Q2-2023 Management's Discussion and Analysis

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

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PART I

Business Overview and Strategy

Killam Apartment REIT ("Killam," the "Trust," or the "REIT"), based in Halifax, Nova Scotia (NS), is one of Canada's largest multi-residential property owners, owning, operating, managing and developing a $5.0 billion portfolio of apartments, manufactured home communities (MHCs) and commercial properties across seven provinces. Killam was founded in 2000 to create value through the consolidation of apartments in Atlantic Canada and MHCs across Canada. Killam entered the Ontario (ON) apartment market in 2010, the Alberta (AB) apartment market in 2014, and the British Columbia (BC) apartment market in 2020. Killam broke ground on its first development in 2010 and has completed 16 projects to date, with a further three projects currently under construction, two of which reached substantial completion in July 2023.

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 89.0% of Killam's net operating income (NOI) for the six months ended June 30, 2023. As at June 30, 2023, Killam's apartment portfolio consisted of 19,152 units, including 1,343 units jointly owned with institutional partners. Killam's 226 apartment properties are located in Atlantic Canada's six largest urban centres (Halifax, Moncton, Saint John, Fredericton, Charlottetown and St. John's), Ontario (Ottawa, London, Toronto and Kitchener-Waterloo-Cambridge), Alberta (Edmonton and Calgary), and British Columbia (Greater Victoria). Killam plans to continue to increase its presence outside Atlantic Canada through acquisitions and developments.

In addition, Killam owns 5,975 sites in 40 MHCs, also known as land-lease communities or trailer parks, in Ontario and Atlantic Canada. Killam owns the land and infrastructure supporting these communities and leases sites to tenants who own their own homes and pay Killam site rent. The MHC portfolio accounted for 5.2% of Killam's NOI for the six months ended June 30, 2023. Killam also owns 949,466 square feet (SF) of stand-alone commercial space that accounted for 5.8% of Killam's NOI for the six months ended June 30, 2023.

Declaration of Trust

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

Investment Guidelines

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

Operating Policies

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

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

Basis of Presentation

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

The discussions in this MD&A are based on information available as at August 9, 2023. This MD&A has been reviewed and approved by Management and the REIT's Board of Trustees.

Forward-Looking Statements Disclaimer

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

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

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

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

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

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

Non-IFRS Financial Measures

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

Non-IFRS Financial Measures

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

Non-IFRS Ratios

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

Supplementary Financial Measures

- Same property NOI is a supplementary financial measure defined as NOI for stabilized properties that Killam has owned for equivalent periods in 2023 and 2022. Same property results represent 94.0% of the fair value of Killam's investment property portfolio as at June 30, 2023. Excluded from same property results in 2023 are acquisitions, dispositions and developments completed in 2022 and 2023, and non-stabilized commercial properties linked to development projects.
- Same property average rent is calculated by taking a weighted average of the total residential rent for the last month of the reporting period, divided by the relevant number of the units per region for stabilized properties that Killam has owned for equivalent periods in 2023 and 2022. For total residential rents, rents for occupied units are based on contracted rent, and rents for vacant units are based on estimated market rents if the units were occupied.

Capital Management Financial Measure

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

PART II
Key Performance Indicators

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

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

Financial and Operational Highlights

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

	Three months ended June 30,			Six months ended June 30,		
Operating Performance	**2023**	2022	Change (1)	**2023**	2022	Change (1)
Property revenue	**$86,863**	$81,548	6.5%	**$171,758**	$159,012	8.0%
Net operating income	**$56,226**	$51,685	8.8%	**$107,041**	$96,948	10.4%
Net income	**$114,538**	$68,716	66.7%	**$197,998**	$128,743	53.8%
FFO (2)	**$36,207**	$34,078	6.2%	**$66,489**	$62,741	6.0%
FFO per unit – diluted (2)	**$0.30**	$0.28	7.1%	**$0.55**	$0.53	3.8%
AFFO (2)	**$30,985**	$29,002	6.8%	**$56,155**	$52,740	6.5%
AFFO per unit – diluted (2)	**$0.26**	$0.24	8.3%	**$0.46**	$0.44	4.5%
Weighted average number of units outstanding – diluted (000s)	**121,472**	119,938	1.3%	**121,273**	118,858	2.0%
Distributions paid per unit	**$0.18**	$0.18	—%	**$0.70**	$0.70	—%
AFFO payout ratio – diluted (2)	**69%**	72%	(300) bps	**76%**	79%	(300) bps
AFFO payout ratio – rolling 12 months (2)	**73%**	75%	(200) bps			
Portfolio Performance						
Same property NOI (2)	**$52,913**	$49,017	7.9%	**$100,346**	$93,665	7.1%
Same property NOI margin	**64.5%**	62.9%	160 bps	**62.1%**	61.0%	110 bps
Same property apartment occupancy	**98.4%**	98.0%	40 bps			
Same property apartment weighted average rental increase (3)	**5.5%**	3.7%	180 bps	**4.5%**	2.8%	170 bps
Same property apartment weighted average rental increase year-over-year as at June 30	**4.3%**	3.3%	100 bps			

As at	**June 30, 2023**	December 31, 2022	Change (1)
Leverage Ratios and Metrics			
Debt to total assets	**43.1%**	45.3%	(220) bps
Weighted average mortgage interest rate	**2.94%**	2.74%	20 bps
Weighted average years to debt maturity	**4.0**	3.8	0.2 years
Debt to normalized EBITDA (2)	**10.90x**	11.21x	(2.8)%
Debt service coverage (2)	**1.45x**	1.51x	(4.0)%
Interest coverage (2)	**3.14x**	3.31x	(5.1)%

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

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

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

Summary of Q2-2023 Results and Operations

Earned Net Income of $114.5 Million

Killam earned net income of $114.5 million in Q2-2023 compared to $68.7 million in Q2-2022. The increase in net income is primarily attributable to fair value gains on investment properties of $96.2 million, compared to fair value gains of $27.6 million in the same period in 2022. These gains were a direct result of strong NOI growth.

Same Property NOI Growth of 7.9%

Killam achieved a 7.9% increase in same property NOI during the quarter based on a 5.3% increase in same property revenue and a modest 0.7% increase in same property operating expenses. Revenue growth was driven by a 4.3% increase in apartment rental rates, coupled with a 40 bps increase in same property apartment occupancy and reduced rental incentives. General operating expenses increased 3.2% driven by higher wages and insurance costs, while property tax expense decreased 2.3%. Lower natural gas and oil pricing in Q2-2023 offset the majority of the higher electricity and water costs, resulting in a 0.5% increase in utility and fuel expenses, compared to the same period in 2022. Killam also achieved expansion in the operating margin of its same property portfolio, increasing 160 bps compared to Q2-2022.

7.1% FFO per unit Growth and 8.3% AFFO per Unit Growth

Killam achieved FFO per unit of $0.30 in the quarter, a 7.1% increase from $0.28 per unit in Q2-2022. AFFO per unit increased 8.3% to $0.26, compared to $0.24 in Q2-2022. The growth in FFO and AFFO was attributable to strong NOI growth from Killam's same property portfolio, coupled with incremental contributions from developments completed in 2022. This growth was partially offset by a 1.3% increase in the weighted average number of Trust Units outstanding, and higher interest expense as a result of rising interest rates.

Dispositions of Non-Core Assets to Strengthen Balance Sheet

Killam completed three dispositions in Q2-2023, including a 108-unit property located in Halifax for $33.0 million, with net cash proceeds of $20.1 million; a 102-unit property located in Ottawa for $17.9 million, with net cash proceeds of $12.5 million; as well as 122 units located in Charlottetown for $21.3 million, with net cash proceeds of $8.2 million. Cash proceeds were used to reduce Killam's credit facility and fund on-going developments. Killam has more dispositions planned for the remainder of 2023 and expects to exceed its fiscal 2023 capital recycling target of $100.0 million.

Continued Advancement of Development Pipeline

Two developments reached substantial completion subsequent to quarter-end, totalling 181-units and a combined development cost of $94.1 million. Killam has the Carrick, a 139-unit property in Waterloo under development, with a cost of $83.5 million, to be completed in the first half of 2025. As of Q2-2023, Killam invested $25.2 million in its active development projects, the majority of which was funded through construction financing. Further, Killam has a 10% interest in the second phase of the Nolan Hill development in Calgary. With a commitment to purchase the remaining 90% interest, Killam's total cost for the project will be $65 million. This three-building project will be completed in phases, with the first building expected to be completed in September 2023 and the remaining two buildings expected to be completed in Q4-2023.

Focus on Reduced Leverage

During the first half of the year, debt to total assets decreased 220 bps, from 45.3% at December 31, 2022, to 43.1% at June 30, 2023. Since the beginning of the year, Killam's variable rate debt has been reduced by $68.7 million, as funds from dispositions, mortgage refinancings, and general operations were used to reduce the balance on Killam's credit facility. Looking ahead, Killam expects to continue to reduce variable rate debt during the remainder of the year with funds from refinancings and dispositions. Overall, Killam's weighted average mortgage interest rate increased 20 bps at the end of Q2-2023 compared to December 31, 2022. The maturity dates of Killam's mortgages are staggered to help mitigate interest rate risk.

ESG Update

During the quarter, Killam invested $2.8 million in energy initiatives. At the end of Q2-2023, Killam had 18 PV solar arrays producing power, with an expected 1,817 MWh of annual energy production. PV solar arrays, along with geothermal heating and cooling systems at Killam’s new developments, illustrate Killam’s ongoing commitment to lowering its carbon footprint. Additionally, Killam is installing Level II EV charging stations across its portfolio, with 260 charging stations operational at 39 properties to-date, plus an additional 108 charging stations underway at 13 different properties. Killam's 2022 ESG report was released on June 6, 2023, and can be accessed on its website at https://killamreit.com/esg. The report summarizes Killam's commitment to creating and maintaining sustainable communities, and details its progress and future plans to achieve its long-term targets.

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

Strategic Targets

Growth in Same Property NOI	
2023 Target	Achieve same property NOI growth averaging 3.0% – 5.0%.
2023 Performance to Date	Killam achieved same property NOI growth of 7.1% for the six months ended June 30, 2023. Based on the results achieved to date in 2023, Killam expects same property NOI growth in 2023 to exceed the top end of its target and has increased its target to over 6.0%.

Capital Recycling	
2023 Target	Sell a minimum of $100 million of non-core assets.
2023 Performance to Date	Year-to-date, Killam has completed four dispositions, totalling 375-units for a combined total sale price of $82.0 million. Killam has additional properties under contract to sell and expects to exceed its capital recycling target of $100.0 million.

Geographic Diversification	
2023 Target	Earn at least 36% of 2023 NOI outside Atlantic Canada.
2023 Performance to Date	Killam is on track to exceed this target, with 37.1% of NOI generated outside Atlantic Canada as of June 30, 2023. The completion and lease-up of Civic 66 and planned dispositions in Eastern Canada will further increase NOI generated outside Atlantic Canada during the remainder of the year.

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

Strengthened Balance Sheet	
2023 Target	Reduce debt as a percentage of total assets to below 45%.
2023 Performance to Date	Debt as a percentage of total assets was 43.1% as at June 30, 2023 (45.3% – December 31, 2022).

Sustainability	
2023 Target	Invest a minimum of $8.0 million in energy initiatives in 2023.
2023 Performance to Date	Killam invested $4.0 million in energy initiatives year-to-date, including new boilers, water and sewer upgrades, window replacements, building upgrades, and the installation of EV chargers at various buildings across the portfolio.

Outlook

Strong Demand for Apartments Expected to Drive Market Rents Higher
Killam expects robust demand for apartments to continue as demand outpaces supply. Following record population growth in 2022 of over 1 million people, Canada is targeting to welcome 465,000 new permanent residents in 2023, 485,000 in 2024 and 500,000 in 2025. Canada led the G7 countries for population growth per capita in 2022. The increase in international migration is related to efforts by the Government of Canada to ease labour shortages in key sectors of the economy. With supply unable to keep up with demand, further pressure on rents is expected.

Management expects to increase rents to market rates as units turn and are released, which is expected to lead to continued top-line growth and same property NOI growth of over 6% in 2023. For renewals, 2023 rent growth is likely to be tempered by government-imposed rental rate restrictions in four of Killam's core markets, namely Ontario (capped at 2.5% in 2023), Nova Scotia (capped at 2.0% in 2023, but increasing to 5.0% in 2024/25), British Columbia (capped at 2.0% in 2023) and Prince Edward Island (rental increases not allowed in 2023).

Population Growth and Opportunity in Halifax
Halifax, which contributed 26.9% of Killam's NOI as of June 30, 2023, has experienced acceleration in population growth over the past three years. Halifax's population grew by 2.1% in 2021, followed by 4.5% in 2022, with a record number of interprovincial migrants moving to the city. Halifax's age profile is also decreasing. In 2022, for the third consecutive year, the largest age group of newcomers moving to Halifax was the 25–39 cohort, accounting for 36% of the city's population growth. These trends are projected to continue in 2023, increasing demand for apartments in the region. Per the CMHC Rental Market Report, based on data as of October 2022, Halifax had both record low vacancy as well as some of the highest leasing spreads on turnover in the country.

$94 Million of Developments Completed in 2023
Subsequent to quarter-end, Killam reached substantial completion on two development projects. Killam has one ongoing development project expected to be completed in 2025 in addition to a 10% interest in a 234-unit development project in Calgary which will be completed and the remaining 90% acquired by Killam later this year. The completion and stabilization of these projects are expected to contribute positively to Killam’s future FFO per unit growth. Killam has a robust development pipeline of over 4,000 units, with 70% of the future projects located outside of Atlantic Canada, and planning is well underway for a number of these upcoming projects.

Advancement of Capital Recycling Program
Killam's disposition program is focused on non-core and slower growth assets, or those which may be more capital intensive. Killam has completed four dispositions to date in 2023 and expects to close on more dispositions in the second half of the year. Proceeds from these sales will continue to be used to reduce variable rate debt, fund future acquisition and development activity, and to potentially buy back Trust Units through Killam's NCIB program.

Volatility in Interest Rates and Increased Borrowing Costs
Killam has $111.8 million of mortgages maturing with an average interest rate of 3.29% in the remainder of 2023, and a further $306.7 million maturing with an average interest rate of 2.66% in 2024. With current borrowing costs above these levels, Management anticipates higher interest expense on refinancings. Management has diversified Killam’s mortgages to avoid dependence on any one lending institution and has staggered maturity dates to mitigate interest rate risk. Killam's mortgage maturity schedule is included on page 33. Killam expects to continue reducing its variable rate interest expense through the remainder of 2023 with the placement of permanent fixed rate mortgages on its completed developments, increased CMHC-insured mortgages on its existing portfolio, and from its planned capital recycling program. Management is committed to maintaining debt as a percentage of total assets at 45% or below through 2023.

Inflation and Higher Operating Expenses
Killam monitors inflation, given the risk of increasing operating and capital costs. Inflationary pressures are expected to result in higher-than-normal increases in general operating expenses, including contract services and repairs and maintenance. After experiencing sharp increases in natural gas costs over the last 18 months due to volatility in domestic and international gas markets, Killam saw a reduction in natural gas pricing in the second quarter. Approximately 58% of Killam's units are heated with natural gas, and fluctuations in natural gas pricing impacts Killam's operating costs. Investments in energy and water-saving initiatives, as well as operational efficiencies, are expected to offset a portion of rising operating costs. Management expects to invest a minimum of $8.0 million in energy-related projects in 2023. These projects should contribute to same property NOI growth by reducing utility consumption and also improve Killam’s sustainability metrics.

Investing in Our Properties
Management is committed to Killam's repositioning program, targeting 450 additional units in 2023. In addition, Killam is improving efficiencies and targeting improved performance metrics, including the percentage of repositionings completed in 28 days. Unit repositionings represent unit upgrades costing more than $10,000, and Killam targets a return on investment (ROI) of at least 10%. Killam has been successful and will continue to mitigate construction cost increases through the use of bulk purchasing and in-house labour. Killam has over 5,500 units that are eligible for repositioning as they come vacant.

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

PART III

Portfolio Summary

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

Apartment Portfolio				
	Units (1)	Number of Properties	NOI ($) (2)	NOI (2) (% of Total)
Nova Scotia				
Halifax	5,739	66	$28,761	26.9%
Sydney	139	2	$680	0.6%
	5,878	68	$29,441	27.5%
New Brunswick				
Moncton	2,246	39	$9,879	9.2%
Fredericton	1,529	23	$7,301	6.8%
Saint John	1,202	14	$4,129	3.9%
Miramichi	96	1	$366	0.3%
	5,073	77	$21,675	20.2%
Ontario				
Ottawa	1,447	9	$7,036	6.6%
London	523	5	$3,036	2.8%
Kitchener-Waterloo-Cambridge-GTA	1,839	13	$11,651	10.9%
	3,809	27	$21,723	20.3%
Newfoundland and Labrador				
St. John's	955	13	$4,263	4.0%
Grand Falls	148	2	$438	0.4%
	1,103	15	$4,701	4.4%
Prince Edward Island				
Charlottetown	1,041	22	$4,534	4.2%
Summerside	86	2	$292	0.3%
	1,127	24	$4,826	4.5%
Alberta				
Calgary	764	4	$4,062	3.8%
Edmonton	882	6	$4,963	4.6%
	1,646	10	$9,025	8.4%
British Columbia				
Victoria	516	5	$3,963	3.7%
Total Apartments	**19,152**	**226**	**$95,354**	**89.0%**
Manufactured Home Community Portfolio				
	Sites	Communities	NOI ($) (2)	(% of Total)
Nova Scotia	2,850	18	$2,623	2.5%
Ontario (3)	2,284	17	$2,543	2.4%
New Brunswick (3)	671	3	$148	0.1%
Newfoundland and Labrador	170	2	$205	0.2%
Total MHCs	**5,975**	**40**	**$5,519**	**5.2%**
Commercial Portfolio (4)				
	SF (5)	Properties	NOI ($) (2)	(% of Total)
Prince Edward Island (5)	386,316	1	$1,676	1.6%
Ontario	311,106	2	$2,538	2.3%
Nova Scotia (6)	218,829	5	$1,678	1.6%
New Brunswick	33,215	1	$276	0.3%
Total Commercial	**949,466**	**9**	**$6,168**	**5.8%**
Total Portfolio		**275**	**$107,041**	**100.0%**

(1) Unit count includes the total unit count of properties held through Killam's joint arrangements. Killam has a 50% ownership interest in apartment properties in Ontario, representing a proportionate ownership of 672 units of the 1,343 units in these properties. Killam manages the operations of all the co-owned apartment properties.
(2) For the six months ended June 30, 2023.
(3) Killam's New Brunswick and Ontario MHC communities include seasonal operations, which typically commence in mid-May and run through the end of October.
(4) Killam has 181,117 SF of ancillary commercial space in various residential properties across the portfolio, which is included in apartment results.
(5) Square footage represents 100% of the commercial property located in PEI.
(6) Square footage includes Killam's 50% ownership interest in two office properties that are third-party managed.

Core Market Update

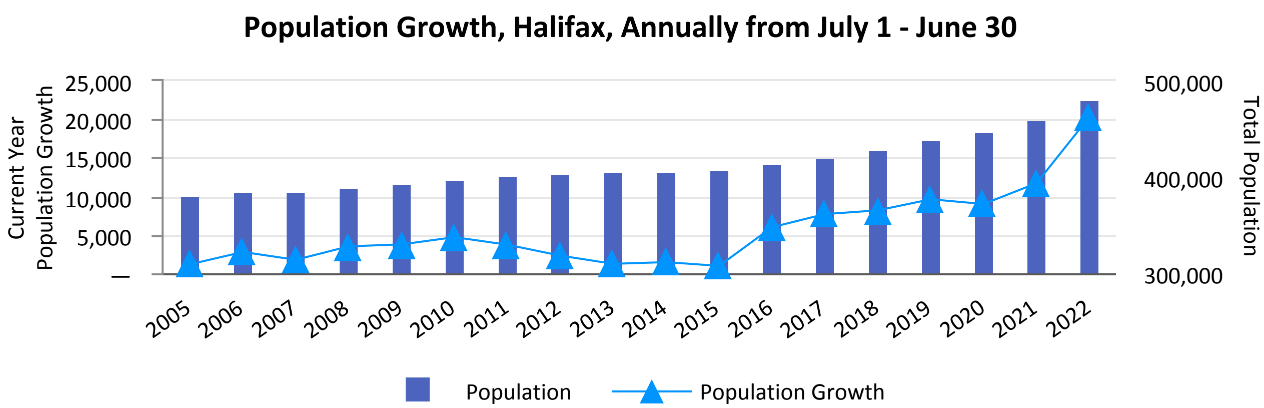
Halifax

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

According to CMHC's Rental Market Report, the city's rental market totals 57,060 units, with an additional 6,370 rental units currently under construction. Halifax's vacancy rate remained at a record low of 1.0% in 2022, consistent with 2021, and down from 1.9% in 2020. This was the second-lowest vacancy rate in Canada and can be attributed to the city's rising population, specifically in the city's downtown core. CMHC reported Halifax's average monthly rent increased 8.9% in 2022, the highest single-year increase and four times the historical average growth rate.

Scotiabank's December 2022 provincial analysis report noted that Halifax has seen a recent surge in interprovincial migration. The economic outlook highlights that this recent population increase has fueled robust growth in the housing sector. Though rising interest rates have resulted in a housing downturn, residential investment is still tracking strong growth and is well above the national average. Scotiabank expects heightened construction activity to continue in 2023, with solid demand from the rising population.

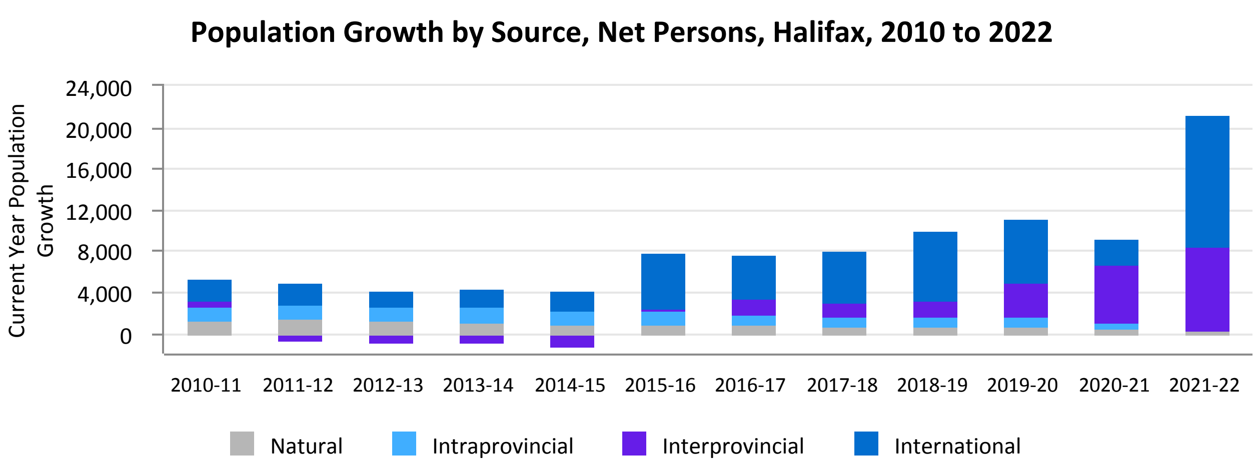
The following chart summarizes Halifax's population growth from 2005 to 2022:



Source: Statistics Canada

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

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



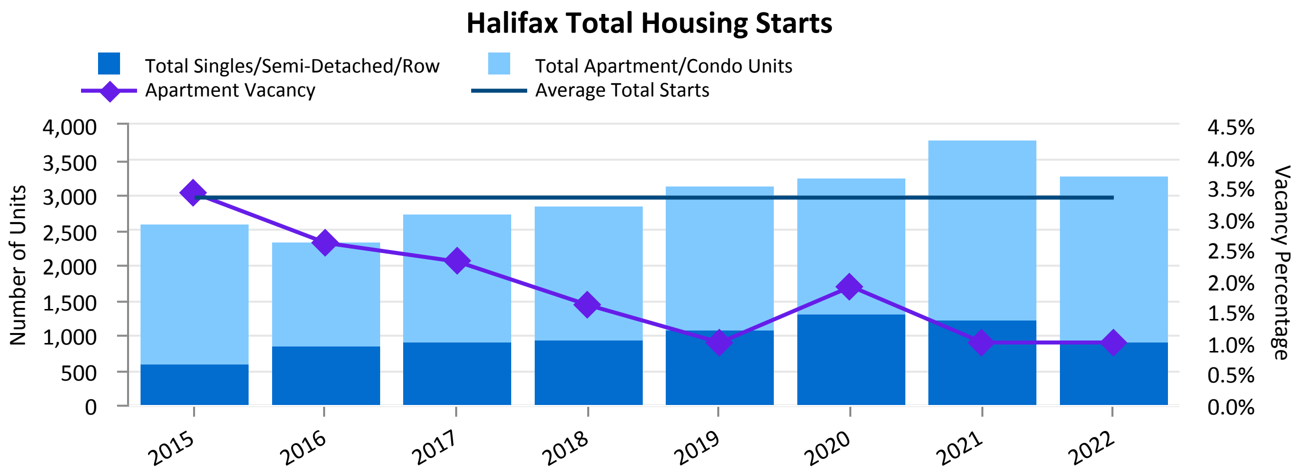
Source: Statistics Canada

For the year ended December 31, 2022, Statistics Canada estimated total net population growth in Nova Scotia exceeded 32,500, and is now estimated to be 1,038,000 (Province NS, Finance and Treasury Board).

RBC's June 2023 Provincial Outlook details that Nova Scotia's rapidly expanding population will help cushion the economy against a recession. Due to high inflation and increased interest rates, domestic activity and export-oriented sectors are expected to slow in 2023, contributing to decelerated economic growth from a 2.6% GDP growth rate in 2022 to 1.5% in 2023. With the recent record levels of international and interprovincial newcomers, the arrival of younger migrants has helped rejuvenate the population, with the median age dropping from 45.1 years in 2018 to 44.2 years in 2022. This increase in working-age migrants has helped the province meet the demands of employers, and is expected to support employment growth through 2023.

In response to an increasing population, there has been an increase in housing starts over the last five years. Despite this supply increase, housing prices were up an average of 16.1% in 2022 compared to 2021.

The following chart summarizes Halifax's housing start activity from 2015 to 2022:



Source: CMHC

New Brunswick

Twenty percent of Killam’s NOI was generated by apartments in New Brunswick's three major urban centres – Fredericton, Moncton and Saint John – for the six months ended June 30, 2023. Fredericton is the provincial capital, and home to the province's largest university and a significant public-sector workforce. Moncton is the province's largest city and is a transportation and distribution hub for Atlantic Canada. Given the relatively affordable cost of living, New Brunswick has become a destination for both Canadians and newcomers.

The province saw an increase in net migration from other provinces and the second-highest percentage of net non-permanent residents in Canada in 2022, as noted in RBC's December 2022 Provincial Outlook report. Moncton's population grew by 5.3% between July 1, 2021 and June 30, 2022, the highest growth rate across Canada's 35 largest cities, as measured by Statistics Canada. According to CMHC, New Brunswick's vacancy was 1.9% in 2022, compared to 1.7% in 2021.

According to Scotiabank's December 2022 provincial analysis report, declining exports and weaker demand from the US and Europe may impact New Brunswick's economic growth in 2023; however, economic growth is estimated to be above the national average. Scotiabank further notes that the province has the lowest debt-to-disposable income ratios in the country, which will help support consumption in a higher-interest-rate environment. RBC's June 2023 Provincial Outlook report agreed with this analysis, forecasting New Brunswick's GDP growth to be 1.4% in 2023, compared to 1.8% in 2022.

St. John's, Newfoundland

Four percent of Killam’s NOI was generated by apartments in St. John's, Newfoundland, for the six months ended June 30, 2023. RBC's June 2023 Provincial Outlook report notes that increased oil and mining production coupled with a growing population is expected to stimulate demand for goods and services within the province in 2023. Strong commodity markets have also resulted in increased capital spending in the province. This is expected to result in a small uptick in GDP growth, with RBC forecasting a modest growth rate of 0.7% for 2023, compared to a 1.7% decline in 2022. Following five consecutive years of decline in population, 2022 saw record immigration and the resumption of positive net interprovincial migration flows in Newfoundland, boosting population growth to a 12-year high at 1.3%, as measured by Statistics Canada. RBC expects this trend to continue in 2023, in part thanks to Canada’s increased immigration targets. Improved demographics will further sustain stronger demand for goods and services as well as housing in the region.

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

Prince Edward Island

Five percent of Killam's NOI was generated by apartments in Prince Edward Island for the six months ended June 30, 2023. According to RBC's June 2023 Provincial Outlook report, PEI's economic outlook is positive, with a forecasted GDP growth rate of 1.7% in 2023, compared to 2.9% in 2022. Low levels of household debt coupled with a booming population are expected to support household spending and residential investment in the province. In 2022, the province welcomed its largest number of migrants on record, with the population growing 3.8%, as measured by Statistics Canada. RBC notes that per capita population growth on the island is on track to be the fastest among the provinces for a sixth consecutive year in 2023. This surge in population is making a material impact on household consumption, and has resulted in retail sales increasing more than 20% from their pre-pandemic levels. Additionally, vacancy has decreased in the region, down 40 bps to 0.9% in 2022, compared to 1.3% in 2021, as reported by CMHC.

Ontario

Killam's Ontario apartment portfolio generated 20.3% of its NOI for the six months ended June 30, 2023. RBC's June 2023 Provincial Outlook notes that rising interest rates and a higher cost of living in Ontario are expected to result in economic tightening in the province. These financial pressures are expected to slow household spending in 2023, causing challenges for businesses. However, residential and capital investment remain strong in the province, with some significant projects related to electrical vehicle, battery production and transportation infrastructure underway. Ontario continues to be driven by advances in the healthcare industry and activity in real estate and professional services industries. RBC forecasts Ontario's GDP to grow by 1.1% in 2023, compared to a growth rate of 3.6% in 2022. Ontario led the country in population growth in 2022, welcoming almost half a million newcomers. This has resulted in a decrease in vacancy in the region, which was down from 3.4% in 2021 to 1.8% in 2022, according to CMHC.

Alberta

Eight percent of Killam's NOI was earned in Alberta for the six months ended June 30, 2023. According to RBC's June 2023 Provincial Outlook report, Alberta is expected to achieve a GDP growth rate of 2.4% in 2023, compared to 5.1% in 2022. This growth is driven by the massive upswing in global energy markets, which has resulted in a 29% increase in capital spending in 2022, to $24.6 billion, with a further 10% increase expected in 2023. Scotiabank's December 2022 provincial analysis report noted that drilling activity has trended higher in 2022, and that the Alberta Energy Regulator expects oil and gas capital spending to increase by 56% in 2023 and remain above levels preceding the pandemic. The completion of the region's Trans Mountain pipeline expansion will also increase the transportation capacity for crude oil, and will open up new export avenues in the coming year. However, RBC notes that rising interest rates and elevated inflation are expected to weigh on household and business spending in 2023. Alberta's housing sector is poised to remain buoyant in 2023, largely due to the region's increasing population. Statistics Canada reports that Alberta's population grew by 3.0% in 2022, the highest level since 2013/14. This has led to decreased vacancy in Alberta, which was down 280 bps to 3.7% in 2022, compared to 6.5% in 2021, as reported by CMHC.

British Columbia

Killam earned 3.7% of its NOI in the British Columbia market for the six months ended June 30, 2023. RBC's June 2023 Provincial Outlook reported British Columbia's forecasted modest GDP growth of 0.6% in 2023, compared to 3.6% in 2022. This decrease in growth is 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. However, record immigration flowing into the province is expected to boost residential capital investment, as builders, developers and policymakers address long-standing supply issues. Statistics Canada reported that British Columbia's population grew by 2.5% in 2022, and housing starts are projected to ramp up to 49,800 units in 2023, from 48,000 units in 2022. Additionally, vacancy has decreased modestly in the region, down 10 bps to 1.3% in 2022, compared to 1.4% in 2021, as reported by CMHC.

Diversified Exposure to Rent Control

In terms of NOI generated for the six months ended June 30, 2023, approximately 41% of Killam's portfolio is not impacted by rent control restrictions, which provides Killam the opportunity to move rents to market rates in these regions. There is no rent control in Newfoundland and Labrador and Alberta, and New Brunswick only has rent control restrictions on MHCs. Killam is also not restricted on rental increases for its commercial or seasonal resort properties.

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

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

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

(2) The Government of Ontario announced a 2.5% allowable guideline increase for 2023 and 2024 lease renewals. Rent control does not apply to new construction in Ontario completed after November 25, 2018, which represents 430 units of Killam's Ontario portfolio. Additionally, property owners can apply for above guideline rent increases in Ontario for major capital work performed, up to a maximum of 3.0% per year.

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

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

PART IV

Q2-2023 Operational and Financial Results

Consolidated Results

For the three months ended June 30,

	Total Portfolio			Same Property (1)		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$86,863**	$81,548	6.5%	**$82,034**	$77,926	5.3%
Property operating expenses						
General operating expenses	**13,280**	12,758	4.1%	**12,618**	12,222	3.2%
Utility and fuel expenses	**7,516**	7,540	(0.3)%	**7,198**	7,160	0.5%
Property taxes	**9,841**	9,565	2.9%	**9,305**	9,527	(2.3)%
Total operating expenses	**$30,637**	$29,863	2.6%	**$29,121**	$28,909	0.7%
NOI	**$56,226**	$51,685	8.8%	**$52,913**	$49,017	7.9%
Operating margin %	**64.7%**	63.4%	130 bps	**64.5%**	62.9%	160 bps

For the six months ended June 30,

	Total Portfolio			Same Property (1)		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$171,758**	$159,012	8.0%	**$161,652**	$153,506	5.3%
Property operating expenses						
General operating expenses	**26,748**	24,976	7.1%	**25,325**	24,260	4.4%
Utility and fuel expenses	**18,322**	17,233	6.3%	**17,453**	16,551	5.4%
Property taxes	**19,647**	19,855	(1.0)%	**18,528**	19,030	(2.6)%
Total operating expenses	**$64,717**	$62,064	4.3%	**$61,306**	$59,841	2.4%
NOI	**$107,041**	$96,948	10.4%	**$100,346**	$93,665	7.1%
Operating margin %	**62.3%**	61.0%	130 bps	**62.1%**	61.0%	110 bps

(1) Same property results exclude acquisitions and developments completed during the comparable 2023 and 2022 periods, which are classified as non-same property. For the three and six months ended June 30, 2023, NOI contributions from acquisitions and developments completed in 2022 and 2023 were $1.8 million and $3.5 million. For the three and six months ended June 30, 2022, the NOI contributions from acquisitions and developments completed in 2022 were $0.9 million and $1.0 million.

For the three and six months ended June 30, 2023, Killam achieved strong overall portfolio performance. Revenues grew 6.5% and 8.0%, while total operating expenses only grew by 2.6% and 4.3%. In aggregate, NOI increased by 8.8% and 10.4% for the three and six months ended June 30, 2023.

Same property results include properties owned during comparable 2023 and 2022 periods. Same property results represent 94% of the fair value of Killam's investment property portfolio as at June 30, 2023. Non-same property results include acquisitions, dispositions and developments completed in 2022 and 2023, and commercial assets acquired for future residential development.

Same property revenue increased by 5.3% for both the three and six months ended June 30, 2023, compared to the same periods in 2022. This growth was driven by strong rental rate growth, a 40 bps increase in apartment occupancy, and increased commercial revenues.

Same property operating expenses increased by 0.7% for the three months ended June 30, 2023. The increase for the quarter was driven by a 3.2% increase in general operating expenses, coupled with a 0.5% increase in utility and fuel expenses. These increases were offset by a 2.3% decrease in property taxes, which was driven by a decrease in property tax mill rates in New Brunswick and property tax subsidies in PEI. Total same property operating expenses increased by 2.4% for the six months ended June 30, 2023. The increase was driven by higher natural gas pricing in the first quarter, which contributed to a 5.4% increase in utility and fuel expenses in the first half of the year, coupled with a 4.4% increase in general operating expenses. These were offset by a 2.6% decrease in property taxes year-to-date.

Overall, same property NOI grew by 7.9% and 7.1% for the three and six months ended June 30, 2023.

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

Apartment Results

For the three months ended June 30,

	Total			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$76,090**	$71,435	6.5%	**$71,578**	$68,073	5.1%
Property operating expenses						
General operating expenses	**11,346**	10,789	5.2%	**10,622**	10,247	3.7%
Utility and fuel expenses	**6,683**	6,712	(0.4)%	**6,387**	6,336	0.8%
Property taxes	**8,704**	8,474	2.7%	**8,194**	8,464	(3.2)%
Total operating expenses	**$26,733**	$25,975	2.9%	**$25,203**	$25,047	0.6%
NOI	**$49,357**	$45,460	8.6%	**$46,375**	$43,026	7.8%
Operating margin %	**64.9%**	63.6%	130 bps	**64.8%**	63.2%	160 bps

For the six months ended June 30,

	Total			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$152,189**	$140,776	8.1%	**$142,533**	$135,524	5.2%
Property operating expenses						
General operating expenses	**22,956**	21,318	7.7%	**21,445**	20,528	4.5%
Utility and fuel expenses	**16,480**	15,515	6.2%	**15,691**	14,854	5.6%
Property taxes	**17,399**	17,683	(1.6)%	**16,323**	16,897	(3.4)%
Total operating expenses	**$56,835**	$54,516	4.3%	**$53,459**	$52,279	2.3%
NOI	**$95,354**	$86,260	10.5%	**$89,074**	$83,245	7.0%
Operating margin %	**62.7%**	61.3%	140 bps	**62.5%**	61.4%	110 bps

Apartment Revenue

Total apartment revenue for the three and six months ended June 30, 2023, was $76.1 million and $152.2 million, an increase of 6.5% and 8.1% over the same periods in 2022. Revenue growth was augmented by contributions from properties acquired and developed over the past two years, coupled with high occupancy and accelerating rent growth on turns given strong demand for units.

Same property apartment revenue increased 5.1% and 5.2% for the three and six months ended June 30, 2023. This was driven by a 40 bps increase in occupancy during both periods, coupled with an increase in year-over-year average rent of 4.3% as at June 30, 2023, and a decrease in rental incentives. The operating margin on Killam's same property apartment portfolio for the three and six months ended June 30, 2023 was up 160 bps and 110 bps to 64.8% and 62.5%, respectively. This was largely due to above-average rental rate growth and a decrease in property taxes during these periods, which partially offset the increases in general operating and utility and fuel expenses.

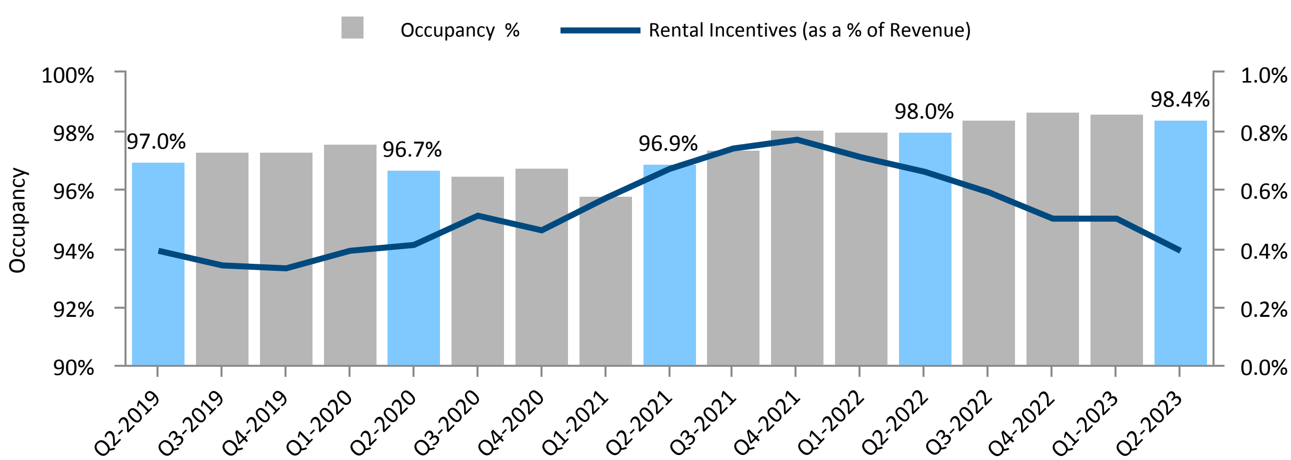
Dollar amounts in thousands of Canadian dollars (except as noted)

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

		Total Occupancy			Same Property Occupancy		
For the three months ended June 30,	# of Units	**2023**	2022	Change (bps)	**2023**	2022	Change (bps)
Nova Scotia							
Halifax	5,878	**98.9%**	99.0%	(10)	**98.9%**	99.0%	(10)
Ontario							
Ottawa [(2)]	1,447	**94.5%**	84.0%	1,050	**95.5%**	95.3%	20
London	523	**97.5%**	97.8%	(30)	**97.5%**	97.8%	(30)
KWC-GTA [(3)]	1,839	**98.1%**	92.3%	580	**98.1%**	98.8%	(70)
New Brunswick							
Moncton	2,342	**99.0%**	98.7%	30	**99.0%**	98.7%	30
Fredericton	1,529	**98.4%**	97.5%	90	**98.4%**	97.5%	90
Saint John	1,202	**98.4%**	97.9%	50	**98.4%**	97.9%	50
Newfoundland and Labrador							
St. John's	1,103	**98.2%**	94.7%	350	**98.2%**	94.7%	350
Prince Edward Island							
Charlottetown	1,127	**99.3%**	99.2%	10	**99.2%**	99.1%	10
Alberta							
Calgary	764	**99.0%**	95.5%	350	**99.0%**	95.5%	350
Edmonton	882	**98.1%**	96.0%	210	**98.1%**	96.0%	210
British Columbia							
Victoria	516	**96.9%**	98.5%	(160)	**96.4%**	98.2%	(180)
Total Apartments (weighted average)	**19,152**	**98.3%**	96.4%	190	**98.4%**	98.0%	40

(1) Occupancy as a percentage of residential rent is calculated as vacancy (in dollars) divided by gross potential residential rent (in dollars) for the period.
(2) Total 2022 occupancy for Ottawa was impacted by Latitude and Luma, recently completed development projects that were undergoing initial lease-up during the second quarter.
(3) Total 2022 occupancy for KWC-GTA was impacted by The Kay, a recently completed 128-unit development property undergoing initial lease-up.

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



Killam continues to see a decrease in rental incentives as a percentage of total revenue in Q2-2023 compared to Q2-2022. Rental incentives decreased in all of Killam's regions quarter-over-quarter. Over 70% of the incentives in Q2-2023 were in Alberta, although incentives were down 37% in this region compared to Q2-2022 and are expected to continue to trend downwards throughout 2023.

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

Year-Over-Year Average Rent Analysis by Core Market

As at June 30,

		Average Rent			Same Property Average Rent		
	# of Units	**2023**	2022	% Change	**2023**	2022	% Change
Nova Scotia							
Halifax	5,878	**$1,305**	$1,248	4.6%	**$1,303**	$1,247	4.5%
Ontario							
Ottawa	1,447	**$2,094**	$2,034	2.9%	**$2,083**	$2,009	3.7%
London	523	**$1,510**	$1,422	6.2%	**$1,510**	$1,422	6.2%
KWC-GTA	1,839	**$1,578**	$1,495	5.6%	**$1,534**	$1,453	5.6%
New Brunswick							
Moncton	2,342	**$1,136**	$1,092	4.0%	**$1,136**	$1,092	4.0%
Fredericton	1,529	**$1,219**	$1,150	6.0%	**$1,219**	$1,150	6.0%
Saint John	1,202	**$993**	$938	5.9%	**$993**	$938	5.9%
Newfoundland and Labrador							
St. John's	1,103	**$1,021**	$996	2.5%	**$1,021**	$996	2.5%
Prince Edward Island							
Charlottetown (1)	1,127	**$1,102**	$1,098	0.4%	**$1,102**	$1,098	0.4%
Alberta							
Calgary (2)	764	**$1,332**	$1,285	3.7%	**$1,332**	$1,285	3.7%
Edmonton (3)	882	**$1,528**	$1,491	2.5%	**$1,528**	$1,491	2.5%
British Columbia							
Victoria	516	**$1,781**	$1,686	5.6%	**$1,928**	$1,813	6.3%
Total Apartments (weighted average)	**19,152**	**$1,318**	$1,264	4.3%	**$1,300**	$1,246	4.3%

(1) The average rent in Charlottetown as at June 30, 2023 decreased compared to March 31, 2023, as a result of dispositions completed in the quarter.
(2) Including the reduction in rental incentives, year-over-year same property average rent increased 7.2% in Calgary as at June 30, 2023.
(3) Including the reduction in rental incentives, year-over-year same property average rent increased 4.6% in Edmonton as at June 30, 2023.

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

Same Property Rental Increases – Tenant Renewals versus Unit Turns

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

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

Killam earned a 180 bps increase in its same property weighted average rental increase quarter-over-quarter, up from 3.7% in Q2-2022 to 5.5% in Q2-2023. This growth was a result of higher rental increases on both unit turns and lease renewals. Population growth across Canada continues to drive higher market rents.

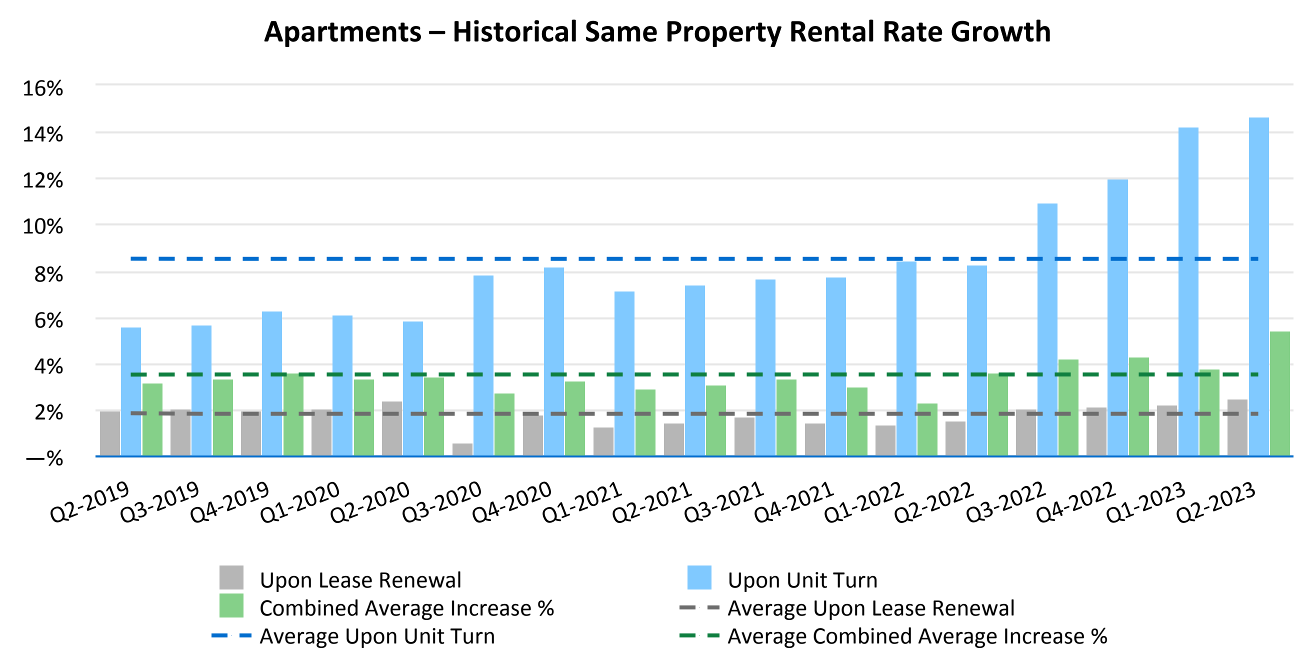
Year-to-date, the weighted average rental rate increased 4.5%. This growth was mainly driven by strong market fundamentals continuing to drive higher rental increases on unit turns, which were up from 8.4% in the first half of 2022 to 14.5% in the same period in 2023. This was coupled with higher rental increases on renewals, which were up 90 bps from 1.5% to 2.4%. The chart below summarizes the rental increases earned during the three and six months ended June 30, 2023 and 2022.

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

	For the three months ended June 30,				For the six months ended June 30,			
	2023		2022		2023		2022	
	Rental Increases	Turnovers & Renewals (1)	Rental Increases	Turnovers & Renewals (1)	Rental Increases	Turnovers & Renewals (1)	Rental Increases	Turnovers & Renewals (1)
Lease renewal (2)	**2.5%**	**15.6%**	1.6%	13.5%	**2.4%**	**42.5%**	1.5%	41.6%
Unit turn	**14.7%**	**4.7%**	8.3%	6.0%	**14.5%**	**8.5%**	8.4%	10.1%
Rental increase (weighted avg)	**5.5%**		3.7%		**4.5%**		2.8%	

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

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



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

Apartment Expenses

Total operating expenses for the three and six months ended June 30, 2023, were $26.7 million and $56.8 million, a 2.9% and 4.3% increase over the same periods in 2022. This is due to incremental costs associated with recent acquisitions and developments, coupled with inflationary pressures and increased natural gas pricing in the first quarter.

Total same property operating expenses increased by 0.6% and 2.3% for the three and six months ended June 30, 2023. The increase includes a 0.8% and 5.6% increase in utility and fuel expenses, driven mainly by natural gas costs. Natural gas commodity pricing increased in the first quarter, but decreased across the majority of Killam's regions in the second quarter. Oil and propane costs also decreased 29.0% and 8.8% for the three and six months ended June 30, 2023, as a result of lower commodity pricing.

Property Operating Expenses
Property operating expenses for the apartment portfolio include repairs and maintenance, contract services, insurance, property management and property management wages and benefits, uncollectible accounts, marketing, advertising and leasing costs. The increase in same property general operating expenses of 3.7% and 4.5% for the three and six months ended June 30, 2023, was due to higher wages costs, increased insurance expense and higher contract service costs. These increases reflect inflationary cost pressures.

Same Property Utility and Fuel Expenses

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Natural gas	**$2,227**	$2,259	(1.4)%	**$6,792**	$6,100	11.3%
Electricity	**2,103**	2,025	3.9%	**4,405**	4,421	(0.4)%
Water	**1,824**	1,736	5.1%	**3,763**	3,540	6.3%
Oil & propane	**213**	300	(29.0)%	**691**	758	(8.8)%
Other	**20**	16	25.0%	**40**	35	14.3%
Total utility and fuel expenses	**$6,387**	$6,336	0.8%	**$15,691**	$14,854	5.6%

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

Utility and fuel expenses accounted for approximately 25% and 29% of Killam’s total apartment same property operating expenses for the three and six months ended June 30, 2023. Total same property utility and fuel expenses increased 0.8% for the three months ended June 30, 2023, and 5.6% for the six months ended June 30, 2023.

Same property natural gas expenses decreased 1.4% and increased 11.3% for the three and six months ended June 30, 2023, due to higher natural gas pricing in the first quarter, followed by lower pricing in the second quarter. This included commodity price decreases of 66% in Alberta, 21% in Nova Scotia and Ontario, and 24% in New Brunswick during the quarter, compared to Q2-2022.

Electricity costs increased 3.9% and decreased by 0.4% for the three and six months ended June 30, 2023. The increase in Q2-2023 is a result of increased pricing, while the smaller year-to-date decrease was supported by warmer temperatures and the transfer of electricity costs being switched to new tenants.

Oil and propane costs decreased by 29.0% and 8.8% for the three and six months ended June 30, 2023, compared to the same periods in 2022. This is the result of a 30% decrease in oil prices during Q2-2023 compared to Q2-2022. The majority of Killam's heating oil and propane costs are in Prince Edward Island.

Property Taxes
Same property tax expenses for the three and six months ended June 30, 2023, were $8.2 million and $16.3 million, down 3.2% and 3.4% from the same periods in 2022. This decline is due to a reduction in regional mill rates in New Brunswick, coupled with property tax subsidies in Prince Edward Island. The tax subsidies in PEI are to compensate apartment owners for the rent control restrictions restricting rental rate growth in 2023. New Brunswick and PEI experienced a 12.6% and 12.1% decrease in property taxes in the first half of 2023 compared to the same period in 2022. All other regions were up approximately 2.0% to 4.0% year-over-year. Killam actively reviews its property tax assessments and appeals tax assessment increases wherever possible.

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

Apartment Same Property NOI by Region

Three months ended June 30,

	Property Revenue			Property Expenses			Net Operating Income		
	2023	2022	% Change	**2023**	2022	% Change	**2023**	2022	% Change
Nova Scotia									
Halifax	**$23,758**	$22,823	4.1%	**($8,323)**	($8,004)	4.0%	**$15,435**	$14,819	4.2%
	23,758	22,823	4.1%	**(8,323)**	(8,004)	4.0%	**15,435**	14,819	4.2%
Ontario									
Ottawa	**3,692**	3,529	4.6%	**(1,195)**	(1,131)	5.7%	**2,497**	2,398	4.1%
London	**2,337**	2,197	6.4%	**(787)**	(767)	2.6%	**1,550**	1,430	8.4%
KWC-GTA	**7,804**	7,419	5.2%	**(2,843)**	(2,686)	5.8%	**4,961**	4,733	4.8%
	13,833	13,145	5.2%	**(4,825)**	(4,584)	5.3%	**9,008**	8,561	5.2%
New Brunswick									
Moncton	**8,469**	8,112	4.4%	**(3,224)**	(3,488)	(7.6)%	**5,245**	4,624	13.4%
Fredericton	**5,722**	5,365	6.7%	**(1,959)**	(2,006)	(2.3)%	**3,763**	3,359	12.0%
Saint John	**3,689**	3,470	6.3%	**(1,474)**	(1,499)	(1.7)%	**2,215**	1,971	12.4%
	17,880	16,947	5.5%	**(6,657)**	(6,993)	(4.8)%	**11,223**	9,954	12.7%
Newfoundland and Labrador									
St. John's	**3,422**	3,203	6.8%	**(1,043)**	(1,014)	2.9%	**2,379**	2,189	8.7%
	3,422	3,203	6.8%	**(1,043)**	(1,014)	2.9%	**2,379**	2,189	8.7%
Prince Edward Island									
Charlottetown	**3,536**	3,500	1.0%	**(1,327)**	(1,370)	(3.1)%	**2,209**	2,130	3.7%
	3,536	3,500	1.0%	**(1,327)**	(1,370)	(3.1)%	**2,209**	2,130	3.7%
Alberta									
Calgary	**3,286**	2,953	11.3%	**(1,139)**	(1,166)	(2.3)%	**2,147**	1,787	20.1%
Edmonton	**4,059**	3,780	7.4%	**(1,438)**	(1,468)	(2.0)%	**2,621**	2,312	13.4%
	7,345	6,733	9.1%	**(2,577)**	(2,634)	(2.2)%	**4,768**	4,099	16.3%
British Columbia									
Victoria	**1,804**	1,722	4.8%	**(451)**	(448)	0.7%	**1,353**	1,274	6.2%
	$71,578	$68,073	5.1%	**($25,203)**	($25,047)	0.6%	**$46,375**	$43,026	7.8%

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

Six months ended June 30,

	Property Revenue			Property Expenses			Net Operating Income		
	2023	2022	% Change	**2023**	2022	% Change	**2023**	2022	% Change
Nova Scotia									
Halifax	**$47,321**	$45,435	4.2%	**($18,167)**	($16,991)	6.9%	**$29,154**	$28,444	2.5%
	47,321	45,435	4.2%	**(18,167)**	(16,991)	6.9%	**29,154**	28,444	2.5%
Ontario									
Ottawa	**7,391**	7,013	5.4%	**(2,434)**	(2,254)	8.0%	**4,957**	4,759	4.2%
London	**4,671**	4,395	6.3%	**(1,640)**	(1,603)	2.3%	**3,031**	2,792	8.6%
KWC-GTA	**15,568**	14,782	5.3%	**(5,804)**	(5,544)	4.7%	**9,764**	9,238	5.7%
	27,630	26,190	5.5%	**(9,878)**	(9,401)	5.1%	**17,752**	16,789	5.7%
New Brunswick									
Moncton	**16,900**	16,119	4.8%	**(6,672)**	(7,085)	(5.8)%	**10,228**	9,034	13.2%
Fredericton	**11,349**	10,704	6.0%	**(4,055)**	(4,182)	(3.0)%	**7,294**	6,522	11.8%
Saint John	**7,345**	6,923	6.1%	**(3,222)**	(3,315)	(2.8)%	**4,123**	3,608	14.3%
	35,594	33,746	5.5%	**(13,949)**	(14,582)	(4.3)%	**21,645**	19,164	12.9%
Newfoundland and Labrador									
St. John's	**6,828**	6,366	7.3%	**(2,130)**	(2,136)	(0.3)%	**4,698**	4,230	11.1%
	6,828	6,366	7.3%	**(2,130)**	(2,136)	(0.3)%	**4,698**	4,230	11.1%
Prince Edward Island									
Charlottetown	**7,066**	6,986	1.1%	**(2,868)**	(2,967)	(3.3)%	**4,198**	4,019	4.5%
	7,066	6,986	1.1%	**(2,868)**	(2,967)	(3.3)%	**4,198**	4,019	4.5%
Alberta									
Calgary	**6,488**	5,871	10.5%	**(2,422)**	(2,269)	6.7%	**4,066**	3,602	12.9%
Edmonton	**8,029**	7,472	7.5%	**(3,073)**	(2,979)	3.2%	**4,956**	4,493	10.3%
	14,517	13,343	8.8%	**(5,495)**	(5,248)	4.7%	**9,022**	8,095	11.5%
British Columbia									
Victoria	**3,577**	3,458	3.4%	**(972)**	(954)	1.9%	**2,605**	2,504	4.0%
	$142,533	$135,524	5.2%	**($53,459)**	($52,279)	2.3%	**$89,074**	$83,245	7.0%

Halifax
Killam's Halifax apartment portfolio achieved a same property revenue increase of 4.1% and 4.2% for the three and six months ended June 30, 2023, compared to the same periods in 2022. This was due to a 4.5% increase in year-over-year average rent in the region, and offset slightly by a 10 bps decrease in occupancy to 98.9% in the quarter. Total same property operating expenses for the three and six months ended June 30, 2023, were 4.0% and 6.9% higher compared to the same periods in 2022. The increase in expenses was driven by higher contract services and salary costs, and higher utility and fuel costs, which were up 9.0% year-to-date in the region, mainly attributable to natural gas. The net impact was a 4.2% and 2.5% increase in NOI for the three and six months ended June 30, 2023. Killam expects natural gas costs in Halifax to be lower in the next heating season as suppliers take advantage of current lower commodity pricing.

Ontario
Same property apartment revenue in Ontario grew 5.2% and 5.5% for the three and six months ended June 30, 2023. This increase was driven by a 4.8% increase in year-over-year average rent partially offset by a 30 bps decrease in occupancy to 97.0% in the quarter. Total same property operating expenses for the three and six months ended June 30, 2023, increased 5.3% and 5.1% compared to the same periods in 2022. This increase was a result of higher salary and contract services costs, coupled with increased natural gas pricing experienced in the first quarter. In aggregate, NOI was 5.2% and 5.7% higher for the three and six months ended June 30, 2023.

New Brunswick

Killam's apartment portfolio in New Brunswick generated an aggregate same property revenue increase of 5.5% for both the three and six months ended June 30, 2023. This was a result of a year-over-year average rent increase of 5.0%, coupled with a 60 bps increase in occupancy to 98.7%. Fredericton experienced the highest occupancy gains, up 90 bps to 98.4%. Occupancy in Saint John increased 50 bps to 98.4%, and Moncton's occupancy was up by 30 bps to 99.0%. Total same property operating expenses for the three and six months ended June 30, 2023, decreased by 4.8% and 4.3% compared to the same periods in 2022. This decrease was driven by a reduction in regional tax mill rates in New Brunswick, which resulted in an aggregate year-to-date 12.6% decrease in realty taxes despite an average 20% increase in property assessments. Additionally, utility and fuel expenses were relatively flat due to warmer temperatures and unit electricity being included in tenants' rent. In aggregate, NOI increased by 12.7% and 12.9% for the three and six months ended June 30, 2023.

Newfoundland and Labrador

Same property apartment revenue in Newfoundland and Labrador grew 6.8% and 7.3% for the three and six months ended June 30, 2023. This growth was primarily due to a 350 bps increase in occupancy in the quarter, up from 94.7% to 98.2%. This was coupled with a 2.5% increase in year-over-year average rent in the region. Total same property operating expenses for the three and six months ended June 30, 2023, increased 2.9% and decreased 0.3% compared to the same periods in 2022. This was a result of higher salary and contract services costs, offset by lower advertising costs as a result of the higher occupancy. Other property operating expenses were relatively flat in the first half of 2023 compared to the same period in 2022. Overall, NOI grew by 8.7% and 11.1% for the three and six months ended June 30, 2023.

Prince Edward Island

Same property apartment revenue in Prince Edward Island increased by 1.0% and 1.1% for the three and six months ended June 30, 2023, compared to the same periods in 2022. Occupancy in the region remained high at 99.2%, while rental growth was limited by rent control in the region, which prohibits rental increases in 2023. Total same property operating expenses for the three and six months ended June 30, 2023, decreased by 3.1% and 3.3% compared to the same periods in 2022. This decline was due to property tax subsidies in the region to help offset the 0% rent control in 2023. This resulted in a year-to-date 12.1% decrease in realty taxes. Additionally, utility and fuel expenses decreased as a result of lower oil and propane costs in Q2-2023. Overall, NOI was up 3.7% and 4.5% for the three and six months ended June 30, 2023.

Alberta

Killam's Alberta apartment portfolio achieved same property revenue increases of 9.1% and 8.8% for the three and six months ended June 30, 2023, compared to the same periods in 2022. This growth was primarily due to large occupancy gains in both Calgary and Edmonton, up 350 bps and 210 bps to 99.0% and 98.1%, respectively. This was coupled with a 3.0% increase in year-over-year average rent in the region and a 22.3% year-to-date decrease in rental incentives. Total same property operating expenses for the three and six months ended June 30, 2023, decreased 2.2% and increased 4.7% compared to the same periods in 2022. The decrease in expenses in Q2-2023 was driven primarily by lower repairs and maintenance and contract services costs, coupled with lower advertising costs as a result of higher occupancy in the region. Year-to-date, expense growth is a result of higher salary, electricity and water costs. In aggregate, NOI increased 16.3% and 11.5% for the three and six months ended June 30, 2023.

British Columbia

Same property apartment revenue in British Columbia grew 4.8% and 3.4% for the three and six months ended June 30, 2023. This growth was a result of a 6.3% increase in year-over-year average rent in the region, partially offset by a 180 bps decrease in occupancy, to 96.4%. The decline in occupancy was a result of higher turnover at two properties and is expected to rebound in the second half of 2023. Total same property operating expenses increased 0.7% and 1.9% for the three and six months ended June 30, 2023. The increase was primarily due to higher salary and advertising costs, coupled with increased realty taxes and insurance costs. This was partially offset by lower repairs and maintenance, contract services and electricity costs. The net impact was a 6.2% and 4.0% increase in NOI for the three and six months ended June 30, 2023.

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

MHC Results

For the three months ended June 30,

	Total Portfolio			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$5,433**	$5,221	4.1%	**$5,268**	$5,117	3.0%
Property operating expenses	**1,873**	1,822	2.8%	**1,846**	1,819	1.5%
NOI	**$3,560**	$3,399	4.7%	**$3,422**	$3,298	3.8%
Operating margin %	**65.5%**	65.1%	40 bps	**65.0%**	64.5%	50 bps

For the six months ended June 30,

	Total Portfolio			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$9,091**	$8,735	4.1%	**$8,866**	$8,603	3.1%
Property operating expenses	**3,572**	3,329	7.3%	**3,484**	3,362	3.6%
NOI	**$5,519**	$5,406	2.1%	**$5,382**	$5,241	2.7%
Operating margin %	**60.7%**	61.9%	(120) bps	**60.7%**	60.9%	(20) bps

Killam's MHC portfolio generated $3.6 million and $5.5 million, or 6.3% and 5.2%, of Killam's total NOI for the three and six months ended June 30, 2023. The MHC business generates its highest revenues and NOI during the second and third quarters of each year due to the contribution from its nine seasonal resorts that earn approximately 60% of their NOI between July and October. Overall, same property NOI from the MHC portfolio increased by 3.8% and 2.7% for the three and six months ended June 30, 2023. This growth is attributable to a 3.0% and 3.1% increase in revenue for the three and six months ended June 30, 2023, offset by increases in property operating expenses of 1.5% and 3.6% compared to the same periods in 2022.

For the three months ended June 30,

	Property Revenue			Property Expenses			Net Operating Income		
	2023	2022	% Change	**2023**	2022	% Change	**2023**	2022	% Change
Permanent MHCs	**$3,362**	$3,239	3.8%	**($1,153)**	($1,112)	3.7%	**$2,209**	$2,127	3.9%
Seasonal Resorts	**1,906**	1,878	1.5%	**(693)**	(707)	(2.0)%	**1,213**	1,171	3.6%
	$5,268	$5,117	3.0%	**($1,846)**	($1,819)	1.5%	**$3,422**	$3,298	3.8%

For the six months ended June 30,

	Property Revenue			Property Expenses			Net Operating Income		
	2023	2022	% Change	**2023**	2022	% Change	**2023**	2022	% Change
Permanent MHCs	**$6,710**	$6,575	2.1%	**($2,413)**	($2,317)	4.1%	**$4,297**	$4,258	0.9%
Seasonal Resorts	**2,156**	2,028	6.3%	**(1,071)**	(1,045)	2.5%	**1,085**	983	10.4%
	$8,866	$8,603	3.1%	**($3,484)**	($3,362)	3.6%	**$5,382**	$5,241	2.7%

For the three and six months ended June 30, 2023, same property permanent MHCs generated a 3.9% and 0.9% increase in NOI, with average rent increasing 2.8% in Q2-2023 to $293 per site, compared to $285 per site in Q2-2022. Occupancy remained high at 98.3% in Q2-2023, consistent with occupancy in Q2-2022. Revenue and NOI growth is further augmented through MHC site expansions at many of Killam's parks.

Killam's seasonal resort portfolio achieved strong same property revenue growth, generating a 6.3% increase in revenue for the six months ended June 30, 2023, compared to Q2-2022. Same property seasonal MHCs had a 10.4% increase in NOI year-to-date, as increased revenues offset increases in property expenses in the period. Over the remainder of the season, Killam expects strong revenue growth as a result of higher transient camping, as well as 99.0% occupancy at its seasonal parks.

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

Commercial Results

For the three months ended June 30,

	Total Portfolio			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$5,340**	$4,892	9.2%	**$5,188**	$4,736	9.5%
Property operating expenses	**2,031**	2,066	(1.7)%	**2,072**	2,043	1.4%
NOI	**$3,309**	$2,826	17.1%	**$3,116**	$2,693	15.7%

For the six months ended June 30,

	Total Portfolio			Same Property		
	2023	2022	% Change	**2023**	2022	% Change
Property revenue	**$10,478**	$9,501	10.3%	**$10,253**	$9,379	9.3%
Property operating expenses	**4,310**	4,219	2.2%	**4,363**	4,200	3.9%
NOI	**$6,168**	$5,282	16.8%	**$5,890**	$5,179	13.7%

Killam's commercial property portfolio contributed $3.3 million and $6.2 million, or 5.9% and 5.8%, of Killam's total NOI for the three and six months ended June 30, 2023.

Killam's commercial property portfolio totals 949,466 SF and is located in four of Killam's core markets. The commercial portfolio includes Westmount Place, a 300,000 SF retail and office complex located in Waterloo; Royalty Crossing, a 386,300 SF shopping centre in PEI of which Killam has a 75% interest and is the property manager; the Brewery Market, a 180,000 SF retail and office property in downtown Halifax; and other smaller properties located in Halifax and Moncton. Total commercial occupancy increased to 94.7% in Q2-2023, compared to 93.1% in Q2-2022.

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

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

PART V

Other Income and Expenses and Net Income

Net Income and Other Comprehensive Income

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Net operating income	**$56,226**	$51,685	8.8%	**$107,041**	$96,948	10.4%
Other income	**434**	507	(14.4)%	**787**	886	(11.2)%
Financing costs	**(16,274)**	(14,572)	11.7%	**(33,135)**	(27,841)	19.0%
Depreciation	**(134)**	(134)	—%	**(269)**	(273)	(1.5)%
Administration	**(4,817)**	(4,150)	16.1%	**(9,602)**	(8,415)	14.1%
Fair value adjustment on unit-based compensation	**(293)**	921	(131.8)%	**(140)**	2,005	(107.0)%
Fair value adjustment on Exchangeable Units	**(2,105)**	17,098	(112.3)%	**(5,652)**	25,787	(121.9)%
Fair value adjustment on investment properties	**96,246**	27,554	249.3%	**163,005**	55,542	193.5%
Loss on disposition	**(729)**	—	N/A	**(1,079)**	—	N/A
Income before income taxes	**128,554**	78,909	62.9%	**220,956**	144,639	52.8%
Deferred tax expense	**(14,016)**	(10,193)	37.5%	**(22,958)**	(15,896)	44.4%
Net income and comprehensive income	**$114,538**	$68,716	66.7%	**$197,998**	$128,743	53.8%

Net income and comprehensive income increased by $45.8 million and $69.3 million for the three and six months ended June 30, 2023, as a result of $96.2 million and $163.0 million of fair value gains on Killam's investment properties, compared to $27.6 million and $55.5 million of fair value gains for the same periods in 2022. This was coupled with a $4.5 million and $10.1 million increase in net operating income driven by acquisitions and same property NOI growth for the three and six months ended June 30, 2023. Additionally, there was a $3.8 million and $7.1 million increase in deferred tax expense for the three and six months ended June 30, 2023, compared to the same periods in 2022.

Financing Costs

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Mortgage, loan and construction loan interest	**$15,085**	$13,209	14.2%	**$29,789**	$25,585	16.4%
Interest on credit facilities	**895**	494	81.2%	**2,404**	691	247.9%
Interest on Exchangeable Units	**682**	701	(2.7)%	**1,364**	1,402	(2.7)%
Amortization of deferred financing costs	**896**	910	(1.5)%	**1,783**	1,770	0.7%
Amortization of fair value adjustments on assumed debt	**59**	20	195.0%	**109**	40	172.5%
Unrealized (gain) loss on derivative liability	**(28)**	(62)	(54.8)%	**68**	(170)	(140.0)%
Interest on lease liabilities	**98**	97	1.0%	**196**	195	0.5%
Capitalized interest	**(1,413)**	(797)	77.3%	**(2,578)**	(1,672)	54.2%
	$16,274	$14,572	11.7%	**$33,135**	$27,841	19.0%

Total financing costs increased $1.7 million, or 11.7%, for the three months ended June 30, 2023, compared to Q2-2022. For the six months ended June 30, 2023, financing costs increased $5.3 million, or 19.0%, compared to the same period in 2022, primarily as a result of acquisitions and developments.

Mortgage, loan and construction loan interest expense was $15.1 million and $29.8 million for the three and six months ended June 30, 2023, an increase of $1.9 million and $4.2 million, or 14.2% and 16.4%, compared to the same periods in 2022. Killam's mortgage, loan and construction loan liability balance increased by $51.1 million over the past 12 months as Killam upfinanced maturing mortgages within its existing portfolio, advanced its development projects with construction financing and obtained financing for acquisitions. The average interest rate on refinancings for the six months ended June 30, 2023, was 4.43%, 156 bps higher than the average interest rate on expiring debt.

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

Interest on credit facilities increased $0.4 million and $1.7 million for the three and six months ended June 30, 2023, compared to the same periods in 2022. This rise is due to a rapid increase in variable interest rates over the past 12 months, coupled with a higher balance on Killam's credit facilities. The credit facilities were used to fund acquisitions in 2022 and to advance Killam's development program. As at June 30, 2023, Killam has decreased the balance on its credit facilities by $55.4 million compared to December 31, 2022. Interest expense related to credit facilities is expected to decrease throughout the second half of 2023, as funds from dispositions are used to further reduce the balance on Killam's credit facilities.

Deferred financing costs include mortgage assumption fees, application fees and legal costs related to financings and refinancings. These costs are amortized over the term of the respective mortgages. CMHC insurance fees are amortized over the amortization period of the mortgage. Deferred financing costs amortization decreased 1.5% and increased 0.7% for the three and six months ended June 30, 2023, following new debt placement on acquisitions and mortgage refinancings. This expense may fluctuate annually with refinancings.

Capitalized interest increased 77.3% and 54.2% for the three and six months ended June 30, 2023, compared to the same periods in 2022. Capitalized interest will vary depending on the number of development projects underway and their stages in the development cycle. Interest costs associated with development projects are capitalized to the respective development property until substantial completion. Capitalized interest will decrease in the second half of the year as two development projects were completed in July.

Administration Expenses

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Administration	**$4,817**	$4,150	16.1%	**$9,602**	$8,415	14.1%
As a percentage of total revenues	**5.5%**	5.1%	40 bps	**5.6%**	5.3%	30 bps

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

For the three and six months ended June 30, 2023, total administration expenses increased $0.7 million and $1.2 million, or 16.1% and 14.1%, compared to the same periods in 2022. This was due to higher travel expenses, increased wages, as well as higher information technology costs. Administration expenses as a percentage of total revenue were 5.5% for Q2-2023, a 40 bps increase over Q2-2022.

Fair Value Adjustments

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Investment properties	**$96,246**	$27,554	249.3%	**$163,005**	$55,542	193.5%
Deferred unit-based compensation	**(293)**	921	(131.8)%	**(140)**	2,005	(107.0)%
Exchangeable Units	**(2,105)**	17,098	(112.3)%	**(5,652)**	25,787	(121.9)%
	$93,848	$45,573	105.9%	**$157,213**	$83,334	88.7%

Killam recognized fair value gains of $96.2 million and $163.0 million related to its investment properties for the three and six months ended June 30, 2023, compared to fair value gains of $27.6 million and $55.5 million for the three and six months ended June 30, 2022. The increase in fair value gains relates to continued high demand for apartments in Canada, which is driving strong NOI growth.

Restricted Trust Units (RTUs) governed by Killam's RTU Plan are awarded to certain members of Management as a portion of their compensation. Non-executive members of the Board of Trustees have the right to receive a percentage of their annual retainer in the form of RTUs. This aligns the interests of Management and the Trustees with those of unitholders. For the three and six months ended June 30, 2023, there was an unrealized fair value loss of $0.3 million and $0.1 million, compared to a $0.9 million and $2.0 million gain for the same periods in 2022, due to changes in the market price of the underlying Killam Trust Units.

Distributions paid on Exchangeable Units are consistent with distributions paid to Killam’s unitholders. The Exchangeable Units are redeemable on a one-for-one basis into Trust Units at the option of the holder. The fair value of the Exchangeable Units is based on the trading price of Killam’s Trust Units. For the three and six months ended June 30, 2023, there was an unrealized loss on remeasurement of $2.1 million and $5.7 million, compared to an unrealized gain of $17.1 million and $25.8 million for the same periods in 2022. The unrealized loss in the quarter reflects an increase in Killam's unit price during the three months ended June 30, 2023.

Deferred Tax Expense

	Three months ended June 30,			**Six months ended June 30,**		
	2023	2022	% Change	**2023**	2022	% Change
	$14,016	$10,193	37.5%	**$22,958**	$15,896	44.4%

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

Killam's deferred tax expense increased by $3.8 million and $7.1 million for the three and six months ended June 30, 2023, compared to the same periods in 2022. This is due to higher fair value gains recorded on investment properties in the current periods compared to the first half of 2022.

PART VI

Per Unit Calculations

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

	Weighted Average Number of Units (000s)						**Outstanding Number of Units (000s) as at June 30,**
	Three months ended June 30,			**Six months ended June 30,**			
	2023	2022	% Change	**2023**	2022	% Change	**2023**
Trust Units	**117,381**	115,761	1.4%	**117,189**	114,684	2.2%	**117,576**
Exchangeable Units	**3,898**	4,004	(2.6)%	**3,898**	4,004	(2.6)%	**3,898**
Basic number of units	**121,279**	119,765	1.3%	**121,087**	118,688	2.0%	**121,474**
Plus:							
Units under RTU Plan (1)	**193**	173	11.6%	**186**	170	9.4%	—
Diluted number of units	**121,472**	119,938	1.3%	**121,273**	118,858	2.0%	**121,474**

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

Funds from Operations

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

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Net income	**$114,538**	$68,716	66.7%	**$197,998**	$128,743	53.8%
Fair value adjustments	**(93,848)**	(45,573)	105.9%	**(157,213)**	(83,334)	88.7%
Non-controlling interest	**(3)**	(4)	(25.0)%	**(7)**	(8)	(12.5)%
Internal commercial leasing costs	**90**	75	20.0%	**180**	150	20.0%
Deferred tax expense	**14,016**	10,193	37.5%	**22,958**	15,896	44.4%
Interest expense on Exchangeable Units	**682**	701	(2.7)%	**1,364**	1,402	(2.7)%
Loss on disposition	**729**	—	N/A	**1,079**	—	N/A
Unrealized (gain) loss on derivative liability	**(28)**	(62)	(54.8)%	**68**	(170)	(140.0)%
Depreciation on owner-occupied building	**25**	26	(3.8)%	**51**	51	—%
Change in principal related to lease liabilities	**6**	6	—%	**11**	11	—%
FFO	**$36,207**	$34,078	6.2%	**$66,489**	$62,741	6.0%
FFO per unit – basic	**$0.30**	$0.28	7.1%	**$0.55**	$0.53	3.8%
FFO per unit – diluted	**$0.30**	$0.28	7.1%	**$0.55**	$0.53	3.8%
FFO payout ratio – diluted	**58%**	62%	(400) bps	**64%**	66%	(200) bps
Weighted average number of units – basic (000s)	**121,279**	119,765	1.3%	**121,087**	118,688	2.0%
Weighted average number of units – diluted (000s)	**121,472**	119,938	1.3%	**121,273**	118,858	2.0%

Killam earned FFO of $36.2 million, or $0.30 per unit (diluted), for the three months ended June 30, 2023, compared to $34.1 million, or $0.28 per unit (diluted), for the three months ended June 30, 2022. FFO growth is attributable to same property NOI growth and contributions from acquisitions and completed developments. These increases were partially offset by a 1.3% increase in the weighted average number of units outstanding as well as higher interest costs and administration costs.

Killam earned FFO of $66.5 million, or $0.55 per unit (diluted), for the six months ended June 30, 2023, compared to $62.7 million, or $0.53 per unit (diluted), for the six months ended June 30, 2022. FFO growth is attributable to same property NOI growth and contributions from acquisitions and completed developments. These increases were partially offset by a 2.0% increase in the weighted average number of units outstanding as well as higher interest costs.

Adjusted Funds from Operations

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

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

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

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
FFO	**$36,207**	$34,078	6.2%	**$66,489**	$62,741	6.0%
Maintenance capital expenditures	**(5,072)**	(4,819)	5.3%	**(10,198)**	(9,552)	6.8%
Commercial straight-line rent adjustment	**(49)**	(27)	81.5%	**52**	(140)	(137.1)%
Internal and external commercial leasing costs	**(101)**	(230)	(56.1)%	**(188)**	(309)	(39.2)%
AFFO	**$30,985**	$29,002	6.8%	**$56,155**	$52,740	6.5%
AFFO per unit – basic	**$0.26**	$0.24	8.3%	**$0.46**	$0.44	4.5%
AFFO per unit – diluted	**$0.26**	$0.24	8.3%	**$0.46**	$0.44	4.5%
AFFO payout ratio – diluted	**69%**	72%	(300) bps	**76%**	79%	(300) bps
AFFO payout ratio – rolling 12 months (1)	**73%**	75%	(200) bps			
Weighted average number of units – basic (000s)	**121,279**	119,765	1.3%	**121,087**	118,688	2.0%
Weighted average number of units – diluted (000s)	**121,472**	119,938	1.3%	**121,273**	118,858	2.0%

(1) Based on Killam's annual distribution of $0.69996 for the 12-month period ended June 30, 2023, and $0.69664 for the 12-month period ended June 30, 2022.

The payout ratio of 69% in Q2-2023, compared to the rolling 12-month payout ratio of 73%, corresponds with the seasonality of Killam's business. Killam's first quarter typically has the highest payout ratio due to the lower operating margin from higher heating costs in the winter months. In addition, the MHC portfolio typically generates its highest revenues and NOI during the second and third quarters of the year due to the contribution from its seasonal resorts that generate approximately 60% of their NOI between July and October each year.

The improvement in the AFFO payout ratio for the three and six months ended June 30, 2023, is attributable to higher AFFO per unit growth of 8.3% and 4.5%, driven by earnings generated from strong same property results. Killam's Board of Trustees evaluates the Trust's payout ratio quarterly, but has not established an AFFO payout target.

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

Adjusted Cash Flow from Operations

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

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

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

	Three months ended June 30,			**Six months ended June 30,**		
	2023	2022	% Change	**2023**	2022	% Change
Cash provided by operating activities	**$27,096**	$23,389	15.8%	**$58,995**	$46,356	27.3%
Adjustments:						
Changes in non-cash working capital not indicative of sustainable cash flows	**9,759**	11,338	(13.9)%	**8,315**	16,307	(49.0)%
Maintenance capital expenditures	**(5,072)**	(4,819)	5.3%	**(10,198)**	(9,552)	6.8%
External commercial leasing costs	**(32)**	(93)	(65.6)%	**(63)**	(211)	(70.1)%
Amortization of deferred financing costs	**(896)**	(910)	(1.5)%	**(1,783)**	(1,770)	0.7%
Interest expense related to lease liability	**(6)**	(5)	20.0%	**(11)**	(11)	—%
Non-controlling interest	**(3)**	(4)	(25.0)%	**(7)**	(8)	(12.5)%
ACFO	**$30,846**	$28,896	6.7%	**$55,248**	$51,111	8.1%
Distributions declared (1)	**21,507**	21,215	1.4%	**42,935**	42,105	2.0%
Excess of ACFO over cash distributions	**$9,339**	$7,681	21.6%	**$12,313**	$9,006	36.7%
ACFO payout ratio – diluted (2)	**70%**	73%	(300) bps	**78%**	82%	(400) bps

(1) Includes distributions on Trust Units, Exchangeable Units and restricted Trust Units, as summarized on page 42.
(2) Based on Killam's monthly distribution of $0.05833 per unit.

Killam's ACFO payout ratio is 70% and 78% for the three and six months ended June 30, 2023, lower than the payout ratio for the three and six months ended June 30, 2022. Similar to the AFFO payout ratio, Killam's first quarter typically has the highest ACFO payout ratio due to the lower operating margin in the period. This is attributable to higher heating costs in the winter and the fact the MHC portfolio typically generates its highest revenues and NOI during the second and third quarters of the year.

Cash Provided by Operating Activities and Distributions Declared

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

	Three months ended June 30,		**Six months ended June 30,**	
	2023	2022	**2023**	2022
Net income	**$114,538**	$68,716	**$197,998**	$128,743
Cash provided by operating activities	**$27,096**	$23,389	**$58,995**	$46,356
Total distributions declared	**$21,507**	$21,215	**$42,935**	$42,105
Excess of net income over total distributions declared	**$93,031**	$47,501	**$155,063**	$86,638
Excess of net income over net distributions paid (1)	**$99,792**	$53,773	**$168,482**	$99,392
Excess of cash provided by operating activities over total distributions declared	**$5,589**	$2,174	**$16,060**	$4,251

(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 $140.0 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 $119.8 million of mortgage debt scheduled for refinancing in the remainder of 2023, expected to lead to upfinancing opportunities of $40.0 million.

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

(v) Killam has unencumbered assets of approximately $89.0 million, on which debt could be placed.

Killam is in compliance with all financial covenants contained in the DOT and through its credit facilities. Under the DOT, total indebtedness of Killam is limited to 70% of gross book value determined as the greater of (i) the value of Killam's assets as shown on the most recent condensed consolidated interim statement of financial position, and (ii) the historical cost of Killam's assets. Total debt as a percentage of assets as at June 30, 2023, was 43.1%.

Killam has financial covenants on its credit facilities. The covenants require Killam to maintain a leverage limit of not more than 70% of debt to total assets, debt to service coverage of not less than 1.3 times and unitholders' equity of not less than $900.0 million. As at August 9, 2023, Killam was in compliance with said covenants.

The table below outlines Killam's key debt metrics:

As at	June 30, 2023	December 31, 2022	Change
Weighted average years to debt maturity	**4.0**	3.8	0.2 years
Total debt as a percentage of total assets	**43.1%**	45.3%	(220) bps
Interest coverage	**3.14x**	3.31x	(5.1)%
Debt service coverage	**1.45x**	1.51x	(4.0)%
Debt to normalized EBITDA (1)	**10.90x**	11.21x	(2.8)%
Weighted average mortgage interest rate	**2.94%**	2.74%	20 bps
Weighted average interest rate of total debt	**3.18%**	3.01%	17 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	June 30, 2023	December 31, 2022
Mortgages and loans payable	**$2,012,235**	$1,979,442
Credit facilities	**$65,661**	$121,014
Construction loans	**$81,612**	$94,972
Total interest-bearing debt	**$2,159,508**	$2,195,428
Total assets (1)	**$5,010,557**	$4,849,903
Total debt as a percentage of total assets	**43.1%**	45.3%

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

Total debt as a percentage of total assets was 43.1% as at June 30, 2023, down from 45.3% as at December 31, 2022. Management is focused on maintaining conservative debt levels. Total debt to total assets is sensitive to changes in the fair value of investment properties, in particular cap-rate changes.

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

The quantitative sensitivity analysis shown below illustrates the value increase or decrease in Killam's debt to 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)%	$5,532,194	$5,576,747	38.7%	(440)
(0.25)%	$5,222,663	$5,267,216	41.0%	(210)
—%	$4,966,004	$5,010,557	43.1%	—
0.25%	$4,700,211	$4,744,764	45.5%	240
0.50%	$4,477,706	$4,522,259	47.8%	470

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

Normalized Adjusted EBITDA

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

Twelve months ended,	**June 30, 2023**	December 31, 2022	% Change
Net income	**$192,033**	$122,532	56.7%
Deferred tax expense	**25,629**	18,813	36.2%
Financing costs	**66,793**	61,499	8.6%
Depreciation	**569**	573	(0.7)%
Loss on disposition	**1,079**	—	N/A
Fair value adjustment on unit-based compensation	**(89)**	(2,234)	(96.0)%
Fair value adjustment on Exchangeable Units	**1,942**	(29,497)	(106.6)%
Fair value adjustment on investment properties	**(87,593)**	19,870	(540.8)%
Adjusted EBITDA	**200,363**	191,556	4.6%
Normalizing adjustment (1)	**(3,115)**	3,437	(190.6)%
Normalized adjusted EBITDA	**197,248**	194,993	1.2%
Net debt	**$2,149,592**	$2,186,275	(1.7)%
Debt to normalized adjusted EBITDA	**10.90x**	11.21x	(2.8)%

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

Interest and Debt Service Coverage

Rolling 12 months ending,	**June 30, 2023**	December 31, 2022	% Change
NOI	**$216,119**	$206,912	4.4%
Other income	**2,584**	1,797	43.8%
Administration	**(18,340)**	(17,153)	6.9%
Adjusted EBITDA	**200,363**	191,556	4.6%
Interest expense (1)	**63,818**	57,851	10.3%
Interest coverage ratio	**3.14x**	3.31x	(5.1)%
Principal repayments	**74,018**	69,033	7.2%
Interest expense	**63,818**	57,851	10.3%
Debt service coverage ratio	**1.45x**	1.51x	(4.0)%

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

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

Mortgages and Other Loans

Killam's long-term debt consists of fixed-rate, long-term mortgages. Mortgages are secured by a first or second charge against individual properties. Killam's weighted average interest rate on mortgages as at June 30, 2023, was 2.94%, a 20 bps increase compared to the rate as at December 31, 2022.

Refinancings

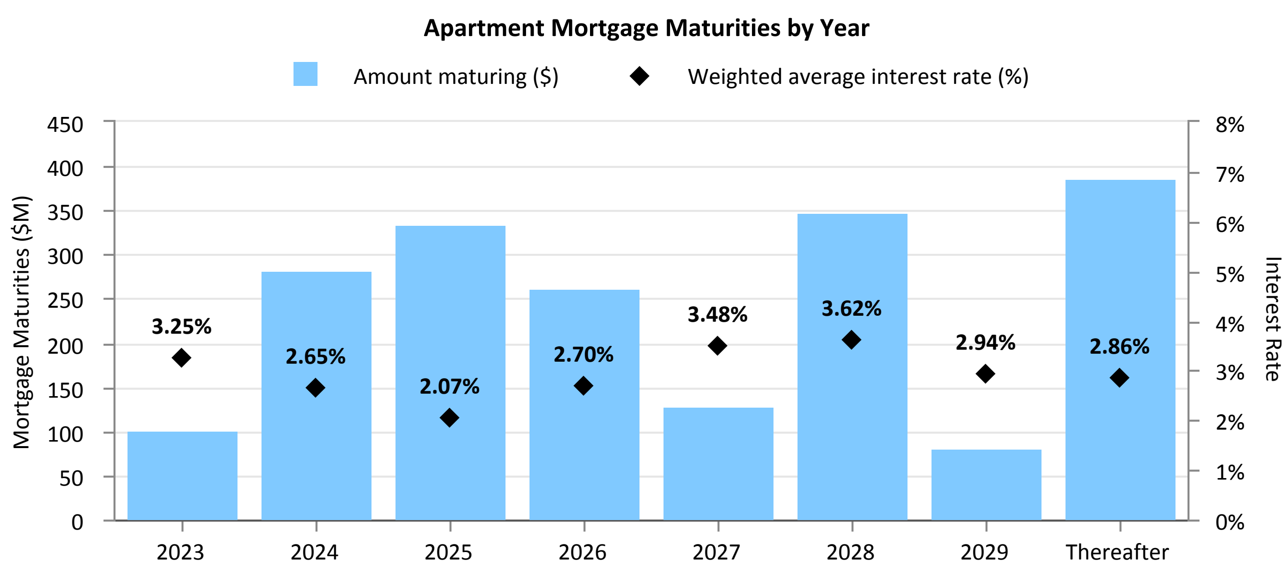
For the six months ended June 30, 2023, Killam refinanced the following mortgages:

	Mortgage Debt Maturities		Mortgage Debt on Refinancing		Weighted Average Term	Net Proceeds
Apartments	$121,127	2.76%	$146,619	4.30%	6.3 years	$25,492
MHCs and Commercial	19,185	3.56%	27,028	5.13%	4.6 years	7,843
	$140,312	**2.87%**	**$173,647**	**4.43%**	**6.0 years**	**$33,335**

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

	Apartments			MHCs and Commercial		Total	
Year of Maturity	Balance June 30	Weighted Avg Int. Rate %	% CMHC Insured	Balance June 30	Weighted Avg Int. Rate %	Balance June 30 (1)	Weighted Avg Int. Rate %
2023	$102,216	3.25%	52.5%	$9,631	3.65%	$111,847	3.29%
2024	283,579	2.65%	73.3%	23,102	2.75%	306,681	2.66%
2025	335,559	2.07%	51.9%	20,393	2.61%	355,952	2.10%
2026	262,904	2.70%	72.8%	7,434	2.69%	270,338	2.70%
2027	128,608	3.48%	74.6%	43,523	5.13%	172,131	3.90%
Thereafter	817,022	3.19%	100.0%	20,154	4.76%	837,176	3.23%
	$1,929,888	**2.87%**	**79.8%**	**$124,237**	**3.95%**	**$2,054,125**	**2.94%**

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



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

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

As at June 30, 2023, approximately 79.8% of Killam's apartment mortgages were CMHC-insured (75.0% of total mortgages, as MHC and commercial mortgages are not eligible for CMHC insurance) (December 31, 2022 - 77.2% and 72.5%). The weighted average interest rate on the CMHC-insured mortgages was 2.89% as at June 30, 2023 (December 31, 2022 - 2.71%).

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

Remaining 2023 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	21	$13,302	$110,221
MHCs and commercial with debt maturing	4	1,268	9,545
	25	**$14,570**	**$119,766**

2024 Debt Maturities	**Number of Properties**	**Estimated NOI**	**Principal Balance (at maturity)**
Apartments with debt maturing	48	$30,635	$267,020
MHCs and commercial with debt maturing	5	3,862	22,150
	53	**$34,497**	**$289,170**

Future Contractual Debt Obligations

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

For the twelve months ending June 30,	**Mortgages and loans payable**	**Construction Loans (1)**	**Credit facilities**	**Total**
2024	$308,747	$81,612	$—	$390,359
2025	324,840	—	65,661	390,501
2026	335,670	—	—	335,670
2027	255,227	—	—	255,227
2028	334,126	—	—	334,126
Thereafter	498,115	—	—	498,115
	$2,056,725	**$81,612**	**$65,661**	**$2,203,998**

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

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

Credit Facilities

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

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

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

As at June 30, 2023	Maximum Loan Amount (1)	Amount Drawn	Letters of Credit	Amount Available
$155.0 million facility	$175,000	$55,000	$—	$120,000
$25.0 million facility	25,000	10,661	2,033	12,306
Total	**$200,000**	**$65,661**	**$2,033**	**$132,306**

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

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

Construction Loans

As at June 30, 2023, Killam had access to five variable rate non-revolving demand construction loans totalling $112.8 million for the purpose of financing development and property expansion projects. As at June 30, 2023, $81.6 million was drawn on the construction loans (December 31, 2022 - $95.0 million). Payments are made monthly on an interest-only basis. The weighted average contractual interest rate on amounts outstanding for the three months ended June 30, 2023, was 6.32% (December 31, 2022 - 5.19%). Once construction is complete and rental targets achieved, the construction loans are expected to be repaid in full and replaced with conventional mortgages. Killam expects to place permanent financing to replace two construction loans (with a total balance of $64.3 million at June 30, 2023) during the second half of 2023.

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

Investment Properties

As at

	June 30, 2023	December 31, 2022	% Change
Investment properties	**$4,758,667**	$4,637,792	2.6%
Investment properties under construction (IPUC)	**165,937**	135,196	22.7%
Land for development	**41,400**	39,813	4.0%
	$4,966,004	$4,812,801	3.2%

Continuity of Investment Properties

As at

	June 30, 2023	December 31, 2022	% Change
Balance, beginning of period	**$4,637,792**	$4,284,030	8.3%
Acquisition of properties	**—**	116,377	(100.0)%
Disposition of properties	**(81,970)**	—	N/A
Transfer from IPUC	**—**	170,337	(100.0)%
Transfer to land for development	**(3,990)**	1,394	(386.2)%
Capital expenditures and development costs (1)	**42,809**	104,726	(59.1)%
Fair value adjustment – Apartments	**163,806**	(20,050)	(917.0)%
Fair value adjustment – MHCs	**(120)**	(16,570)	(99.3)%
Fair value adjustment – Commercial	**340**	(2,452)	(113.9)%
Balance, end of period	**$4,758,667**	$4,637,792	2.6%

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

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

Capitalization Rates

	June 30, 2023			December 31, 2022			June 30, 2022		
	Low	**High**	**Effective Weighted Average**	Low	High	Effective Weighted Average	Low	High	Effective Weighted Average
Apartments	**3.25%**	**6.60%**	**4.49%**	3.25%	7.00%	4.48%	3.00%	7.00%	4.41%
MHCs	**5.25%**	**6.50%**	**5.78%**	5.25%	6.50%	5.78%	5.00%	6.50%	5.59%

Killam's weighted average cap-rates for its apartment and MHC portfolios as at June 30, 2023, were 4.49% and 5.78%, an increase of 1 bps for apartments and consistent with the weighted average cap-rate for MHCs as at December 31, 2022. Killam will continue to monitor the acquisition market to identify cap-rate changes.

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)%**	477,942	531,514	585,086	638,658	692,229
	(0.25)%	174,601	225,078	275,554	326,031	376,507
	—%	(95,442)	(47,721)	—	47,721	95,442
	0.25%	(337,402)	(292,150)	(246,898)	(201,646)	(156,394)
	0.50%	(555,456)	(512,429)	(469,402)	(426,375)	(383,349)

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

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

2023 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**
Total Dispositions						**$81,970**	**$47,820**

(1) Net cash proceeds, after mortgage repayment, does not include transaction costs.

(2) The properties comprised 182 units, and 122 units were sold as part of the transaction. Killam continues to own and operate the remaining 60 units.

266 Bronson Ave

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

The James

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

Browns and University

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

Kristin Way

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

Investment Properties Under Construction

As at

	June 30, 2023	December 31, 2022	% Change
Balance, beginning of period	**$135,196**	$201,319	(32.8)%
Fair value adjustment	**3,752**	19,801	(81.1)%
Capital expenditures	**25,165**	63,217	(60.2)%
Interest capitalized	**1,824**	2,559	(28.7)%
Transfer to inventory	—	(3,073)	(100.0)%
Transfer to investment properties	—	(170,337)	(100.0)%
Transfer from land for development	—	21,710	(100.0)%
Balance, end of period	**$165,937**	$135,196	22.7%

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

Land for Development

As at

	June 30, 2023	December 31, 2022	% Change
Balance, beginning of period	**$39,813**	$55,528	(28.3)%
Fair value adjustment	**(4,773)**	—	N/A
Capital expenditures	**1,616**	2,536	(36.3)%
Interest capitalized	**754**	853	(11.6)%
Acquisitions	**—**	4,000	(100.0)%
Transfer to investment properties	**3,990**	(1,394)	(386.2)%
Transfer to IPUC	**—**	(21,710)	(100.0)%
Balance, end of period	**$41,400**	$39,813	4.0%

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

Property	**Location**	**Ownership**	**Number of Units** (1)	**Project Budget (millions)**	**Start Date**	**Completion Date**	**Anticipated All-Cash Yield**
Governor	Halifax, NS	100%	12	$24.3	2021	July 2023	4.00%–4.25%
Civic 66	Kitchener, ON	100%	169	$69.8	2020	July 2023	4.75%–5.00%
The Carrick	Waterloo, ON	100%	139	$83.5	Q2-2022	2025(4)	4.00%–4.25%
Total (2)(3)			320	$177.6			

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

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

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

(4) Estimated completion date is in the first half of 2025.

Governor

The Governor, with 12 luxury apartment units and 3,500 SF of ground floor commercial space, broke ground in early 2021 and reached substantial completion in July 2023. The building is located adjacent to Killam's 240-unit building, The Alexander, and The Brewery Market, in Halifax, NS. The final project costs are expected to be $24.3 million. The first tenants moved in July 2023, and the building is currently 33% leased.

Civic 66

Civic 66, with 169 apartment units and 3,000 SF of ground floor commercial space, broke ground in Kitchener, ON, in July 2020, and reached substantial completion in July 2023. The final project costs are expected to be $69.8 million, and to date, fair value gains of $11.3 million have been recorded for this property. In April 2023 the first tenants moved in, and the building is currently 43% leased.

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 2025 and has a development budget of $83.5 million.

Phase 2 Nolan Hill

Killam has a 10% interest in the second phase (3 buildings ; 234 units) of the Nolan Hill development in Calgary, AB, which broke ground during the fourth quarter of 2021 and is expected to be completed in phases in the second half of 2023. Killam has a $65.0 million commitment in place to purchase the second phase, following completion of construction and the achievement of certain conditions. Killam expects to acquire the first building in September 2023 and the following two buildings in Q4-2023.

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 2023					
Eventide	Halifax, NS	100%	55	Pre-construction	2025
Developments expected to start in 2024–2026					
Westmount Place Phase 2	Waterloo, ON	100%	239	In design	2026
Northfield Gardens Expansion	Waterloo, ON	100%	133	Concept design	2026
Medical Arts	Halifax, NS	100%	200	Concept design	2027
Hollis Street	Halifax, NS	100%	100	Concept design	2027
Nolan Hill Phase 3 (2)	Calgary, AB	10%	200	In design	2027
Gloucester City Centre Phase 3	Ottawa, ON	50%	200	Concept design	2027
Additional future development projects					
Nolan Hill Phase 4 (2)	Calgary, AB	10%	200	Future development	TBD
Christie Point	Victoria, BC	100%	312	Development agreement in place	TBD
Quiet Place	Waterloo, ON	100%	160	Future development	TBD
Gloucester City Centre (Phase 4–5)	Ottawa, ON	50%	400	Future development	TBD
Westmount Place (Phase 3–5)	Waterloo, ON	100%	800	Future development	TBD
Kanata Lakes	Ottawa, ON	50%	80	Future development	TBD
St. George Street	Moncton, NB	100%	60	Future development	TBD
Aurora	Halifax, NS	100%	65	Future development	TBD
Stratford Land	Charlottetown, PE	100%	100	Future development	TBD
Sherwood Crossing	Charlottetown, PE	100%	325	Future development	TBD
15 Haviland	Charlottetown, PE	100%	60–90	Future development	TBD
671 Woolwich St.	Guelph, ON	100%	150	Future development	TBD
Topsail Road	St. John's, NL	100%	225	Future development	TBD
Block 4	St. John's, NL	100%	80	Future development	TBD
Total Development Opportunities(3)			**4,159**		

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

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

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

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

Capital Improvements

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

During the three and six months ended June 30, 2023, Killam invested $23.1 million and $42.8 million, an increase of 9.1% and 28.8% compared to the same periods in 2022. This is the result of timing of larger multi-phase capital projects, increased investment in energy initiatives and Killam's repositioning program. Killam expects to invest $85–$95 million in capital improvements during 2023.

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Apartments	**$19,732**	$18,110	9.0%	**$37,979**	$29,052	30.7%
MHCs	**1,562**	1,344	16.2%	**2,182**	2,055	6.2%
Commercial	**1,797**	1,706	5.3%	**2,648**	2,142	23.6%
	$23,091	$21,160	9.1%	**$42,809**	$33,249	28.8%

Apartments – Capital Investment

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

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Suite renovations and repositionings	**$5,181**	$6,098	(15.0)%	**$13,195**	$12,071	9.3%
Building improvements	**10,164**	8,383	21.2%	**16,774**	10,587	58.4%
Appliances	**683**	1,096	(37.7)%	**2,336**	2,116	10.4%
Energy	**2,819**	1,820	54.9%	**4,018**	2,884	39.3%
Common area	**885**	713	24.1%	**1,656**	1,394	18.8%
Total capital invested	**$19,732**	$18,110	9.0%	**$37,979**	$29,052	30.7%
Average number of units outstanding (1)	**18,617**	18,696	(0.4)%	**18,732**	18,511	1.2%
Capital invested – $ per unit	**$1,060**	$969	9.4%	**$2,027**	$1,569	29.2%

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

Killam invested $1,060 and $2,027 per unit for the three and six months ended June 30, 2023, compared to $969 and $1,569 per unit for the same periods in 2022. The year-to-date increase relates to larger multi-phase capital projects focused on increasing the resiliency of Killam's buildings. 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-one percent of Killam's apartments, as a percentage of 2023 forecasted NOI, were built in the past 10 years, and the average age of Killam's portfolio is 29 years. This portfolio of newer assets allows Killam to focus on value-enhancing opportunities, as the maintenance capital requirements are lower.

Suite Renovations and Repositionings

Killam invested $5.2 million and $13.2 million in suite renovations during the three and six months ended June 30, 2023, a decrease of 15.0% and increase of 9.3% over the total investment of $6.1 million and $12.1 million for the three and six months ended June 30, 2022. Killam has continued to focus on renovations in order to maximize occupancy and rental growth. Killam targets a minimum ROI of 10% for its unit renovations. The timing of unit renovation investment is influenced by tenant turnover, market conditions and individual property requirements. The length of time that Killam has owned a property and the age of the property also impact capital requirements. Year-to-date, Killam repositioned 219 units, with an average investment of approximately $33,870 per suite. This generated an average ROI of approximately 15.6%, compared to 310 units in the first half of 2022, with an average investment of approximately $29,719 per suite, generating an average ROI of 13.1%.

Killam is targeting a minimum of 450 repositionings in 2023 lower than 2022 as a result of a decease in unit turnover. Killam estimates that the repositioning opportunity within its portfolio is approximately an additional 5,500 units. Over time this would generate an estimated $25–$30 million in annualized revenue, representing an increase of over $400 million in net asset value.

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

Building Improvements

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

Energy

Killam continues to invest in energy-efficiency initiatives, augmenting its sustainability programs and reducing operating expenses. Killam is committed to continuously lowering and reporting on its greenhouse gas emissions and also completing benchmarking using third-party validation. Energy-related projects planned for the remainder of 2023 and 2024 include the installation of PV solar panels at select properties, installation of EV chargers, new boilers and heat pumps, window replacements, insulation upgrades, as well as electricity and water conservation projects. Specifically, during Q2-2023, Killam invested $2.8 million in water and sewer upgrades, window replacements and building upgrades, as well as the installation of EV chargers in various buildings across the portfolio.

MHCs – Capital Investment

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

	Three months ended June 30,			Six months ended June 30,		
	2023	2022	% Change	**2023**	2022	% Change
Water and sewer upgrades	**$298**	$188	58.5%	**$655**	$424	54.5%
Site expansion and land improvements	**398**	444	(10.4)%	**469**	428	9.6%
Other	**474**	598	(20.7)%	**656**	776	(15.5)%
Roads and paving	**383**	49	681.6%	**391**	337	16.0%
Equipment	**9**	65	(86.2)%	**11**	90	(87.8)%
Total capital invested – MHCs	**$1,562**	$1,344	16.2%	**$2,182**	$2,055	6.2%
Average number of sites	**5,975**	5,875	1.7%	**5,975**	5,875	1.7%
Capital invested – $ per site	**$261**	$229	14.0%	**$365**	$350	4.3%

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

Total capital invested during the three and six months ended June 30, 2023, was $1.6 million and $2.2 million, compared to $1.3 million and $2.1 million for the same periods in 2022, an increase of 16.2% and 6.2%. Year-to-date capital investment relates to various community enhancements, largely water and sewer upgrades. As with the apartment portfolio, the timing of MHC capital investment changes based on the requirements at each community.

Commercial — Capital Investment

During the three and six months ended June 30, 2023, Killam invested $1.8 million and $2.6 million in its commercial portfolio, compared to $1.7 million and $2.1 million for the three and six months ended June 30, 2022. These investments relate to property upgrades and tenant improvements for new leasing opportunities at Killam's three stand-alone commercial properties: The Brewery, Westmount Place and Royalty Crossing. The significant capital investment at Royalty Crossing has led to the addition of 3,094 SF of new gross leasable area to the property, and on-going work that will add another approximately 15,000 SF that should be completed before year-end. The timing of capital investment will vary based on tenant turnover.

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

Unitholders' Equity

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

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

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

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

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

Distribution Reinvestment Plan and Net Distributions Paid

	Three months ended June 30,			**Six months ended June 30,**		
	2023	2022	% Change	**2023**	2022	% Change
Distributions declared on Trust Units	**$20,746**	$20,448	1.5%	**$41,423**	$40,569	2.1%
Distributions declared on Exchangeable Units	**682**	701	(2.7)%	**1,364**	1,401	(2.6)%
Distributions declared on awards outstanding under RTU Plan	**79**	66	19.7%	**148**	135	9.6%
Total distributions declared	**$21,507**	$21,215	1.4%	**$42,935**	$42,105	2.0%
Less:						
Distributions on Trust Units reinvested	**(6,682)**	(6,206)	7.7%	**(13,271)**	(12,619)	5.2%
Distributions on RTUs reinvested	**(79)**	(66)	19.7%	**(148)**	(135)	9.6%
Net distributions paid	**$14,746**	$14,943	(1.3)%	**$29,516**	$29,351	0.6%
Percentage of distributions reinvested	**31.4%**	29.6%		**31.3%**	30.3%	

Normal Course Issuer Bid

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

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

PART VIII

Summary of Selected Consolidated Quarterly Results

	Q2-2023	Q1-2023	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021
Property revenue	**$86,863**	$84,895	$84,534	$85,301	$81,548	$77,464	$76,998	$76,244
NOI	**$56,226**	$50,815	$53,169	$56,792	$51,685	$45,263	$47,921	$50,455
Net income (loss)	**$114,538**	$83,460	($9,810)	$3,600	$68,716	$60,027	$74,801	$46,634
FFO	**$36,207**	$30,283	$32,719	$37,144	$34,078	$28,665	$30,514	$34,246
FFO per unit – diluted	**$0.30**	$0.25	$0.27	$0.31	$0.28	$0.24	$0.27	$0.30
AFFO	**$30,985**	$25,170	$27,417	$32,188	$29,002	$23,739	$25,669	$29,510
AFFO per unit – diluted	**$0.26**	$0.21	$0.23	$0.27	$0.24	$0.20	$0.22	$0.26
Weighted average units – diluted (000s)	**121,472**	121,072	120,676	120,292	119,938	117,765	114,571	114,250

Risks and Uncertainties

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

Critical Accounting Policies and Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Disclosure Controls, Procedures and Internal Controls

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

Subsequent Events

On July 17, 2023, Killam announced a distribution of $0.05833 per unit, payable on August 15, 2023, to unitholders of record on July 31, 2023.