Q1-2024 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 a Canadian multi-residential property owner, owning, operating, managing and developing a $5.2 billion portfolio of apartments, manufactured home communities (MHCs) and commercial properties across seven provinces. Killam was founded in 2000 to create value through the consolidation of apartments in Atlantic Canada and MHCs across Canada. Killam entered the Ontario (ON) apartment market in 2010, the Alberta (AB) apartment market in 2014, and the British Columbia (BC) apartment market in 2020. Killam broke ground on its first development in 2010 and has completed 18 projects to date, with projects in Waterloo, ON, and Halifax, NS, 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 and dispositions, targeting newer properties; and

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

The apartment business is Killam's largest segment and accounted for 90.2% of Killam's net operating income (NOI) for the three months ended March 31, 2024. As at March 31, 2024, Killam's apartment portfolio consisted of 18,885 units, including 1,343 units jointly owned with institutional partners. Killam's 221 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, Guelph and Kitchener-Waterloo-Cambridge-Greater Toronto Area (KWC-GTA)), Alberta (Edmonton and Calgary), and British Columbia (Greater Victoria and Courtenay). 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 4.1% of Killam's NOI for the three months ended March 31, 2024. Killam also owns 973,942 square feet (SF) of stand-alone commercial space that accounted for 5.7% of Killam's NOI for the three months ended March 31, 2024.

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, 2023 and 2022, and in conjunction with the Trust's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2024 and 2023, 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 2023 Annual Information Form (AIF), are available on SEDAR+ at www.sedarplus.ca.

The discussions in this MD&A are based on information available as at May 7, 2024. This MD&A has been reviewed and approved by Management and the REIT's Board of Trustees.

Declaration of Trust

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

Investment Guidelines

- The Trust will acquire, hold, develop, maintain, improve, lease or 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) (the "Tax Act") 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 Tax Act are prohibited; and
- Killam must maintain property insurance coverage in respect of potential liabilities of the Trust.

As at March 31, 2024, Killam was in compliance with all investment guidelines and operating policies.

Forward-Looking Statements Disclaimer

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

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

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

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

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

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

Non-IFRS Financial Measures

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

Non-IFRS Financial Measures

- FFO is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALPAC. FFO, and applicable per unit amounts, are calculated by Killam as net income adjusted for fair value gains (losses), interest expense related to Exchangeable Units, gains (losses) on disposition, deferred tax expense, 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 22.
- 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 23.
- 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 24. 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 26.
- 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 26.
- 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 26.
- 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 26.
- Per unit calculations are calculated using the applicable non-IFRS financial measures noted above, i.e., FFO, AFFO and/or ACFO, divided by the 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 26.

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 2024 and 2023. Same property results represent 95.7% of the fair value of Killam's investment property portfolio as at March 31, 2024. Excluded from same property results in 2024 are acquisitions, dispositions and developments completed in 2023 and 2024.
- 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 2024 and 2023. 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 22 of the condensed consolidated interim financial statements.

PART II

Key Performance Indicators

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

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

Financial and Operational Highlights

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

	Three months ended March 31,		
Operating Performance	**2024**	2023	Change (1)
Property revenue	**$87,505**	$84,895	3.1%
Net operating income	**$55,020**	$50,815	8.3%
Net income	**$127,240**	$83,460	52.5%
FFO (2)	**$31,380**	$30,283	3.6%
FFO per unit – diluted (2)	**$0.26**	$0.25	4.0%
AFFO (2)(3)	**$25,962**	$24,806	4.7%
AFFO per unit – diluted (2)(3)	**$0.21**	$0.20	5.0%
Weighted average number of units outstanding – diluted (000s)	**122,610**	121,072	1.3%
Distributions paid per unit	**$0.18**	$0.18	—%
AFFO payout ratio – diluted (2)(3)	**83%**	85%	(200) bps
AFFO payout ratio – rolling 12 months (2)(3)	**72%**	74%	(200) bps
Portfolio Performance			
Same property NOI (2)	**$53,583**	$48,578	10.3%
Same property NOI margin	**62.6%**	60.1%	250 bps
Same property apartment occupancy	**98.2%**	98.3%	(10) bps
Same property apartment weighted average rental increase (4)	**5.8%**	4.0%	180 bps

As at	**March 31, 2024**	December 31, 2023	Change (1)
Leverage Ratios and Metrics			
Debt to total assets	**42.1%**	42.9%	(80) bps
Weighted average mortgage interest rate	**3.23%**	3.22%	1 bps
Weighted average years to debt maturity	**3.7**	3.9	(0.2) years
Debt to normalized EBITDA (2)	**10.16x**	10.29x	(1.3)%
Debt service coverage (2)	**1.53x**	1.51x	1.3%
Interest coverage (2)	**3.06x**	3.10x	(1.3)%

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

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

(3) The maintenance capital expenditures used to calculate AFFO and AFFO payout ratio for the three months ended March 31, 2023, were updated to reflect the maintenance capex reserve of $1,025 per apartment unit, $300 per MHC site and $1.00 per SF for commercial properties that were used in the calculation for the 12 months ended December 31, 2023.

(4) Year-over-year, as at March 31.

Summary of Q1-2024 Results and Operations

Same Property NOI Growth of 10.3% Drives Margin Expansion
Killam achieved same property NOI growth of 10.3% and an operating margin increase of 250 bps during the quarter. The gains were driven by a 5.9% increase in same property revenue and a 0.7% reduction in same property operating expenses. Revenue growth is attributed to a 5.8% increase in apartment rental rates year-over-year and a 51% reduction in rental incentives. Killam expects its same property weighted average rental rate increase to trend higher throughout the remainder of 2024.

The 0.7% reduction in total same property operating expenses is attributable to lower natural gas prices in Q1-2024, resulting in a 10.0% decrease in utility and fuel expenses. This was partially offset by an increase in general operating expenses of 1.6% and a 6.0% increase in property tax expense due to higher property taxes across the portfolio and the absence of property tax subsidies in Prince Edward Island (which were offered in 2023 to compensate apartment owners for rent control restrictions).

Earned Net Income of $127.2 Million
During the quarter, Killam earned net income of $127.2 million, compared to $83.5 million in Q1-2023. The increase in net income is primarily attributable to fair value gains on investment properties of $116.3 million, compared to fair value gains of $66.8 million in Q1-2023. The fair value gains in Q1-2024 were a direct result of strong NOI growth and operating margin expansion.

Generated 4.0% of FFO per Unit Growth and 5.0% of AFFO per Unit Growth
Killam generated FFO per unit of $0.26 in Q1-2024, a 4.0% increase from $0.25 per unit in Q1-2023. AFFO per unit increased 5.0% to $0.21, compared to $0.20 in Q1-2023. The growth in FFO and AFFO was attributable to strong NOI growth from Killam's same property portfolio, partially offset by rising interest costs. FFO per unit growth in Q1-2024 was also partially offset by Killam's three new developments currently in lease-up. As lease-up continues, these projects are expected to contribute positively to earnings growth during the second half of the year and during the first half of 2025.

Development Program Continues to Support Growth in New High-Quality Assets
During Q1-2024, Killam broke ground on Eventide, an 8-storey, 55-unit building located in Halifax, NS. The project is expected to be completed in the second half of 2026 and has a development budget of $33.6 million. Killam also continued to advance The Carrick, a 139-unit development in Waterloo, ON, during the quarter, with development-related costs funded through a fixed-rate CMHC construction and permanent loan. This project is expected to be completed in mid-2025. As noted above, lease-up of Killam's three new developments continued in Q1-2024. The Governor and Civic 66, which both reached substantial completion in summer 2023, are currently at 75% and 88% leased, up from 40% and 66% as at December 31, 2023. Nolan Hill Phase II, which reached substantial completion in December 2023, is currently at 45% leased, up from 19% at year-end 2023.

Higher Interest Rates on Refinancings
The maturity dates of Killam's mortgages are staggered to mitigate interest rate risk. During Q1-2024, Killam refinanced $12.0 million of maturing mortgages with $17.4 million of new debt at a weighted average interest rate of 4.32%, 132 bps higher than the weighted average interest rate of the maturing debt. Overall, Killam's weighted average mortgage interest rate increased 1 bps at the end of Q1-2024 to 3.23%, compared to 3.22% as at December 31, 2023.

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

Strategic Targets

Growth in Same Property NOI	
2024 Target	Achieve minimum same property NOI growth greater than 6.0%.
2024 Performance to Date	Killam achieved same property NOI growth of 10.3% for the three months ended March 31, 2024. Demand continues to be strong for apartments, and rental rates have continued to increase as demand is greater than supply. In addition, lower natural gas pricing resulted in a reduction in property operating expenses in the quarter. Based on the results achieved to date in 2024, Killam expects same property NOI growth in 2024 to exceed 8.0%.

Capital Recycling	
2024 Target	Sell a minimum of $50 million of non-core assets.
2024 Performance to Date	In the first quarter, Killam completed one disposition of land for development for a sale price of $2.4 million and expects to complete the disposition of an 84-unit apartment building located in Guelph, ON, for $19.2 million in early May. Killam has additional dispositions planned for the remainder of 2024 and expects to meet its 2024 capital recycling target of $50.0 million.

Geographic Diversification	
2024 Target	Earn more than 38% of 2024 NOI outside Atlantic Canada.
2024 Performance to Date	Killam is on track to exceed this target, with 39.1% of NOI generated outside Atlantic Canada as of March 31, 2024. The lease-up of Civic 66 and Nolan Hill Phase II will further increase NOI generated outside Atlantic Canada during the remainder of the year.

Development of High-Quality Properties	
2024 Target	Break ground on two new developments in 2024.
2024 Performance to Date	Killam is on track to meet this target; in Q1-2024, Killam broke ground on Eventide, a 55-unit building located in Halifax, NS. Additionally, construction on Wissler, a 130-unit building located in Waterloo, ON, is expected to start in late 2024.

Strengthened Balance Sheet	
2024 Target	Maintain debt as a percentage of total assets below 45%.
2024 Performance to Date	Debt as a percentage of total assets was 42.1% as at March 31, 2024 (December 31, 2023 – 42.9%).

Sustainability	
2024 Target	Invest a minimum of $6.0 million in energy initiatives in 2024.
2024 Performance to Date	Killam has invested $1.4 million in energy initiatives in Q1-2024, including the installation of PV solar panels, new boilers and heat pumps, as well as window replacements and building upgrades such as new cladding and insulation in various buildings across the portfolio.

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

Outlook

Strong Top-Line Rent Growth with Wide Mark-to-Market Spreads
Apartment fundamentals are set to remain strong in the foreseeable future with a shortage of housing across Canada. Following an acceleration of market rental rates over the last two years, Killam's mark-to-market spread averages approximately 25%–30% across its portfolio. Management expects to capture a portion of these spreads as units turn. Turnover rates have decreased over the last five years, Killam's apartment turnover was 19% in 2023 and Management expects turnover to remain above 17% in 2024, with rents moving closer to market as units turn. Market rents are expected to grow, but should market rents stabilize, Killam's opportunity to capture the mark-to-market spread on unit turns is expected to remain well above historic norms for the next three to five years.

Management expects rent growth on lease renewals to outpace 2023 renewal spreads of 2.8%. Approximately 45% of Killam's apartment portfolio is not restricted by rent control, while the remainder will benefit from higher approved rent control guidelines in 2024. The table below summarizes rent control restrictions in place for 2024 and 2025:

Province	2024		2025	
	Apartments	**MHCs**	**Apartments**	**MHCs**
Nova Scotia	5.0%	5.8%	5.0%	5.8%
Ontario	2.5%	2.5%	TBD	TBD
Prince Edward Island	3.0%	N/A	TBD	N/A
British Columbia	3.5%	N/A	TBD	N/A

Moderating Operating Expenses
Killam experienced operating expense savings in Q1-2024 due to lower natural gas costs, partially offset by higher property tax expenses. These savings are not expected to be realized through the remainder of 2024 given the seasonality of natural gas costs, with the majority of costs occurring in the winter heating season. Investments in energy and water-saving initiatives, and the continued introduction of building automation controls across Killam's portfolio, are expected to further improve efficiencies of building heating systems. With moderating inflation across the country, Killam anticipates total operating expenses to be generally in line with inflation in 2024.

NOI Growth Remains Strong
With both strong rent growth and moderating expenses, Killam expects higher NOI growth in 2024 than its historic norms. With NOI growth of 10.3% in the first quarter, supported by top-line rent growth and savings in natural gas costs, Management expects to exceed the 2024 target of 6.0% NOI growth in 2024. In addition to Killam's apartment portfolio, Killam's MHC and commercial portfolios are also expected to generate strong NOI growth in 2024. Demand for home sales is expected to further enhance earnings for the MHC portfolio.

Capital Recycling Program to Continue
Killam expects to complete the disposition of Woolwich, an 84-unit apartment building located in Guelph, ON, for a sale price of $19.2 million in early May, which will bring the total dispositions completed in 2024 to $22 million. Killam's capital recycling program is focused on non-core and slower growth properties, or those that may be more capital or carbon intensive. Killam expects to complete a minimum of $50 million of dispositions in 2024, with proceeds used to reduce variable rate debt, fund future development activity, support strategic acquisitions and potentially buy back Trust Units through Killam's NCIB program.

Increased Borrowing Costs on Mortgage Renewals
Killam has $298.6 million of mortgages maturing in the remainder of 2024, with an average interest rate of 2.89%, and a further $333.4 million maturing in 2025, with an average interest rate of 2.10%. With current interest rates above these levels, Management anticipates higher rates on refinancings. Management has diversified Killam's mortgages to avoid dependence on any one lending institution and has staggered maturity dates to mitigate the impact of increased interest rates. Killam's mortgage maturity schedule is included on page 27. Killam expects to maintain low variable rate debt levels in 2024 and remains committed to maintaining debt as a percentage of total assets below 45%. Currently, 74.2% of Killam's mortgages are CMHC insured. Looking forward, Killam expects to increase the percentage of its mortgages that are CMHC insured.

Developments to Remain a Key Strategic Priority
With three new developments currently in the lease-up phase (including Nolan Hill Phase II), FFO results are expected to be enhanced during the second half of 2024 and the first half of 2025, as the total of 415 units ($211.0 million in value) reach full occupancy. Development remains an important component of Killam's growth strategy. Despite higher interest rates and recent cost escalation, with 13 years of development experience, Killam is confident in its ability to create value through its development platform. In addition to the development pipeline listed on page 33, Killam has identified a potential 4,000 units of additional density across various parcels of large-acreage properties in its portfolio. Killam is excited to move forward with planning these opportunities, delivering to much-needed housing units.

Continued Geographic Diversification
Management has been successful in expanding Killam's portfolio outside of Atlantic Canada since its first acquisition in Ontario in 2010. Management targets over 38% of 2024 earnings to be generated in Ontario, Alberta and British Columbia, with a longer-term target of over 45% by 2028. Killam expects to grow its presence in each of its core markets within those provinces through a combination of acquisitions and developments. Killam has extensive opportunity to develop in the growing Waterloo market in particular, with over 1,300 units of future development potential. Killam's geographic diversification strategy will be further enhanced by its capital recycling program in select regions of Atlantic Canada.

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 March 31, 2024:

Apartment Portfolio				
	Units (1)	Number of Properties	NOI ($) (2)	NOI (2) (% of Total)
Nova Scotia				
Halifax	5,731	68	$15,235	27.7%
Ontario				
KWC-GTA	2,010	14	$7,001	12.7%
Ottawa	1,447	9	$3,739	6.8%
London	523	5	$1,624	3.0%
	3,980	28	$12,364	22.5%
New Brunswick				
Moncton	2,246	39	$5,112	9.3%
Fredericton	1,529	23	$3,946	7.2%
Saint John	997	13	$1,955	3.6%
	4,772	75	$11,013	20.1%
Alberta				
Calgary	998	5	$2,357	4.3%
Edmonton	882	6	$2,601	4.7%
	1,880	11	$4,958	9.0%
Newfoundland and Labrador				
St. John's	958	13	$2,116	3.8%
Grand Falls	148	2	$188	0.3%
	1,106	15	$2,304	4.1%
Prince Edward Island				
Charlottetown	814	17	$1,542	2.8%
Summerside	86	2	$132	0.2%
	900	19	$1,674	3.0%
British Columbia				
Victoria	516	5	$2,108	3.8%
Total Apartments	**18,885**	**221**	**$49,656**	**90.2%**
Manufactured Home Community Portfolio				
	Sites	Communities	NOI ($) (2)	(% of Total)
Nova Scotia	2,850	18	$1,333	2.4%
Ontario (3)	2,284	17	$821	1.5%
New Brunswick (3)	671	3	($32)	—%
Newfoundland and Labrador	170	2	$100	0.2%
Total MHCs	**5,975**	**40**	**$2,222**	**4.1%**
Commercial Portfolio (4)				
	SF (5)	Properties	NOI ($) (2)	(% of Total)
Prince Edward Island (5)	410,792	1	$862	1.6%
Ontario	311,106	2	$1,259	2.3%
Nova Scotia (6)	218,829	5	$911	1.6%
New Brunswick	33,215	1	$110	0.2%
Total Commercial	**973,942**	**9**	**$3,142**	**5.7%**
Total Portfolio		**270**	**$55,020**	**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 three months ended March 31, 2024.
(3) Killam's New Brunswick and Ontario MHC communities include seasonal operations, which typically commence in mid-May and run through the end of October.
(4) Killam has 187,617 SF of ancillary commercial space in various residential properties across the portfolio, which is included in apartment results.
(5) Square footage represents 100% of the commercial property located in PEI.
(6) Square footage includes Killam's 50% ownership interest in two office properties that are third-party managed.

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

PART IV

Q1-2024 Operational and Financial Results

Consolidated Results

For the three months ended March 31,

	Total Portfolio			Same Property (1)		
	2024	2023	% Change	**2024**	2023	% Change
Property revenue	**$87,505**	$84,895	3.1%	**$85,621**	$80,850	5.9%
Property operating expenses						
General operating expenses	**13,331**	13,468	(1.0)%	**12,978**	12,775	1.6%
Utility and fuel expenses	**9,299**	10,806	(13.9)%	**9,059**	10,062	(10.0)%
Property taxes	**9,855**	9,806	0.5%	**10,001**	9,435	6.0%
Total operating expenses	**$32,485**	$34,080	(4.7)%	**$32,038**	$32,272	(0.7)%
NOI	**$55,020**	$50,815	8.3%	**$53,583**	$48,578	10.3%
Operating margin %	**62.9%**	59.9%	300 bps	**62.6%**	60.1%	250 bps

(1) Same property results exclude acquisitions, dispositions and developments completed during the comparable 2024 and 2023 periods, which are classified as non-same property. For the three months ended March 31, 2024, NOI contributions from acquisitions, dispositions and developments completed in 2023 and 2024 were $0.7 million. For the three months ended March 31, 2023, the NOI contributions from acquisitions, dispositions and developments completed in 2023 were $2.2 million.

For the three months ended March 31, 2024, Killam achieved strong overall portfolio performance. Revenues grew by $2.6 million, or 3.1%, despite the completion of $168.7 million in property dispositions in 2023. Total operating expenses decreased by 4.7% due to lower utility and fuel expenses quarter-over-quarter. In aggregate, NOI increased by 8.3% for the three months ended March 31, 2024.

Same property results include properties owned during comparable 2024 and 2023 periods. Same property results represent 96% of the fair value of Killam's investment property portfolio as at March 31, 2024. Non-same property results include acquisitions, dispositions and developments completed in 2023 and 2024, and commercial assets acquired for future residential development.

Same property revenue grew by 5.9% for the three months ended March 31, 2024, compared to the same period in 2023. This growth was driven by strong rental rate growth. Total same property operating expenses decreased by 0.7% for the three months ended March 31, 2024. The reduction in the quarter was driven by a 10.0% decrease in utility and fuel expenses, which was the result of lower natural gas pricing in Q1-2024 compared to Q1-2023. This was offset by a 6.0% increase in property taxes and a 1.6% increase in general operating expenses. The uptick in property taxes was due to increased assessments across the portfolio, higher mill rates in New Brunswick, and no property tax subsidies in PEI, which were provided in Q1-2023 to offset rent control limitations. Overall, same property NOI grew by 10.3% for the three months ended March 31, 2024.

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

Apartment Results

For the three months ended March 31,	Total			Same Property		
	2024	2023	% Change	**2024**	2023	% Change
Property revenue	**$78,183**	$76,099	2.7%	**$76,473**	$72,129	6.0%
Property operating expenses						
General operating expenses	**11,465**	11,609	(1.2)%	**11,112**	10,896	2.0%
Utility and fuel expenses	**8,397**	9,798	(14.3)%	**8,169**	9,089	(10.1)%
Property taxes	**8,665**	8,695	(0.3)%	**8,848**	8,339	6.1%
Total operating expenses	**$28,527**	$30,102	(5.2)%	**$28,129**	$28,324	(0.7)%
NOI	**$49,656**	$45,997	8.0%	**$48,344**	$43,805	10.4%
Operating margin %	**63.5%**	60.4%	310 bps	**63.2%**	60.7%	250 bps

Apartment Revenue

Total apartment revenue for the three months ended March 31, 2024, was $78.2 million, an increase of 2.7% over the same period in 2023. Revenue growth reflects contributions from properties acquired and developed over the past two years, high occupancy and accelerating rent growth; however, it was mitigated by property dispositions completed throughout 2023.

Same property apartment revenue increased 6.0% for the three months ended March 31, 2024. This was driven by a 5.8% increase in year-over-year average rent as at March 31, 2024, coupled with a decrease in rental incentives.

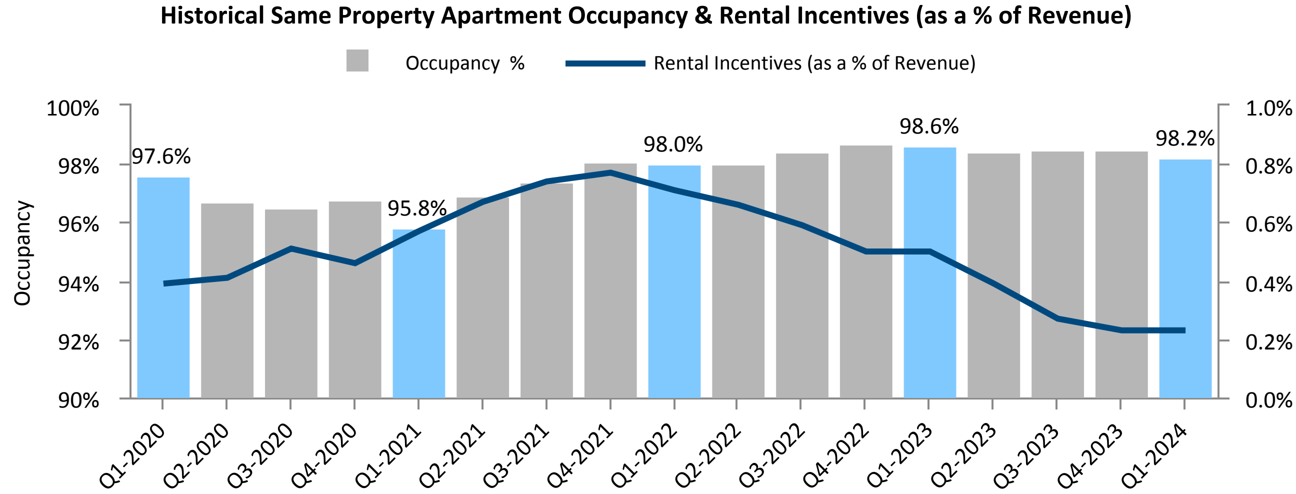
The operating margin on Killam's same property apartment portfolio for the three months ended March 31, 2024, was up 250 bps to 63.2%. This was largely due to strong rental rate growth and a decrease in utility and fuel expenses during the period.

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

		Total Occupancy			Same Property Occupancy		
For the three months ended March 31,	# of Units	**2024**	2023	Change (bps)	**2024**	2023	Change (bps)
Nova Scotia							
Halifax	5,731	**98.2%**	98.8%	(60)	**98.7%**	98.8%	(10)
Ontario							
KWC-GTA (2)	2,010	**93.7%**	98.7%	(500)	**97.8%**	98.7%	(90)
Ottawa	1,447	**96.8%**	93.5%	330	**96.8%**	93.3%	350
London	523	**97.3%**	98.9%	(160)	**97.3%**	98.9%	(160)
New Brunswick							
Moncton	2,246	**99.1%**	99.4%	(30)	**99.1%**	99.4%	(30)
Fredericton	1,529	**98.6%**	98.1%	50	**98.6%**	98.1%	50
Saint John	997	**98.4%**	98.4%	—	**98.4%**	98.2%	20
Alberta							
Calgary (3)	998	**73.3%**	98.5%	(2,520)	**97.1%**	98.5%	(140)
Edmonton	882	**97.2%**	98.2%	(100)	**97.2%**	98.2%	(100)
Newfoundland and Labrador							
St. John's	1,106	**97.5%**	98.6%	(110)	**97.5%**	98.6%	(110)
Prince Edward Island							
Charlottetown	900	**99.5%**	99.4%	10	**99.5%**	99.2%	30
British Columbia							
Victoria	516	**96.7%**	97.1%	(40)	**96.7%**	97.1%	(40)
Total Apartments (weighted average)	**18,885**	**96.0%**	98.3%	(230)	**98.2%**	98.3%	(10)

(1) Occupancy as a percentage of residential rent is calculated as vacancy (in dollars) divided by gross potential residential rent (in dollars) for the period.
(2) Total 2024 occupancy for KWC-GTA was impacted by Civic 66, a recently completed 169-unit development property undergoing initial lease-up.
(3) Total 2024 occupancy for Calgary was impacted by Nolan Hill Phase II, a recently completed 234-unit development undergoing initial lease-up.

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



Killam saw a decrease in rental incentives as a percentage of total revenue in Q1-2024 compared to Q1-2023. Rental incentives decreased in nearly all of Killam's regions quarter-over-quarter. The majority of the incentives in the first quarter were in Alberta, although incentives in this region declined 65% compared to Q1-2023.

Year-Over-Year Average Rent Analysis by Core Market

As at March 31,

		Average Rent			Same Property Average Rent		
	# of Units	**2024**	2023	% Change	**2024**	2023	% Change
Nova Scotia							
Halifax	5,731	**$1,381**	$1,294	6.7%	**$1,370**	$1,296	5.7%
Ontario							
KWC-GTA	2,010	**$1,704**	$1,554	9.7%	**$1,648**	$1,554	6.0%
Ottawa	1,447	**$2,170**	$1,975	9.9%	**$2,170**	$2,076	4.5%
London	523	**$1,565**	$1,473	6.2%	**$1,565**	$1,473	6.2%
New Brunswick							
Moncton	2,246	**$1,209**	$1,129	7.1%	**$1,209**	$1,139	6.1%
Fredericton	1,529	**$1,289**	$1,200	7.4%	**$1,289**	$1,200	7.4%
Saint John	997	**$1,116**	$984	13.4%	**$1,116**	$1,025	8.9%
Alberta							
Calgary (1)	998	**$1,597**	$1,311	21.8%	**$1,441**	$1,311	9.9%
Edmonton (2)	882	**$1,566**	$1,515	3.4%	**$1,566**	$1,515	3.4%
Newfoundland and Labrador							
St. John's	1,106	**$1,048**	$1,012	3.6%	**$1,048**	$1,012	3.6%
Prince Edward Island							
Charlottetown	900	**$1,169**	$1,116	4.7%	**$1,171**	$1,142	2.5%
British Columbia							
Victoria	516	**$1,871**	$1,755	6.6%	**$1,871**	$1,755	6.6%
Total Apartments (weighted average)	**18,885**	**$1,416**	$1,304	8.6%	**$1,396**	$1,319	5.8%

(1) Including the reduction in rental incentives, year-over-year same property average rent increased 11.6% in Calgary as at March 31, 2024.
(2) Including the reduction in rental incentives, year-over-year same property average rent increased 6.8% in Edmonton as at March 31, 2024.

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

Same Property Rental Increases – Tenant Renewals versus Unit Turns

The table below reflects rental increases achieved on units renewed or turned (released) for the three months ended March 31, 2024, whereas rental increases in the previous section reflect the year-over-year change in average rent by region as at March 31, 2024, compared to March 31, 2023.

Killam historically turned approximately 30%–32% of its units each year; however, this percentage has declined over the past four years. Due to the tightening of the housing and rental markets across Canada, turnover levels in 2023 were 19%, down from 22% in 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 a minimum of 10% on capital invested.

Killam generated a 160 bps increase in its same property weighted average rental increase quarter-over-quarter, up from 3.8% in Q1-2023 to 5.4% in Q1-2024. This growth was primarily due to strong market fundamentals continuing to drive higher rental increases on unit turns, which were up from 14.3% in Q1-2023 to 19.6% in the current quarter. This increase was coupled with higher rental increases on renewals, up 140 bps from 2.3% to 3.7%.

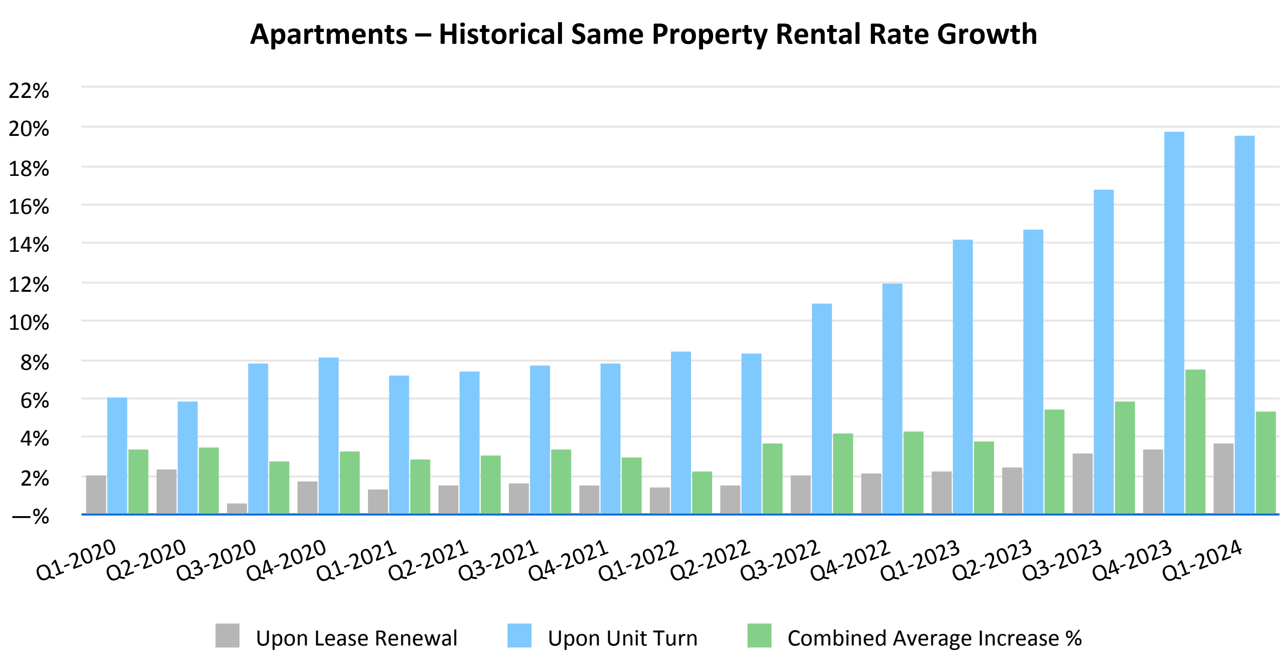
Killam expects the same property weighted average rental rate increase to trend higher throughout the remainder of 2024. The weighted average rental increase is typically lower in the first quarter due to the large number of lease renewals on January 1 each year, which are subject to rent control. The chart below summarizes the rental increases earned during the three months ended March 31, 2024, and 2023.

The mark-to-market opportunity on unit turns is estimated to average 25%–30% across the portfolio.

	For the three months ended March 31,			
	2024		**2023**	
	Rental Increases	Turnovers & Renewals (1)	Rental Increases	Turnovers & Renewals (1)
Lease renewal (2)	**3.7%**	**32.7%**	2.3%	26.8%
Unit turn	**19.6%**	**3.8%**	14.3%	3.8%
Rental increase (weighted avg)	**5.4%**		3.8%	

(1) Percentage of suites turned over or renewed during the periods, based on the total weighted average number of units held during the periods, adjusted for Killam's 50% ownership in jointly held properties.
(2) During Q1-2024, 5,946 units were renewed and 689 units turned. The large weighting of renewals in Q1 is due to many leases across the portfolio renewing on January 1.

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



The weighted average rental rate increase of 5.4% in Q1-2024 is below 7.5% achieved in Q4-2023. The decrease reflects a higher percentage of leases renewing in the first quarter every year compared to other quarters.

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

Apartment Expenses

Total operating expenses for the three months ended March 31, 2024, were $28.5 million, a 5.2% decrease compared to the same period in 2023. This is due to dispositions completed in 2023 and lower natural gas pricing in the first quarter.

Total same property operating expenses decreased by 0.7% for the three months ended March 31, 2024. This includes a 10.1% decrease in utility and fuel expenses, driven primarily by lower natural gas costs. Natural gas commodity pricing decreased across all of Killam's markets during Q1-2024 compared to Q1-2023. Oil and propane costs also decreased 7.5% for the three months ended March 31, 2024, as a result of lower commodity pricing.

Property Operating Expenses
Property operating expenses for the apartment portfolio include repairs and maintenance, contract services, insurance, property management and property management wages and benefits, uncollectible accounts, marketing, advertising and leasing costs. The increase in same property general operating expenses of 2.0% for the three months ended March 31, 2024, was due to higher wage costs, increased contract service costs, and higher repairs and maintenance and general and administrative expenses. These increases were partially offset by savings in insurance premiums, lower advertising costs and a decline in bad debt expense.

Same Property Utility and Fuel Expenses

	Three months ended March 31,		
	2024	2023	% Change
Natural gas	**$3,408**	$4,434	(23.1)%
Electricity	**2,435**	2,384	2.1%
Water	**1,948**	1,864	4.5%
Oil & propane	**358**	387	(7.5)%
Other	**20**	20	—%
Total utility and fuel expenses	**$8,169**	$9,089	(10.1)%

Killam's apartment portfolio is heated with natural gas (59%), electricity (32%), geothermal (4%), oil (2%), district heat (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.

Utility and fuel expenses accounted for approximately 29% of Killam's total apartment same property operating expenses for the three months ended March 31, 2024. Total same property utility and fuel expenses decreased 10.1% for the three months ended March 31, 2024, compared to the same period in 2023.

Same property natural gas expenses decreased 23.1% for the three months ended March 31, 2024, due to lower natural gas pricing in the first quarter. This included total natural gas variable cost decreases of 25% in Nova Scotia, 10% in Ontario, 19% in New Brunswick, 11% in Alberta and 26% in British Columbia during Q1-2024, compared to Q1-2023. The overall commodity price decrease was coupled with a reduction in natural gas consumption as a result of a mild winter and energy efficiency investment.

Electricity costs increased 2.1% for the three months ended March 31, 2024. This growth reflects an increase in electricity pricing during the first quarter, partially offset by a 2.4% decrease in consumption, and a reduction of unit electricity being included as part of a tenant's monthly rent in certain regions, given strong market fundamentals. Additionally, Killam experienced consumption savings from LED lighting retrofits and the installation of solar panels.

Water expenses increased by 4.5% for the three months ended March 31, 2024, due to an increase in water rates.

Oil and propane costs decreased by 7.5% for the three months ended March 31, 2024, compared to the same period in 2023. The decrease is the result of lower oil prices, which were down by 6.2% in Prince Edward Island during the quarter. The majority of Killam's heating oil and propane costs are located in Prince Edward Island.

Property Taxes
Same property tax expenses for the three months ended March 31, 2024, were $8.8 million, up 6.1% from the same period in 2023. This increase is due to higher regional mill rates in New Brunswick, resulting in a 6.5% increase. In addition, while property tax subsidies were offered in Prince Edward Island in 2023 to offset rent control restrictions limiting any rental rate increases, no such compensation was offered in Q1-2024, resulting in a 45.9% increase. In addition, there was an 8.9% increase in Newfoundland and Labrador. Final 2024 assessments for certain regions will not be received until later in the year. Killam actively reviews its property tax assessments and appeals tax assessment increases wherever possible.

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

Apartment Same Property NOI by Region

Three months ended March 31,

	Property Revenue			Property Expenses			Net Operating Income		
	2024	2023	% Change	**2024**	2023	% Change	**2024**	2023	% Change
Nova Scotia									
Halifax	**$24,106**	$22,845	5.5%	**($9,065)**	($9,454)	(4.1)%	**$15,041**	$13,391	12.3%
	24,106	22,845	5.5%	**(9,065)**	(9,454)	(4.1)%	**15,041**	13,391	12.3%
Ontario									
KWC-GTA	**9,591**	9,116	5.2%	**(3,451)**	(3,477)	(0.7)%	**6,140**	5,639	8.9%
Ottawa	**5,222**	4,743	10.1%	**(1,555)**	(1,592)	(2.3)%	**3,667**	3,151	16.4%
London	**2,443**	2,334	4.7%	**(822)**	(854)	(3.7)%	**1,621**	1,480	9.5%
	17,256	16,193	6.6%	**(5,828)**	(5,923)	(1.6)%	**11,428**	10,270	11.3%
New Brunswick									
Moncton	**8,623**	8,170	5.5%	**(3,558)**	(3,367)	5.7%	**5,065**	4,803	5.5%
Fredericton	**6,070**	5,627	7.9%	**(2,134)**	(2,095)	1.9%	**3,936**	3,532	11.4%
Saint John	**3,411**	3,151	8.3%	**(1,458)**	(1,412)	3.3%	**1,953**	1,739	12.3%
	18,104	16,948	6.8%	**(7,150)**	(6,874)	4.0%	**10,954**	10,074	8.7%
Alberta									
Calgary	**3,486**	3,203	8.8%	**(1,163)**	(1,283)	(9.4)%	**2,323**	1,920	21.0%
Edmonton	**4,214**	3,970	6.1%	**(1,614)**	(1,636)	(1.3)%	**2,600**	2,334	11.4%
	7,700	7,173	7.3%	**(2,777)**	(2,919)	(4.9)%	**4,923**	4,254	15.7%
Newfoundland and Labrador									
St. John's	**3,484**	3,406	2.3%	**(1,149)**	(1,086)	5.8%	**2,335**	2,320	0.6%
	3,484	3,406	2.3%	**(1,149)**	(1,086)	5.8%	**2,335**	2,320	0.6%
Prince Edward Island									
Charlottetown	**2,967**	2,872	3.3%	**(1,414)**	(1,289)	9.7%	**1,553**	1,583	(1.9)%
	2,967	2,872	3.3%	**(1,414)**	(1,289)	9.7%	**1,553**	1,583	(1.9)%
British Columbia									
Victoria	**2,856**	2,692	6.1%	**(746)**	(779)	(4.2)%	**2,110**	1,913	10.3%
	2,856	2,692	6.1%	**(746)**	(779)	(4.2)%	**2,110**	1,913	10.3%
	$76,473	$72,129	6.0%	**($28,129)**	($28,324)	(0.7)%	**$48,344**	$43,805	10.4%

Halifax

Killam's Halifax apartment portfolio achieved a same property revenue increase of 5.5% for the three months ended March 31, 2024, compared to the same period in 2023. This increase was driven by a 5.7% increase in year-over-year average rent in the region, partially offset by a modest 10 bps decrease in occupancy to 98.7% in Q1-2024. Total same property operating expenses for the three months ended March 31, 2024, were 4.1% lower compared to the same period in 2023. The decrease in expenses was the result of lower utility and fuel costs, which were down 14.7% due to lower natural gas pricing, coupled with lower insurance and advertising costs. These were partially offset by higher salary costs, property tax expense and contract service costs. Overall, NOI was 12.3% higher for the three months ended March 31, 2024.

Ontario

Same property apartment revenue in Ontario grew 6.6% for the three months ended March 31, 2024. This was due to a 5.4% increase in year-over-year average rent, coupled with a 60 bps increase in occupancy to 97.4% in the quarter. Total same property operating expenses for the three months ended March 31, 2024, decreased 1.6% compared to the same period in 2023. This decrease was the result of lower utility and fuel expenses due to lower natural gas and water costs, coupled with lower repairs and maintenance and insurance expense. These decreases were partially offset by higher property tax expense, salary costs and contract service expenses. In aggregate, NOI grew by 11.3% for the three months ended March 31, 2024.

New Brunswick

Killam's apartment portfolio in New Brunswick generated an aggregate same property revenue increase of 6.8% for the three months ended March 31, 2024. This increase was driven by a year-over-year average rent increase of 7.1%, coupled with a modest 10 bps increase in occupancy to 98.8%. Fredericton and Saint John experienced occupancy gains of 50 bps and 20 bps in Q1-2024, up to 98.6% and 98.4%, respectively, while occupancy in Moncton decreased by 30 bps to 99.1%. Total same property operating expenses for the three months ended March 31, 2024, increased by 4.0% compared to the same period in 2023. This increase was driven by higher salary and repairs and maintenance costs, coupled with an increase in regional property tax mill rates in New Brunswick, which resulted in an aggregate 6.5% increase in property taxes in the quarter. These increases were partially offset by lower utility and fuel expenses driven by lower natural gas costs, coupled with decreased contract service expenses, advertising and insurance costs. The net impact was an 8.7% increase in NOI for the three months ended March 31, 2024.

Alberta

Killam's Alberta apartment portfolio achieved same property revenue growth of 7.3% for the three months ended March 31, 2024, compared to the same period in 2023. This growth was primarily due to a 6.6% increase in year-over-year average rent in the region, coupled with a 66.5% decrease in rental incentives in Q1-2024. This was partially offset by an aggregate 130 bps decrease in occupancy to 97.1%; Edmonton experienced a 100 bps decrease to 97.2%, while Calgary experienced a 140 bps decrease to 97.1%. Total same property operating expenses for the three months ended March 31, 2024, decreased by 4.9% compared to the same period in 2023. This was primarily due to lower utility and fuel expenses driven by lower electricity and natural gas costs, coupled with lower salary and insurance expenses, and partially offset by higher repairs and maintenance costs. Overall, NOI was up 15.7% for the three months ended March 31, 2024.

Newfoundland and Labrador

Same property apartment revenue in Newfoundland and Labrador grew 2.3% for the three months ended March 31, 2024. This growth was due to a 3.6% increase in year-over-year average rent and partially offset by a 110 bps decrease in occupancy in the quarter, down from 98.6% to 97.5%. Total same property operating expenses for the three months ended March 31, 2024, increased by 5.8% compared to the same period in 2023. This was a result of higher property tax expense, contract service, salary and repairs and maintenance expenses, offset by lower insurance costs. In aggregate, NOI increased modestly by 0.6% for the three months ended March 31, 2024.

Prince Edward Island

Same property apartment revenue in Prince Edward Island increased by 3.3% for the three months ended March 31, 2024, compared to the same period in 2023. This increase was driven by a 2.5% increase in year-over-year average rent, coupled with a 30 bps increase in occupancy to 99.5% in Q1-2024. Total same property operating expenses for the three months ended March 31, 2024, increased by 9.7% compared to the same period in 2023. This growth was the result of higher property tax expense due to the discontinuation of tax subsidies offered to help offset rent control in 2023, coupled with higher contract service and salary costs. These increases were offset by lower utility and fuel expenses, due to lower oil and propane costs, and lower insurance expense. The net impact was a 1.9% decrease in NOI for the three months ended March 31, 2024.

British Columbia

Same property apartment revenue in British Columbia increased by 6.1% for the three months ended March 31, 2024. This growth was a result of a 6.6% increase in year-over-year average rent in the region, offset by a 40 bps decrease in occupancy in Q1-2024, to 96.7%. Total same property operating expenses decreased by 4.2% for the three months ended March 31, 2024. The decline in expenses during the quarter was due to lower utility and fuel expenses driven by lower natural gas and water costs, coupled with lower contract service and insurance expenses. These were partially offset by increased salary costs, property tax and repairs and maintenance expenses. Overall, NOI increased by 10.3% for the three months ended March 31, 2024.

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

MHC Results

For the three months ended March 31,

	Total Portfolio			Same Property		
	2024	2023	% Change	**2024**	2023	% Change
Property revenue	**$3,818**	$3,658	4.4%	**$3,775**	$3,656	3.3%
Property operating expenses	**1,596**	1,699	(6.1)%	**1,585**	1,662	(4.6)%
NOI	**$2,222**	$1,959	13.4%	**$2,190**	$1,994	9.8%
Operating margin %	**58.2%**	53.6%	460 bps	**58.0%**	54.5%	350 bps

Killam's MHC portfolio generated $2.2 million, or 4.1%, of Killam's total NOI for the three months ended March 31, 2024. The MHC business generates its highest revenues and NOI during the second and third quarters of each year due to the contribution from its nine seasonal resorts that earn approximately 60% of their NOI between July and October. In aggregate, same property NOI from the MHC portfolio increased by 9.8% for the three months ended March 31, 2024. This growth is attributable to a 3.3% increase in revenue for the three months ended March 31, 2024, coupled with a 4.6% decrease in property operating expenses compared to the same period in 2023, mainly attributable to a reduction in water consumption.

Commercial Results

For the three months ended March 31,

	Total Portfolio			Same Property		
	2024	2023	% Change	**2024**	2023	% Change
Property revenue	**$5,504**	$5,138	7.1%	**$5,373**	$5,065	6.1%
Property operating expenses	**2,362**	2,279	3.6%	**2,324**	2,286	1.7%
NOI	**$3,142**	$2,859	9.9%	**$3,049**	$2,779	9.7%

Killam's commercial property portfolio contributed $3.1 million, or 5.7%, of Killam's total NOI for the three months ended March 31, 2024.

Killam's commercial property portfolio totals 973,942 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 410,800 SF shopping mall 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; as well as other smaller properties located in Halifax and Moncton. Total commercial occupancy decreased to 93.8% in Q1-2024, compared to 95.1% in Q1-2023. Commercial same property results represent approximately 98.0% 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 are not operating as stabilized properties.

The increase in NOI during the three months ended March 31, 2024, relates to increased occupancy, coupled with higher rental rates on renewals and an increase in percentage rent. In Q1-2024, Killam successfully leased a net new 10,250 SF of commercial space and renewed over 6,500 SF, with a weighted average net rate increase of 18.3%.

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 March 31,		
	2024	2023	% Change
Net operating income	**$55,020**	$50,815	8.3%
Other income	**540**	354	52.5%
Financing costs	**(19,423)**	(16,861)	15.2%
Depreciation	**(266)**	(136)	95.6%
Administration	**(5,294)**	(4,785)	10.6%
Fair value adjustment on unit-based compensation	**(54)**	153	(135.3)%
Fair value adjustment on Exchangeable Units	**(2,417)**	(3,547)	(31.9)%
Fair value adjustment on investment properties	**116,294**	66,759	74.2%
Loss on disposition	**(191)**	(350)	(45.4)%
Income before income taxes	**144,209**	92,402	56.1%
Deferred tax expense	**(16,969)**	(8,942)	89.8%
Net income and comprehensive income	**$127,240**	$83,460	52.5%

Net income and comprehensive income increased by $43.8 million for the three months ended March 31, 2024, as a result of $116.3 million of fair value gains on Killam's investment properties, compared to $66.8 million of fair value gains for the same period in 2023. This was coupled with a $4.2 million increase in net operating income driven by contributions from completed developments and same property NOI growth for the three months ended March 31, 2024. Additionally, there was an $8.0 million increase in deferred tax expense for the three months ended March 31, 2024, compared to the same period in 2023.

Financing Costs

	Three months ended March 31,		
	2024	2023	% Change
Mortgage, loan and construction loan interest	**$17,251**	$14,704	17.3%
Interest on credit facilities	**1,104**	1,509	(26.8)%
Interest on Exchangeable Units	**682**	682	—%
Amortization of deferred financing costs	**922**	887	3.9%
Amortization of fair value adjustments on assumed debt	**57**	50	14.0%
Unrealized loss on derivative liability	**—**	96	(100.0)%
Interest on lease liabilities	**160**	98	63.3%
Capitalized interest	**(753)**	(1,165)	(35.4)%
	$19,423	$16,861	15.2%

Total financing costs increased $2.6 million, or 15.2%, for the three months ended March 31, 2024, compared to Q1-2023. Mortgage, loan and construction loan interest expense was $17.3 million for the three months ended March 31, 2024, an increase of $2.5 million, or 17.3%, compared to the same period in 2023. Killam's mortgage, loan and construction loan liability balance increased by $20.1 million over the past 12 months as Killam upfinanced maturing mortgages within its existing portfolio, advanced its development projects with construction financing and obtained financing for acquisitions. These increases were partially offset by the repayment of mortgages associated with properties sold during the last year. The average interest rate on refinancings for the three months ended March 31, 2024, was 4.32%, 132 bps higher than the average interest rate on expiring debt.

Interest on credit facilities decreased $0.4 million, or 26.8%, for the three months ended March 31, 2024, compared to the same period in 2023. The decrease is due to a lower balance on the credit facility throughout Q1-2024 compared to Q1-2023. Interest expense related to credit facilities is expected to decrease further in 2024, as funds from dispositions are used to further reduce the balance on Killam's credit facilities.

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

Deferred financing costs include mortgage assumption and application fees, as well as legal costs related to financings and refinancings. These costs are amortized over the term of the respective mortgage, and CMHC insurance fees are amortized over the amortization period of the mortgage. This expense may fluctuate annually with refinancings.

Capitalized interest decreased 35.4% for the three months ended March 31, 2024, compared to the same period in 2023. The decrease is due to the completion of three late-stage development projects throughout 2023 that no longer have associated capitalized interest in Q1-2024. 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 March 31,		
	2024	2023	% Change
Administration	**$5,294**	$4,785	10.6%
As a percentage of total revenues	**6.0%**	5.6%	40 bps

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

For the three months ended March 31, 2024, total administration expenses increased $0.5 million, or 10.6%, compared to Q1-2023. This was due to higher compensation costs, increased professional and consulting fees, as well as higher training and information technology costs. Administration expenses as a percentage of total revenue were 6.0% for Q1-2024, a 40 bps increase over Q1-2023.

Fair Value Adjustments

	Three months ended March 31,		
	2024	2023	% Change
Investment properties	**$116,294**	$66,759	74.2%
Deferred unit-based compensation	**(54)**	153	(135.3)%
Exchangeable Units	**(2,417)**	(3,547)	(31.9)%
	$113,823	$63,365	79.6%

Killam recognized fair value gains of $116.3 million related to its investment properties for the three months ended March 31, 2024, compared to fair value gains of $66.8 million for the three months ended March 31, 2023. The fair value gains recognized in Q1-2024 relate to continued high demand for apartments in Canada, which has resulted in robust 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 months ended March 31, 2024, there was an unrealized fair value loss of $0.1 million, compared to a $0.2 million unrealized fair value gain for Q1-2023, 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 months ended March 31, 2024, there was an unrealized loss on remeasurement of $2.4 million, compared to an unrealized loss of $3.5 million for three months ended March 31, 2023. The unrealized loss in the quarter reflects an increase in Killam's unit price as at March 31, 2024, compared to December 31, 2023.

Deferred Tax Expense

	Three months ended March 31,		
	2024	2023	% Change
	$16,969	$8,942	89.8%

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

Killam's deferred tax expense increased by $8.0 million for the three months ended March 31, 2024, compared to the same period in 2023. This is due to fair value gains recorded on investment properties in the current period, compared to lower fair value gains recorded for the three months ended March 31, 2023.

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) Three months ended March 31,			Outstanding Number of Units (000s) as at March 31,
	2024	2023	% Change	**2024**
Trust Units	**118,497**	116,995	1.3%	**118,690**
Exchangeable Units	**3,898**	3,898	—%	**3,898**
Basic number of units	**122,395**	120,893	1.2%	**122,588**
Plus:				
Units under RTU Plan (1)	**215**	179	20.1%	—
Diluted number of units	**122,610**	121,072	1.3%	**122,588**

(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 months ended March 31, 2024 and 2023, are calculated as follows:

	Three months ended March 31,		
	2024	2023	% Change
Net income	**$127,240**	$83,460	52.5%
Fair value adjustments	**(113,823)**	(63,365)	79.6%
Non-controlling interest	**—**	(4)	(100.0)%
Internal commercial leasing costs	**90**	90	—%
Deferred tax expense	**16,969**	8,942	89.8%
Interest expense on Exchangeable Units	**682**	682	—%
Loss on disposition	**191**	350	(45.4)%
Unrealized loss on derivative liability	**—**	96	(100.0)%
Depreciation on owner-occupied building	**25**	26	(3.8)%
Change in principal related to lease liabilities	**6**	6	—%
FFO	**$31,380**	$30,283	3.6%
FFO per unit – diluted	**$0.26**	$0.25	4.0%
FFO payout ratio – diluted	**67%**	70%	(300) bps
Weighted average number of units – diluted (000s)	**122,610**	121,072	1.3%

Killam earned FFO of $31.4 million, or $0.26 per unit (diluted), for the three months ended March 31, 2024, compared to $30.3 million, or $0.25 per unit (diluted), for the three months ended March 31, 2023. FFO growth is primarily attributable to same property NOI growth ($5.6 million). This was partially offset by higher interest expense ($1.1 million), dispositions completed in 2023 ($1.6 million), a short-term reduction in FFO related to the timing of lease-up of recently completed developments ($1.2 million), administration costs ($0.6 million), and a 1.3% increase in the weighted average number of units outstanding.

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 2023, this included a maintenance capex reserve of $1,025 per apartment unit, $300 per MHC site and $1.00 per SF for commercial properties. Details regarding the maintenance capex calculations are included in Killam's MD&A for the year ended December 31, 2023. The same reserves as 2023 have been used in the calculations for 2024.

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 March 31,		
	2024	2023 (1)	% Change
FFO	**$31,380**	$30,283	3.6%
Maintenance capital expenditures	**(5,323)**	(5,491)	(3.1)%
Commercial straight-line rent adjustment	**(31)**	101	(130.7)%
Internal and external commercial leasing costs	**(64)**	(87)	(26.4)%
AFFO	**$25,962**	$24,806	4.7%
AFFO per unit – diluted	**$0.21**	$0.20	5.0%
AFFO payout ratio – diluted	**83%**	85%	(200) bps
AFFO payout ratio – rolling 12 months (2)	**72%**	74%	(200) bps
Weighted average number of units – diluted (000s)	**122,610**	121,072	1.3%

(1) The maintenance capital expenditures for the three months ended March 31, 2023, were updated to reflect the maintenance capex reserve of $1,025 per apartment unit, $300 per MHC site and $1.00 per SF for commercial properties that were used in the calculation for the 12 months ended December 31, 2023.

(2) Based on Killam's annual distribution of $0.69996 for both the 12-month period ended March 31, 2024, and the 12-month period ended March 31, 2023.

The payout ratio of 83% in Q1-2024, compared to the rolling 12-month payout ratio of 72%, corresponds with the seasonality of Killam's business. Killam's first quarter typically has the highest payout ratio due to the lower operating margin from higher heating costs in the winter months. In addition, the MHC portfolio typically generates its highest revenues and NOI during the second and third quarters of the year due to the contribution from its seasonal resorts that generate approximately 60% of their NOI between July and October each year.

The improvement in the AFFO payout ratio for the three months ended March 31, 2024, is attributable to higher AFFO per unit growth of 5.0% driven by earnings generated from strong same property results. Killam’s Board of Trustees evaluates the Trust’s payout ratio quarterly, but has not established an AFFO payout target.

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

Adjusted Cash Flow from Operations

ACFO is a non-IFRS financial measure and was introduced in REALPAC's February 2017 "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 this 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 months ended March 31, 2024 and 2023) to ACFO is as follows:

	Three months ended March 31,		
	2024	2023 (1)	% Change
Cash provided by operating activities	**$23,709**	$31,997	(25.9)%
Adjustments:			
Changes in non-cash working capital not indicative of sustainable cash flows	**8,422**	(1,134)	(842.7)%
Maintenance capital expenditures	**(5,323)**	(5,491)	(3.1)%
External commercial leasing costs	**(8)**	(31)	(74.2)%
Amortization of deferred financing costs	**(922)**	(887)	3.9%
Interest expense related to lease liability	**(68)**	(6)	1,033.3%
Non-controlling interest	**—**	(4)	(100.0)%
ACFO	**$25,810**	$24,444	5.6%
Distributions declared (2)	**21,694**	21,428	1.2%
Excess of ACFO over cash distributions	**$4,116**	$3,016	36.5%
ACFO payout ratio – diluted (3)	**84%**	88%	(400) bps

(1) The maintenance capital expenditures for the three months ended March 31, 2023, were updated to reflect the maintenance capex reserve of $1,025 per apartment unit, $300 per MHC site and $1.00 per SF for commercial properties that were used in the calculation for the 12 months ended December 31, 2023.
(2) Includes distributions on Trust Units, Exchangeable Units and restricted Trust Units, as summarized on page 36.
(3) Based on Killam's monthly distribution of $0.05833 per unit.

Killam's ACFO payout ratio is 84% for the three months ended March 31, 2024, lower than the payout ratio for the three months ended March 31, 2023. Similar to the AFFO payout ratio, Killam's first quarter typically has the highest ACFO payout ratio due to the lower operating margin in the period. This is attributable to higher heating costs in the winter and the fact that the MHC portfolio typically generates its highest revenues and NOI during the second and third quarters of the year.

Cash Provided by Operating Activities and Distributions Declared

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

	Three months ended March 31,	
	2024	2023
Net income	**$127,240**	$83,460
Cash provided by operating activities	**$23,709**	$31,997
Total distributions declared	**$21,694**	$21,428
Excess of net income over total distributions declared	**$105,546**	$62,032
Excess of net income over net distributions paid (1)	**$111,670**	$68,689
Excess of cash provided by operating activities over total distributions declared	**$2,015**	$10,569

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

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

PART VII

Liquidity and Capital Resources

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

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

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

(ii) Killam currently has capacity of approximately $147.0 million of capital under its credit facilities and cash on hand.

(iii) Mortgage refinancings and construction loans are expected to be sufficient to fund value-enhancing capex, principal repayments and developments. Killam has $294.8 million of mortgage debt scheduled for refinancing in the remainder of 2024, expected to lead to upfinancing opportunities of $50.0—$55.0 million.

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

(v) Killam has unencumbered assets of approximately $108.0 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 March 31, 2024, was 42.1%.

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 May 7, 2024, Killam was in compliance with said covenants.

The table below outlines Killam's key debt metrics:

As at	March 31, 2024	December 31, 2023	Change
Weighted average years to debt maturity	**3.7**	3.9	(0.2) years
Total debt as a percentage of total assets	**42.1%**	42.9%	(80) bps
Interest coverage	**3.06x**	3.10x	(1.3)%
Debt service coverage	**1.53x**	1.51x	1.3%
Debt to normalized EBITDA [(1)]	**10.16x**	10.29x	(1.3)%
Weighted average mortgage interest rate	**3.23%**	3.22%	1 bps
Weighted average interest rate of total debt	**3.38%**	3.34%	4 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	March 31, 2024	December 31, 2023
Mortgages and loans payable	**$2,100,563**	$2,104,443
Credit facilities	**$61,717**	$40,877
Construction loans	**$37,593**	$29,675
Total interest-bearing debt	**$2,199,873**	$2,174,995
Total assets [(1)]	**$5,224,519**	$5,073,248
Total debt as a percentage of total assets	**42.1%**	42.9%

(1) Excludes right-of-use asset of $12.6 million as at March 31, 2024 (December 31, 2023 — $11.9 million).

Total debt as a percentage of total assets was 42.1% as at March 31, 2024, down from 42.9% as at December 31, 2023. Management is focused on maintaining conservative debt levels. Total debt to total assets is sensitive to changes in the fair value of investment properties, in particular cap rate changes.

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

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

Cap Rate Sensitivity Increase (Decrease)	Fair Value of Investment Properties (1)	Total Assets	Total Debt as % of Total Assets	Change (bps)
(0.50)%	$5,789,491	$5,854,929	37.6%	(450)
(0.25)%	$5,471,221	$5,536,658	39.7%	(240)
—%	$5,159,081	$5,224,519	42.1%	—
0.25%	$4,931,367	$4,996,805	44.0%	190
0.50%	$4,700,437	$4,765,875	46.2%	410

(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 March 31, 2024, and December 31, 2023:

Twelve months ended,	**March 31, 2024**	December 31, 2023	% Change
Net income	**$310,116**	$266,333	16.4%
Deferred tax expense	**41,186**	33,158	24.2%
Financing costs	**71,960**	69,398	3.7%
Depreciation	**799**	669	19.4%
Loss on dispositions	**3,861**	4,021	(4.0)%
Fair value adjustment on unit-based compensation	**537**	330	62.7%
Fair value adjustment on Exchangeable Units	**5,691**	6,821	(16.6)%
Fair value adjustment on investment properties	**(223,715)**	(174,179)	28.4%
Adjusted EBITDA	**210,435**	206,551	1.9%
Normalizing adjustment (1)	**5,124**	3,480	47.2%
Normalized adjusted EBITDA	**215,559**	210,031	2.6%
Net debt	**$2,189,492**	$2,160,908	1.3%
Debt to normalized adjusted EBITDA	**10.16x**	10.29x	(1.3)%

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

Interest and Debt Service Coverage

Rolling 12 months ending,	**March 31, 2024**	December 31, 2023	% Change
NOI	**$228,249**	$224,043	1.9%
Other income	**1,996**	1,810	10.3%
Administration	**(19,810)**	(19,302)	2.6%
Adjusted EBITDA	**210,435**	206,551	1.9%
Interest expense (1)	**68,693**	66,597	3.1%
Interest coverage ratio	**3.06x**	3.10x	(1.3)%
Principal repayments	**69,058**	69,833	(1.1)%
Interest expense	**68,693**	66,597	3.1%
Debt service coverage ratio	**1.53x**	1.51x	1.3%

(1) Interest expense includes mortgage, loan and construction loan interest and interest on credit facilities, as presented in note 17 to the condensed consolidated interim financial statements.

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 March 31, 2024, was 3.23%, a 1 bps increase compared to the rate as at December 31, 2023.

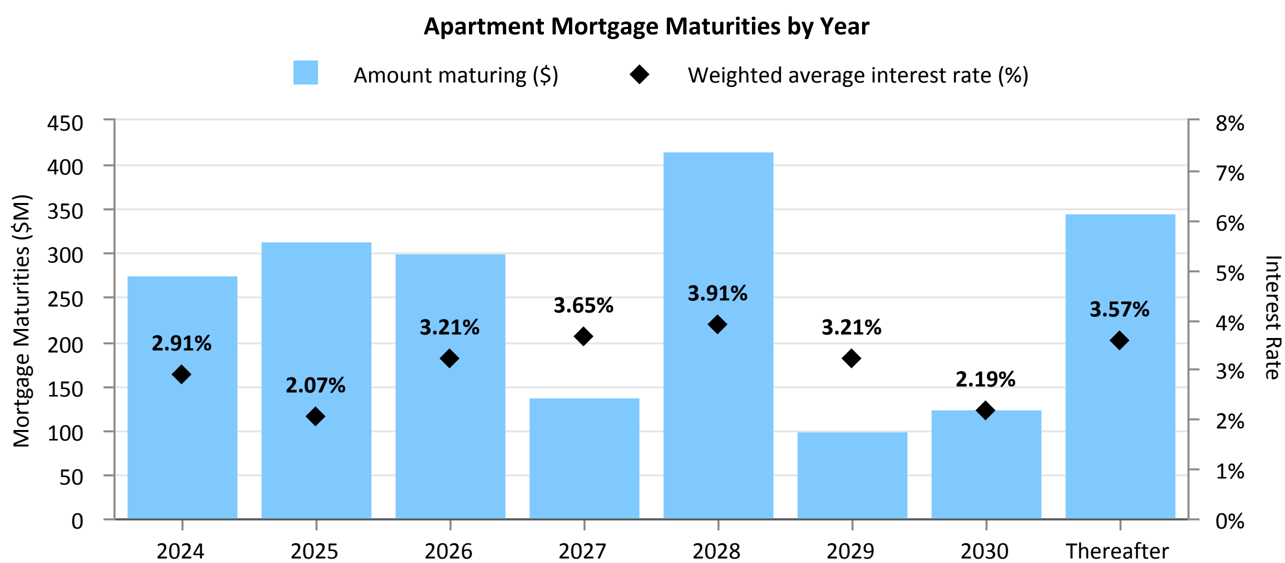
Refinancings

For the three months ended March 31, 2024, Killam refinanced the following mortgages:

	Mortgage Debt Maturities		Mortgage Debt on Refinancing		Weighted Average Term	Net Proceeds
Apartments	$12,009	3.00%	$17,364	4.32%	4.8 years	$5,355
	$12,009	**3.00%**	**$17,364**	**4.32%**	**4.8 years**	**$5,355**

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 March 31	Weighted Avg Int. Rate %	% CMHC Insured	Balance March 31	Weighted Avg Int. Rate %	Balance March 31	Weighted Avg Int. Rate %
2024	$276,229	2.91%	67.9%	$22,395	2.75%	$298,624	2.89%
2025	313,593	2.07%	49.5%	19,773	2.61%	333,366	2.10%
2026	300,213	3.21%	59.1%	7,165	2.69%	307,378	3.19%
2027	138,054	3.65%	76.7%	42,710	5.13%	180,764	4.00%
2028	415,028	3.91%	95.1%	35,346	5.51%	450,374	4.04%
Thereafter	571,245	3.21%	100.0%	3,853	3.31%	575,098	3.21%
	$2,014,362	**3.16%**	**79.0%**	**$131,242**	**4.26%**	**$2,145,604**	**3.23%**



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 March 31, 2024, approximately 79.0% of Killam's apartment mortgages were CMHC insured (74.2% of total mortgages, as MHC and commercial mortgages are not eligible for CMHC insurance) (December 31, 2023 — 78.7% and 74.3%). The weighted average interest rate on the CMHC-insured mortgages was 3.09% as at March 31, 2024 (December 31, 2023 — 3.07%).

The following tables present the NOI for properties that are available to Killam to refinance at debt maturity in the remainder of 2024 and 2025:

Remaining 2024 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	43	$30,824	$272,633
MHCs and commercial with debt maturing	5	5,617	22,150
	48	**$36,441**	**$294,783**

2025 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	48	$35,842	$295,962
MHCs and commercial with debt maturing	7	2,142	17,053
	55	**$37,984**	**$313,015**

Future Contractual Debt Obligations

As at March 31, 2024, the timing of Killam's future contractual debt obligations is as follows:

For the twelve months ending March 31,	**Mortgages and Loans Payable**	**Construction Loans (1)**	**Credit Facilities**	**Lease Liabilities**	**Total**
2025	$415,760	$37,593	$61,717	$638	$515,708
2026	372,427	—	—	661	373,088
2027	278,843	—	—	705	279,548
2028	272,405	—	—	745	273,150
2029	336,508	—	—	353	336,861
Thereafter	469,661	—	—	10,395	480,056
	$2,145,604	**$37,593**	**$61,717**	**$13,497**	**$2,258,411**

(1) Construction loans are demand loans, but are expected to be repaid once construction is complete and rental targets achieved. Once these targets are achieved, each construction loan is expected to be repaid in full and replaced with conventional financing.

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

Credit Facilities

Killam has access to two credit facilities with credit limits of $155.0 million ($175.0 million with the accordion feature) and $25.0 million (December 31, 2023 – $155.0 million ($175.0 million with the accordion feature) and $25.0 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 March 31, 2024. This facility matures December 16, 2024, and includes a one-year extension option.

The $25.0 million demand facility bears interest at prime plus 75 bps on advances and 135 bps on issuance of letters of credit, in addition to 50 bps per annum. The agreement includes certain covenants and undertakings with which Killam was in compliance as at March 31, 2024.

As at March 31, 2024	Maximum Loan Amount (1)	Amount Drawn	Letters of Credit	Amount Available
$155.0 million facility	$175,000	$46,000	$—	$129,000
$25.0 million facility	25,000	15,717	1,642	7,641
Total	**$200,000**	**$61,717**	**$1,642**	**$136,641**

As at December 31, 2023	Maximum Loan Amount (1)	Amount Drawn	Letters of Credit	Amount Available
$155.0 million facility	$175,000	$30,000	—	$145,000
$25.0 million facility	25,000	10,877	1,735	12,388
Total	$200,000	$40,877	$1,735	$157,388

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

Construction Loans

As at March 31, 2024, Killam had access to three variable rate and one fixed rate non-revolving demand construction loans totalling $92.7 million for the purpose of financing development and property expansion projects. As at March 31, 2024, $37.6 million was drawn on the construction loans (December 31, 2023 – $29.7 million). Payments are made monthly on an interest-only basis. The weighted average contractual interest rate on amounts outstanding for the three months ended March 31, 2024, was 5.78% (December 31, 2023 – 6.31%). Once construction is complete and rental targets achieved, the construction loans are expected to be repaid in full and replaced with conventional mortgages.

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

Investment Properties

As at

	March 31, 2024	December 31, 2023	% Change
Investment properties	**$5,045,535**	$4,921,892	2.5%
Investment properties under construction (IPUC)	**56,719**	44,621	27.1%
Land for development	**56,827**	61,293	(7.3)%
	$5,159,081	$5,027,806	2.6%

Continuity of Investment Properties

As at

	March 31, 2024	December 31, 2023	% Change
Balance, beginning of period	**$4,921,892**	$4,637,792	6.1%
Fair value adjustment – Apartments	**114,999**	191,624	(40.0)%
Fair value adjustment – MHCs	**1,881**	(14,779)	(112.7)%
Fair value adjustment – Commercial	**(586)**	(724)	(19.1)%
Acquisitions	**11,226**	66,539	(83.1)%
Dispositions	**—**	(168,670)	(100.0)%
Transfer from IPUC	**—**	113,660	(100.0)%
Capital expenditures and development costs (1)	**15,008**	95,397	(84.3)%
Transfer from inventory	**265**	1,053	(74.8)%
Transfer to assets held for sale	**(19,150)**	—	N/A
Balance, end of period	**$5,045,535**	$4,921,892	2.5%

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

Killam reviewed its valuation of investment properties in light of inflation and increased borrowing costs as at March 31, 2024, assessing the impact on cap rates, rental rate growth and occupancy assumptions. It is not possible to forecast with certainty the duration and full scope of the economic impact of higher inflation and interest rates and other consequential changes on Killam's business and operations, both in the short term and in the long term. The fair value gains on Killam's apartment portfolio recognized during the quarter are supported by robust NOI growth driven by strong apartment fundamentals.

The key valuation assumption in the determination of fair market value, using the direct capitalization method, is the cap rate. A summary of the high, low and weighted average cap rates used in the valuation models as at March 31, 2024 and 2023, and December 31, 2023, is as follows:

Capitalization Rates

	March 31, 2024			December 31, 2023			March 31, 2023		
	Low	High	Effective Weighted Average	Low	High	Effective Weighted Average	Low	High	Effective Weighted Average
Apartments	**4.00%**	**6.50%**	**4.62%**	4.00%	6.50%	4.62%	3.25%	6.60%	4.49%
MHCs	**5.50%**	**6.75%**	**6.04%**	5.50%	6.75%	6.04%	5.25%	6.50%	5.78%

Killam's weighted average cap rates for its apartment and MHC portfolios as at March 31, 2024, were 4.62% and 6.04%, consistent with those as at December 31, 2023.

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)%	489,068	545,827	602,587	659,346	716,105
	(0.25)%	177,163	230,739	284,316	337,893	391,470
	—%	(101,467)	(50,734)	—	50,734	101,467
	0.25%	(351,893)	(303,715)	(255,537)	(207,359)	(159,181)
	0.50%	(578,205)	(532,336)	(486,467)	(440,598)	(394,729)

(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)

2024 Acquisitions

Property	Location	Acquisition Date	Ownership Interest	Property Type	Units	Purchase Price [1]
5 & 35 Harlington Cres	Halifax, NS	31-Jan-24	100%	Apartment	50	**$11,000**
425 5 St SW [2]	Calgary, AB	20-Feb-24	100%	Land for development	N/A	**3,000**
Total Acquisitions					**50**	**$14,000**

(1) Purchase price does not include transaction costs.
(2) Killam owned a 40% interest in this property, and now owns 100% after purchasing the remaining interest.

5 & 35 Harlington Cres
On January 31, 2024, Killam completed the acquisition of two apartment buildings totalling 50 units in Halifax, NS, for $11.0 million. The buildings are located adjacent to existing Killam assets and allow for future redevelopment opportunities.

425 5 St SW
On February 20, 2024, Killam acquired the 60% remaining interest in land for development located adjacent to an existing Killam asset in Calgary, AB, for $3.0 million.

2024 Dispositions

Property	Location	Disposition Date	Ownership Interest	Property Type	Units	Sale Price	Net Cash Proceeds [1]
Plaza 54	Calgary, AB	20-Feb-24	40%	Land for development	N/A	**$2,400**	**$2,400**
Total Dispositions						**$2,400**	**$2,400**

(1) Net cash proceeds do not include transaction costs.

Plaza 54
On February 20, 2024, Killam completed the disposition of its 40% interest in Plaza 54, land for development located in Calgary, AB, for a sale price of $2.4 million.

Investment Properties Under Construction

As at

	March 31, 2024	December 31, 2023	% Change
Balance, beginning of period	**$44,621**	$135,196	(67.0)%
Fair value adjustment	**—**	3,751	(100.0)%
Capital expenditures	**4,617**	39,257	(88.2)%
Interest capitalized	**354**	2,731	(87.0)%
Transfer to investment properties [1]	**—**	(113,660)	(100.0)%
Transfer from (to) land for development	**7,127**	(22,654)	(131.5)%
Balance, end of period	**$56,719**	$44,621	27.1%

(1) The transfer from IPUC to investment properties includes the cost of completed developments and fair value gains taken on the developments.

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

Land for Development

As at

	March 31, 2024	December 31, 2023	% Change
Balance, beginning of period	**$61,293**	$39,813	54.0%
Fair value adjustment	**—**	(5,693)	(100.0)%
Acquisitions	**3,031**	—	N/A
Dispositions	**(2,365)**	—	N/A
Capital expenditures	**1,596**	2,953	(46.0)%
Interest capitalized	**399**	1,566	(74.5)%
Transfer (to) from IPUC	**(7,127)**	22,654	(131.5)%
Balance, end of period	**$56,827**	$61,293	(7.3)%

Killam's development projects currently underway include the following:

Property	Location	Ownership	Number of Units	Project Budget (millions)	Start Date	Completion Date	Anticipated All-Cash Yield
The Carrick	Waterloo, ON	100%	139	$83.5	Q2-2022	2025 (1)	4.00%–4.25% (2)
Eventide	Halifax, NS	100%	55	$33.6	Q1-2024	2026	4.50%–5.00%
Total			**194**	**$117.1**			

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

(2) Anticipated all-cash yield is inclusive of the affordability criteria per the CMHC loan.

The Carrick

The Carrick, the first phase of a multi-phase project located next to Killam's Westmount Place in Waterloo, ON, broke ground in Q2-2022. This 139-unit project is expected to be completed in the second half of 2025 and has a development budget of $83.5 million. The project is being financed through a loan from CMHC under the Apartment Construction Loan Program, with a below-market fixed interest rate for a period of 10 years.

Eventide

Eventide, an 8-storey, 55-unit building located in Halifax, NS, broke ground in Q1-2024. The project is expected to be completed in the second half of 2026 and has a development budget of $33.6 million.

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

Future Development Pipeline

Killam has a development pipeline, with almost 75% of the future projects located outside of Atlantic Canada. Killam targets yields 50 – 150 bps higher than the expected market cap rate on completion. Below is a listing of land currently available for future development:

Property	Location	Killam's Interest	Development Potential (# of Units) (1)	Status	Estimated Year of Completion
Developments expected to start in 2024–2026					
Wissler	Waterloo, ON	100%	128	Final stages of planning approvals	2026
Victoria Gardens Phase I	Halifax, NS	100%	90	Planning approvals	2026
Harlington Phase I	Halifax, NS	100%	140	Planning approvals	2027
Westmount Place Phase 2	Waterloo, ON	100%	239	Planning approvals	2027
Nolan Hill Phase 3 (2)	Calgary, AB	10%	296	In design	2028
Medical Arts	Halifax, NS	100%	198	Concept design	2028
Hollis Street	Halifax, NS	100%	130	Concept design	2028
Additional future development projects					
4th & 5th Street Calgary	Calgary, AB	100%	235	Future development	TBD
Nolan Hill Phase 4 (2)	Calgary, AB	10%	200	Future development	TBD
Christie Point	Victoria, BC	100%	312	Development agreement in place	TBD
Quiet Place	Waterloo, ON	100%	160	Future development	TBD
Gloucester City Centre (Phase 3–5)	Ottawa, ON	50%	600	Future development	TBD
Westmount Place (Phase 3–5)	Waterloo, ON	100%	800	Future development	TBD
Kanata Lakes	Ottawa, ON	50%	80	Future development	TBD
St. George Street	Moncton, NB	100%	60	Future development	TBD
Aurora	Halifax, NS	100%	65	Future development	TBD
Topsail Road	St. John's, NL	100%	225	Future development	TBD
Block 4	St. John's, NL	100%	80	Future development	TBD
Total Development Opportunities (3)			**4,038**		

(1) Represents total number of units in the potential development.
(2) Killam has a 10% interest in the remaining two phases of the Nolan Hill development in Calgary, AB, with the potential to purchase the remaining 90% interest upon completion of each phase.
(3) Killam has identified opportunities for additional density of over 4,000 units through redevelopment of existing properties in Halifax. Killam is exploring rezoning opportunities, including the incorporation of an affordability component in each of the potential future redevelopments.

In addition to the development opportunities above, Killam also expects positive impacts on the zoning for several of its properties in Halifax, including two larger sites – Harlington Crescent and Victoria Gardens. Harlington Crescent is a 16-acre site containing 298 units and Victoria Gardens is a 10-acre site containing 198 units, with infill opportunities at both locations. Both of these sites are well situated for more density and are along transit corridors.

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 months ended March 31, 2024, Killam invested $15.0 million in capital improvements, a decrease of 23.9% compared to Q1-2023. This decrease in capital investment reflects Killam's strategy of preserving capital in 2024, the timing of larger multi-phase capital projects, its investment in energy initiatives and a decreased investment in its unit repositioning program as a result of lower unit turnover. Killam expects to invest $80–$85 million in capital improvements during 2024.

	Three months ended March 31,		
	2024	2023	% Change
Apartments	**$13,722**	$18,247	(24.8)%
MHCs	**236**	620	(61.9)%
Commercial	**1,050**	851	23.4%
	$15,008	$19,718	(23.9)%

Apartments – Capital Investment

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

	Three months ended March 31,		
	2024	2023	% Change
Suite renovations and repositionings	**$4,531**	$8,014	(43.5)%
Building improvements	**5,711**	6,610	(13.6)%
Appliances	**1,274**	1,653	(22.9)%
Energy	**1,404**	1,199	17.1%
Common area	**802**	771	4.0%
Total capital invested	**$13,722**	$18,247	(24.8)%
Average number of units outstanding (1)	**18,196**	18,848	(3.5)%
Capital invested – $ per unit	**$754**	$968	(22.1)%

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

Killam invested $754 per unit for the three months ended March 31, 2024, compared to $968 per unit for the same period in 2023. The decrease relates to the timing of larger multi-phase capital projects focused on increasing the resiliency of Killam's buildings, the disposition of capital-intensive properties over the past 12 months, along with fewer repositionings in 2024 as a result of lower unit turnover. Killam's focus on the development and acquisition of newer properties translates into a lower maintenance capex per unit than many other apartment owners in Canada. Thirty-four percent of Killam's apartments, as a percentage of 2024 forecasted NOI, were built in the past 10 years, and the average age of Killam's portfolio is 28 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 $4.5 million in suite renovations during the three months ended March 31, 2024, a decrease of 43.5% over the total investment of $8.0 million for the three months ended March 31, 2023. Killam has continued to focus on renovations in order to maximize occupancy and rental growth. However, the reduction in spending quarter-over-quarter can be attributed to the decrease in unit turnover, coupled with the opportunity for market rent growth without the investment in full-suite repositioning.

Killam targets a minimum ROI of 10% for its unit renovations, earning rental growth of 10%–40%. 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. In Q1-2024, Killam repositioned 70 units, with an average investment of approximately $35,000 per suite. This generated an average ROI of approximately 20.4%, compared to the 107 units repositioned in the first three months of 2023, with an average investment of approximately $33,930 per suite, generating an average ROI of 14.7%.

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

Killam is targeting a minimum of 300 repositionings in 2024. Management estimates that the repositioning opportunity within its portfolio is over 4,000 units. This is expected to have the potential to generate an estimated $25.0 million in annualized revenue, representing an increase of over $300 million in net asset value.

Building Improvements
These investments include larger building improvement projects, such as exterior cladding and brick work, balcony refurbishments, and roof upgrades, as well as projects such as plumbing improvements, fire safety, security systems and window upgrades. The decrease in building investments for the three months ended March 31, 2024, compared to the same period in 2023, relates primarily to the timing of multi-phase building envelope projects and the disposition of capital-intensive properties over the past 12 months.

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 2024 include the installation of PV solar panels at select properties; the installation of EV chargers; new boilers and heat pumps; window replacements; insulation upgrades; and electricity and water conservation projects. Specifically, during Q1-2024, Killam invested $1.4 million in window replacements and building upgrades, the installation of PV solar panels, as well as the installation of new boilers and 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 March 31,		
	2024	2023	% Change
Water and sewer upgrades	**$—**	$357	(100.0)%
Site expansion and land improvements	**96**	71	35.2%
Other	**78**	182	(57.1)%
Roads and paving	**18**	8	125.0%
Equipment	**44**	2	2,100.0%
Total capital invested – MHCs	**$236**	$620	(61.9)%
Average number of sites	**5,975**	5,975	—%
Capital invested – $ per site	**$39**	$104	(62.5)%

Management expects to invest between $850 and $1,100 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 various 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 months ended March 31, 2024, was $0.2 million, compared to $0.6 million in Q1-2023, a decrease of 61.9%. This capital investment relates to various community enhancements, primarily building and land improvements and equipment upgrades. As with the apartment portfolio, the timing of MHC capital investment changes based on the requirements at each community.

Commercial — Capital Investment
During the three months ended March 31, 2024, Killam invested $1.1 million in its commercial portfolio, compared to $0.9 million for the three months ended March 31, 2023. These investments relate to property upgrades and tenant improvements for new leasing opportunities at Killam's three stand-alone commercial properties: The Brewery, Westmount Place and Royalty Crossing. The significant capital investment at Royalty Crossing has led to the addition of 27,570 SF of new gross leasable area to the property, and on-going work will add another approximately 15,000 SF of leasable area that should be completed before the end of 2024. The timing of the capital investment will vary based on tenant turnover.

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

Unitholders' Equity

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

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

Unitholders have the right to redeem their units at the lesser of (i) 90% of the market price of the Trust Unit (market price is defined as the weighted average trading price of the previous 10 trading days), and (ii) the most recent closing market price (closing market price is defined as the weighted average trading price on the specified date) at the time of the redemption. The redemption price will be satisfied by cash, up to a limit of $50 thousand for all redemptions in a calendar month, or a note payable. For the three months ended March 31, 2024, no unitholders redeemed Trust Units.

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

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

Distribution Reinvestment Plan and Net Distributions Paid

	Three months ended March 31,		
	2024	2023	% Change
Distributions declared on Trust Units	**$20,923**	$20,677	1.2%
Distributions declared on Exchangeable Units	**682**	682	—%
Distributions declared on awards outstanding under RTU Plan	**89**	69	29.0%
Total distributions declared	**$21,694**	$21,428	1.2%
Less:			
Distributions on Trust Units reinvested	**(6,035)**	(6,588)	(8.4)%
Distributions on RTUs reinvested	**(89)**	(69)	29.0%
Net distributions paid	**$15,570**	$14,771	5.4%
Percentage of distributions reinvested	**28.2%**	31.1%	

Normal Course Issuer Bid

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

PART VIII

Summary of Selected Consolidated Quarterly Results

	Q1-2024	Q4-2023	Q3-2023(1)	Q2-2023(1)	Q1-2023(1)	Q4-2022	Q3-2022	Q2-2022
Property revenue	**$87,505**	$86,858	$89,534	$86,863	$84,895	$84,534	$85,301	$81,548
NOI	**$55,020**	$56,488	$60,515	$56,226	$50,815	$53,169	$56,792	$51,685
Net income (loss)	**$127,240**	($11)	$68,349	$114,538	$83,460	($9,810)	$3,600	$68,716
FFO	**$31,380**	$34,034	$39,234	$36,207	$30,283	$32,719	$37,144	$34,078
FFO per unit – diluted	**$0.26**	$0.28	$0.32	$0.30	$0.25	$0.27	$0.31	$0.28
AFFO	**$25,962**	$28,583	$33,696	$30,626	$24,806	$27,417	$32,188	$29,002
AFFO per unit – diluted	**$0.21**	$0.23	$0.28	$0.25	$0.20	$0.23	$0.27	$0.24
Weighted average units – diluted (000s)	**122,610**	122,217	121,848	121,472	121,072	120,676	120,292	119,938

(1) The maintenance capital expenditures used to calculate AFFO and AFFO per unit (diluted) for Q1-2023, Q2-2023 and Q3-2023 were updated to reflect the maintenance capex reserve of $1,025 per apartment unit, $300 per MHC site and $1.00 per SF for commercial properties that were used in the calculation for the 12 months ended December 31, 2023.

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 2023 Annual Report and in Killam's AIF, both filed on SEDAR+ at www.sedarplus.ca. These factors continue to exist and remain relatively unchanged.

Critical Accounting Policies and Significant Accounting Judgments, Estimates and Assumptions

The condensed consolidated interim financial statements should be read in conjunction with Killam's most recently issued Annual Report, which includes information necessary or useful to understanding Killam's business and financial statement presentation. In particular, Killam's significant accounting policies were presented in note 2 to the audited consolidated financial statements for the year ended December 31, 2023, and any changes in the accounting policies applied have been described in note 2 to the condensed consolidated interim financial statements for the three months ended March 31, 2024.

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 2023 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 March 31, 2024, have been prepared considering the current inflationary economic environment, the impact of rising interest rates and the potential for government intervention, and how increased uncertainty could impact the valuation of investment properties. Killam has used the best information available as at March 31, 2024, in determining its estimates and the assumptions that affect the carrying amounts of assets and liabilities, and earnings for the period. Actual results could differ from those estimates. Killam considers the estimates that could be most significantly impacted to include those underlying the valuation of investment properties and the estimated credit losses on accounts receivable.

Disclosure Controls, Procedures and Internal Controls

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

Subsequent Events

On April 15, 2024, Killam announced a distribution of $0.05833 per unit, payable on May 15, 2024, to unitholders of record on April 30, 2024.

Conditions have been waived on the sale of Woolwich, an 84-unit apartment building located in Guelph, ON, for a sale price of $19.2 million and net cash proceeds of $16.7 million, which is expected to close in the first half of May 2024.