

Management's Discussion and Analysis

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

Apartment Property Revenue

Total apartment property revenue for the year ended December 31, 2013, was \$121.3 million, a 9.8% increase over 2012. This growth was attributable to acquisitions, the completion of four development projects during the year and growth in rental rates.

Same store apartment net revenue increased 1.6% for the year ended December 31, 2013. Despite lower occupancy in the first half of the year, Killam achieved increased rental rates of 1.3%. Killam realized higher vacancy throughout 2013 compared to 2012 in its stabilized portfolio, but succeeded in achieving higher occupancy than 2012 for each of the last four months of 2013.

Based on current rents, an annualized 100 bps change in apartment vacancy rates would impact the annualized rental revenue by \$1.3 million.

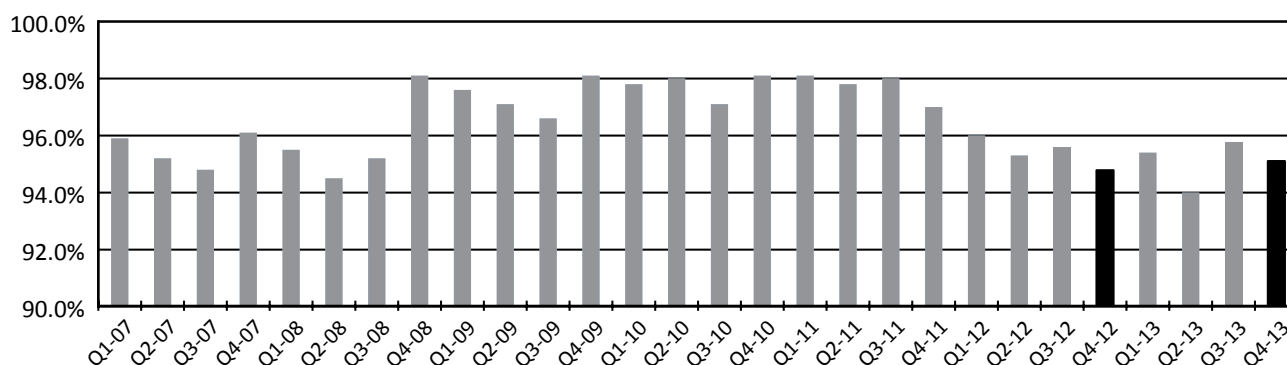
Apartment Occupancy by Core Market

As at December 31,

	2013			2012			Change Occ.(bps)	% Change Avg Rent
	Units	Occupancy ⁽¹⁾	Average Rent	Units	Occupancy ⁽¹⁾	Average Rent		
Halifax, NS	4,970	96.0%	\$923	4,822	96.6%	\$889	(60) bps	3.8%
Moncton, NB	1,593	97.1%	831	1,424	96.3%	800	80 bps	3.9%
Fredericton, NB	1,394	96.3%	896	1,293	97.8%	846	(150) bps	5.9%
Saint John, NB	1,143	94.4%	746	1,143	93.6%	747	80 bps	(0.1)%
St. John's, NL	813	97.0%	849	742	97.8%	776	(80) bps	9.4%
Charlottetown, PE	906	95.6%	878	687	91.6%	871	400 bps	0.8%
Ontario	1,359	98.6%	1,254	1,078	93.1%	1,331	550 bps	(5.8)%
Other Atlantic	469	95.3%	798	431	96.1%	776	(80) bps	2.8%
Total Apartments (weighted average)	12,647	96.3%	\$915	11,620	95.9%	\$888	40 bps	3.0%

(1) Includes all stabilized properties.

Killam's Historic Apartment Occupancy by Quarter



Killam experienced softer occupancy levels in its apartment portfolio during the first half of 2013 followed by a strong uptick in occupancy in Q3 and a typical seasonal decrease in Q4. Overall Killam's occupancy levels were down in both 2012 and 2013 compared to highs maintained throughout 2010 and 2011. The decreased occupancy was primarily attributable to higher than normal amounts of new multi-family rental construction in Halifax, Moncton and Charlottetown, and softness in the Saint John economy. Offsetting an increase in supply was continued strong demand for rental product, population growth in urban centres and an aging population with an increased tendency to rent. Despite a decline in occupancy, Killam achieved an average rental rate increase in its apartment portfolio of 1.3% in 2013. Occupancy remains strong for the Company's MHC business, ending the year with 98.1% occupancy. MHC rents increased an average of 3.7% during the year.