

# Management's Discussion and Analysis

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

## MHC Results

For the years ended December 31,

	Total Portfolio			Same Store			Non Same Store		
	2013	2012	% Change	2013	2012	% Change	2013	2012	% Change
Property revenue	<b>\$19,253</b>	\$22,653	(15.0)%	<b>\$13,296</b>	\$12,887	3.2%	<b>\$5,957</b>	\$9,766	(39.0)%
Property expenses									
Operating expenses	<b>(4,308)</b>	(4,921)	(12.5)%	<b>(3,296)</b>	(3,358)	(1.8)%	<b>(1,012)</b>	(1,563)	(35.3)%
Utility and fuel expenses	<b>(2,048)</b>	(2,418)	(15.3)%	<b>(1,291)</b>	(1,223)	5.6%	<b>(757)</b>	(1,195)	(36.7)%
Property taxes	<b>(980)</b>	(1,082)	(9.4)%	<b>(559)</b>	(525)	6.5%	<b>(421)</b>	(557)	(24.4)%
Total property expenses	<b>(7,336)</b>	(8,421)	(12.9)%	<b>(5,146)</b>	(5,106)	0.8%	<b>(2,190)</b>	(3,315)	(33.9)%
NOI	<b>\$11,917</b>	\$14,232	(16.3)%	<b>\$8,150</b>	\$7,781	4.7%	<b>\$3,767</b>	\$6,451	(41.6)%
Operating margin	<b>61.9%</b>	62.8%	(1.4)%	<b>61.3%</b>	60.4%	1.5%	<b>63.2%</b>	66.1%	(4.4)%

Killam's MHC business accounted for 14% of NOI from property operations during the year ended December 31, 2013, compared to 18% in 2012. Property revenue from the MHCs decreased 15.0% in 2013 compared to 2012, primarily due to the sale of twelve Western Canadian and Ontario MHC properties in May 2012 and ten New Brunswick MHC properties in November 2013. The impact of these sales was partially offset by increased revenue at same store properties. Killam's MHC properties were 98.1% occupied at December 31, 2013, consistent with the occupancy at December 31, 2012.

Same store MHC property revenue increased 3.2% for the year ended December 31, 2013, compared to 2012. This was a result of a 3.7% increase in weighted average rent per unit of \$222 up from \$214 in 2012. Total same store property expenses increased only by 0.8% in 2013, due primarily to lower water testing and water repair costs following recent capital upgrades, and negotiated garbage removal savings. The operating cost savings initiatives were offset by water cost increases of 5.6% and property tax increases of 6.5%.

Same store revenue growth, combined with efforts to minimize operating expenses, increased MHC same store NOI by 4.7% for the year ended December 31, 2013. Operating margins have also increased by 90 bps from 2012.

Non same store revenues and expenses were primarily generated by the twelve Western Canadian and Ontario MHC properties sold in May 2012 and the ten New Brunswick MHC properties sold in November 2013. These properties generated \$3.8 million in NOI in 2013 and \$6.5 million in 2012.