Condensed Consolidated Interim Financial Statements [unaudited]
For the three and nine months ended September 30, 2024 and 2023

Condensed Consolidated Interim Statements of Financial Position

In thousands of Canadian dollars,
[unaudited]

	Note	September 30, 2024	December 31, 2023[(1)]
ASSETS			
Non-current assets			
Investment properties	[4]	**$5,346,148**	$5,027,806
Property and equipment		**9,452**	9,854
Other non-current assets	[7]	**12,078**	6,475
		$5,367,678	$5,044,135
Current assets			
Cash and cash equivalents		**$11,598**	$14,087
Rent and other receivables		**7,248**	7,544
Residential inventory		**3,985**	4,671
Other current assets	[7]	**16,563**	14,677
		39,394	40,979
Assets held for sale	[5]	**8,200**	—
TOTAL ASSETS		**$5,415,272**	$5,085,114
EQUITY AND LIABILITIES			
Unitholders' equity	[13]	**$2,742,218**	$2,482,600
Total Equity		**$2,742,218**	$2,482,600
Non-current liabilities			
Mortgages and loans payable	[8]	**$1,811,247**	$1,735,020
Lease liabilities		**11,674**	11,889
Deferred income tax	[18]	**319,905**	278,975
Deferred unit-based compensation	[15]	**6,500**	5,728
		$2,149,326	$2,031,612
Current liabilities			
Mortgages and loans payable	[8]	**344,445**	369,423
Credit facilities	[9]	**42,768**	40,877
Construction loans	[10]	**2,694**	29,675
Accounts payable and accrued liabilities	[11]	**52,587**	60,919
Exchangeable Units	[12]	**81,234**	70,008
		523,728	570,902
Total Liabilities		**$2,673,054**	$2,602,514
TOTAL EQUITY AND LIABILITIES		**$5,415,272**	$5,085,114
Commitments and contingencies	[24]		
Financial guarantees	[25]		

(1) The condensed consolidated interim statement of financial position as at December 31, 2023, has been restated as a result of amendments to IAS 1, *Presentation of Financial Statements*, as disclosed in note 2.

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Approved on behalf of the Board of Trustees

(signed) "Karine L. MacIndoe "	(signed) "Philip D. Fraser "
Trustee	Trustee

Condensed Consolidated Interim Statements of Income and Comprehensive Income

In thousands of Canadian dollars, [unaudited]

		Three months ended September 30,		Nine months ended September 30,	
	Note	**2024**	2023	**2024**	2023
Property revenue	[16]	**$93,788**	$89,534	**$272,069**	$261,292
Property operating expenses					
Operating expenses		**(13,426)**	(13,093)	**(40,187)**	(39,841)
Utility and fuel expenses		**(5,564)**	(5,893)	**(21,838)**	(24,216)
Property taxes		**(10,382)**	(10,033)	**(30,683)**	(29,680)
		(29,372)	(29,019)	**(92,708)**	(93,737)
Net operating income		**$64,416**	$60,515	**$179,361**	$167,555
Other income		**795**	612	**1,800**	1,400
Financing costs	[17]	**(20,326)**	(17,771)	**(59,169)**	(50,906)
Depreciation		**(260)**	(151)	**(807)**	(420)
Administration		**(4,929)**	(4,771)	**(14,994)**	(14,374)
Fair value adjustment on unit-based compensation	[15]	**(841)**	(74)	**(489)**	(214)
Fair value adjustment on Exchangeable Units	[12]	**(14,812)**	936	**(11,226)**	(4,717)
Fair value adjustment on investment properties	[4]	**51,280**	38,530	**253,111**	201,535
Loss on disposition		**(1,319)**	(301)	**(2,232)**	(1,380)
Income before income taxes		**74,004**	77,525	**345,355**	298,479
Deferred tax expense	[18]	**(11,272)**	(9,176)	**(40,930)**	(32,134)
Net income and comprehensive income		**$62,732**	$68,349	**$304,425**	$266,345
Comprehensive income		**$62,732**	$68,349	**$304,425**	$266,345
Net income attributable to:					
Unitholders		**62,732**	68,346	**304,425**	266,335
Non-controlling interest		**—**	3	**—**	10
		$62,732	$68,349	**$304,425**	$266,345
Comprehensive income attributable to:					
Unitholders		**62,732**	68,346	**304,425**	266,335
Non-controlling interest		**—**	3	**—**	10
		$62,732	$68,349	**$304,425**	$266,345

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Equity

In thousands of Canadian dollars,
[unaudited]

Nine months ended September 30, 2024	**Trust Units**	**Contributed Surplus**	**Retained Earnings**	**Total Equity**
As at January 1, 2024	**$1,377,413**	**$732**	**$1,104,455**	**$2,482,600**
Distribution reinvestment plan	**17,846**	**—**	**—**	**17,846**
Deferred Unit-based compensation	**683**	**—**	**—**	**683**
Repurchased through normal course issuer bid	**(276)**	**(124)**	**—**	**(400)**
Net income	**—**	**—**	**304,425**	**304,425**
Distributions declared and paid	**—**	**—**	**(55,918)**	**(55,918)**
Distributions payable	**—**	**—**	**(7,018)**	**(7,018)**
As at September 30, 2024	**$1,395,666**	**$608**	**$1,345,944**	**$2,742,218**

Nine months ended September 30, 2023	Trust Units	Contributed Surplus	Retained Earnings	Non-controlling Interest	Total Equity
As at January 1, 2023	$1,351,307	$795	$921,067	$162	$2,273,331
Distribution reinvestment plan	19,297	—	—	—	19,297
Deferred Unit-based compensation	570	—	—	—	570
Repurchased through normal course issuer bid	(137)	(63)	—	—	(200)
Net income	—	—	266,335	10	266,345
Distributions on non-controlling interest	—	—	—	(20)	(20)
Acquisition of non-controlling interest	—	—	152	(152)	—
Distributions declared and paid	—	—	(55,283)	—	(55,283)
Distributions payable	—	—	(6,941)	—	(6,941)
As at September 30, 2023	$1,371,037	$732	$1,125,330	$—	$2,497,099

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

In thousands of Canadian dollars,
[unaudited]

	Note	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
OPERATING ACTIVITIES					
Net income		**$62,732**	$68,349	**$304,425**	$266,345
Add (deduct) items not affecting cash					
Fair value adjustments		**(35,627)**	(39,392)	**(241,396)**	(196,604)
Depreciation		**260**	132	**807**	401
Amortization of deferred financing		**952**	951	**2,813**	2,734
Non-cash compensation expense		**714**	645	**2,360**	2,035
Deferred income tax expense		**11,272**	9,176	**40,930**	32,134
Amortization of fair value adjustments on assumed mortgages		**57**	57	**170**	166
Interest expense on lease liability		**131**	124	**404**	195
Loss on derivative financial instruments		**—**	—	**—**	68
Loss on disposition		**1,319**	301	**2,232**	1,380
Straight-line rent		**(1)**	31	**(81)**	102
Net change in non-cash operating activities	[20]	**(2,553)**	(7,219)	**(13,310)**	(16,736)
Cash provided by operating activities		**$39,256**	$33,155	**$99,354**	$92,344
FINANCING ACTIVITIES					
Deferred financing costs paid		**(1,943)**	(1,274)	**(5,759)**	(7,324)
Trust Units repurchased through normal course issuer bid		**—**	—	**(276)**	(137)
Cash paid on redemption of restricted Units		**—**	(119)	**(1,401)**	(1,030)
Cash paid on lease liabilities		**(271)**	(154)	**(957)**	(318)
Mortgage financing		**140,083**	89,141	**254,238**	271,514
Mortgages repaid		**(96,803)**	(21,664)	**(170,440)**	(99,041)
Mortgage principal repayments		**(16,929)**	(17,316)	**(50,651)**	(52,580)
Credit facility (repayments) proceeds		**(4,567)**	(12,961)	**1,891**	(68,314)
Proceeds from construction loans		**11,585**	7,385	**23,946**	24,121
Construction loan repayments		**(24,280)**	(36,201)	**(24,280)**	(66,297)
Distributions paid to non-controlling interest		**—**	3	**—**	10
Distributions to Unitholders		**(15,254)**	(14,406)	**(45,023)**	(42,730)
Cash provided by (used in) financing activities		**($8,379)**	($7,566)	**($18,712)**	($42,126)
INVESTING ACTIVITIES					
Change in restricted cash		**(670)**	(698)	**52**	(160)
Acquisition of investment properties, net of debt assumed		**—**	(4,344)	**(17,007)**	(4,344)
Proceeds on disposition of investment properties and assets held for sale, net of transaction costs		**11,115**	14,937	**29,517**	61,398
Proceeds on disposition of property and equipment		**51**	—	**216**	—
Advance on loan receivable		**—**	(1,000)	**(1,224)**	(1,000)
Repayment on loan receivable		**—**	—	**100**	125
Development of investment properties		**(14,515)**	(10,458)	**(31,282)**	(42,021)
Capital expenditures		**(25,462)**	(23,270)	**(63,503)**	(62,694)
Cash used in investing activities		**($29,481)**	($24,833)	**($83,131)**	($48,696)
Net (decrease) increase in cash		**1,396**	756	**(2,489)**	1,522
Cash and Cash Equivalents, beginning of period		**10,202**	9,916	**14,087**	9,150
Cash and Cash Equivalents, end of period		**$11,598**	$10,672	**$11,598**	$10,672

See accompanying notes to the unaudited condensed consolidated interim financial statements.

1. Organization of the Trust

Killam Apartment Real Estate Investment Trust ("Killam," or the "Trust") is an unincorporated open-ended mutual fund trust created pursuant to the amended and restated Declaration of Trust (DOT), dated November 27, 2015, under the laws of the Province of Ontario. Killam specializes in the acquisition, management and development of multi-residential apartment buildings, manufactured home communities (MHCs) and commercial properties in Canada.

The condensed consolidated interim financial statements comprise the financial statements of Killam and its subsidiaries as at and for the three and nine months ended September 30, 2024. Killam's head office operations are located at 3700 Kempt Road, Halifax, Nova Scotia, B3K 4X8.

2. Material Accounting Policies

(A) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB). Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB have been omitted or condensed.

The condensed consolidated interim financial statements of the Trust for the period ended September 30, 2024 were authorized for issue in accordance with a resolution of the Board of Trustees of Killam on November 6, 2024.

(B) Basis of Presentation

The condensed consolidated interim financial statements of Killam have been prepared on a historical cost basis, except for investment properties, deferred unit-based compensation and Exchangeable Units, which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The condensed consolidated interim financial statements have been prepared on a going concern basis and are presented in Canadian dollars, which is Killam’s functional currency, and all values are rounded to the nearest thousand ($000), except per unit amounts or as noted. The operating results for the three and nine months ended September 30, 2024, are not necessarily indicative of results that may be expected for the full year ending December 31, 2024, due to seasonal variations in property expenses and other factors.

The condensed consolidated interim financial statements should be read in conjunction with the most recently issued consolidated financial statements, which includes information necessary or useful to understanding the Trust's business and financial statement presentation. In particular, Killam’s material accounting policies were presented in note 2 to the consolidated financial statements for the year ended December 31, 2023, and have been consistently applied in the preparation of these condensed consolidated interim financial statements, except for the adoption of new standards effective as at January 1, 2024, as detailed below:

Amendments to IAS 1, Presentation of Financial Statements, Amendments to Classification of Liabilities as Current or Non-Current

In January 2020 and October 2022, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non-current. The amendments clarify the definition of a right to defer settlement, clarify what is meant by settlement, and specify that the conditions that exist at the end of the reporting period are those that will be used to determine if a right to defer settlement of a liability exists. Killam adopted the amendments as at January 1, 2024. As a result, Exchangeable Units have been reclassified from non-current to current on Killam's interim statements of financial position as at September 30, 2024, and December 31, 2023.

Judgements and Estimates

The condensed consolidated interim financial statements have been prepared considering the impact of current economic environment including interest rates and potential for government intervention and how increased uncertainty could impact the valuation of investment properties. Killam has used the best information available as at September 30, 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.

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

3. Future Accounting Policy Changes

The following new or amended accounting standards under IFRS have been issued or revised by the IASB; however, they are not yet effective and as such have not been applied to the condensed consolidated interim financial statements.

Presentation and Disclosure in Financial Statements (IFRS 18)
In April 2024, the IASB issued IFRS 18. The objective of the new standard is to improve comparability and transparency of communication in financial statements. This standard introduces new requirements on presentation and disclosure within the statement of profit or loss, and also requires disclosure of management-identified performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. The standard is effective for Killam's annual periods beginning after January 1, 2027, with early adoption permitted. To assess the impact of this new standard, Killam has formed an internal working group and continues to progress on its in-depth assessment of IFRS 18 and the impact on its consolidated financial statements. Killam intends to adopt the new standard on the required effective date with restatement of the prior period comparatives.

4. Investment Properties

As at September 30, 2024

	Apartments	**MHCs**	**Commercial**	**IPUC**	**Land for Development**	**Total**
Balance, beginning of period	**$4,538,075**	**$215,396**	**$168,421**	**$44,621**	**$61,293**	**$5,027,806**
Fair value adjustment on investment properties	**247,383**	**1,835**	**(2,352)**	**—**	**6,245**	**253,111**
Acquisitions	**11,226**	**—**	**—**	**—**	**5,887**	**17,113**
Dispositions	**(37,607)**	**—**	**—**	**—**	**(2,365)**	**(39,972)**
Transfer from land for development to IPUC	**—**	**—**	**—**	**4,318**	**(4,318)**	**—**
Capital expenditures	**51,157**	**5,538**	**5,602**	**26,904**	**4,368**	**93,569**
Transfer from inventory	**265**	**—**	**—**	**—**	**—**	**265**
Transfer from investment properties to land for development	**(860)**	**—**	**—**	**—**	**860**	**—**
Transfer to assets held for sale	**(8,200)**	**—**	**—**	**—**	**—**	**(8,200)**
Interest capitalized on IPUC and land for development	**—**	**—**	**—**	**1,129**	**1,327**	**2,456**
Balance, end of period	**$4,801,439**	**$222,769**	**$171,671**	**$76,972**	**$73,297**	**$5,346,148**

As at December 31, 2023

	Apartments	MHCs	Commercial	IPUC	Land for Development	Total
Balance, beginning of year	$4,250,263	$223,619	$163,910	$135,196	$39,813	$4,812,801
Fair value adjustment on investment properties	191,624	(14,779)	(724)	3,751	(5,693)	174,179
Acquisitions	66,539	—	—	—	—	66,539
Dispositions	(168,670)	—	—	—	—	(168,670)
Transfer from IPUC	113,660	—	—	(136,314)	22,654	—
Capital expenditures	83,606	6,556	5,235	39,257	2,953	137,607
Transfer from inventory	1,053	—	—	—	—	1,053
Interest capitalized on IPUC and land for development	—	—	—	2,731	1,566	4,297
Balance, end of year	$4,538,075	$215,396	$168,421	$44,621	$61,293	$5,027,806

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

4. Investment Properties (continued)

During the nine months ended September 30, 2024, Killam acquired the following properties:

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**
105 Elmira Rd North (3)	Guelph, ON	17-Jun-24	70%	Land for development	N/A	**2,800**
Total Acquisitions					**50**	**$16,800**

(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.
(3) Killam issued a $1.2 million promissory note to the co-owner of this property as part of this transaction.

During the nine months ended September 30, 2024, Killam completed the following 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**
Woolwich (2)	Guelph, ON	09-May-24	100%	Apartment	84	**19,150**	**16,650**
Bridlewood	Charlottetown, PEI	11-Jul-24	100%	Apartment	66	**8,430**	**2,660**
5231 Kent St (3)	Halifax, NS	09-Sep-24	100%	Apartment	27	**5,250**	**4,750**
Belvedere	Charlottetown, PEI	27-Sep-24	100%	Apartment	51	**4,250**	**4,250**
Total Dispositions					**228**	**$39,480**	**$30,710**

(1) Net cash proceeds do not include transaction costs.
(2) Excluded from net cash proceeds is a $2.5 million vendor take-back mortgage. Full repayment is due within 36 months of the initial advance in May 2024.
(3) Excluded from net cash proceeds is a $0.5 million vendor take-back mortgage. Full repayment is due within 36 months of the initial advance in September 2024.

During the three and nine months ended September 30, 2024, Killam capitalized salaries of $1.9 million and $5.8 million (three and nine months ended September 30, 2023 – $1.7 million and $5.2 million), as part of its project improvement, suite renovation and development programs. For the three and nine months ended September 30, 2024, interest costs associated with the general corporate borrowings used to fund development were capitalized to the respective development projects using Killam's weighted average borrowing rate of 3.47% (September 30, 2023 – 3.19%). Interest costs associated with development specific loans were capitalized to the respective developments using the actual borrowing rate associated with the loan.

Investment properties with a fair value of $5.1 billion as at September 30, 2024 (December 31, 2023 – $4.8 billion), have been pledged as collateral against Killam's mortgages, construction loans and credit facilities.

Valuation Basis
Using the direct income capitalization method, the apartment properties were valued using cap rates in the range of 4.00% to 6.50%, applied to a stabilized net operating income (SNOI) of $221.8 million (December 31, 2023 – 4.00% to 6.50% and $209.2 million), resulting in an overall weighted average effective cap rate of 4.61% (December 31, 2023 – 4.62%). The stabilized occupancy rates used in the calculation of SNOI were in the range of 96.0% to 99.0% (December 31, 2023 – 97.0% to 99.0%). Using the direct income capitalization method, the MHC properties were valued using cap rates in the range of 5.50% to 6.75%, applied to a SNOI of $13.1 million (December 31, 2023 – 5.50% to 6.75% and $12.7 million), resulting in an overall weighted average effective cap rate of 6.03% (December 31, 2023 – 6.04%). The stabilized occupancy rate used in the calculation of SNOI was 98.3% (December 31, 2023 – 98.3%). The commercial properties were valued using the discounted cash flow (DCF) method. Fair value is estimated using assumptions regarding benefits and liabilities of ownership over the asset's life, including a terminal value. This method involves the projection of stabilized cash flows on each individual property, with market derived discount rates and terminal capitalization rates applied to the stabilized cash flow to establish the present value of the income stream associated with the asset. Using a discounted cash flow model, the stabilized commercial properties were valued using key inputs determined by management based on review of asset performance and comparable assets in relevant markets. The weighted average discount rate applied in the period was 7.66% (December 31, 2023 – 7.69%).

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

4. Investment Properties (continued)

Investment property valuations are most sensitive to changes in the cap rate. The cap rate assumptions for the investment properties are included in the following table by segment:

	September 30, 2024			December 31, 2023		
	Low	**High**	**Effective Weighted Average**	Low	High	Effective Weighted Average
Apartments	**4.00%**	**6.50%**	**4.61%**	4.00%	6.50%	4.62%
MHCs	**5.50%**	**6.75%**	**6.03%**	5.50%	6.75%	6.04%

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)%**	$504,501	$562,954	$621,407	$679,860	$738,313
	(0.25)%	182,831	238,001	293,172	348,343	403,513
	—%	(104,478)	(52,239)	—	52,239	104,478
	0.25%	(362,668)	(313,064)	(263,460)	(213,855)	(164,251)
	0.50%	(595,967)	(548,743)	(501,519)	(454,295)	(407,072)

(1) Includes Killam's apartment and MHC portfolios, which are valued using the direct income capitalization method, and commercial assets valued using the discounted cash flow approach. The sensitivity for commercial assets is calculated using an implied capitalization rate based on the stabilized NOI of the properties.

5. Assets Held for Sale

As at September 30, 2024, Killam determined that one investment property met the criteria for classification as an asset held for sale totalling $8.2 million, as Management had committed to sell the property. The property was then sold in the fourth quarter and disclosed as a subsequent event.

6. Joint Operations and Investments in Joint Venture

Killam has interests in properties and land for future development that are subject to joint control and are joint operations. Accordingly, the condensed consolidated interim statements of financial position and condensed consolidated interim statements of income and comprehensive income include Killam's rights to and obligations for the related assets, liabilities, revenue and expenses. As at September 30, 2024, the fair value of the investment properties subject to joint control was $392.9 million (December 31, 2023 – $375.0 million).

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

7. Cash and Cash Equivalents and Other Current and Non-Current Assets

Cash and Cash Equivalents

As at September 30, 2024, Killam had $11.6 million (December 31, 2023 – $14.1 million) in cash and cash equivalents, consisting of $4.3 million in operating cash and $7.3 million in security deposits (December 31, 2023 – $7.4 million and $6.7 million).

Other Current Assets

As at	September 30, 2024	December 31, 2023
Restricted cash	**$1,190**	$1,242
Deposits	**1,135**	1,672
Prepaid expenses	**14,238**	7,638
Loan receivable	**—**	4,125
	$16,563	$14,677

Restricted cash consists of property tax reserves. Deposits may include funds held in trust for future acquisitions. Prepaid expenses consists primarily of prepaid property taxes and insurance.

Other Non-Current Assets

As at September 30, 2024, other non-current assets included a loan receivable of $4.0 million (December 31, 2023 – $4.1 million classified as other current assets) from the 25% joint owner of Royalty Crossing. The loan receivable bears interest at 6.5% to be paid monthly and full repayment of the loan is due in June 2026. Additionally, other non-current assets included five loans receivable totalling $8.1 million (December 31, 2023 – $6.5 million) related to property acquisitions and dispositions in 2023 and 2024. The loans receivable bear interest at 3.0%–7.0% and full repayment of the loans are due within 36–60 months from the initial advances.

8. Mortgages and Loans Payable

As at	September 30, 2024		December 31, 2023	
	Weighted Average Interest	Debt Balance	Weighted Average Interest	Debt Balance
Mortgages and loans payable				
Fixed rate	**3.45%**	**$2,155,692**	3.22%	$2,104,443
Total		**$2,155,692**		$2,104,443
Current		**344,445**		369,423
Non-current		**1,811,247**		1,735,020
		$2,155,692		$2,104,443

Mortgages have a first or second charge on the properties of Killam. As at September 30, 2024, unamortized deferred financing costs of $46.4 million (December 31, 2023 – $43.4 million) and mark-to-market adjustments on mortgages assumed on acquisitions of $0.8 million (December 31, 2023 – $1.0 million) are netted against mortgages and loans payable.

Estimated future principal payments and maturities required to meet mortgage obligations by the 12 month period ending September 30, are as follows:

	Principal Amount	% of Total Principal
2025	$344,445	15.6%
2026	363,309	16.5%
2027	242,442	11.1%
2028	361,529	16.4%
2029	348,772	15.8%
Subsequent to 2029	542,409	24.6%
	$2,202,906	100.0%
Unamortized deferred financing costs	(46,390)	
Unamortized mark-to-market adjustments	(824)	
	$2,155,692	

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

9. 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 bore interest at prime plus 55 bps on prime rate advances until June 28, 2024, when the administrator of the Canadian Dollar Offered Rate (CDOR) ceased publication of CDOR. Effective June 28, 2024, the facility bears interest at 155 bps over the Canadian Overnight Repo Rate Average (CORRA). The facility includes a $30.0 million demand revolver and a $125.0 million committed revolver, as well as an accordion option to increase the $155.0 million facility by an additional $20.0 million. The agreement includes certain covenants and undertakings with which Killam was in compliance as at September 30, 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 September 30, 2024.

As at September 30, 2024	**Maximum Loan Amount (1)**	**Amount Drawn**	**Letters of Credit**	**Amount Available**
$155.0 million facility	**$175,000**	**$35,000**	**$—**	**$140,000**
$25.0 million facility	**25,000**	**7,768**	**1,410**	**15,822**
Total	**$200,000**	**$42,768**	**$1,410**	**$155,822**

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.

10. Construction Loans

As at September 30, 2024, Killam had one variable rate non-revolving demand construction loan with $2.7 million drawn (December 31, 2023 – $24.7 million) included in construction loans, and one fixed rate construction loan with $26.6 million drawn (December 31, 2023 – $4.9 million) included in non-current mortgages and loans payable for the purpose of financing development and property expansion projects. Payments are made monthly on an interest-only basis. The weighted average contractual interest rate on amounts outstanding for the three months ended September 30, 2024, was 3.38% (December 31, 2023 – 6.31%).

11. Accounts Payable and Accrued Liabilities

As at	**September 30, 2024**	December 31, 2023
Accounts payable and other accrued liabilities	**$25,545**	$35,308
Distributions payable	**7,245**	7,187
Mortgage interest payable	**5,744**	5,362
Security deposits	**14,053**	13,062
	$52,587	$60,919

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

12. Exchangeable Units

	Number of Exchangeable Units	Value
Balance, December 31, 2023	3,898,020	70,008
Fair value adjustment	—	11,226
Balance, September 30, 2024	**3,898,020**	**$81,234**

The Exchangeable Units are non-transferable, but are exchangeable, on a one-for-one basis, into Killam Trust Units at any time at the option of the holder. Prior to such exchange, distributions will be made on these Exchangeable Units in an amount equivalent to the distributions that would have been made had the Units been exchanged for Killam Trust Units.

13. Unitholders' Equity

By virtue of Killam being 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. As a result, under IFRS, Trust Units are defined as financial liabilities; however, for the purposes of financial statement classification and presentation, the 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 debtholders.

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 nine months ended September 30, 2024, no unitholders redeemed Units.

The Units issued and outstanding are as follows:

	Number of Trust Units	Value
Balance, December 31, 2023	118,298,478	$1,377,413
Distribution reinvestment plan	975,098	17,846
Restricted Trust Units redeemed	63,156	683
Repurchase through normal course issuer bid	(23,620)	(276)
Balance, September 30, 2024	**119,313,112**	**$1,395,666**

Distribution Reinvestment Plan (DRIP)

Killam's DRIP allows unitholders to acquire additional Units of the Trust through the reinvestment of distributions on their Units. Unitholders who participate in the DRIP receive additional Units equal to 3% of the Units reinvested. Units issued with the DRIP are issued directly from the Trust at a price based on the 10-day volume weighted average closing price of the Toronto Stock Exchange (TSX) preceding the relevant distribution date, which typically is on or about the 15^{th} day of the month following the distribution declaration.

Normal Course Issuer Bid (NCIB)

In June 2024, Killam received the TSX's acceptance of its notice of intention to proceed with an NCIB for its Trust Units, following expiry of the previous NCIB on June 21, 2024. Pursuant to the notice, Killam is permitted to acquire up to 3,000,000 Trust Units commencing on June 24, 2024, and ending on June 23, 2025. 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 64,648 Trust Units, other than block purchase exemptions. Any Trust Units acquired will be cancelled.

During the nine months ended September 30, 2024, 23,620 Trust Units were purchased and cancelled at a weighted average purchase price of $16.94 per unit.

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

14. Distributions

Killam pays distributions to its unitholders in accordance with its DOT. Distributions declared by the Board of Trustees are paid monthly, on or about the 15th day of each month.

For the three and nine months ended September 30, 2024, the distributions declared related to the Trust Units were $21.0 million and $62.9 million (three and nine months ended September 30, 2023 – $20.8 million and $62.2 million). For the three and nine months ended September 30, 2024, distributions declared related to the Exchangeable Units were $0.7 million and $2.0 million (three and nine months ended September 30, 2023 – $0.7 million and $2.0 million). The distributions on the Exchangeable Units are recorded in financing costs.

15. Deferred Unit-based Compensation

Restricted Trust Units (RTUs) are awarded to members of the senior executive team and director-level employees as a percentage of their compensation. The Trust also grants RTUs subject to performance conditions under the RTU Plan for certain senior executives. Non-executive members of the Board of Trustees have the right to receive a percentage of their annual retainer in the form of RTUs.

The number of RTUs awarded are based on the volume weighted average price of all Trust Units traded on the TSX for the five trading days immediately preceding the date on which the compensation is awarded. The RTUs earn distributions based on the same distributions paid on the Trust Units, and such distributions translate into additional RTUs. The initial RTUs, and RTUs acquired through distribution reinvestment, are credited to each person's account and are not issued to the employee or Board member until they redeem such RTUs. For employees, the RTUs will be redeemed and paid out in Trust Units by December 31 of the year in which the RTUs have vested. RTUs issued to Trustees will be redeemed and paid, in the issuance of Trust Units, upon retirement from the Board.

The RTUs subject to performance conditions will be subject to both internal and external measures consisting of both absolute and relative performance over a three-year period. Killam accounts for the RTUs subject to performance conditions under the fair value method of accounting, and uses the Monte-Carlo simulation pricing model to determine the fair value, which allows for the incorporation of the market based performance hurdles that must be met before the RTUs subject to performance conditions vest.

The RTUs are considered a financial liability because there is a contractual obligation for the Trust to deliver Trust Units (which are accounted for as liabilities, but presented as equity instruments under IAS 32) upon conversion of the RTUs. The RTUs are measured at fair value with changes flowing through the condensed consolidated interim statements of income and comprehensive income. The fair value of the vested RTUs as at September 30, 2024, is $6.5 million, which includes $2.0 million related to RTUs subject to performance conditions (December 31, 2023 – $5.7 million and $2.1 million). For the three and nine months ended September 30, 2024, compensation expense of $0.7 million and $2.4 million (three and nine months ended September 30, 2023 – $0.6 million and $2.0 million) has been recognized in respect of the RTUs.

The details of the RTUs issued are shown below:

	Nine months ended September 30,		Year ended December 31, 2023	
	Number of RTUs	**Weighted Average Issue Price**	Number of RTUs	Weighted Average Issue Price
Outstanding, beginning of period	**441,666**	**$19.24**	366,485	$19.44
Granted	**192,575**	**19.28**	154,101	18.19
Redeemed	**(134,553)**	**19.61**	(95,097)	18.19
Forfeited	**—**	**—**	(768)	19.29
Additional Restricted Trust Unit distributions	**14,419**	**18.32**	16,945	17.60
Outstanding, end of period	**514,107**	**$19.13**	441,666	$19.24

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

16. Revenue

In accordance with IFRS 15, Management has evaluated the lease and non-lease components of its revenue and has determined the following allocation:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Rental revenue (1)	**$69,403**	$65,360	**$201,331**	$190,743
Property expense recoveries	**20,633**	20,593	**59,855**	60,097
Ancillary revenue (2)	**3,752**	3,581	**10,883**	10,452
	$93,788	$89,534	**$272,069**	$261,292

(1) Includes base rent, realty taxes, insurance recoveries, and straight-line rent for commercial properties which are outside the scope of IFRS 15.
(2) Includes parking, laundry, storage, commission revenue and management fees.

17. Financing Costs

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Mortgage, loan and construction loan interest	**$18,625**	$16,098	**$53,590**	$45,887
Interest on credit facilities	**754**	818	**2,602**	3,222
Interest on Exchangeable Units	**682**	682	**2,046**	2,046
Amortization of deferred financing costs	**952**	951	**2,813**	2,734
Amortization of fair value adjustments on assumed debt	**57**	57	**170**	166
Unrealized loss on derivative liability	**—**	—	**—**	68
Interest on lease liabilities	**131**	123	**404**	319
Capitalized interest	**(875)**	(958)	**(2,456)**	(3,536)
	$20,326	$17,771	**$59,169**	$50,906

18. Deferred Income Taxes

Trusts that satisfy the REIT Exemption are excluded from the specified investment flow-through (SIFT) definition and therefore will not be subject to taxation under the SIFT Rules. Effective December 31, 2023, Killam qualified for the REIT Exemption and continues to meet the REIT Exemption as at September 30, 2024, and is therefore not subject to taxation to the extent that income is distributed to unitholders. However, this exemption does not extend to the corporate subsidiaries of Killam that are taxable legal entities. For the three and nine months ended September 30, 2024, the deferred tax expense relates to the corporate subsidiary entity of the REIT.

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

19. Segmented Information

For investment properties, discrete financial information is provided on a property-by-property basis to members of executive management, which collectively comprise the chief operating decision maker (CODM). The individual properties are aggregated into segments with similar economic characteristics such as the nature of the property, vacancy rates, long-term growth rates and other characteristics. Management considers that this is best achieved by aggregating into apartments, MHCs and commercial segments. Consequently, Killam is considered to have three reportable segments, as follows:

- Apartment segment - acquires, operates, manages and develops multi-family residential properties across Canada;
- MHC segment - acquires and operates MHC communities in Ontario and Eastern Canada; and
- Commercial segment - acquires and operates stand-alone commercial properties in Ontario, Nova Scotia and Prince Edward Island.

Killam's administration costs, other income, financing costs, depreciation, fair value adjustments, loss on disposition and deferred tax expense are not reported to the CODM on a segment basis.

The accounting policies of these reportable segments are the same as those described in the summary of significant accounting policies described in note 2 to the consolidated financial statements for the year ended December 31, 2023. Reportable segment performance is analyzed based on net operating income. The operating results, and selected assets and liabilities, of the reportable segments are as follows:

Three months ended September 30, 2024	**Apartments**	**MHCs**	**Commercial**	**Total**
Property revenue	**$81,143**	**$7,191**	**$5,454**	**$93,788**
Property operating expenses	**(25,183)**	**(2,155)**	**(2,034)**	**(29,372)**
Net operating income	**$55,960**	**$5,036**	**$3,420**	**$64,416**

Three months ended September 30, 2023	Apartments	MHCs	Commercial	Total
Property revenue	$77,225	$6,997	$5,312	$89,534
Property operating expenses	(24,943)	(2,164)	(1,912)	(29,019)
Net operating income	$52,282	$4,833	$3,400	$60,515

Nine months ended September 30, 2024	**Apartments**	**MHCs**	**Commercial**	**Total**
Property revenue	**$238,943**	**$16,607**	**$16,519**	**$272,069**
Property operating expenses	**(80,526)**	**(5,559)**	**(6,623)**	**(92,708)**
Net operating income	**$158,417**	**$11,048**	**$9,896**	**$179,361**

Nine months ended September 30, 2023	Apartments	MHCs	Commercial	Total
Property revenue	$229,414	$16,088	$15,790	$261,292
Property operating expenses	(81,778)	(5,736)	(6,223)	(93,737)
Net operating income	$147,636	$10,352	$9,567	$167,555

Selected Statement of financial position items (1)

As at September 30, 2024	**Apartments**	**MHCs**	**Commercial**	**Total**
Total Investment Properties	**$4,951,708**	**$222,769**	**$171,671**	**$5,346,148**
Mortgages and loans payable/construction loans	**$2,021,203**	**$96,659**	**$40,524**	**$2,158,386**

As at December 31, 2023	Apartments	MHCs	Commercial	Total
Investment properties	$4,643,989	$215,396	$168,421	$5,027,806
Mortgages and loans payable/construction loans	$2,005,917	$95,359	$32,842	$2,134,118

(1) Total investment properties for the Apartments segment includes IPUC and land held for development.

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

20. Supplemental Cash Flow Information

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Interest paid (financing activities)				
Interest paid on mortgages payable and other	**$18,860**	$16,474	**$54,141**	$46,723
Interest paid on credit facilities	**754**	818	**2,602**	3,222
	$19,614	$17,292	**$56,743**	$49,945
Net change in non-cash operating assets and liabilities				
Rent and other receivables	**($131)**	$197	**$296**	$2,594
Residential inventory	**635**	997	**686**	146
Other current assets	**2,358**	3,410	**(5,960)**	(5,573)
Accounts payable and other liabilities	**(5,415)**	(11,823)	**(8,332)**	(13,903)
	($2,553)	($7,219)	**($13,310)**	($16,736)

21. Financial Instruments and Fair Value Measurement

Killam's principal financial liabilities consist of mortgages, credit facilities, construction loans and trade payables. The main purpose of these financial liabilities is to finance investment properties and operations. Killam has various financial assets, such as tenant receivables, which arise directly from its operations.

Fair Value of Financial Instruments

Fair value is the amount that would be received in the sale of an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of interest-bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for similar term and current credit spreads for debt with similar terms and risks. For certain of the Trust's financial instruments the carrying value represents fair value due to the short term nature including, loan receivable, construction loans and credit facilities, and as such these items are not included in the table below. The fair values of the Trust's financial instruments were determined as follows:

(i) the fair values of the mortgages payable are estimated based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Killam might pay or receive in actual market transactions;

(ii) the fair value of the deferred unit-based compensation and the Exchangeable Units is estimated at the reporting date, based on the closing market price of the Trust Units listed on the TSX. The performance based RTUs are determined using a pricing model. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in estimates could significantly affect fair values;

The significant financial instruments and their carrying values as at September 30, 2024, and December 31, 2023, are as follows:

As at	**September 30, 2024**		December 31, 2023	
Classification	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial liabilities carried at amortized cost:				
Mortgages and loans payable (1)	**$2,155,692**	**$2,171,056**	$2,104,443	$2,068,292
Financial liabilities carried at FVTPL:				
Exchangeable Units	**$81,234**	**$81,234**	$70,008	$70,008
Deferred unit-based compensation	**$6,500**	**$6,500**	$5,728	$5,728

(1) Mortgages and loans payable does not include construction loans and credit facilities, the carrying value of these line items represents fair value.

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

21. Financial Instruments and Fair Value Measurement (continued)

The interest rates used to discount the estimated cash flows, when applicable, are based on a blended rate using the three-year and five-year government yield curve as at the reporting date, which is in-line with Killam's weighted average years to maturity of 4.0 years, plus an adequate credit spread, and were as follows:

As at	**September 30, 2024**	December 31, 2023
Mortgages - Apartments	**3.79%**	4.42%
Mortgages - MHCs	**4.79%**	5.42%

Assets and Liabilities Measured at Fair Value

Fair value measurements recognized in the condensed consolidated interim statements of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
Level 3: Valuation techniques for which any significant input is not based on observable market data.

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the condensed consolidated interim statements of financial position is as follows:

As at	**September 30, 2024**			December 31, 2023		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets						
Investment properties	**—**	**—**	**$5,346,148**	—	—	$5,027,806
Assets held for sale	**—**	**—**	**$8,200**	—	—	—
Liabilities						
Exchangeable Units	**—**	**$81,234**	**—**	—	$70,008	—
Deferred unit-based compensation	**—**	**$5,638**	**$862**	—	$4,633	$1,095

Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 during the three and nine months ended September 30, 2024.

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

22. Risk Management

Risk Management
Killam may enter into derivative transactions, primarily interest rate swap contracts to manage interest rate risk arising from fluctuations in bond yields, as well as natural gas and oil swap contracts to manage price risk arising from fluctuations in these commodities. It is, and has been, Killam's policy that no speculative trading in derivatives shall be undertaken. The main risks arising from Killam's financial instruments are interest rate risk, credit risk and liquidity risk. These risks are managed as follows:

(i) Interest Rate Risk
Killam is exposed to interest rate risk as a result of its mortgages and loans payable; however, this risk is mitigated through Management's strategy to structure the majority of its mortgages in fixed-term arrangements, as well as, at times, entering into cash flow hedges. Killam also structures its financings so as to stagger the maturities of its debt, minimizing the exposure to interest rate volatility in any one year.

As at September 30, 2024, $45.5 million of Killam's debt had variable interest rates (December 31, 2023 – $65.6 million), including construction loans totalling $2.7 million and amounts drawn on its credit facilities of $42.8 million. These loans and facilities have interest rates of prime plus 0.55%–0.75% or 155–180 bps above CORRA (December 31, 2023 – prime plus 0.55%–0.75% or 105–155 bps above bankers' acceptances (BAs)) and consequently, Killam is exposed to short-term interest rate risk on these loans.

Killam's fixed mortgage debt, which matures in the next 12 months, totals $281.1 million. Assuming these mortgages are refinanced at similar terms, except at a 100 bps increase in interest rates, financing costs would increase by $2.9 million per year.

(ii) Credit Risk
Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease term commitments. Killam mitigates the risk of credit loss through the diversification of its existing portfolio and limiting its exposure to any one tenant.

Credit assessments are conducted for all prospective tenants and Killam also obtains a security deposit to assist in potential recoveries. In addition, receivables balances are monitored on an ongoing basis. Killam's bad debt expense experience has historically been less than 0.3% of revenue. None of Killam's tenants account for more than 4% of the tenant receivables as at September 30, 2024 or December 31, 2023.

(iii) Liquidity Risk
Management manages Killam's cash resources based on financial forecasts and anticipated cash flows. Killam structures its financing so as to stagger the maturities of its debt, thereby minimizing Killam's exposure to liquidity risk in any one year. In addition, Killam's apartments qualify for Canadian Mortgage and Housing Corporation (CMHC) insured debt, reducing the refinancing risk upon mortgage maturities. Killam's MHCs and commercial assets do not qualify for CMHC insured debt; however, these assets access to conventional mortgage debt. Management does not anticipate liquidity concerns on the maturity of its mortgages as funds continue to be accessible.

During the nine months ended September 30, 2024, Killam refinanced $182.3 million of maturing apartment mortgages with new mortgages totalling $233.4 million, generating net proceeds of $51.1 million. In addition, during the nine months ended September 30, 2024, Killam refinanced $28.7 million of maturing MHC and commercial mortgages with new mortgages totalling $38.4 million, generating net proceeds of $9.7 million. The following table presents the principal payments (excluding interest) and maturities of Killam's liabilities for the next five years and thereafter:

For the 12 months ending September 30,	Mortgages and Loans Payable	Construction Loans	Credit Facilities	Lease Liabilities	Total
2025	$344,445	$2,694	$42,768	$628	$390,535
2026	363,309	—	—	671	363,980
2027	242,442	—	—	715	243,157
2028	361,529	—	—	673	362,202
2029	348,772	—	—	76	348,848
Thereafter	542,409	—	—	9,974	552,383
	$2,202,906	$2,694	$42,768	$12,737	$2,261,105

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

23. Capital Management

The primary objective of Killam's capital management is to ensure a healthy capital structure to support the business and maximize unitholder value. Killam manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, Killam may adjust the distribution payment to unitholders, issue additional Units, issue debt securities or adjust mortgage financing on properties.

Killam's primary measure of capital management is the total debt as a percentage of total assets ratio. Killam's strategy, as outlined in the operating policies of its DOT, is for its overall indebtedness not to exceed 70% of total assets. The calculation of total debt as a percentage of total assets is summarized as follows:

As at	September 30, 2024	December 31, 2023
Mortgages and loans payable	**$2,155,692**	$2,104,443
Credit facilities	**$42,768**	$40,877
Construction loans	**$2,694**	$29,675
Total interest-bearing debt	**$2,201,154**	$2,174,995
Total assets (1)	**$5,403,511**	$5,073,248
Total debt as a percentage of total assets	**40.7%**	42.9%

(1) Excludes right-of-use assets of $11.8 million as at September 30, 2024 (December 31, 2023 – $11.9 million).

The above calculation is sensitive to changes in the fair value of investment properties, in particular, cap rate changes. The quantitative sensitivity analysis shown below illustrates the value increase or decrease in Killam's debt to asset ratio given the change in the noted input:

Cap Rate Sensitivity Increase (Decrease)	Fair Value of Investment Properties (1)	Total Assets	Total Debt as % of Total Assets	Change (bps)
(0.50)%	$5,995,568	$6,052,931	36.4%	(430)
(0.25)%	$5,667,333	$5,724,696	38.5%	(220)
—%	$5,346,148	$5,403,511	40.7%	—
0.25%	$5,110,701	$5,168,065	42.6%	190
0.50%	$4,872,642	$4,930,005	44.6%	390

(1) The cap rate sensitivity is calculating 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. The sensitivity for commercial assets is calculated using an implied capitalization rate based on the stabilized NOI of the properties.

24. Commitments and Contingencies

Killam is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. Management believes that the final outcome of such matters will not have a material adverse effect on the financial position, results of operations or liquidity of Killam. However, actual outcomes may differ from Management's expectations.

Killam entered into supply contracts for gas and electricity to hedge its own usage, which is summarized below:

Area	Utility	Usage Coverage	Term	Cost
Ontario	Gas	25%	November 1, 2023 - October 31, 2024	$4.11/GJ
Alberta	Gas	25%	January 1, 2024 - December 31, 2024	$3.37/GJ
Alberta	Electricity	25%—50%	January 1, 2023 - December 31, 2024	$123.86/MWh
Alberta	Electricity	50%	January 1, 2025 - December 31, 2026	$67.01/MWh

25. Financial Guarantees

Killam is the guarantor on a joint and several basis for certain mortgage debt held through its joint operations. As at September 30, 2024, the maximum potential obligation resulting from these guarantees is $66.1 million, related to long term mortgage financing (December 31, 2023 – $68.0 million). The loans held through its joint operations are secured by a first ranking mortgage over the associated investment properties. Killam's portion of the total mortgages for these properties are recorded as a mortgage liability on the condensed consolidated interim statements of financial position.

Management has reviewed the contingent liability associated with its financial guarantee contracts and, as at September 30, 2024, determined that a provision is not required to be recognized in the condensed consolidated interim statements of financial position (December 31, 2023 – $nil).

26. Subsequent Events

On October 10, 2024, Killam completed the disposition of 9 Bruce St, a 60-unit apartment building located in Halifax, NS, for a sale price of $8.2 million and net cash proceeds of $4.5 million.

On October 15, 2024, Killam announced a distribution of $0.05833 per unit, payable on November 15, 2024, to unitholders of record on October 31, 2024.

On October 15, 2024, Killam announced that its Board of Trustees approved a proposed internal reorganization that will be accomplished by way of a plan of arrangement (the "Arrangement"). The Arrangement will be subject to unitholder approval at a special meeting of Killam's unitholders to be held on November 21, 2024. The Arrangement will simplify Killam's organizational structure and is expected to reduce or eliminate potential corporate taxation and to reduce the complexity of accounting, legal reporting and income tax compliance inherent in Killam's existing structure. Killam has received an advance income tax ruling of the Canada Revenue Agency in connection with the Arrangement.

On November 6, 2024, the Board of Trustees approved a 2.9% increase to Killam's annual distribution, to $0.72 per unit from $0.70 per unit. The monthly distribution will be $0.06000 per unit, up from $0.05833 per unit. The increase will apply to the November 2024 distribution, to be paid in December 2024.