**$6,507**	$4,801	35.5%
Electricity	**1,658**	1,628	1.8%	**5,846**	5,784	1.1%
Water	**1,538**	1,501	2.5%	**4,630**	4,478	3.4%
Oil & propane	**161**	147	9.5%	**1,077**	761	41.5%
Other	**19**	17	11.8%	**55**	51	7.8%
Total utility and fuel expenses	**$4,223**	$3,920	7.7%	**$18,115**	$15,875	14.1%

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 6,000 apartments heated with electricity. Fuel costs associated with central natural gas or oil-fired heating plants are paid by Killam. Killam is replacing oil-fired heating plants with alternative fuel sources where appropriate.

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, 2022. Total same property utility and fuel expenses increased 7.7% for the three months ended September 30, 2022, and 14.1% for the nine months ended September 30, 2022.

Same property natural gas expenses increased 35.1% and 35.5% for the three and nine months ended September 30, 2022, due to continued increases in natural gas pricing. This included commodity price increases of 115% in Ontario, 56% in Nova Scotia, 36% in New Brunswick, and 59% in Alberta during the quarter, compared to Q3-2021.

Electricity costs increased by a modest 1.8% and 1.1% for the three and nine months ended September 30, 2022. This was due to a reduction of unit electricity being included as part of a tenant's monthly rent in certain regions, given strong market fundamentals, offset with increased pricing and consumption as a result of colder temperatures seen in the first half of the year.

Heating oil and propane costs increased significantly by 9.5% and 41.5% for the three and nine months ended September 30, 2022, compared to the same periods in 2021. This is the result of increased oil prices, which increased by 74% in Prince Edward Island for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. The majority of Killam's heating oil and propane costs are in Prince Edward Island.

Property Taxes

Same property property tax expenses for the three and nine months ended September 30, 2022, were $7.7 million and $23.0 million, a 2.3% and 2.7% increase from the same periods in 2021. These increases are a result of property tax increases across the majority of Killam's markets for the nine months ended September 30, 2022, including 12% in Newfoundland and Labrador, 6% in British Columbia, 5% in Nova Scotia, 4% in Prince Edward Island, 2% in Ontario, and less than 1% in New Brunswick and Alberta. Killam actively reviews its property tax assessments and appeals tax assessment increases wherever possible, to minimize this impact.

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		
	2022	2021	% Change	**2022**	2021	% Change	**2022**	2021	% Change
Nova Scotia									
Halifax	**$23,546**	$22,532	4.5%	**($7,269)**	($6,757)	7.6%	**$16,277**	$15,775	3.2%
	23,546	22,532	4.5%	**(7,269)**	(6,757)	7.6%	**16,277**	15,775	3.2%
Ontario									
Ottawa	**4,135**	3,946	4.8%	**(1,334)**	(1,262)	5.7%	**2,801**	2,684	4.4%
London	**2,260**	2,142	5.5%	**(731)**	(723)	1.1%	**1,529**	1,419	7.8%
KWC-GTA	**4,444**	4,264	4.2%	**(1,416)**	(1,296)	9.3%	**3,028**	2,968	2.0%
	10,839	10,352	4.7%	**(3,481)**	(3,281)	6.1%	**7,358**	7,071	4.1%
New Brunswick									
Moncton (1)	**7,498**	7,209	4.0%	**(2,841)**	(2,876)	(1.2)%	**4,657**	4,333	7.5%
Fredericton	**5,401**	5,109	5.7%	**(1,957)**	(1,905)	2.7%	**3,444**	3,204	7.5%
Saint John	**3,537**	3,315	6.7%	**(1,368)**	(1,350)	1.3%	**2,169**	1,965	10.4%
	16,436	15,633	5.1%	**(6,166)**	(6,131)	0.6%	**10,270**	9,502	8.1%
Newfoundland and Labrador									
St. John's	**3,158**	3,015	4.7%	**(907)**	(899)	0.9%	**2,251**	2,116	6.4%
	3,158	3,015	4.7%	**(907)**	(899)	0.9%	**2,251**	2,116	6.4%
Prince Edward Island									
Charlottetown	**3,753**	3,647	2.9%	**(1,337)**	(1,284)	4.1%	**2,416**	2,363	2.2%
	3,753	3,647	2.9%	**(1,337)**	(1,284)	4.1%	**2,416**	2,363	2.2%
Alberta									
Calgary	**2,171**	1,959	10.8%	**(805)**	(742)	8.5%	**1,366**	1,217	12.2%
Edmonton	**2,492**	2,383	4.6%	**(871)**	(793)	9.8%	**1,621**	1,590	1.9%
	4,663	4,342	7.4%	**(1,676)**	(1,535)	9.2%	**2,987**	2,807	6.4%
British Columbia									
Victoria	**1,751**	1,696	3.2%	**(422)**	(412)	2.4%	**1,329**	1,284	3.5%
	$64,146	$61,217	4.8%	**($21,258)**	($20,299)	4.7%	**$42,888**	$40,918	4.8%

(1) Moncton's same property property expenses decreased by 1.2% for the three months ended September 30, 2022, compared to the same period in 2021, as a result of a property tax assessment change for one of the region's properties. An adjustment to record anticipated higher property taxes in Q1-2022 was reversed in Q3-2022, resulting in lower property tax expense in Q3-2022.

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

Nine months ended September 30,

	Property Revenue			Property Expenses			Net Operating Income		
	2022	2021	% Change	**2022**	2021	% Change	**2022**	2021	% Change
Nova Scotia									
Halifax	**$69,940**	$66,484	5.2%	**($24,516)**	($22,490)	9.0%	**$45,424**	$43,994	3.3%
	69,940	66,484	5.2%	**(24,516)**	(22,490)	9.0%	**45,424**	43,994	3.3%
Ontario									
Ottawa	**12,090**	11,775	2.7%	**(4,005)**	(3,838)	4.4%	**8,085**	7,937	1.9%
London	**6,655**	6,316	5.4%	**(2,333)**	(2,197)	6.2%	**4,322**	4,119	4.9%
KWC-GTA	**13,163**	12,644	4.1%	**(4,218)**	(3,944)	6.9%	**8,945**	8,700	2.8%
	31,908	30,735	3.8%	**(10,556)**	(9,979)	5.8%	**21,352**	20,756	2.9%
New Brunswick									
Moncton	**22,230**	21,189	4.9%	**(9,169)**	(9,019)	1.7%	**13,061**	12,170	7.3%
Fredericton	**16,105**	15,268	5.5%	**(6,132)**	(6,017)	1.9%	**9,973**	9,251	7.8%
Saint John	**10,460**	9,856	6.1%	**(4,711)**	(4,573)	3.0%	**5,749**	5,283	8.8%
	48,795	46,313	5.4%	**(20,012)**	(19,609)	2.1%	**28,783**	26,704	7.8%
Newfoundland and Labrador									
St. John's	**9,321**	8,724	6.8%	**(2,993)**	(2,981)	0.4%	**6,328**	5,743	10.2%
	9,321	8,724	6.8%	**(2,993)**	(2,981)	0.4%	**6,328**	5,743	10.2%
Prince Edward Island									
Charlottetown	**11,230**	10,684	5.1%	**(4,628)**	(4,306)	7.5%	**6,602**	6,378	3.5%
	11,230	10,684	5.1%	**(4,628)**	(4,306)	7.5%	**6,602**	6,378	3.5%
Alberta									
Calgary	**6,193**	5,898	5.0%	**(2,465)**	(2,213)	11.4%	**3,728**	3,685	1.2%
Edmonton	**7,296**	7,150	2.0%	**(2,676)**	(2,539)	5.4%	**4,620**	4,611	0.2%
	13,489	13,048	3.4%	**(5,141)**	(4,752)	8.2%	**8,348**	8,296	0.6%
British Columbia									
Victoria	**5,208**	5,024	3.7%	**(1,376)**	(1,379)	(0.2)%	**3,832**	3,645	5.1%
	$189,891	$181,012	4.9%	**($69,222)**	($65,496)	5.7%	**$120,669**	$115,516	4.5%

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

MHC Results

For the three months ended September 30,

	Total Portfolio			Same Property		
	2022	2021	% Change	**2022**	2021	% Change
Property revenue	**$6,707**	$6,150	9.1%	**$6,535**	$6,070	7.7%
Property operating expenses	**2,044**	1,928	6.0%	**2,026**	1,843	9.9%
NOI	**$4,663**	$4,222	10.4%	**$4,509**	$4,227	6.7%
Operating margin %	**69.5%**	68.7%	80 bps	**69.0%**	69.6%	(60) bps

For the nine months ended September 30,

	Total Portfolio			Same Property		
	2022	2021	% Change	**2022**	2021	% Change
Property revenue	**$15,443**	$14,417	7.1%	**$15,177**	$14,249	6.5%
Property operating expenses	**5,373**	4,962	8.3%	**5,383**	4,986	8.0%
NOI	**$10,070**	$9,455	6.5%	**$9,794**	$9,263	5.7%
Operating margin %	**65.2%**	65.6%	(40) bps	**64.5%**	65.0%	(50) bps

Killam's MHC portfolio contributed $4.7 million and $10.1 million, or 8.2% and 6.7% of Killam's total NOI for the three and nine months ended September 30, 2022. 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. Overall, same property NOI from the MHC portfolio increased by 6.7% and 5.7% for the three and nine months ended September 30, 2022.

For the three months ended September 30,

	Property Revenue			Property Expenses			Net Operating Income		
	2022	2021	% Change	**2022**	2021	% Change	**2022**	2021	% Change
Permanent MHCs	**$3,238**	$3,144	3.0%	**($975)**	($953)	2.3%	**$2,263**	$2,191	3.3%
Seasonal Resorts	**3,297**	2,926	12.7%	**(1,051)**	(890)	18.1%	**2,246**	2,036	10.3%
	$6,535	$6,070	7.7%	**($2,026)**	($1,843)	9.9%	**$4,509**	$4,227	6.7%

For the nine months ended September 30,

	Property Revenue			Property Expenses			Net Operating Income		
	2022	2021	% Change	**2022**	2021	% Change	**2022**	2021	% Change
Permanent MHCs	**$9,641**	$9,368	2.9%	**($3,286)**	($3,149)	4.4%	**$6,355**	$6,219	2.2%
Seasonal Resorts	**5,536**	4,881	13.4%	**(2,097)**	(1,837)	14.2%	**3,439**	3,044	13.0%
	$15,177	$14,249	6.5%	**($5,383)**	($4,986)	8.0%	**$9,794**	$9,263	5.7%

For the three and nine months ended September 30, 2022, same property permanent MHCs generated a 3.3% and 2.2% increase in NOI, with average rent increasing 2.1% in Q3-2022 to $287 per site, compared to $281 per site in Q3-2021. Occupancy increased slightly by 20 bps to 98.5% in Q3-2022, compared to the same period in 2021. Revenue and NOI growth is 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 12.7% increase in revenue for the three months ended September 30, 2022, compared to Q3-2021. Offsetting this was an increase in property operating expenses, which saw an uptick of 18.1% in Q3-2022, compared to the same period in 2021. This was a result of a 65.5% increase in utility and fuel expenses for the three months ended September 30, 2022, caused by increased pricing coupled with higher consumption, as many of the communities reached full occupancy after being impacted by COVID restrictions in 2020 and 2021. Overall, same property seasonal MHCs had a 10.3% and 13.0% increase in NOI for the three and nine months ended September 30, 2022.

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

Commercial Results

For the three months ended September 30,

	Total Portfolio			Same Property		
	2022	2021	% Change	**2022**	2021	% Change
Property revenue	**$4,786**	$4,515	6.0%	**$3,399**	$3,198	6.3%
Property operating expenses	**1,974**	1,892	4.3%	**1,327**	1,255	5.7%
NOI	**$2,812**	$2,623	7.2%	**$2,072**	$1,943	6.6%

For the nine months ended September 30,

	Total Portfolio			Same Property		
	2022	2021	% Change	**2022**	2021	% Change
Property revenue	**$14,287**	$12,696	12.5%	**$10,127**	$9,407	7.7%
Property operating expenses	**6,193**	5,913	4.7%	**4,084**	4,028	1.4%
NOI	**$8,094**	$6,783	19.3%	**$6,043**	$5,379	12.3%

Killam's commercial property portfolio contributed $2.8 million and $8.1 million, or 5.0% and 5.2% of Killam's total NOI for the three and nine months ended September 30, 2022.

Killam's commercial property portfolio totals 946,372 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 383,000 SF shopping center in PEI for 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 92.5% for Q3-2022, compared to 89.6% in Q3-2021.

The increase in NOI during the three and nine months ended September 30, 2022, relates to the acquisition of the additional ownership of Royalty Crossing, along with an increase in occupancy. Commercial same property results represent approximately 60.3% 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. Same property growth during the quarter is attributable to increased occupancy and net rent growth.

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,		
	2022	2021	% Change	**2022**	2021	% Change
Net operating income	**$56,792**	$50,455	12.6%	**$153,740**	$135,315	13.6%
Other income	**464**	287	61.7%	**1,350**	791	70.7%
Financing costs	**(16,285)**	(13,169)	23.7%	**(44,126)**	(37,876)	16.5%
Depreciation	**(173)**	(139)	24.5%	**(447)**	(410)	9.0%
Administration	**(4,463)**	(3,938)	13.3%	**(12,877)**	(11,314)	13.8%
Fair value adjustment on unit-based compensation	**539**	(435)	(223.9)%	**2,544**	(1,037)	(345.3)%
Fair value adjustment on Exchangeable Units	**7,608**	(3,924)	(293.9)%	**33,396**	(16,737)	(299.5)%
Fair value adjustment on investment properties	**(41,328)**	25,786	(260.3)%	**14,214**	173,671	(91.8)%
Income before income taxes	**3,154**	54,923	(94.3)%	**147,794**	242,403	(39.0)%
Deferred tax recovery (expense)	**446**	(8,289)	(105.4)%	**(15,450)**	(31,677)	(51.2)%
Net income and comprehensive income	**$3,600**	$46,634	(92.3)%	**$132,344**	$210,726	(37.2)%

Net income and comprehensive income decreased by $43.0 million and $78.4 million for the three and nine months ended September 30, 2022, as a result of $41.3 million of fair value losses and $14.2 million of fair value gains on Killam's investment properties, compared to $25.8 million and $173.7 million of fair value gains for the same periods in 2021. This was offset by $6.3 million and $18.4 million increases in net operating income driven by acquisitions and same property NOI growth for the three and nine months ended September 30, 2022. Additionally, there was a $8.7 million and $16.2 million decreases in deferred tax expense for the three and nine months ended September 30, 2022, compared to the same periods of 2021.

Financing Costs

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	**2022**	2021	% Change
Mortgage, loan and construction loan interest	**$14,026**	$11,967	17.2%	**$39,610**	$34,398	15.2%
Interest on credit facilities	**1,202**	242	396.7%	**1,893**	709	167.0%
Interest on Exchangeable Units	**701**	687	2.0%	**2,102**	2,065	1.8%
Amortization of deferred financing costs	**878**	933	(5.9)%	**2,649**	2,687	(1.4)%
Amortization of fair value adjustments on assumed debt	**77**	12	541.7%	**117**	36	225.0%
Unrealized loss (gain) on derivative liability	**11**	(18)	(161.1)%	**(159)**	(98)	62.2%
Interest on lease liabilities	**98**	97	1.0%	**293**	290	1.0%
Capitalized interest	**(708)**	(751)	(5.7)%	**(2,379)**	(2,211)	7.6%
	$16,285	$13,169	23.7%	**$44,126**	$37,876	16.5%

Total financing costs increased $3.1 million, or 23.7%, for the three months ended September 30, 2022, compared to Q3-2021. For the nine months ended September 30, 2022, financing costs increased $6.3 million, or 16.5%, compared to the same period in 2021, as a result of acquisitions and developments.

Mortgage, loan and construction loan interest expense was $14.0 million and $39.6 million for the three and nine months ended September 30, 2022, an increase of $2.1 million, or 17.2%, and $5.2 million, or 15.2%, compared to the same periods in 2021. Killam's mortgage, loan and construction loan liability balance increased by $194.6 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, 2022, was 3.43%, 75 bps higher than the average interest rate on expiring debt.

Interest on credit facilities increased $1.0 million, or 396.7%, and $1.2 million, or 167.0%, for the three and nine months ended September 30, 2022, compared to the same periods in 2021. This rise is due to a $75.5 million increase in drawn credit facilities during Q3-2022, compared to Q3-2021, which has been used to cover acquisition costs incurred during the year, coupled with rising interest rates.

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

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 decreased 5.9% and 1.4% for the three and nine months ended September 30, 2022.

Capitalized interest decreased 5.7% and increased 7.6% for the three and nine months ended September 30, 2022, compared to the same periods in 2021. 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.

Administration Expenses

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	**2022**	2021	% Change
Administration	**$4,463**	$3,938	13.3%	**$12,877**	$11,314	13.8%
As a percentage of total revenues	**5.2%**	5.1%	10 bps	**5.2%**	5.3%	(10) bps

Administration expenses include expenses that are not specific to individual properties, including 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, 2022, total administration expenses increased $0.5 million, or 13.3%, and $1.6 million, or 13.8%, compared to the same periods in 2021. This was due to higher travel expenses, increased wages, as well as higher information technology costs. Administration expenses as a percentage of total revenue were 5.2% for Q3-2022, a 10 bps increase over Q3-2021.

Fair Value Adjustments

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	**2022**	2021	% Change
Investment properties	**($41,328)**	$25,786	(260.3)%	**$14,214**	$173,671	(91.8)%
Deferred unit-based compensation	**539**	(435)	(223.9)%	**2,544**	(1,037)	(345.3)%
Exchangeable Units	**7,608**	(3,924)	(293.9)%	**33,396**	(16,737)	(299.5)%
	($33,181)	$21,427	(254.9)%	**$50,154**	$155,897	(67.8)%

Killam recognized fair value losses of $41.3 million related to its investment properties for the three months ended September 30, 2022, compared to fair value gains of $25.8 million for the three months ended September 30, 2021. Year-to-date, Killam has recognized $14.2 million in fair value gains on its investment properties, compared to $173.7 million of fair value gains during the first nine months of 2021. The fair value losses recognized in Q3-2022 are a result of moderate capitalization rate expansion in several of Killam's core markets. The loss associated with this slight rise in capitalization rates was partially offset with NOI growth driven by strong apartment fundamentals.

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, 2022, there was an unrealized fair value gain of $0.5 million and $2.5 million, compared to a $0.4 million and $1.0 million loss for the same periods in 2021, 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, 2022, there was an unrealized gain on remeasurement of $7.6 million and $33.4 million, compared to an unrealized loss of $3.9 million and $16.7 million for the same periods in 2021. The unrealized gain in the quarter reflects a decrease in Killam's unit price as at September 30, 2022, compared to June 30, 2022.

Deferred Tax (Recovery) Expense

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	**2022**	2021	% Change
	($446)	$8,289	(105.4)%	**$15,450**	$31,677	(51.2)%

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, and therefore is entitled to deduct such distributions for income tax purposes.

Killam's deferred tax expense decreased by $8.7 million and $16.2 million for the three and nine months ended September 30, 2022, compared to the same periods in 2021. This is due to fair value losses on investment properties recorded in the current quarter, compared to fair value gains recorded in Q3-2021, resulting in a deferred tax recovery.

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) as at September 30,
	Three months ended September 30,			Nine months ended September 30,			
	2022	2021	% Change	**2022**	2021	% Change	**2022**
Trust Units	**116,126**	110,086	5.5%	**115,170**	106,435	8.2%	**116,314**
Exchangeable Units	**4,004**	4,004	—%	**4,004**	4,038	(0.8)%	**4,004**
Basic number of units	**120,130**	114,090	5.3%	**119,174**	110,473	7.9%	**120,318**
Plus:							
Units under RTU Plan (1)	**162**	160	1.3%	**167**	160	4.4%	—
Diluted number of units	**120,292**	114,250	5.3%	**119,341**	110,633	7.9%	—

(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, 2022 and 2021 are calculated as follows:

	Three months ended September 30,			**Nine months ended September 30,**		
	2022	2021	% Change	**2022**	2021	% Change
Net income	**$3,600**	$46,634	(92.3)%	**$132,344**	$210,726	(37.2)%
Fair value adjustments	**33,181**	(21,427)	(254.9)%	**(50,154)**	(155,897)	(67.8)%
Non-controlling interest	**(5)**	(4)	25.0%	**(12)**	(9)	33.3%
Internal commercial leasing costs	**75**	52	44.2%	**225**	155	45.2%
Deferred tax (recovery) expense	**(446)**	8,289	(105.4)%	**15,450**	31,677	(51.2)%
Interest expense on Exchangeable Units	**701**	687	2.0%	**2,102**	2,065	1.8%
Unrealized loss (gain) on derivative liability	**11**	(18)	(161.1)%	**(159)**	(98)	(62.2)%
Depreciation on owner-occupied building	**21**	26	(19.2)%	**72**	80	(10.0)%
Change in principal related to lease liabilities	**6**	7	(14.3)%	**17**	22	(22.7)%
FFO	**$37,144**	$34,246	8.5%	**$99,885**	$88,721	12.6%
FFO per unit – basic	**$0.31**	$0.30	3.3%	**$0.84**	$0.80	5.0%
FFO per unit – diluted	**$0.31**	$0.30	3.3%	**$0.84**	$0.80	5.0%
Weighted average number of units – basic (000s)	**120,130**	114,090	5.3%	**119,174**	110,473	7.9%
Weighted average number of units – diluted (000s)	**120,292**	114,250	5.3%	**119,341**	110,633	7.9%

Killam earned FFO of $37.1 million, or $0.31 per unit (diluted), for the three months ended September 30, 2022, compared to $34.2 million, or $0.30 per unit (diluted), for the three months ended September 30, 2021. FFO growth is attributable to contributions from acquisitions and completed developments ($2.3 million) and same property NOI growth ($2.4 million). These increases were partially offset by a 5.3% increase in the weighted average number of units outstanding, as well as higher interest costs related to Killam's credit facility and higher rates on refinancings ($1.3 million) and administration costs ($0.5 million).

Killam earned FFO of $99.9 million, or $0.84 per unit (diluted), for the nine months ended September 30, 2022, compared to $88.7 million, or $0.80 per unit (diluted), for the nine months ended September 30, 2021. FFO growth is attributable to contributions from acquisitions and completed developments ($8.4 million) and same property NOI growth ($5.9 million). These increases were partially offset by a 7.9% increase in the weighted average number of units outstanding, as well as higher interest costs related to Killam's credit facility ($1.6 million) and administration costs ($1.5 million).

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 2021, this included a maintenance capex reserve of $900 per apartment unit, $300 per MHC site and $0.80 per SF for commercial properties. Details regarding the maintenance capex calculations are included in Killam's 2021 MD&A.

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,**		
	2022	2021	% Change	**2022**	2021	% Change
FFO	**$37,144**	$34,246	8.5%	**$99,885**	$88,721	12.6%
Maintenance capital expenditures	**(4,856)**	(4,589)	5.8%	**(14,402)**	(13,357)	7.8%
Commercial straight-line rent adjustment	**(29)**	(58)	(50.0)%	**(169)**	(309)	(45.3)%
Internal commercial leasing costs	**(71)**	(89)	(20.2)%	**(380)**	(286)	32.9%
AFFO	**$32,188**	$29,510	9.1%	**$84,934**	$74,769	13.6%
AFFO per unit – basic	**$0.27**	$0.26	3.8%	**$0.71**	$0.68	4.4%
AFFO per unit – diluted	**$0.27**	$0.26	3.8%	**$0.71**	$0.68	4.4%
AFFO payout ratio – diluted	**65%**	66%	(100) bps	**74%**	76%	(200) bps
AFFO payout ratio – rolling 12 months (1)	**75%**	77%	(200) bps			
Weighted average number of units – basic (000s)	**120,130**	114,090	5.3%	**119,174**	110,473	7.9%
Weighted average number of units – diluted (000s)	**120,292**	114,250	5.3%	**119,341**	110,633	7.9%

(1) Based on Killam's annual distribution of $0.69996 for the 12-month period ended September 30, 2022, and $0.68170 for the 12-month period ended September 30, 2021.

The AFFO payout ratio of 65% in Q3-2022, compared to the rolling 12-month AFFO payout ratio of 75%, 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, 2022, is attributable to higher AFFO per unit growth of 3.8% and 4.4%, driven by earnings generated from acquisitions, completed developments and 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, 2022 and 2021) to ACFO is as follows:

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	**2022**	2021	% Change
Cash provided by operating activities	**$31,999**	$39,035	(18.0)%	**$78,358**	$91,058	(13.9)%
Adjustments:						
Changes in non-cash working capital not indicative of sustainable cash flows	**6,146**	(3,039)	302.2%	**22,335**	1,901	1,074.9%
Maintenance capital expenditures	**(4,856)**	(4,589)	5.8%	**(14,402)**	(13,357)	7.8%
Internal commercial leasing costs	**(23)**	(51)	(54.9)%	**(234)**	(171)	36.8%
Amortization of deferred financing costs	**(878)**	(933)	(5.9)%	**(2,649)**	(2,687)	(1.4)%
Interest expense related to lease liability	**(6)**	(7)	(14.3)%	**(17)**	(22)	(22.7)%
Non-controlling interest	**(5)**	(4)	25.0%	**(12)**	(9)	33.3%
ACFO	**$32,377**	$30,412	6.5%	**$83,379**	$76,713	8.7%
Distributions declared (1)	**21,279**	19,852	7.2%	**63,384**	57,636	10.0%
Excess of ACFO over cash distributions	**$11,098**	$10,560	5.1%	**$19,995**	$19,077	4.8%
ACFO payout ratio – diluted (2)	**66%**	65%	100 bps	**76%**	75%	100 bps

(1) Includes distributions on Trust Units, Exchangeable Units and restricted Trust Units, as summarized on page 41.

(2) Based on Killam's monthly distribution of $0.05667 per unit for April 2021 to August 2021, and $0.05833 for September 2021 to September 2022.

Killam's ACFO payout ratio is 66% and 76% for the three and nine months ended September 30, 2022, which is consistent with and 100 bps higher than the payout ratio for the three and nine months ended September 30, 2021. 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 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,	
	2022	2021	**2022**	2021
Net income	**$3,600**	$46,634	**$132,344**	$210,726
Cash provided by operating activities	**$31,999**	$39,035	**$78,358**	$91,058
Total distributions declared	**$21,279**	$19,852	**$63,384**	$57,636
Excess (shortfall) of net income over total distributions declared (1)	**($17,679)**	$26,782	**$68,960**	$153,090
Excess (shortfall) of net income over net distributions paid (1)(2)	**($11,255)**	$33,606	**$88,137**	$172,324
Excess of cash provided by operating activities over total distributions declared	**$10,720**	$19,183	**$14,974**	$33,422

(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 which 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 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 $90.0 million of capital under its credit facilities and cash on hand and acquisition capacity of over $170.0 million.

(iii) Mortgage refinancings and construction loans are expected to be sufficient to fund value-enhancing capex, principal repayments and developments. Killam has $300.0 million of mortgage debt scheduled for refinancing in the next 15 months, expected to lead to upfinancing opportunities of $80.0– $100.0 million.

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

(v) Killam has unencumbered assets of approximately $90.0 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, 2022, was 45.0%.

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 8, 2022, Killam was in compliance with said covenants.

The table below outlines Killam's key debt metrics:

As at	September 30, 2022	December 31, 2021	Change
Weighted average years to debt maturity	**4.0**	4.0	– years
Total debt as a percentage of total assets	**45.0%**	45.0%	– bps
Interest coverage	**3.42x**	3.53x	(3.1)%
Debt service coverage	**1.51x**	1.53x	(1.3)%
Debt to normalized EBITDA (1)	**11.20x**	11.33x	(1.1)%
Weighted average mortgage interest rate	**2.67%**	2.58%	9 bps
Weighted average interest rate of total debt	**2.89%**	2.52%	37 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, 2022	December 31, 2021
Mortgages and loans payable	**$1,941,624**	$1,915,334
Credit facilities	**$108,430**	$61,730
Construction loans	**$130,199**	$77,596
Total interest bearing debt	**$2,180,253**	$2,054,660
Total assets (1)	**$4,847,931**	$4,568,903
Total debt as a percentage of total assets	**45.0%**	45.0%

(1) Excludes right-of-use asset of $9.6 million as at September 30, 2022 (December 31, 2021 - $9.6 million).

Total debt as a percentage of total assets was 45.0% as at September 30, 2022, up from 44.3% as at June 30, 2022, and consistent with December 31, 2021. 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 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)%	$5,209,721	$5,255,195	41.5%	(350)
(0.25)%	$4,913,820	$4,959,294	44.0%	(100)
—%	$4,802,457	$4,847,931	45.0%	—
0.25%	$4,415,459	$4,460,933	48.9%	390
0.50%	$4,203,626	$4,249,100	51.3%	630

(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, 2022, and December 31, 2021:

Twelve months ended,	**September 30, 2022**	December 31, 2021	% Change
Net income	**$207,145**	$285,527	(27.5)%
Deferred tax expense	**26,180**	42,393	(38.2)%
Financing costs	**57,771**	51,521	12.1%
Depreciation	**610**	573	6.5%
Fair value adjustment on unit-based compensation	**(1,712)**	1,869	(191.6)%
Fair value adjustment on Exchangeable Units	**(24,026)**	26,107	(192.0)%
Fair value adjustment on investment properties	**(80,227)**	(239,684)	(66.5)%
Adjusted EBITDA	**185,740**	168,306	10.4%
Normalizing adjustment [1]	**8,036**	12,999	(38.2)%
Normalized adjusted EBITDA	**193,776**	181,305	6.9%
Net debt	**$2,170,110**	$2,054,225	5.6%
Debt to normalized adjusted EBITDA	**11.20x**	11.33x	(1.1)%

(1) Killam's normalizing adjustment includes NOI adjustments for recently completed acquisitions 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, 2022**	December 31, 2021	% Change
NOI	**$201,660**	$183,235	10.1%
Other income	**1,618**	1,059	52.8%
Administration	**(17,538)**	(15,988)	9.7%
Adjusted EBITDA	**185,740**	168,306	10.4%
Interest expense [1]	**54,243**	47,746	13.6%
Interest coverage ratio	**3.42x**	3.53x	(3.1)%
Principal repayments	**68,374**	62,246	9.8%
Interest expense	**54,243**	47,746	13.6%
Debt service coverage ratio	**1.51x**	1.53x	(1.3)%

(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, 2022, was 2.67%, a 9 bps increase compared to the rate as at December 31, 2021.

Refinancings

For the nine months ended September 30, 2022, Killam refinanced the following mortgages:

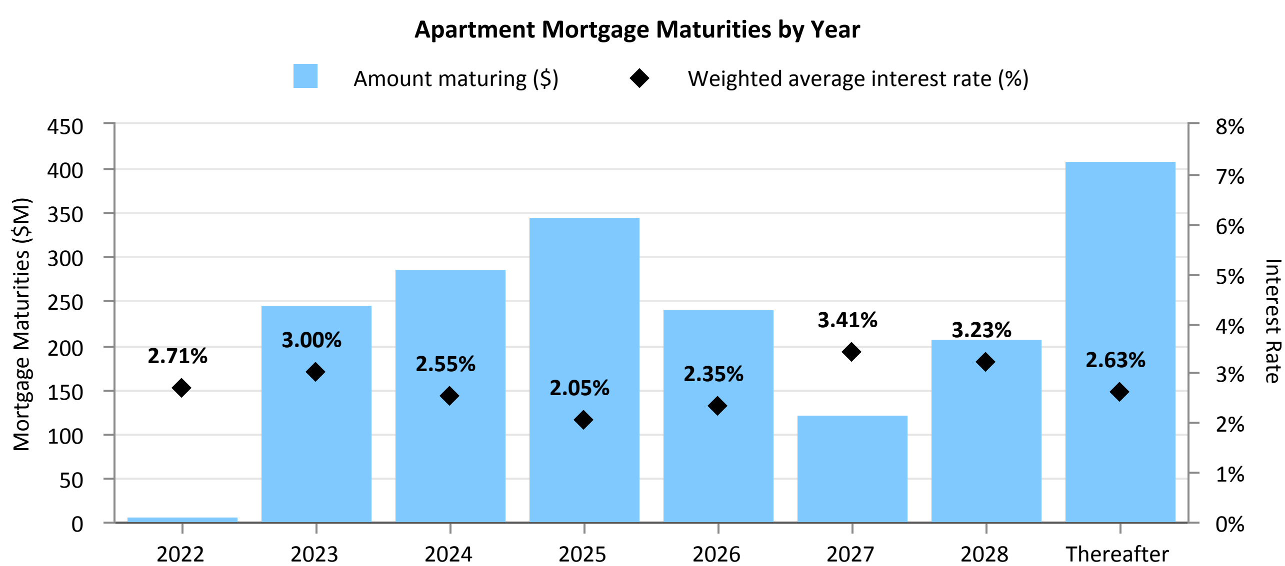
	Mortgage Debt Maturities		Mortgage Debt on Refinancing		Weighted Average Term	Net Proceeds
Apartments	$127,403	2.68%	$176,909	3.43%	8.3 years	$49,506
MHCs [1]	4,141	2.55%	—	—%	—	(4,141)
	$131,544	**2.68%**	**$176,909**	**3.43%**	**8.3 years**	**$45,365**

(1) Two MHC mortgages that came up for renewal were repaid in Q2-2022.

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 %
2022	$7,115	2.71%	100.0%	$18,394	3.72%	$25,509	3.44%
2023	246,751	3.00%	52.2%	32,384	3.62%	279,135	3.07%
2024	288,087	2.55%	73.1%	23,796	2.75%	311,883	2.56%
2025	347,082	2.05%	52.6%	21,004	2.61%	368,086	2.08%
2026	241,812	2.35%	82.4%	7,698	2.69%	249,510	2.36%
Thereafter	739,380	2.93%	95.5%	4,020	3.31%	743,400	2.93%
	$1,870,227	**2.64%**	**76.7%**	**$107,296**	**3.17%**	**$1,977,523**	**2.67%**

(1) Excludes $3.8 million in variable rate demand loans secured by development properties, which are classified as mortgages and loans payable as at September 30, 2022.



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, 2022, approximately 76.7% of Killam's apartment mortgages were CMHC-insured (72.5% of total mortgages, as MHC and commercial mortgages are not eligible for CMHC insurance) (December 31, 2021 - 75.0% and 70.5%). The weighted average interest rate on the CMHC-insured mortgages was 2.65% as at September 30, 2022 (December 31, 2021 - 2.54%).

Based on current market conditions, Management expects to refinance its maturing debt in the remainder of 2022 and 2023 at higher interest rates. Indicative borrowing costs as at November 8, 2022, reflect conventional five-year and 10-year mortgage debt within the ranges of 5.2%–5.5% and 5.2%–5.7%, and CMHC-insured five-year and 10-year mortgage debt within the ranges of 4.2%–4.7% and 4.2%–4.9%.

The following tables present the NOI for properties that are available to Killam to refinance at debt maturity in the remainder of 2022 and 2023:

Remaining 2022 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	4	$1,597	$8,244
MHCs and commercial with debt maturing	6	1,677	11,682
	10	**$3,274**	**$19,926**

2023 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	36	$25,779	$239,349
MHCs and commercial with debt maturing	11	4,119	29,249
	47	**$29,898**	**$268,598**

Future Contractual Debt Obligations

As at September 30, 2022, the timing of Killam's future contractual debt obligations is as follows:

Twelve months ending September 30,	**Mortgage and Loans Payable**	**Construction Loans (1)**	**Credit Facilities**	**Total**
2023	$308,791	$130,199	$7,430	$446,420
2024	335,150	—	101,000	436,150
2025	310,911	—	—	310,911
2026	269,847	—	—	269,847
2027	210,345	—	—	210,345
Thereafter	546,279	—	—	546,279
	$1,981,323	**$130,199**	**$108,430**	**$2,219,952**

(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 $15.0 million (December 31, 2021 - $155.0 million 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, 2022. This facility matures December 16, 2024 and includes a one-year extension option.

The $15.0 million demand facility bears interest at prime plus 125 bps on advances and 155 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, 2022.

As at September 30, 2022	Maximum Loan Amount (1)	Amount Drawn	Letters of Credit	Amount Available
$155.0 million facility	$175,000	$101,000	$—	$74,000
$15.0 million facility	15,000	7,430	2,243	5,327
Total	**$190,000**	**$108,430**	**$2,243**	**$79,327**

As at December 31, 2021	Maximum Loan Amount (1)	Amount Drawn	Letters of Credit	Amount Available
$155.0 million facility	$175,000	$54,500	$—	$120,500
$15.0 million facility	15,000	7,230	1,745	6,025
Total	$190,000	$61,730	$1,745	$126,525

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

Construction Loans

As at September 30, 2022, Killam had access to seven variable rate non-revolving demand construction loans for the purpose of financing development projects totalling $201.5 million. As at September 30, 2022, $130.2 million was drawn on the construction loans (December 31, 2021 - $77.6 million). Payments are made monthly on an interest-only basis. The weighted average contractual interest rate on amounts outstanding during the three-months ended September 30, 2022 was 4.54% (December 31, 2021 - 2.01%). Once construction is complete and rental targets are achieved, the construction loans are expected be repaid in full and replaced with conventional mortgages. Killam expects to place permanent financing on three construction loans (with a total balance of $99.0 million at September 30, 2022) during Q4-2022.

Investment Properties

As at

	September 30, 2022	December 31, 2021	% Change
Investment properties	**$4,648,156**	$4,284,030	8.5%
Investment properties under construction (IPUC)	**116,052**	201,319	(42.4)%
Land for development	**38,249**	55,528	(31.1)%
	$4,802,457	$4,540,877	5.8%

Continuity of Investment Properties

As at

	September 30, 2022	December 31, 2021	% Change
Balance, beginning of period	**$4,284,030**	$3,570,198	20.0%
Acquisition of properties	**116,353**	393,028	(70.4)%
Transfer from IPUC	**170,337**	17,254	887.2%
Transfer from land for development	**1,394**	—	N/A
Capital expenditures and development costs (1)	**68,521**	76,940	(10.9)%
Fair value adjustment – Apartments	**18,379**	210,829	(91.3)%
Fair value adjustment – MHCs	**(9,555)**	12,844	(174.4)%
Fair value adjustment – Commercial	**(1,303)**	2,937	(144.4)%
Balance, end of period	**$4,648,156**	$4,284,030	8.5%

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

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

Killam reviewed its valuation of investment properties in light of higher inflation and increased borrowing costs as at September 30, 2022, 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 losses recognized during the quarter were supported by an expansion in cap-rates in several of Killam's core markets, partially offset 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, 2022 and 2021, and December 31, 2021, is as follows:

Capitalization Rates

	September 30, 2022			December 31, 2021			September 30, 2021		
	Low	**High**	**Effective Weighted Average**	Low	High	Effective Weighted Average	Low	High	Effective Weighted Average
Apartments	**3.00%**	**7.10%**	**4.43%**	3.00%	7.00%	4.41%	3.00%	7.00%	4.42%
MHCs	**5.25%**	**6.50%**	**5.78%**	5.00%	6.50%	5.59%	5.00%	6.50%	5.58%

Killam's weighted average cap-rates for its apartment and MHC portfolios as at September 30, 2022, were 4.43% and 5.78%, an increase of 2 bps for apartments and 19 bps for MHCs compared to December 31, 2021. The increases in average cap-rates for apartments and MHCs is due to marginal expansion of cap-rates in several of Killam's core markets. Killam will continue to monitor the acquisition market to identify cap-rate changes. The change in the weighted average cap-rates compared to December 31, 2021, is also impacted by acquisitions and developments.

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)%**	457,810	508,364	558,918	609,472	660,026
	(0.25)%	167,827	215,422	263,017	310,612	358,207
	—%	(89,930)	(44,965)	—	44,965	89,930
	0.25%	(320,567)	(277,955)	(235,344)	(192,732)	(150,120)
	0.50%	(528,163)	(487,670)	(447,177)	(406,683)	(366,190)

(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)

2022 Acquisitions

Property	Location	Acquisition Date	Ownership Interest	Property Type	Units	Purchase Price [1]
1477 & 1479 Carlton Street	Halifax, NS	16-Feb-22	100%	Apartment	4	**$3,500**
510-516 Quiet Place	Waterloo, ON	7-Mar-22	100%	Apartment	24	**7,900**
150 Wissler Road [2]	Waterloo, ON	17-Mar-22	100%	Commercial/Development Land	—	**3,850**
Craigflower House	Victoria, BC	31-Mar-22	100%	Apartment	49	**14,000**
1358 & 1360 Hollis Street	Halifax, NS	03-Apr-22	100%	Apartment	27	**6,200**
665 & 671 Woolwich Street [3]	Guelph, ON	29-Apr-22	100%	Apartment/Development Land	84	**25,000**
621 Crown Isle Blvd	Courtenay, BC	18-May-22	100%	Apartment	56	**21,900**
1876 & 1849 Riverside Lane	Courtenay, BC	18-May-22	100%	Apartment	94	**33,700**
Highland Village	Amherst, NS	4-Jul-22	100%	MHC	99	**2,500**
Total Acquisitions						**$118,550**

(1) Purchase price does not include transaction costs.

(2) Property has in-place income acquired for future development potential located adjacent to Killam's Northfield Gardens complex in Waterloo.

(3) Property has an existing 84-unit apartment building and an adjacent parcel of land acquired for future development potential.

1477 & 1479 Carlton Street
On February 16, 2022, Killam completed the acquisition of a four-unit apartment property in Halifax, NS, for $3.5 million. This building is adjacent to other Killam properties on Spring Garden Road and completes the lot consolidation for the planned future development.

510-516 Quiet Place
On March 7, 2022, Killam completed the acquisition of a 24-unit apartment property in Waterloo, ON, for $7.9 million. The four six-unit buildings are located on a 1.2-acre property that has future development potential, with zoning for approximately 300 units.

150 Wissler Road
On March 17, 2022, Killam completed the acquisition of a 5,000 SF retail plaza containing 0.75 acres located adjacent to Killam's Northfield Gardens property in Waterloo, ON, for $3.9 million. This property, combined with surplus land already owned, will provide an opportunity to build up to 150 residential units in the future.

Craigflower House
On March 31, 2022, Killam acquired a 49-unit apartment property in Esquimalt, BC, just outside Victoria, for $14.0 million.

1358 & 1360 Hollis Street
On April 3, 2022, Killam acquired a 27-unit apartment property in Halifax, NS, for $6.2 million.

665 & 671 Woolwich Street
On April 29, 2022, Killam acquired an 84-unit apartment building and an adjacent parcel of land for future development in Guelph, ON, for $25.0 million.

621 Crown Isle Blvd
On May 18, 2022, Killam acquired a 56-unit apartment property in Courtenay, BC, for $21.9 million.

1876 & 1849 Riverside Lane
On May 18, 2022, Killam acquired two four-storey buildings totalling 94 units in Courtenay, BC, for $33.7 million.

Highland Village
On July 4, 2022, Killam acquired a 99-site MHC park in Amherst, NS, for $2.5 million.

Completed Developments

Latitude
Latitude, containing 208 units, opened to tenants in January 2022 and reached substantial completion in March 2022. The final cost was $87.0 million ($43.5 million for Killam's 50% interest), and Killam has recognized $8.9 million in fair value gains related to the property. Latitude is currently 93% leased.

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

The Kay

The Kay, containing 128 units, opened to tenants in April 2022, reached substantial completion in May 2022 and was fully leased at the end of Q3-2022. The final cost was approximately $60.0 million and Killam has recognized $12.5 million in fair value gains related to the property.

Luma

Luma, containing 168 units, opened to tenants in June 2022 and reached substantial completion in July 2022. The total expected final cost is $96.0 million ($48.0 million for Killam's 50% interest) and Killam has recognized $0.3 million in fair value gains. Luma is currently 62% leased.

Investment Properties Under Construction

As at

	September 30, 2022	December 31, 2021	% Change
Balance, beginning of period	**$201,319**	$128,100	57.2%
Fair value adjustment	**6,693**	11,097	(39.7)%
Capital expenditures	**58,000**	73,005	(20.6)%
Interest capitalized	**1,740**	2,239	(22.3)%
Transfer to investment properties	**(170,337)**	(17,254)	887.2%
Transfer to residential inventory	**(3,073)**	—	N/A
Transfer from land for development	**21,710**	4,132	425.4%
Balance, end of period	**$116,052**	$201,319	(42.4)%

Land for Development

As at

	September 30, 2022	December 31, 2021	% Change
Balance, beginning of period	**$55,528**	$43,620	27.3%
Capital expenditures	**1,186**	1,905	(37.7)%
Interest capitalized	**639**	820	(22.1)%
Acquisitions	**4,000**	13,315	(70.0)%
Transfer to apartments	**(1,394)**	—	N/A
Transfer to IPUC	**(21,710)**	(4,132)	(425.4)%
Balance, end of period	**$38,249**	$55,528	(31.1)%

Killam's development projects currently underway include the following three projects:

Property	**Location**	**Ownership**	**Number of Units** (1)	**Project Budget (millions)**	**Start Date**	**Estimated Completion**	**Anticipated All-Cash Yield**
Governor	Halifax, NS	100%	12	$24.3	2021	Q1-2023	4.00%–4.25%
Civic 66	Kitchener, ON	100%	169	$69.7	2020	Q1-2023	4.75%–5.00%
The Carrick	Waterloo, ON	100%	139	$83.5	Q2-2022	2024	4.00%–4.25%
Total (2)(3)			320	$177.5			

(1) Represents Killam's ownership interest in the number of units in the development.

(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 2024. Killam has a $65.0 million commitment in place to purchase the remaining 90% interest of 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 are expected to be completed in late 2022. The investment in the townhouses is recorded in residential inventory.

Governor

The Governor, containing 12 luxury apartment units and 3,500 SF of ground floor commercial space, broke ground in early 2021. The building is located adjacent to Killam's 240-unit building The Alexander and The Brewer Market in Halifax, NS. The budget for the development is $24.3 million. Construction financing is in place and the project is expected to be completed in Q1-2023.

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

Civic 66

Civic 66, containing 169 apartment units and 3,000 SF of ground floor commercial space, broke ground in July 2020, and it is expected to be completed in Q1-2023. The budget for the development is $69.7 million. Construction financing was placed during Q2-2021, and all remaining development costs will be funded through this financing. To date, fair value gains of $6.2 million have been recorded related to this property.

The Carrick

The Carrick, the first phase of a multi-phase project located next to Killam's Westmount Place property in Waterloo, ON, broke ground in Q2-2022. This 139-unit project is expected to be completed in 2024 and has a development budget of $83.5 million.

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 2023					
Eventide & Aurora	Halifax, NS	100%	120	Final planning approval pending	2025
Developments expected to start in 2024–2026					
Stratford Land	Charlottetown, PE	100%	100	In design	2025
Sherwood Crossing	Charlottetown, PE	100%	325	In design	2025
Westmount Place Phase 2	Waterloo, ON	100%	150	In design	2026
Hollis Street	Halifax, NS	100%	100	Concept design	2026
Northfield Gardens Expansion	Waterloo, ON	100%	150	Concept design	2026
Gloucester City Centre Phase 3	Ottawa, ON	50%	200	Concept design	2026
Nolan Hill Phase 3 (2)	Calgary, AB	10%	200	In design	2026
Medical Arts	Halifax, NS	100%	200	Concept design	2027
Additional future development projects					
Nolan Hill Phase 4 (2)	Calgary, AB	10%	200	Future development	TBD
671 Woolwich St.	Guelph, ON	100%	150	Future development	TBD
Christie Point	Victoria, BC	100%	312	Development agreement in place	TBD
Quiet Place	Waterloo, ON	100%	300	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
15 Haviland	Charlottetown, PE	100%	60–90	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			**4,227**		

(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.

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, 2022, Killam invested $35.3 million and $68.5 million, an increase of 71.8% and 41.8% compared to the same periods in 2021. These increases relate to Killam's growing asset base, as well as the timing of larger multi-phase capital projects, increased investment in energy initiatives and Killam's repositioning program. Killam expects to invest in the range of $85–$95 million during 2022.

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	**2022**	2021	% Change
Apartments	**$31,939**	$18,799	69.9%	**$60,991**	$43,611	39.9%
MHCs	**1,586**	1,218	30.2%	**3,641**	3,236	12.5%
Commercial	**1,747**	519	236.6%	**3,889**	1,461	166.2%
	$35,272	$20,536	71.8%	**$68,521**	$48,308	41.8%

Apartments – Capital Investment

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

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% Change	**2022**	2021	% Change
Suite renovations and repositionings	**$11,174**	$8,074	38.4%	**$23,245**	$20,846	11.5%
Building improvements	**13,812**	5,781	138.9%	**24,399**	14,957	63.1%
Appliances	**2,001**	1,311	52.6%	**4,117**	3,116	32.1%
Energy	**3,827**	2,449	56.3%	**6,711**	3,188	110.5%
Common area	**1,125**	1,184	(5.0)%	**2,519**	1,504	67.5%
Total capital invested	**$31,939**	$18,799	69.9%	**$60,991**	$43,611	39.9%
Average number of units outstanding (1)	**18,835**	17,685	6.5%	**18,619**	17,132	8.7%
Capital invested – $ per unit	**$1,696**	$1,063	59.5%	**$3,276**	$2,546	28.7%

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

Killam invested $1,696 and $3,276 per unit for the three and nine months ended September 30, 2022, compared to $1,063 and $2,546 per unit for the same periods in 2021. Killam's focus on development and acquisition of newer properties translates into a lower capital investment per unit. Thirty-seven percent of Killam's apartments, as a percentage of 2022 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 $11.2 million and $23.2 million in suite renovations during the three and nine months ended September 30, 2022, an increase of 38.4% and 11.5% over the total investment of $8.1 million and $20.8 million for the three and nine months ended September 30, 2021. Killam has continued to focus on renovations in order to maximize occupancy and rental growth. Killam targets a minimum 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 496 units, with an average investment of approximately $29,911 per suite. This generated an average ROI of approximately 13%, compared to 446 units in the first nine months of 2021, with an average investment of $26,200 per suite, generating an average ROI of 13%.

Killam is targeting a minimum of 600 repositionings in 2022. Killam estimates that the repositioning opportunity within its portfolio is approximately an additional 5,500 units, which should generate an estimated $20.0 million in annualized revenue, representing an approximate $325.0 million increase in net asset value.

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

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, 2022, 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 2022 and 2023 include the installation of photovoltaic solar panels at select properties, installation of electric vehicle chargers, boiler, heat pump and window replacements, insulation upgrades, as well as electricity and water conservation projects. Specifically, during the third quarter, Killam invested an additional $1.3 million in new boilers, $1.1 million in window replacements, $0.3 million in solar panels, as well as electric vehicle chargers and new heat pumps 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,		
	2022	2021	% Change	**2022**	2021	% Change
Water and sewer upgrades	**$258**	$437	(41.0)%	**$682**	$937	(27.2)%
Site expansion and land improvements	**389**	194	100.5%	**817**	540	51.3%
Other	**518**	294	76.2%	**1,294**	1,409	(8.2)%
Roads and paving	**387**	197	96.4%	**724**	226	220.4%
Equipment	**34**	96	(64.6)%	**124**	124	—%
Total capital invested – MHCs	**$1,586**	$1,218	30.2%	**$3,641**	$3,236	12.5%
Average number of sites	**5,971**	5,875	1.6%	**5,907**	5,875	0.5%
Capital invested – $ per site	**$266**	$207	28.5%	**$616**	$551	11.8%

Management expects to invest between $700 and $950 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, 2022, was $1.6 million and $3.6 million, compared to $1.2 million and $3.2 million for the same periods in 2021, an increase of 30.2% and 12.5%. Year-to-date capital spend relates to various community enhancements, paving and land improvements. As with the apartment portfolio, the timing of MHC capital investment changes based on requirements at each community.

Commercial — Capital Investment
During the three and nine months ended September 30, 2022, Killam invested $1.7 million and $3.9 million in its commercial portfolio, an increase of 236.6% and 166.2% over the total investment of $0.5 million and $1.5 million for the three and nine months ended September 30, 2021. 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 timing of 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, 2022, no unitholders redeemed 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 Toronto Stock Exchange ("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,**		
	2022	2021	% Change	**2022**	2021	% Change
Distributions declared on Trust Units	**$20,517**	$19,105	7.4%	**$61,086**	$55,391	10.3%
Distributions declared on Exchangeable Units	**701**	687	2.0%	**2,102**	2,065	1.8%
Distributions declared on awards outstanding under RTU Plan	**61**	60	1.7%	**196**	180	8.9%
Total distributions declared	**$21,279**	$19,852	7.2%	**$63,384**	$57,636	10.0%
Less:						
Distributions on Trust Units reinvested	**(6,362)**	(6,764)	(5.9)%	**(18,981)**	(19,054)	(0.4)%
Distributions on RTUs reinvested	**(62)**	(60)	3.3%	**(196)**	(180)	8.9%
Net distributions paid	**$14,855**	$13,028	14.0%	**$44,207**	$38,402	15.1%
Percentage of distributions reinvested	**30.2%**	34.4%		**30.3%**	33.4%	

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. Under the normal course issuer bid, Killam may acquire up to 3,000,000 Trust Units commencing on June 2, 2022, and ending on June 1, 2023. 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 53,703 Trust Units, other than block purchase exemptions. Any Trust Units acquired will be cancelled.

PART VIII

Summary of Selected Consolidated Quarterly Results

	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021	Q2-2021	Q1-2021	Q4-2020
Property revenue	**$85,301**	$81,548	$77,464	$76,998	$76,244	$70,300	$67,374	$66,845
NOI	**$56,792**	$51,685	$45,263	$47,921	$50,455	$44,596	$40,263	$41,702
Net income	**$3,600**	$68,716	$60,027	$74,801	$46,634	$136,672	$27,422	$48,563
FFO	**$37,144**	$34,078	$28,665	$30,514	$34,246	$29,369	$25,107	$26,537
FFO per unit – diluted	**$0.31**	$0.28	$0.24	$0.27	$0.30	$0.27	$0.23	$0.25
AFFO	**$32,188**	$29,002	$23,739	$25,669	$29,510	$24,774	$20,486	$22,012
AFFO per unit – diluted	**$0.27**	$0.24	$0.20	$0.22	$0.26	$0.23	$0.19	$0.21
Weighted average units – diluted (000s)	**120,292**	119,938	117,765	114,571	114,250	109,929	107,669	107,300

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 2021 Annual Report and in Killam's AIF, both filed on SEDAR. 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, 2021, 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, 2022.

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 2021 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, 2022, have been prepared considering the impact that the spread of COVID-19 has and continues to have on local, national and worldwide economies. Measures taken to contain the spread of the virus have triggered significant disruptions to businesses worldwide. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. Killam has considered the economic outlook that may be experienced as a result of the impact of this virus on its tenants, suppliers and lenders. Killam has also considered the current inflationary economic environment, impact of rising interest rates and 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, 2022, in determining its estimates and the assumptions that affect the carrying amounts of assets, liabilities and earnings for the period. Actual results could differ from those estimates. Killam considers the estimates that could be most significantly impacted by COVID-19 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 and 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.

Related Party Transactions

Killam owns a 50% interest in two commercial properties located at 3700 & 3770 Kempt Road in Halifax, NS; the remaining 50% interest in these properties is owned by an executive and Trustee of Killam. These properties are managed by a third party. Killam's head office occupies approximately 26,000 SF of the buildings with base rent of approximately $14.00 per square foot, of which 50% is paid to the related party based on the ownership interest.

Subsequent Events

On October 14, 2022, Killam announced a distribution of $0.05833 per unit, payable on November 15, 2022, to unitholders of record on October 31, 2022.