



# Management's Discussion and Analysis

For the three months ended September 30, 2018 and the period from April 24, 2018 (date of formation) to September 30, 2018



# Table of Contents

<b>Section I - Overview</b>	<b>2</b>
Business Overview	2
Acquisition	2
Business Strategy and Objectives	4
Declaration of Trust	4
Basis of Presentation	5
Forward-Looking Statements	6
Use of Estimates	6
Non-IFRS Measures	6
Third Quarter Financial and Operating Highlights	8
Outlook	10
<b>Section II - Financial Highlights and Performance</b>	<b>10</b>
Selected Financial Information	10
Key Performance Indicators	11
Review of Financial Performance	13
<b>Section III - Assessment of Financial Position</b>	<b>17</b>
Investment Properties	17
Secured Debt	18
Class B LP Units	18
Class C LP Units	19
Units	19
Distributions	19
<b>Section IV - Liquidity, Capital Resources and Contractual Commitments</b>	<b>20</b>
Liquidity and Capital Resources	20
Cash Flows	22
Reconciliation of Non-IFRS Measures	23
<b>Section V - Accounting Estimates and Policies, Controls and Procedures and Risk Analysis</b>	<b>25</b>
Critical Judgements in Applying Accounting Policies	25
Critical Accounting Estimates and Assumptions	25
Risk Management	25
Related Party Transactions	27
Contingencies and Commitments	28
Future Changes in Accounting Standards	28
Disclosure Controls and Internal Controls over Financial Reporting	29
<b>Section VI - Supplementary Information</b>	<b>30</b>
Quarterly Results of Operations - Three months ended September 30, 2018 and 2017	30
Investment Properties	33

## Section I - Overview



### Business Overview

Minto Apartment Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust dated April 24, 2018, which was amended and restated on June 27, 2018 and further amended by the first amendment to the amended and restated declaration of trust on July 10, 2018. The REIT was formed to own and operate a portfolio of income-producing multi-residential rental properties located in Canada.

The REIT's operations commenced on July 2, 2018 when the REIT indirectly acquired a portfolio of 22 multi-residential rental properties (the "Portfolio"), comprising an aggregate of 4,279 suites located in urban centres in Ontario and Alberta. The Portfolio is held by Minto Apartment Limited Partnership (the "Partnership") which is consolidated by the REIT. On July 3, 2018, the REIT completed its initial public offering ("IPO") of trust Units ("Units") and raised gross proceeds of \$200,013 through the issuance of 13,794,000 Units at a price of \$14.50 per Unit.

On July 10, 2018, pursuant to the over-allotment option granted to the underwriters in connection with the IPO, the REIT issued an additional 2,069,100 Units at a price of \$14.50 per Unit, resulting in proceeds of \$30,002. The proceeds of the over-allotment option were used to redeem 2,069,100 Class B LP Units held by Minto Properties Inc. ("MPI"). Following the closing of the over-allotment option, there are 15,863,100 Units issued and outstanding.

The REIT was established under the laws of the Province of Ontario. The principal and registered office of the REIT is 200-180 Kent Street, Ottawa, Ontario.

### Acquisition

On July 2, 2018, the REIT completed its acquisition of the Partnership by acquiring all the assets and assuming all the liabilities for total consideration of \$803,597. The impact of the acquisition on the REIT's operating results and key performance indicators are discussed throughout this Management's Discussion and Analysis ("MD&A").

### Summary of the Acquired Business

As of July 2, 2018, the Partnership owned and managed a portfolio of 22 income-producing multi-residential properties comprising an aggregate of 4,279 suites located in Toronto, Ottawa, Calgary and Edmonton. Among these properties are 2 mixed-use residential rental apartment and commercial buildings.

## Sources of Funds for the Acquisition

The consideration was funded as follows:

Issuance of Class B LP Units	\$	332,463
Issuance of Class C LP Units, including mark-to-market adjustment of \$3,558		233,608
Unsecured promissory note issued to MPI, including mark-to-market adjustment of \$88		25,780
Unsecured promissory note issued to MPI		28,458
Acquisition note issued to MPI		183,288
<b>Total consideration for acquisition</b>	<b>\$</b>	<b>803,597</b>

The sources of cash and use after the completion of the REIT's IPO on July 3, 2018 are as follows:

<b>Sources</b>		
Proceeds of IPO	\$	200,013
Proceeds from revolving credit facility		28,458
	<b>\$</b>	<b>228,471</b>
<b>Uses</b>		
Unit issue costs	\$	16,200
Finance costs		525
Repayment of unsecured promissory note		28,458
Repayment of acquisition note		183,288
	<b>\$</b>	<b>228,471</b>

## Purchase Price Allocation

The preliminary purchase price allocation was based on management's best estimates of fair value. The actual amount allocated to the identifiable net assets could vary as the purchase equation is finalized. The acquisition of the Portfolio was accounted for as a business combination using the purchase method of accounting with the preliminary allocation to the fair value of identifiable net assets acquired as follows:

	<b>July 2, 2018</b>
Investment properties	\$ 1,123,000
Cash	2,100
Prepays and other assets	4,677
Accounts receivable	87
Assumed secured debt, including mark-to-market adjustment of \$2,742	(239,754)
Accounts payable and accrued liabilities	(1,067)
Tenant rental deposits	(5,234)
Due to related parties	(1,049)
	882,760
Excess fair value of net assets acquired over consideration paid	(79,163)
<b>Total consideration for acquisition</b>	<b>\$ 803,597</b>

The REIT has one year to finalize the fair value of the assets acquired and the liabilities assumed, however the REIT does not expect significant changes from the amounts presented herein.

## Business Strategy and Objectives

The REIT's objectives are to:

- provide Unitholders an opportunity to invest in high-quality income-producing multi-residential rental properties strategically located across urban centres in Canada;
- enhance the value of the REIT's assets and maximize long-term Unitholder value through value-enhancing capital investment programs and active asset and property management of the REIT properties;
- provide Unitholders with predictable, sustainable and tax efficient distributions; and
- expand the REIT's asset base across Canadian urban centres through intensification programs, acquisitions and developments.

Management believes it can accomplish these objectives given that it operates a high quality portfolio in an attractive asset class with compelling supply/demand characteristics. Furthermore, the REIT has several strategic avenues for growth and benefits from its strategic alliance with MPI.

## Declaration of Trust

The investment policies of the REIT are outlined in the REIT's Amended and Restated Declaration of Trust dated June 27, 2018, as amended by the First Amendment to the Amended and Restated Declaration of Trust dated July 10, 2018 (together, the "DOT"). A copy of these documents are available on SEDAR ([www.sedar.com](http://www.sedar.com)). Some of the principal investment guidelines and operating policies set out in the DOT are set out below.

### Investment Guidelines

- (i) The focus of the REIT is to invest in income-producing real estate located in Canada whose revenue stems primarily from multi-residential rental assets and assets ancillary thereto;
- (ii) No investment will be made that would result in the REIT not qualifying as a "mutual fund trust" as defined in the Income Tax Act (Canada);
- (iii) No single asset shall be acquired if the cost of such acquisition exceeds 20% of the REIT's "Gross Book Value" (defined as the greater of (1) total assets and (2) the sum of the historical cost of investment properties, cash and cash equivalents, mortgage receivable and the historical cost of other assets);
- (iv) Investments in joint ventures are permitted for the purpose of making another otherwise qualifying investment;
- (v) The REIT is permitted to invest in raw land (which does not include land under development) up to 10% of Gross Book Value;
- (vi) The REIT is permitted to invest in and originate mortgages, mortgage bonds, mezzanine loans and similar instruments that are secured by properties that otherwise would be qualifying REIT investments up to 15% of Gross Book Value; and

- (vii) The REIT may invest an amount up to 15% of the Gross Book Value in investments which do not comply with certain investment guidelines including paragraphs (i), (v) and (vi), above.

## Operating Policies

- (i) Overall indebtedness of the REIT (including Class C LP Units) shall not exceed 65% of Gross Book Value (or 70% of Gross Book Value including convertible debentures);
- (ii) The REIT cannot guarantee third party debt, except for entities in which the REIT has an interest or joint ventures in which the REIT has an interest, subject to certain stipulated permitted exceptions;
- (iii) The REIT can engage in new construction or development of real property provided that the aggregate investment in construction or development does not exceed 10% of Gross Book Value;
- (iv) The REIT will maintain property insurance coverage; and
- (v) The REIT will obtain an appraisal of each real property that it intends to acquire, an engineering survey with respect to the physical condition of the property and a Phase I environmental site assessment of the property (or be entitled to rely on a Phase I environmental site assessment that is not more than six months old).

As of November 12, 2018, the REIT was in compliance with its investment guidelines and operating policies.

## Basis of Presentation

The following MD&A of the REIT's results of operations and financial condition should be read in conjunction with the REIT's unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended September 30, 2018 and the period from April 24, 2018 (date of formation) to September 30, 2018, prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and with the REIT's IPO Prospectus filing dated June 22, 2018 (the "Prospectus").

The REIT had no operations prior to July 2, 2018 and therefore the discussion in the MD&A has been limited to the period from July 2, 2018 to September 30, 2018. The analysis provides comparison to the REIT's financial forecast for the three months ended September 30, 2018 provided in the Prospectus (the "Forecast"). All amounts are stated in thousands of Canadian dollars, unless otherwise noted.

The REIT's Board of Trustees approved the content of this MD&A on November 12, 2018. Disclosure in this document is current to that date unless otherwise stated. Additional information relating to the REIT can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and also on the REIT's website at [www.mintoapartments.com](http://www.mintoapartments.com).

## Forward-Looking Statements

This MD&A may contain forward-looking statements (within the meaning of applicable Canadian securities laws) relating to the business of the REIT. Forward-looking statements are identified by words such as "believe", "anticipate", "project", "expect", "intend", "plan", "will", "may", "estimate" and other similar expressions. These statements are based on the REIT's expectations, estimates, forecasts and projections. They are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under the heading "Risk Factors" in the REIT's Prospectus. There can be no assurance that forward-looking statements will prove to be accurate as actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, these forward-looking statements are made as of the date of this MD&A and, except as expressly required by applicable law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

## Use of Estimates

The preparation of the unaudited condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the unaudited condensed consolidated interim financial statements and accompanying note disclosures. Although these estimates are based on management's knowledge of current events and actions the REIT may undertake in the future, actual results may differ from the estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

## Non-IFRS Measures

This MD&A has been prepared in accordance with IFRS. It also contains certain non-IFRS financial measures including funds from operations ("FFO"), adjusted funds from operations ("AFFO") and net operating income ("NOI"), which are measures commonly used by publicly traded entities in the real estate industry. Management believes that these metrics are useful for measuring different aspects of performance and assessing the underlying operating performance on a consistent basis. However, these measures do not have a standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other publicly traded entities. These measures should strictly be considered supplemental in nature and not a substitute for financial information prepared in accordance with IFRS.

In February 2018, the Real Property Association of Canada ("REALpac"), published a white paper titled "White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS". The purpose of the white paper is to provide reporting issuers and investors with greater guidance on the definition of FFO and AFFO and to help promote more consistent disclosure from reporting issuers. The REIT has reviewed the white paper and has implemented its recommended disclosures in this MD&A, except as noted below.

FFO is defined as IFRS consolidated net income adjusted for items such as unrealized changes in the fair value of investment properties, effects of puttable instruments classified as financial liabilities, net changes in fair value of financial instruments and depreciation and amortization. FFO should not be construed as an alternative to net income or cash flows provided by or used in operating activities determined in accordance with IFRS. The REIT's method of calculating FFO is in accordance with REALpac's recommendations, but may differ from other issuers' methods and, accordingly, may not be comparable to FFO reported by other issuers. The REIT regards FFO as a key measure of operating performance.

AFFO is defined as FFO adjusted for items such as maintenance capital expenditures and straight-line rental revenue differences. AFFO should not be construed as an alternative to net income or cash flows provided by or used in operating activities determined in accordance with IFRS. The REIT's method of calculating AFFO is in accordance with REALpac's recommendations, except for adjustments for the amortization of mark-to-market adjustments related to debt, a non-cash item, but may differ from other issuers' methods and, accordingly, may not be comparable to AFFO reported by other issuers. The REIT regards AFFO as a key measure of operating performance. The REIT also uses AFFO in assessing its distribution paying capacity.

NOI is defined as revenue from properties less property operating expenses, property taxes and utilities prepared in accordance with IFRS. NOI should not be construed as an alternative to net income determined in accordance with IFRS. The REIT's method of calculating NOI may differ from other issuers' methods and, accordingly, may not be comparable to NOI reported by other issuers. The REIT regards NOI as an important measure of the income generated from income-producing properties and is used by management in evaluating the performance of the REIT's properties. It is also a key input in determining the value of the REIT's properties. NOI margin is defined as NOI divided by revenue.

The REIT computes FFO and AFFO in accordance with the current definitions of REALpac, except for the amortization of the mark-to-market adjustments as noted above. The REIT uses FFO and AFFO in addition to NOI to report operating results. Management believes that these metrics are useful in assessing the performance of the Portfolio readily against its publicly traded peer group. FFO and AFFO are not indicative of funds available to meet the REIT's cash requirements.

Additionally, this MD&A contains several other real estate industry metrics that could be considered non-IFRS financial measures:

- "AFFO Payout Ratio" is the proportion of the total distributions on Units and Class B LP Units to AFFO.
- "Debt-to-Gross Book Value Ratio", the REIT's primary measure of its leverage is debt as a proportion of total assets. Debt-to-Gross Book Value Ratio is calculated by dividing total interest-bearing debt consisting of mortgages, credit facility, unsecured promissory note and Class C LP Units by Gross Book Value.
- "Debt Service Coverage Ratio" is the ratio of NOI to total debt service consisting of interest expense recorded as finance costs and principal payments on mortgages, credit facility, unsecured promissory note and distributions on Class C LP Units.



## Third Quarter Financial and Operating Highlights

Selected operating results for the REIT are as follows:

- Revenue from investment properties was \$21,098, 3.4% higher than the Forecast;
- NOI was \$13,088, 6.5% higher than the Forecast;
- NOI margin was 62.0%, 180 bps higher than the Forecast; and,
- Distributions of \$0.10028 per Unit were declared.

The REIT's strong financial results in the three months ended September 30, 2018 were driven by strong rental market conditions and cost management.

The REIT realized on substantial organic growth during the quarter through strong leasing activities and revenue management strategies, supported by a strong furnished suites market. As new tenants take occupancy, the REIT is able to move rental rates from older in-place levels to current market rates. During the quarter, new leases resulted in annualized revenue growth of approximately \$442. A summary of leasing activities and the gains to be realized from new leases signed during the period<sup>(1)</sup> is set out in the table below.

Geographic node	New Leases Signed	Average Monthly Expiring Rent	Average Monthly New Rent	Percentage Gain-on-Turn	Annualized Gain-on-Turn
Toronto	34	\$ 1,836	\$ 2,051	11.7%	\$ 88
Ottawa	288	1,372	1,462	6.6%	309
Alberta	41	1,192	1,283	7.6%	45
<b>Total/Average</b>	<b>363</b>	<b>\$ 1,395</b>	<b>\$ 1,497</b>	<b>7.3%</b>	<b>\$ 442</b>

<sup>(1)</sup> Excludes 241 furnished suites and 56 vacant suites.

Management continually reviews market rents and updates the embedded potential gain-to-lease in the Portfolio. The economic backdrop for residential rentals is favourable, particularly in Ontario. Management currently estimates that the Portfolio has annualized embedded potential gains-to-lease of approximately \$5,672. The embedded rent, segmented by market, is set out in the table below. The ability of the REIT to realize on this growth is dependent on the rate of turnover in its portfolio. The gain-to-lease potential on existing rents as at September 30, 2018<sup>(1)</sup> is as follows:

Geographic node	Total Suites	Average Monthly In-Place Rent/Suite	Management's Estimate of Monthly Market Rent	Percentage Gain-to-Lease	Annualized Estimated Gain-to-Lease
Toronto	678	\$ 1,662	\$ 1,889	13.7%	\$ 1,846
Ottawa	2,937	1,349	1,443	7.0%	\$ 3,309
Alberta	367	1,191	1,308	9.8%	\$ 517
<b>Total/Average</b>	<b>3,982</b>	<b>\$ 1,388</b>	<b>\$ 1,506</b>	<b>8.5%</b>	<b>\$ 5,672</b>

<sup>(1)</sup> Excludes 241 furnished suites and 56 vacant suites.

The REIT's asset management strategy targets improvements to suites and building common areas to take advantage of market demand for repositioned product. As part of an asset management plan for a building in its portfolio, management will renovate various test suites to gauge tenants' demand for different improvements or combination of improvements. Once an optimal combination of improvement is determined, management will then execute a repositioning plan for all of the suites in the building. The rate at which the REIT can complete the repositioning of suites depends on the rate of suite turnover. The REIT currently has three active repositioning programs at Minto one80five, Minto Yorkville and its Edmonton Portfolio. A summary of the repositioning activities for the three months ended September 30, 2018 is set out in the table below.

Property	Number of Suites Repositioned	Remaining Number of Suites to Reposition
Minto one80five	49	-
Minto Yorkville	5	78
Edmonton Portfolio	20	140

During the three months ended September 30, 2018, management developed repositioning plans for two additional properties that are located in Ottawa, Castle Hill and Carlisle. Repositioning work at these properties is expected to commence in the first quarter of 2019, with renovated suites anticipated to be available for lease starting April 2019.



Minto 61 Yorkville, Toronto



Minto one80five, Ottawa



Carlisle test suite, Ottawa

Operationally, the REIT prepared for the new cannabis legislation, the *Cannabis Act* (Bill C-45), which came into effect in Canada on October 17, 2018. The REIT extended its no-smoking policy currently in effect at all of its buildings to restrict the smoking of cannabis. The REIT also amended its tenant guidelines to restrict the cultivation of cannabis in any REIT property.

## Outlook

Management is focused on growing the REIT in a strategic and disciplined manner. The growth is expected to come from:

- Organic growth opportunities including the realization of embedded gain-to-lease on existing rents;
- Value creation from the repositioning of existing assets by investing in in-suite and common area improvements to drive higher revenue;
- Making strategic acquisitions in urban centres across Canada; and,
- Capitalizing on our relationship with MPI to generate growth either through the development of purpose-built rental on existing sites that have the ability to add more density or by accessing MPI's pipeline of assets and opportunities.

Additionally, management continues to seek opportunities to improve results of operations by identifying operating efficiencies.

## Section II - Financial Highlights and Performance



### Selected Financial Information

The following table includes highlights of selected operating and financial information of the REIT for the three months ended September 30, 2018:

	<b>September 30, 2018</b>
Total assets	\$ 1,136,051
Investment properties	1,130,495
Non-current liabilities	839,863
Mortgages	238,590
Credit facility	23,103
Class C LP Units	232,390
Unsecured promissory note	25,707
Revenue	21,098
Net operating income	13,088
Net income and comprehensive income	33,173

## Key Performance Indicators

The REIT holds 22 multi-residential rental properties, comprising an aggregate of 4,279 suites, a small number of which operate as furnished suites.

The following table highlights certain information about the REIT for the three months ended September 30, 2018:

	<b>September 30, 2018</b>
<b>Operating</b>	
Number of properties	22
Total suites	4,279
Average monthly rent per suite, excluding furnished and/or unoccupied suites	\$ 1,388
Occupancy	98.96%
<b>Financial</b>	
Revenue	\$ 21,098
Net operating income (NOI)	\$ 13,088
Net operating income margin	62.0%
Net income and comprehensive income	\$ 33,173
FFO	\$ 7,986
FFO per unit	\$ 0.2171
AFFO	\$ 6,782
AFFO per unit	\$ 0.1844
AFFO payout ratio	54.31%
Debt-to-Gross Book Value Ratio	45.75%
Debt Service Coverage Ratio	2.03x
Weighted average term to maturity	6.01
Weighted average mortgage interest rate	3.19%
Distribution per Unit annualized	\$ 0.41
Distribution yield based on Unit closing price	2.40%
Unit price - closing	\$ 17.07

To assist management and investors in monitoring the REIT's achievement of its objectives, the REIT has defined a number of key performance indicators to measure the success of its operating and financing performance:

## Operating

- (i) Average monthly rent per suite - Represents rent for all unfurnished, occupied suites divided by the number of unfurnished suites eligible for rental.
- (ii) Occupancy - The ratio of occupied unfurnished suites to the total unfurnished suites in the Portfolio that are eligible for rental at the end of the period. The suites eligible for rental exclude suites that are not available due to repositioning projects or major refurbishment projects.

## Financial

- (i) FFO per unit - Calculated as FFO divided by the sum of the total number of Units, total number of Class B LP Units and total number of issued Deferred Units as at September 30, 2018. See Section I, "Non-IFRS Measures".
- (ii) AFFO per unit - Calculated as AFFO divided by the sum of the total number of Units, total number of Class B LP Units and the total number of issued Deferred Units as at September 30, 2018. See Section I, "Non-IFRS Measures".
- (iii) AFFO Payout Ratio - The AFFO Payout Ratio is the proportion of the total distributions on Units and Class B LP Units to AFFO.
- (iv) Debt-to-Gross Book Value Ratio - The REIT's primary measure of its leverage is debt as a proportion of total assets. Debt-to-Gross Book Value Ratio is calculated by dividing total interest-bearing debt consisting of mortgages, credit facility, unsecured promissory note and Class C LP Units by Gross Book Value.
- (v) Debt Service Coverage Ratio - Debt Service Coverage Ratio is the ratio of NOI to total debt service consisting of interest expense recorded as finance costs and principal payments on mortgages, credit facility, unsecured promissory note and distributions on Class C LP Units.

## Review of Financial Performance

The following table highlights selected financial information for the REIT for the three months ended September 30, 2018 compared to the Forecast contained in the Prospectus. The REIT was established on April 24, 2018 and commenced operations on July 2, 2018. Results for the period from April 24, 2018 to July 1, 2018 were not included in comparisons as the REIT had no operations for that period.

Three months ended	Actual		Forecast		Variance	Variance (%)
	September 30, 2018	September 30, 2018	September 30, 2018	September 30, 2018		
Revenue from investment properties	\$ 21,098	\$ 20,409	\$ 20,409	\$ 689	3.4%	
Property operating costs	4,004	4,082	4,082	78	1.9%	
Property taxes	2,279	2,289	2,289	10	0.4%	
Utilities	1,727	1,748	1,748	21	1.2%	
Net operating income	13,088	12,290	12,290	798	6.5%	
General and administrative expenses	1,055	1,100	1,100	45	4.1%	
Fair value adjustment to Class B LP						
Units	51,884	-	-	(51,884)	(100.0)%	
Finance costs - operations	6,139	6,388	6,388	249	3.9%	
Bargain purchase gain	(79,163)	-	-	79,163	100.0%	
<b>Net income and comprehensive income</b>	<b>\$ 33,173</b>	<b>\$ 4,802</b>	<b>\$ 4,802</b>	<b>\$ 28,371</b>	<b>590.8%</b>	

### Net Operating Income

Net operating income is defined as revenue from investment properties less property operating expenses. NOI was \$798 higher compared to the Forecast. The change in NOI was a result of the combination of higher revenue and lower expenses, as outlined below.

### Revenue from Investment Properties

Three months ended	Actual		Forecast		Variance	Variance (%)
	September 30, 2018	September 30, 2018	September 30, 2018	September 30, 2018		
Rental revenue	\$ 20,377	\$ 19,807	\$ 19,807	\$ 570	2.9%	
Other property income	721	602	602	119	19.8%	
	<b>\$ 21,098</b>	<b>\$ 20,409</b>	<b>\$ 20,409</b>	<b>\$ 689</b>	<b>3.4%</b>	

Rental revenue consists of rental related income earned from the REIT's portfolio of investment properties, including rents earned from residential and commercial lease agreements, rents from furnished suites, parking and storage rental revenue. Other property income consists of various sources of revenues including laundry facilities, utility charges, and other fee income from tenants.

Rental revenue was higher than Forecast and primarily attributable to a higher than expected occupancy across the Portfolio. Also contributing to a favourable rental revenue variance were higher rents achieved on new leases, revenue earned from furnished suites and ancillary revenue.

The REIT has been successful in increasing its utility recovery revenue through its submetering program. This has resulted in higher than anticipated utility costs recovered from tenants, contributing to a favourable variance in other property income.

Rental performance metrics for the periods presented are as follows:

As at	Actual September 30, 2018	Forecast September 30, 2018
Number of suites	4,279	4,279
Average rent per suite	\$ 1,388	\$ 1,382
Occupancy	98.96%	96.70%

Average rent per suite of \$1,388 was \$6 per suite higher than Forecast primarily due to realized gain-to-lease on suite turnover across all markets, which experienced average monthly new rents above Forecast. Occupancy of 98.96% was also favourable to Forecast by 226 bps due to strong market conditions in Ontario.

### Property Operating Costs

Three months ended	Actual September 30, 2018	Forecast September 30, 2018	Variance	Variance (%)
Property operating costs	\$ 4,004	\$ 4,082	\$ 78	1.9%

Property operating costs relate to direct costs associated with operating the properties and providing services to tenants. Included in property operating costs are repairs and maintenance, insurance, site staff salaries, cleaning costs, leasing costs, supplies, waste removal and bad debt expense. Property operating costs represent 19.0% of revenue compared to Forecast of 20.0%. The REIT maintains cost discipline and tight controls on property operating costs, which has resulted in lower expenses of \$78 compared to the Forecast.

### Property Taxes

Three months ended	Actual September 30, 2018	Forecast September 30, 2018	Variance	Variance (%)
Property taxes	\$ 2,279	\$ 2,289	\$ 10	0.4%

Property taxes were \$2,279 for the three months ended September 30, 2018 and in line with the Forecast. In Ontario, where the REIT has its largest concentration of properties, property assessments are completed every four years by an independent non-profit government agency. Individual municipalities set property tax rates to meet budgetary requirements.

## Utilities

Three months ended	Actual	Forecast	Variance	Variance (%)
	September 30, 2018	September 30, 2018		
Electricity	\$ 885	\$ 894	\$ 9	1.0%
Natural gas	118	133	15	11.3%
Water	724	721	(3)	(0.4)%
	<b>\$ 1,727</b>	<b>\$ 1,748</b>	<b>\$ 21</b>	<b>1.2%</b>

Utilities consist of electricity, natural gas and water for the rental properties. Utility costs can be highly variable from one period to the next. The cost is dependent upon seasonality-driven usage, as well as utility rates and commodity prices. Overall utilities expense for the three months ended September 30, 2018 of \$1,727 was consistent with the Forecast of \$1,748.

## General and Administrative Expenses

Three months ended	Actual	Forecast	Variance	Variance (%)
	September 30, 2018	September 30, 2018		
General and administrative expenses	<b>\$ 1,055</b>	<b>\$ 1,100</b>	<b>\$ 45</b>	<b>4.1%</b>

General and administrative expenses includes costs associated with the administration of the REIT, including: audit fees, legal fees, salaries and benefits for certain REIT employees, Trustee fees and costs associated with support services provided under the Administrative Support Agreement ("ASA") between the REIT and MPI. The general and administrative expenses of \$1,055 for the three months ended September 30, 2018 were in line with the Forecast.

## Fair Value Adjustment to Class B LP Units

The Class B LP Units are owned by MPI and are economically equivalent to Units, in that they receive distributions equal to the distributions paid on Units and are exchangeable into Units at the holder's option. The Class B LP Units are measured at fair value with any changes in fair value recorded in net income. The fair value adjustment of Class B LP Units is measured every period by reference to the closing trading price of the Units. An increase in the Unit closing price over the period results in a fair value loss, whereas a decrease in the Unit closing price over the period results in a fair value gain. The opening Unit price was \$14.50 and closing Unit price was \$17.07, resulting in a fair value loss of \$51,884 as at September 30, 2018.



## Finance Costs - Operations

Three months ended	Actual	Forecast	Variance	Variance (%)
	September 30, 2018	September 30, 2018		
Interest expense on mortgages	\$ 1,894	\$ 1,869	\$ (25)	(1.3)%
Interest expense on credit facility	409	390	(19)	(4.9)%
Interest expense on unsecured debt	136	183	47	25.7%
Amortization of financing charges	41	44	3	6.8%
Amortization of mark-to-market	(241)	(248)	(7)	2.8%
Interest expense and other financing charges	2,239	2,238	(1)	-%
Distributions on Class B LP Units	2,092	2,350	258	11.0%
Distributions on Class C LP Units	1,808	1,800	(8)	(0.4)%
	<b>\$ 6,139</b>	<b>\$ 6,388</b>	<b>\$ 249</b>	<b>3.9%</b>

Finance costs from operations comprise interest expense on secured and unsecured debt, amortization of financing charges and mark-to-market on the debt and distributions on Class B LP Units and Class C LP Units. Finance costs for the three months ended September 30, 2018 were lower by \$249 compared to the Forecast, primarily due to the exercise of the over-allotment option granted to the underwriters as part of the IPO, which reduced the number of Class B LP Units outstanding and the associated distributions. The Forecast did not assume the exercise of the over-allotment option.

## Bargain Purchase Gain

The acquisition of the Portfolio was accounted for as a business combination using the purchase method of accounting. Upon acquisition of the Portfolio, the REIT recognized a bargain purchase gain in the amount by which the fair value of the net assets acquired from MPI exceeded the consideration paid to MPI. The net assets acquired were valued at \$882,760, which exceeded the consideration paid of \$803,597, resulting in a bargain purchase gain of \$79,163. Further information on the calculation of the bargain purchase gain can be found in Note 4 of the unaudited condensed consolidated interim financial statements.

## Section III - Assessment of Financial Position



### Investment Properties

The following table summarizes the changes in investment properties for the period presented:

As at	September 30, 2018
Balance, beginning of period	\$ -
Additions	
Acquisition of the Portfolio	1,123,000
Capital expenditures	7,454
Other	41
<b>Balance, end of period</b>	<b>\$ 1,130,495</b>

### Capital Expenditures

As at	September 30, 2018
Total expenditures	\$ 7,495
Value-enhancing capital spend	
Building	3,447
Suite upgrades	2,825
	6,272
Actual maintenance capital expenditures	\$ 1,223
Number of suites	4,279
<b>Per suite</b>	<b>\$ 286</b>

The REIT has established a capital improvement program designed to extend the useful life of its investment properties, improve operating efficiency, increase curb appeal, enhance and maintain earnings capacity and meet the expectations of its tenants. The REIT's capital expenditures are classified into two main categories: value-enhancing capital spend and maintenance capital expenditures.

Value-enhancing capital expenditures consists of either building improvements or suite upgrades. Building improvements includes common area and amenity space upgrades, energy conservation projects, building envelope enhancements, and suite enhancements performed, when necessary, as suites turnover. Suite upgrades represent capital expenditures incurred on larger repositioning programs designed to generate incremental returns. The repositioning programs include full scale suite renovations strategically targeting certain buildings or certain geographic locations. The REIT's active repositioning programs for the three months ended September 30, 2018 included its one80five property, 61 Yorkville building and its three Edmonton buildings. Value-enhancing capital expenditures are intended to achieve AFFO and NAV accretion and increase tenant satisfaction. These expenditures can vary in timing and can often represent significant economic outlays.

Maintenance capital expenditures include expenditures that are incurred to maintain the existing earnings capacity of the REIT's investment properties. For the three months ended September 30, 2018, the majority of expenditures incurred pertained to exterior work performed at certain buildings located in Ottawa. The exterior work is highly dependent on favourable weather conditions and as a result a significant portion of the exterior work was performed between the months of July and September. The actual maintenance capital expenditures for the three months ended September 30, 2018 was \$1,223, or \$286 per suite. Although this is tracking unfavourable to plan, it is anticipated to level off over the next three quarters, and align with the annual forecasted reserve of \$900 per suite.

## Valuation

Fair value for residential properties is determined using the direct capitalization approach. Estimated stabilized net operating income is based on each respective property's forecasted results less a provision for the aggregate future capital expenditures. Capitalization rates reflect the characteristics, location and market of each property. Fair value is determined by management using both third party appraisals and other market data sources.

Capitalization rates fluctuate depending on market conditions. The capitalization rates of the Portfolio as at September 30, 2018 for each of the REIT's residential rental markets were as follows:

As at	September 30, 2018	
	Low	High
Ottawa, Ontario	4.25%	5.00%
Toronto, Ontario	3.59%	3.75%
Edmonton, Alberta	4.15%	4.15%
Calgary, Alberta	4.25%	4.25%

## Secured Debt

Secured debt includes mortgages and a credit facility. The REIT maintains mortgages that are secured by investment properties, bear interest at a weighted average contractual interest rate of 3.19% and mature at various dates from 2022 to 2030. The REIT has a committed credit facility of \$150,000 that is secured by several investment properties, matures on July 3, 2021 and is used to fund working capital requirements and for general corporate purposes. As at September 30, 2018, \$126,897 of this facility was undrawn and available.

## Class B LP Units

The Class B LP Units of the REIT receive distributions equal to the distributions paid on Units and are exchangeable at the holder's option into Units. One Special Voting Unit in the REIT is issued to the holder of each Class B LP Unit held. As a result, the Class B LP Units are classified as financial liabilities. There were 20,859,410 Class B LP Units outstanding as at September 30, 2018.

## Class C LP Units

The Class C LP Units provide for monthly distributions from the REIT to the holder of such Class C LP Units to be paid in priority distributions to holders of the Units and Class B LP Units, subject to certain restrictions. Due to the nature of such distributions, the Class C LP Units are classified as financial liabilities. There were 22,978,700 Class C LP Units outstanding as at September 30, 2018.

## Units

The changes in Units for the period from April 24, 2018 (date of formation) to September 30, 2018 are as follows:

	Units	\$
Authorized	Unlimited	
Units issued and outstanding:		
On date of formation, April 24, 2018	2	\$ -
On IPO closing, July 3, 2018	13,794,000	200,013
Units redeemed, July 3, 2018	(2)	-
On over-allotment option, July 10, 2018	2,069,100	30,002
	15,863,100	230,015
Less: Issue costs	-	(17,937)
<b>Units issued, as of September 30, 2018</b>	<b>15,863,100</b>	<b>\$ 212,078</b>

The total number of Deferred Units issued to Executives and Trustees as at September 30, 2018 is 61,789.

## Distributions

The REIT is currently making monthly distributions of \$0.03416 per Unit, which equates to \$0.41 per Unit on an annualized basis. Distributions are paid to Unitholders of record at the close of business on the last business day of a month on or about the 15th day of the following month. Distributions must be approved by the Board of Trustees and are subject to change depending on the general economic outlook and financial performance of the REIT. The REIT does not use net income in accordance with IFRS as the basis to establish the level of Unitholders' distributions as net income includes, among other items, non-cash fair value adjustments related to the property portfolio.

## Section IV - Liquidity, Capital Resources and Contractual Commitments



### Liquidity and Capital Resources

The REIT's capital structure is comprised of term mortgage debt, funds advanced under a revolving credit facility, an unsecured promissory note, Class B LP Units, Class C LP Units and Unitholders' equity. The capital structure of the REIT as at September 30, 2018 is as follows:

As at	September 30, 2018
Liabilities (principal amounts outstanding):	
Mortgages	\$ 235,945
Credit facility	23,103
Class B LP Units	356,070
Class C LP Units	228,953
Unsecured promissory note	25,641
	869,712
Unitholders' equity	243,660
	<b>\$ 1,113,372</b>

The objective of the REIT's capital strategy is to arrange capital at the lowest possible cost while maintaining diversity in its lending base, balance in its maturity schedule and sufficient liquidity to fund the ongoing operations of the REIT and pay distributions. Of the REIT's total debt, 74% is Canada Mortgage and Housing Corporation ("CMHC") insured and approximately 95% is fixed rate.

The REIT uses a prudent amount of debt financing in its capital structure. Pursuant to the REIT's DOT, overall indebtedness, as measured by the Debt-to-Gross Book Value ratio, is not to exceed 65% (or 70% of Gross Book Value including convertible debentures). Notwithstanding this limit, it is management's intention to maintain a more conservative Debt-to-Gross Book Value ratio and is targeting a range of 50%-55%. The REIT's Debt-to-Gross Book Value ratio as at September 30, 2018 was as follows:

As at	September 30, 2018
Mortgages	\$ 238,590
Credit facility	23,103
Class C LP Units	232,390
Unsecured promissory note	25,707
Total Debt	519,790
Total assets	1,136,051
<b>Ratio of Debt-to-Gross Book Value</b>	<b>45.75%</b>

Class B LP Units are economically equivalent to Units and are exchangeable to Units at the Class B LP Unit holder's option. Due to its exchangeable nature, IFRS 9 requires them to be accounted for as a financial liability. Class B LP Units are not indebtedness for borrowed money and are not included in the determination of Debt-to-Gross Book Value.

The REIT has staggered the maturities of its debt financings, including distributions payable on the Class C LP Units, to minimize risk related to interest rate risk and its risk related to refinancing. As at September 30, 2018, the weighted average term-to-maturity on the REIT's debt was 6.01 years and the weighted average interest rate was 3.18%. The contractual payments under the REIT's debt financing is summarized in the table below.

Year	Principal Repayments			Principal at Maturity				Total	% of Interest	
	Mortgages	Class C LP Units	Unsecured promissory note	Mortgages	Credit facility	Class C LP Units	Unsecured promissory note		Total	Total
2018	\$ 1,179	\$ 1,233	\$ 81	\$ -	\$ -	\$ -	\$ -	\$ 2,493	0.5%	2.84%
2019	4,798	5,019	165	-	-	-	25,395	35,377	6.9%	2.84%
2020	4,953	5,178	-	-	-	-	-	10,131	2.0%	3.21%
2021	5,113	5,341	-	-	23,103	-	-	33,557	6.5%	3.58%
2022	4,548	5,510	-	40,573	-	-	-	50,631	9.9%	3.19%
2023	4,009	5,298	-	47,581	-	44,936	-	101,824	19.8%	3.05%
2024	2,225	4,321	-	48,182	-	46,178	-	100,906	19.6%	3.04%
2025	1,253	3,067	-	43,140	-	60,474	-	107,934	21.0%	3.22%
Thereafter	4,002	4,210	-	24,389	-	38,188	-	70,789	13.8%	3.43%
	<b>\$ 32,080</b>	<b>\$ 39,177</b>	<b>\$ 246</b>	<b>\$ 203,865</b>	<b>\$ 23,103</b>	<b>\$ 189,776</b>	<b>\$ 25,395</b>	<b>\$ 513,642</b>	<b>100%</b>	

<sup>(1)</sup> Weighted average interest rates for maturing mortgages, credit facility, Class C LP Units and unsecured promissory note.

As at September 30, 2018, the REIT had \$5,154 of tenant rental deposits and \$2,740 due to related parties that are expected to be funded within the next 12 months.

As of September 30, 2018, current liabilities of \$52,528 exceeded current assets of \$5,556, resulting in net working capital deficit of \$46,972. The REIT's immediate liquidity needs are met through cash-on-hand, cash flow from operations, property-level debt and availability on its revolving credit facility. As of September 30, 2018, liquidity was \$128,435 consisting of cash and cash equivalents of \$1,538 and \$126,897 of available borrowing capacity under the credit facility. This is sufficient liquidity to meet the REIT's financial obligations for the foreseeable future.

## Cash Flows

The REIT held a balance of cash of \$1,538 as at September 30, 2018. The sources of and use of cash flow for the three months ended September 30, 2018 are as follows:

Three months ended	September 30, 2018
Operating activities	\$ 15,316
Financing activities	171,831
Investing activities	(185,609)

### Cash provided by operating activities and cash distributions

The following table outlines the differences between cash from operating activities and net income and cash distributions in accordance with National Policy 41-201, *Income Trusts and Other Indirect Offerings*:

Three months ended	September 30, 2018
Net income and comprehensive income (excluding distributions on Class B LP Units of \$2,092)	\$ 35,265
Cash flows provided by operating activities	15,316
Distributions paid	2,428
Distributions declared	3,683
Excess of net income over total distributions paid	32,837
Excess of net income over total distributions declared	31,582
Excess of cash provided by operating activities over total distributions declared	11,633

### Cash provided by financing activities

Cash flows from financing activities were \$171,831 represent proceeds on the issuance of Units of \$213,054 and proceeds from draws on the credit facility of \$28,561, offset by repayments of mortgages, the credit facility and a promissory note of \$34,983, redemption of Class B LP Units of \$28,277, distributions on various classes of units of \$4,738 and interest paid of \$1,786.

### Cash used in investing activities

Cash flows used in investment activities were \$185,609 primarily arising from the acquisition of the Portfolio for \$183,288 and capital expenditures of \$4,421, partially offset by \$2,100 of cash transferred on the acquisition of the Portfolio.

## Reconciliation of Non-IFRS Measures

### FFO and AFFO

FFO and AFFO are used in addition to net income to report operating results. FFO and AFFO are industry standard definitions for evaluating operating performance and are computed as follows for the portfolio:

Three months ended	Actual September 30, 2018	Forecast September 30, 2018
<b>Net income and comprehensive income</b>	<b>\$ 33,173</b>	<b>\$ 4,802</b>
Distributions on Class B Units	2,092	2,350
Fair value adjustment to Class B LP Units	51,884	-
Bargain purchase gain	(79,163)	-
<b>Funds from operations (FFO)</b>	<b>\$ 7,986</b>	<b>\$ 7,152</b>
Maintenance capital expenditure reserve	\$ (963)	\$ (963)
Amortization of mark-to-market premium	(241)	(248)
<b>Adjusted funds from operations (AFFO)</b>	<b>\$ 6,782</b>	<b>\$ 5,941</b>
Distributions on Class B LP Units	\$ 2,092	\$ 2,350
Distributions on Units	1,591	1,333
	3,683	3,683
<b>AFFO payout ratio</b>	<b>54.31%</b>	<b>61.99%</b>
Units <sup>(1)</sup>	36,784,299	36,784,299
<b>FFO per unit</b>	<b>\$ 0.2171</b>	<b>\$ 0.1944</b>
<b>AFFO per unit</b>	<b>\$ 0.1844</b>	<b>\$ 0.1615</b>

(1) Units includes: REIT Units, Class B LP Units and Deferred Units.

FFO was higher by \$834 for the three months ended September 30, 2018 as compared to the Forecast, reflecting the positive NOI variance. AFFO was higher by \$841 for the three months ended September 30, 2018 as compared to the Forecast on the same basis as the FFO.



## NOI and NOI Margin

A reconciliation of NOI and NOI margin for the three months ended September 30, 2018 is completed below.

Three months ended	Actual September 30, 2018	Forecast September 30, 2018
Revenue from investment properties	\$ 21,098	\$ 20,409
Property operating expenses	8,010	8,119
<b>Net operating income ("NOI")</b>	<b>\$ 13,088</b>	<b>\$ 12,290</b>
<b>NOI margin</b>	<b>62.0%</b>	<b>60.2%</b>

## Debt-to-Gross Book Value Ratio

Refer to Section IV, "Liquidity and Capital Resources" for a reconciliation of Debt-to-Gross Book Value Ratio.

## Debt Service Coverage Ratio

The Debt Service Coverage Ratio for the three months ended September 30, 2018 is calculated as follows:

Three months ended	September 30, 2018
NOI	\$ 13,088
Interest expense on mortgages	1,894
Interest expense on credit facility	409
Interest expense on unsecured promissory note	136
Distributions on Class C LP Units - finance costs	1,808
Mortgage repayments	1,067
Unsecured promissory note repayments	51
Distributions on Class C LP Units - principal repayments	1,097
Total debt service	\$ 6,462
<b>Debt Service Coverage Ratio</b>	<b>2.03x</b>

## Section V - Accounting Estimates and Policies, Controls and Procedures and Risk Analysis



### Critical Judgements in Applying Accounting Policies

The REIT has made critical judgements in accounting for the acquisition of the Portfolio. The REIT assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, *Business Combinations* ("IFRS 3"). This assessment requires management to make judgments on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, are capable of being conducted and managed as a business, and when the REIT obtains control of the business.

### Critical Accounting Estimates and Assumptions

The REIT makes estimates and assumptions that affect the carrying amounts of assets and liabilities and the reported amount of income for the period. Actual results could differ from estimates. The estimates and assumptions that the REIT considers critical include the valuation of investment properties. In applying the REIT's policy with respect to investment properties, estimates and assumptions are required to determine the valuation of the properties under the fair value model.

### Risk Management

The REIT faces the following business risks:

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other price risk.

##### (a) Interest Rate Risk

As the REIT's interest-bearing assets do not generate significant amounts of interest, changes in market interest rates do not have any significant direct effect on the REIT's income.

The majority of the REIT's financial liabilities are fixed rate instruments. The REIT faces interest rate risk on its fixed rate debt due to the expected requirement to refinance such debt in the year of maturity or shortly thereafter. In addition, there is interest rate risk associated with the REIT's variable rate financial liabilities.

The REIT manages interest rate risk by structuring its financings to stagger the maturities of its debt, thereby mitigating its exposure to interest rate and other credit market fluctuations.

For the portion of the REIT's financial liabilities that are floating rate instruments, from time to time, the REIT may enter into interest rate swap contracts or other financial instruments to modify the interest rate profile of its outstanding debt without an exchange of the underlying principal amount.

As at September 30, 2018, the REIT has a variable rate credit facility of \$23,103. A 1% change in prevailing interest rates would change annualized interest charges incurred by \$231.

(b) **Currency Risk**

The REIT's financial statement presentation currency is Canadian dollars. Operations are located in Canada and the REIT has limited or no operational transactions in foreign-dominated currencies. As such, the REIT has no significant exposure to currency risk.

(c) **Other Price Risk**

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

The REIT is exposed to other price risk on its Class B LP Units. A 1% change in prevailing market price of the REIT Units would have a \$3,561 change in the fair value of the Class B LP Units.

## Credit Risk

Credit risk is the risk that tenants and/or debtors may experience financial difficulty and be unable to fulfil their lease commitments or loan repayments. An allowance for impairment is taken for all estimated collectability risks.

The REIT's risk of credit loss is mitigated through diversification. The REIT's residential rental business is carried on in the Ottawa, Toronto, Calgary and Edmonton regions. The nature of this business involves a high volume of tenants paying individually small monthly rent amounts. The REIT monitors the collection of residential rent receivables on a regular basis with strictly followed procedures designed to minimize credit loss in cases of non-payment.

## Liquidity Risk

Liquidity risk is the risk that the REIT will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The REIT mitigates liquidity risk by staggering the maturity dates of its borrowing, maintaining borrowing relationships with various lenders, proactively renegotiating expiring credit agreements well in advance of the maturity date and by maintaining sufficient availability on its lines of credit.

## Related Party Transactions

In the normal course of operations, the REIT enters into various transactions with related parties and the REIT's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions.

### (a) Administrative Support Agreement

On July 3, 2018, the REIT and MPI entered into a five year renewable Administrative Support Agreement ("ASA"). This agreement provides the REIT with certain advisory, transaction and support services, including clerical and administrative support, operational support for the administration of day-to-day activities of the REIT and office space. The REIT will pay MPI \$500 plus harmonized sales tax for the services during the first year.

As at September 30, 2018, due to related parties includes \$141 incurred by the REIT for services rendered under this agreement. After the first year, these services will be provided on a cost recovery basis, subject to a maximum for all general and administrative expenses, excluding public company costs, of 32bps of the gross book value of the REIT's assets.

### (b) Unsecured promissory notes

On closing of the IPO, the REIT issued a promissory note to MPI with a principal amount of \$25,692 and mark-to-market adjustment of \$88, bearing interest at 2.84%, with interest and principal payments due monthly in arrears. The unsecured promissory note will mature on July 1, 2019, at which time the REIT has the option to refinance this promissory note. As at September 30, 2018, the fair value of the unsecured promissory note is \$25,698 and is considered level 2 within the fair value hierarchy.

On July 3, 2018 the REIT fully repaid a separate unsecured promissory note issued to MPI in the amount of \$28,458.

### (c) Due to related parties

Amounts due to related parties includes \$713 and \$595 relating to distributions payable to MPI on Class B LP Units and Class C LP Units respectively. Additionally, amounts payable to MPI include \$820 to reimburse transaction costs, \$471 for working capital prior to the acquisition of the Portfolio and \$141 in connection with the ASA.

Due to related parties includes amounts that are non-interest bearing, unsecured and are due on demand.

### (d) Revenue and expenses

- Included in rental revenue is \$112 of revenue from MPI for rent paid for office space, furnished suites and parking at certain REIT properties.
- Compensation expense includes \$160 paid to key management personnel.
- Included in finance costs are distributions on Class B LP Units and Class C LP Units of \$2,092 and \$1,808 paid or payable to MPI respectively.

## Contingencies and Commitments

The REIT is subject to claims and legal actions that arise in the ordinary course of business. It is the opinion of management that any ultimate liability that may arise from such matters would not have a significant adverse effect on the unaudited condensed consolidated interim financial statements of the REIT.

The REIT has committed to acquire from MPI a certain investment property currently under reconstruction due to a fire. The purchase price for this investment property is expected to be at fair value and is payable once the construction at the investment property is complete and the investment property is stabilized. The maximum purchase price is \$8,356.

The REIT has an off-balance sheet arrangement at one of its properties in the Toronto area pursuant to which the City of Toronto provided a forgivable loan to support affordable housing at this property. Provided that certain conditions are met, the REIT will not need to make repayments under the arrangement. The remaining unforgiven balance of the loan is \$18,360 as of September 30, 2018. To date the REIT has met all conditions related to this forgivable loan and management intends to continue to meet these requirements.

The REIT has entered into a rate hold agreement for new financing associated with two of its Toronto buildings. The financing, in the amount of \$49,831, bears interest at 3.25% and matures in November 2022. The REIT expects to close the financing on November 22, 2018, and the proceeds will be used to repay the existing mortgages associated with the buildings and the unsecured promissory note due to MPI.

## Future Changes in Accounting Standards

The following accounting standards under IFRS have been issued or revised, however are not yet effective and as such have not been applied by the REIT:

- (a) IFRS 16, *Leases* is applicable to the REIT on January 1, 2019. The REIT is reviewing the standard and underlying lease agreements to determine the potential impact, if any.
- (b) IAS 9, *Employee Benefits* is applicable to the REIT on January 1, 2019. The REIT is reviewing the standard to determine the potential impact, if any.

There are no other changes in accounting standards or interpretations under IFRS that would have a material impact on the REIT's combined financial statements.

## Disclosure Controls and Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining a system of disclosure controls and procedures ("DCP") to provide reasonable assurance that all material information relating to the REIT is gathered and reported to senior management on a timely basis, particularly during the period in which the annual and interim filings are being prepared, so that appropriate decisions can be made regarding public disclosure and information required to be disclosed by the REIT in its annual and interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.

In accordance with the provisions of National Instrument 52-109 - *Certification of Disclosures in Issuers' Annual and Interim Filings*, the REIT's management, including the Chief Executive Officer and Chief Financial Officer, have limited the scope of their design of the REIT's DCP and ICFR to exclude controls, policies and procedures of the Partnership. The REIT acquired the business of the Partnership on July 2, 2018.

The Partnership represents 100% of revenue and investment properties in the REIT's condensed consolidated interim financial statements for the three months ended September 30, 2018 and period from April 24, 2018 (date of formation) to September 30, 2018.

The scope limitation is primarily based on the time required to assess the Partnership's existing DCP and ICFR effectiveness in a manner consistent with the REIT. The assessment of the Partnership's design effectiveness of DCP and ICFR, and the implementation of any changes determined by management to be desirable, is expected to be completed by the first quarter of 2019. Further details related to the acquisition of the Partnership are disclosed in Section I, "Acquisition" and Note 4 in the REIT's unaudited condensed consolidated interim financial statements for the three months ended September 30, 2018 and period from April 24, 2018 (date of formation) to September 30, 2018.

## Section VI - Supplementary Information



IFRS does not require disclosure of comparative information related to the financial position and performance of the acquiree prior to the business combination. The following information is being provided to comply with the requirements of Ontario Securities Commission notice 52-720.

### Quarterly Results of Operations - Three months ended September 30, 2018 and 2017

The following table compares the quarterly results of the REIT for the three months ended September 30, 2018 to the quarterly results of the Portfolio for the three months ended September 30, 2017. The REIT did not exist prior to April 24, 2018. The combined carve-out results of the operations of the Portfolio have been prepared on a carve-out basis from the financial statements of MPI and present the financial performance as if these properties had been accounted for on a stand-alone basis with estimates used, when necessary, for certain allocations. The basis used is in line with the presentation of the Annual Carve-out Financial Statements for the years ended December 31, 2017, 2016 and 2015 presented in the Prospectus.

The Portfolio consists of 22 multi-residential rental properties, comprising an aggregate of 4,279 suites located in Toronto, Ottawa, Calgary and Edmonton, including two mixed-use residential apartment and commercial buildings. These properties, together with their related assets and liabilities, were acquired by the REIT on July 2, 2018.

Due to the inherent limitations of carving out the assets, liabilities, operations and cash flows of these properties from legal entities controlled by MPI, these combined carve-out results of operations are not necessarily indicative of results that would have been attained if these properties had been operated as a separate legal entity during the period presented. All transactions between properties have been eliminated upon combination.

Three months ended	September 30, 2018	September 30, 2017	Variance	Variance (%)
Revenue from investment properties	\$ 21,098	\$ 20,378	\$ 720	3.5%
Property operating costs <sup>(1)</sup>	4,004	4,738	734	15.5%
Property taxes	2,279	2,211	(68)	(3.1)%
Utilities	1,727	1,768	41	2.3%
Net operating income	13,088	11,661	1,427	12.2%
General and administrative expenses	1,055	1,020	(35)	(3.4)%
Fair value adjustment to investment properties	-	(75,742)	(75,742)	(100.0)%
Fair value adjustment to Class B LP Units	51,884	-	(51,884)	(100.0)%
Finance costs - operations	6,139	4,556	(1,583)	(34.7)%
Bargain purchase gain	(79,163)	-	79,163	100.0%
<b>Net income and comprehensive income</b>	<b>\$ 33,173</b>	<b>\$ 81,827</b>	<b>\$ (48,654)</b>	<b>(59.5)%</b>

<sup>(1)</sup> The figure for September 30, 2017 has been adjusted to exclude the insurance recovery of \$2,082 on a property destroyed by fire.

## Revenue from Investment Properties

Three months ended	September 30, 2018	September 30, 2017	Variance	Variance (%)
Rental revenue	\$ 20,377	\$ 19,467	\$ 910	4.7%
Other property income	721	911	(190)	(20.9)%
	<b>\$ 21,098</b>	<b>\$ 20,378</b>	<b>\$ 720</b>	<b>3.5%</b>

Higher rental revenue was driven by higher occupancy and average rents for the three months ended September 30, 2018 against the same period in 2017. The higher occupancy is driven by strong rental markets in Ottawa and Toronto. For the three month period ended September 30, 2018, other property income was lower compared to the three months ended September 30, 2017 as the previous period included revenue from contractually recoverable operating expenditures that were not available in 2018.

The REIT has also been able to obtain a higher average rent per occupied unit against the same period in 2017. The higher rents are a combination of higher market rents and the REIT's suite repositioning program.

Rental performance metrics for the periods presented are defined as follows:

As at	September 30, 2018	September 30, 2017
Number of suites	4,279	4,279
Average rent per suite	\$ 1,388	\$ 1,341
Occupancy	98.96%	97.76%

For the three months ended September 30, 2018, the average rent per suite increased by \$47 (3.5%) as compared to the same period in 2017.

## Property Operating Costs

Property operating costs decreased by \$734 in the three months ended September 30, 2018 as compared to the same period in 2017. This favourable variance is partially due to cost saving opportunities in the operations of the furnished suites portfolio, as well as lower repairs and maintenance costs.

## Property Taxes

In Ontario, where the REIT has the largest concentration of properties, property tax assessments are completed every four years by an independent non-profit government agency. Individual municipalities set property tax rates annually. A new property value assessment was completed in 2017 and the impact of the change in assessed values will be phased in equally over the next three years commencing in 2018 and completing in 2020. As a result the property taxes have increased by 3.08% compared to September 2017.



## Utilities

Three months ended	September 30, 2018	September 30, 2017	Variance	Variance (%)
Electricity	\$ 885	\$ 929	\$ 44	4.7%
Natural gas	118	165	47	28.5%
Water	724	674	(50)	(7.4)%
	<b>\$ 1,727</b>	<b>\$ 1,768</b>	<b>\$ 41</b>	<b>2.3%</b>

Utilities for the three months ended September 30, 2018, amounted to \$1,727, or 8.19% of revenue, compared to \$1,768 or 8.68% of revenue for the three months ended September 30, 2017. Overall, as a proportion of revenues and on a per suite basis, utilities have remained stable over the same period last year.

Natural gas rates decreased across Canada for the three month period ended September 30, 2018, as compared to the same period in 2017, partially contributing to the favourable variance.

Water rates were generally higher for the three month period ended September 30, 2018, as compared to the same period in 2017.

## General and Administrative Expenses

The general and administrative expenses increased by \$35 for the three months ended September 30, 2018 compared to the same period in 2017. The REIT did not exist prior to April 24, 2018 and as such, the basis of presentation of the general and administrative expenses differs between the comparative periods. For the three-month period ended September 30, 2017, the general and administrative expenses represented an allocation of MPI's general and administrative expenses.

## Fair Value Adjustment to Investment Properties

Appraisals and property valuations are based on projected net operating income adjusted to reflect ongoing expected cash flows from leases minus any related cash outflows including required capital improvements. The valuations are completed using the income-based approach and factoring in a capitalization rate on these amounts. The resulting fair value gain and losses are recorded in the statement of income and comprehensive income. The REIT adjusts the value of properties on a quarterly basis.

The REIT acquired the investment property portfolio on July 2, 2018 at fair value which was determined by qualified and independent external appraisers. At September 30, 2018, management validated the underlying assumptions used to value its investment property and determined that no adjustment was required. For the three months ended September 30, 2017, a fair value adjustment increase was recorded as management determined that the investment property valuation had increased. The primary drivers of the increase was compression of capitalization rates in the Toronto marketplace, improvements in NOI at certain buildings and value-enhancing capital expenditures driving higher rental rates.

## Fair Value Adjustment to Class B LP Units

The REIT adjusts the value of Class B LP Units. The fair value of Class B LP units is measured every period by reference to the traded value of the Units, with changes in measurement recorded in net income. No such Units existed in 2017 as the REIT had not yet been formed.

## Finance Costs - Operations

The increase in finance costs from operations for the three months ended September 30, 2018 relate to distributions on Class B LP Units issued as part of the IPO.

## Bargain Purchase Gain

Refer to Section II, "Review of Financial Performance" for details on the bargain purchase gain.

## Investment Properties

The REIT did not exist prior to April 24, 2018. The value of the investment properties has been obtained from the Combined Carve-Out Annual Financial Statements for the year ended December 31, 2017, 2016 and 2015 as presented in the Prospectus.

As at	September 30, 2018	December 31, 2017
Balance, beginning of period	\$ -	\$ 983,983
Acquisitions	1,123,000	-
Capital expenditure additions	7,454	28,755
Fair value adjustments	-	64,627
Other	41	(103)
<b>Balance, end of period</b>	<b>\$ 1,130,495</b>	<b>\$ 1,077,262</b>

The following table is a breakdown of the investment properties by type:

As at	September 30, 2018	December 31, 2017
Residential properties	\$ 1,113,295	\$ 1,068,762
Commercial properties	17,200	8,500
	<b>\$ 1,130,495</b>	<b>\$ 1,077,262</b>

The capitalization rates for each of the REIT's major residential rental markets are as follows:

As at	September 30, 2018		December 31, 2017	
	Low	High	Low	High
Ottawa, Ontario	4.25%	5.00%	4.50%	5.00%
Toronto, Ontario	3.59%	3.75%	3.66%	4.00%
Edmonton, Alberta	4.15%	4.15%	4.50%	4.75%
Calgary, Alberta	4.25%	4.25%	4.35%	4.35%