Killam
home for all

2023
Annual Report

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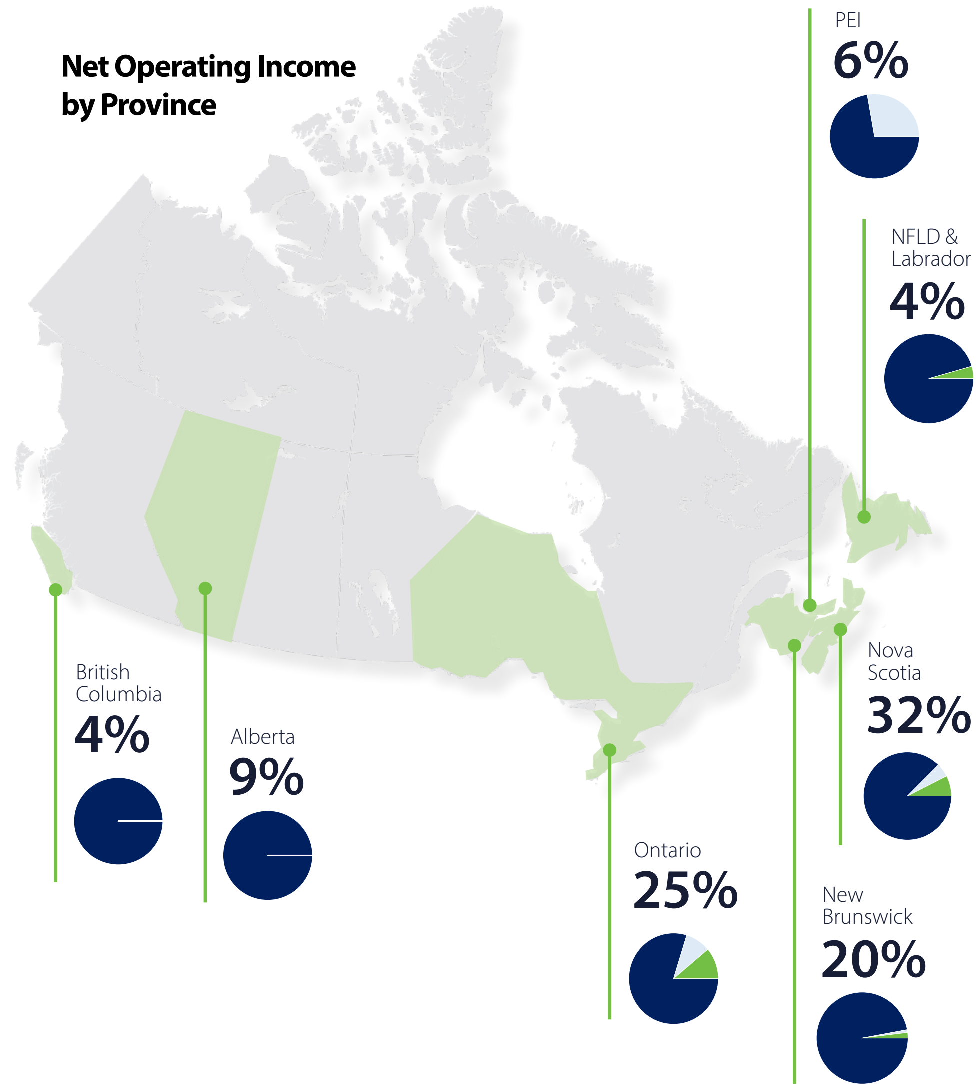
CIVIC 66
KITCHENER, ON

About Killam

Killam Apartment REIT (Killam) is one of Canada's largest residential real estate investment trusts, owning, operating, and developing apartments and manufactured home communities (MHCs). Killam's real estate portfolio is located in **Atlantic Canada**, **Ontario**, **Alberta**, and **British Columbia**.

Net Operating Income by Province



Net Operating Income by Segment

Apartments	88%	
MHCs	6%	
Commercial	6%	

(1) Same property net operating income (NOI) growth is a supplementary financial measure. For a full description of same property metrics, see page 26.

(2) Funds from operations (FFO) per unit and adjusted funds from operations (AFFO) per unit are non-IFRS financial ratios. For a full description and reconciliation of non-IFRS measures, see pages 26 and 53, respectively.

(3) Total debt as a percentage of total assets is a capital management measure. For a full description of total debt as a percentage of total assets, see page 26.

(4) Does not include Killam's 10% ownership of Nolan Hill Phase 2 during cosntruction phase.

7.8%

Same Property NOI Growth(1)

3.6%

Growth in FFO per Unit(2)

4.3%

Growth in AFFO per Unit(2)

$169M

Completed Dispositions

42.9%

Total Debt as a Percentage of Total Assets(3) as at December 31, 2023

$94M

Completed Developments(4)

Our Mission Statement

"To have caring staff deliver clean, safe, quality housing to tenants who are **proud to call our properties home**."

Our Leadership Team

Alphabetical by last name

Ruth Buckle
Senior Vice President, Property Management

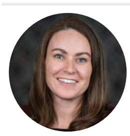
Erin Cleveland
Senior Vice President, Finance

Carrie Curtis
Vice President, Ontario & Alberta

Philip Fraser
President & Chief Executive Officer

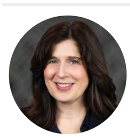
Jeremy Jackson
Vice President, Marketing

Brian Jessop
Vice President, Operations



Colleen McCarville
Vice President, Human Resources

Michael McLean
Senior Vice President, Developments



Dale Noseworthy
Chief Financial Officer

Robert Richardson
Executive Vice President

Our Strategy

Killam's strategy to drive value and grow funds from operations (FFO), increase net asset value (NAV), and maximize value focuses on three key priorities:

1 Increase earnings from the existing portfolio by focusing on growing rental revenue and investing in sustainable energy efficiency investments.

2 Expand the portfolio & diversify geographically through accretive acquisitions and dispositions, with an emphasis on acquiring newer properties.

3 Develop high-quality properties in Killam's core market.

Letter to Unitholders

Dear Unitholder,

I am pleased to report another strong year of financial and operating results for 2023. Killam achieved 7.8% total same property net operating income (NOI) growth across the portfolio, with notable operating performance across all three of our business segments: 7.6% same property NOI growth in our apartment portfolio, 3.5% same property NOI growth in our manufactured home communities portfolio, and 15.8% same property NOI growth in our commercial portfolio.

Our funds from operations increased to $1.15 per unit, a 3.6% increase from a year ago. In addition to strong earnings growth, Killam delivered a 14.3% total return to unitholders in 2023. This compares to the TSX Capped REIT Index delivering a negative return of (3.21%) in 2023. With a high-quality portfolio of properties across the country, a conservative balance sheet and strong fundamentals for rental housing, we are optimistic that the year ahead will be another successful one for Killam.

Rental Market Momentum Remains Strong

This past year marked a period of unprecedented strength in the Canadian multi-family residential sector, in which Killam achieved its highest occupancy level in operating history. We achieved 98.5% occupancy in 2023, up from 98.2% the previous year. Increased NOI from our same-property portfolio and incremental contributions from our developments completed in 2022 contributed to our FFO growth.

Throughout the year, top-line growth drove positive results, with higher rental rates across all three business segments. In 2023, we achieved a combined weighted average apartment rental rate increase of 5.4% for new and renewing leases. This blended rental rate increase resulted from a 2.8% rent growth on lease renewals and an average increase of 16.4% on unit turns from new tenants moving in during the year.

As expected, the tight Canadian rental market led to a decline in Killam's turnover rate in 2023, dropping to 19% from 22% in 2022. Despite 57% of Killam's NOI being subject to rent control, we have demonstrated our ability to grow the portfolio's top line amidst this low turnover environment. We are pleased to report that most provinces with permanent or temporary rent controls have approved 2024 guideline increases that align more closely with the recent inflationary pressures experienced by all Canadians. With improved rent control guidelines on renewals and our team's focus on leveraging internal data analytics to meet market demand on unit turnovers, we are confident in our ability to increase our top-line growth in 2024.

Portfolio Refinement Complements Geographic Diversification

In 2023, we completed $69 million in acquisitions, $94 million in developments, and $169 million in property dispositions. We remained focused on our strategic targets and grew our portfolio with the completion of three high-quality developments: Civic 66, the Governor, and the purchase of Nolan Hill Phase II. In addition, we continued progress on the development of The Carrick, a 139-unit property in Waterloo, Ontario which is expected to be completed in 2025.

Killam's capital recycling program was introduced in 2023 and is now a key component of our strategy. By identifying opportunities to reduce our exposure in select slower-growth secondary markets and divest ourself of lower-yielding assets, we will reallocate capital toward our development program and continue to strengthen our balance sheet.

Our capital recycling and disposition program also supports our long-term goal of reducing Killam's greenhouse gas emissions and energy costs. As we look to grow and maintain our portfolio, we consider the capital requirements of each property and how these align with our long-term targets to grow NOI while reducing our carbon footprint. With this disciplined approach, we strategically reinvest capital into high-performing properties in high-growth regions.

During 2023, we completed the disposition of 14 properties for a combined sale price of $169 million, generating net cash proceeds of $94 million. The disposition of these 1,122 units was spread out across Nova Scotia, New Brunswick, Prince Edward Island, and Ontario. With a focus on reducing our debt levels, we used these proceeds to reduce our variable-rate debt by $150 million in 2023.

This program will also further increase the percentage of our NOI generated from outside Atlantic Canada, which continues to remain a strategic focus for Killam as we work towards our long-term goal of 40% by 2025. We ended 2023 with 37.4% of Killam's NOI generated outside Atlantic Canada, a 160-basis point improvement from 35.8% in 2022; the result of several contributors, including acquisitions, calculated dispositions, and new development completions.

Focused on Sustainable and Responsible Growth

In 2023, we invested $8.8 million in energy efficiency projects, including the installation of solar panels, the implementation of building automation systems, improvements to building envelopes and upgrades to HVAC systems. Substantial strides were also made in our decarbonization efforts, as we carried out a systematic categorization process to gain valuable insights into the timeline and capital investment needed for our decarbonization strategy.

We also successfully completed our 5th annual GRESB submission, achieving our second consecutive 3-star rating for the GRESB Standing Investments Assessment. We are also proud to have earned a rating of A on the GRESB Public Disclosure Assessment, outperforming our peer group as well as the global scoring average. Killam remains vigilant regarding the expected release of additional climate-related disclosure requirements by the Canadian Securities Administration (CSA), and we believe that our robust foundation positions us well to address any forthcoming disclosure requirements.

As an experienced developer, Killam continues to invest in advanced green technologies in our building designs. By developing high-quality properties in our core markets, we are contributing to the housing supply for all Canadians and growing our portfolio with best in class properties.

We are acutely aware of the current housing shortage as the Canadian population continues to grow at an accelerated pace. Over the past decade, the construction sector for single-family homes, condominiums, and apartments has failed to keep pace with Canada's population growth. The insufficient housing supply, rising interest rates, and three years of high inflation have created a housing affordability crisis and a housing shortage in our country.

In 2023, the federal government and several provincial governments began to address the pressing housing issue by implementing certain strategies aimed at creating additional supply. These efforts include streamlining the process for obtaining building permits and eliminating the GST/HST on apartment developments. These changes are creating many exciting opportunities for Killam. Given our ownership of several development and redevelopment sites, Killam has the opportunity to unlock substantial value by constructing housing on land that we have owned for many years. Further, the Canadian Mortgage and Housing Corporation's (CMHC) Apartment Construction Loan program will enable Killam to be part of the housing solution while integrating aspects of affordability, accessibility, and energy efficiency at our properties.

Acknowledging the growing diversity within Canada's population, Killam placed a priority on diversity training in 2023. A total of 230 unique diversity training courses were completed by Killam employees, fostering an environment in which both employees and residents feel confident expressing their authentic selves.

Killam remains dedicated to robust corporate citizenship and maintaining a high standard of integrity in our business operations. In 2023, we implemented a Human Rights Policy to formalize our commitment to respecting human rights in our relationships with all stakeholders. Additionally, to ensure responsible and ethical business conduct across our supply chain, we released our Supplier Code of Conduct and shared it with all active vendors. In 2023, we also incorporated ESG targets into executive compensation plans for the first time, reinforcing our commitment to sustainability and ensuring decisions are aligned with the interests of our stakeholders.

Reflecting on our integration of ESG efforts throughout our business, we take pride in our accomplishments thus far. More significantly, we remain steadfast in our commitment to making a meaningful impact in the future, ensuring we create a supportive and sustainable home for all – both within our properties and beyond.

Looking Ahead

Our strategic targets for 2024 are outlined on page 12, and we are optimistic about the opportunities ahead. As Canada continues to experience record population growth with limited additional housing supply, robust market fundamentals are expected to remain across all of our core markets. We are committed to investing in high-quality assets and developments, growing our cash flow, and executing on our proven strategy, thereby maximizing value for our unitholders.

In closing, I want to thank to our employees for their hard work and dedication and thank you for your support and investment in Killam.

Killam's annual unitholders' meeting will be held at 1:00PM Atlantic Time on May 8, 2024, at the Courtyard by Marriott, 5120 Salter Street, Halifax, Nova Scotia.

Yours truly,

Philip Fraser
President & CEO

Financial & Operating Highlights

2023 Highlights

As at and for the years ended

(Values in thousands, except per unit amount and portfolio information)

Operations	2023	2022	2021
Property revenue	$348,150	$328,847	$290,917
Net operating income (NOI)	$224,043	$206,912	$183,235
Net income	$266,333	$122,532	$285,527
Funds from operations (FFO)(1)	$139,755	$132,603	$119,235
FFO per unit (diluted)(1)	$1.15	$1.11	$1.07
Adjusted funds from operations (AFFO)(2)	$117,800	$111,557	$100,438
AFFO per unit (diluted)(2)	$0.97	$0.93	$0.90
Distributions declared per unit	$0.70	$0.70	$0.69
AFFO payout ratio(2)	72%	75%	76%

Financial Position	2023	2022	2021
Total assets	$5,085,114	$4,859,530	$4,578,507
Total liabilities	$2,602,514	$2,586,199	$2,467,038
Total equity	$2,482,600	$2,273,331	$2,111,469
Units outstanding(3)	122,196	120,699	114,562
Total debt as a percentage of total assets(4)	42.9%	45.3%	45.0%
Interest coverage ratio(5)	3.10x	3.31x	3.53x
Debt to normalized EBITDA(5)	10.29x	11.21x	11.33x

Portfolio Information	2023	2022	2021
Apartment units	18,835	19,527	18,685
MHC sites	5,975	5,975	5,875
Commercial square footage	973,839	946,372	941,000
Average rent per apartment suite	$1,384	$1,289	$1,228
Average rent per MHC site	$298	$290	$283

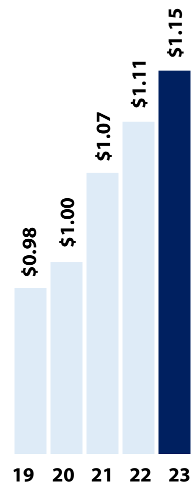
(1) FFO, and applicable per unit amounts, are calculated by Killam as net income adjusted for fair value gains (losses), interest expense related to exchangeable units, gains (losses) on disposition, deferred tax expense (recovery), unrealized gains (losses) on derivative liability, internal commercial leasing costs, depreciation on an owner-occupied building, change in principal 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 53.

(2) 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 53.

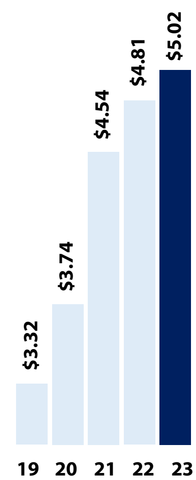
(3) Units outstanding at December 31, 2023, include 118,298,478 REIT units and 3,898,020 exchangeable units.

(4) Total debt as a percentage of total assets is a capital management measure. For a full description of total debt as a percentage of total assets, see page 26.

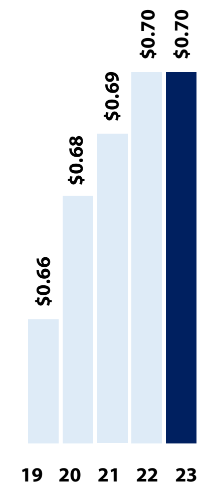
(5) Interest coverage ratio and debt to normalized earnings before interest, tax, depreciation and amortization (EBITDA) are non-IFRS financial ratios. For a full description and reconciliation of non-IFRS measures, see pages 26 and 58 respectively.



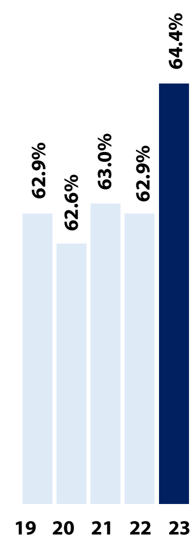
Funds from Operations per Unit (*diluted*)[1]



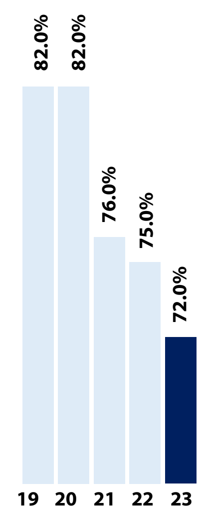
Value of Real Estate Portfolio (*$billions*)



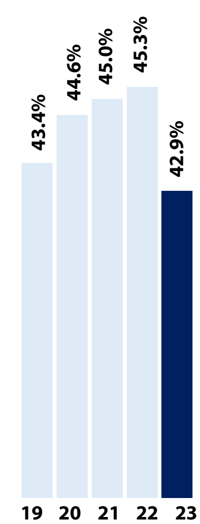
Distribution per Unit



Operating Margin (%)



AFFO Payout Ratio – Diluted



Total Debt as a Percentage of Total Assets[2]

(1) FFO, and applicable per unit amounts, are calculated by Killam as net income adjusted for fair value gains (losses), interest expense related to exchangeable units, gains (losses) on disposition, deferred tax expense (recovery), unrealized gains (losses) on derivative liability, internal commercial leasing costs, depreciation on an owner-occupied building, change in principal 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 53.

(2) Total debt as a percentage of total assets is a capital management measure. For a full description of total debt as a percentage of total assets, see page 26.

Performance Summary & Strategic Targets

	2023 Target	2023 Performance	2024 Target
Grow Same Property NOI[1]	3%-5% Revised in Q3 to over 7.0%	✓ 7.8%	Minimum of 6%
Capital Recycling	Sell a minimum of $100 million of non-core assets.	✓ Completed 14 dispositions totaling 1,122 units, for a combined sale price of $168.7 million.	Sell a minimum of $50 million of non-core assets.
Geographic Diversification	Earn at least 36% of 2023 NOI outside Atlantic Canada.	✓ Generated 37.4% of 2023 NOI outside Atlantic Canada.	Earn more than 38% of 2024 NOI outside of Atlantic Canada.
Strengthen the Balance Sheet	Reduce debt as a percentage of total assets to below 45%.	✓ Reduced debt as a percentage of total assets to below 42.9%.	Maintain debt as a percentage of total assets below 45%.
Develop High-Quality Properties	Complete construction of two development projects and break ground on one additional development.	✓ Completed two developments in 2023: The Governor, a 12-unit building located in Halifax, NS, and Civic 66, a 169-unit building located in Kitchener, ON. Killam delayed commencing an additional development given high construction costs and rising interest rates during the year.	Break ground on two new developments in 2024.
Improve Sustainability	Invest a minimum of $8.0 million in energy initiatives.	✓ Invested $8.8 million in energy-efficiency initiatives.	Invest a minimum of $6.0 million in energy initiatives.

(1) Same property NOI growth is a supplementary financial measure. For a full description of same property metrics, see page 26.

Executing on Killam's Growth Strategy

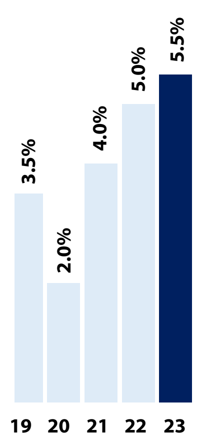
Increase Earnings from Existing Portfolio

Growing earnings from our asset base and optimizing returns is a key element of our proven strategy. Our focus on enhancing operational efficiency, maximizing rental growth, and implementing value-added initiatives, such as our repositioning program, has created sustained growth through our existing portfolio.

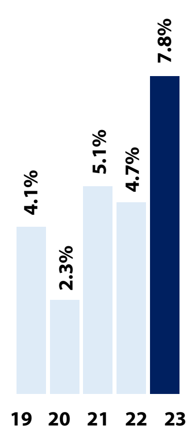
Killam exceeded its 2023 target, achieving same property NOI growth[(1)] of 7.8% in 2023, driven by strong revenue growth of 5.5% and modest expense growth of 1.6%.

As a result of rising market rents across the country, Killam estimates that its current mark-to-market rent opportunity within its existing portfolio is approximately 25%-30% compared to total apartment weighted average rent. This reflects Killam's relative affordability within its markets, as well as opportunities to capture incremental top-line growth when turnover arises.

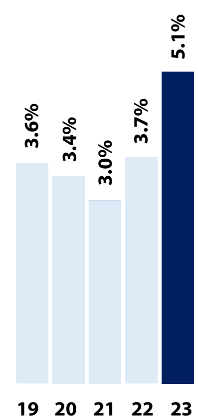
(1) Same property NOI growth is a supplementary financial measure. For a full description of same property metrics, see page 26.



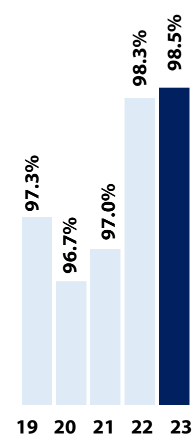
Same Property Revenue Growth



Same Property Net Operating Income Growth



Same Property Apartment Average Rental Rate Growth



Same Property Apartment Occupancy

Grid 5
Calgary, AB

Southport Apartments
Halifax, NS

Horizon Place
Moncton, NB

2023 Acquisitions

In 2023, Killam remained focused on maintaining the strength of its balance sheet. With rapidly rising interest rates and volatility across the capital markets, we remained conservative with our acquisition activity.

In December 2023, we executed on our commitment to purchase the remaining 90% of the Nolan Hill Phase II development project in Calgary, AB. This acquisition is the second phase of a multi-phase complex, comprising 234 units across three buildings, and has further expanded our portfolio in Western Canada.

Throughout development, Killam owned a 10% interest, with a commitment to purchase 100% of the development for $65 million upon completion. With the commitment to purchase made in 2021, at a time when market rents were much lower in Calgary, the acquisition has been accretive to our NAV and is expected to contribute positively to FFO in the coming year.

Building upon the success of Phase I and Phase II, we expect to move forward on Phase III and IV of Nolan Hill with our partners. These forthcoming projects represent our commitment to a comprehensive and phased approach to unlocking the full potential of the Nolan Hill property.

Looking ahead, we continue to be active in identifying potential acquisitions that will complement our existing portfolio. We remain focused on optimizing the performance of our portfolio and exploring further opportunities that align with our vision for long-term success.

Nolan Hill Phase II
Calgary, AB

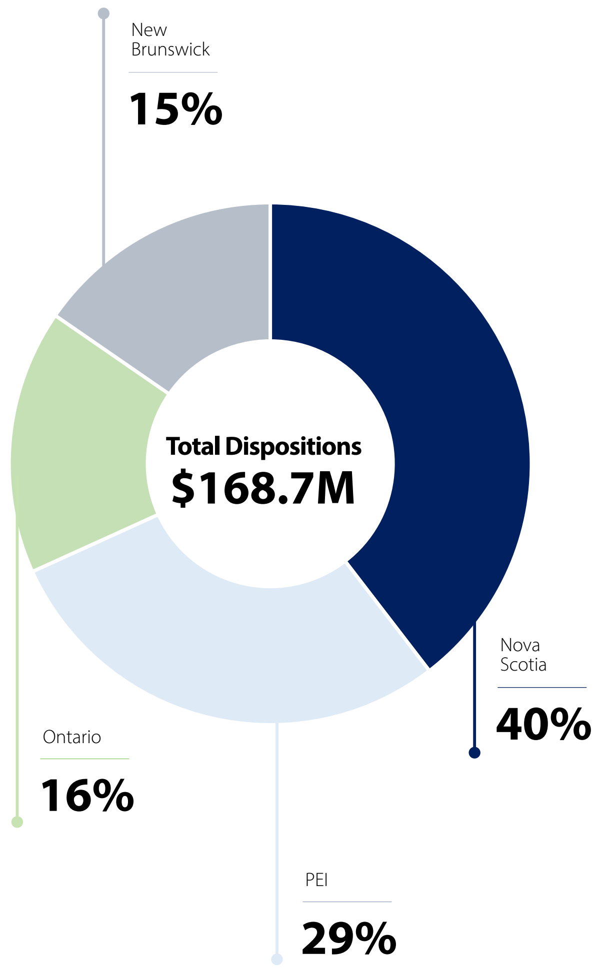
- 234 Suites (3 Buildings)
- Completed in Q4-2023
- Cost: $65.0M

2023 Dispositions

In 2023, Killam introduced its capital recycling program, with a target of completing the sale of $100 million in non-core assets. We had a successful year, completing a total of $168.7 million of non-core property dispositions.

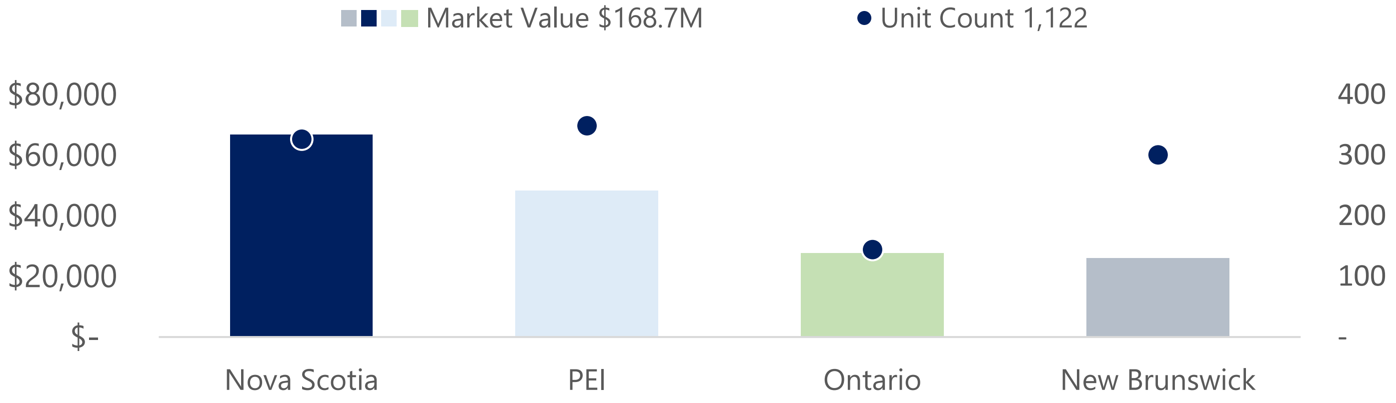
In line with our focus of maintaining a healthy balance sheet and maximizing capital flexibility, proceeds from these sales were redeployed to pay down variable rate debt. As a result of the successful execution of our capital recycling program, we reduced our variable rate debt by $150.4 million in 2023 and increased our NOI earned outside of Atlantic Canada by 160 bps, to 37.4%.

Recycling non-core assets has become a key component of our strategy. Moving forward, we will continue to conduct a strategic review of our portfolio annually to identify suitable assets for capital recycling. This evaluation will enable us to redeploy net proceeds towards our high-performing existing assets, new acquisitions, ongoing developments, and maintaining the overall strength of our balance sheet by actively monitoring key debt metrics.



Total Sales Value and Units Sold by Region

($ 000's)



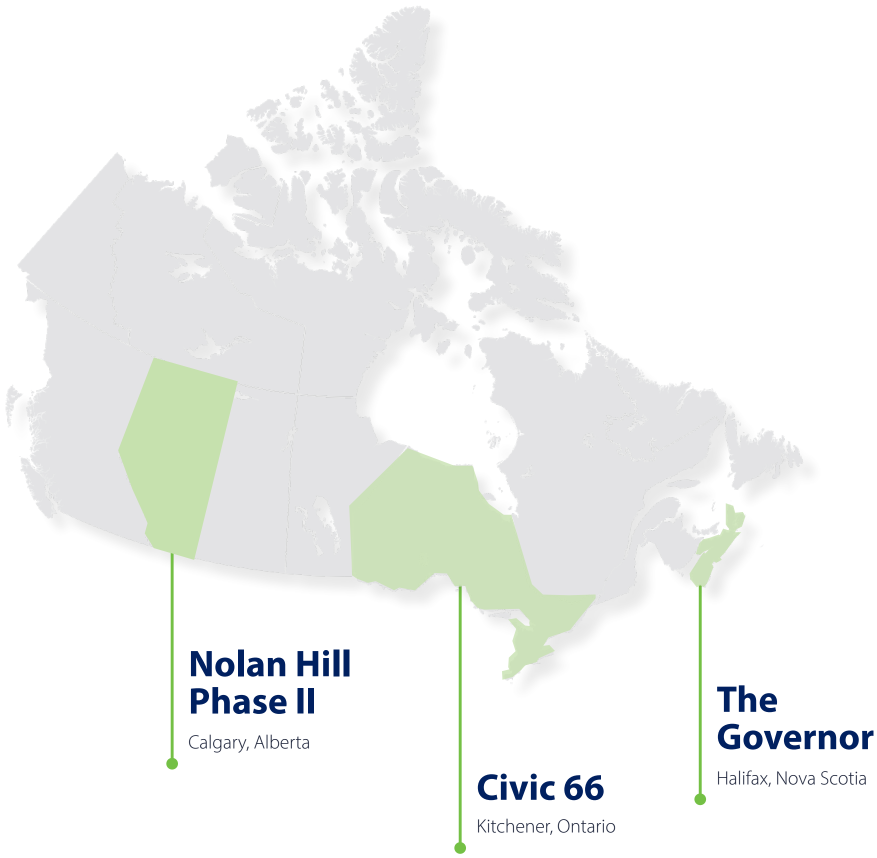
2023 Developments

$94 Million of Developments Completed in 2023 [1]

Developing high-quality properties is a key component of our growth strategy and allows us to elevate the quality of our portfolio. It also enables us to introduce innovative and emerging technologies to maximize the energy efficiency of our buildings, while delivering a high-quality product to our residents.

In 2023, our dedicated development team completed an additional 415 units across three of our core markets.

Our development portfolio of over 2,000 units, constructed over the last 14 years, reflects our commitment to enhancing NAV and our role as housing providers, working to create a positive impact within our communities.



Civic 66
169 Suites

The Governor
12 Suites

Nolan Hill Phase II
234 Suites

(1) Excludes Nolan Hill Phase II. Throughout construction, Killam had a 10% interest in the second phase of the Nolan Hill development, which broke ground during the fourth quarter of 2021 and was completed in the fourth quarter of 2023. Killam had a $65.0 million commitment in place to purchase 100% of the project upon completion of construction and achievement of certain conditions. Refer to page 14 for details of the acquisition agreement.

Civic 66
Kitchener, ON

169 Suites

Completed in Q3-2023

Cost: $69.8M

Civic 66, located in Kitchener, ON, contains 169 apartment units and 3,000 square feet of ground floor commercial space. The property has integrated many sustainable technologies, such as generating a portion of the electricity it consumes with roof-top solar panels. These photovoltaic panels, combined with a geothermal system for heating and cooling plus air-to-water heat pumps to generate hot water, should see Civic 66 deliver a 52% reduction in energy use and produce 67% fewer emissions, when compared to natural gas-heated buildings(1).

(1) Compared to the National Energy Code of Canada for Buildings 2017 (NECB 2017).

The Governor

Halifax, NS

- 12 Suites
- Completed in Q3-2023
- Cost: $24.3M

The Governor, located in downtown Halifax, NS, is a unique high-end property containing 12 luxury suites and two commercial units. This building is adjacent to our existing high-rise development, The Alexander, and one of our largest commercial properties, The Brewery. These suites range from 2,000-4,000 square feet, with high-end finishes and appliances. Each suite is heated and air-conditioned from an individual heat pump, with a rooftop condenser connected to each tenant's electrical panel. With wifi-connected thermostats, residents can adjust remotely to reduce energy consumption. Additionally, each parking stall is wired to accept a level II electric vehicle charger.

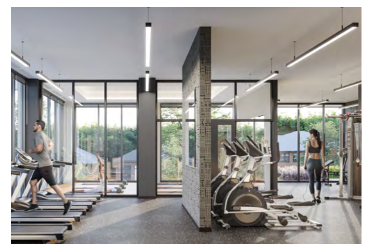
Developments Underway

At the close of 2023, Killam had one development in progress in Waterloo, ON, which is expected to be completed in the second half of 2025. This 139-unit residential high-rise is strategically located adjacent to Killam's existing commercial site, Westmount Place.

The Carrick

Waterloo, ON

- 139 Suites
- Broke ground in Q2-2022
- Budget: $83.5M



Higher and Better Use: Westmount Place

Currently under construction, the Carrick represents the first of Killam's multi-phase development project on the Westmount Place site in Waterloo, Ontario. The redevelopment is adjacent to Killam's existing commercial asset. The development plan is expected to create more than 1,600 new residential units in up to nine mixed-use buildings, and includes commercial space designed to complement a future residential neighbourhood with large, open green spaces and amenities. Killam is also incorporating sustainable design elements, including solar panels, all electric heating and cooling, and electric vehicle charging.

Creating Value for All

Killam has signed a long-term contract with CMHC to secure low interest rental construction financing at 3.1% and has agreed to maintain 39 affordable units in Phase 1 of the project for 15 years. The Carrick (Phase 1) will achieve a 50% decrease in energy intensity and an 81% decrease in greenhouse gas emissions[(1)]. By leveraging this CMHC financing program, Killam has secured attractive lending terms while creating a positive impact on the community.

(1) Compared to the National Energy Code of Canada for Buildings 2017 (NECB 2017).

ESG Update

Delivering on our Quality Promise

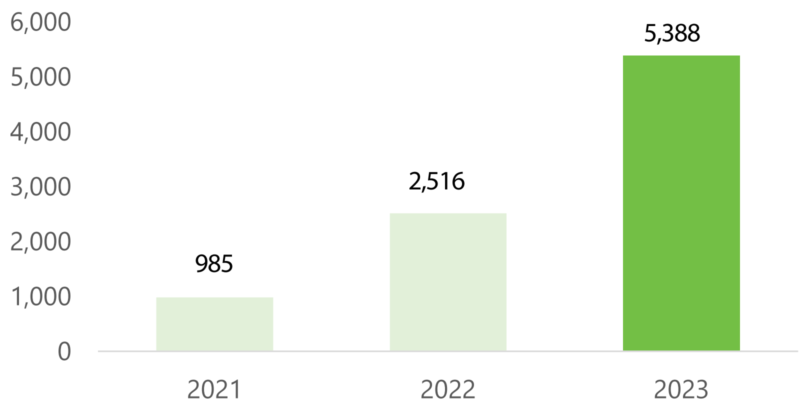
In 2023, Killam partnered with the Federation of Rental-Housing Providers of Ontario (FRPO) to unveil the expansion of the Canadian Certified Rental Building Program (CRBP) into Nova Scotia. Killam is proud to be the first rental housing provider in the region to pursue this certification, highlighting its commitment to providing safe, quality housing for our residents.

The CRBP aims to reassure residents about the superior quality, sustainability, and professional management of their living spaces. To be CRBP certified, properties must adhere to more than 55 leading industry practices, including 10 environmental standards and over 250 precise criteria.

In 2023, Killam certified four properties in its Halifax portfolio, and an additional six properties in its Ontario portfolio. We recognize the importance of ensuring our properties meet the highest operating standards for our residents and provide a safe workplace for our employees.

Quinpool Tower
Halifax, NS
Successfully certified in 2023

Killam Units Successfully Certified



Long-Term Targets

Killam reinforces its commitment to the long-term sustainability of our communities by monitoring and reporting on our long-term targets annually. Our adapted approach to how properties are managed and developed focuses on operational efficiencies that minimize resource consumption and creating clear goals for measuring our contributions towards good corporate citizenship. Progress on our targets are reported annually in our ESG Report.

Environmental

- Reduce GHG emissions 15% by 2030.[1]
- Reduce carbon intensity 15% by 2030.[2]
- Produce a minimum of 10% of electricity[3] consumed by Killam's portfolio through renewable energy sources by 2025.
- Pursue green building health and operating certifications across a minimum of 20% of Killam's portfolio by 2025.
- Invest a minimum of $50M in energy-efficiency projects by 2030.

Social

- Increase employee volunteer hours by 25% by 2025.[2]
- Donate $3M to our communities by 2030.[4]
- Increase the number of units with a long-term affordability commitment by 20% by 2025.[2]
- Maintain resident satisfaction score above 85% annually.
- Maintain employee satisfaction score above 80% annually.

Governance

- Continue to participate in the GRESB[5] survey annually, targeting a minimum increase of 5% each year to reach a GRESB 4-star ranking by 2025, and continue to expand ESG disclosure.
- Increase the diversity of employees by 2025, including a 25% increase in the representation of employees who identify as racialized, Disabled, or LGBTQ2+.[2]

(1) Scope 1 and 2 emissions from 2020 levels, based on a like-for-like portfolio.

(2) From 2020 levels.

(3) Operational controlled electricity.

(4) Community donations calculated as the sum of the market value of suite donations, employee volunteer hours, cash donations, and Trustee donations for the period January 1, 2023 to December 31, 2030.

(5) GRESB is a mission-driven and investor-led organization that provides actionable and transparent ESG data to financial markets.

2023 Management's Discussion and Analysis

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

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PART I

Business Overview and Strategy

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

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

1) Increase earnings from the existing portfolio;

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

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

The apartment business is Killam's largest segment and accounted for 88.5% of Killam's net operating income (NOI) for the year ended December 31, 2023. As at December 31, 2023, Killam's apartment portfolio consisted of 18,835 units, including 1,343 units jointly owned with institutional partners. Killam's 220 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 5.8% of Killam's NOI for the year ended December 31, 2023. Killam also owns 973,839 square feet (SF) of commercial space that accounted for 5.7% of Killam's NOI for the year ended December 31, 2023.

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, 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 February 14, 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 and related assets;
- 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" as defined within the Tax Act or would result in Killam losing any beneficial status under the Tax Act are prohibited; and
- Killam must maintain property insurance coverage in respect of reasonable potential liabilities of the Trust.

As at December 31, 2023, Killam was in compliance with all investment guidelines and operating policies.

Forward-Looking Statements

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 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, include debt reduction and unitholder returns; Killam's ability to mitigate cost increases and property taxes; the 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 therefore 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 this MD&A, 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 measures should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS, as indicators of Killam's performance, or sustainability of Killam's distributions. These measures do not have standardized meanings under IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded organizations.

Non-IFRS Financial Measures

- 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, change in principal 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 31.
- 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 33.
- 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 34. 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 36.
- 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 36.
- Net debt is a non-IFRS 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 36.
- 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 36.
- 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. FFO, 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 36.

Supplementary Financial Measures

- Same property NOI is a supplementary financial measure defined as NOI for stabilized properties that Killam has owned for equivalent periods in 2023 and 2022. Same property results represent 90.0% of the fair value of Killam's investment property portfolio as at December 31, 2023. Excluded from same property results in 2023 are acquisitions, dispositions and developments completed in 2022 and 2023.
- Same property average rent is calculated by taking a weighted average of the total residential rent for the last month of the reporting period, divided by the relevant number of the units per region for stabilized properties that Killam has owned for equivalent periods in 2023 and 2022. For total residential rents, rents for occupied units are based on contracted rent, and rents for vacant units are based on estimated market rents if the units were occupied.

Capital Management Financial Measure

- Total debt as a percentage of total assets is a capital management financial measure and is calculated by dividing total debt by total assets, excluding right-of-use assets. This measure is reconciled in note 28 of the consolidated 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 financial 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 which may be beyond the control of the REIT.
4) Same Property NOI – This measure considers Killam's ability to increase its same property NOI, removing the impact of recent acquisitions, dispositions and developments.
5) Occupancy – Management is focused on maximizing occupancy while also managing the impact of higher rental rates. This measure is a percentage based on gross potential residential rent less dollars of lost rent from vacancy, divided by gross potential residential rent.
6) Rental Increases – Management expects to increase average annual rental rates and tracks average annual rate increases.
7) Total Debt as a Percentage of Total Assets – Killam's primary measure of its leverage is total debt as a percentage of total assets. Killam's DOT operating policies stipulate that overall indebtedness is not to exceed 70% of Gross Book Value. Total debt as a percentage of total assets is calculated by dividing total interest-bearing debt by total assets, excluding right-of-use assets.
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:

For the years ended December 31,	2023	2022	Change [1]
Operating Performance			
Property revenue	**$348,150**	$328,847	5.9%
Net operating income	**$224,043**	$206,912	8.3%
Net income	**$266,333**	$122,532	117.4%
FFO [2]	**$139,755**	$132,603	5.4%
FFO per unit – diluted [2]	**$1.15**	$1.11	3.6%
AFFO [2]	**$117,800**	$111,557	5.6%
AFFO per unit – diluted [2]	**$0.97**	$0.93	4.3%
Weighted average number of units outstanding – diluted (000s)	**121,656**	119,678	1.7%
Distributions paid per unit	**$0.70**	$0.70	—%
AFFO payout ratio – diluted [2]	**72%**	75%	(300) bps
Portfolio Performance			
Same property NOI [2]	**$205,942**	$191,089	7.8%
Same property NOI margin	**64.2%**	62.8%	140 bps
Same property apartment occupancy	**98.5%**	98.2%	30 bps
Same property apartment weighted average rental increase [3]	**5.1%**	3.7%	140 bps

As at December 31,	2023	2022	Change [1]
Leverage Ratios and Metrics			
Total debt as a percentage of total assets	**42.9%**	45.3%	(240) bps
Weighted average mortgage interest rate	**3.22%**	2.74%	48 bps
Weighted average years to debt maturity	**3.9**	3.8	0.1 years
Debt to normalized EBITDA [2]	**10.29x**	11.21x	(8.2)%
Debt service coverage [2]	**1.51x**	1.51x	—%
Interest coverage [2]	**3.10x**	3.31x	(6.3)%

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

(2) FFO, AFFO and AFFO payout ratio, and related per unit measures, and 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) Year-over-year, as at December 31.

Summary of 2023 Results and Operations

Strengthened Balance Sheet
During 2023, Killam decreased its debt as a percentage of total assets by 240 bps, down from 45.3% at December 31, 2022, to 42.9% at December 31, 2023. In 2023, Killam's variable rate debt was reduced by $150.4 million, as funds from dispositions, mortgage refinancings, and general operations were used to reduce the balance on Killam's credit facility, and permanent fixed-rate mortgage financings replaced a portion of the variable-rate construction loans. Variable rate debt as a percentage of total debt decreased to 3.0% at the end of 2023, compared to 9.8% as at December 31, 2022.

Generated Net Income of $266.3 million
Killam earned net income of $266.3 million in 2023, compared to $122.5 million in 2022. The increase in net income is due to fair value gains on investment properties of $174.2 million in 2023, compared to fair value write-downs of $19.9 million in 2022. The fair value gains in 2023 reflect robust NOI growth driven by strong apartment fundamentals, partially offset by an expansion in cap-rates. Killam's weighted average cap-rate for its apartment portfolio as at December 31, 2023 was 4.62%, a 14 bps increase from the weighted average cap-rate as at December 31, 2022. Killam's NOI grew by $17.1 million, or 8.3% year-over-year, driven by increased earnings from the existing portfolio and developments completed in 2022.

Delivered FFO per Unit Growth of 3.6% and AFFO per Unit Growth of 4.3%
Killam's FFO per unit was $1.15 in 2023, a 3.6% increase from $1.11 in 2022. AFFO per unit increased 4.3% to $0.97, compared to $0.93 in 2022. The growth in FFO and AFFO was attributable to increased NOI from Killam's same property portfolio and contributions from developments completed in 2022. This growth was partially offset by a 1.7% increase in the weighted average number of Trust Units outstanding, along with higher interest expense and property dispositions.

Achieved Same Property NOI Growth of 7.8%
Killam achieved a 7.8% increase in same property NOI during the year, with a 7.6% increase from the apartment portfolio, a 15.8% increase from the commercial portfolio and a 3.5% increase from the MHC portfolio. Same property revenue growth of 5.5% was driven by higher rental rates across all three business segments, coupled with a 30 bps increase in same property apartment occupancy and reductions in rental incentives.

Total same property operating expenses increased by 1.6%, well below the average rate of inflation of 3.9% in Canada during 2023. This was driven by a 0.4% reduction in property tax expense based on lower regional mill rates in New Brunswick (NB) and one-time property tax subsidies in Prince Edward Island (PEI). Same property general operating expenses were up 2.2% as a result of higher wages and service contract costs, partially offset by lower insurance, advertising, and repairs and maintenance costs. Same property utility and fuel expenses were up 3.0%, mainly driven by higher water expense, and an increase in natural gas costs in Q1-2023. Killam's strong NOI performance resulted in an operating margin improvement of 140 bps for the same property portfolio compared to 2022.

Completed $168.7 million in Property Dispositions, $69.3 million in Acquisitions and $94.1 million in Developments in 2023
During 2023, Killam completed a total of 14 property dispositions for gross proceeds of $168.7 million. Proceeds were used to reduce the amount drawn on Killam's credit facility and to fund on going developments. The sale of these properties aligns with Killam's strategy to optimize value from its portfolio and to increase geographical diversification outside Atlantic Canada (87% of the units sold were located in Atlantic Canada.) During the fourth quarter, Killam fulfilled its commitment to purchase the remaining 90% interest in the second phase of the Nolan Hill development in Calgary adding 234 newly constructed units to the portfolio. Killam continues to advance its development pipeline, investing $39.3 million in 2023 and completing two development projects (Civic 66 and The Governor), which contain a combined total of 181 apartment units. Killam has one development project in-progress, The Carrick, a 139-unit property located in Waterloo, ON, which is expected to be completed in the second half of 2025. Killam continues to advance other projects in its development pipeline. All of these activities combined support Killam's diversification strategy, with the percentage of NOI generated outside of Atlantic Canada totaling 37.4% in 2023, up 160 bps from 35.8% in 2022.

Higher Interest Rates on Refinancings
The maturity dates of Killam's mortgages are staggered to help mitigate interest rate risk. During 2023, Killam refinanced $252.0 million of maturing mortgages with $320.3 million of new debt at a weighted average interest rate of 4.89%, 183 bps higher than the weighted average interest rate of the maturing debt. Overall, Killam's weighted average mortgage interest rate increased 48 bps at the end of 2023 to 3.22%, compared to 2.74% at December 31, 2022. The weighted average term to maturity is 3.9 years.

Progress on ESG Initiatives
Killam continues to reduce its environmental impact and ensure its buildings are sustainable and resilient to climate change. In 2023, Killam invested $8.8 million in energy projects, which include a geothermal heating and cooling system at Civic 66, installation of photovoltaic (PV) solar panels and electric vehicle (EV) chargers at select properties, new boilers and heat pumps, building automation systems, as well as electricity and water conservation projects. To date, Killam has installed 23 PV solar arrays, with an expected 2,395 MWh of annual energy production. PV solar arrays, along with geothermal heating and cooling systems at Killam’s new developments, illustrate Killam’s ongoing commitment to lowering its carbon footprint. Additionally, Killam continues to install Level II EV charging stations across its portfolio, with 401 charging stations operational at 57 buildings.

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

2023 Strategic Targets and Performance

Growth in Same Property NOI	
2023 Target	Achieve same property NOI growth averaging 3.0% to 5.0% (increased to over 7.0% in Q3-2023).
2023 Performance	Target exceeded, Killam achieved 7.8% same property NOI growth in 2023.

Capital Recycling	
2023 Target	Sell a minimum of $100 million of non-core assets.
2023 Performance	Target exceeded, Killam completed 14 dispositions totalling 1,122 units, for a combined sale price of $168.7 million.

Geographic Diversification	
2023 Target	Earn at least 36% of 2023 NOI outside Atlantic Canada.
2023 Performance	Target exceeded, Killam generated 37.4% of 2023 NOI outside Atlantic Canada.

Development of High-Quality Properties	
2023 Target	Complete construction of two development projects and break ground on one additional development in 2023.
2023 Performance	Killam completed two developments in 2023: The Governor, a 12-unit building located in Halifax, NS, and Civic 66, a 169-unit building located in Kitchener, ON. Killam delayed commencing an additional development given high construction costs and rising interest rates during the year.

Strengthened Balance Sheet	
2023 Target	Reduce debt as a percentage of total assets to below 45%.
2023 Performance	Target exceeded, Killam's debt as a percentage of total assets was decreased to 42.9% as at December 31, 2023 (December 31, 2022 – 45.3%).

Sustainability	
2023 Target	Invest a minimum of $8.0 million in energy initiatives in 2023.
2023 Performance	Target exceeded, Killam invested $8.8 million in energy-efficiency initiatives in 2023.

2024 Strategic Targets

Growth in Same Property NOI	
2024 Target	Achieve minimum same property NOI growth of 6.0%.

Capital Recycling	
2024 Target	Sell a minimum of $50 million of non-core assets.

Geographic Diversification	
2024 Target	Earn more than 38% of 2024 NOI outside Atlantic Canada.

Development of High-Quality Properties	
2024 Target	Break ground on two new development in 2024.

Strengthened Balance Sheet	
2024 Target	Maintain debt as a percentage of total assets below 45%.

Sustainability	
2024 Target	Invest a minimum of $6.0 million in energy initiatives in 2024.

Outlook

Strong Top Line Rent Growth with Wide Market-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 these spreads as units turn. Although turnover has decreased over the last five years, Killam's apartment turnover was 19% in 2023, and Management expects turnover to remain above 17% for the year ahead, with rents moving to market as units turn. Market rents are expected to grow, however at a more moderate pace than over the last two years. Even in an environment where 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 43% of Killam's apartment portfolio is not restricted by rent control, while the remainder will benefit from higher approved rent control guidelines in 2024. Nova Scotia's renewal guideline increased to 5.0% for 2024 (and 2025) compared to 2.0% in 2023, British Columbia's renewal cap increased to 3.5% (2.0% in 2023) and PEI's rent increase is 3.0% in 2024 (0% in 2023). Ontario's renewal increase is capped at 2.5% in 2024, consistent with 2023.

Moderating Operating Expenses and Focus on Risk Management
With moderating inflation across the country, Killam anticipates expenses to be generally in line with inflation in 2024. After experiencing sharp increases in natural gas costs over the last two years due to volatility in domestic and international gas markets, Killam benefited from a reduction in natural gas costs in the second half of 2023, and guidance indicates lower prices during the 2024 winter heating season, assuming average winter temperatures. 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.

Potential energy savings are expected to be partially offset by higher property taxes in 2024. Killam experienced property tax savings in 2023 due to lower rates in New Brunswick and a one-year subsidy in Prince Edward Island (PEI), however property tax growth in these provinces is expected to revert to historic norms in 2024. In mid-2023, during its annual insurance renewal, Killam achieved a reduction in insurance premiums in recognition of its enhanced internal risk management practices. Killam remains committed to risk management and is evolving its risk management program to reflect its growth, experience and financial flexibility.

Strong NOI Growth
With both strong rent growth and moderating expenses, Killam expects NOI growth in the near term to be higher than its historic norms. Management's target for the year is to exceed 6.0% NOI growth in 2024. With Q1 being a key quarter for energy costs, an update will be provided following Q1 results in May. 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.

Increased Borrowing Costs on Mortgage Renewals
Killam has $313.8 million of mortgages maturing in 2024, with an average interest rate of 2.90%, and a further $336.9 million maturing in 2025, with an average interest rate of 2.10%. The 2024 maturity schedule is weighted toward the second half of the year. With current interest rates above these levels, Management anticipates higher rates on refinancings. Management has diversified Killam's mortgages to avoid dependence on anyone lending institution and has staggered maturity dates to mitigate interest rate risk. Killam's mortgage maturity schedule is included on page 37. 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%.

Capital Recycling Program to Continue in 2024 and Beyond
Killam's capital recycling program is focused on non-core and slower growth properties, or those which may be more capital or carbon intensive. Killam completed 14 dispositions in 2023, 87% of which were located in Atlantic Canada. 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. The annual disposition program is an important component of Killam capital allocation strategy – strengthening the quality of the portfolio, its earnings potential and Killam's net asset value.

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 ($209.3 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 43, 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, contributing to much needed housing units.

Strategic Capital Investments
Killam has increased its capital spend per unit over the last five years with an increased focus on unit repositionings, energy initiatives and building retrofits. Looking forward, Killam will continue to invest in these initiatives, however the annual spend will vary depending on unit turns and the expected return on repositions compared to market rents. Building retrofit programs are aligned to advance Killam's longer-term net zero objective. Management expects overall capital spend to be lower in 2024 compared to 2023.

Continued Geographic Diversification
Management has been successful 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 Killam's capital recycling program in select regions in Atlantic Canada.

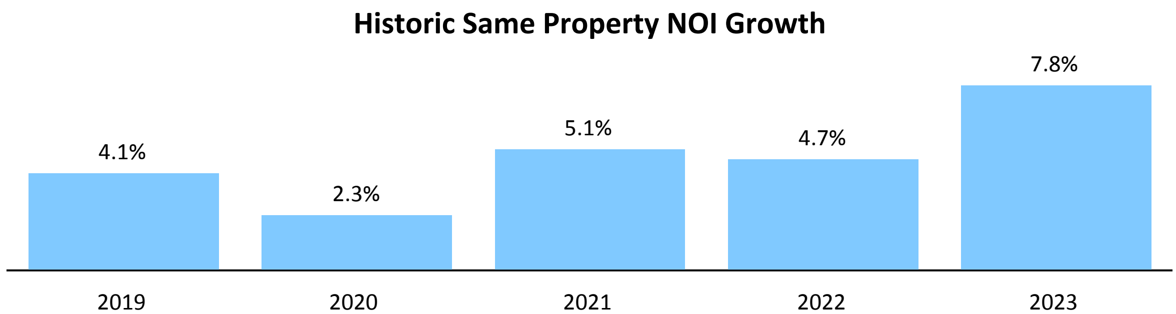
PART III

Business Strategy

Increase Earnings From the Existing Portfolio

Killam increases the value of its portfolio by increasing revenue and managing expenses. To achieve NOI growth, Killam must manage three critical factors: occupancy, rental rates and operating costs. Killam focuses on providing superior employee training and customer service, using technology and analytics to drive leasing and marketing. Completing unit renovations and repositionings to maximize revenue on unit turnover where the economic return supports the capital investment. Operating cost management is focused on energy efficiencies, technology investments, economies of scale, risk management, and staff and tenant education.

Killam has increased same property NOI by an average of 4.0% per annum over the past decade; in the last five years, Killam has averaged 4.8% growth and achieved 7.8% growth in 2023.

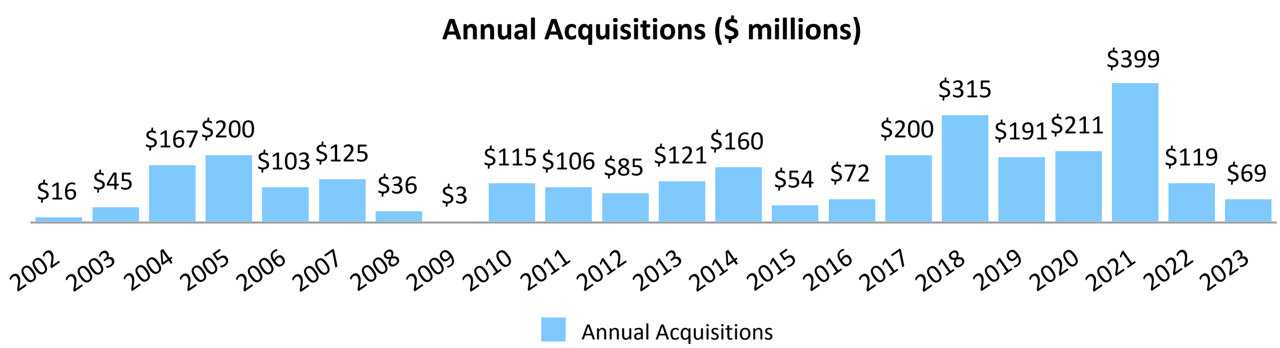


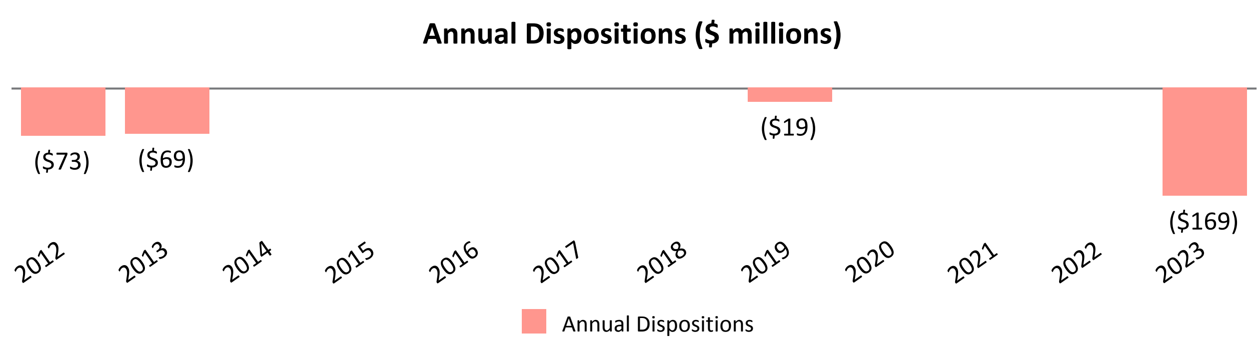
Expand the Portfolio through Acquisitions

Killam owns and operates one of Canada's newest apartment portfolios. Newer properties require less maintenance capital to operate and are generally preferred by tenants. Killam also acquires well-maintained, well-located older properties that offer attractive earnings potential. Killam will continue to expand its portfolio by acquiring well-located assets in Ontario, Alberta and British Columbia, and add to its established portfolio in Atlantic Canada. Acquisition activity varies by year depending on opportunities and access to capital. During 2023, Killam acquired $69.3 million in assets.

Strategic Disposition Program

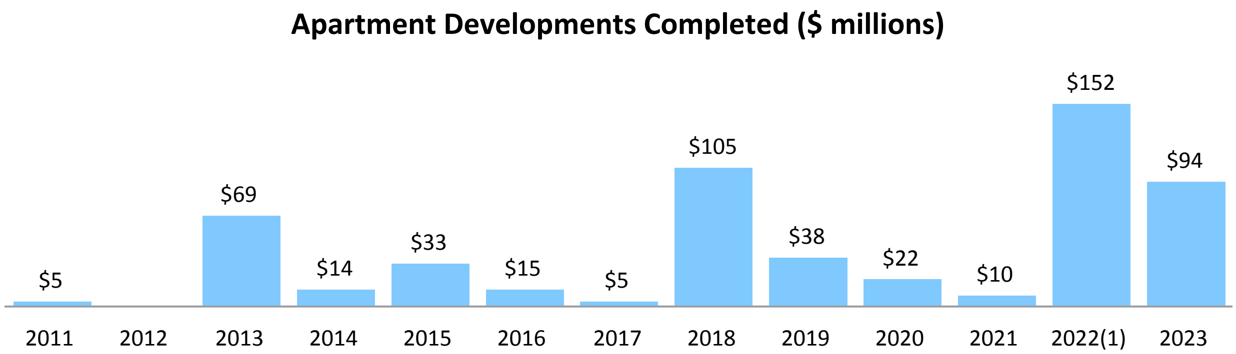
2023 marked the beginning of Killam's annual disposition program. Killam completed $168.7 million of property dispositions in 2023, focused on non-core assets and properties with less long-term growth potential. Management expects to actively recycle a portion of its portfolio on an annual basis going forward.





Develop High-Quality Properties in Core Markets

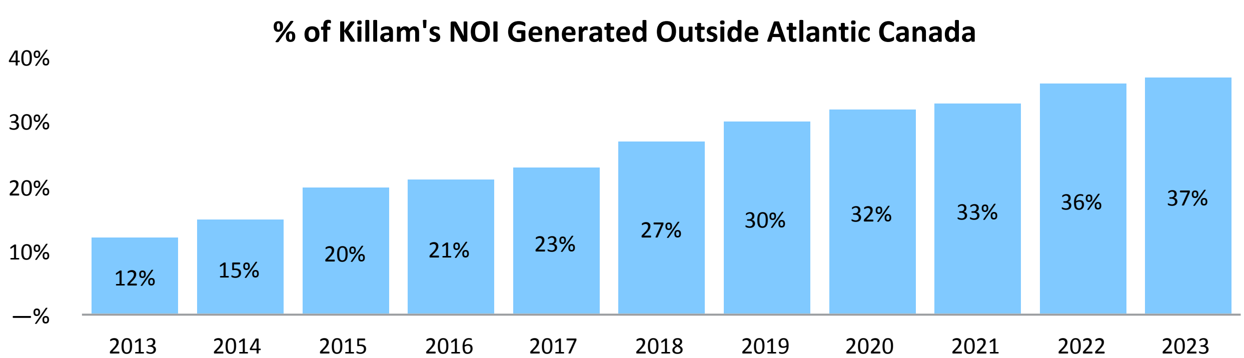
Killam enhances its organic and acquisition growth with development. Killam started developing apartment properties in 2010 and has completed 18 projects to date, investing $561 million to construct 1,987 units (1,685 units, when counting Killam's 50% interest in joint-arrangement developments). Killam has an experienced development team who hold architectural and engineering degrees and oversee all projects. New property construction enables Killam to control the quality and features of its buildings. Killam targets building to yield 50–150 bps higher than market cap-rates on completion, creating value for its unitholders. Killam currently has a development pipeline of approximately 4,200 units.



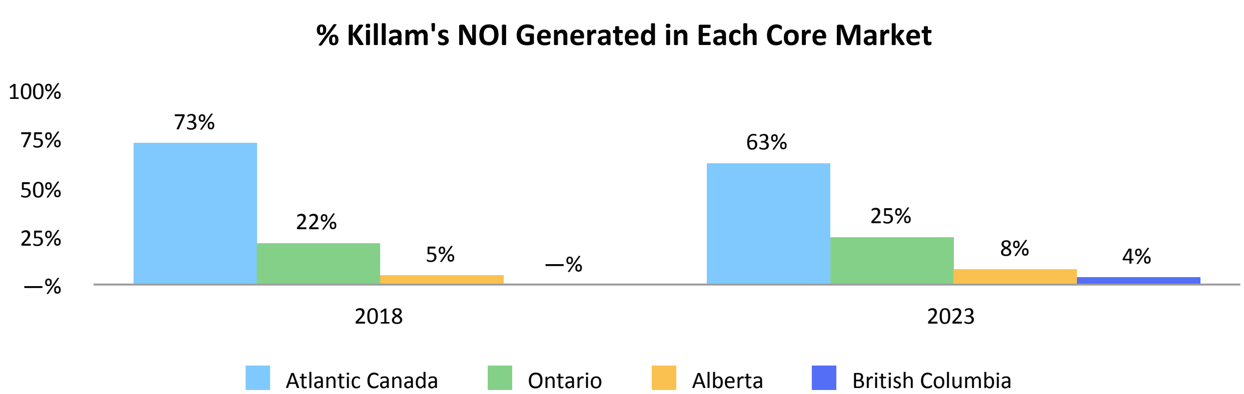
(1) In 2022, there were two completed developments in which Killam has 50% ownership; as such, only Killam's portion of related development costs has been included in this total.

Diversify the Portfolio Geographically Across Canada

Geographic diversification is a priority, and Killam is focused on increasing the amount of its NOI generated outside Atlantic Canada. Killam is targeting expansion in select markets, such as Ottawa, the GTA, Southwestern Ontario, Calgary, Edmonton and Victoria. Killam's strong operating platform can support a larger and more geographically diverse portfolio. Increased investment in Ontario and Western Canada will enhance Killam's diversification and exposure to larger urban centres with high population growth rates. In 2023, 37.4% of Killam's NOI was generated outside Atlantic Canada, 160 bps higher than in 2022. Killam has a longer-term target of achieving a minimum of 50% of its NOI to be generated outside Atlantic Canada.



The following chart summarizes Killam's NOI generated in each of its core markets for 2018 and 2023:



Committed to ESG

Killam's core values of Build Community and Do the Right Thing guide its commitment to ESG programs and initiatives. Killam believes that effective corporate governance is critical to its continued and long-term success and contributes to maximizing unitholder value. The Trustees know that commitment to sound governance practices is in the best interest of Killam stakeholders and contributes to effective and efficient decision-making.

Killam has a long history of investing in its energy-efficiency program, which focuses on reducing its greenhouse gas emissions, gaining operating efficiencies and lowering operating costs. In the past five years, Killam's green projects have included the installation of solar panels, installation of EV chargers, air-sealing of apartment units, installation of low-flow toilets and light-emitting diode (LED) lighting retrofits across the entire apartment portfolio. This is in addition to the installation of solar, EV chargers and geothermal heating systems in new development projects. Killam has a long-term target of investing a minimum of $50.0 million in energy-efficient projects by 2030.

Giving back has always been an important part of being a responsible corporate citizen at Killam. Killam invests in its communities through various programs and initiatives, including partnering with non-profit housing agencies to provide more than 950 apartment units with a long-term affordability commitment throughout its portfolio. The focus on fostering a sense of community is a priority at Killam. Killam has a long-term target to increase the number of units with a long-term affordability commitment in its portfolio by 20% between 2020 and 2025, and to donate a minimum of $3.0 million to its communities by 2030.

Killam is also committed to providing a supportive and inclusive workplace for all employees. Employees are encouraged to develop their full potential and use their unique talents, maximizing the efficiency of Killam's teams. Killam recognizes the enrichment that comes from employee diversity and inclusion, including a strengthened corporate culture, improved employee retention and the benefit of different perspectives and ideas. Killam has a long-term target of maintaining an employee satisfaction score above 80% annually and has achieved this target in 2023.

Killam's ESG Oversight Committee provides guidance and ensures the integration of ESG into Killam's strategic objectives. In addition, Management regularly reports progress against ESG targets to the Board's Governance and ESG Committee.

Corporate Governance Policies

Killam firmly believes that effective corporate governance is essential to ensure the ongoing and long-term success of its organization, while maximizing value for our unitholders. In 2023, Killam enhanced its governance framework through the implementation of new policies, including its Human Rights Policy, Supplier Code of Conduct, and an updated Sustainability Policy.

Killam's Human Rights Policy serves as a formalized declaration of Killam's dedication to upholding human rights in its relationships with all stakeholders, including its employees, residents, and suppliers. Killam's commitment to responsible supply chain management was further strengthened through the development of Killam's Supplier Code of Conduct, which outlines Killam's expectations for suppliers across key areas, including maintaining safe work environments, upholding ethical conduct, and demonstrating environmental responsibility.

Furthermore, in 2023, Killam took steps to refine its Sustainability Policy to encompass the entirety of its ESG commitments, reflecting Killam's holistic approach to environmental, social, and governance responsibilities.

These policies are available on Killam's website at https://killamreit.com/corporate-governance.

Killam's 2023 ESG Progress

Killam made solid progress towards all its ESG targets in 2023. Investing $8.8 million in energy-efficiency projects, including its seventh geothermal heating and cooling system, increasing its total unit count using geothermal technology to 1,190 apartment units. As of December 31, 2023, Killam has 23 PV solar arrays producing power, with an expected 2,395 MWh of annual energy production. This is the equivalent amount of energy to supply approximately 440 apartment units with electricity annually, based on the average consumption per unit in Killam's apartment portfolio. With these initiatives, Killam will benefit from reduced energy consumption and reduced greenhouse gas emissions in the years to come. Additionally, Killam continues to install Level II EV charging stations across its portfolio, with 401 charging stations operational at 57 buildings.

Killam continues to pursue building and healthy-living certifications for its apartment units, and in 2023 it earned certifications for 14 additional properties through the Certified Building Program, representing 2,870 additional units. Killam began piloting building program certifications in 2021 and has earned a total of 5,390 apartment unit certifications to date, representing 28% of its apartment portfolio. Ensuring its buildings have the best operating and healthy living standards for Killam's residents is inherent in these certification practices, and Killam has recognized many benefits from implementing these certifications.

Killam recognizes that housing affordability is a challenge in Canada and is committed to doing its part. Killam supports affordable housing with more than 950 apartment units with a long-term affordability commitment in its apartment portfolio and maintains average rent in each market well below the 30% threshold of median household income for that specific market, which is the affordability threshold used by CMHC. Killam is pleased to report that it once again achieved a strong 87% resident satisfaction score for 2023 in a survey performed by Narrative Research, a third-party survey provider.

As well, Killam successfully completed its fifth annual global real estate sustainability benchmark (GRESB) submission, earning a green, three-star designation for its 2023 real estate assessment. Killam also earned a GRESB Public Disclosure survey rating of "A," outperforming its GRESB-determined comparison group and global ratings.

Killam is committed to its climate change journey, reporting under the Task Force on Climate-Related Financial Disclosure framework and with a commitment to increasing its climate change initiatives and disclosure in the coming years.

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

Portfolio Summary

The following table summarizes Killam's apartment, MHC and commercial portfolios by market as at December 31, 2023:

Apartment Portfolio				
	Units (1)	Number of Properties	NOI ($) (2)	NOI (2) (% of Total)
Nova Scotia				
Halifax	5,681	67	$62,429	27.9%
Ontario				
KWC-GTA	2,010	14	$24,419	10.9%
Ottawa	1,447	9	$14,353	6.4%
London	523	5	$6,346	2.8%
	3,980	28	$45,118	20.1%
New Brunswick				
Moncton	2,246	39	$20,826	9.3%
Fredericton	1,529	23	$15,201	6.8%
Saint John	997	13	$8,517	3.8%
	4,772	75	$44,544	19.9%
Alberta				
Calgary	998	5	$8,740	3.9%
Edmonton	882	6	$10,292	4.6%
	1,880	11	$19,032	8.5%
Newfoundland and Labrador				
St. John's	958	13	$8,608	3.8%
Grand Falls	148	2	$917	0.4%
	1,106	15	$9,525	4.2%
Prince Edward Island				
Charlottetown	814	17	$8,848	3.9%
Summerside	86	2	$606	0.3%
	900	19	$9,454	4.2%
British Columbia				
Victoria	516	5	$8,175	3.7%
Total Apartments	**18,835**	**220**	**$198,277**	**88.5%**
Manufactured Home Community Portfolio				
	Sites	**Number of Communities**	**NOI ($) (2)**	**NOI (2) (% of Total)**
Nova Scotia	2,850	18	$5,361	2.4%
Ontario	2,284	17	$6,373	2.8%
New Brunswick (3)	671	3	$792	0.4%
Newfoundland and Labrador	170	2	$413	0.2%
Total MHCs	**5,975**	**40**	**$12,939**	**5.8%**
Commercial Portfolio (4)				
	Square Footage (5)	**Number of Properties**	**NOI ($) (2)**	**NOI (2) (% of Total)**
Prince Edward Island (5)	410,689	1	$3,673	1.6%
Ontario	311,106	2	$5,143	2.3%
Nova Scotia (6)	218,829	5	$3,477	1.6%
New Brunswick	33,215	1	$534	0.2%
Total Commercial	**973,839**	**9**	**$12,827**	**5.7%**
Total Portfolio		**269**	**$224,043**	**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 certain apartment properties in Ontario, representing a proportionate ownership of 672 units of the 1,343 units in these co-owned properties. Killam manages the operations of all the co-owned apartment properties.
(2) For the year ended December 31, 2023.
(3) Killam's New Brunswick and Ontario MHC communities include seasonal operations, which typically commence in mid-May and run through the end of October.
(4) Killam also 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)

Unique Portfolio Features

Diversified Exposure to Rent Control
Approximately 43% of Killam's portfolio is not under rent control restrictions, which provides Killam the opportunity to move rents to market rates in these regions. There is no rent control in New Brunswick, Newfoundland and Labrador, and Alberta. Killam is also not restricted on rental increases for its commercial or seasonal resort properties.

Nova Scotia
Killam's Nova Scotia portfolio accounts for 31.5% of apartment NOI. In November 2020, the province announced a temporary rent restriction measure, limiting rental increases on apartment lease renewals to 2.0% until the end of 2023 and 5.0% in 2024 and 2025. The temporary rent restriction does not apply to turnovers. Nova Scotia also has rent control for MHCs, limiting increases to 2.2% until the end of 2023 and 5.8% in 2024. Rent control on MHCs does not apply to site turnovers.

Ontario
Killam's Ontario portfolio, accounting for 22.8% of apartment NOI, is subject to rent control. Rental rate increases are capped at 2.5% for 2024. However, property owners can move rents to market on a unit-by-unit basis as they become vacant. Rent control also does not apply to new construction in Ontario completed after November 25, 2018. Of Killam's 3,980 apartment units in Ontario, 903 units (23%) were built after 2018 and therefore do not have rent control restrictions. Ontario also has rent control for MHCs.

Prince Edward Island
Prince Edward Island, representing 4.8% of Killam's apartment NOI, is subject to rent control at the unit level. The allowable increase for 2024 is 3.0%, compared to 0.0% in 2023.

British Columbia
British Columbia, making up 4.1% of Killam's apartment NOI, also has rent control in place. Rental rate increases were capped at 2.0% in 2023 and are capped at 3.5% in 2024.

In all of the regions impacted by permanent rent control, owners may apply for above-guideline increases to offset significant capital expenditures. Killam analyzes each property on a regular basis, considering its location, tenant base and vacancy, to evaluate the ability to optimize rents on renewals and on turns.

The table below summarizes apartment rent control restrictions in place from 2018 to 2024:

Province	2018	2019	2020	2021	2022	2023	2024
Nova Scotia	N/A	N/A	2.0%	2.0%	2.0%	2.0%	5.0%
Ontario	1.8%	1.8%	2.2%	—%	1.2%	2.5%	2.5%
New Brunswick	N/A	N/A	N/A	N/A	3.8%	N/A	N/A
Prince Edward Island	1.8%	2.0%	1.3%	1.0%	1.0%	0.0%	3.0%
British Columbia	4.0%	2.5%	2.6%	—%	1.5%	2.0%	3.5%

CMHC-insured Debt Available for Killam's Apartment Portfolio
Apartment owners are eligible for CMHC mortgage loan insurance. These policies eliminate default risk for lenders, resulting in lower interest rates than those available for conventional mortgages. Approximately 79% of Killam's apartment debt is currently CMHC-insured. As mortgages are renewed and new properties are financed, Killam expects to increase the percentage of apartment mortgages with CMHC-insured debt. CMHC insurance is not available for commercial properties or the owners of MHCs; however, CMHC financing is available to manufactured home owners, increasing the affordability of these manufactured homes.

A Focus on Affordable Housing
Killam supports affordable housing with more than 950 apartment units with a long-term affordability commitment through community and government partnerships, representing approximately 5% of its apartment portfolio. In addition, Killam's average rent in each market is well below the 30% threshold of median household income for that specific market, which is the affordability threshold used by CMHC. Killam's MHC portfolio also provides an affordable living alternative for a single-family home, with the average monthly land rent being $298 per site.

Providing High-quality Customer Service
Annually, Management engages an independent market research firm to measure tenants' satisfaction through an online survey (4,176 respondents in 2023). Killam's 2023 survey results support its focus on service, with tenants giving Killam an impressive 87% overall satisfaction rating. Killam takes pride in offering tenants well-maintained properties, responding to service requests in a timely manner and providing an attractive housing value proposition. In-house educational programs and adoption of new technology enhance employees' skills to better provide exemplary service to current and prospective tenants.

Geographic Diversification
Killam is focused on increasing its geographic diversification through the acquisition and development of properties in its core markets in Ontario, Alberta and British Columbia. Killam's Ontario apartment portfolio consists of 3,980 apartment units, up from 225 units in 2010 when Killam first entered the market. This includes properties in Ottawa, Toronto, London, Guelph and Kitchener-Waterloo-Cambridge-GTA.

During 2023, Killam added 169 units to its Ontario portfolio through the completion of the Civic 66 development in Kitchener. Killam also owns a portfolio of 1,880 units in Calgary and Edmonton, which increased by 234 units in 2023 through the acquisition of the remaining 90% interest in the Nolan Hill Phase II development in Calgary. In January 2020, Killam acquired its first apartment property in Greater Victoria and now owns 516 units in BC. In addition to apartments, 38% of Killam's MHC sites and 32% of Killam's commercial square footage is located in Ontario.

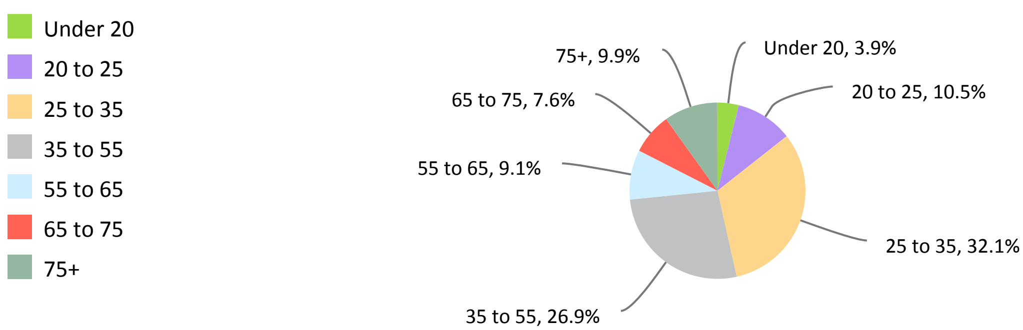
Mark-to-Market Rent Opportunity

Management estimates market rental rates are approximately 25%–30% higher than Killam's total apartment weighted average rent. The differential between market and in-place rents reflects Killam's relative affordability within its markets, as well as opportunities for rental increases when turnover arises.

Diverse Tenant Demographics Contribute to Stable Occupancy

Killam's tenant base includes a diverse mix of tenants, including young professionals, seniors, empty nesters, families, and students. The diversity of Killam's tenant base is expected to contribute to continued stable occupancy. The following chart illustrates Killam's 2023 tenant demographic by age.

2023 Tenant Demographic by Age



Core Market Update

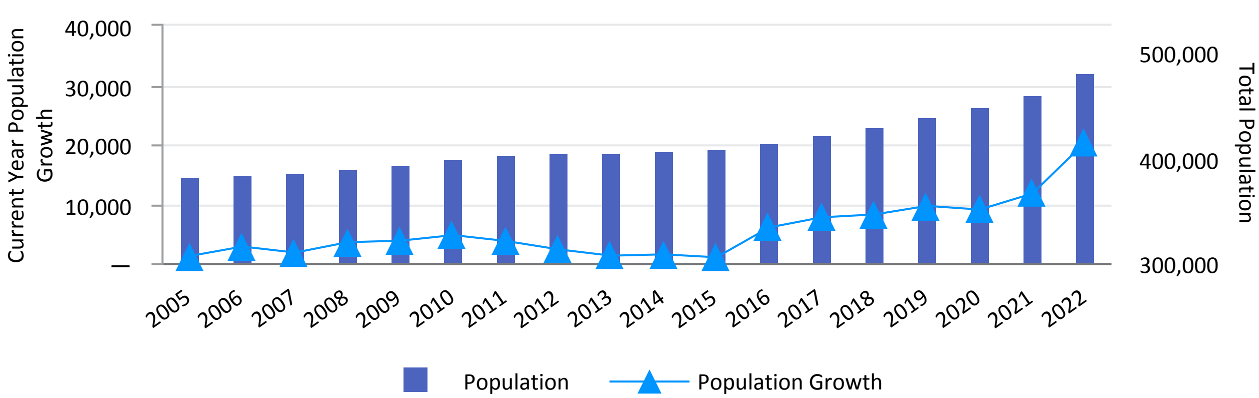
Halifax

Twenty-eight percent of Killam's NOI was generated by its Halifax apartment portfolio for the year ended December 31, 2023. Halifax is the largest city in Atlantic Canada and is home to 19% of Atlantic Canadians. Halifax's diverse economy generates 56% of Nova Scotia's GDP and houses 47% of the province's population. With six degree-granting universities and three large college campuses, Halifax has approximately 37,000 full-time students, including 7,350 international students. Halifax's employment base is diversified, with the largest sectors focused on public service, health care, education, retail and wholesale trade. Halifax is home to the largest Canadian Forces Base by number of personnel, and the Department of National Defence is the city's single largest employer. There is also tremendous opportunity to leverage science and technology in Canada's ocean sectors, furthering the knowledge-based ocean economy.

According to Canadian Mortgage Housing Corporation's (CMHC) 2023 *Rental Market Report*, the city's rental market totals 58,270 units, with an additional 7,770 rental units currently under construction. Halifax's vacancy rate remained at a record low of 1.0% in 2023, marking the third straight year in which the vacancy rate has been 1%, and it has been under 2% since 2017. This low vacancy is attributable to the city's rising population, specifically in the city's downtown core. CMHC reported that the average monthly rent increased 11.9% in 2023, the highest single-year increase and four times above the average historical growth rate.

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

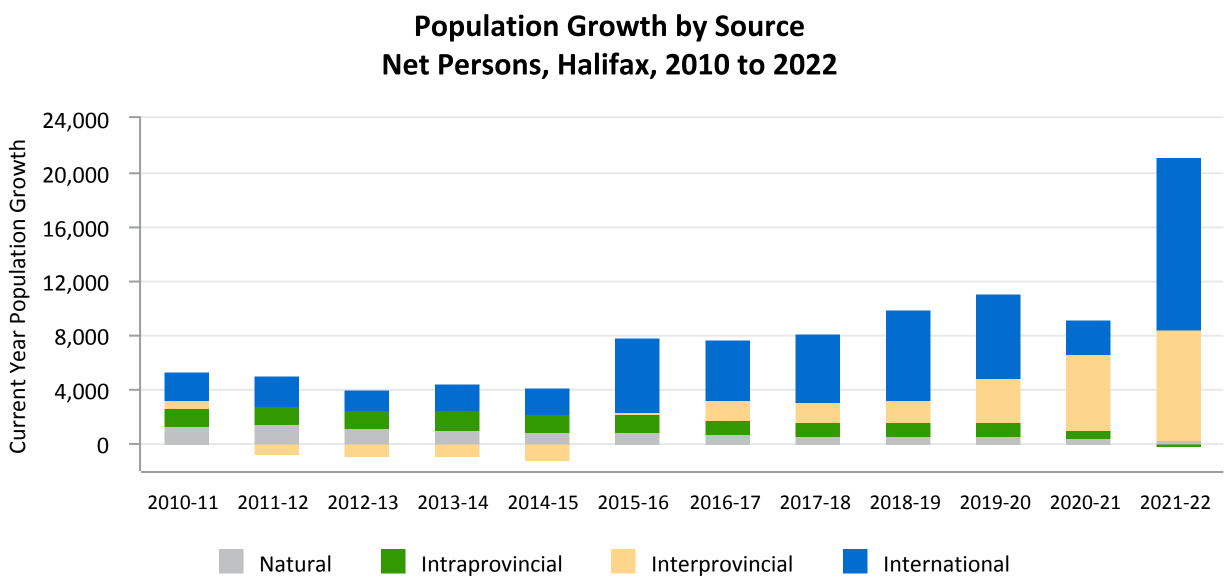
Population Growth, Halifax Annually from July 1 – June 30



Source: Statistics Canada

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

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



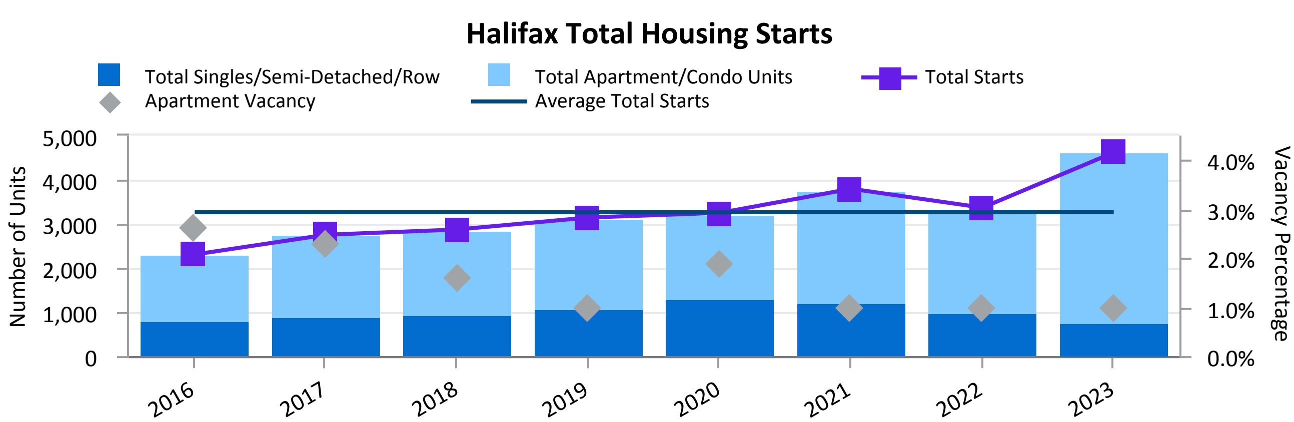
Source: Statistics Canada

For the year ended December 31, 2023, Statistics Canada estimated total net population growth in Nova Scotia exceeded 30,000, and the total population is now estimated to total 1,066,400.

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

RBC's December 2023 Provincial Outlook report details that Nova Scotia's expanding population, strong demographic trends and low household debt have helped maintain spending and investment in the province and kept employment growth positive. Like most other provinces, high interest rates have hindered building efforts across Nova Scotia; however, sustained demand and government investment in new housing supply initiatives have helped support new housing construction in 2023. Additionally, RBC notes that construction of EverWind’s $1 billion wind farm project is set to commence in the Q3-2024, supporting non-residential construction investment and creating new export markets for Nova Scotia’s hydrogen. High inflation and increased interest rates have contributed to more modest economic growth, down from a 2.6% GDP growth rate in 2022 to 0.8% in 2023. RBC forecasts GDP growth to steadily rise to 1.2% in 2024.

The following chart summarizes Halifax's housing start activity from 2016 to 2023:



Source: CMHC

Ontario
Killam's Ontario apartment portfolio generated 20.1% of its NOI for the year ended December 31, 2023. RBC's December 2023 *Provincial Outlook* notes that high interest rates and a higher cost of living in Ontario have resulted in less consumer spending and economic tightening in the province. With higher borrowing costs, residential investment in the province has declined; however, record capital investment in electrical vehicles, battery production and transportation infrastructure is expected to partially offset this. Investment in Ontario's auto sector is likely to generate substantial economic activity in 2024, which includes a $5 billion Stellantis battery plant, as well as Volkswagen's new $7 billion battery cell manufacturing plant. RBC forecasts Ontario's GDP grew by 1.1% in 2023 compared to 3.6% in 2022, but expects GDP to slow to 0.2% in 2024. In 2023, Ontario led the country in population growth, welcoming over 517,000 newcomers, up 3.4%, as reported by Statistics Canada. According to CMHC's 2023 *Rental Market Report*, Ontario's vacancy was 1.7% in 2023, compared to 1.8% in 2022, while average rent increased by 8.5%.

New Brunswick
Twenty percent of Killam's NOI was generated by apartments in New Brunswick's three major urban centres – Fredericton, Moncton and Saint John – for the year ended December 31, 2023. Fredericton is the provincial capital and home to the province's largest university and a significant public-sector workforce. Moncton is the province's largest city and is a transportation and distribution hub for Atlantic Canada. Given the relatively affordable cost of living, New Brunswick has become a destination for both Canadians and newcomers, and the province has seen an increase in net migration from other provinces in the past few years. New Brunswick's population grew by 3.1% for the year ended December 31, 2023, as measured by Statistics Canada. Additionally, vacancy has decreased in the region, down 40 bps to 1.5% in 2023, compared to 1.9% in 2022, as reported by CMHC. According to RBC's December 2023 *Provincial Outlook* report, New Brunswick's booming population and relatively low household debt have supported solid gains in employment and consumer spending. The influx of newcomers has been especially positive for the province's labour market. However, high interest rates and a softening global economy have resulted in a slowdown of domestic exports, resulting in GDP growth of 1.1% in 2023, down from 1.8% in 2022. RBC forecasts a further decline to 0.9% in 2024.

Alberta
Eight percent of Killam's NOI was earned in Alberta for the year ended December 31, 2023. According to RBC's December 2023 *Provincial Outlook* report, Alberta ranked first among the provinces in 2023 in terms of GDP growth, forecasted at 2.2%, compared to 5.1% in 2022. This growth is driven by the massive upswing in global energy markets, coupled with investment in the manufacturing and real estate sectors, supported by the region's increasing population. Statistics Canada reported that Alberta's population has grown by 4.3% for the year ended December 31, 2023, the highest growth rate of all provinces. This has led to decreased vacancy in Alberta, which is down 160 bps to 2.1% in 2023, compared to 3.7% in 2022, as reported by CMHC. Alberta's relative affordability advantage and impressive growth streak continue to entice a record number of new migrants, keeping upward pressure on aggregate spending, investment, and employment growth. The expected completion of the region's Trans Mountain Pipeline expansion in the second half of 2024 will increase the transportation capacity for crude oil and will open up new export avenues in the coming year. However, RBC notes that high interest rates and elevated inflation have weighed down household and business spending in 2023, and forecasts GDP growth to slightly decrease to 2.1% in 2024.

Newfoundland and Labrador
Four percent of Killam's NOI was generated by apartments in St. John's, Newfoundland and Labrador, for the year ended December 31, 2023. RBC's December 2023 *Provincial Outlook* report notes that the province's key oil industry declined over the first half of 2023, resulting in a 2.0% GDP decline in 2023, compared to a 1.7% decline in 2022. RBC notes that prospects for a resurgence of the Terra Nova offshore oil platform and a more favourable mining outlook are expected in the year ahead, with all four offshore oilfields back in operation in November 2023. This, coupled with strength in the natural resources sector, is expected to drive growth in 2024, contributing to an expected 2.0% growth rate. Following five consecutive years of decline in population, 2023 and 2022 saw record immigration and the resumption of positive net interprovincial migration flows for Newfoundland and Labrador, boosting population growth to a 12-year high at 1.3% for both years, as measured by Statistics Canada. Improved demographics will further sustain stronger demand for goods and services as well as housing in the region.

Prince Edward Island
Four percent of Killam's NOI was generated by apartments in Prince Edward Island for the year ended December 31, 2023. According to RBC's December 2023 *Provincial Outlook* report, low levels of household debt coupled with a booming population have sustained consumer spending and employment in the province, with retail sales up 7.1% year-over-year, three times the national average of 2.2%. RBC forecasts consumer spending to strengthen further in the year ahead, with interest rates expected to come down in the second half of 2024. However, high interest rates and labour shortages have hindered the construction and housing sectors, with residential housing starts down 15% in 2023. RBC notes that more than 60% of construction businesses have cited labour-related obstacles as a leading concern over the next three months. As more workers age into retirement, a tight labour market is expected to continue in the province. Statistics Canada estimates population in the province increased 4.0% in 2023, the second highest of all provinces. RBC forecasts that GDP growth slowed to 1.7% in 2023, compared to 2.9% in 2022, and expects this to tick back up to 2.1% in 2024.

British Columbia
Killam earned 3.7% of its NOI in the British Columbia market for the year ended December 31, 2023. RBC's December 2023 *Provincial Outlook* reported that forest fires coupled with labour strikes in the region have impacted economic growth, with GDP growth forecasted at 0.5% in 2023, compared to 3.8% in 2022. This decrease is further attributed to higher interest rates, inflation and decreasing household spending in the region. RBC notes that British Columbians carry the heaviest debt loads in Canada, making them especially sensitive to interest rate increases. These pressures are expected to continue into 2024, with GDP growth forecasted at 0.3%. However, record immigration is expected to boost residential capital investment, as builders, developers and policymakers address long-standing supply issues. Statistics Canada estimates that British Columbia's population grew by 3.3% for the year ended December 31, 2023, helping sustain demand for goods and services. CMHC reported that vacancy has remained low in the region, down 10 bps to 1.2% in 2023, compared to 1.3% in 2022.

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

PART IV

2023 Operational and Financial Results

Consolidated Results

For the years ended December 31,

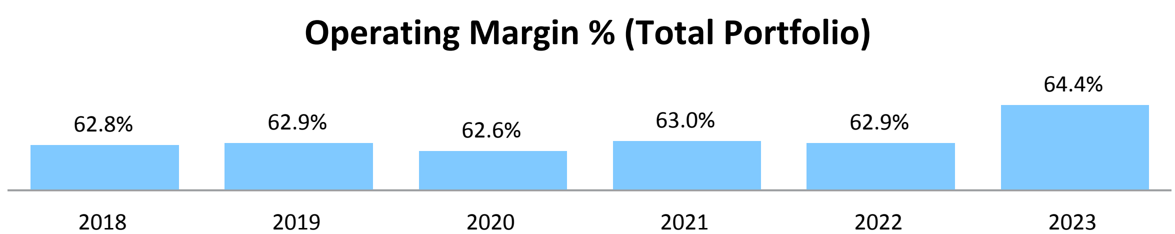
	Total Portfolio			Same Property (1)		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$348,150**	$328,847	5.9%	**$320,923**	$304,285	5.5%
Property operating expenses						
General operating expenses	**54,070**	52,308	3.4%	**50,035**	48,958	2.2%
Utility and fuel expenses	**30,807**	30,106	2.3%	**28,546**	27,706	3.0%
Property taxes	**39,230**	39,521	(0.7)%	**36,400**	36,532	(0.4)%
Total operating expenses	**$124,107**	$121,935	1.8%	**$114,981**	$113,196	1.6%
NOI	**$224,043**	$206,912	8.3%	**$205,942**	$191,089	7.8%
Operating margin %	**64.4%**	62.9%	150 bps	**64.2%**	62.8%	140 bps

(1) Same property results exclude acquisitions, dispositions and developments completed during the comparable 2023 and 2022 periods, which are classified as non-same property. For the year ended December 31, 2023, NOI contributions from acquisitions and developments completed in 2023 and 2022 were $11.5 million. For the year ended December 31, 2022, NOI contributions from acquisitions and developments completed in 2022 were $5.6 million.

Killam achieved strong overall portfolio performance for the year ended December 31, 2023. Revenues increased by 5.9%, due to strong same property performance along with contributions from acquisitions and developments, while total operating expenses grew by 1.8%. Overall, NOI grew by 8.3% for the year. Same property results include properties owned during comparable 2023 and 2022 periods. Same property results represent 90.0% of the fair value of Killam's investment property portfolio as at December 31, 2023. Non-same property results include acquisitions, dispositions and developments completed in 2022 and 2023 and commercial assets acquired for future residential development.

Same property revenue grew by 5.5% for the year ended December 31, 2023, compared to the same period in 2022. This growth was driven by strong rental rate growth, increases in both seasonal MHCs and commercial revenues, and a 30 bps increase in apartment occupancy. Total same property operating expenses increased 1.6% for the year ended December 31, 2023, well below the average rate of inflation of 3.9% in Canada during 2023. This expense growth was driven by a 3.0% increase in utility and fuel expenses, coupled with a 2.2% increase in general operating expenses. These increases were offset by a modest 0.4% decrease in property taxes, which was the result of a decrease in property tax mill rates in New Brunswick and property tax subsidies in PEI.

Overall, same property NOI grew by 7.8% for the year ended December 31, 2023, and Killam's same property operating margin increased by 140 bps to 64.2%.



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

Apartment Results

For the years ended December 31,

	Total Portfolio			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$306,535**	$289,790	5.8%	**$280,085**	$265,982	5.3%
Property operating expenses						
General operating expenses	**46,206**	44,452	3.9%	**41,822**	40,991	2.0%
Utility and fuel expenses	**27,335**	26,766	2.1%	**25,199**	24,427	3.2%
Property taxes	**34,717**	35,147	(1.2)%	**31,986**	32,243	(0.8)%
Total operating expenses	**$108,258**	$106,365	1.8%	**$99,007**	$97,661	1.4%
NOI	**$198,277**	$183,425	8.1%	**$181,078**	$168,321	7.6%
Operating margin %	**64.7%**	63.3%	140 bps	**64.7%**	63.3%	140 bps

Apartment Revenue

Total apartment revenue for the year ended December 31, 2023, was $306.5 million, an increase of 5.8% over the same period in 2022. Revenue growth was augmented by contributions from properties acquired and developed over the past two years, coupled with high occupancy and accelerating rent growth on turns given strong demand.

Same property apartment revenue grew 5.3% for the year ended December 31, 2023, driven by a 5.1% increase in year-over-year average rent, coupled with a 30 bps increase in occupancy. The operating margin on Killam's same property apartment portfolio for the year ended December 31, 2023, grew by 140 bps to 64.7%.

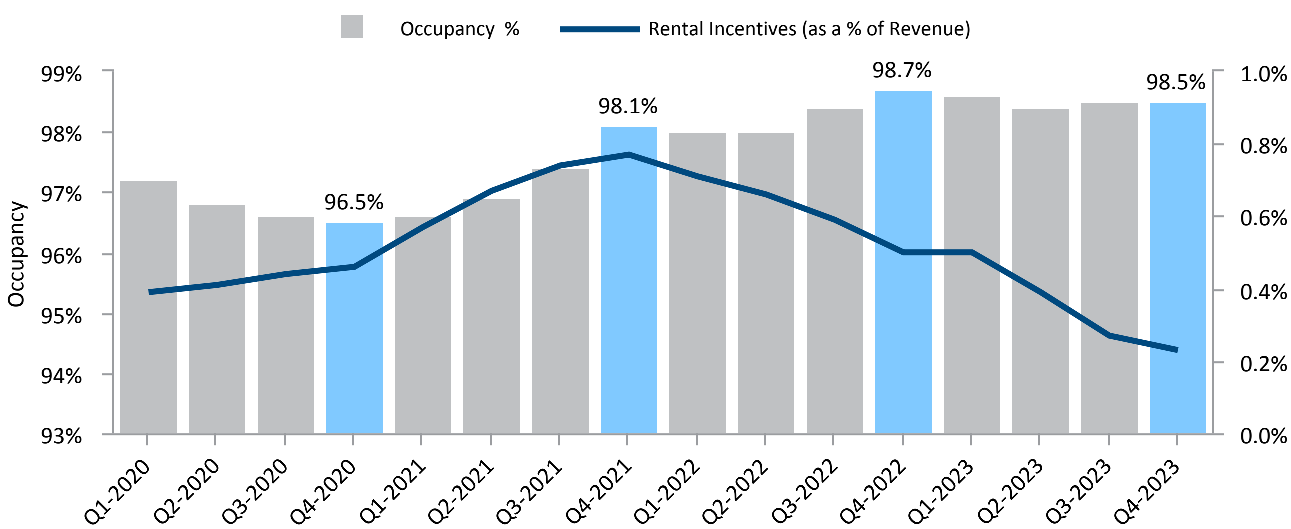
Dollar amounts in thousands of Canadian dollars (except as noted)

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

		Total Occupancy			Same Property Occupancy		
For the years ended December 31,	# of Units	**2023**	2022	Change (bps)	**2023**	2022	Change (bps)
Nova Scotia							
Halifax	5,681	**98.5%**	99.0%	(50)	**99.0%**	99.0%	—
Ontario							
KWC-GTA (2)	2,010	**92.0%**	97.0%	(500)	**98.4%**	98.9%	(50)
Ottawa (3)	1,447	**95.6%**	86.5%	910	**96.8%**	96.2%	60
London	523	**98.6%**	98.7%	(10)	**98.6%**	98.7%	(10)
New Brunswick							
Moncton	2,246	**99.0%**	98.8%	20	**98.9%**	98.7%	20
Fredericton	1,529	**98.3%**	97.6%	70	**98.3%**	97.6%	70
Saint John	997	**98.1%**	98.1%	—	**97.9%**	98.0%	(10)
Alberta							
Calgary	998	**98.7%**	97.1%	160	**98.7%**	97.1%	160
Edmonton	882	**97.5%**	96.1%	140	**97.5%**	96.1%	140
Newfoundland and Labrador							
St. John's	1,106	**98.1%**	95.4%	270	**98.1%**	95.7%	240
Prince Edward Island							
Charlottetown	900	**99.4%**	99.4%	—	**99.3%**	99.2%	10
British Columbia							
Victoria	516	**97.1%**	98.4%	(130)	**97.1%**	98.3%	(120)
Total Apartments (weighted average)	**18,835**	**97.4%**	97.3%	10	**98.5%**	98.2%	30

(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 2023 occupancy for KWC-GTA was impacted by Civic 66, a recently completed 169-unit development property undergoing initial lease-up.
(3) Total 2022 occupancy for Ottawa was impacted by Latitude and Luma, recently completed development projects undergoing initial lease-up.

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



Killam continued to see a decrease in rental incentives as a percentage of total revenue in 2023. Rental incentives decreased in nearly all Killam's regions year-over-year, with an overall decrease of 43%. The majority of the incentives in 2023 were in Alberta, making up 70% of the total same property rental incentives. The offering of rental incentives in this region continues to decrease as occupancy grows, with Alberta incentives declining 42% compared to 2022. Killam expects this trend to continue in 2024.

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

Year-Over-Year Average Rent Analysis by Core Market

As at December 31,

		Average Rent			Same Property Average Rent		
	# of Units	**2023**	2022	% Change	**2023**	2022	% Change
Nova Scotia							
Halifax	5,681	**$1,356**	$1,282	5.8%	**$1,341**	$1,283	4.5%
Ontario							
KWC-GTA	2,010	**$1,674**	$1,524	9.8%	**$1,568**	$1,483	5.7%
Ottawa	1,447	**$2,135**	$1,909	11.8%	**$2,119**	$2,027	4.5%
London	523	**$1,538**	$1,443	6.6%	**$1,538**	$1,443	6.6%
New Brunswick							
Moncton	2,246	**$1,198**	$1,121	6.9%	**$1,198**	$1,131	5.9%
Fredericton	1,529	**$1,274**	$1,188	7.2%	**$1,274**	$1,188	7.2%
Saint John	997	**$1,097**	$973	12.7%	**$1,097**	$1,012	8.4%
Alberta							
Calgary (1)	998	**$1,401**	$1,299	7.9%	**$1,401**	$1,299	7.9%
Edmonton (2)	882	**$1,555**	$1,506	3.3%	**$1,555**	$1,506	3.3%
Newfoundland and Labrador							
St. John's	1,106	**$1,037**	$1,006	3.1%	**$1,037**	$1,006	3.1%
Prince Edward Island							
Charlottetown	900	**$1,140**	$1,116	2.2%	**$1,142**	$1,142	—%
British Columbia							
Victoria	516	**$1,832**	$1,722	6.4%	**$1,973**	$1,858	6.2%
Total Apartments (weighted average)	**18,835**	**$1,384**	$1,289	7.4%	**$1,352**	$1,286	5.1%

(1) Including the reduction in rental incentives, year-over-year same property average rent increased 10.1% in Calgary as at December 31, 2023.
(2) Including the reduction in rental incentives, year-over-year same property average rent increased 6.4% in Edmonton as at December 31, 2023.

Same Property Rental Increases – Tenant Renewals Versus Unit Turns

The rental increases in the table below reflect rental increases achieved on units renewed or turned (released) for the year ended December 31, 2023, whereas rental increases in the previous section reflect the year-over-year change in average rent by region as at December 31, 2023, compared to December 31, 2022.

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.

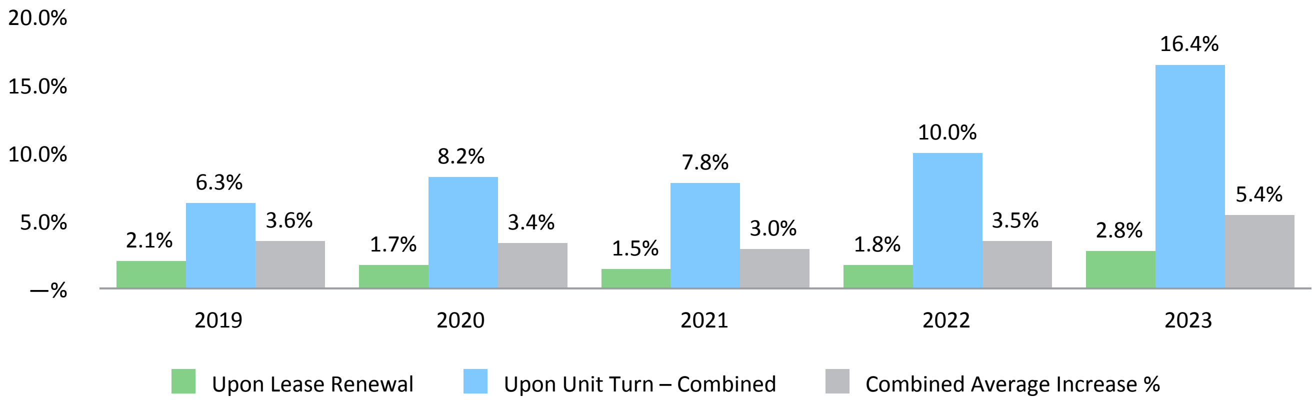
Killam saw a 190 bps increase in its same property weighted average rental rates year-over-year, up from 3.5% in 2022 to 5.4% in 2023. This increase was primarily due to strong market fundamentals continuing to drive higher rental increases on unit turns, which were up from 10.0% in 2022 to 16.4% in 2023. This increase was coupled with higher rental increases on renewals, up 100 bps from 1.8% to 2.8%. The chart below summarizes the rental increases earned during the years ended December 31, 2023 and 2022.

For the years ended December 31,	**2023**		2022	
	Rental Increases	Turnovers & Renewals (1)	Rental Increases	Turnovers & Renewals (1)
Lease renewal	**2.8%**	**81.4%**	1.8%	78.2%
Unit turn	**16.4%**	**18.6%**	10.0%	21.8%
Rental increase (weighted average)	**5.4%**		3.5%	

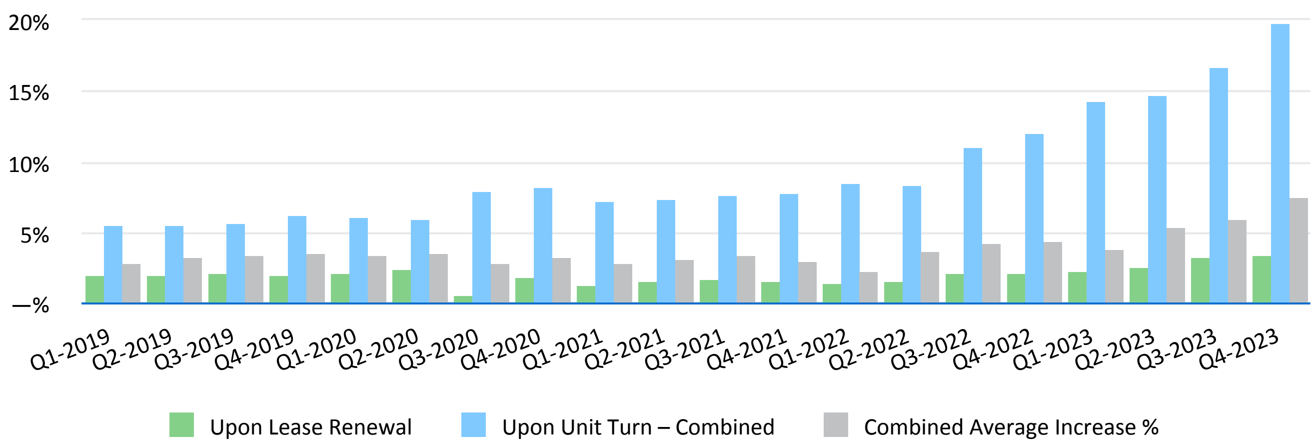
(1) Percentage of suites turned over or renewed during the periods, based on the total weighted average number of units held during the periods, adjusted for Killam's 50% ownership in jointly held properties.

The following charts illustrate Killam's same property rental rate growth over the past five years.

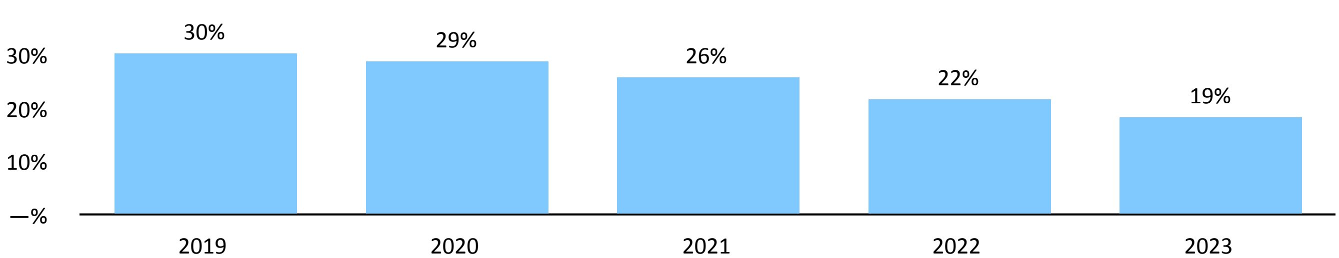
Apartments – Historical Annual Same Property Rental Rate Growth



Apartments – Historical Quarterly Same Property Rental Rate Growth



Percentage of Units Turned Annually



Apartment Expenses

Total operating expenses for the year ended December 31, 2023, were $108.3 million, a 1.8% increase over the same period in 2022. The increase was primarily due to incremental costs associated with recent acquisitions and developments, coupled with inflationary pressures and increased natural gas pricing in the first quarter.

Total apartment same property operating expenses for the year ended December 31, 2023, were 1.4% higher compared to 2022. This includes a 3.2% increase in utility and fuel expenses, driven primarily by higher water and natural gas costs. Natural gas commodity pricing increased in the first quarter but decreased across the majority of Killam's regions during the remainder of 2023. Offsetting this increase was a modest decrease in same property tax expenses, down 0.8% year-over-year.

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

Property Operating Expenses
Property operating expenses for the apartment portfolio include repairs and maintenance, contract services, insurance, property management and property management wages and benefits, uncollectible accounts, marketing, advertising and leasing costs. The increase in same property general operating costs of 2.0% for the year ended December 31, 2023, was largely due to higher wage costs, increased contract service costs and higher general and administrative expenses. These increases were partially offset by savings in insurance premiums and lower advertising and repairs and maintenance costs.

Same Property Utility and Fuel Expenses

For the years ended December 31,	**2023**	2022	% Change
Natural gas	**$9,072**	$8,858	2.4%
Electricity	**7,692**	7,640	0.7%
Water	**7,465**	6,936	7.6%
Oil & propane	**894**	921	(2.9)%
Other	**76**	72	5.6%
Total utility and fuel expenses	**$25,199**	$24,427	3.2%

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 25% of Killam’s total apartment same property operating expenses for the year ended December 31, 2023, and increased 3.2% year-over-year.

Same property natural gas costs increased by 2.4% for the year ended December 31, 2023, due to higher natural gas pricing in the first quarter followed by lower pricing in the remainder of 2023. Consumption of natural gas was down by 7.1% year-over-year due to a warmer winter at the beginning of 2023, coupled with increased efficiencies from boiler upgrades contributing to reduced consumption levels. The introduction of carbon taxes in July 2023 in Nova Scotia and New Brunswick partially offset the lower commodity rates in the second half of the year.

Electricity costs increased modestly by 0.7% for the year ended December 31, 2023. This growth reflects an increase in electricity pricing during 2023, offset by warmer temperatures 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 7.6% for the year ended December 31, 2023, due to an increase in water rates coupled with a 1.3% increase in water consumption during the year.

Heating oil and propane costs decreased by 2.9% for the year ended December 31, 2023, compared to 2022. This is the result of a decrease in oil prices, which were down by 1.9% in Prince Edward Island during the year. The majority of Killam's heating oil and propane costs are in Prince Edward Island. This was coupled with increased efficiencies seen from boiler upgrades.

Property Taxes
Same property tax expense for the year ended December 31, 2023, was $32.0 million, a 0.8% decrease from the same period in 2022. This decline is due to a reduction in regional mill rates in New Brunswick, coupled with property tax subsidies in Prince Edward Island. The tax subsidies in PEI were to compensate apartment owners for the rent control restrictions limiting any rental rate growth in 2023. New Brunswick and PEI experienced 8.6% and 11.6% decreases, respectively, in property taxes during the year ended December 31, 2023, compared to 2022. All other regions were up approximately 2.0% to 5.0%, year-over-year. Killam actively reviews its property tax assessments and appeals tax assessment increases wherever possible.

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

Apartment Same Property NOI by Region

For the years ended December 31,

	Property Revenue			Property Expenses			Net Operating Income		
	2023	2022	% Change	**2023**	2022	% Change	**2023**	2022	% Change
Nova Scotia									
Halifax	**$92,631**	$88,610	4.5%	**($32,454)**	($31,070)	4.5%	**$60,177**	$57,540	4.6%
	92,631	88,610	4.5%	**(32,454)**	(31,070)	4.5%	**60,177**	57,540	4.6%
Ontario									
KWC-GTA	**31,490**	29,906	5.3%	**(11,441)**	(10,928)	4.7%	**20,049**	18,978	5.6%
Ottawa	**15,021**	14,298	5.1%	**(4,853)**	(4,650)	4.4%	**10,168**	9,648	5.4%
London	**9,540**	8,939	6.7%	**(3,200)**	(3,140)	1.9%	**6,340**	5,799	9.3%
	56,051	53,143	5.5%	**(19,494)**	(18,718)	4.1%	**36,557**	34,425	6.2%
New Brunswick									
Moncton	**33,200**	31,702	4.7%	**(12,903)**	(13,101)	(1.5)%	**20,297**	18,601	9.1%
Fredericton	**23,142**	21,674	6.8%	**(7,935)**	(8,250)	(3.8)%	**15,207**	13,424	13.3%
Saint John	**12,913**	12,117	6.6%	**(5,045)**	(5,233)	(3.6)%	**7,868**	6,884	14.3%
	69,255	65,493	5.7%	**(25,883)**	(26,584)	(2.6)%	**43,372**	38,909	11.5%
Alberta									
Calgary	**13,298**	12,148	9.5%	**(4,573)**	(4,463)	2.5%	**8,725**	7,685	13.5%
Edmonton	**16,292**	15,240	6.9%	**(5,993)**	(5,924)	1.2%	**10,299**	9,316	10.6%
	29,590	27,388	8.0%	**(10,566)**	(10,387)	1.7%	**19,024**	17,001	11.9%
Newfoundland and Labrador									
St. John's	**13,718**	12,980	5.7%	**(4,150)**	(4,188)	(0.9)%	**9,568**	8,792	8.8%
	13,718	12,980	5.7%	**(4,150)**	(4,188)	(0.9)%	**9,568**	8,792	8.8%
Prince Edward Island									
Charlottetown	**11,539**	11,409	1.1%	**(4,615)**	(4,785)	(3.6)%	**6,924**	6,624	4.5%
	11,539	11,409	1.1%	**(4,615)**	(4,785)	(3.6)%	**6,924**	6,624	4.5%
British Columbia									
Victoria	**7,301**	6,959	4.9%	**(1,845)**	(1,929)	(4.4)%	**5,456**	5,030	8.5%
	7,301	6,959	4.9%	**(1,845)**	(1,929)	(4.4)%	**5,456**	5,030	8.5%
	$280,085	$265,982	5.3%	**($99,007)**	($97,661)	1.4%	**$181,078**	$168,321	7.6%

Halifax
Killam's Halifax apartment portfolio achieved a same property revenue increase of 4.5% for the year ended December 31, 2023, compared to 2022. This increase was the result of a 4.5% increase in year-over-year average rent in the region, while occupancy remained high at 99.0%. Total same property operating expenses for the year ended December 31, 2023, were also 4.5% higher compared to 2022. The increase in expenses was driven by higher utility and fuel costs, which were up 5.0% due to higher water and natural gas pricing, higher salary costs, contract service expenses, and a 4.9% increase in property tax expense. These increases were partially offset by lower insurance premiums. Overall, NOI was 4.6% higher for the year ended December 31, 2023. Killam expects natural gas costs in Halifax to be lower in the 2024 heating season, assuming average winter temperatures.

Ontario
Killam's apartment portfolio in Ontario generated an aggregate same property revenue increase of 5.5% for the year ended December 31, 2023. This growth was driven by a 5.3% increase in year-over-year average rent, and partially offset by a modest 10 bps decrease in occupancy to 97.8% in 2023. Total same property operating expenses for the year ended December 31, 2023, increased 4.1% compared to 2022. This increase was a result of higher salary and repairs and maintenance costs, coupled with increased property tax expenses. In aggregate, NOI grew by 6.2% for the year ended December 31, 2023.

New Brunswick
Same property apartment revenue in New Brunswick increased by 5.7% for the year ended December 31, 2023. This increase was driven by a year-over-year average rent increase of 6.8%, coupled with a 30 bps increase in occupancy to 98.5%. Fredericton and Moncton experienced occupancy gains in 2023, up 70 bps and 20 bps to 98.3% and 98.9%, respectively, while occupancy in Saint John decreased modestly by 10 bps to 97.9%. Total same property operating expenses for the year ended December 31, 2023, decreased by 2.6% compared to 2022. This decline was due to a reduction in regional tax mill rates in New Brunswick, which resulted in an aggregate 8.6% decrease in property taxes despite an average 20% increase in property assessments. Additionally, utility and fuel expenses were relatively flat due to warmer temperatures and unit electricity being transferred to tenants upon turnover. In aggregate, NOI grew by 11.5% for the year ended December 31, 2023.

Alberta
Killam's Alberta apartment portfolio achieved same property revenue growth of 8.0% for the year ended December 31, 2023, compared to 2022. This growth was primarily due to a 5.5% increase in year-over-year average rent in the region and a 42% decrease in rental incentives. This was coupled with a 150 bps increase in occupancy. Both Calgary and Edmonton experienced large occupancy gains in the year, up 160 bps to 98.7% and 140 bps to 97.5%, respectively. Total same property operating expenses for the year ended December 31, 2023, increased by 1.7% compared to 2022. This was driven primarily by higher salary and utility and fuel costs, offset by lower repairs and maintenance and lower advertising costs due to higher occupancy. The net impact was an 11.9% increase in NOI for the year ended December 31, 2023.

Newfoundland and Labrador
Same property apartment revenue in Newfoundland and Labrador increased by 5.7% for the year ended December 31, 2023. This growth was primarily due to a 240 bps increase in occupancy, up from 95.7% to 98.1%. This was coupled with a 3.1% increase in year-over-year average rent. Total same property operating expenses for the year ended December 31, 2023, decreased by 0.9% compared to 2022. This decline was primarily due to lower repairs and maintenance costs and lower advertising costs, as a result of higher occupancy. This was partially offset by higher utility and fuel expenses, driven by an increase in water costs. The net impact was an 8.8% increase in NOI for the year ended December 31, 2023.

Prince Edward Island
Same property apartment revenue in Prince Edward Island grew 1.1% for the year ended December 31, 2023, compared to 2022. Occupancy in the region grew modestly by 10 bps to 99.3%; however, rental growth was limited by rent control in the region, which prohibited rental increases in 2023. Total same property operating expenses for the year ended December 31, 2023, decreased by 3.6% compared to 2022. This decrease was due to property tax subsidies in the region, provided to help offset the 0% rent control in 2023. This resulted in an 11.6% decrease in realty taxes. Additionally, utility and fuel expenses decreased by 3.2% year-over-year due to lower oil and propane costs. Overall, NOI was up 4.5% for the year ended December 31, 2023.

British Columbia
Same property apartment revenue in British Columbia grew by 4.9% for the year ended December 31, 2023. This growth was a result of a 6.2% increase in year-over-year average rent in the region, partially offset by a 120 bps decline in occupancy to 97.1%. Total same property operating expenses were down 4.4% for the year ended December 31, 2023. The decline in expenses was due to lower insurance costs, general and administrative expenses, and repairs and maintenance and contract service costs. These were partially offset by increases in salary costs and property taxes. In aggregate, NOI increased by 8.5% for the year ended December 31, 2023.

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

MHC Results

For the years ended December 31,

	Total Portfolio			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$20,591**	$19,790	4.0%	**$20,106**	$19,362	3.8%
Property operating expenses	**7,652**	7,170	6.7%	**7,485**	7,165	4.5%
NOI	**$12,939**	$12,620	2.5%	**$12,621**	$12,197	3.5%
Operating margin %	**62.8%**	63.8%	(100) bps	**62.8%**	63.0%	(20) bps

Killam's MHC business segment generated 5.8% of Killam's NOI for the year ended December 31, 2023. The MHC portfolio 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 annual NOI between July and October. Overall, the MHC portfolio generated same property NOI growth of 3.5% for the year ended December 31, 2023. This growth is primarily attributable to rental step-ups at Killam's permanent MHC sites, increased seasonal revenue achieved through annual rent increases, as well as higher transient revenue compared to 2022.

For the years ended December 31,

	Property Revenue			Property Expenses			Net Operating Income		
	2023	2022	% Change	**2023**	2022	% Change	**2023**	2022	% Change
Permanent MHCs	**$13,223**	$12,779	3.5%	**($4,722)**	($4,511)	4.7%	**$8,501**	$8,268	2.8%
Seasonal Resorts	**6,883**	6,583	4.6%	**(2,763)**	(2,654)	4.1%	**4,120**	3,929	4.9%
	$20,106	$19,362	3.8%	**($7,485)**	($7,165)	4.5%	**$12,621**	$12,197	3.5%

For the year ended December 31, 2023, same property permanent MHCs generated a 2.8% increase in NOI. Average rent increased 2.8%, to $298 per site at December 31, 2023, compared to $290 per site at December 31, 2022, while occupancy for the year decreased modestly by 10 bps to 98.3%, compared to 98.4% in 2022. This was partially offset by higher property operating expenses, up 4.7% due to higher water costs and an increase in contract service costs. Revenue and NOI growth was further augmented through MHC site expansions at some of Killam's communities.

Killam's seasonal resort portfolio achieved same property revenue growth of 4.6% in 2023, compared to 2022. Partially offsetting this was a 4.1% increase in property operating expenses driven by higher salaries, repairs and maintenance costs, and general and administrative costs. Overall, same property seasonal MHCs had a 4.9% increase in NOI for the year ended December 31, 2023.

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

Commercial Results

For the years ended December 31,

	Total Portfolio			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$21,024**	$19,267	9.1%	**$20,732**	$18,941	9.5%
Property operating expenses	**8,197**	8,400	(2.4)%	**8,489**	8,370	1.4%
NOI	**$12,827**	$10,867	18.0%	**$12,243**	$10,571	15.8%

Killam's commercial business segment contributed $12.8 million, or 5.7%, of Killam's total NOI for the year ended December 31, 2023.

Killam's commercial portfolio contains 973,839 SF, located in four of Killam's core markets. The commercial portfolio includes Westmount Place, a 300,000 SF retail and office complex located in Waterloo; Royalty Crossing, a 386,300 SF shopping 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 increased by 210 bps in 2023 to 95.1%, compared to 93.0% in 2022. Commercial same property results represent approximately 97.9% of Killam's commercial square footage. Same property results do not include properties that were recently acquired or those that are slated for redevelopment and are not operating as stabilized properties.

The increase in NOI during the year ended December 31, 2023, relates to increased occupancy, coupled with higher rental rates on renewals and an increase in percentage rents. In 2023, Killam successfully leased a net new 63,200 SF of commercial space across the portfolio. Killam has also renewed over 92,960 SF of commercial space during 2023, with a weighted average net rate increase of 18.0%.

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

PART V

Other Income and Expenses and Net Income

Net Income and Comprehensive Income

For the years ended December 31,

	2023	2022	% Change
Net operating income	**$224,043**	$206,912	8.3%
Other income	**1,810**	1,797	0.7%
Financing costs	**(69,398)**	(61,499)	12.8%
Depreciation	**(669)**	(573)	16.8%
Administration	**(19,302)**	(17,153)	12.5%
Fair value adjustment on unit-based compensation	**(330)**	2,234	(114.8)%
Fair value adjustment on Exchangeable Units	**(6,821)**	29,497	(123.1)%
Fair value adjustment on investment properties	**174,179**	(19,870)	(976.6)%
Loss on dispositions	**(4,021)**	—	N/A
Income before income taxes	**299,491**	141,345	111.9%
Deferred tax expense	**(33,158)**	(18,813)	76.3%
Net income and comprehensive income	**$266,333**	$122,532	117.4%

Net income and comprehensive income increased by $143.8 million for the year ended December 31, 2023, as a result of $174.2 million in fair value gains on Killam's investment properties, compared to $19.9 million in fair value losses for the same period in 2022. This was coupled with a $17.1 million increase in NOI driven by contributions from developments and same property NOI growth, and partially offset by fair value losses on the mark-to-market adjustments on Killam's unit-based compensation and Exchangeable Units of $7.2 million in 2023, compared to a fair value gain of $31.7 million for the year ended December 31, 2022.

Financing Costs

For the years ended December 31,

	2023	2022	% Change
Mortgage, loan and construction loan interest	**$62,480**	$54,077	15.5%
Interest on credit facilities	**4,117**	3,774	9.1%
Interest on Exchangeable Units	**2,729**	2,790	(2.2)%
Amortization of deferred financing costs	**3,638**	3,846	(5.4)%
Amortization of fair value adjustments on assumed debt	**223**	171	30.4%
Unrealized loss (gain) on derivative liability	**68**	(88)	(177.3)%
Interest on lease liabilities	**440**	391	12.5%
Capitalized interest	**(4,297)**	(3,462)	24.1%
	$69,398	$61,499	12.8%

Total financing costs increased $7.9 million, or 12.8%, for the year ended December 31, 2023, compared to the same period in 2022. Mortgage, loan and construction loan interest expense increased $8.4 million, or 15.5%, which coincides with an increase in Killam's mortgage, loan and construction loan debt of $59.7 million over the past year, as Killam upfinanced maturing mortgages within its existing portfolio, advanced its development projects with construction financing and obtained financing for acquisitions. The average interest rate on refinancings for the year ended December 31, 2023, was 4.89%, 183 bps higher than the weighted average interest rate on maturing debt.

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

Interest on Killam's credit facilities increased $0.3 million for the year ended December 31, 2023, compared to the same period in 2022. This is due to higher variable interest rates over the past 12 months, offset by a lower balance on the credit facility throughout 2023. Throughout 2023, net proceeds obtained through Killam's capital recycling program were used to reduce the balance on Killam's credit facility. As at December 31, 2023, Killam has decreased the balance on its credit facilities by $80.1 million compared to December 31, 2022. During the year, Killam also decreased its variable rate construction financing from $95.0 million at December 31, 2022 to $29.7 million at December 31, 2023.

Deferred financing costs include mortgage assumption and application fees, and 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 increased $0.8 million for the year ended December 31, 2023, compared to the same period in 2022. Capitalized interest will vary depending on the number of development projects underway and their stages in the development cycle. Interest costs associated with development projects are capitalized to the respective development property until substantial completion.

Administration Expenses

For the years ended December 31,

	2023	2022	% Change
Administration	**$19,302**	$17,153	12.5%
As a percentage of total revenues	**5.5%**	5.2%	30 bps

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

For the year ended December 31, 2023, total administration expenses increased $2.1 million, or 12.5%, compared to the same period in 2022. This was due to higher travel expenses, increased wages, increased professional and consulting fees, as well as higher information technology costs. Administration expenses as a percentage of total revenues were 5.5% for 2023, 30 bps higher than in 2022.

Fair Value Adjustments

For the years ended December 31,

	2023	2022	% Change
Investment properties	**$174,179**	($19,870)	N/A
Deferred unit-based compensation	**(330)**	2,234	N/A
Exchangeable Units	**(6,821)**	29,497	N/A
	$167,028	$11,861	1,308.2%

Killam recognized fair value gains of $174.2 million related to investment properties for the year ended December 31, 2023, compared to fair value losses of $19.9 million for the year ended December 31, 2022. The fair value gains relate to continued high demand for apartments in Canada, which has resulted in robust NOI growth driven by strong apartment fundamentals. This is partially offset by a modest expansion in cap-rates in several of Killam's core markets, including Nova Scotia, Ontario, PEI and BC.

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 year ended December 31, 2023, there was an unrealized fair value loss of $0.3 million, compared to a $2.2 million unrealized fair value gain in the same period in 2022, due to changes in the market price of the underlying Killam Trust Units.

Distributions paid on Exchangeable Units are consistent with distributions paid to Killam's unitholders. The Exchangeable Units are redeemable on a one-for-one basis into Trust Units at the option of the holder. The fair value of the Exchangeable Units is based on the trading price of Killam's Trust Units. For the year ended December 31, 2023, there was an unrealized loss of $6.8 million, compared to an unrealized gain of $29.5 million for the same period in 2022. The unrealized loss in the year reflects an increase in Killam's unit price as at December 31, 2023, compared to December 31, 2022.

Deferred Tax Expense

For the years ended December 31,			
	2023	2022	% Change
	$33,158	$18,813	76.3%

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

Killam's deferred tax expense increased by $14.3 million for the year ended December 31, 2023, compared to the same period in 2022, primarily due to fair value gains on investment properties recorded in 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 measures. The following table reconciles the number of units used in the calculation of non-IFRS financial measures on a per unit basis:

	Weighted Average Number of Units (000s)			**Outstanding Number of Units (000s) as at December 31,**
For the years ended December 31,	**2023**	2022	% Change	**2023**
Trust Units	**117,565**	115,517	1.8%	**118,298**
Exchangeable Units	**3,898**	3,994	(2.4)%	**3,898**
Basic number of units	**121,463**	119,511	1.6%	**122,196**
Plus:				
Units under RTU Plan (1)	**193**	167	15.6%	—
Diluted number of units	**121,656**	119,678	1.7%	—

(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 years ended December 31, 2023 and 2022, is calculated as follows:

For the years ended December 31,

	2023	2022	% Change
Net income	**$266,333**	$122,532	117.4%
Fair value adjustment on unit-based compensation	**330**	(2,234)	(114.8)%
Fair value adjustment on Exchangeable Units	**6,821**	(29,497)	(123.1)%
Fair value adjustment on investment properties	**(174,179)**	19,870	(976.6)%
Non-controlling interest	**(10)**	(16)	(37.5)%
Internal commercial leasing costs	**360**	315	14.3%
Deferred tax expense	**33,158**	18,813	76.3%
Interest expense on Exchangeable Units	**2,729**	2,790	(2.2)%
Loss on dispositions	**4,021**	—	N/A
Unrealized loss (gain) on derivative liability	**68**	(88)	177.3%
Depreciation on owner-occupied building	**102**	96	6.3%
Change in principal related to lease liabilities	**22**	22	—%
FFO	**$139,755**	$132,603	5.4%
FFO per unit – diluted	**$1.15**	$1.11	3.6%
FFO payout ratio – diluted (1)	**46%**	47%	(100) bps
Weighted average number of units – diluted (000s)	**121,656**	119,678	1.7%

(1) Based on Killam's annual distribution of $0.69996 for both the years ended December 31, 2023, and December 31, 2022.

Killam earned FFO of $139.8 million, or $1.15 per unit (diluted), for the year ended December 31, 2023, compared to $132.6 million, or $1.11 per unit (diluted), for the year ended December 31, 2022. FFO growth is primarily attributable to same property NOI growth, contributions from completed developments and an increase in capitalized interest. These increases were partially offset by a 1.7% increase in the weighted average number of units outstanding on a diluted basis, higher interest and administrative costs, as well as a reduction in NOI related to recently completed dispositions.

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.

Details of Killam's total actual capital expenditures by category are included in the "Capital Improvements" section on page 44, and Killam's sources of funding are disclosed in the "Liquidity and Capital Resources" section on page 35 of this MD&A.

Calculating Maintenance Capex Reserve for AFFO

In February 2017, REALPAC issued the *White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS*, updating their guidance on maintenance capital expenditures ("maintenance capex") to be used in the calculation of AFFO and ACFO. Killam has elected to adopt a maintenance reserve based on a three-year average of the capital invested to maintain and sustain its properties, an approach endorsed by REALPAC. The following table details Killam's capital investments attributable to value-enhancing and maintenance projects for each of the past three years:

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

Maintenance Capex Reserve – Apartments

		2023	2022	2021
Total capital investments		$83,606	$91,388	$70,711
Value-enhancing capital investment				
	Building	(32,411)	(30,965)	(21,264)
	Unit upgrades	(24,835)	(27,603)	(26,588)
	Equipment & other	(6,199)	(12,873)	(6,226)
		(63,445)	(71,441)	(54,078)
Maintenance capex		**$20,161**	**$19,947**	**$16,633**
Maintenance capex – % of total capital		24%	22%	24%
Number of units [(1)]		18,480	18,678	17,364
Maintenance capex per unit		$1,091	$1,068	$958
Maintenance capex – three-year average			**$1,039**	

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

Value-enhancing capital investment includes building enhancements, unit upgrades and equipment purchases supporting NOI growth. Value-enhancing capital classified as building enhancements includes energy-efficiency projects and an allocation to represent building upgrades, including window replacements and common area and amenity space upgrades. Unit upgrades represent a capital investment on unit turns with an expected minimum 15% ROI.

Maintenance capex includes all building improvements and unit renovation investment required to maintain current revenues. For the year ended December 31, 2023, Killam updated its maintenance capex reserve to reflect the actual capital investment for the most recent three years (2021–2023), which is equivalent to $1,039 per unit. Based on this calculation, Management has selected $1,025 per unit for its maintenance capex reserve for 2023, a 7.9% increase from the 2022 reserve of $950 per unit. Management will maintain this reserve in its calculation of AFFO throughout 2024, until the three-year average is updated at year-end with actual results.

The allocations above were the result of a detailed review of Killam's historical capital investment. Significant judgment was required to allocate capital between value-enhancing and maintenance activities. Management believes these allocations are reflective of Killam's capital program. In 2023, approximately 24% of annual capital investment was attributable to maintaining and sustaining properties.

Maintenance Capex Reserve – MHCs and Commercial

The capital investment specific to the MHC portfolio was also reviewed for the three years ended December 31, 2023, and categorized into value-enhancing and maintenance capex. Value-enhancing capital investment includes site expansions, land improvements and NOI-enhancing water and sewer upgrades. Maintenance capex includes capital investment related to roads and paving, as well as the majority of water and sewer capital invested to maintain the infrastructure in each community. On a per site basis, maintenance capex has ranged from $285 to $325 over the past three years. Management selected $300 per MHC site for its maintenance capex reserve for 2023, consistent with its 2022 reserve of $300 per site.

Killam began taking a maintenance capex allowance for its commercial properties in 2018. The allowance was based on the expected average annual maintenance capital investment, which was estimated at $0.70 per square foot, as Killam did not have historical information on which to base the allowance. Due to an increase in capital investment in its commercial properties, Killam increased its annual capex reserve to $0.80 per square foot for 2020–2021, and $0.95 for 2022. For 2023, Killam updated its maintenance capex reserve to reflect the actual capital investment for the most recent three years (2021–2023), which is equivalent to approximately $1.07 per square foot. Based on this calculation, Management has selected $1.00 per square foot for its commercial maintenance capex reserve for 2023, an increase from the prior year that reflects Killam's greater maintenance capital investment on commercial properties.

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

For the years ended December 31,			
	2023	2022	% Change
FFO	**$139,755**	$132,603	5.4%
Maintenance capital expenditures	**(21,587)**	(20,318)	6.2%
Commercial straight-line rent adjustment	**78**	(196)	(139.8)%
Internal and external commercial leasing costs	**(446)**	(532)	(16.2)%
AFFO	**$117,800**	$111,557	5.6%
AFFO per unit – diluted	**$0.97**	$0.93	4.3%
AFFO payout ratio – diluted (1)	**72%**	75%	(300) bps
Weighted average number of units – diluted (000s)	**121,656**	119,678	1.7%

(1) Based on Killam's annual distribution of $0.69996 for both the years ended December 31, 2023, and December 31, 2022.

The payout ratio of 72% for the year ended December 31, 2023, improved 300 bps compared to the year ended December 31, 2022. The improvement is attributable to a 5.6% increase in AFFO, driven by same property NOI growth and contributions from completed developments, and is partially offset by a 1.7% increase in the weighted average number of units outstanding.

Killam’s Board of Trustees (the "Board") evaluates the Trust’s payout ratio quarterly. The Board has not established an AFFO payout target.

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

Adjusted Cash Flow from Operations

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

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

A reconciliation from cash provided by operating activities (refer to the consolidated statements of cash flows for the years ended December 31, 2023, and 2022) to ACFO is as follows:

For the years ended December 31,			
	2023	2022	% Change
Cash provided by operating activities	**$139,734**	$122,870	13.7%
Adjustments:			
Changes in non-cash working capital not indicative of sustainable cash flows	**5,041**	11,202	(55.0)%
Maintenance capital expenditures	**(21,587)**	(20,318)	6.2%
External commercial leasing costs	**(228)**	(324)	(29.6)%
Amortization of deferred financing costs	**(3,638)**	(3,846)	(5.4)%
Interest expense related to lease liability	**(72)**	(22)	227.3%
Non-controlling interest	**(10)**	(16)	(37.5)%
ACFO	**$119,240**	$109,546	8.8%
Distributions declared [(1)]	**86,114**	84,722	1.6%
Excess of ACFO over cash distributions	**$33,126**	$24,824	33.4%
ACFO payout ratio – diluted [(2)]	**72%**	77%	(500) bps

(1) Includes distributions on Trust Units, Exchangeable Units and restricted Trust Units, as summarized on page 47.

(2) Based on Killam's annual distribution of $0.69996 for both the years ended December 31, 2023, and December 31, 2022.

Killam's ACFO payout ratio is 72% for the year ended December 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 attributable to higher heating costs in the winter months, and the fact the MHC portfolio typically generates its highest revenues and NOI during the second and third quarters of the year.

Cash Provided by Operating Activities and Distributions Declared

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

For the years ended December 31,		
	2023	2022
Net income	**$266,333**	$122,532
Cash provided by operating activities	**$139,734**	$122,870
Total distributions declared	**$86,114**	$84,722
Excess of net income over total distributions declared	**$180,219**	$37,810
Excess of net income over net distributions paid [(1)]	**$206,443**	$63,101
Excess of cash provided by operating activities over total distributions declared	**$53,620**	$38,148

(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 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 $161.0 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 $310.4 million of mortgage debt scheduled for refinancing in 2024, expected to lead to upfinancing opportunities of approximately $50–$60.0 million.

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

(v) Killam has unencumbered assets of approximately $115.0 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 consolidated statement of financial position, and (ii) the historical cost of Killam's assets. Total debt as a percentage of assets as at December 31, 2023, was 42.9%.

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 February 14, 2024, Killam was in compliance with these covenants.

The table below outlines Killam's key debt metrics:

As at December 31,	**2023**	2022	Change
Weighted average years to debt maturity	**3.9**	3.8	0.1 years
Total debt as a percentage of total assets	**42.9%**	45.3%	(240) bps
Interest coverage	**3.10x**	3.31x	(6.3)%
Debt service coverage	**1.51x**	1.51x	—%
Debt to normalized EBITDA (1)	**10.29x**	11.21x	(8.2)%
Weighted average mortgage interest rate	**3.22%**	2.74%	48 bps
Weighted average interest rate of total debt	**3.34%**	3.01%	33 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	**December 31, 2023**	December 31, 2022
Mortgages and loans payable	**$2,104,443**	$1,979,442
Credit facilities	**40,877**	121,014
Construction loans	**29,675**	94,972
Total debt	**$2,174,995**	$2,195,428
Total assets (1)	**$5,073,248**	$4,849,903
Total debt as a percentage of total assets	**42.9%**	45.3%

(1) Excludes right-of-use asset of $11.9 million as at December 31, 2023 (December 31, 2022 – $9.6 million).

Total debt as a percentage of total assets was 42.9% at December 31, 2023, compared to 45.3% at December 31, 2022. The 240 bps decrease is attributable to a decreased total debt balance as at December 31, 2023, compared to December 31, 2022. This is coupled with an increased total assets balance as a result of fair value gains on Killam's investment properties and recently completed developments. Management is focused on maintaining conservative debt levels. Total debt to total assets is sensitive to changes in the fair value of investment properties, in particular cap-rate changes.

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

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

Cap-rate Sensitivity Increase (Decrease)	Fair Value of Investment Properties (1)	Total Assets	Total Debt as % of Total Assets	Change (bps)
(0.50)%	$5,635,040	$5,680,482	38.3%	(460)
(0.25)%	$5,325,016	$5,370,458	40.5%	(240)
—%	$5,027,806	$5,073,248	42.9%	—
0.25%	$4,799,158	$4,844,600	44.9%	200
0.50%	$4,574,216	$4,619,658	47.1%	420

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

Normalized Adjusted EBITDA

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

Twelve months ending,	**December 31, 2023**	December 31, 2022	% Change
Net income	**$266,333**	$122,532	117.4%
Deferred tax expense	**33,158**	18,813	76.3%
Financing costs	**69,398**	61,499	12.8%
Depreciation	**669**	573	16.8%
Loss on dispositions	**4,021**	—	N/A
Fair value adjustment on unit-based compensation	**330**	(2,234)	(114.8)%
Fair value adjustment on Exchangeable Units	**6,821**	(29,497)	(123.1)%
Fair value adjustment on investment properties	**(174,179)**	19,870	(976.6)%
Adjusted EBITDA	**206,551**	191,556	7.8%
Normalizing adjustment (1)	**3,480**	3,437	1.3%
Normalized adjusted EBITDA	**210,031**	194,993	7.7%
Net debt	**$2,160,908**	$2,186,275	(1.2)%
Debt to normalized adjusted EBITDA	**10.29x**	11.21x	(8.2)%

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

Interest and Debt Service Coverage

Twelve months ending,	**December 31, 2023**	December 31, 2022	% Change
NOI	**$224,043**	$206,912	8.3%
Other income	**1,810**	1,797	0.7%
Administration	**(19,302)**	(17,153)	12.5%
Adjusted EBITDA	**206,551**	191,556	7.8%
Interest expense (1)	**66,597**	57,851	15.1%
Interest coverage ratio	**3.10x**	3.31x	(6.3)%
Principal repayments	**69,833**	69,033	1.2%
Interest expense (1)	**$66,597**	$57,851	15.1%
Debt service coverage ratio	**1.51x**	1.51x	—%

(1) Interest expense includes mortgage, loan and construction loan interest and interest on credit facilities, as presented in note 22 to the consolidated financial statements.

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

Mortgages and Other Loans

Killam's long-term debt consists largely 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 December 31, 2023, was 3.22%, 48 bps higher compared to the rate as at December 31, 2022.

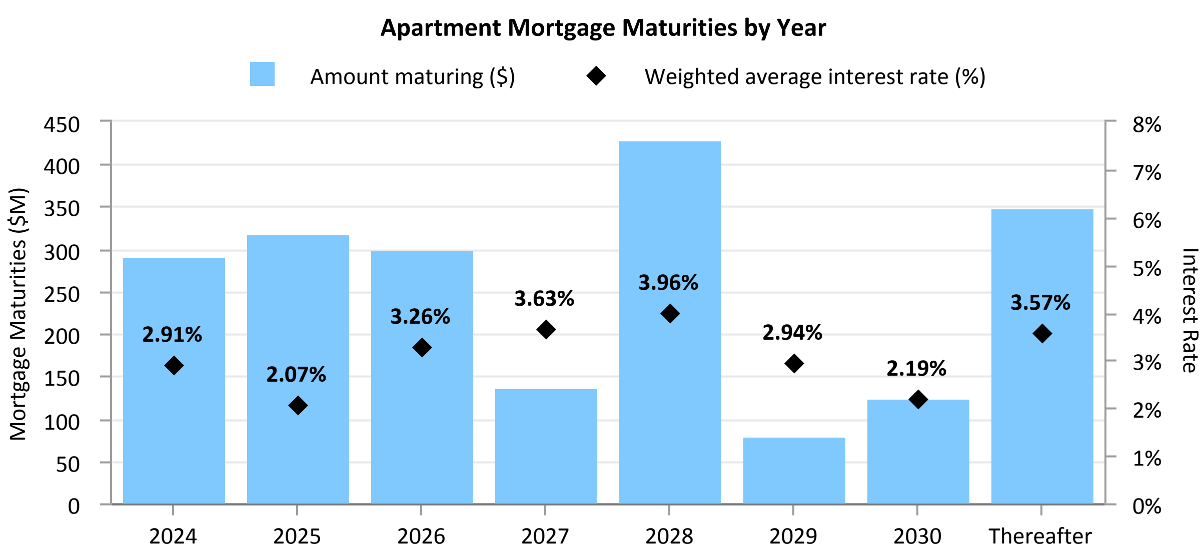
Refinancings

For the year ended December 31, 2023, Killam refinanced the following mortgages:

	Mortgage Debt Maturities		Mortgage Debt on Refinancing		Weighted Average Term	Net Proceeds
Apartments	$228,005	2.99%	$284,751	4.85%	5.4 years	$56,746
MHCs and Commercial	24,031	3.73%	35,528	5.22%	4.4 years	11,497
	$252,036	3.06%	$320,279	4.89%	5.3 years	$68,243

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

	Apartments			MHCs and Commercial		Total	
Year of Maturity	Balance December 31	Weighted Avg Int. Rate %	% CMHC Insured	Balance December 31	Weighted Avg Int. Rate %	Balance December 31	Weighted Avg Int. Rate %
2024	$291,167	2.91%	69.4%	$22,634	2.75%	$313,801	2.90%
2025	316,916	2.07%	49.7%	19,983	2.61%	336,899	2.10%
2026	298,959	3.26%	60.1%	7,256	2.69%	306,215	3.25%
2027	137,538	3.63%	76.5%	42,988	5.13%	180,526	3.99%
2028	428,498	3.96%	92.7%	24,555	5.25%	453,053	4.03%
Thereafter	554,506	3.16%	100.0%	3,882	3.31%	558,388	3.16%
	$2,027,584	3.17%	78.7%	$121,298	4.09%	$2,148,882	3.22%



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 December 31, 2023, approximately 78.7% of Killam's apartment mortgages were CMHC-insured (74.3% of total mortgages, as MHC and commercial mortgages are not eligible for CMHC insurance) (December 31, 2022 – 77.2% and 72.5%). The weighted average interest rate on the CMHC-insured mortgages was 3.07% as at December 31, 2023 (December 31, 2022 – 2.71%).

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

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

2024 Debt Maturities	Number of Properties	Estimated NOI	Principal Balance (at maturity)
Apartments with debt maturing	47	$32,450	$284,669
MHCs and Commercial with debt maturing	5	5,617	25,734
	52	$38,067	$310,403

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 December 31, 2023, the timing of Killam's future contractual debt obligations is as follows:

Twelve months ending December 31,	Mortgage and Loans Payable	Construction Loans (1)	Credit Facilities	Lease Liabilities	Total
2024	$369,423	$29,675	$40,877	$489	$440,464
2025	365,480	—	—	496	365,976
2026	316,464	—	—	532	316,996
2027	191,382	—	—	562	191,944
2028	426,264	—	—	406	426,670
Thereafter	479,868	—	—	10,387	490,255
	$2,148,881	**$29,675**	**$40,877**	**$12,872**	**$2,232,305**

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

Construction Loans

As at December 31, 2023, 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 December 31, 2023, $29.7 million was drawn on the construction loans (December 31, 2022 – $95.0 million). Payments are made monthly on an interest-only basis. The weighted-average contractual interest rate on amounts outstanding at December 31, 2023, was 6.31% (December 31, 2022 – 5.99%). Once construction is complete and rental targets achieved, construction financing is expected to be replaced with permanent mortgage financing.

Credit Facilities

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

The $155.0 million facility bears interest at prime plus 55 bps on prime rate advances, or 155 bps over bankers' acceptances ("BAs"). The facility includes a $30.0 million demand revolver and a $125.0 million committed revolver, as well as an accordion option to increase the $155.0 million facility by an additional $20.0 million. The agreement includes certain covenants and undertakings with which Killam was in compliance as at December 31, 2023. This facility matures December 16, 2024, and includes a one-year extension option.

Killam increased its demand facility from $15.0 million to $25.0 million in 2023, which bears interest at prime plus 75 bps on advances and 135 bps on issuance of letters of credit in addition to 50 bps per annum. The agreement includes certain covenants and undertakings with which Killam was in compliance as at December 31, 2023.

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

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**

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

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

Investment Properties

As at December 31,

	2023	2022	% Change
Investment properties	**$4,921,892**	$4,637,792	6.1%
Investment properties under construction (IPUC)	**44,621**	135,196	(67.0)%
Land for development	**61,293**	39,813	54.0%
	$5,027,806	$4,812,801	4.5%

Continuity of Investment Properties

As at December 31,

	2023	2022	% Change
Balance, beginning of year	**$4,637,792**	$4,284,030	8.3%
Fair value adjustment - Apartments	**191,624**	(20,050)	(1,055.7)%
Fair value adjustment - MHCs	**(14,779)**	(16,570)	(10.8)%
Fair value adjustment - Commercial	**(724)**	(2,452)	(70.5)%
Acquisitions	**66,539**	116,377	(42.8)%
Dispositions	**(168,670)**	—	N/A
Transfer from IPUC	**113,660**	170,337	(33.3)%
Capital expenditures and development costs [1]	**95,397**	104,726	(8.9)%
Transfer from inventory	**1,053**	—	N/A
Transfer from land for development	**—**	1,394	(100.0)%
Balance, end of year	**$4,921,892**	$4,637,792	6.1%

(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 higher inflation and increased borrowing costs as at December 31, 2023, assessing the impact on cap-rates, rental rate growth and occupancy assumptions. It is not possible to forecast with certainty the duration and full scope of the economic impact of higher inflation and interest rates and other consequential changes on Killam's business and operations, both in the short term and in the long term. The fair value losses recognized during the quarter were driven by an expansion in cap-rates, partially offset by robust NOI growth driven by strong apartment fundamentals.

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

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 December 31, 2023, and December 31, 2022, is as follows:

For the years ended December 31,

	2023			2022		
Capitalization Rates	**Low**	**High**	**Effective Weighted Average**	Low	High	Effective Weighted Average
Apartments	**4.00%**	**6.50%**	**4.62%**	3.25%	7.00%	4.48%
MHCs	**5.50%**	**6.75%**	**6.04%**	5.25%	6.50%	5.78%

Killam's effective weighted average cap-rates for its apartment and MHC portfolios at December 31, 2023, were 4.62% and 6.04%, an increase of 14 bps for apartments and 26 bps for MHCs compared to December 31, 2022. The increases in average cap-rates for apartments and MHCs are due to an expansion of cap-rates in several of Killam's core markets. Killam will continue to monitor the acquisition market to identify cap-rate changes. The change in the weighted average cap-rates compared to December 31, 2022, is also impacted by acquisitions and developments.

Fair Value Sensitivity

The following table summarizes the impact of changes in cap-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)%	$476,387	$531,679	$586,970	$642,261	$697,552
	(0.25)%	172,565	224,756	276,947	329,138	381,329
	—%	(98,843)	(49,422)	—	49,422	98,843
	0.25%	(342,777)	(295,844)	(248,912)	(201,980)	(155,047)
	0.50%	(563,220)	(518,537)	(473,854)	(429,171)	(384,488)

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

2023 Acquisitions – Investment Properties

Property	**Location**	**Acquisition Date**	**Ownership Interest**	**Property Type**	**Units**	**Purchase Price [1]**
Blackshire Court [2]	St. John's, NL	11-Sep-23	100%	Apartment	N/A	**$320**
48–66 Harlington Cres [3]	Halifax, NS	21-Sep-23	100%	Apartment	10	**4,000**
Nolan Hill Phase II [4]	Calgary, AB	12-Dec-23	100%	Apartment	234	**65,000**
Total Acquisitions					244	**$69,320**

(1) Purchase price does not include transaction costs.
(2) Killam owned a 96.8% interest in this property, and now owns 100% after purchasing the remaining partnership units.
(3) Property is located adjacent to existing Killam assets and allows for future redevelopment opportunity.
(4) Killam had a 10% interest in the Nolan Hill Phase II development of $6.5 million and acquired the remaining 90% interest in December 2023, based on the purchase price of $65.0 million, for a 100% interest.

2023 Completed Development – Investment Properties

Property	**Location**	**Completion Date**	**Ownership Interest**	**Property Type**	**Units**	**Development Cost**
The Governor [1]	Halifax, NS	31-Jul-23	100%	Apartment	12	**$24,300**
Civic 66 [2]	Kitchener, ON	31-Jul-23	100%	Apartment	169	**69,800**
Total Developments					181	**$94,100**

(1) The development includes 3,500 SF of ground floor ancillary commercial space.
(2) The development includes 3,000 SF of ground floor ancillary commercial space.

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

2023 Dispositions – Investment Properties

Property	Location	Disposition Date	Ownership Interest	Property Type	Units	Sale Price	Net Cash Proceeds (1)
266 Bronson Ave	Ottawa, ON	17-Mar-23	100%	Apartment	43	**$9,800**	**$7,000**
The James	Halifax, NS	21-Apr-23	100%	Apartment	108	**33,000**	**20,100**
Browns and University (2)	Charlottetown, PE	12-May-23	100%	Apartment	122	**21,320**	**8,240**
Kristin Way	Ottawa, ON	16-May-23	100%	Apartment	102	**17,850**	**12,480**
Parkwood Apartments (3)	Saint John, NB	13-Sep-23	100%	Apartment	205	**15,000**	**14,000**
Edward Crt (4)	Miramichi, NB	05-Oct-23	100%	Apartment	96	**10,950**	**4,750**
Cabot House (5)	Sydney, NS	02-Nov-23	100%	Apartment	88	**13,950**	**5,780**
Moxham Crt (5)	Sydney, NS	02-Nov-23	100%	Apartment	51	**8,550**	**4,290**
27 Longworth Ave	Charlottetown, PE	16-Nov-23	100%	Apartment	24	**4,560**	**3,260**
280 Shakespeare Dr	Stratford, PE	16-Nov-23	100%	Apartment	26	**3,150**	**1,240**
Country Place	Charlottetown, PE	16-Nov-23	100%	Apartment	39	**6,230**	**3,660**
Ducks Landing I	Stratford, PE	16-Nov-23	100%	Apartment	89	**5,950**	**200**
Ducks Landing II	Stratford, PE	16-Nov-23	100%	Apartment	49	**7,110**	**3,600**
26 Alton Dr & 36 Kelly St (6)	Halifax, NS	04-Dec-23	100%	Apartment	80	**11,250**	**5,260**
Total Dispositions					1,122	**$168,670**	**$93,860**

(1) Net cash proceeds, after mortgage repayment, not including transaction costs.
(2) The properties comprise 182 units, and 122 units were sold as part of the transaction. Killam continues to own and operate the remaining 60 units.
(3) Excluded from net cash proceeds is a $1.0 million vendor take-back mortgage. Full repayment is due within 24 months of the initial advance in September 2023.
(4) Excluded from net cash proceeds is a $0.3 million promissory note. Full repayment is due within 60 months of the initial advance in October 2023.
(5) Excluded from net cash proceeds is a $3.6 million vendor take-back mortgage. Full repayment is due within 36 months of the initial advance in November 2023.
(6) Excluded from net cash proceeds is a $1.6 million vendor take-back mortgage. Full repayment is due within 36 months of the initial advance in December 2023.

Investment Properties Under Construction

As at December 31,

	2023	2022	% Change
Balance, beginning of year	**$135,196**	$201,319	(32.8)%
Fair value adjustment	**3,751**	19,801	(81.1)%
Capital expenditures	**39,257**	63,217	(37.9)%
Interest capitalized	**2,731**	2,559	6.7%
Transfer to investment properties (1)	**(113,660)**	(170,337)	(33.3)%
Transfer to land for development	**(22,654)**	—	N/A
Transfer to inventory	—	(3,073)	(100.0)%
Transfer from land for development	—	21,710	(100.0)%
Balance, end of year	**$44,621**	$135,196	(67.0)%

(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 December 31,

	2023	2022	% Change
Balance, beginning of year	**$39,813**	$55,528	(28.3)%
Fair value adjustment	**(5,693)**	—	N/A
Capital expenditures	**2,953**	2,536	16.4%
Interest capitalized	**1,566**	853	83.6%
Transfer from IPUC	**22,654**	—	N/A
Acquisitions	—	4,000	(100.0)%
Transfer to investment properties	—	(1,394)	(100.0)%
Transfer to IPUC	—	(21,710)	(100.0)%
Balance, end of year	**$61,293**	$39,813	54.0%

Killam's development projects currently underway as at December 31, 2023, include the following project:

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

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

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 Carrick was also approved by CMHC in late 2023 to receive a low-interest rate construction and permanent financing loan of $62.4 million through the Apartment Construction Loan Program, previously known as the Rental Construction Financing Initiative. The interest rate was locked at 3.10% for a ten year term.

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

Future Development Pipeline

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

Property	**Location**	**Killam's Interest**	**Development Potential (# of Units) (1)**	**Status**	**Estimated Year of Completion**
Developments expected to start in 2024–2026					
Eventide (4)	Halifax, NS	100%	55	Site work	2026
Wissler	Waterloo, ON	100%	130	Planning approvals	2026
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%	200	Concept design	2028
Hollis Street	Halifax, NS	100%	100	Concept design	2028
Additional future development projects					
Nolan Hill Phase 4 (2)	Calgary, AB	10%	200	Future development	TBD
Christie Point	Victoria, BC	100%	312	Development agreement in place	TBD
Quiet Place	Waterloo, ON	100%	160	Future development	TBD
Gloucester City Centre (Phase 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
Stratford Land	Charlottetown, PE	100%	100	Future development	TBD
Sherwood Crossing	Charlottetown, PE	100%	325	Future development	TBD
15 Haviland	Charlottetown, PE	100%	60–90	Future development	TBD
671 Woolwich St.	Guelph, ON	100%	150	Future development	TBD
Topsail Road	St. John's, NL	100%	225	Future development	TBD
Block 4	St. John's, NL	100%	80	Future development	TBD
Total Development Opportunities (3)			**4,252**		

(1) Represents total number of units in the potential development.
(2) Killam has a 10% interest in the remaining two phases of the Nolan Hill development in Calgary, AB, with the potential to purchase the remaining 90% interest upon completion of each phase.
(3) Killam has identified opportunities for additional density through redevelopment of existing properties in Halifax of over 4,000 units. Killam is exploring rezoning opportunities, including the incorporation of an affordability component in each of the potential future redevelopments.
(4) Killam expects to start the development of Eventide, an 8-storey, 55-unit building located in Halifax, Nova Scotia in the first quarter of 2024.

In addition to the development opportunities above, Killam also expects to receiving positive impacts to 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 situated well 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 and/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 year ended December 31, 2023, Killam invested $95.4 million of capital in its existing portfolio, compared to $104.7 million for the same period in 2022, a decrease of 8.9% year-over-year. This decrease in capital investment reflects Killam's strategy of preserving capital in 2023, 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.

For the year ended December 31,	**2023**	2022	% Change
Apartments	**$83,606**	$91,388	(8.5)%
MHCs	**6,556**	6,242	5.0%
Commercial	**5,235**	7,096	(26.2)%
	$95,397	$104,726	(8.9)%

Apartment Portfolio

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

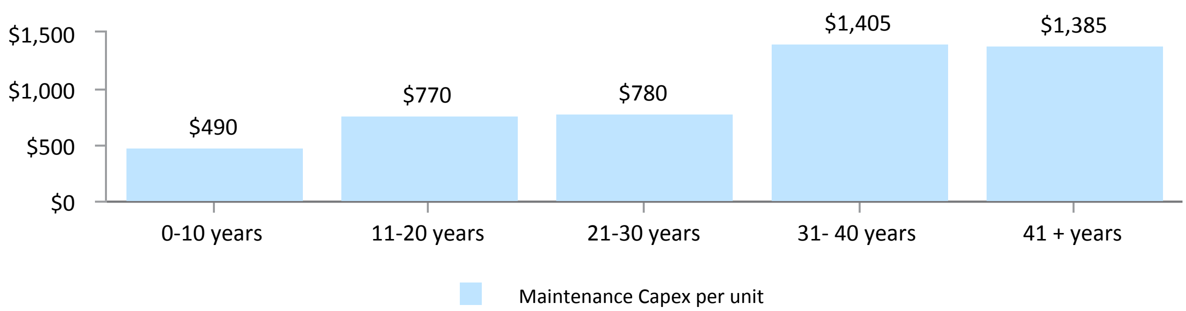
For the year ended December 31,	**2023**	2022	% Change
Building improvements	**$38,844**	$44,249	(12.2)%
Suite renovations and repositionings	**26,843**	29,635	(9.4)%
Appliances	**4,390**	5,481	(19.9)%
Energy	**8,820**	8,513	3.6%
Common area	**4,709**	3,510	34.2%
Total capital invested	**$83,606**	$91,388	(8.5)%
Average number of units outstanding (1)	**18,480**	18,678	(1.1)%
Capital invested – $ per unit	**$4,524**	$4,893	(7.5)%

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

Killam invested $4,524 per unit for the year ended December 31, 2023, compared to $4,893 per unit for the year ended December 31, 2022. The decrease relates to the timing of larger multi-phase capital projects focused on increasing the resiliency of Killam's buildings, along with fewer repositionings in 2023 as a result of lower unit turnover and higher market rents. Killam's focus on development and acquisition of newer properties translates into a lower maintenance capex per unit than many other apartment owners in Canada. Thirty-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.

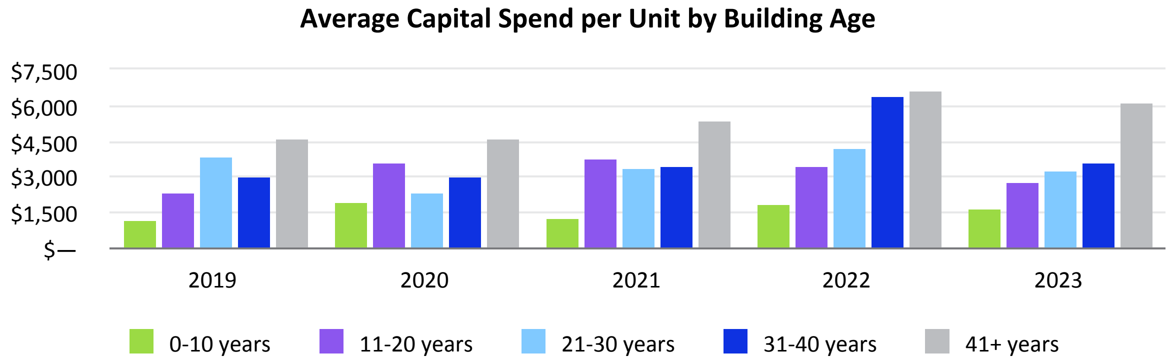
Maintenance capital requirements vary significantly by the age of properties. As the following chart illustrates, the approximate 2023 maintenance capex for properties built in the past 10 years was $490 per unit vs. $1,385 per unit for units that were 41+ years old.

Average Maintenance Capital Investment per Unit by Building Age (Based on 2023 Actual Investment)



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

Additionally, the chart below highlights that the total capital investment per unit is less for newer properties (built in the last 10 years), averaging $1,720 per unit, compared to $6,190 per unit for buildings over 40 years old.



Building Improvements
Of the $83.6 million total capital invested in the apartment segment for the year ended December 31, 2023, approximately 46% was invested in building improvements, down slightly from 48% of the total capital investment for the year ended December 31, 2022. These investments included 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 year ended December 31, 2023, compared to the same period in 2022, relates primarily to the timing of multi-phase building envelope projects, and the slightly decreased size of Killam's apartment portfolio as a result of dispositions completed in 2023.

Unit Renovations and Repositionings
For the year ended December 31, 2023, Killam invested $26.8 million in unit renovations, a 9.4% decrease over the total investment of $29.6 million for the same period in 2022. Killam has continued to focus on renovations in order to maximize occupancy and rental growth. However, the reduction in spending year-over-year 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 15% 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 2023, Killam repositioned 345 units, down from 617 units in 2022, as a result of a decrease in unit turnover. The repositionings had an average investment of approximately $35,535 per unit, generating an average ROI of 16%. A summary of the repositioning activities for the year ended December 31, 2023, is set out below:

	2023 Repositioning Program		
Region	Units Repositioned	Average Investment per Unit	Average Return on Investment
Nova Scotia	148	$29,050	18%
New Brunswick	137	$36,845	13%
Ontario	45	$52,990	21%
Alberta	12	$37,225	12%
British Columbia	3	$27,210	30%
Total (weighted average)	**345**	**$35,535**	**16%**

Killam reduced its target of completing a minimum of 400 repositionings in 2023 due to changing market rates and turnover opportunities. 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 $24.0 million in annualized revenue, representing an increase of over $300 million in net asset value.

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. In 2023, Killam invested $8.8 million in energy-related capital projects, an increase of 3.6% compared to the same period in 2022. These projects included installation of geothermal heating and cooling systems at new development projects, installation of PV solar panels at select properties, installation of EV chargers, new boilers and heat pumps, window replacements, insulation upgrades, as well as electricity and water conservation projects.

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

MHC Portfolio

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

For the year ended December 31,

	2023	2022	% Change
Water and sewer upgrades	**$2,272**	$2,057	10.5%
Site expansion and land improvements	**1,563**	1,106	41.3%
Other	**2,040**	1,806	13.0%
Roads and paving	**659**	1,149	(42.6)%
Equipment	**22**	124	(82.3)%
Total capital invested – MHCs	**$6,556**	$6,242	5.0%
Average number of sites	**5,975**	5,924	0.9%
Capital invested – $ per site	**$1,097**	$1,054	4.1%

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 year ended December 31, 2023, was $6.6 million, compared to $6.2 million for the year ended December 31, 2022. The increase in capital investment relates to various community enhancements, paving and land improvements, as well as water and sewer upgrades, which typically result in a reduction in water consumption. As with the apartment portfolio, the timing of MHC capital investment changes based on requirements at each community.

Commercial Portfolio

During the year ended December 31, 2023, Killam invested $5.2 million in its commercial portfolio, compared to $7.1 million for the year ended December 31, 2022. These investments relate to property upgrades and tenant improvements for new leasing opportunities at Killam's three stand-alone commercial properties: The Brewery, Westmount Place and Royalty Crossing. The significant capital investment at Royalty Crossing has led to the addition of 27,467 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 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 year ended December 31, 2023, no unitholders redeemed units.

Killam's Distribution Reinvestment Plan (DRIP) allows unitholders to elect to have all cash distributions from the Trust reinvested in additional units. Unitholders who participate in the DRIP receive an additional distribution of units equal to 3% of each cash distribution reinvested. The price per unit is calculated by reference to the 10-day volume weighted average price of Killam's units on the 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

For the years ended December 31,

	2023	2022	% Change
Distributions declared on Trust Units	**$83,088**	$81,673	1.7%
Distributions declared on Exchangeable Units	**2,728**	2,790	(2.2)%
Distributions declared on awards outstanding under RTU Plan	**298**	259	15.1%
Total distributions declared	**$86,114**	$84,722	1.6%
Less:			
Distributions on Trust Units reinvested	**(25,926)**	(25,032)	3.6%
Distributions on RTUs reinvested	**(298)**	(259)	15.1%
Net distributions paid	**$59,890**	$59,431	0.8%
Percentage of distributions reinvested	**30.5%**	29.9%	

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.

During the year ended December 31, 2023, 11,822 Trust Units were purchased and cancelled at a weighted average purchase price of $16.92 per unit.

PART VIII

Quarterly Results & Discussion of Q4 Operations

Summary of Quarterly Results

An eight-quarter trend highlighting key operating results is shown below:

	2023				2022			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Property revenue	**$86,858**	$89,534	$86,863	$84,895	$84,534	$85,301	$81,548	$77,464
NOI	**$56,488**	$60,515	$56,226	$50,815	$53,169	$56,792	$51,685	$45,263
Net (loss) income	**($11)**	$68,349	$114,538	$83,460	($9,810)	$3,600	$68,716	$60,027
FFO	**$34,034**	$39,234	$36,207	$30,283	$32,719	$37,144	$34,078	$28,665
FFO per unit – diluted	**$0.28**	$0.32	$0.30	$0.25	$0.27	$0.31	$0.28	$0.24
AFFO	**$28,583**	$34,143	$30,985	$25,170	$27,417	$32,188	$29,002	$23,739
AFFO per unit – diluted	**$0.23**	$0.28	$0.26	$0.21	$0.23	$0.27	$0.24	$0.20
Weighted average units – diluted (000s)	**122,217**	121,848	121,472	121,072	120,676	120,292	119,938	117,765

For the three months ended December 31, 2023, Killam generated a small net loss. The reduction from the net income generated in the previous quarters was a result of fair value losses in Q4-2023 related to cap-rate expansion, partially offset by strong NOI growth.

Q4 Consolidated Results

For the three months ended December 31,

	Total Portfolio			Same Property [1]		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$86,858**	$84,534	2.7%	**$81,213**	$77,062	5.4%
Property operating expenses						
General operating expenses	**14,229**	14,629	(2.7)%	**13,409**	13,506	(0.7)%
Utility and fuel expenses	**6,591**	7,111	(7.3)%	**6,392**	6,450	(0.9)%
Property taxes	**9,550**	9,625	(0.8)%	**9,144**	9,066	0.9%
Total operating expenses	**$30,370**	$31,365	(3.2)%	**$28,945**	$29,022	(0.3)%
NOI	**$56,488**	$53,169	6.2%	**$52,268**	$48,040	8.8%
Operating margin %	**65.0%**	62.9%	210 bps	**64.4%**	62.3%	210 bps

(1) Same property results exclude acquisitions, dispositions and developments completed during the comparable 2023 and 2022 periods, which are classified as non-same property. For the three months ended December 31, 2023, NOI contributions from acquisitions and developments completed in 2023 and 2022 were $3.5 million. For the three months ended December 31, 2022, NOI contributions from acquisitions and developments completed in 2022 were $2.4 million.

For the three months ended December 31, 2023, Killam's consolidated NOI grew by 6.2%. Revenues were up 2.7%, and total operating expenses decreased by 3.2%. The increase in revenue relates to growth of Killam's existing portfolio, coupled with expansion through developments. The decrease in operating expenses is a result of dispositions completed in 2023, coupled with savings on natural gas costs and general and administrative expenses.

Consolidated same property revenue grew 5.4% for the three months ended December 31, 2023, compared to the same period in 2022, due to higher rental rates on both renewals and unit turnovers. Total same property operating expenses were down by 0.3%, resulting in consolidated same property NOI growth of 8.8% in Q4-2023, compared to Q4-2022.

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

Q4 Net Income and Comprehensive Income

For the three months ended December 31,

	2023	2022	% Change
Net operating income	**56,488**	53,169	6.2%
Other income	**411**	447	(8.1)%
Financing costs	**(18,492)**	(17,373)	6.4%
Depreciation	**(249)**	(127)	96.1%
Administration	**(4,927)**	(4,272)	15.3%
Fair value adjustment on unit-based compensation	**(116)**	(309)	(62.5)%
Fair value adjustment on Exchangeable Units	**(2,105)**	(3,898)	(46.0)%
Fair value adjustment on investment properties	**(27,356)**	(34,084)	(19.7)%
Loss on dispositions	**(2,640)**	—	N/A
Income (loss) before income taxes	**1,014**	(6,447)	(115.7)%
Deferred tax expense	**(1,025)**	(3,363)	(69.5)%
Net loss and comprehensive loss	**($11)**	($9,810)	(99.9)%

Net loss and comprehensive loss improved by $9.8 million for the three months ended December 31, 2023. This is the result of $27.4 million in fair value losses on Killam's investment properties, compared to fair value losses of $34.1 million in Q4-2022. Additionally, NOI increased by $3.3 million quarter-over-quarter through same property NOI growth and contributions from developments. Killam also recognized fair value losses on the mark-to-market adjustments on Killam's unit-based compensation and Exchangeable Units of $2.2 million in Q4-2023, compared to a fair value losses of $4.2 million for the three months ended December 31, 2022.

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

Q4 Same Property NOI

For the three months ended December 31,

	Apartments			MHCs			Commercial		
	2023	2022	% Change	**2023**	2022	% Change	**2023**	2022	% Change
Property revenue	**$71,510**	$67,916	5.3%	**$4,423**	$4,291	3.1%	**$5,280**	$4,855	8.8%
Property operating expenses									
General operating expenses	**11,209**	11,340	(1.2)%	**1,251**	1,194	4.8%	**949**	972	(2.4)%
Utility and fuel expenses	**5,655**	5,739	(1.5)%	**414**	386	7.3%	**323**	325	(0.6)%
Property taxes	**8,041**	7,982	0.7%	**204**	195	4.6%	**899**	889	1.1%
Total property expenses	**$24,905**	$25,061	(0.6)%	**$1,869**	$1,775	5.3%	**$2,171**	$2,186	(0.7)%
NOI	**$46,605**	$42,855	8.8%	**$2,554**	$2,516	1.5%	**$3,109**	$2,669	16.5%
Operating margin	**65.2%**	63.1%	210 bps	**57.7%**	58.6%	(90) bps	**58.9%**	55.0%	390 bps

Apartment Same Property

Killam's same property apartment portfolio generated NOI growth of 8.8% for the three months ended December 31, 2023, compared to the three months ended December 31, 2022. This was due to a 5.3% increase in revenues, coupled with a modest 0.6% decrease in total property operating expenses. Revenue growth was generated from an annual 5.1% increase in the average rental rate, and partially offset by a modest 10 bps decrease in occupancy, down from 98.6% in Q4-2022 to 98.5%.

General operating expenses were down by 1.2% in the quarter compared to the same period in 2022, due to lower insurance premiums, repairs and maintenance costs and advertising expenses. This was partially offset by higher salary and contract service costs.

Utility and fuel expenses were 1.5% lower for the three months ended December 31, 2023, compared to Q4-2022. This decrease was driven by savings in natural gas costs, which were down 12.1% in the fourth quarter compared to Q4-2022, as a result of lower commodity pricing. This was partially offset by higher water and electricity costs, which were up 6.8% and 3.3% quarter-over-quarter.

Property taxes increased modestly by 0.7% quarter-over-quarter. Higher property tax assessments and rate increases were partially offset by a reduction in regional mill rates in New Brunswick, coupled with property tax subsidies in Prince Edward Island.

Q4-2023 Occupancy

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

For the three months ended December 31,	# of Units	Total Occupancy 2023	Total Occupancy 2022	Change (bps)	Same Property Occupancy 2023	Same Property Occupancy 2022	Change (bps)
Halifax (2)	5,681	**98.2%**	99.0%	(80)	**99.0%**	99.0%	—
KWC-GTA (3)	2,010	**92.4%**	98.8%	(640)	**98.5%**	98.8%	(30)
Ottawa (4)	1,447	**97.7%**	92.2%	550	**97.6%**	97.9%	(30)
London	523	**99.2%**	98.9%	30	**99.2%**	98.9%	30
Moncton	2,246	**98.8%**	99.4%	(60)	**98.8%**	99.3%	(50)
Fredericton	1,529	**98.4%**	98.1%	30	**98.4%**	98.1%	30
Saint John	997	**97.6%**	98.2%	(60)	**97.6%**	98.2%	(60)
Calgary	998	**98.3%**	99.2%	(90)	**98.1%**	99.2%	(110)
Edmonton	882	**97.6%**	97.0%	60	**97.6%**	97.0%	60
St. John's	1,106	**97.3%**	97.6%	(30)	**97.3%**	97.6%	(30)
Charlottetown	900	**99.5%**	99.5%	—	**99.5%**	99.3%	20
Victoria	516	**96.2%**	97.7%	(150)	**96.7%**	97.3%	(60)
Total Apartments (weighted average)	18,835	**97.4%**	98.2%	(80)	**98.5%**	98.6%	(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) Q4-2023 occupancy for Halifax was impacted by The Governor, a recently completed 12-unit luxury development property undergoing initial lease-up.
(3) Q4-2023 occupancy for KWC-GTA was impacted by Civic 66, a recently completed 169-unit development property undergoing initial lease-up.
(4) Q4-2022 occupancy for Ottawa was impacted by two recently completed development projects undergoing initial lease-up.

Overall apartment occupancy decreased 80 bps to 97.4% in Q4-2023, compared to 98.2% in Q4-2022, largely due to the initial lease-up of two recently completed developments. Same property occupancy was 98.5%, a modest 10 bps decrease compared to the fourth quarter of 2022.

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

Apartment Same Property NOI by Region

Three months ended December 31,

	Property Revenue			Property Expenses			Net Operating Income		
	2023	2022	% Change	**2023**	2022	% Change	**2023**	2022	% Change
Nova Scotia									
Halifax	**$23,621**	$22,543	4.8%	**($8,039)**	($7,834)	2.6%	**$15,582**	$14,709	5.9%
	23,621	22,543	4.8%	**(8,039)**	(7,834)	2.6%	**15,582**	14,709	5.9%
Ontario									
KWC-GTA	**8,012**	7,601	5.4%	**(2,931)**	(2,806)	4.5%	**5,081**	4,795	6.0%
Ottawa	**3,845**	3,665	4.9%	**(1,228)**	(1,221)	0.6%	**2,617**	2,444	7.1%
London	**2,453**	2,284	7.4%	**(794)**	(806)	(1.5)%	**1,659**	1,478	12.2%
	14,310	13,550	5.6%	**(4,953)**	(4,833)	2.5%	**9,357**	8,717	7.3%
New Brunswick									
Moncton	**8,495**	8,107	4.8%	**(3,373)**	(3,392)	(0.6)%	**5,122**	4,715	8.6%
Fredericton	**5,953**	5,569	6.9%	**(2,026)**	(2,111)	(4.0)%	**3,927**	3,458	13.6%
Saint John	**3,328**	3,106	7.1%	**(1,263)**	(1,288)	(1.9)%	**2,065**	1,818	13.6%
	17,776	16,782	5.9%	**(6,662)**	(6,791)	(1.9)%	**11,114**	9,991	11.2%
Alberta									
Calgary	**3,438**	3,174	8.3%	**(1,066)**	(1,150)	(7.3)%	**2,372**	2,024	17.2%
Edmonton	**4,178**	3,898	7.2%	**(1,467)**	(1,535)	(4.4)%	**2,711**	2,363	14.7%
	7,616	7,072	7.7%	**(2,533)**	(2,685)	(5.7)%	**5,083**	4,387	15.9%
Newfoundland and Labrador									
St. John's	**3,441**	3,350	2.7%	**(1,058)**	(1,116)	(5.2)%	**2,383**	2,234	6.7%
	3,441	3,350	2.7%	**(1,058)**	(1,116)	(5.2)%	**2,383**	2,234	6.7%
Prince Edward Island									
Charlottetown	**2,894**	2,868	0.9%	**(1,206)**	(1,249)	(3.4)%	**1,688**	1,619	4.3%
	2,894	2,868	0.9%	**(1,206)**	(1,249)	(3.4)%	**1,688**	1,619	4.3%
British Columbia									
Victoria	**1,852**	1,751	5.8%	**(454)**	(553)	(17.9)%	**1,398**	1,198	16.7%
	1,852	1,751	5.8%	**(454)**	(553)	(17.9)%	**1,398**	1,198	16.7%
	$71,510	$67,916	5.3%	**($24,905)**	($25,061)	(0.6)%	**$46,605**	$42,855	8.8%

Same Property Rental Increases – Tenant Renewals Versus Unit Turns

Upon turn, Killam will typically generate rental increases by moving rental rates to market and, where market demand exists. Killam realized a 320 bps increase in its same property weighted average rental increase quarter-over-quarter, up from 4.3% in Q4-2022 to 7.5% in Q4-2023. This increase was a result of higher rental increases on both unit turns and lease renewals. The weighted average rental increase on unit turns was 19.8% for the three months ended December 31, 2023, compared to 12.0% for the same period in 2022. Additionally, Killam realized a 130 bps increase in the weighted average rental increase on lease renewals, up from 2.1% in Q4-2022 to 3.4% in Q4-2023. The chart below summarizes the rental increases achieved during the three months ended December 31, 2023, and 2022.

For the three months ended December 31,	**2023**		2022	
	Rental Increases	Turnovers & Renewals (1)	Rental Increases	Turnovers & Renewals (1)
Lease renewal	**3.4%**	**12.7%**	2.1%	17.2%
Unit turn	**19.8%**	**4.0%**	12.0%	4.8%
Rental increase (weighted average)	**7.5%**		4.3%	

(1) Percentage of suites turned over or renewed during the periods, based on the total weighted average number of units held during the periods, adjusted for Killam's 50% ownership in jointly held properties.

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

MHC Results

For the three months ended December 31,

	Total Portfolio			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$4,503**	$4,347	3.6%	**$4,423**	$4,291	3.1%
Property operating expenses						
General operating expenses	**1,272**	1,200	6.0%	**1,251**	1,194	4.8%
Utility and fuel expenses	**430**	401	7.2%	**414**	386	7.3%
Property taxes	**213**	198	7.6%	**204**	195	4.6%
Total operating expenses	**$1,915**	$1,799	6.4%	**$1,869**	$1,775	5.3%
NOI	**$2,588**	$2,548	1.6%	**$2,554**	$2,516	1.5%
Operating margin %	**57.5%**	58.6%	(110) bps	**57.7%**	58.6%	(90) bps

The MHC same property portfolio generated a 1.5% increase in NOI in the fourth quarter, compared to Q4-2022. Revenues grew by 3.1% quarter-over-quarter due to a 2.8% increase in permanent MHC rental rates and increased revenue from Killam's seasonal resorts. This was partially offset by a 5.3% increase in total same property operating expenses, driven by higher water costs. This resulted in a 7.3% increase in utility and fuel expenses for the three months ended December 31, 2023, compared to the same period in 2022. Same property general operating expenses and property taxes also experienced small increases, up by 4.8% and 4.6% in the fourth quarter, respectively, as a result of inflationary cost pressures.

Commercial Results

For the three months ended December 31,

	Total Portfolio			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$5,234**	$4,992	4.8%	**$5,280**	$4,855	8.8%
Property operating expenses	**1,975**	2,211	(10.7)%	**2,171**	2,186	(0.7)%
NOI	**$3,259**	$2,781	17.2%	**$3,109**	$2,669	16.5%

Killam's overall commercial portfolio saw a 4.8% increase in revenue and a 10.7% decrease in property operating expenses, resulting in a significant 17.2% increase in NOI in the fourth quarter, compared to Q4-2022. The expansion of Charlottetown's Royalty Crossing was a key contributor to the revenue growth in Q4-2023.

The commercial same property results in Q4-2023 include: Westmount Place, located in Waterloo; the Brewery Market in downtown Halifax; three smaller commercial properties, one of which is Killam's head office, located in Halifax; and a small commercial property in Moncton. Overall, same property commercial revenue grew by 8.8% during Q4-2023, as a result of rental rate increases coupled with a small decrease in vacancy. Same property operating expenses decreased by 0.7%, largely due to lower repairs and maintenance costs, partially offset by higher property tax expenses. This resulted in a 16.5% increase in NOI during the quarter, compared to the same period in 2022.

Q4 FFO

For the three months ended December 31,	**2023**	2022	% Change
Net loss	**($11)**	$(9,810)	(99.9)%
Fair value adjustment on unit-based compensation	**116**	309	(62.5)%
Fair value adjustment on Exchangeable Units	**2,105**	3,898	(46.0)%
Fair value adjustment on investment properties	**27,356**	34,084	(19.7)%
Non-controlling interest	**—**	(4)	(100.0)%
Internal commercial leasing costs	**90**	90	—%
Deferred tax expense	**1,025**	3,363	(69.5)%
Interest expense related to Exchangeable Units	**682**	688	(0.9)%
Loss on dispositions	**2,640**	—	N/A
Unrealized loss on derivative liability	**—**	71	(100.0)%
Depreciation on owner-occupied building	**25**	24	4.2%
Change in principal related to lease liabilities	**6**	6	—%
FFO	**$34,034**	$32,719	4.0%
FFO per unit – diluted	**$0.28**	$0.27	3.7%
Weighted average number of units – diluted (000s)	**122,217**	120,676	1.3%

Killam earned FFO of $34.0 million, or $0.28 per unit (diluted), for the three months ended December 31, 2023, compared to $32.7 million, or $0.27 per unit (diluted), for the three months ended December 31, 2022. FFO growth is primarily attributable to same property NOI growth, contributions from completed developments. These increases were offset by a 1.3% increase in the weighted average number of units outstanding, as well as higher general and administrative costs and a decrease in capitalized interest.

Q4 AFFO

For the three months ended December 31,	**2023**	2022	% Change
FFO	**$34,034**	$32,719	4.0%
Maintenance capital expenditures	**(5,278)**	(5,123)	3.0%
Commercial straight-line rent adjustment	**(5)**	(27)	(81.5)%
Internal and external commercial leasing costs	**(168)**	(152)	10.5%
AFFO	**$28,583**	$27,417	4.3%
AFFO per unit – diluted	**$0.23**	$0.23	—%
AFFO payout ratio – diluted	**75%**	77%	(200) bps
Weighted average number of units – diluted (000s)	**122,217**	120,676	1.3%

The payout ratio of 75% for the three months ended December 31, 2023, improved 200 bps compared to the payout ratio in Q4-2022. The stability is attributable to a 4.3% increase in AFFO, driven by contributions from completed developments and same property NOI growth, offset by the impact of a 1.3% increase in the weighted average number of units outstanding.

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

PART IX

Selected Consolidated Financial Information

For the years ended December 31,	**2023**	2022	2021
Property revenue	**$348,150**	$328,847	$290,917
Net income	**$266,333**	$122,532	$285,527
FFO	**$139,755**	$132,603	$119,235
FFO per unit – diluted	**$1.15**	$1.11	$1.07
Investment properties	**$5,027,806**	$4,812,801	$4,540,877
Total assets	**$5,085,114**	$4,859,530	$4,578,507
Total liabilities	**$2,602,514**	$2,586,199	$2,467,038
Distribution per unit	**$0.70**	$0.70	$0.69

Risk Management

Killam faces a variety of risks, the majority of which are common to real estate entities. These risks include (i) changes in general economic conditions, (ii) changes in local conditions (such as an oversupply of units or a reduction in demand for real estate in an area), (iii) changes to government regulations (such as new or revised residential tenant legislation), (iv) competition from others with available units, and (v) the ability of the property owner to provide adequate maintenance economically.

Real estate is relatively illiquid and therefore can tend to limit Killam's ability to rebalance its portfolio promptly in response to changing economic or investment conditions. In addition, financial difficulties of other property owners, resulting in distress sales, may depress real estate values in the markets in which Killam operates. Killam's exposure to general risks associated with real estate investments is mitigated by its geographic and sector diversification due to investments in apartments, MHCs, and commercial properties across the country.

Killam is exposed to other risks, as outlined below:

Pandemic Risk and Economic Downturn
Pandemics, epidemics or disease outbreaks, such as the COVID-19 pandemic, may result in international, national and local border closings; significant disruptions to business operations, financial markets, regional economies and the world economy; and other changes to services, as well as considerable general concern and uncertainty. Such disruptions could adversely affect the ability of Killam's tenants to pay rent and increase Killam's credit risk. There can be no certainty any vaccination programs or other preventative measures will successfully control the spread or resurgence of any pandemics, epidemics or disease outbreaks, and any such event could materially interrupt Killam's supply chain and service providers, which could have material adverse effects on Killam's ability to maintain and service its properties. There can be no assurance that a disruption in financial markets, regional economies and the world economy, and the government measures to contain any pandemic, epidemic, or other outbreak will not negatively affect the financial performance or fair values of Killam's investment properties in a material manner.

Killam's response to the COVID-19 pandemic was guided by local public health authorities and governments and Killam may take future actions that respond to directives of governments and public health authorities or that are in the best interests of employees, tenants, suppliers or other stakeholders, as necessary. Any such actions or changes in operations could materially impact the business, operations and financial results of Killam. It is not possible to reliably estimate the duration and severity of the ultimate and long-term consequences of the COVID-19 pandemic or other pandemics, epidemics or outbreaks, as well as their impact on the financial position and results of Killam for future periods.

Inflation Risk
Killam does not believe that inflation has had a material adverse effect on its business, financial condition or results of operations to date; however, if Killam's development, construction, operation or labour costs were to become subject to significant inflationary pressures, Killam may not be able to fully offset such higher costs through increases in rent to its tenants. Killam's inability or failure to do so could harm Killam's business, financial condition and results of operations. Further, there can be no assurance that any governmental action to mitigate inflationary cycles will be taken or be effective. Governmental action, such as the imposition of higher interest rates, may negatively impact Killam's financial results. In particular, certain of Killam's debt is at variable rates of interest, which exposes Killam to interest rate risk. If interest rates increase, Killam's debt service obligations on the variable rate indebtedness would increase, as discussed under "Interest Rate Risk" below. Continued inflation, any governmental response thereto, or Killam's inability to offset inflationary effects may have a material adverse effect on Killam's business, financial condition and results of operations.

Interest Rate Risk
Interest rate risk is the risk that Killam would experience lower returns as the result of its exposure to a higher interest rate environment. Killam is exposed to interest rate risk as a result of its mortgages and loans payable; however, this risk is mitigated through Killam's strategy to have the majority of its mortgages payable in fixed-term arrangements. Killam also structures its financings to stagger the maturities of its debt, minimizing Killam's exposure to interest rates in any one year. Despite these risk mitigation efforts, any increases in interest may have an adverse effect on Killam's business, financial condition and results of operations.

As at December 31, 2023, $65.6 million of Killam's debt had variable interest rates, including construction loans totalling $24.7 million and amounts drawn on credit facilities of $40.9 million. These facilities have interest rates of prime plus 0.55%–0.75% or 105–155 bps above BAs (December 31, 2022 – prime plus 0.55%–1.25% or 105–155 bps above BAs) and, consequently, Killam is exposed to short-term interest rate risk on these loans.

Killam's fixed mortgage debt that matures in the next 12 months totals $313.8 million. Assuming these mortgages are refinanced at similar terms, except at a 100 bps increase in interest rates, financing costs would increase by $3.1 million per year.

Liquidity Risk
Liquidity risk is the risk that Killam may not have access to sufficient capital to fund its growth program or refinance its debt obligations as they mature, which may have a material adverse effect on Killam's business, financial condition and results of operations. Killam manages cash resources based on financial forecasts and anticipated cash flows. The maturities of Killam's long-term financial liabilities are set out in note 27 to the consolidated financial statements. Killam staggers the maturities of its debt, minimizing exposure to liquidity risk in any year. In addition, Killam's apartments qualify for CMHC-insured debt, reducing the refinancing risk on maturity. Killam's MHCs and commercial properties do not qualify for CMHC-insured debt; however, they continue to have access to mortgage debt.

Credit Risk
Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill the commitments of their lease. 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 new leases, and Killam also obtains a security deposit to assist in potential recovery requirements. Killam's bad debt expense has historically been less than 0.3% of revenues, and none of Killam's tenants account for more than 4% of tenant receivables as at December 31, 2023 or 2022. Any credit risk that materializes may have a material adverse effect on Killam's business, financial condition and results of operations.

Cyber Security Risk
A cyber incident is any adverse event that threatens the confidentiality, integrity or availability of Killam's information technology resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. Killam's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to relationships with its vendors and tenants, and disclosure of confidential vendor or tenant information. Killam has implemented processes, procedures and controls to mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

The rapid emergence, proliferation and evolution of generative artificial intelligence tools may exacerbate Killam's cybersecurity related risks including the security of its technology, information systems and data privacy. Cybersecurity incidents may arise through Killam's use of artificial intelligence tools, or through the use of such tools by a third party. Such incidents could result in business interruption, theft or misuse of confidential information, financial losses, remediation and recovery losses, legal claims or proceedings, or liability under data protection and privacy laws and regulators, all of which could have a material adverse effect on Killam's business. The regulation of technology is rapidly evolving and will require Killam's continued attention to avoid penalty under such regimes as well as gain the benefits and protections under same.

Increased Supply Risk
Increased supply risk is the risk of loss from competition from new rental units in Killam's core markets. Numerous residential developers and apartment owners compete for potential tenants. Although it is Killam's strategy to own multi-family residential properties in premier locations in each market in which it operates, some of the apartments or MHCs of Killam's competitors may be newer, better located, offer lower rents or have additional rental incentives. An increase in alternative housing could have a material adverse effect on Killam's ability to lease units, and the rents charged could adversely affect Killam's revenues and ability to meet its obligations. To mitigate against this risk, Killam has a geographically diverse asset base. Management is expanding this diversification by increasing Killam's investment in apartment markets outside Atlantic Canada.

Development Risk
Development risk is the risk that costs of developments will exceed original estimates, unforeseen delays will occur and/or units will not be leased in the timeframe and/or at rents anticipated. To reduce Killam's exposure to cost increases, it enters into fixed-price contracts when possible. To reduce the lease-up risk, Killam does market research in advance of each development to support expected rental rates and premarkets its properties early on in the process, to increase demand for the new developments. Any development risk that materializes may have a material adverse effect on Killam's business, financial condition and results of operations.

Supply Chain Risk
On January 1, 2024, an Act to enact the Fight Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff ("Supply Chains Act") came into force. Starting in May 2024, the Supply Chains Act introduces a public reporting requirement that will apply to many governmental institutions and private sector businesses, including Killam. While there are no identified instances of Killam using forced labour or child labour in its supply chain, there is a risk that Killam's supply chain may have actual or alleged forced or child labour. Should such an instance arise, Killam would be required to take measures to address such a claim or risk of a claim, including disrupting its supply chain operations in pursuit of such a remedy, which could result in operational, financial, business or reputational harm.

Environmental Risk
As an owner of real estate, Killam is subject to federal, provincial and municipal environmental regulations. These regulations may require Killam to fund the costs of removal and remediation of certain hazardous substances on its properties or releases from its properties. The failure to remediate such properties, if any, could adversely affect Killam's ability to borrow using the property as collateral or to sell the real estate. Killam is not aware of any material non-compliance with environmental laws at any of its properties. Killam has made, and will continue to make, the necessary capital expenditures to comply with environmental laws and regulations.

Environmental laws and regulations can change rapidly, and Killam may be subject to more stringent environmental laws and regulations in the future.

General Uninsured Losses
Killam does not and will not carry insurance with respect to all potential casualties, damages, losses and disruptions. Killam does carry comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customary for the industry. There are, however, certain types of risks (generally of a catastrophic nature) that are either uninsurable or would not be economically insurable. There can be no assurance that the insurance proceeds received by Killam in respect of a claim will be sufficient in any particular situation to fully compensate Killam for losses and liabilities suffered. Losses and liabilities arising from uninsured or under-insured events could adversely affect Killam's business, financial condition or results of operations.

Rent Control Risk
Killam is exposed to the risk of the implementation of, or amendments to, existing legislative rent controls in the markets in which it operates, which may have an adverse impact on Killam's operations. In the provinces in which Killam currently operates, Prince Edward Island, Ontario and British Columbia have rent controls. As well, Nova Scotia has rent control for MHCs and temporary rent restrictions for apartments.

Ontario capped residential rents on existing tenants for 2023 and 2024 at 2.5%, and British Columbia capped residential rent increases on existing tenants at 2.0% for 2023, and 3.5% for 2024. Nova Scotia currently has temporary rent control measures in place in response to COVID-19, limiting the maximum allowable rental increase on renewal. The increase was limited to 2.0% for 2021–2023, and 5.0% for 2024 and 2025. These temporary measures in Nova Scotia are expected to be in place until the end of 2025. Prince Edward Island also has legislation in place that prevents property owners from increasing rents in 2023 and limits rent increases to 3.0% in 2024.

The lack of availability of affordable housing and related housing policy and regulations is continuing to increase in prominence as a topic of concern at the various levels of government. Accordingly, through different approaches, governments may enact policy or amend legislation in a manner that may have a material adverse effect on the ability for Killam to grow or maintain the historical level of cash flow from its properties.

In addition, laws and regulations providing for compliance with various housing matters involving tenant evictions, work orders, health and safety issues or fire and maintenance standards, etc. may become more stringent in the future. Killam may incur increased operating costs as part of its compliance with any such additional government legislation and regulations relating to housing matters, which may have an adverse effect on earnings.

Utility, Energy and Property Tax Risk
Killam is exposed to volatile utility and energy costs and increasing property taxes. Killam has the ability to raise rents on the anniversary date of its leases, to offset rising energy and utility costs; however, rental increases may be limited by market conditions or regulation. Killam invests in energy-efficiency initiatives to reduce its reliance on utility costs; however, Killam remains exposed to price volatility and carbon tax on natural gas and heating oil. Killam, along with the assistance of outside consultants, reviews property tax assessments and, where warranted, appeals them.

Fluctuation and Availability of Cash Distributions
Killam's distribution policy is established pursuant to the DOT and may only be changed with the approval of a majority of unitholders. However, the Board of Trustees may reduce or suspend cash distributions indefinitely, which could have a material adverse effect on the market price of the Trust Units. There can be no assurance regarding the amount of income to be generated by Killam's properties.

The ability of Killam to make cash distributions, and the actual amount distributed, is at the sole discretion of the Board, will be entirely dependent on the operations and assets of Killam, and will be subject to various factors, including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from the tenant profile of Killam's properties, and capital expenditure requirements. Distributions may be increased, reduced or suspended entirely depending on Killam's operations and the performance of Killam's assets, at the discretion of the Trustees. The market value of the Trust Units may deteriorate if Killam is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return of investors.

Ability of Unitholders to Redeem Units
The entitlement of unitholders to receive cash upon the redemption of their Trust Units is subject to the following limitations: (i) the total amount payable by Killam in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar month must not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Trust Units are tendered for redemption, the outstanding Trust Units must be listed for trading on a stock exchange or traded or quoted on another market that the Trustees consider, in their sole discretion, provides fair market value prices for the Trust Units; (iii) the trading of Trust Units is not suspended or halted on any stock exchange on which the Trust Units are listed (or, if not listed on a stock exchange, on any market on which the Trust Units are quoted for trading) on the redemption date for more than five trading days during the 10-day trading period commencing immediately after the redemption date; and (iv) the redemption of the Trust Units must not result in the delisting of the Trust Units from the principal stock exchange on which the Trust Units are listed.

Exchangeable Units
Holders of Exchangeable Units may lose their limited liability in certain circumstances, including by taking part in the control or management of the business of Killam Apartment Limited Partnership (the “Limited Partnership”). The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province but carrying on business in another province have not been authoritatively established. If limited liability is lost, there is a risk that holders of Exchangeable Units may be liable beyond their contribution of capital and share of undistributed net income of the Limited Partnership in the event of judgment on a claim in an amount exceeding the sum of the net assets of the General Partner and the net assets of the Limited Partnership. Holders of Exchangeable Units remain liable to return to the Limited Partnership for such part of any amount distributed to them as may be necessary to restore the capital of the Limited Partnership to the amount existing before such distribution if, as a result of any such distribution, the capital of the Limited Partnership is reduced and the Limited Partnership is unable to pay its debts as they become due.

Taxation-Related Risks
Killam currently qualifies as a mutual fund trust for Canadian income tax purposes. It is the current policy of Killam to distribute all of its taxable income to unitholders, and it is therefore generally not subject to tax on such amount. In order to maintain its current mutual fund trust status, Killam is required to comply with specific restrictions regarding its activities and the investments held by it. Should Killam cease to qualify as a mutual fund trust, the consequences could be adverse.

There can be no assurance that Canadian federal income tax laws in respect of the treatment of mutual fund trusts will not be changed in a manner that adversely affects Killam or its unitholders. If Killam ceases to qualify as a “mutual fund trust,” it will be required to pay a tax under Part XII.2 of the Tax Act.

The payment of Part XII.2 tax by Killam may have adverse income tax consequences for certain of Killam’s unitholders, including non-resident persons and trusts governed by registered retirement savings plans, registered disability savings plans, deferred profit-sharing plans, registered retirement income funds, tax-free savings accounts and registered education savings plans (“designated savings plans”), which acquired an interest in Killam directly or indirectly from another Killam unitholder. If Killam ceases to qualify as a “mutual fund trust” under the Tax Act and Killam units cease to be listed on a designated stock exchange, Killam units will cease to be qualified investments for trusts governed by designated savings plans. Killam will endeavour to ensure its Trust Units continue to be qualified investments for trusts governed by the designated savings plans; however, there can be no assurance that this will be so.

The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by such trusts. Unitholders should consult their own tax advisors in this regard, including as to whether Killam units are “prohibited investments” for registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans or tax-free savings accounts.

Certain rules in the Tax Act (the “SIFT Rules”) affect the tax treatment of specified investment flow-through trusts (“SIFT trusts”) and their unitholders. A trust resident in Canada will generally be a SIFT trust for a particular taxation year for purposes of the Tax Act if, at any time during the taxation year, investments in the trust are listed or traded on a stock exchange or other public market and the trust holds one or more “non-portfolio properties” as defined in the Tax Act. Non-portfolio properties generally include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections to Canada. However, a trust will not be considered to be a SIFT trust for a taxation year if it qualifies as a “real estate investment trust” (as defined in the Tax Act) for that year (the “REIT Exception”).

Pursuant to the SIFT Rules, distributions of a SIFT trust’s “non-portfolio earnings” are not deductible to the SIFT trust in computing its income. Non-portfolio earnings are generally defined as income attributable to a business carried on by the SIFT trust in Canada or to income (other than dividends) from, and taxable capital gains from the disposition of, non-portfolio properties. The SIFT trust is itself liable to pay income tax on an amount equal to the amount of such non-deductible distributions at a rate that is substantially equivalent to the combined federal and provincial general tax rate applicable to taxable Canadian corporations. Such non-deductible distributions paid to a holder of units of the SIFT trust are generally deemed to be taxable dividends received by the holder of such units from a taxable Canadian corporation. Such deemed dividends will qualify as “eligible dividends” for purposes of the enhanced gross-up and dividend tax credit rules in the Tax Act if paid to any individual resident in Canada. Distributions that are paid as returns of capital will not attract this tax.

A trust that satisfies the REIT Exception is excluded from the definition of a SIFT trust in the Tax Act and is, therefore, not subject to the SIFT Rules. In addition to the Trust being resident in Canada throughout the year, the following five criteria must be met in order for the Trust to qualify for the REIT Exception:

- At each time in the taxation year, the total fair market value at that time of all “non-portfolio properties” that are “qualified REIT properties” held by the Trust must be at least 90% of the total fair market value at that time of all non-portfolio properties held by the Trust;
- Not less than 90% of the Trust’s “gross REIT revenue” for the taxation year is from one or more of the following: “rent from real or immovable properties,” interest, capital gains from dispositions of “real or immovable properties” that are capital properties, dividends, royalties and dispositions of “eligible resale properties”;
- Not less than 75% of the Trust’s gross REIT revenue for the taxation year is derived from one or more of the following: rent from real or immovable properties, interest from mortgages on real or immovable properties, capital gains from dispositions of real or immovable properties that are capital properties;
- At no time in the taxation year can the total fair market value of properties comprising real or movable property that is capital property, an “eligible resale property,” cash, deposits (within the meaning of the *Canada Deposit Insurance Corporation Act* or with a branch in Canada of a bank or a credit union), indebtedness of Canadian corporations represented by bankers' acceptances, and debt issued or guaranteed by the Canadian government or issued by a province, municipal government or certain other qualifying public institutions be less than 75% of the “equity value” (in each case, as defined in the Tax Act) of the Trust at that time; and
- Investments in the Trust must be, at any time in the taxation year, listed or traded on a stock exchange or other public market.

The SIFT Rules contain a “look-through rule” under which a trust could qualify for the REIT Exception where it holds properties indirectly through intermediate entities, provided that each such entity, assuming it were a trust, would satisfy paragraphs (1) through (4) of the REIT Exception above. The REIT Exception does not fully accommodate the current business structures used by many Canadian REITs and contains a number of technical tests that many Canadian REITs, including the Trust, may find difficult to satisfy. The Trust will endeavour to ensure that the Trust will qualify for the REIT Exception at all times during each taxation year, and each direct and indirect subsidiary of the Trust will qualify as an “excluded subsidiary entity” (as defined in the Tax Act) such that the Trust will not be a SIFT trust within the meaning of the SIFT Rules at any time. However, there can be no assurance that this will be so. There can also be no assurance that the investments or activities undertaken by the Trust in a taxation year will not result in the Trust failing to qualify for the REIT Exception for that taxation year.

If the Trust does not qualify for the REIT Exception for a taxation year, the SIFT Rules will apply to the Trust for that year. Application of the SIFT Rules may, depending on the nature of distributions from the REIT, including what portion of its distributions is income and what portion is returns of capital, have a material adverse effect on the after-tax returns of certain unitholders. Such adverse tax consequences may impact the future level of cash distributions made by the Trust and the ability of the Trust to undertake future financings and acquisitions, and could also adversely affect the marketability of the Trust’s securities.

The REIT Exception is applied on an annual basis. Accordingly, if the Trust did not qualify for the REIT Exception in a particular taxation year, it may be possible to restructure the Trust such that it may qualify in a subsequent taxation year.

There can be no assurances, however, that the Trust will be able to restructure such that it will not be subject to the tax imposed by the SIFT Rules, or that any such restructuring, if implemented, would not result in material costs or other adverse consequences to the Trust and unitholders. The Trust intends to take such steps as are necessary to ensure that, to the extent possible, it qualifies for the REIT Exception and any negative effects of the SIFT Rules on the Trust and unitholders are minimized.

Other Canadian Tax Matters
There can be no assurance that Canadian federal income tax laws, the terms of the Canada-United States Income Tax Convention, or the administrative policies and assessing practices of the Canada Revenue Agency will not be changed in a manner that adversely affects the REIT or unitholders. Any such change could increase the amount of tax payable by the REIT or its affiliates and/or unitholders, or could otherwise adversely affect unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to unitholders in respect of distributions. In structuring its affairs, the Trust consults with its tax and legal advisors and receives advice as to the optimal method in which to complete its business objectives, while at the same time minimizing or deferring taxes where possible. There is no guarantee that the relevant taxing authorities will not take a different view as to the ability of the Trust to utilize these strategies. It is possible that one or more taxing authorities may review these strategies and determine that tax should have been paid, in which case the Trust may be liable for such taxes.

Competition for Real Property Investments
Killam competes for suitable real property investments with individuals, corporations and institutions (both Canadian and foreign) that are presently seeking, or that may seek in the future, real property investments similar to those desired by Killam. Many of these investors will have greater financial resources than those of the Trust. An increase in the availability of investment funds, and an increase in interest of real property investments, would tend to increase competition for real property investments, thereby increasing purchase prices and reducing yields therefrom. In addition, Killam may require additional financing to complete future real property acquisitions, which may not be available on terms acceptable to Killam.

Future Acquisitions of Real Property Investments
Unitholders will have no advance opportunity to evaluate the merits and risks of any future acquisitions of real property investments made by Killam and will need to rely on the experience and judgment of Management. There can be no assurance that any such acquisitions will be successfully completed. Management and the Board will have responsibility for and substantial discretion in the making of such acquisitions. Therefore, the future profitability of Killam will depend upon the ability of Management to identify and complete commercially viable acquisitions.

Zoning and Approval
Future acquisitions and development projects may require zoning and other approvals from local government agencies. The process of obtaining such approvals may take months or years, and there can be no assurance that the necessary approvals for any particular project will be obtained. Holding costs accrue while regulatory approvals are being sought, and delays could render future acquisitions and developments uneconomical and may have a material adverse effect on Killam's business, financial condition and results of operations.

Dependence on Key Personnel
The success of Killam will be largely dependent upon the quality and diversity of its Management and personnel. Loss of the services of such persons, or the inability to attract personnel of equal ability, could adversely affect Killam's business operations and prospects.

Market for Securities and Price Volatility
There can be no assurance that an active trading market in Killam's securities will be sustained. In addition, the market price for Killam's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results, changes in interest rates, as well as market conditions in the industry may have a significant impact on the market price of the securities of Killam. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies. At times, following periods of volatility in the market price of some companies' securities, securities litigation has been instituted against such companies. The institution of this type of litigation against Killam could result in substantial costs and a diversion of Management's attention and resources, which could harm the Trust's business and prospects.

Co-ownership
Killam has co-ownership of properties and land for future development that are subject to joint control and are joint operations. Risks associated with co-ownership include the risk of non-payment for operating and capital costs from the partner, risk of inability to finance a property associated with a joint venture or limited partnership, and the risk of a partner selling their interest in the properties. If any such risks materialize, they may have an adverse effect on Killam's business, financial condition or results of operations.

Ground Leases
Four of Killam's properties, including 6101 South Street and Chapter House located in Halifax, Oceanic Camping located in Shediac, New Brunswick, and 1033 Queen Street West in Toronto, are subject to long-term ground leases in which the underlying land is owned by an arm's length third party and leased to Killam. Under the terms of the ground lease, Killam must pay rent for the use of the land and is generally responsible for all the costs and expenses associated with the building and improvements. Unless the lease term is extended, the land, together with all of the improvements made, will revert to the owner of the land upon the expiration of the lease. The leases are scheduled to expire in 2040 (there is an option for a ten-year renewal), 2080, 2105 and 2059, respectively. The total ground lease payments for the year ended December 31, 2023, were $0.4 million (December 31, 2022 – $0.3 million). There is no assurance that any lease will be extended or renewed on terms acceptable to Killam or at all. The extension or renewal of any ground lease on terms less favourable to Killam or the expiration of any ground lease may have a material adverse effect on Killam's business, financial condition and results of operations.

Climate Change and Environmental Laws
Killam is exposed to physical climate change risk, including rising sea levels, natural disasters, and severe weather, such as heavy rain and flooding, high winds, wildfires, blizzards, ice storms and thunderstorms, that may cause damage to its investment properties. As weather becomes more erratic, damage to investment properties may result in increased restoration costs, loss of revenue in the event of business disruption, potential decrease in property values and increased costs to insure properties against climate-related risks. Physical and transitional climate-related risks are considered by the Trust as part of its ongoing risk management processes. The materiality of such risks varies among the business operations of Killam and the jurisdictions in which such operations are conducted. Despite the potential uncertainties and longer-time horizon associated with any such risks, the Trust considers the impacts of climate change-related risks over the short, medium and long terms. In the long term, Killam plans to move towards operating its portfolio with net-zero carbon emissions to combat its impact on climate change.

In addition, environmental legislation and policies, which can change rapidly, have become increasingly important and generally more restrictive in recent years. Under various federal, provincial and local environmental laws, ordinances and regulations, Killam could be liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in monitoring its properties or disposed of by or on behalf of Killam at other locations. The failure to remove, monitor or remediate any such substances, if any, may adversely affect Killam's ability to sell its real estate, or to borrow using such real estate as collateral, and could potentially also result in regulatory enforcement proceedings and/or private claims against Killam. Although Killam is not aware of any material noncompliance with environmental laws at any of its properties, nor is it aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties, no assurance can be given that environmental laws will not result in significant liability to Killam in the future, or otherwise adversely affect Killam's business, financial condition or results of operations.

ESG Targets and Commitments
Killam has announced certain targets and ambitions relating to ESG. To achieve these goals and to respond to changing market demand, Killam may incur additional costs and invest in new technologies. It is possible that the return on these investments may be less than Killam expects, which may have an adverse effect on its business, financial condition and reputation. Generally speaking, Killam's ability to meet its targets depends significantly on Killam's ability to execute its current business strategy, related milestones and schedules, each of which can be impacted by the numerous risks and uncertainties associated with its business and the industries in which it operates, as outlined in the other risk factors described in this MD&A.

Killam recognizes that investors and stakeholders increasingly compare companies based on ESG-related performance. Failure by Killam to achieve its ESG targets, or a perception among key stakeholders that its ESG targets are insufficient, could adversely affect, among other things, Killam's cost of capital, reputation and ability to attract capital or obtain insurance.

There is also a risk that some or all of the expected benefits and opportunities of achieving the various ESG targets may fail to materialize, may cost more to achieve or may not occur within the anticipated time periods. Killam depends on, among other things, the availability and scalability of existing and emerging technologies to meet its ESG targets. Limitations related to the development, adoption and success of these technologies or the development of new technologies could have a negative impact on Killam's long-term business resilience. In addition, there are risks that the actions taken by Killam in implementing targets and ambitions relating to ESG may have a negative impact on its existing business and operations and increase capital expenditures, which could have a negative impact on Killam's business, financial condition, results of operations and cash flows.

International Conflict
International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes and international responses thereto, have historically led to, and may in the future lead to, uncertainty or volatility in global energy and financial markets. For example, Russia's invasion of Ukraine led to sanctions being levied against Russia by the international community and may result in additional sanctions or other international action, any of which may have a destabilizing effect on global economies. Volatility in energy and financial markets, including increased commodity prices, may adversely affect Killam's business, financial condition and results of operations. The extent and duration of instances of international conflict or other geopolitical tensions and events, and related international action, cannot be accurately predicted at this time, and the effects of such conflict may magnify the impact of the other risks identified in this MD&A. Further, unforeseeable impacts of international conflict or geopolitical events, including on Killam, its stakeholders, and parties on which it relies, may materialize and may have an adverse effect on Killam's business, results of operation and financial condition.

Legal and Litigation Risk
Killam is subject to a wide variety of laws and regulations across all jurisdictions and faces risks associated with legal and regulatory changes. If Killam fails to monitor and become aware of changes in applicable laws and regulations or if Killam fails to comply with these changes in an appropriate and timely manner, it could result in fines and penalties, litigation, or other significant costs, as well as significant time and effort to remediate any violations. Further, Killam may be involved in various claims and actions arising in the course of operations. Accruals for litigation, claims and assessments are recognized if Killam determines that the loss is probable and the amount can be reasonably estimated. Killam believes it has made adequate provisions for such legal claims. Although the outcome of these claims is uncertain, Killam does not expect these matters to have a material adverse effect on Killam's financial position, cash flows or operational results. If an unfavorable outcome were to occur, there exists the possibility of a loss or material adverse impact on Killam's financial position in the period in which the outcome is determined. Additionally, any legal claims or violations could result in reputational damage to Killam, both from an operating and an investment perspective.

Legal Rights Normally Associated with the Ownership of Shares of a Corporation
As holders of units, unitholders do not have all of the statutory rights normally associated with ownership of shares of a company, including, for example, the right to bring "oppression" or "derivative" actions against the Trust. The units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation, as it does not carry on or intend to carry on the business of a trust company.

Critical Accounting Policies and Significant Accounting Judgments, Estimates and Assumptions

Critical Judgments in Applying Accounting Policies
The following are the critical judgments, apart from those involving estimations (see "Key Accounting Estimates and Assumptions" below), that have been made in applying the Trust's accounting policies and that have the most significant effect on the reported amounts in the consolidated financial statements:

(i) Income taxes
The Trust applies judgment in determining the tax rates applicable to its corporate subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes related to temporary differences arising from its corporate subsidiaries are measured based on the tax rates that are expected to apply in the year when the asset is realized or the liability is settled. Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

(ii) Investment property and internal capital program
The Trust's accounting policy relating to investment properties is described in note 2(G) to the consolidated financial statements. In applying this policy, judgment is applied in determining the extent and frequency of utilizing independent, third-party appraisals to measure the fair value of the Trust's investment properties.

Additionally, judgment is applied in determining the appropriate classes of investment properties in order to measure fair value. The Trust also undertakes internal capital improvements and upgrades. Such work is specifically identified, and the Trust applies judgment in the estimated amount of directly attributable salaries to be allocated to capital improvements and upgrades of its investment properties.

(iii) Financial instruments
The Trust's accounting policies relating to financial instruments are described in note 2(M) to the consolidated financial statements. Critical judgments inherent in these policies related to applying the criteria set out in IFRS 9 and IAS 32 to determine the appropriate recognition model, i.e. FVTPL, etc., assess the effectiveness of hedging relationships and determine the identification of embedded derivatives, if any, that are subject to fair value measurement.

(iv) Basis of consolidation
The consolidated financial statements of the Trust include the accounts of Killam and its wholly owned subsidiaries, as well as entities over which the Trust exercises control on a basis other than ownership of voting interest within the scope of IFRS 10, *Consolidated Financial Statements*. Judgment is applied in determining if an entity meets the criteria of control as defined in the accounting standard.

(v) Revenue recognition
The Trust applies judgment about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Trust concluded that revenue for property management and ancillary services is to be recognized over time because the tenant simultaneously receives and consumes the benefits provided by the Trust. Rents charged to tenants are generally charged on a gross basis, inclusive of property management and ancillary services. If a contract is identified as containing more than one performance obligation, the Trust allocates the total transaction price to each performance obligation in an amount based on an expected cost plus a margin approach.

Key Accounting Estimates and Assumptions
The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results could differ from estimates.

(i) Valuation of investment properties
The choice of valuation method and the critical estimates and assumptions underlying the fair value determination of investment properties are set out in note 5 to the consolidated financial statements. Significant estimates used in determining the fair value of the Trust's investment properties include capitalization rates and stabilized NOI used in the overall capitalization rate valuation method. A change to any one of these inputs could significantly alter the fair value of an investment property. Please refer to note 5 for sensitivity analysis.

IPUC and land held for development are also valued at fair value, except if such values cannot be reliably determined. In the case when fair value cannot be reliably determined, such property is recorded at cost.

(ii) Deferred unit-based compensation
The compensation costs relating to deferred unit-based compensation are based on estimates of how many deferred units will be awarded, how many will actually vest and be exercised, as well as valuation models, which by their nature are subject to measurement uncertainty.

(iii) Deferred taxes

The amount of the temporary differences between the accounting carrying value of the Trust's assets and liabilities held in various corporate subsidiaries versus the tax bases of those assets and liabilities and the tax rates at which the differences will be realized are outlined in note 23 to the consolidated financial statements.

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 consolidated financial statements.

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.

The amendments are effective for annual periods beginning on or after January 1, 2024. The amendments must be applied retrospectively; however, earlier application is permitted and must be disclosed. Management has determined that the Exchangeable Units will be required to be presented as current. Killam has not early adopted the amendment and plans to adopt the new standard retrospectively on the required effective date.

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

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 and procedures and internal controls will prevent or detect all error and all fraud. Because of the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within Killam have been detected.

Disclosure Controls and Procedures
As of December 31, 2023, Management evaluated the effectiveness of the operation of its disclosure controls and procedures (Disclosure Controls), as defined under rules adopted by the Canadian Securities Administrators. This evaluation was performed under the supervision of, and with the participation of, the Chief Executive Officer and the Chief Financial Officer, with the assistance of Management.

Disclosure Controls are designed to ensure that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to Management, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Based on the evaluation of Disclosure Controls, the Chief Executive Officer and the Chief Financial Officer have concluded that, subject to the inherent limitations noted above, Disclosure Controls are effective in ensuring that material information relating to Killam and its consolidated subsidiaries is made known to Management on a timely basis by others within those entities, and is included as appropriate in this MD&A.

Internal Controls over Financial Reporting
Internal controls over financial reporting (ICFR) are designed to provide reasonable assurance regarding the reliability of Killam's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS. Management's documentation and assessment of the effectiveness of Killam's ICFR continues as of the date of this MD&A, with the focus on processes and controls in areas identified as being "key risks."

As at December 31, 2023, Killam's President and Chief Executive Officer and its Chief Financial Officer, with the assistance of Management, assessed the effectiveness of the ICFR using the criteria set forth in "Internal Control - Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on that assessment, Killam determined that the ICFR were designed and operating effectively as at December 31, 2023, and did not make any changes to the design of the ICFR in 2023 that have materially affected, or are reasonably likely to materially affect, the ICFR.

Related Party Transactions

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

The remuneration of directors and other key management personnel, which include the Board of Trustees, President and Chief Executive Officer, Executive Vice President, Chief Financial Officer and other Vice Presidents of Killam, is as follows:

For the years ended December 31,	**2023**	2022
Salaries, board compensation and incentives	**$7,272**	$5,978
Deferred unit-based compensation	**2,672**	2,191
Total	**$9,944**	$8,169

Subsequent Events

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

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

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements and management's discussion and analysis (MD&A) have been prepared by the management of Killam Apartment REIT in accordance with International Financial Reporting Standards, and include amounts based on management's informed judgements and estimates. Management is responsible for the integrity and objectivity of these consolidated financial statements. The financial information presented in the MD&A is consistent with that in the consolidated financial statements in all material respects.

To assist management in the discharge of these responsibilities, management has established the necessary internal controls designed to ensure that our financial records are reliable for preparing financial statements and other financial information, transactions are properly authorized and recorded, and assets are safeguarded.

As at December 31, 2023, our Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision of, the design and operation of our internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) and, based on that assessment, determined that our internal controls over financial reporting were appropriately designed and operating effectively.

Ernst & Young LLP, the auditors appointed by the Unitholders, have examined the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Unitholders their opinion on the consolidated financial statements. Their report as auditors is set forth below.

The consolidated financial statements have been further reviewed and approved by the Board of Trustees and its Audit Committee. This committee meets regularly with management and the auditors, who have full and free access to the Audit Committee.

February 14, 2024

Philip Fraser
President and Chief Executive Officer

Dale Noseworthy
Chief Financial Officer

Independent auditor's report

To the Unitholders of
Killam Apartment Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of **Killam Apartment Real Estate Investment Trust** and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at December 31, 2023 and 2022 and the consolidated statements of income and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Investment Properties	
The Group's investment property portfolio is comprised primarily of multi-residential apartments, manufactured home communities and commercial income-producing properties and properties under construction with a fair value of $5.03B which represents 99% of total assets at December 31, 2023. The valuation methodology for these investment properties is primarily based on an income approach using the direct capitalization method and the discounted cash flow method. Note 2(G) of the consolidated financial statements describes the accounting policy for investment properties. Note 5 describes the valuation method and valuation inputs and discloses the sensitivity of the fair value of investment properties to a change in capitalization rates and stabilized net operating income. The valuation of the Group's investment property portfolio is a key audit matter given the inherently subjective nature of significant assumptions including capitalization rates, discount rates, terminal capitalization rates, stabilized net operating income, and anticipated cash flow assumptions relating to occupancy and rental rates. These assumptions are influenced by property-specific characteristics including location, type and quality of the properties and tenancy agreements. For properties under development, depending on the complexity and stage of completion, costs to complete as well as leasing and construction risk are additional significant assumptions that impact the final valuation.	With the assistance of our real estate valuation specialists, we evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others: • We assessed the competence and objectivity of management's valuation team, and any third-party appraisers engaged by the Group, by reviewing the qualifications and expertise of the individuals involved in the preparation and review of the valuations and assessed the suitability of the valuation methodology utilized. • We selected a sample of properties, including those properties where either the fair value change or lack of change from prior year or significant assumptions fell outside our expectations, based on our understanding of the geographical real estate market for the specific asset type. For this sample of investment properties, we evaluated the significant assumptions by comparison to relevant transactions, the expected real estate market benchmark range for similar assets and tenancies, in similar locations, and the actual and budgeted financial performance of the underlying properties. • We also considered whether there were any additional asset-specific characteristics that may impact the significant assumptions utilized and that these were appropriately considered in the overall assessment of fair value. • For properties under construction, in addition to the procedures performed above, for a sample of properties, we compared construction budgets to actual expenditures and evaluated estimated costs to complete by comparing to contractual arrangements or reference to third party data, as applicable. We also evaluated whether the capitalization rate used to value properties under construction considered the complexity of the development and stage of completion. We compared land held for development fair values to available comparable market transactions. • We evaluated the Group's critical accounting policies and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRS.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Steven Nelson.

Ernst & Young LLP

Chartered Professional Accountants

Halifax, Canada
February 14, 2024

Consolidated Statements of Financial Position

In thousands of Canadian dollars,

	Note	December 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Investment properties	[5]	**$5,027,806**	$4,812,801
Property and equipment	[8]	**9,854**	7,879
Other non-current assets	[9]	**6,475**	4,318
		$5,044,135	$4,824,998
Current assets			
Cash		**$14,087**	$9,150
Rent and other receivables	[10]	**7,544**	9,580
Residential inventory	[6]	**4,671**	4,597
Other current assets	[9]	**14,677**	11,205
		40,979	34,532
TOTAL ASSETS		**$5,085,114**	$4,859,530
EQUITY AND LIABILITIES			
Unitholders' equity	[17]	**$2,482,600**	$2,273,169
Non-controlling interest		**—**	162
Total Equity		**$2,482,600**	$2,273,331
Non-current liabilities			
Mortgages and loans payable	[11]	**$1,735,020**	$1,639,335
Lease liabilities	[12]	**11,889**	9,627
Exchangeable Units	[16]	**70,008**	63,187
Deferred income tax	[23]	**278,975**	245,817
Deferred unit-based compensation	[19]	**5,728**	4,200
		$2,101,620	$1,962,166
Current liabilities			
Mortgages and loans payable	[11]	**$369,423**	$340,107
Credit facilities	[13]	**40,877**	121,014
Construction loans	[14]	**29,675**	94,972
Accounts payable and accrued liabilities	[15]	**60,919**	67,940
		500,894	624,033
Total Liabilities		**$2,602,514**	$2,586,199
TOTAL EQUITY AND LIABILITIES		**$5,085,114**	$4,859,530
Commitments and contingencies	[29]		
Financial guarantees	[30]		

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Trustees

Trustee

Trustee

Consolidated Statements of Income and Comprehensive Income

In thousands of Canadian dollars,

	Note	Year ended December 31, 2023	2022
Property revenue	[20]	**$348,150**	$328,847
Property operating expenses			
Operating expenses		**(54,070)**	(52,308)
Utility and fuel expenses		**(30,807)**	(30,106)
Property taxes		**(39,230)**	(39,521)
		(124,107)	(121,935)
Net operating income		**$224,043**	$206,912
Other income	[21]	**1,810**	1,797
Financing costs	[22]	**(69,398)**	(61,499)
Depreciation		**(669)**	(573)
Administration		**(19,302)**	(17,153)
Fair value adjustment on unit-based compensation	[19]	**(330)**	2,234
Fair value adjustment on Exchangeable Units	[16]	**(6,821)**	29,497
Fair value adjustment on investment properties	[5]	**174,179**	(19,870)
Loss on dispositions		**(4,021)**	—
Income before income taxes		**299,491**	141,345
Deferred tax expense	[23]	**(33,158)**	(18,813)
Net income		**$266,333**	$122,532
Comprehensive income		**$266,333**	$122,532
Net income attributable to:			
Unitholders		**266,323**	122,516
Non-controlling interest		**10**	16
		$266,333	$122,532
Comprehensive income attributable to:			
Unitholders		**266,323**	122,516
Non-controlling interest		**10**	16
		$266,333	$122,532

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

In thousands of Canadian dollars,

Year ended December 31, 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	**25,673**	—	—	—	**25,673**
Deferred Unit-based compensation	**570**	—	—	—	**570**
Repurchased through normal course issuer bid	**(137)**	**(63)**	—	—	**(200)**
Net income	—	—	**266,323**	**10**	**266,333**
Distributions on non-controlling interest	—	—	—	**(20)**	**(20)**
Acquisition of non-controlling interest	—	—	**152**	**(152)**	—
Distributions declared and paid	—	—	**(76,127)**	—	**(76,127)**
Distributions payable	—	—	**(6,960)**	—	**(6,960)**
As at December 31, 2023	**$1,377,413**	**$732**	**$1,104,455**	**$—**	**$2,482,600**

Year ended December 31, 2022	Trust Units	Contributed Surplus	Retained Earnings	Non-controlling Interest	Total Equity
As at January 1, 2022	**$1,230,307**	**$795**	**$880,225**	**$142**	**$2,111,469**
Units issued on exchange of Exchangeable Units	**1,777**	—	—	—	**1,777**
Distribution reinvestment plan	**25,000**	—	—	—	**25,000**
Deferred Unit-based compensation	**752**	—	—	—	**752**
Issued for cash	**93,471**	—	—	—	**93,471**
Net income	—	—	**122,516**	**16**	**122,532**
Distributions on non-controlling interest	—	—	—	**4**	**4**
Distributions declared and paid	—	—	**(74,805)**	—	**(74,805)**
Distributions payable	—	—	**(6,869)**	—	**(6,869)**
As at December 31, 2022	**$1,351,307**	**$795**	**$921,067**	**$162**	**$2,273,331**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

In thousands of Canadian dollars,

		Year ended December 31,	
	Note	2023	2022
OPERATING ACTIVITIES			
Net income		**$266,333**	$122,532
Add (deduct) items not affecting cash			
Fair value adjustments		**(167,028)**	(11,861)
Depreciation		**669**	573
Amortization of deferred financing		**3,638**	3,846
Non-cash compensation expense		**2,672**	2,191
Deferred income taxes		**33,158**	18,813
Amortization of fair value adjustments on assumed mortgages		**223**	171
Interest expense on lease liability		**440**	391
Loss (gain) on derivative financial instruments		**68**	(88)
Loss on dispositions		**4,021**	—
Straight-line rent		**97**	(164)
Net change in non-cash operating activities	[25]	**(4,557)**	(13,534)
Cash provided by operating activities		**$139,734**	$122,870
FINANCING ACTIVITIES			
Deferred financing costs paid		**(7,967)**	(5,934)
Net proceeds on issuance of Units		**—**	93,471
Trust Units repurchased through normal course issuer bid		**(137)**	—
Cash paid on redemption of restricted Units		**(1,031)**	(1,269)
Cash paid on lease liabilities		**(465)**	(329)
Mortgage financing		**366,497**	283,027
Mortgages repaid		**(149,320)**	(163,461)
Mortgage principal repayments		**(69,833)**	(69,033)
Credit facility (repayments) proceeds		**(80,137)**	59,284
Proceeds from construction loans		**29,064**	96,058
Construction loan repayments		**(94,362)**	(78,682)
Distributions paid to non-controlling interest		**10**	16
Distributions to Unitholders		**(57,197)**	(56,304)
Cash provided by financing activities		**($64,878)**	$156,844
INVESTING ACTIVITIES			
Change in restricted cash		**135**	62
Acquisition of investment properties, net of debt assumed		**(13,153)**	(103,338)
Proceeds on disposition of investment properties, net of transaction costs, mortgage repayment and advance on loans receivable		**91,307**	—
Repayment on loan receivable		**125**	225
Development of investment properties		**(49,947)**	(80,077)
Capital expenditures		**(98,386)**	(93,920)
Cash used in investing activities		**($69,919)**	($277,048)
Net increase in cash		**4,937**	2,666
Cash, beginning of year		**9,150**	6,484
Cash, end of year		**$14,087**	$9,150

See accompanying notes to the consolidated 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 consolidated financial statements comprise the financial statements of Killam and its subsidiaries as at and for the year ended December 31, 2023. 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of consolidated annual financial statements. These policies have been consistently applied to all years presented, unless stated otherwise.

The consolidated financial statements of the Trust for the year ended December 31, 2023 were authorized for issue in accordance with a resolution of the Board of Trustees of Killam on February 14, 2024.

(B) Basis of Presentation

The consolidated 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 consolidated 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 otherwise noted.

The consolidated financial statements have been prepared considering the impact of the current inflationary environment, higher 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 December 31, 2023, in determining its estimates and the assumptions that affect the carrying amounts of assets and liabilities, and earnings for the year. 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.

(C) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements comprise the assets and liabilities of all subsidiaries and the results of all subsidiaries for the financial year. Killam and its subsidiaries are collectively referred to as Killam in these consolidated financial statements. Non-controlling interest represents the portion of profit or loss and net assets not held by Killam and is presented separately in the consolidated statements of income and comprehensive income and within equity in the consolidated statements of financial position, separately from unitholders’ equity.

Subsidiaries are entities controlled by Killam. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by Killam.

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

2. Material Accounting Policies (continued)

Killam's investments in significant subsidiaries, all of which are incorporated in Canada, are listed in the following table:

Subsidiary	**% Interest**
Killam Apartment General Partner Ltd.	100%
Killam Apartment Limited Partnership	100%
Killam Properties Inc.	100%
Killam Properties SGP Ltd.	100%
Killam Apartment Subsidiary Limited Partnership	100%
Killam Apartment Subsidiary II Limited Partnership	100%
Killam Investments Inc.	100%
Killam Investments (PEI) Inc.	100%
Killam Properties Apartments Trust	100%
Killam Properties MHC Trust	100%

(ii) Joint arrangements
Killam has interests in and joint control in properties and land for future development. Killam has assessed the nature of its joint arrangements and determined them to be joint operations. For joint operations, Killam recognizes its share of revenues, expenses, assets and liabilities, which are included in their respective descriptions on the consolidated statements of financial position and consolidated statements of income and comprehensive income. All balances and effects of transactions between joint operations and Killam have been eliminated to the extent of its interest in the joint operations.

(D) Property Asset Acquisitions

At the time of acquisition of a property or a portfolio of investment properties, Killam evaluates whether the acquisition is a business combination or asset acquisition. IFRS 3, *Business Combinations* (“IFRS 3”) is only applicable if it is considered that a business has been acquired. A business according to IFRS 3, is an integrated set of activities and assets that must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. When determining whether the acquisition of an investment property or a portfolio of investment properties is a business combination or an asset acquisition, Killam applies judgment when determining the substance of the assets and activities acquired in addition to the property or portfolio of properties.

When an acquisition does not represent a business as defined under IFRS 3, Killam classifies these properties or a portfolio of properties as an asset acquisition. Identifiable assets acquired and liabilities assumed in an asset acquisition are measured initially at their relative fair values at the acquisition date. Acquisition-related transaction costs are capitalized to the property. All of Killam’s acquisitions have been accounted for as asset acquisitions.

(E) Revenue Recognition

(i) Rental income
Revenue from rental properties represents the majority of Killam’s revenue and includes rents from tenants under leases, parking income, laundry income and other miscellaneous income paid by the tenants under the terms of their existing leases. Rental revenue from investment properties is recognized on a straight-line basis over the lease term. Rental payments are due from tenants at the beginning of the month. The operating leases entered into with tenants create a legally enforceable right to control the use of an identified asset by the tenant for a period of time and also require Killam to provide additional services. IFRS 16, Leases (“IFRS 16”), provides guidance on “lease components” such as base rent, realty tax and insurance recoveries, which therefore are outside of the scope of IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). Property management and ancillary income (such as utilities, parking and laundry) are considered non-lease components and are within the scope of IFRS 15. The performance obligation for the property management and ancillary services is satisfied over time. The Trust applies the practical expedient in IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

(ii) Other income

Other corporate income includes interest income and management fees. Interest income is recognized as earned, and management fees are recorded as services are provided.

2. Material Accounting Policies (continued)

(iii) Service charges and expenses recoverable from tenants

Income arising from expenses recovered from tenants is recognized gross of the related expenses in the period in which the expense can be contractually recovered. Revenue related to laundry and parking is included gross of the related costs.

(iv) Manufactured home sales

Where revenue is obtained from the sale of manufactured homes, it is recognized when control has been transferred to the buyer. This will normally take place on the closing date of the home sale. Such sales are considered sales of goods.

(v) Straight-line rent

Certain commercial lease agreements contain changes in rental rates over the term of the lease. Total rental income is recorded on a straight-line basis over the life of the lease agreement. An accrued rent receivable is recorded for the difference between the straight-line rent recorded in property revenue and the rent that is contractually due from tenants. Tenant incentives are amortized on a straight-line basis over the term of existing leases and the amortization is shown as a reduction in property revenue.

(vi) Common area maintenance ("CAM") services

Killam has an obligation to commercial tenants to provide CAM services in exchange for CAM recoveries, which are considered non-lease components. CAM services are performed during the period in which the tenants occupy the premises, therefore CAM recoveries are recognized in revenue based on actual costs incurred.

(vii) Lease cancellation fees

Amounts payable by tenants to terminate a lease prior to the contractual expiry date are recognized on a straight-line basis from the date the lease termination is agreed to until the effective date of the lease termination.

(F) Tenant Inducements

Incentives such as cash, rent-free periods and move-in allowances may be provided to lessees to enter into a lease. These incentives are amortized on a straight-line basis over the term of the lease as a reduction of rental revenue.

(G) Investment Properties

Investment properties include multi-family residential properties, MHC's and commercial properties held to earn rental income and properties that are under construction or development for future use as investment properties and land held for future development. Killam considers its income properties to be investment properties under IAS 40, *Investment Property* ("IAS 40"), and has chosen the fair value model to account for its investment properties in the consolidated financial statements. Fair value represents the amount at which the properties could be exchanged between a knowledgeable and willing buyer and a knowledgeable and willing seller in an arm's length transaction at the date of valuation.

Killam's investment properties have been valued on a highest and best use basis and do not include any portfolio premium that may be associated with the economies of scale from owning a large portfolio or the consolidation of value from having compiled a large portfolio of properties over a long period of time, mostly through individual property acquisitions.

Investment properties are measured initially at cost, including transaction costs. Transaction costs include deed transfer taxes and various professional fees. Subsequent to initial recognition, investment properties are recorded at fair value. Fair value is determined based on a combination of internal and external processes and valuation techniques. Gains and losses arising from changes in fair values are included in the consolidated statements of income and comprehensive income in the year in which they arise. Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected. Any gains or losses on the retirement or disposal of investment properties are recognized in the consolidated statements of income and comprehensive income in the year of retirement or disposal.

Properties under development are also adjusted to fair value at each consolidated statement of financial position date, with fair value adjustments recognized in net income.

(i) Investment properties under construction ("IPUC")

Properties under development include those properties, or components thereof, that will undergo activities that will take a substantial period of time to prepare the properties for their intended use as income properties.

2. Material Accounting Policies (continued)

The cost of a development property that is an asset acquisition comprises the amount of cash, or the fair value of other consideration, paid to acquire the property, including transaction costs. Subsequent to acquisition, the cost of a development property includes costs that are directly attributable to these assets, including development costs, property taxes, directly attributable labour costs and borrowing costs on both specific and general debt. Direct and indirect borrowing costs, development costs and property taxes are capitalized when the activities necessary to prepare an asset for development or redevelopment begin, and continue until the date that construction is substantially complete and all necessary occupancy and related permits have been received, whether or not the space is leased. If Killam is required as a condition of a lease to construct tenant improvements that enhance the value of the property, then capitalization of these costs continues until such improvements are completed. Capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted.

Interest is capitalized using Killam's weighted average cost of borrowing after adjusting for borrowing associated with specific developments. Where borrowing is associated with specific developments, the amount capitalized is the gross interest incurred on such borrowing less any investment income arising on temporary investment of such borrowing.

(H) Assets Held for Sale

Assets held for sale include assets that meet the held for sale criteria in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. These assets have carrying amounts that will be recovered principally through a sale in which conditions have been waived by the purchaser, and are available for immediate sale in their present condition. Upon designation as held for sale, the investment property continues to be measured at fair value and is presented separately in the consolidated statement of financial position.

(I) Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and consist mainly of Killam's head office buildings, leasehold improvements, vehicles and information technology systems. The estimated useful lives, residual values and depreciation methods are reviewed at each year-end, with the effect of any changes in estimates accounted for prospectively. These items are categorized into the following classes, and their respective useful economic life is used to calculate the amount of depreciation for each period.

Category	Useful Life/Depreciation Rate	Depreciation Method Used
Building	40 years	Straight-line
Heavy equipment	8%	Declining balance
Vehicles	10%	Declining balance
Furniture, fixtures and office equipment	10% to 30%	Declining balance
Leasehold improvements	Lease term	Straight-line

(J) Residential Inventory

Residential inventory consists of assets acquired or developed that Killam does not intend to use for rental income purposes and plans to sell in the ordinary course of business. Killam expects to earn a return on such assets through a combination of property operating income earned during the holding period and sale proceeds. Inventory represents townhouses and manufactured homes available for sale. Residential inventory is valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business based on market prices at the reporting date less costs to complete and the estimated costs of sale.

(K) Consolidated Statements of Cash Flows

Cash consists of cash on hand and bank account balances excluding restricted cash.

(L) Deferred unit-based Compensation

Unit-based compensation benefits are provided to officers, Trustees and certain employees and are intended to facilitate long-term ownership of Trust Units and provide additional incentives by increasing the participants' interest, as owners, in Killam. In accordance with IAS 32, *Financial Instruments: Presentation* ("IAS 32"), the Restricted Trust Units ("RTUs") are presented as a liability on the consolidated statements of financial position as the Trust Units are considered puttable instruments in accordance with IAS 32.

2. Material Accounting Policies (continued)

The fair value of performance-based RTUs is estimated using a Monte Carlo pricing model. The fair value estimate requires determination of the most appropriate inputs to the pricing model including the expected life, volatility, and dividend yield. The grant date fair value of the deferred unit-based compensation is determined based on the market value of the Trust's Units on the date of grant and compensation expense is recognized over the vesting period and included in administration costs. Under IAS 19, *Employee Benefits*, the RTUs are classified at fair value through profit or loss ("FVTPL") and are measured at each reporting period at fair value, with changes in fair value recognized in the consolidated statements of income and comprehensive income.

(M) Financial Instruments

Financial instruments are accounted for, presented, and disclosed in accordance with IFRS 7, Financial Instruments: Disclosures, IAS 32, and IFRS 9, *Financial Instruments ("IFRS 9").* Killam recognizes financial assets and financial liabilities when it becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets classified at FVTPL, are measured at fair value plus transaction costs on initial recognition. Financial assets classified at FVTPL are measured at fair value on initial recognition and transaction costs are expensed when incurred.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety. The following summarizes Killam's classification and measurement of financial assets and liabilities:

Type	Classification	Measurement
Rent, loans and other receivables	Financial assets	Amortized cost
Mortgages receivable	Financial assets	Amortized cost
Accounts payable, accrued liabilities	Financial liabilities	Amortized cost
Mortgages, loans payable and construction loans	Financial liabilities	Amortized cost
Credit facility	Financial liabilities	Amortized cost
Exchangeable Units	FVTPL	Fair value
Deferred unit-based compensation	FVTPL	Fair value
Derivative liabilities	FVTPL	Fair value

Financial assets

Such receivables arise when Killam provides services to a third party, such as a tenant, and are included in other current assets, except for those with maturities more than 12 months after the consolidated statements of financial position date, which are classified as other non-current assets. Loans and receivables are accounted for at amortized cost.

Financial liabilities

Other financial liabilities are financial liabilities that are not classified as FVTPL. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount of the initial recognition.

Financial liabilities at FVTPL

The Exchangeable Units of the Trust are exchangeable into units of the Trust at the option of the holder. These Exchangeable Units are considered puttable instruments in accordance with IAS 32 and are required to be classified as financial liabilities at FVTPL. The distributions paid on the Exchangeable Units are accounted for as financing costs.

Financial liabilities are classified as FVTPL if they meet certain conditions and are designated as such by Management, or they are derivative liabilities. Financial liabilities classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of income and comprehensive income.

Mortgages receivable

Mortgages receivable typically arise when Killam disposes of investment properties and provides the purchasers with vendor take-back mortgages ("VTB"). The VTB is a financial asset under IFRS 9 and is measured initially at fair value and subsequently at amortized cost. Mortgages receivable are included in other non-current assets, except for those with maturities within 12 months after the consolidated statements of financial position date, which are classified as other current assets.

2. Material Accounting Policies (continued)

Trust Units

Killam's Trust Units are redeemable at the option of the holder and, therefore, are considered puttable instruments. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case the puttable instruments may be presented as equity. Killam's Trust Units meet the conditions of IAS 32 as they are the most subordinate to all other classes of instruments and are, therefore, presented as equity on the consolidated statements of financial position.

Exchangeable Units

The Exchangeable Units are considered a financial liability as there is a contractual obligation for the Trust to deliver Trust Units upon exchange of the Exchangeable Units. The distributions on the Exchangeable Units are recognized as financing costs in the consolidated statements of income and comprehensive income. The distributions payable as at the reporting date are reported under other current liabilities on the consolidated statements of financial position. The Exchangeable Units are measured at each reporting date at fair value, as they are considered to be puttable instruments under IAS 32, Financial Instruments: Presentation (“IAS 32”). Fair value is based off of the unit price of the Trust given the Exchangeable Units can be converted into Trust Units. Changes in fair value are recognized in the consolidated statements of income and comprehensive income.

Mortgages and loans payable

Mortgages and loans payable are initially recognized at fair value less directly attributable transaction costs. After initial recognition, mortgages and loans payable are subsequently measured at amortized cost using the effective interest rate method. Mortgage maturities and repayments due more than 12 months after the consolidated statement of financial position date are classified as non-current.

Financing costs

Financing fees and other costs incurred in connection with debt financing are deducted from the cost of the debt and amortized using the effective interest rate method. Upon refinancing, any financing costs associated with previous mortgages are written off to income. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate calculation.

Prepaid insurance premiums

Canada Mortgage and Housing Corporation ("CMHC") insurance premiums are netted against mortgages and loans payable. They are amortized over the amortization period of the underlying mortgage loans on a straight-line basis (initial period can be between 25–50 years) and are included as a component of financing costs. Should Killam refinance an existing mortgage, CMHC premiums associated with the new mortgage will be reflected in deferred financing costs. Other unamortized CMHC premiums and fees associated with the property that are no longer linked to a current mortgage will be amortized in the period in which the refinancing occurs.

Transaction costs

Transaction costs related to loans and receivables and other liabilities, measured at amortized cost, are netted against the carrying value of the asset or liability and amortized over the expected life of the instrument using the effective interest rate method.

Determination of fair value

The fair value of a financial instrument on initial recognition is generally the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments is remeasured based on relevant market data. Killam classifies the fair value for each class of financial instrument based on the fair value hierarchy. Investment properties carried at fair value are categorized by level according to the significance of the inputs used in making the measurements. As the fair value of investment properties is determined with significant unobservable inputs, all investment properties are classified as Level 3 fair value measurements. See note 26 for further details.

Derivatives

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged. For Killam's accounting policy on hedging, see the Hedging Relationships section below. Derivatives not designated in a hedging relationship are measured at fair value, with changes therein recognized directly through the consolidated statements of income and comprehensive income.

2. Material Accounting Policies (continued)

Embedded derivatives
Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a free-standing derivative; and the combined instrument or contract is not measured at fair value. These embedded derivatives are measured at fair value, with changes therein recognized within net income in the consolidated statements of income and comprehensive income.

(N) Hedging Relationships

Killam may use interest rate swaps to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

At the inception of a hedge relationship, Killam formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how Killam will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges
For the purpose of cash flow hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

The effective portion of the gain or loss on the hedging instrument is recognized directly in equity through other comprehensive income, while any ineffective portion is recognized immediately in the consolidated statements of income and comprehensive income. Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to the consolidated statements of income and comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs.

(O) Borrowing Costs and Interest on Mortgages Payable
Financing costs include mortgage interest, which is expensed at the effective interest rate, and transaction costs incurred in connection with the revolving credit facilities, which are capitalized and presented as other non-current assets and amortized over the term of the facility to which they relate.

(P) Comprehensive Income
Comprehensive income includes net income and other comprehensive income. Other comprehensive income includes the effective portion of cash flow hedges less any amounts reclassified to interest and other financing costs and the associated income taxes.

(Q) Distributions
Distributions represent the monthly cash distributions on outstanding Trust Units and Exchangeable Units.

(R) Provisions
In accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), a provision is a liability of uncertain timing or amount. Provisions are recognized when the entity has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

2. Material Accounting Policies (continued)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the date of the consolidated statements of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, where the time value of money is material. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Provisions reflect Killam's best estimate at the reporting date. Killam's provisions are immaterial and are included in accounts payable and accrued liabilities.

(S) Taxation
Effective January 1, 2016, Killam qualified as a "mutual fund trust" as defined under the *Income Tax Act* (Canada) and as a REIT eligible for the "REIT Exemption" in accordance with the rules affecting the tax treatment of publicly traded trusts. Accordingly, the Trust is not taxable on its income provided that all of its taxable income is distributed to its unitholders. This exemption, however, does not extend to the corporate subsidiaries of Killam that are subject to income taxes.

(i) Current income tax
Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and tax laws enacted or substantively enacted at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred income tax
Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits, or tax losses can be utilized. The carrying values of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax asset will be recovered. Killam determines the deferred tax consequences associated with temporary differences relating to investment properties as if the carrying amount of the investment property is recovered entirely through sale. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

(T) Earnings Per Unit
As a result of the redemption feature of Killam's Trust Units, these Units are considered financial liabilities under IAS 33, *Earnings per Share*, and they may not be considered as equity for the purposes of calculating net income on a per Unit basis. Consequently, Killam does not report earnings per Unit calculations.

(U) Leases
In accordance with IFRS 16, at the commencement date of any new leases, Killam will recognize a liability to reflect the present value of the lease obligations and an asset representing the right to use the underlying asset during the lease term. Land leases meet the definition of investment property under IAS 40, Investment Property; therefore, the fair value model is applied to these assets. Interest expense on the lease liability and the fair value gain or loss on the right-of-use asset is recognized separately on the consolidated statements of income and comprehensive income.

Killam measures lease liabilities at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, Killam uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the lease liabilities are increased to reflect the accretion of interest and reduced for lease payments made. The carrying amount of lease liabilities are remeasured if there are modifications, a change in the lease terms, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

2. Material Accounting Policies (continued)

(V) Reportable Operating Segments

Reportable operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. Killam has determined that its chief operating decision-maker is comprised of members of executive management.

3. Critical Accounting Judgments, Estimates and Assumptions

Critical Judgments in Applying Accounting Policies

The preparation of consolidated financial statements in accordance with IFRS requires the use of estimates, assumptions and judgments that in some cases relate to matters that are inherently uncertain, and which affect the amounts reported in the consolidated financial statements and accompanying notes. Areas of such estimation include, but are not limited to: valuation of investment properties, remeasurement at fair value of financial instruments, valuation of accounts receivable, capitalization of costs, accounting accruals, the amortization of certain assets, accounting for deferred income taxes and determining whether an acquisition is a business combination or an asset acquisition. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions and conditions.

The following are the critical judgments, apart from those involving estimations (see Key Accounting Estimates and Assumptions below) that have been made in applying the Trust's accounting policies and that have the most significant effect on the reported amounts in the consolidated financial statements:

(i) Income taxes
The Trust applies judgment in determining the tax rates applicable to its corporate subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes related to temporary differences arising from its corporate subsidiaries are measured based on the tax rates that are expected to apply in the year when the asset is realized or the liability is settled. Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

(ii) Investment property and internal capital program
The Trust's accounting policy relating to investment properties is described in note 2(G). In applying this policy, judgment is applied in determining the extent and frequency of utilizing independent, third-party appraisals to measure the fair value of the Trust's investment properties. Additionally, judgment is applied in determining the appropriate classes of investment properties in order to measure fair value. The Trust also undertakes internal capital improvements and upgrades. Such work is specifically identified, and the Trust applies judgment in the estimated amount of directly attributable salaries to be allocated to capital improvements and upgrades of its investment properties.

(iii) Financial instruments
The Trust's accounting policies relating to financial instruments are described in note 2(M). Critical judgments inherent in these policies related to applying the criteria set out in IFRS 9 and IAS 32 to determine the appropriate recognition model, i.e. FVTPL, etc., assess the effectiveness of hedging relationships and determine the identification of embedded derivatives, if any, that are subject to fair value measurement.

(iv) Basis of consolidation
The consolidated financial statements of the Trust include the accounts of Killam and its wholly owned subsidiaries, as well as entities over which the Trust exercises control on a basis other than ownership of voting interest within the scope of IFRS 10, *Consolidated Financial Statements*. Judgment is applied in determining if an entity meets the criteria of control as defined in the accounting standard.

(v) Revenue recognition
The Trust applies judgment about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Trust concluded that revenue for property management and ancillary services is to be recognized over time because the tenant simultaneously receives and consumes the benefits provided by the Trust. Rents charged to tenants are generally charged on a gross basis, inclusive of property management and ancillary services. If a contract is identified as containing more than one performance obligation, the Trust allocates the total transaction price to each performance obligation in an amount based on a relative selling price method.

3. Critical Accounting Judgments, Estimates and Assumptions (continued)

Key Accounting Estimates and Assumptions
The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results could differ from estimates.

(i) Valuation of investment properties
The choice of valuation method and the critical estimates and assumptions underlying the fair value determination of investment properties are set out in note 5. Significant estimates used in determining the fair value of the Trust's investment properties include capitalization rates and stabilized net operating income used in the overall capitalization rate valuation method. A change to any one of these inputs could significantly alter the fair value of an investment property. Please refer to note 5 for sensitivity analysis.

IPUC and land held for development are also valued at fair value.

(ii) Deferred unit-based compensation
The compensation costs relating to deferred unit-based compensation are based on estimates of how many deferred units will be awarded, how many will actually vest and be exercised, as well as valuation models, which by their nature are subject to measurement uncertainty.

(iii) Deferred taxes
The amount of the temporary differences between the accounting carrying value of the Trust's assets and liabilities held in various corporate subsidiaries versus the tax bases of those assets and liabilities and the tax rates at which the differences will be realized are outlined in note 23.

4. 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 consolidated financial statements.

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.

The amendments are effective for annual periods beginning on or after January 1, 2024. The amendments must be applied retrospectively; however, earlier application is permitted and must be disclosed. Management has determined that the Exchangeable Units will be required to be presented as current. Killam has not early adopted the amendment and plans to adopt the new standard retrospectively on the required effective date.

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

5. Investment Properties

As at December 31, 2023

	Apartments	MHCs	Commercial	IPUC	Land for Development	Total
Balance, January 1, 2023	**$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, December 31, 2023	**$4,538,075**	**$215,396**	**$168,421**	**$44,621**	**$61,293**	**$5,027,806**

As at December 31, 2022

	Apartments	MHCs	Commercial	IPUC	Land for Development	Total
Balance, January 1, 2022	$3,897,354	$231,370	$155,306	$201,319	$55,528	$4,540,877
Fair value adjustment on investment properties	(20,050)	(16,570)	(2,452)	19,801	—	(19,271)
Acquisitions	109,840	2,577	3,960	—	4,000	120,377
Transfer from IPUC	170,337	—	—	(170,337)	—	—
Capital expenditures	91,388	6,242	7,096	63,217	2,536	170,479
Transfer from land for development	1,394	—	—	21,710	(23,104)	—
Transfer to inventory	—	—	—	(3,073)	—	(3,073)
Interest capitalized on IPUC and land for development	—	—	—	$2,559	$853	$3,412
Balance, December 31, 2022	$4,250,263	$223,619	$163,910	$135,196	$39,813	$4,812,801

During the year ended December 31, 2023, Killam acquired the following properties:

Property	Location	Acquisition Date	Ownership Interest	Property Type	Units	Purchase Price (1)
Blackshire Court (2)	St. John's, NL	11-Sep-23	100%	Apartment	N/A	**$320**
48–66 Harlington Cres (3)	Halifax, NS	21-Sep-23	100%	Apartment	10	**4,000**
Nolan Hill Phase II (4)	Calgary, AB	12-Dec-23	100%	Apartment	234	**65,000**
Total Acquisitions					244	**$69,320**

(1) Purchase price does not include transaction costs.
(2) Killam owned a 96.8% interest in this property, and now owns 100% after purchasing the remaining partnership units.
(3) Property is located adjacent to existing Killam assets and allows for future redevelopment opportunity.
(4) Killam had a 10% interest in the Nolan Hill Phase II development of $6.5 million and acquired the remaining 90% interest in December 2023, based on the purchase price of $65.0 million, for a 100% interest.

During the year ended December 31, 2023, Killam completed the following developments:

Property	Location	Completion Date	Ownership Interest	Property Type	Units	Development Cost
The Governor (1)	Halifax, NS	31-Jul-23	100%	Apartment	12	**$24,300**
Civic 66 (2)	Kitchener, ON	31-Jul-23	100%	Apartment	169	**69,800**
Total Developments					181	**$94,100**

(1) The development includes 3,500 SF of ground floor ancillary commercial space.
(2) The development includes 3,000 SF of ground floor ancillary commercial space.

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

5. Investment Properties (continued)

During the year ended December 31, 2023, Killam completed the following dispositions:

Property	Location	Disposition Date	Ownership Interest	Property Type	Units	Sale Price	Net Cash Proceeds (1)
266 Bronson Ave	Ottawa, ON	17-Mar-23	100%	Apartment	43	**$9,800**	**$7,000**
The James	Halifax, NS	21-Apr-23	100%	Apartment	108	**33,000**	**20,100**
Browns and University (2)	Charlottetown, PE	12-May-23	100%	Apartment	122	**21,320**	**8,240**
Kristin Way	Ottawa, ON	16-May-23	100%	Apartment	102	**17,850**	**12,480**
Parkwood Apartments (3)	Saint John, NB	13-Sep-23	100%	Apartment	205	**15,000**	**14,000**
Edward Crt (4)	Miramichi, NB	05-Oct-23	100%	Apartment	96	**10,950**	**4,750**
Cabot House (5)	Sydney, NS	02-Nov-23	100%	Apartment	88	**13,950**	**5,780**
Moxham Crt (5)	Sydney, NS	02-Nov-23	100%	Apartment	51	**8,550**	**4,290**
27 Longworth Ave	Charlottetown, PE	16-Nov-23	100%	Apartment	24	**4,560**	**3,260**
280 Shakespeare Dr	Stratford, PE	16-Nov-23	100%	Apartment	26	**3,150**	**1,240**
Country Place	Charlottetown, PE	16-Nov-23	100%	Apartment	39	**6,230**	**3,660**
Ducks Landing I	Stratford, PE	16-Nov-23	100%	Apartment	89	**5,950**	**200**
Ducks Landing II	Stratford, PE	16-Nov-23	100%	Apartment	49	**7,110**	**3,600**
26 Alton Dr & 36 Kelly St (6)	Halifax, NS	04-Dec-23	100%	Apartment	80	**11,250**	**5,260**
Total Dispositions					1,122	**$168,670**	**$93,860**

(1) Net cash proceeds, after mortgage repayment, not including transaction costs.
(2) The properties comprise 182 units, and 122 units were sold as part of the transaction. Killam continues to own and operate the remaining 60 units.
(3) Excluded from net cash proceeds is a $1.0 million vendor take-back mortgage. Full repayment is due within 24 months of the initial advance in September 2023.
(4) Excluded from net cash proceeds is a $0.3 million promissory note. Full repayment is due within 60 months of the initial advance in October 2023.
(5) Excluded from net cash proceeds is a $3.6 million vendor take-back mortgage. Full repayment is due within 36 months of the initial advance in November 2023.
(6) Excluded from net cash proceeds is a $1.6 million vendor take-back mortgage. Full repayment is due within 36 months of the initial advance in December 2023.

During the year ended December 31, 2022, Killam acquired the following properties:

Property	Location	Acquisition Date	Ownership Interest	Property Type	Units	Purchase Price (1)
1477 & 1479 Carlton Street	Halifax, NS	16-Feb-22	100%	Apartment	4	**$3,500**
510-516 Quiet Place	Waterloo, ON	7-Mar-22	100%	Apartment	24	**7,900**
150 Wissler Road (2)	Waterloo, ON	17-Mar-22	100%	Commercial/Development Land	—	**3,850**
Craigflower House	Victoria, BC	31-Mar-22	100%	Apartment	49	**14,000**
1358 & 1360 Hollis Street	Halifax, NS	03-Apr-22	100%	Apartment	27	**6,200**
665 & 671 Woolwich Street (3)	Guelph, ON	29-Apr-22	100%	Apartment/Development Land	84	**25,000**
621 Crown Isle Blvd	Courtenay, BC	18-May-22	100%	Apartment	56	**21,900**
1876 & 1849 Riverside Lane	Courtenay, BC	18-May-22	100%	Apartment	94	**33,700**
Highland Village	Amherst, NS	04-Jul-22	100%	Permanent MHC	99	**2,500**
Total Acquisitions					437	**$118,550**

(1) Purchase price does not include transaction costs.
(2) Property has in-place income acquired for future development potential located adjacent to Killam's Northfield Gardens complex in Waterloo.
(3) Property includes an existing 84-unit apartment building and an adjacent parcel of land for future development potential.

During the year ended December 31, 2022, Killam completed the following developments:

Property	Location	Completion Date	Ownership Interest	Property Type	Units(1)	Development Cost (1)
Latitude	Ottawa, ON	31-Mar-22	50%	Apartment	104	**$43,500**
The Kay	Mississauga, ON	31-May-22	100%	Apartment	128	**60,000**
Luma	Ottawa, ON	31-Jul-22	50%	Apartment	84	**48,000**
Total Developments					316	**$151,500**

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

5. Investment Properties (continued)

During the year ended December 31, 2023, Killam capitalized salaries of $7.0 million (year ended December 31, 2022 – $6.2 million), as part of its project improvement, suite renovation and development programs. For the year ended December 31, 2023, 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 3.34% (December 31, 2022 – 3.01%). 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 $4.8 billion as at December 31, 2023 (December 31, 2022 – $4.6 billion), have been pledged as collateral against Killam's mortgages, construction loan and credit facilities.

Valuation methodology

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Expectations about future improvements or modifications to be made to the investment property to reflect its highest and best use may be considered in the valuation.

Investment properties carried at fair value are categorized by level according to the significance of the inputs used in making the measurements. As the fair value of investment properties is determined with significant unobservable inputs, all investment properties are classified as Level 3 fair value measurements. See note 26 for further details.

Killam's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 fair value measurements for investment properties during the year.

Valuation processes

Internal valuations

Killam measures the majority of its investment properties using valuations prepared by its internal valuation team. This team consists of individuals who are knowledgeable and have specialized industry experience in real estate valuations and report directly to a senior member of Killam's management. The internal valuation team's processes and results are reviewed and approved by senior management of Killam, including the President & Chief Executive Officer; Chief Financial Officer; and other executive members, in line with Killam's quarterly reporting dates.

External valuations

Depending on the property asset type and location, management may at times use external valuations to support its fair value, obtaining valuations from independent third-party firms that employ experienced valuation professionals. Killam obtained a total of 33 external property appraisals throughout the year. The internal valuation team also verifies all major inputs used by the external valuators in preparing the valuation report, compares the fair value against the fair value determined in internal models, and holds discussions with the external valuators.

Valuation techniques underlying management's estimation of fair value

Income properties

The apartment and MHC investment properties were valued using the direct income capitalization method. In applying the direct income capitalization method, the stabilized net operating income ("SNOI") of each property is divided by a capitalization rate. The significant unobservable inputs include the following:

- SNOI is based on annual budgeted rents and expenses and supported by the terms of any existing leases, other contracts or external evidence such as current market rents for similar properties. Budgeted rents are adjusted to reflect forward looking rent growth 12 months out, and expenses are adjusted to incorporate allowances for vacancy rates, management fees, expected post sale property taxes and market-based maintenance and salary costs. The resulting capitalized value is then adjusted for other costs inherent in achieving and maintaining SNOI, including structural reserves for capital expenditures.
- Capitalization rate is based on location, size and quality of the properties and takes into account market data at the valuation date.

5. Investment Properties (continued)

IPUC and land for development
Management uses an internal valuation process to estimate the fair value of properties under development and land for development. Where a site is partially developed, the direct capitalization method is applied to capitalize the pro forma SNOI, from which the costs to complete the development are deducted. The significant unobservable inputs are based on the following:

- Pro forma SNOI is based on the location, type and quality of the properties and supported by the terms of actual or anticipated future leases, other contracts or external evidence such as current market rents for similar properties. Vacancy rates are based on current and expected future market conditions, and estimated maintenance costs are based on management's experience and knowledge of the market conditions.
- Costs to complete are derived from internal budgets based on management's experience and knowledge of the market conditions.
- Capitalization rate is risk-adjusted taking into consideration the inherent risk of the development project based on location, size and quality of the properties and taking into account market data at the valuation date.

The primary method of valuation for land acquired for development is the comparable sales approach, which considers recent sales activity for similar land parcels in the same or similar markets. Land values are estimated using either a per acre or per buildable square foot ("SF") basis based on highest and best use. Such values are applied to Killam's properties after adjusting for factors specific to the site, including its location, intended use, zoning, servicing and configuration.

Valuation Basis
Using the direct income capitalization method, the apartment properties were valued using capitalization rates ("cap-rates") in the range of 4.00% to 6.50%, applied to a stabilized net operating income ("SNOI") of $209.2 million (December 31, 2022 – 3.25% to 7.00% and $190.5 million), resulting in an overall weighted average effective cap-rate of 4.62% (December 31, 2022 – 4.48%). The stabilized occupancy rates used in the calculation of SNOI were in the range of 97.0% to 99.0% (December 31, 2022 – 96.0% 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 $12.7 million (December 31, 2022 – 5.25% to 6.50% and $12.6 million), resulting in an overall weighted average effective cap-rate of 6.04% (December 31, 2022 – 5.78%). The stabilized occupancy rate used in the calculation of SNOI was 98.3% (December 31, 2022 – 98.1%). 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. 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 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. The weighted average discount rate applied in the period was 7.69% (December 31, 2022 – 7.67%).

Killam reviewed its valuation of investment properties in light of higher inflation and increased borrowing costs as at December 31, 2023. It is not possible to forecast with certainty the duration and full scope of the economic impact of current inflationary pressures and other consequential changes on Killam's business and operations, both in the short-term and in the long-term. In the long-term scenario the aspects which could be impacted include rental rates, occupancy, expense growth and cap-rates which would impact the underlying valuation of investment properties. Killam has applied judgement in estimating the valuation given the uncertainties surrounding the economic impact of higher inflation and increased borrowing costs.

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

5. 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:

	December 31, 2023			December 31, 2022		
	Low	**High**	**Effective Weighted Average**	Low	High	Effective Weighted Average
Apartments	**4.00%**	**6.50%**	**4.62%**	3.25%	7.00%	4.48%
Halifax	**4.00%**	**5.70%**	**4.52%**	3.75%	5.60%	4.44%
Ontario	**4.00%**	**5.00%**	**4.10%**	3.25%	4.87%	3.77%
Moncton	**4.25%**	**5.50%**	**5.02%**	4.25%	6.60%	5.05%
Fredericton	**5.10%**	**5.35%**	**5.20%**	5.10%	5.35%	5.20%
Saint John	**5.25%**	**5.35%**	**5.33%**	5.25%	5.35%	5.32%
Alberta	**4.75%**	**5.00%**	**4.85%**	4.75%	5.00%	4.81%
St. John's	**5.25%**	**6.50%**	**5.61%**	5.25%	7.00%	5.63%
Charlottetown	**5.25%**	**5.75%**	**5.59%**	5.00%	5.75%	5.46%
British Columbia	**4.00%**	**4.00%**	**4.00%**	3.50%	3.96%	3.71%
MHCs	**5.50%**	**6.75%**	**6.04%**	5.25%	6.50%	5.78%

Fair Value Sensitivity

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

		Change in Stabilized NOI [(1)]				
		(2.00)%	**(1.00)%**	**— %**	**1.00%**	**2.00%**
Change in Capitalization Rate	**(0.50)%**	$476,387	$531,679	$586,970	$642,261	$697,552
	(0.25)%	172,565	224,756	276,947	329,138	381,329
	—%	(98,843)	(49,422)	—	49,422	98,843
	0.25%	(342,777)	(295,844)	(248,912)	(201,980)	(155,047)
	0.50%	(563,220)	(518,537)	(473,854)	(429,171)	(384,488)

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

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

6. Residential Inventory

Residential inventory consists of assets that are for sale in ordinary course of business and MHC home inventory.

	Year ended December 31, 2023	Year ended December 31, 2022
Balance, beginning of period	**$4,597**	$212
Net change in MHC home inventory	**433**	(60)
Transferred to investment property	**(1,053)**	—
Transferred from IPUC	**—**	3,073
Capital expenditures	**926**	5,780
Sale of completed inventory	**(232)**	—
Sale of inventory under construction	**—**	(4,408)
Balance, end of period	**$4,671**	$4,597

Residential inventory consists of assets acquired or developed that Killam does not intend to use for rental income purposes and plans to sell in the ordinary course of business. Killam expects to earn a return on such assets through a combination of property operating income earned during the holding period and sale proceeds. As at December 31, 2023, residential inventory consists of the development of townhouses in Charlottetown, PE, and MHC home inventory intended for resale.

7. 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 consolidated statements of financial position and consolidated statements of income and comprehensive income include Killam's rights to and obligations for the related assets, liabilities, revenue and expenses. As at December 31, 2023, the fair value of the investment properties subject to joint control was $375.0 million (December 31, 2022 – $364.8 million).

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

8. Property and Equipment

	December 31, 2023		December 31, 2022	
As at	**Cost**	**Accumulated Depreciation**	Cost	Accumulated Depreciation
Land	**$270**	**$—**	$270	$—
Building	**2,243**	**641**	2,243	598
Heavy equipment	**546**	**249**	524	227
Vehicles	**5,561**	**1,792**	3,218	1,462
Furniture, fixtures and office equipment	**7,192**	**6,242**	7,012	6,086
Leasehold improvements	**3,952**	**1,104**	3,971	986
	19,764	**10,028**	17,238	9,359
Less accumulated depreciation	**(9,910)**		(9,359)	
	$9,854		$7,879	

9. Other Current Assets and Non-Current Assets

Cash and Cash Equivalents

As at December 31, 2023, Killam had $14.1 million (December 31, 2022 – $9.2 million) in cash and cash equivalents, consisting of $7.4 million in operating cash and $6.7 million in security deposits (December 31, 2022 – $2.5 million and $6.7 million).

Other Current Assets

As at	December 31, 2023	December 31, 2022
Restricted cash	**$1,242**	$1,377
Deposits	**1,672**	1,548
Prepaid expenses	**7,638**	8,280
Loan receivable	**4,125**	—
	$14,677	$11,205

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 Current and Non-Current Assets

As at December 31, 2023, other current assets included a loan receivable of $4.1 million (December 31, 2022 – $4.3 million included in other non-current assets) from its 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 within 36 months from the initial advance in June 2021. Other non-current assets included three loans receivable totalling $6.5 million (December 31, 2022 – $nil) related to property dispositions in 2023. The loans receivable bear interest at 5.0%–7.0% and full repayment of the loans are due within 24–60 months from the initial advances.

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

10. Rent and Other Receivables

As at	**December 31, 2023**	December 31, 2022
Rent receivable	**$1,373**	$1,457
Other receivables	**6,171**	8,123
	$7,544	$9,580

Included in other receivables are laundry revenue, insurance receivables and other non-rental income. The majority of rent receivable is less than 90 days old. Killam's policy is to write off tenant receivables when the tenant vacates the unit and any subsequent receipt of funds is netted against bad debts. Killam's bad debt experience has historically been less than 0.3% of revenue.

11. Mortgages and Loans Payable

As at	**December 31, 2023**		December 31, 2022	
	Weighted Average Interest	**Debt Balance**	Weighted Average Interest	Debt Balance
Mortgages and loans payable				
Fixed rate	**3.22%**	**$2,104,443**	2.74%	$1,976,842
Variable rate	**—%**	**—**	6.25%	2,600
Total		**$2,104,443**		$1,979,442
Current		**369,423**		340,107
Non-current		**1,735,020**		1,639,335
		$2,104,443		$1,979,442

Mortgages are collateralized by a first or second charge on the properties of Killam.

As at December 31, 2023, unamortized deferred financing costs of $43.4 million (December 31, 2022 – $39.1 million) and mark-to-market adjustments on mortgages assumed on acquisitions of $1.0 million (December 31, 2022 – $1.2 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 December 31, 2023, are as follows:

	Principal Amount	**% of Total Principal**
2024	369,423	17.2%
2025	365,480	17.0%
2026	316,464	14.7%
2027	191,382	8.9%
2028	426,264	19.9%
Subsequent to 2028	479,868	22.3%
	$2,148,881	100.0%
Unamortized deferred financing costs	($43,444)	
Unamortized mark-to-market adjustments	($994)	
	$2,104,443	

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

12. Lease Liabilities

As at	**December 31, 2023**	December 31, 2022
Balance, beginning of year	**$9,627**	$9,604
Net change in lease liabilities	**2,262**	23
Balance, end of year	**$11,889**	$9,627

As at December 31, 2023, the right-of-use assets and lease liabilities are $11.9 million (December 31, 2022 – $9.6 million). As at December 31, 2023, $9.7 million (December 31, 2022 – $9.6 million) of the right-of-use assets are classified as part of investment properties, and $2.2 million (December 31, 2022 – $nil) are classified as part of property and equipment on the consolidated statements of financial position. The total lease payments for the year ended December 31, 2023, were $0.6 million (December 31, 2022 – $0.4 million).

13. Credit Facilities

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

The $155.0 million facility bears interest at prime plus 55 bps on prime rate advances, or 155 bps over bankers' acceptances ("BAs"). The facility includes a $30.0 million demand revolver and a $125.0 million committed revolver, as well as an accordion option to increase the $155.0 million facility by an additional $20.0 million. The agreement includes certain covenants and undertakings with which Killam was in compliance as at December 31, 2023. This facility matures December 16, 2024, and includes a one-year extension option.

Killam increased its demand facility from $15.0 million to $25.0 million in 2023, which bears interest at prime plus 75 bps on advances and 135 bps on issuance of letters of credit in addition to 50 bps per annum. The agreement includes certain covenants and undertakings with which Killam was in compliance as at December 31, 2023.

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**

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

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

14. Construction Loans

As at December 31, 2023, 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 December 31, 2023, $29.7 million was drawn on the construction loans (December 31, 2022 – $95.0 million). Payments are made monthly on an interest-only basis. The weighted-average contractual interest rate on amounts outstanding at December 31, 2023, was 6.31% (December 31, 2022 – 5.99%). Once construction is complete and rental targets achieved, construction financing is expected to be replaced with permanent mortgage financing.

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

15. Accounts Payable and Accrued Liabilities

As at	**December 31, 2023**	December 31, 2022
Accounts payable and other accrued liabilities	**$35,308**	$44,004
Distributions payable	**7,187**	7,096
Mortgage interest payable	**5,362**	4,250
Security deposits	**13,062**	12,590
	$60,919	$67,940

16. Exchangeable Units

	2023		2022	
	Number of Exchangeable Units	**Value**	**Number of Exchangeable Units**	**Value**
Balance, beginning of year	**3,898,020**	**$63,187**	4,004,270	$94,461
Exchangeable Units exchanged for Trust Units	**—**	**—**	(106,250)	(1,777)
Fair value adjustment	**—**	**6,821**	—	(29,497)
Balance, end of year	**3,898,020**	**$70,008**	3,898,020	$63,187

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.

17. 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 Declaration of Trust ("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 year ended December 31, 2023, no unitholders redeemed Units.

The Units issued and outstanding are as follows:

	Number of Trust Units	**Value**
Balance, December 31, 2022	116,800,552	$1,351,307
Distribution Reinvestment Plan	1,466,753	25,673
Restricted Trust Units redeemed	42,995	570
Repurchase through normal course issuer bid	(11,822)	(137)
Balance, December 31, 2023	**118,298,478**	**$1,377,413**

17. Unitholders' Equity (continued)

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

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

During the year ended December 31, 2023, 11,822 Trust Units were purchased and cancelled at a weighted average purchase price of $16.92 per unit.

18. Distributions

Killam paid distributions to its unitholders during 2023 in accordance with its DOT. Distributions declared by the Board of Trustees were paid monthly, on or about the 15^{th} day of each month.

For the year ended December 31, 2023, the distributions declared related to the Trust Units were $83.1 million (year ended December 31, 2022 – $81.7 million). For the year ended December 31, 2023, distributions declared related to the Exchangeable Units were $2.8 million (year ended December 31, 2022 – $2.8 million). The distributions on the Exchangeable Units are recorded in financing costs.

19. 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.

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 consolidated statements of income and comprehensive income. The fair value of the vested RTUs as at December 31, 2023, is $5.7 million, which includes $2.1 million related to RTUs subject to performance conditions (December 31, 2022 – $4.2 million and $1.5 million). For the year ended December 31, 2023, compensation expense of $2.7 million (year ended December 31, 2022 – $2.2 million) has been recognized in respect of the RTUs.

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

19. Deferred Unit-based Compensation (continued)

The details of the RTUs issued are shown below:

	2023		2022	
For the years ended December 31,	**Number of RTUs**	**Weighted Average Issue Price**	Number of RTUs	Weighted Average Issue Price
Outstanding, beginning of period	**366,485**	**$19.44**	359,172	$18.10
Granted	**154,101**	**18.19**	133,652	20.91
Redeemed	**(95,097)**	**18.19**	(127,867)	17.10
Forfeited	**(768)**	**19.29**	(12,502)	19.88
Additional Restricted Trust Unit distributions	**16,945**	**17.60**	14,030	18.46
Outstanding, end of period	**441,666**	**$19.24**	366,485	$19.44

20. Revenue

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

	For the years ended December 31,	
	2023	2022
Rental revenue (1)	**$257,631**	$240,058
Property expense recoveries	**76,593**	75,635
Ancillary revenue	**13,926**	13,154
	$348,150	$328,847

(1) Includes base rent, realty taxes and insurance recoveries, which are outside the scope of IFRS 15.

21. Other Income

	For the years ended December 31,	
	2023	2022
Management and leasing fee revenue	**1,064**	1,199
Interest revenue	**437**	356
Home sale revenue	**309**	242
	$1,810	$1,797

22. Financing Costs

	For the years ended December 31,	
	2023	2022
Mortgage, loan and construction loan interest	**$62,480**	$54,077
Interest on credit facilities	**4,117**	3,774
Interest on Exchangeable Units	**2,729**	2,790
Amortization of deferred financing costs	**3,638**	3,846
Amortization of fair value adjustments on assumed debt	**223**	171
Unrealized loss (gain) on derivative liability	**68**	(88)
Interest on lease liabilities	**440**	391
Capitalized interest	**(4,297)**	(3,462)
	$69,398	$61,499

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

23. Deferred Income Tax

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, 2022, Killam qualified for the REIT Exemption and continues to meet the REIT Exemption as at December 31, 2023, 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 year ended December 31, 2023, the deferred tax expense relates to the corporate subsidiary entity of the REIT.

As at December 31,	2022	Recognized in consolidated statement of income and comprehensive income	**2023**
Deferred tax liabilities (assets) related to:			
Real estate properties	$254,712	$22,406	**$277,118**
Loss carryforwards	(16,175)	11,978	**(4,197)**
Unrealized capital gains	1,727	(1,727)	**—**
Other	5,553	501	**6,054**
Net deferred tax liabilities	$245,817	$33,158	**$278,975**

As at December 31,	2021	Recognized in consolidated statement of income and comprehensive income	2022
Deferred tax liabilities (assets) related to:			
Real estate properties	$235,765	$18,947	**$254,712**
Loss carryforwards	(17,267)	1,092	**(16,175)**
Unrealized capital gains	3,636	(1,909)	**1,727**
Other	4,870	683	**5,553**
Net deferred tax liabilities	$227,004	$18,813	**$245,817**

The deferred tax expense for the year can be reconciled to the accounting profit as follows:

For the years ended December 31,	**2023**	2022
Income before income taxes	**$299,491**	$141,345
Statutory tax rate	**28.3%**	28.3%
Income tax expense at statutory rates	**84,666**	39,987
Amounts not subject to tax	**(83,173)**	(38,493)
Income taxed at a lower amount	**8,947**	(1,727)
Effect of provincial tax rate changes	**(174)**	(480)
Other	**(19)**	(442)
Change to tax basis in excess of book basis	**22,911**	19,968
Total tax expense	**$33,158**	$18,813

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

24. 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 - includes eight commercial properties.

Killam's administration costs, other income, financing costs, depreciation, fair value adjustments, loss on dispositions 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 material accounting policies described in note 2. Reportable segment performance is analyzed based on NOI. The operating results, and selected assets and liabilities, of the reportable segments are as follows:

Year ended December 31, 2023	**Apartments**	**MHCs**	**Commercial**	**Total**
Property revenue	**$306,535**	**$20,591**	**$21,024**	**$348,150**
Property operating expenses	**(108,258)**	**(7,652)**	**(8,197)**	**(124,107)**
Net operating income	**$198,277**	**$12,939**	**$12,827**	**$224,043**

Year ended December 31, 2022	Apartments	MHCs	Commercial	Total
Property revenue	$289,790	$19,790	$19,267	$328,847
Property operating expenses	(106,365)	(7,170)	(8,400)	(121,935)
Net operating income	$183,425	$12,620	$10,867	$206,912

As at December 31, 2023	**Apartments**	**MHCs**	**Commercial**	**Total**
Total investment properties (1)	**$4,643,989**	**$215,396**	**$168,421**	**$5,027,806**
Mortgages payable/construction loans	**$2,005,917**	**$95,359**	**$32,842**	**$2,134,118**

As at December 31, 2022	Apartments	MHCs	Commercial	Total
Total investment properties (1)	$4,425,272	$223,619	$163,910	$4,812,801
Mortgages payable/construction loans	$1,947,387	$90,598	$36,429	$2,074,414

(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)

25. Supplemental Cash Flow Information

	For the years ended December 31,	
	2023	2022
Net income items related to investing and financing activities		
Interest paid on mortgages payable and other	**$63,815**	$54,647
Interest paid on credit facilities	**4,117**	3,774
	$67,932	$58,421
Net change in non-cash operating assets and liabilities		
Rent and other receivables	**$2,036**	($1,812)
Other current assets	**502**	(363)
Residential inventory	**(74)**	(4,385)
Accounts payable and other liabilities	**(7,021)**	(6,974)
	($4,557)	($13,534)

26. 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;

(iii) the fair value of the derivative is calculated based on an estimate of the mid-market arbitrage-free price of the swap. The arbitrage-free price comprises the present value of the future rights and obligations between two parties to receive or deliver future cash flows or exchange other assets or liabilities. Future obligations are valued as the sum of the present values as of the valuation date of contractually fixed future amounts and expected variable future amounts, the expected size of which is calculated from the projected levels of underlying variables. Future rights are valued as the sum of the present values of the expected values of contingent future amounts, the existence and size of which are calculated from the projected levels of underlying variables.

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

26. Financial Instruments and Fair Value Measurement (continued)

The significant financial instruments and their carrying values as at December 31, 2023, and December 31, 2022, are as follows:

As at	**December 31, 2023**		December 31, 2022	
Classification	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial assets carried at FVTPL:				
Derivative asset (1)	—	—	$68	$68
Financial liabilities carried at amortized cost:				
Mortgages and loans payable (2)	**$2,104,443**	**$2,068,292**	$1,979,442	$1,926,902
Financial liabilities carried at FVTPL:				
Exchangeable Units	**$70,008**	**$70,008**	$63,187	$63,187
Deferred unit-based compensation	**$5,728**	**$5,728**	$4,200	$4,200

(1) The $0.07 million derivative asset is included in other non-current assets within the consolidated statements of financial position as at December 31, 2022. The derivative was settled in 2023 upon refinancing of the related mortgage.
(2) Mortgages and loans payable does not include construction loans and credit facilities, the carrying value of these line items represents fair value.

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 December 31, 2023, which is in-line with Killam's weighted average years to maturity of 3.9 years, plus an adequate credit spread, and were as follows:

As at	**December 31, 2023**	December 31, 2022
Mortgages - Apartments	**4.42%**	4.41%
Mortgages - MHCs	**5.42%**	5.41%

Assets and Liabilities Measured at Fair Value

Fair value measurements recognized in the consolidated 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 consolidated statements of financial position is as follows:

As at	**December 31, 2023**			December 31, 2022		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets						
Investment properties	—	—	**$5,027,806**	—	—	$4,812,801
Derivative asset (1)	—	—	—	—	$68	—
Liabilities						
Exchangeable Units	—	**$70,008**	—	—	$63,187	—
Deferred unit-based compensation	—	**$4,633**	**$1,095**	—	$3,459	$741

(1) The $0.07 million derivative asset is included in other non-current assets within the consolidated statements of financial position as at December 31, 2022. The derivative was settled in 2023 upon refinancing of the related mortgage.

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 year ended December 31, 2023.

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

27. 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 December 31, 2023, $65.6 million of Killam's debt had variable interest rates (December 31, 2022 – $218.6 million), including construction loans totalling $24.7 million and amounts drawn on credit facilities of $40.9 million. These facilities have interest rates of prime plus 0.55%–0.75% or 105–155 bps above BAs (December 31, 2022 – prime plus 0.55%–1.25% or 105–155 bps above BAs) and, consequently, Killam is exposed to short-term interest rate risk on these loans.

Killam's fixed mortgage debt that matures in the next 12 months totals $313.8 million. Assuming these mortgages are refinanced at similar terms, except at a 100 bps increase in interest rates, financing costs would increase by $3.1 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, receivable 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 December 31, 2023 or 2022.

(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 in the multi-residential sector.

During the year ended December 31, 2023, Killam refinanced $228.0 million of maturing apartment mortgages with new mortgages totaling $284.8 million, generating net proceeds of $56.8 million. In addition, during the year ended December 31, 2023, Killam refinanced $24.0 million of maturing MHC and commercial mortgages with new mortgages totaling $35.5 million, generating net proceeds of $11.5 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 twelve months ending December 31,	Mortgage and loans payable	Construction loans (1)	Credit facilities	Lease Liabilities	Total
2024	$369,423	$29,675	$40,877	$489	$440,464
2025	365,480	—	—	496	365,976
2026	316,464	—	—	532	316,996
2027	191,382	—	—	562	191,944
2028	426,264	—	—	406	426,670
Thereafter	479,868	—	—	10,387	490,255
	$2,148,881	$29,675	$40,877	$12,872	$2,232,305

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

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

28. 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	December 31, 2023	December 31, 2022
Mortgages and loans payable	**$2,104,443**	$1,979,442
Credit facilities	**40,877**	121,014
Construction loans	**29,675**	94,972
Total interest bearing debt	**$2,174,995**	$2,195,428
Total assets (1)	**$5,073,248**	$4,849,903
Total debt as a percentage of total assets	**42.9%**	45.3%

(1) Excludes right-of-use asset of $11.9 million as at December 31, 2023 (December 31, 2022 – $9.6 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)%	$5,635,040	$5,680,482	38.3%	(460)
(0.25)%	$5,325,016	$5,370,458	40.5%	(240)
—%	$5,027,806	$5,073,248	42.9%	—
0.25%	$4,799,158	$4,844,600	44.9%	200
0.50%	$4,574,216	$4,619,658	47.1%	420

(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.

29. 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

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

30. Financial Guarantees

Killam is the guarantor on a joint and several basis for mortgage debt held through its joint operations. As at December 31, 2023, the maximum potential obligation resulting from these guarantees is $68.0 million, related to long term mortgage financing (December 31, 2022 – $69.8 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 consolidated statements of financial position.

Management has reviewed the contingent liability associated with its financial guarantee contracts and, as at December 31, 2023, determined that a provision is not required to be recognized in the consolidated statements of financial position (December 31, 2022 – $nil).

31. Related Party Transactions

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

The remuneration of directors and other key management personnel, which include the Board of Trustees, President and Chief Executive Officer, Executive Vice President, Chief Financial Officer and other Vice Presidents of Killam, is as follows:

For the years ended December 31,	**2023**	2022
Salaries, board compensation and incentives	**$7,272**	$5,978
Deferred unit-based compensation	**2,672**	2,191
Total	**$9,944**	$8,169

32. Subsequent Events

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

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

Five-Year Summary

In thousands (except per unit)

Statement of Income Information	2023	2022	2021	2020	2019
Revenue	**$348,150**	$328,847	$290,917	$261,690	$242,164
Operating expenses	**($124,107)**	($121,935)	($107,682)	($97,836)	($89,828)
Net operating income	**$224,043**	$206,912	$183,235	$163,854	$152,336
Other income	**$1,810**	$1,797	$1,059	$641	$6,059
Financing costs	**($69,398)**	($61,499)	($51,521)	($48,919)	($47,443)
Administration	**($19,302)**	($17,153)	($15,988)	($13,936)	($14,881)
Depreciation	**($669)**	($573)	($573)	($630)	($720)
Fair value adjustments	**$167,028**	$11,861	$211,708	$54,620	$230,079
Loss on disposition	**($4,021)**	$-	$-	$-	($1,269)
Deferred tax expense	**($33,158)**	($18,813)	($42,393)	($9,590)	($40,636)
Net income	**$266,333**	$122,532	$285,527	$146,040	$283,525
Net income attributable to unitholders	**$266,323**	$122,516	$285,514	$146,024	$283,536

Funds From Operations (FFO)	2023	2022	2021	2020	2019
FFO	**$139,755**	$132,603	$119,235	$104,678	$93,884
FFO per unit (diluted)	**$1.15**	$1.11	$1.07	$1.00	$0.98

Statement of Financial Position Information	2023	2022	2021	2020	2019
Total assets	**$5,085,114**	$4,859,530	$4,578,507	$3,776,560	$3,380,100
Total liabilities	**$2,602,514**	$2,586,199	$2,467,038	$2,008,302	$1,777,733
Total equity	**$2,482,600**	$2,273,331	$2,111,469	$1,768,258	$1,602,367

Statement of Cash Flow Information	2023	2022	2021	2020	2019
Cash provided by operating activities	**$139,734**	$122,870	$140,542	$123,514	$95,208
Cash provided by financing activities	**($64,878)**	$156,844	$355,191	$224,396	$149,708
Cash used in investing activities	**($69,919)**	($277,048)	($496,860)	($358,155)	($232,904)

Unit Information(1)	2023	2022	2021	2020	2019
Weighted average number of units (diluted)(1)	**121,656**	119,678	111,626	104,503	95,914
Units outstanding at December 31(1)	**122,196**	120,699	114,561	107,314	102,017
Unit price at December 31	**$17.96**	$16.21	$23.59	$17.11	$18.94
Market Capitalization at December 31(1)	**$2,194,649**	$1,956,531	$2,702,494	$1,836,143	$1,932,202
Distributions paid per unit	**$0.70**	$0.70	$0.69	$0.68	$0.66

(1) Includes Trust Units and Exchangeable Units.

Trust Information

AUDITORS
Ernst & Young, LLP
Halifax, Nova Scotia

SOLICITORS
Bennett Jones, LLP | Calgary, Alberta
Stewart McKelvey | Halifax, Nova Scotia

REGISTER AND TRANSFER AGENT
Computershare Investor Services Inc.
1500 Robert-Bourassa Blvd.
7th Floor
Montreal, Quebec
H3A 3S8

UNIT LISTING
Toronto Stock Exchange (TSX)
Trading Symbol: KMP.UN

2023 ANNUAL DISTRIBUTION
$0.70 per unit

HEAD OFFICE
3700 Kempt Road, Suite 100
Halifax, NS B3K 4X8
902.453.9000
866.453.8900

INVESTOR INQUIRIES
chawksworth@killamreit.com
902.442.5322

Annual Meeting

The Annual Meeting of Unitholders will be held on:

Wednesday, May 8, 2024
1:00 PM Atlantic Time

Courtyard by Marriott
5120 Salter Street, Halifax, NS

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