



# Canada's Leading Urban Residential REIT 2018 Annual Report

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**minto**  
Apartment REIT

## Minto Apartment REIT Profile

Minto Apartment REIT (or the “REIT”) is a growth-oriented real estate investment trust that owns and operates high quality multi-residential rental properties located in primary urban markets in Canada.

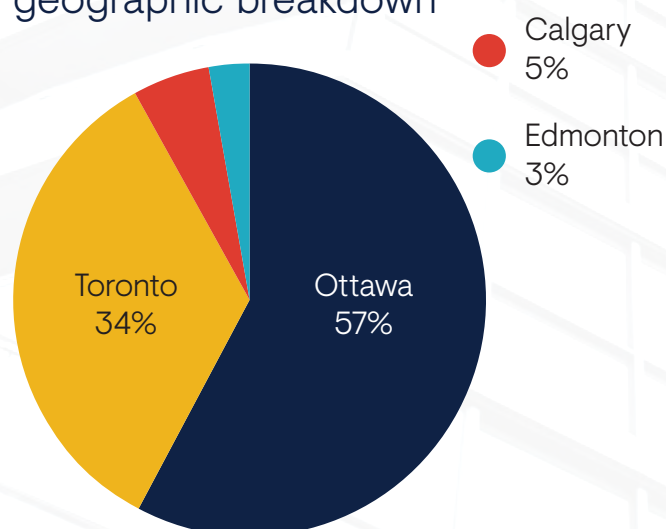
### Minto Apartment REIT’s objectives are to:

- Provide Unitholders with the 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 investments and active asset and property management of the REIT’s properties.
- Provide Unitholders with predictable and sustainable cash distributions
- Expand the REIT’s asset base across Canadian urban centres through acquisitions, intensification programs and development.

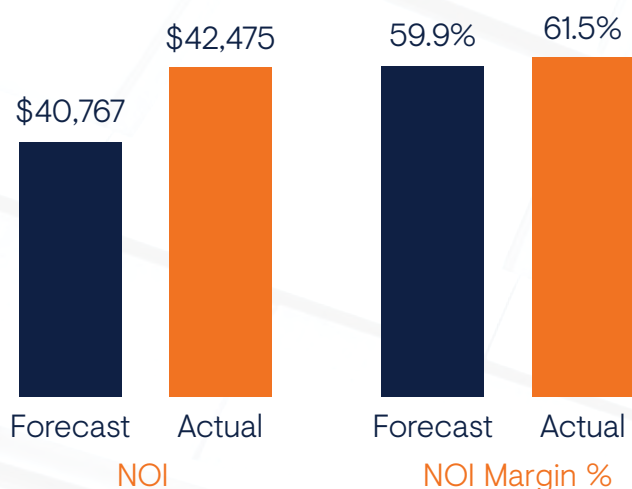
### Summary Information<sup>(1,4)</sup>

Suites	<b>4,350</b>
Average Rent Per Suite	<b>\$1,402</b>
Occupancy Rate <sup>(5)</sup>	<b>98.76%</b>
Total Assets	<b>\$1.2 Billion</b>
Debt-to-Gross Book Value	<b>44.95%</b>
Weighted Average Term to Maturity	<b>5.86 Years</b>
Weighted Average Interest Rate	<b>3.18%</b>

### Investment property geographic breakdown<sup>(3)</sup>

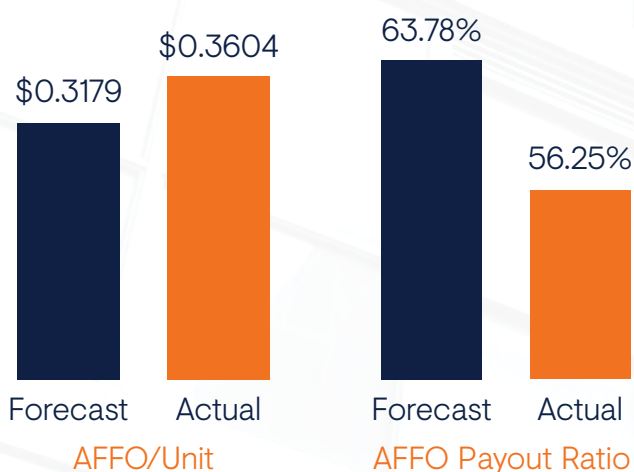


### Performance against forecast<sup>(2,4)</sup>



### AFFO Per Unit and Payout Ratio<sup>(2,4)</sup>

Annualized Distribution Per Unit \$0.41



(1) All amounts are as at December 31, 2018.

(2) Performance statistics are for the six months ended December 31, 2018. Forecast amounts are calculated from the Forecast provided in Minto Apartment REIT’s Initial Public Offering Prospectus dated June 22, 2018.

(3) Geographic breakdown is based on property values as at December 31, 2018.

(4) NOI, AFFO and Debt-to-Gross Book Value are non-IFRS financial measures. See, “Non-IFRS Financial Measures” in Management’s Discussion and Analysis in this annual report.

(5) Excludes furnished suites and unavailable suites due to repositioning projects.



## Letter to Unitholders

### The Launch of Minto Apartment REIT

On July 3, 2018, Minto Apartment REIT (or the “REIT”) completed its initial public offering of trust units on the Toronto Stock Exchange. The Minto Group of Companies (or “Minto”) has existed as a private enterprise since 1955 and the launch of Minto Apartment REIT is Minto’s first foray into the public markets. We could not be more proud of the result and are excited about the opportunities ahead.

We started with an excellent initial portfolio of properties. Minto sold its entire wholly-owned residential rental portfolio to the REIT as part of the initial public offering. Following the closing of this transaction, Minto retained a 56.8% interest in the REIT and continues to be an aligned sponsor. This initial portfolio consisted of 22 high quality apartment properties, 15 of which were developed by Minto. These properties are geographically diversified across major urban centres in Canada including Toronto, Ottawa, Calgary and Edmonton. They are well located with high walk scores and excellent access to transit and local amenities.

An experienced management team has helped to make the transition to a publicly traded vehicle a smooth one. Our senior executive team is comprised of highly skilled and experienced individuals with extensive experience in real estate acquisition, development, operations and asset management. The REIT also benefits from its relationship with Minto, a real estate organization with a 64 year operating history and over \$3 billion in assets under management. Through an administrative support agreement with Minto, the REIT is able to access an established operating platform and highly skilled operators across all functional areas on attractive terms.

We have already found opportunities to grow the portfolio. Since going public we have made two acquisitions in Calgary and have entered into a loan and option agreement that provides the REIT with the opportunity to purchase a new multi-residential property on completion in the heart of a mature urban neighbourhood in Ottawa. The REIT’s public listing gives us the access to capital that we need to grow the portfolio and to create value for Unitholders.

We would also like to take this opportunity to recognize the strong governance provided by our Board of Trustees. Independent Trustees form the majority of the REIT’s Board. Our Trustees have extensive experience in corporate governance, capital markets, real estate, legal and audit matters and their help and guidance through and following the initial public offering process is invaluable.

And we are pleased to say that the REIT has delivered strong financial performance. As part of the initial public offering process, the REIT provided a financial forecast in its prospectus. For the six-months ended December 31, 2018, the REIT outperformed on all operating and financial metrics compared to the forecast.

## What to Expect in 2019

Minto Apartment REIT is executing its business plan against a favourable economic backdrop. The supply and demand characteristics of the markets in which it operates are compelling. Progressive immigration policies and the continuing trend towards urbanization have combined to increase the number of people moving to Canadian cities. Affordability challenges in the major metropolitan areas make renting an increasingly attractive option over home ownership. On the supply side, the municipal planning process in major cities is such that new supply cannot be brought to the market quickly. The net result is a strong demand for residential rental product and the REIT is well positioned to take advantage of this. We are seeing meaningful increases in rental rates as suites turn over and we enter into leases with new tenants.

The REIT will continue to execute on its asset management plans for existing properties. Our asset managers continually monitor local market demand and competing product offerings to determine an appropriate strategy for each of our properties. In certain locations there are opportunities to renovate and strategically reposition suites. Improvements to suites and common areas in these properties generate strong growth in rental revenues and produce excellent financial returns on invested capital. Six properties in the portfolio are currently undergoing repositioning programs.

The REIT will also continue to execute its disciplined acquisition strategy. The ownership of apartment properties in Canada is highly fragmented and we are excited about the opportunity to acquire well-located properties in primary markets like Toronto, Montreal, Ottawa, Calgary, Edmonton and Vancouver that would benefit from strong asset and property management and/or have potential intensification opportunities. We will also pursue select development opportunities and intensification opportunities within the initial portfolio.

In executing its business plan, the REIT will maintain its commitment to its tenants, its employees and to the environment. We believe that treating all stakeholders with care and respect is not only the right thing to do, but will also result in improved returns to Unitholders.

The REIT's rental properties in Ontario are part of the Certified Rental Building Program administered by the Federation of Rental Housing Providers of Ontario ("FRPO"). This program requires operators to meet 50 standards of practice designed to ensure high levels of customer service and well-managed buildings. Prior to the formation of the REIT, Minto won FRPO's prestigious Customer Service Award of Excellence and we will work hard to win this award again. We understand that financial statements measure how we have performed in the past, but that our customers' satisfaction will be the best predictor of our success in the future.

The REIT believes that the diversity of its team is a tremendous asset. A wide range of perspectives helps us to consider different opinions and to make better decisions. We have established a formal diversity policy that considers, among other things, gender, ethnic diversity, age and business experience when assessing potential job candidates. We regularly measure employee satisfaction to ensure that our management policies and practices are achieving desired results.

Finally, Minto has been widely recognized by the Canadian real estate industry as a leader in sustainable development and building operations. It has won numerous industry awards including EnerQuality's Green Builder of the Year, which it has won four times. The environmental impact and efficiency of our buildings play a large role in our decision making. We will continue to follow these best practices in managing the REIT.

We are excited about the opportunities for the Minto Apartment REIT in 2019. We believe we will be able to deliver on accretive growth and value creation. We thank our Unitholders for their confidence and support and look forward to a great year ahead.

**Michael Waters**  
Chief Executive Officer

**Roger Greenberg**  
Chairman

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## 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 "Initial Portfolio"), comprising an aggregate of 4,279 suites located in urban centres in Ontario and Alberta. The Initial 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 gross proceeds of \$30,002. The net proceeds of the over-allotment option were used to redeem 2,069,100 Class B LP Units of the Partnership held by a limited partnership wholly owned by Minto Properties Inc. ("MPI"). Following the closing of the over-allotment option, there are 15,863,100 Units issued and outstanding.

At December 31, 2018, the REIT's portfolio consists of 23 multi-residential rental properties, comprising an aggregate of 4,350 suites.

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.

### Business 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.

### Summary of the Acquired Business

As of July 2, 2018, the Partnership owned and managed the Initial 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 two 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 (excluding the over-allotment option)	\$	200,013
Proceeds from revolving credit facility		28,458
	<b>\$</b>	<b>228,471</b>
<b>Uses</b>		
Unit issue costs (excluding the costs of the over-allotment option)	\$	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 acquisition of the Initial Portfolio was accounted for as a business combination using the purchase method of accounting with the allocation to the fair value of identifiable net assets acquired as follows:

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

## 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 and sustainable 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 and 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 (net of the amount of debt assumed or incurred for the 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 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 March 19, 2019, the REIT was in compliance with its investment guidelines and operating policies.

## Basis of Presentation

Management's Discussion and Analysis of the REIT's results of operations and financial condition should be read in conjunction with the REIT's consolidated financial statements and accompanying notes for the period from April 24, 2018 (date of formation) to December 31, 2018, prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and with the REIT's final IPO prospectus dated June 22, 2018 (the "IPO Prospectus").

The REIT had no operations prior to July 2, 2018 and therefore the discussion in this Management's Discussion and Analysis has been limited to the period from July 2, 2018 to December 31, 2018. The analysis provides comparison to the REIT's financial forecast for the three months and six months ended December 31, 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 Management's Discussion and Analysis on March 19, 2019. 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 Management's Discussion and Analysis 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 incorporated by reference and discussed under the heading "Risk Factors" in the REIT's base shelf short form prospectus dated December 21, 2018. 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 Management's Discussion and Analysis 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 consolidated 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 consolidated 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 Management's Discussion and Analysis 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 Management's Discussion and Analysis, 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 and net changes in fair value of financial instruments. 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 that it adjusts for certain non-cash items (such as adjustments for the amortization of mark-to-market adjustments related to debt and gain on retirement of debt), 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 investment properties less property operating costs, 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 and gain on retirement of debt 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.

## Financial and Operating Highlights

The REIT's strategy is to invest in high quality income-producing multi-residential rental properties in urban centres across Canada. In July 2018, the REIT acquired investment properties totaling more than \$1.1 billion including the Initial Portfolio of 22 properties comprising 4,279 suites across Ottawa, Toronto, Calgary and Edmonton. During the fourth quarter of 2018, one suite was created from excess common area space at a property in Ottawa and the REIT acquired another investment property for \$20,376 in Calgary, which added 70 suites and a commercial space with net rentable area of 8,966 square feet. In addition, the REIT committed to acquire an additional 199 suites in Calgary for \$63,750 during the fourth quarter, with the closing of the acquisition occurring subsequent to year end. The Calgary acquisitions allow the REIT to further diversify its portfolio in a key Canadian urban market and present an opportunity to realize operating efficiencies.

On November 23, 2018, the REIT entered into a refinancing arrangement in the amount of \$49,831 bearing interest at 3.25% per annum, associated with two of its Toronto properties and the proceeds were used to repay existing mortgages and the unsecured note due to MPI associated with the properties. Refinancing the debt insulates the REIT from the impact of rising interest rates and extends the maturity date to 2022.

In addition, the REIT committed to advance up to \$30,000 at 6% per annum as financing support to MPI for the planned redevelopment of a commercial property located in Ottawa into a mixed-use, multi-residential rental and retail property. The REIT will have the exclusive option to purchase the property upon stabilization at 95% of fair value. This is in line with the REIT's objective to capitalize on its relationship with MPI to generate growth.

Selected operating results for the six months ended December 31, 2018 for the REIT are as follows:

- Revenue from investment properties was \$42,475, 4.2% higher than the Forecast;
- NOI was \$26,110, 7.0% higher than the Forecast;
- NOI margin was 61.5%, 160 bps higher than the Forecast;
- Recorded a fair value adjustment to investment properties of \$40,048; and
- Distributions of \$0.20276 per Unit were declared.

The REIT's strong financial results for the six months ended December 31, 2018 were driven by strong rental market conditions and prudent cost management.

The REIT realized on substantial organic growth for the six months ended December 31, 2018 through strong leasing activities and revenue management strategies. As new tenants take occupancy, the REIT is able to move rental rates from older in-place levels to current market rates. During the period, new leases resulted in annualized revenue growth of approximately \$764. A summary of leasing activities and the gains to be realized from new leases signed for the six months ended December 31, 2018 is set out in the table below.<sup>(1)</sup>

Geographic node	New Leases Signed	Average Monthly Expiring Rent	Average Monthly New Rent	Percentage Gain-on-Turn	Annualized Gain-on-Turn
Toronto	53	\$ 1,845	\$ 2,075	12.5%	\$ 147
Ottawa	477	1,347	1,438	6.7%	520
Alberta	83	1,198	1,295	8.1%	97
<b>Total/Average</b>	<b>613</b>	<b>\$ 1,370</b>	<b>\$ 1,474</b>	<b>7.6%</b>	<b>\$ 764</b>

<sup>(1)</sup> Excludes new leases of furnished suites.

A summary of leasing activities and the gains to be realized from new leases signed for the three months ended December 31, 2018 is set out in the table below.<sup>(1)</sup>

Geographic node	New Leases Signed	Average Monthly Expiring Rent	Average Monthly New Rent	Percentage Gain-on-Turn	Annualized Gain-on-Turn
Toronto	19	\$ 1,860	\$ 2,118	13.9%	\$ 59
Ottawa	189	1,310	1,402	7.1%	210
Alberta	42	1,204	1,307	8.6%	52
<b>Total/Average</b>	<b>250</b>	<b>\$ 1,334</b>	<b>\$ 1,441</b>	<b>8.0%</b>	<b>\$ 321</b>

<sup>(1)</sup> Excludes new leases of furnished 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 \$5,665. 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 December 31, 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	679	\$ 1,701	\$ 1,936	13.8%	\$ 1,947
Ottawa	2,941	1,364	1,453	6.5%	\$ 3,204
Alberta	431	1,197	1,296	8.3%	\$ 514
<b>Total/Average</b>	<b>4,051</b>	<b>\$ 1,402</b>	<b>\$ 1,517</b>	<b>8.2%</b>	<b>\$ 5,665</b>

<sup>(1)</sup> Excludes 240 furnished suites and 59 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, management will renovate various test suites to gauge tenants' demand for different improvements or combination of improvements and to mitigate capital risk by understanding costs and uncovering potential issues prior to a broader roll out of the repositioning program. Once an optimal combination of improvements 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 active repositioning programs at Minto Yorkville in Toronto and its Edmonton properties. The repositioning program at Minto one80five in Ottawa was completed in the third quarter of 2018. A summary of the repositioning activities for the six months ended December 31, 2018 is set out in the table below.

Property	Number of Suites Repositioned and Leased		Remaining Number of Suites to Reposition
	Three months ended December 31, 2018	Six months ended December 31, 2018	
Minto one80five	-	53	-
Minto Yorkville	6	24	75
Edmonton properties	11	34	137

During the fourth quarter of 2018, management developed repositioning plans for two additional properties that are located in Ottawa, Castle Hill and Carlisle. Repositioning work at these properties commenced on February 1, 2019, with the first renovated suites anticipated to be available for lease starting April 2019.



Minto Yorkville, Toronto



Minto one80five, Ottawa



Carlisle test suite, Ottawa

The in-suite renovations include a modern open concept kitchen with new stainless steel appliances, new quartz surfaces, new flooring, renovated bathrooms, updated light fixtures and updated hardware throughout along with upgrading common areas.

## 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 major urban centres across Canada; and,
- Capitalizing on our relationship with MPI and its affiliates to generate growth either through the development of purpose-built rental properties 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 six months ended December 31, 2018:

	December 31, 2018
Total assets	\$ 1,206,925
Investment properties	1,197,811
Non-current liabilities	917,141
Mortgages	275,601
Credit facility	35,925
Class C LP Units	231,037
Revenue	42,475
Net operating income	26,110
Net income and comprehensive income	\$ 49,390

## Key Performance Indicators

At December 31, 2018, the REIT held 23 multi-residential rental properties, comprising an aggregate of 4,350 suites, a small number of which operate as furnished suites.

The following table highlights certain information about the REIT for the period from April 24, 2018 (date of formation) to December 31, 2018:

	<b>December 31, 2018</b>
<b>Operating</b>	
Number of properties	23
Total suites	4,350
Average monthly rent per suite	\$ 1,402
Occupancy	98.76%
<b>Financial</b>	
Revenue	\$ 42,475
NOI	\$ 26,110
NOI margin	61.5%
Net income and comprehensive income	\$ 49,390
FFO	\$ 16,197
FFO per unit	\$ 0.4411
AFFO	\$ 13,235
AFFO per unit	\$ 0.3604
AFFO Payout ratio	56.25%
Debt-to-Gross Book Value ratio	44.95%
Debt Service Coverage ratio	1.97x
Weighted average term to maturity on fixed rate debt	5.86
Weighted average interest rate on fixed rate debt	3.18%
Distribution per Unit annualized	\$ 0.41
Distribution yield based on Unit closing price	2.22%

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 financial performance:

### Operating

- (i) Average monthly rent per suite - Represents the average monthly rent for unfurnished and occupied suites.
- (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) NOI margin - Calculated as NOI divided by revenue from investment properties.
- (ii) FFO per unit - Calculated as FFO divided by the sum of the total number of Units and the total number of Class B LP Units as at December 31, 2018. See Section I, "Non-IFRS Measures".

- (iii) AFFO per unit - Calculated as AFFO divided by the sum of the total number of Units and the total number of Class B LP Units as at December 31, 2018. See Section I, "Non-IFRS Measures".
- (iv) AFFO Payout ratio - The AFFO Payout ratio is the proportion of the total distributions on Units and Class B LP Units to AFFO.
- (v) 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 and Class C LP Units by Gross Book Value.
- (vi) 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 and credit facility and distributions on Class C LP Units.
- (vii) Weighted average term to maturity on fixed rate debt - Calculated as the weighted average of term to maturity on the outstanding mortgages and Class C LP Units as at December 31, 2018. The REIT monitors the average term to maturity of its mortgages and Class C LP Units.
- (viii) Weighted average interest rate on fixed rate debt - Calculated as the weighted average of the stated interest rates on the outstanding balance of mortgages and Class C LP Units as at December 31, 2018. The REIT monitors the average cost of its mortgages and Class C LP Units.

## Review of Financial Performance - Fiscal Year 2018

The following table highlights selected financial information for the REIT for the six months ended December 31, 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.

Six months ended	Actual <sup>(1)</sup>		Forecast		% Change
	December 31, 2018	December 31, 2018	\$ Change		
Revenue from investment properties	\$ 42,475	\$ 40,767	\$ 1,708	4.2%	
Property operating costs	8,257	8,106	(151)	(1.9)%	
Property taxes	4,528	4,578	50	1.1%	
Utilities	3,580	3,679	99	2.7%	
Net operating income	26,110	24,404	1,706	7.0%	
General and administrative expenses	2,267	2,200	(67)	(3.0)%	
Fair value adjustment to investment properties	(40,048)	-	40,048	100%	
Fair value adjustment to Class B LP Units	81,713	-	(81,713)	(100)%	
Fair value adjustment to unit-based compensation	76	-	(76)	(100)%	
Finance costs - operations	11,875	12,809	934	7.3%	
Bargain purchase gain	(79,163)	-	79,163	100%	
<b>Net income and comprehensive income</b>	<b>\$ 49,390</b>	<b>\$ 9,395</b>	<b>\$ 39,995</b>	<b>425.7%</b>	

(1) Includes revenue and expenses from the investment property acquired on December 18, 2018. See Section III, "Investment Properties".



## Net Operating Income

NOI was \$1,706 higher compared to the Forecast. Same property NOI has not been provided as the acquisition of the investment property in the fourth quarter had no significant impact on NOI. The change in NOI was a result of higher revenue compared to Forecast, as outlined below.

## Revenue from Investment Properties

Six months ended	Actual		Forecast		\$ Change	% Change
	December 31, 2018	December 31, 2018	December 31, 2018	December 31, 2018		
Rental revenue	\$	41,000	\$	39,553	\$ 1,447	3.7%
Other property income		1,475		1,214	261	21.5%
	\$	<b>42,475</b>	\$	<b>40,767</b>	\$ 1,708	4.2%

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 increase in other property income was a result of higher revenues from laundry services, property tax recovery from commercial tenants and higher than anticipated utility cost recovery due to the continued implementation of sub-metering at certain properties.

Rental performance metrics for the periods presented are as follows:

As at	Actual	Forecast
	December 31, 2018	December 31, 2018
Number of suites*	4,350	4,279
Average monthly rent per suite	\$ 1,402	\$ 1,388
Occupancy	98.76%	96.30%

\* Includes suites from the acquisition of an investment property in Calgary and one suite created from excess common area space at a property in Ottawa. See Section III, "Investment Properties".

Average monthly rent per suite of \$1,402 was \$14 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 98.76% was also favourable to Forecast by 246 bps due to strong market conditions in Ontario.

## Property Operating Costs

Six months ended	Actual	Forecast	\$ Change	% Change
	December 31, 2018	December 31, 2018		
Property operating costs	\$ 8,257	\$ 8,106	\$ (151)	(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 were higher than Forecast due to unfavourable repairs and maintenance as a result of additional caulking and window repairs at some of the properties. These were off-set by lower administrative costs directly relating to the properties. Overall, property operating costs represent 19.4% of revenue compared to Forecast of 19.9%. The REIT maintains cost discipline and tight controls on property operating costs.

## Property Taxes

Six months ended	Actual	Forecast	\$ Change	% Change
	December 31, 2018	December 31, 2018		
Property taxes	\$ 4,528	\$ 4,578	\$ 50	1.1%

Property taxes were \$4,528 for the six months ended December 31, 2018 and were 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

Six months ended	Actual	Forecast	\$ Change	% Change
	December 31, 2018	December 31, 2018		
Electricity	\$ 1,635	\$ 1,696	\$ 61	3.6%
Water	1,286	1,340	54	4.0%
Natural gas	659	643	(16)	(2.5)%
	\$ 3,580	\$ 3,679	\$ 99	2.7%

Utilities consist of electricity, water and natural gas 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 six months ended December 31, 2018 of \$3,580 was consistent with the Forecast of \$3,679.

## General and Administrative Expenses

Six months ended	Actual	Forecast	\$ Change	% Change
	December 31, 2018	December 31, 2018		
General and administrative expenses	\$ 2,267	\$ 2,200	\$ (67)	(3.0)%

General and administrative expenses are 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 \$2,267 for the six months ended December 31, 2018 were higher than with the Forecast primarily due to costs relating to the filing of the base shelf short form prospectus. See Section IV, "Liquidity, Capital Resources and Contractual Commitments".

## Fair Value Adjustment to Investment Properties

The REIT acquired the Initial Portfolio on July 2, 2018 at fair value which was determined by qualified and independent external appraisers. On a go-forward basis, the REIT intends to rotate its property external valuations annually to ensure that every property is externally appraised at least once every three years. These appraisals will be used by management to validate market assumptions and data used as part of the internal valuation methodology. Fair value for residential properties as at December 31, 2018 is based on internal valuations using the direct capitalization approach. Estimated stabilized net operating income is based on the respective property's forecasted results, less estimated aggregate future capital expenditures. Capitalization rates reflect the characteristics, location and market of each property. The resulting fair value gains and losses are recorded in the consolidated statement of net income and comprehensive income. The REIT adjusts the value of properties on a quarterly basis.

The increase in fair value of investment properties of \$40,048 for the six months ended December 31, 2018 was comprised of a \$59,292 increase due to NOI, a \$10,971 increase from changes in capitalization rates and partially offset by a \$30,215 increase in the deduction for capital expenditures. The increase from changes in NOI was primarily due to properties located in Toronto and Ottawa which have been experiencing higher rental rates. The change from the impact of capitalization rates was primarily due to Minto one80five as the completion and leasing of repositioned suites has resulted in a compression in the capitalization rate for this property. The deduction for capital expenditures was primarily due to the repositioning projects currently in progress at certain properties located in Toronto and Ottawa.

## 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 \$18.50, resulting in a fair value loss of \$81,713 for the six months ended December 31, 2018.

## Fair Value Adjustment to Unit-Based Compensation

The REIT has issued Deferred Units to its Trustees and Executives. The liability is remeasured at each reporting date based on the closing Unit price with changes in the value recorded in net income. For the six months ended December 31, 2018, a fair value loss of \$76 was recorded, as the Unit price increased to \$18.50 as at December 31, 2018.

## Fair Value Adjustment to Unit-Based Compensation

The REIT has issued Deferred Units to its Trustees and Executives. The liability is remeasured at each reporting date based on the closing Unit price with changes in the value recorded in net income. For the six months ended December 31, 2018, a fair value loss of \$76 was recorded, as the Unit price increased to \$18.50 as at December 31, 2018.

## Finance Costs - Operations

Six months ended	Actual	Forecast	\$ Change	% Change
	December 31, 2018	December 31, 2018		
Interest income	\$ (8)	\$ -	\$ 8	100%
Interest expense on mortgages	3,881	3,729	(152)	(4.1)%
Interest expense and standby fees on credit facility	809	832	23	2.8%
Interest expense on unsecured debt	298	365	67	18.4%
Amortization of CMHC premiums	4	-	(4)	(100)%
Amortization of financing charges	92	88	(4)	(4.5)%
Amortization of mark-to-market adjustments	(463)	(496)	(33)	6.7%
Gain on retirement of debt	(573)	-	573	100%
Interest expense and other financing charges	4,040	4,518	478	10.6%
Distributions on Class B LP Units	4,229	4,700	471	10.0%
Distributions on Class C LP Units	3,606	3,591	(15)	(0.4)%
	<b>\$ 11,875</b>	<b>\$ 12,809</b>	<b>\$ 934</b>	<b>7.3%</b>

Finance costs from operations comprise interest expense on secured and unsecured debt, amortization of financing charges, Canada Mortgage and Housing Corporation ("CMHC") premiums and mark-to-market adjustments on the debt, distributions on Class B LP Units and Class C LP Units and gain on retirement of debt. Finance costs for the six months ended December 31, 2018 were lower by \$934 compared to the Forecast, primarily due to the gain on retirement of debt pertaining to the repayment of a mortgage and an unsecured promissory note payable to MPI and 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.

## Bargain Purchase Gain

The acquisition of the Initial Portfolio was accounted for as a business combination using the purchase method of accounting. Upon acquisition of the Initial 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 3 of the consolidated financial statements.

## Review of Financial Performance - Fourth Quarter 2018

The following table highlights selected financial information for the REIT for the three months ended December 31, 2018 compared to the Forecast contained in the Prospectus.

Three months ended	Actual <sup>(1)</sup>		Forecast		
	December 31, 2018	December 31, 2018	\$ Change	% Change	
Revenue from investment properties	\$ 21,377	\$ 20,358	\$ 1,019	5.0%	
Property operating costs	4,253	4,024	(229)	(5.7)%	
Property taxes	2,249	2,289	40	1.7%	
Utilities	1,853	1,931	78	4.0%	
Net operating income	13,022	12,114	908	7.5%	
General and administrative expenses	1,212	1,100	(112)	(10.2)%	
Fair value adjustment to investment properties	(40,048)	-	40,048	100.0%	
Fair value adjustment to Class B LP Units	29,829	-	(29,829)	(100.0)%	
Fair value adjustment to unit based compensation	76	-	(76)	(100.0)%	
Finance costs - operations	5,736	6,421	685	10.7%	
<b>Net income and comprehensive income</b>	<b>\$ 16,217</b>	<b>\$ 4,593</b>	<b>\$ 11,624</b>	<b>253.1%</b>	

Includes revenue and expenses from the investment property acquired on December 18, 2018. See Section III, "Investment Properties".

The financial performance for the fourth quarter 2018 was favourable to Forecast. NOI was \$908 higher or 7.5% as a result of higher revenue due to higher occupancy and average rents. The revenue growth was partly offset by an increase in property operating costs from higher repairs and maintenance expenses incurred during the quarter at certain properties. General and administrative expenses were higher than Forecast primarily due to fees relating to the filing of the base shelf short form prospectus. Finance costs were lower than Forecast primarily due to the gain on retirement of debt and 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.

## Summary of Quarterly Results

	Q4 2018		Q3 2018	
Revenue	\$ 21,377	\$ 21,098		
NOI	\$ 13,022	\$ 13,088		
NOI margin	60.9%	62.0%		
Net income and comprehensive income	\$ 16,217	\$ 33,173		
FFO	\$ 8,211	\$ 7,986		
FFO per unit	\$ 0.2236	\$ 0.2175		
AFFO	\$ 6,453	\$ 6,782		
AFFO per unit	\$ 0.1757	\$ 0.1847		
Distributions declared	\$ 3,762	\$ 3,683		
AFFO Payout ratio	58.30%	54.31%		

## Section III - Assessment of Financial Position



### Investment Properties

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

As at	December 31, 2018
Balance, April 24, 2018	\$ -
Additions	
Acquisition of the Initial Portfolio	1,123,000
Acquisition of investment property	20,376
Capital expenditures	14,387
Fair value adjustments	40,048
<b>Balance, December 31, 2018</b>	<b>\$ 1,197,811</b>

#### Acquisition of Investment Property

On December 18, 2018, the REIT completed the asset acquisition of a mixed-used, multi-residential and commercial investment property located at 2505-24 Street NW, Calgary, AB, comprising 70 suites. The acquisition cost was \$20,376 and in connection with the acquisition the REIT assumed mortgage financing of \$12,744 with an interest rate of 3.59% and maturity date of June 1, 2020. This acquisition, with only fourteen days of operations, had no significant impact on the operating results for the period from April 24, 2018 (date of formation) to December 31, 2018.

Cash used in acquisition of investment property is as follows:

	December 31, 2018
Total acquisition cost	\$ (20,376)
Assumed mortgage financing	12,744
Working capital assumed	167
	<b>\$ (7,465)</b>

The acquisition of the new investment property on December 18, 2018, with only fourteen days of operations, had no significant impact on the operating results for the period from April 24, 2018 (date of formation) to December 31, 2018.

## Capital Expenditures

The REIT has established a capital improvement program that is 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.

Six months ended	December 31, 2018	
Total expenditures	\$	14,387
Value-enhancing capital spend		
Building improvements		6,902
Suite upgrades		5,212
		12,114
Actual maintenance capital expenditures	\$	2,273
Number of suites*		4,280
<b>Maintenance capital expenditures per suite</b>	<b>\$</b>	<b>531</b>

\* Excludes 70 suites from the newly acquired investment property.

Value-enhancing capital expenditures consist of either building improvements or suite upgrades. Building improvements include 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. During the fourth quarter of 2018, one additional suite was created from excess common area space at a property in Ottawa. The repositioning programs include full scale suite renovations strategically targeting certain buildings or certain geographic locations. The REIT's active repositioning programs for the six months ended December 31, 2018 included Minto Yorkville and the three Edmonton buildings. The repositioning program for the Minto one80five property was completed in the third quarter of 2018. 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 in order to maintain the existing earnings capacity of the REIT's investment properties. For the six months ended December 31, 2018, the majority of expenditures incurred pertained to exterior work performed at certain buildings located in Ottawa. The timing of 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 six months ended December 31, 2018 was \$2,273 or \$531 per suite. Although this is tracking unfavourable to plan, it is anticipated to level off over the next two 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 the respective property's forecasted results, less estimated aggregate future capital expenditures. Capitalization rates reflect the characteristics, location and market of each property. Fair value is determined based on internal valuation models incorporating market data and valuations performed by external appraisers.

Capitalization rates fluctuate depending on market conditions. The capitalization rates of the portfolio as at December 31, 2018 for each of the REIT's residential rental markets were as follows:

As at	December 31, 2018	
	Low	High
Ottawa, Ontario	4.00%	5.00%
Toronto, Ontario	3.38%	3.75%
Edmonton, Alberta	4.25%	4.25%
Calgary, Alberta	4.15%	4.42%
Average capitalization rate		4.20%

## 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 3.20% and mature at various dates from 2020 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, acquisitions and for general corporate purposes. As at December 31, 2018, \$114,075 of this facility is available.

On November 23, 2018, the REIT obtained new CMHC insured mortgage financing associated with two of its Toronto buildings in the amount of \$49,831. The mortgage bears interest at 3.25% and matures in December 2022. The financing was used both to repay an existing mortgage of \$23,807 associated with these buildings and the outstanding balance of an unsecured promissory note of \$25,587 due to MPI. The unamortized mark-to-market adjustment associated with the previous mortgage of \$519 and unsecured promissory note of \$54 were de-recognised and recorded to the consolidated statement of net income and comprehensive income as gain on retirement of debt in finance costs.

## Class B LP Units

The Class B LP Units of the Partnership 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 Class B LP Units for each Class B LP Unit held. The limited IAS 32 exception for presentation as equity does not extend to Class B LP Units. 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 December 31, 2018.

## Class C LP Units

The Class C LP Units of the Partnership provide for monthly distributions 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 December 31, 2018.

The mortgages of investment properties to which the distributions on the Class C LP Units relate bear a weighted average contractual interest rate of 3.16% and mature at various dates between 2023 and 2030.



## Units

The changes in Units for the period from April 24, 2018 (date of formation) to December 31, 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, December 31, 2018</b>	<b>15,863,100</b>	<b>\$ 212,078</b>

The total number of Deferred Units issued to Executives and Trustees as at December 31, 2018 is 67,394.

## 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.

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



### Liquidity and Capital Resources

The REIT's capital structure is comprised of mortgages, credit facility, Class B LP Units, Class C LP Units and Unitholders' equity. The capital structure of the REIT as at December 31, 2018 is as follows:

As at	December 31, 2018
Liabilities (principal amounts outstanding):	
Mortgages	\$ 273,574
Credit facility	35,925
Class B LP Units	385,899
Class C LP Units	227,721
	923,119
Unitholders' equity	258,252
	<b>\$ 1,181,371</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 their exchangeable nature, IAS 32 requires Class B LP Units 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 ratio.

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, 76% is CMHC insured and approximately 93% 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 management is targeting a range of 45%-55%. The REIT's Debt-to-Gross Book Value ratio as at December 31, 2018 was as follows:

As at	December 31, 2018
Mortgages	\$ 275,601
Credit facility	35,925
Class C LP Units	231,037
<b>Total Debt</b>	<b>542,563</b>
Total assets	1,206,925
<b>Debt-to-Gross Book Value ratio</b>	<b>44.95%</b>

The REIT has staggered the maturities of its debt financings, including distributions payable on the Class C LP Units, to minimize interest rate risk and its risk related to refinancing. As at December 31, 2018, the weighted average term to maturity on the REIT's fixed rate debt was 5.86 years and the weighted average interest rate on fixed rate debt 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 Total	Interest Rate <sup>(1)</sup>
	Mortgages	Class C LP Units	Mortgages	Credit facility	Class C LP Units			
2019	5,524	5,019	-	-	-	10,543	2.0%	-%
2020	5,478	5,178	12,094	-	-	22,750	4.2%	3.59%
2021	5,427	5,341	-	35,925	-	46,693	8.7%	3.94%
2022	4,833	5,510	87,161	-	-	97,504	18.1%	3.22%
2023	3,414	5,324	47,620	-	35,563	91,921	17.1%	3.09%
2024	1,649	4,361	48,182	-	55,482	109,674	20.4%	3.01%
2025	1,056	3,067	22,743	-	60,474	87,340	16.3%	3.19%
Thereafter	3,988	4,208	24,405	-	38,194	70,795	13.2%	3.43%
	<b>\$ 31,369</b>	<b>\$ 38,008</b>	<b>\$ 242,205</b>	<b>\$ 35,925</b>	<b>\$ 189,713</b>	<b>\$ 537,220</b>	<b>100%</b>	

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

As of December 31, 2018, current liabilities of \$31,532 exceeded current assets of \$7,289, resulting in a net working capital deficit of \$24,243. 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 December 31, 2018, liquidity was \$114,967 consisting of cash and cash equivalents of \$892 and \$114,075 of available borrowing capacity under the credit facility. This is sufficient liquidity to meet the REIT's financial obligations for the foreseeable future.

On December 21, 2018, the REIT filed a base shelf short form prospectus, which will allow the REIT to issue Units, debt securities and subscription receipts for an amount up to \$750,000 during the 25-month period that the final short form shelf prospectus is effective. The net proceeds from the sale of securities for cash may be used for potential future acquisitions, capital expenditures, to repay indebtedness and general working capital purposes.

## Cash Flows

The REIT held a balance of cash of \$892 as at December 31, 2018. The sources of and use of cash flow for the six months ended December 31, 2018 are as follows:

Six months ended	December 31, 2018
Operating activities	\$ 29,163
Financing activities	(10,683)
Investing activities	(17,588)

### 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*:

Six months ended	December 31, 2018
Net income and comprehensive income (excluding distributions on Class B LP Units of \$4,229)	\$ 53,619
Cash flows provided by operating activities	29,163
Distributions paid	6,190
Distributions declared	7,445
Excess of net income over total distributions paid	47,429
Excess of net income over total distributions declared	46,174
Excess of cash provided by operating activities over total distributions declared	21,718

### Cash used in financing activities

Cash flows used in financing activities were \$10,683 and represent proceeds on the issuance of Units of \$212,877, proceeds from mortgage financing of \$26,024 and proceeds from draws on the credit facility of \$41,383, offset by payment of CMHC premium and deferred financing costs for \$1,577, repayment of the promissory note issued on acquisition of the Initial Portfolio for \$183,288, repayments on mortgages of \$2,206, credit facility of \$5,458 and promissory notes of \$54,150, redemption of Class B LP Units of \$28,277, distributions on various classes of units of \$8,519 and interest paid of \$7,492.

### Cash used in investing activities

Cash flows used in investment activities were \$17,588 primarily for the capital additions to investment properties of \$12,223 and acquisition of the investment property in Calgary for \$7,465, partially offset by \$2,100 of cash transferred on the acquisition of the Initial Portfolio.

## Reconciliation of Non-IFRS Measures

### FFO and AFFO

FFO and AFFO are used for evaluating operating performance, and are computed as follows<sup>(1)</sup>:

	Three months ended December 31,		Six months ended December 31,	
	2018 Actual	2018 Forecast	2018 Actual	2018 Forecast
<b>Net income and comprehensive income</b>	<b>\$ 16,217</b>	<b>\$ 4,593</b>	<b>\$ 49,390</b>	<b>\$ 9,395</b>
Distributions on Class B LP Units	2,137	2,350	4,229	4,700
Fair value adjustment to investment properties	(40,048)	-	(40,048)	-
Fair value adjustment to Class B LP Units	29,829	-	81,713	-
Fair value adjustment on unit-based compensation	76	-	76	-
Bargain purchase gain	-	-	(79,163)	-
<b>Funds from operations (FFO)</b>	<b>\$ 8,211</b>	<b>\$ 6,943</b>	<b>\$ 16,197</b>	<b>\$ 14,095</b>
Maintenance capital expenditure reserve	\$ (963)	\$ (963)	\$ (1,926)	(1,926)
Amortization of mark-to-market adjustments	(222)	(248)	(463)	(496)
Gain on retirement of debt	(573)	-	(573)	-
<b>Adjusted funds from operations (AFFO)</b>	<b>\$ 6,453</b>	<b>\$ 5,732</b>	<b>\$ 13,235</b>	<b>\$ 11,673</b>
Distributions on Class B LP Units	\$ 2,137	\$ 2,350	\$ 4,229	\$ 4,700
Distributions on Units	1,625	1,412	3,216	2,745
	3,762	3,762	7,445	7,445
<b>AFFO payout ratio</b>	<b>58.30%</b>	<b>65.63%</b>	<b>56.25%</b>	<b>63.78%</b>
Units and Class B LP Units	36,722,510	36,722,510	36,722,510	36,722,510
<b>FFO per unit</b>	<b>\$ 0.2236</b>	<b>\$ 0.1891</b>	<b>\$ 0.4411</b>	<b>\$ 0.3838</b>
<b>AFFO per unit</b>	<b>\$ 0.1757</b>	<b>\$ 0.1561</b>	<b>\$ 0.3604</b>	<b>\$ 0.3179</b>

(1) See Section I, "Non-IFRS Measures".

FFO was higher for the three and six months ended December 31, 2018 as compared to the Forecast, reflecting the positive NOI variance. AFFO was higher for the three and six months ended December 31, 2018 as compared to the Forecast, as a result of higher FFO, adjusted for the gain on retirement of debt and amortization of mark-to-market adjustments.

## NOI and NOI Margin

A reconciliation of NOI and NOI margin for the three and six months ended December 31, 2018 is set out below.

	Three months ended December 31,		Six months ended December 31,	
	2018 Actual	2018 Forecast	2018 Actual	2018 Forecast
Revenue from investment properties	\$ 21,377	\$ 20,358	\$ 42,475	\$ 40,767
Property operating expenses	8,355	8,244	16,365	16,363
<b>NOI</b>	<b>\$ 13,022</b>	<b>\$ 12,114</b>	<b>\$ 26,110</b>	<b>\$ 24,404</b>
<b>NOI margin</b>	<b>60.9%</b>	<b>59.5%</b>	<b>61.5%</b>	<b>59.9%</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 six months ended December 31, 2018 is calculated as follows:

Six months ended	December 31, 2018
<b>NOI</b>	<b>\$ 26,110</b>
Interest expense on mortgages	3,881
Interest expense and standby fees on credit facility	809
Interest expense on unsecured promissory note	298
Distributions on Class C LP Units - finance costs	3,606
Mortgage repayments	2,206
Unsecured promissory note repayments	105
Distributions on Class C LP Units - principal repayments	2,329
<b>Total debt service</b>	<b>\$ 13,234</b>
<b>Debt Service Coverage ratio</b>	<b>1.97x</b>

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



### Critical Judgments in Applying Accounting Policies

The following are the critical judgments that have been made in applying the REIT's accounting policies:

#### (i) Investment Properties Acquisitions

The REIT has made critical judgments in accounting for the acquisition of the Initial 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.

#### (ii) Income Taxes

The REIT is a mutual fund trust and a real estate investment trust as defined in the Income Tax Act (Canada). The REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. The REIT is a real estate investment trust if it meets the prescribed conditions under the Income Tax Act (Canada) relating to the Real Estate Investment Trust Conditions. The REIT uses judgment in reviewing the Real Estate Investment Trust Conditions and assessing its interpretation and application to the REIT's assets and revenue, and it has determined that it qualifies as a real estate investment trust for the current period.

### 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.

### Risks and Uncertainties

The REIT faces a variety of diverse risks, many of which are inherent in the business conducted by the REIT. They include the following:

#### Real Estate Industry Risk

Real estate investments are generally subject to varying degrees of risk depending on the nature of the property. These risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations (such as new or revised residential tenant legislation), the attractiveness of the properties to tenants, competition from others with available space and the ability of the owner to provide adequate maintenance at an economic cost. The performance of the economy in each of the areas in which the REIT's properties are located, including the financial results and labour decisions of major local employers, can have an impact on revenues from the properties and their underlying values.

Additional factors which may further adversely affect revenues from the REIT's properties and their underlying values include the general economic climate, local conditions in the areas in which properties are located, such as an abundance of supply or a reduction in demand, the attractiveness of the properties, competition from other properties, the REIT's ability to provide adequate facilities maintenance, services and amenities, the ability of residents to pay rent and the ability of the REIT to rent vacant units on favourable terms.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to service these expenses. The REIT's properties are subject to mortgages, which require significant debt service payments. If the REIT were unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale.

Real estate is relatively illiquid. Such illiquidity will tend to limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. In addition, financial difficulties of other property owners resulting in distress sales may depress real estate values in the markets in which the REIT operates.

The majority of the REIT's properties were constructed in the 1960's and 1970's and require ongoing capital expenditures, the amount and timing of which is difficult to predict. These expenditures could exceed the REIT's existing reserve estimates which could have a material adverse effect upon Distributable Income.

The nature of the REIT's business is such that refurbishment and structural repairs are required periodically, in addition to regular on-going maintenance.

## Liquidity Risk

An investment in real estate is relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the REIT's ability to vary its portfolio of properties promptly in response to changing economic, investment or other conditions. If the REIT were to be required to quickly liquidate its real property investments, the proceeds to the REIT might be significantly less than the aggregate carrying or net asset value of its properties. The REIT's exposure to general risks associated with real estate investments is mitigated by its geographic diversification.

## Environmental Risk

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

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

## Increased Supply Risk

Each segment of the real estate business is competitive. Numerous other residential developers and apartment owners compete in seeking tenants. Although the REIT's strategy is to own multi-residential properties in desirable locations in each market in which it operates, some of the properties of the REIT's competitors may be newer, better located or better capitalized. The existence of alternative housing could have a material adverse effect on the REIT's ability to lease space in its properties and on the rents charged or concessions granted, and could adversely affect the REIT's revenues and its ability to meet its obligations.

## Competition for Real Property Investments

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

## Cyber Security Risks

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

## Changes in Legislation

The REIT is subject to laws and regulations governing the ownership and leasing of real property, zoning, building standards, landlord/tenant relationships, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, municipal or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the REIT (including with retroactive effect). Any changes in the laws to which the REIT is subject could materially adversely affect the REIT's rights and title to its assets. It is not possible to predict whether there will be any further changes in the regulatory regimes to which the REIT is subject or the effect of any such changes on its investments.

## Current Economic Environment

The REIT is subject to risks involving the economy in general, including inflation, deflation or stagflation, unemployment and geopolitical issues. Poor economic conditions could adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the REIT to maintain occupancy rates which could harm the REIT's financial condition. In weak economic environments, the REIT's tenants may be unable to meet their rental payments and other obligations due to the REIT, which could have a material and adverse effect on the REIT. In addition, fluctuation in interest rates or other financial market volatility may adversely affect the REIT's ability to refinance existing indebtedness on its maturity or terms that are as favourable as the terms of the existing indebtedness, which may impact negatively on AFFO, may restrict the availability of financing for future prospective purchasers of the REIT's investments and could potentially reduce the value of such investments, or may adversely affect the ability of the REIT to complete acquisitions on financially desirable terms.



## Property Acquisition Risk

The REIT's business plan includes, among other things, growth through identifying suitable acquisition and/or development opportunities, pursuing such opportunities, consummating acquisitions and leasing acquired properties. The acquisition of properties entails general risks associated with any real estate investment, including the risk that the investments will fail to perform in accordance with expectations, that the properties will not achieve anticipated occupancy levels and that estimates of the costs of improvements to bring an acquired property up to standards established for the intended market position for that property may prove inaccurate. If the REIT is unable to make accretive acquisitions or otherwise manage its growth effectively, it could adversely impact the REIT's financial position and financial performance and decrease the amount of cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis and, as such, there can be no assurance that distributions to Unitholders will increase in the future.

## General Litigation Risks

In the ordinary course of the REIT's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the REIT and as a result, could have a material adverse effect on the REIT's assets, liabilities, business, financial condition and financial performance. Even if the REIT prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the REIT's business operations.

## General Uninsured Losses

The REIT carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. The REIT will continue to procure insurance for such risks, subject to certain standard policy limits and deductibles and will continue to carry such insurance if it is economical to do so. There are, however, certain types of risks (generally of a catastrophic nature such as war or environmental contamination), which are either uninsurable or not economically insurable. Should an uninsured or underinsured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, and would continue to be obligated to repay any recourse mortgage indebtedness on such properties. There is a risk that any significant increase in insurance costs will impact negatively upon the profitability of the REIT.

## Rent Control Risk

Rent control exists in some provinces in Canada, limiting the percentage of annual rental increases to existing tenants. The REIT is exposed to the risk of the implementation of, or amendments to, existing legislative rent controls in the markets in which it operates, which may have an adverse impact on the REIT's operations. In the provinces in which the REIT currently operates Ontario has rent controls.

## Utility and Property Tax Risk

Utility and property tax risk relates to the potential loss the REIT may experience as a result of higher resource prices as well as its exposure to significant increases in property taxes. Over the past few years, property taxes have increased as a result of re-valuations of municipal properties and their adherent tax rates. For the REIT, these re-valuations have resulted in significant increases in some property assessments. Utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the REIT cannot pass on to the tenant may have a negative material impact on the REIT.

## Appraisals of Properties

An appraisal is an estimate of market value and caution should be used in evaluating data with respect to appraisals. It is a measure of value based on information gathered in the investigation, appraisal techniques employed and reasoning both quantitative and qualitative, leading to an opinion of value. The analysis, opinions, and conclusions in an appraisal are typically developed based on, and in conformity with, or interpretation of the guidelines and recommendations set forth in the Canadian Uniform Standards of Appraisal Practice. Appraisals are based on various assumptions of future expectations of property performance and while the appraiser's internal forecast of net income for the properties appraised are considered to be reasonable at that time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

## Tax-Related Risks

(i) Mutual Fund Trust Status - The REIT intends to qualify at all relevant times as a "mutual fund trust" for purposes of the Income Tax Act (Canada) (the "Tax Act"). There can be no assurance that Canadian federal income tax laws and the administrative policies and practices of the Canada Revenue Agency ("CRA") respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders.

(ii) The REIT Exception - Canadian tax legislation relating to the federal income taxation of Specified Investment Flow Through trusts or partnerships ("SIFT") provide that certain distributions from a SIFT will not be deductible in computing the SIFT's taxable income and that the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as return of capital should generally not be subject to tax. Under the SIFT rules, the taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Exception"). The REIT Exception is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of that taxation year. The REIT expects to qualify for the REIT Exception in 2018 and subsequent taxation years, such that it will be exempt from the SIFT rules. However, no assurances can be given that the REIT will satisfy the REIT Exception in any particular year. If the SIFT rules apply to the REIT, they may adversely affect the marketability of the Units, the amount of cash available for distributions and the after-tax return to investors.

(iii) Non-Resident Ownership - Under current law, a trust may lose its status under the Tax Act as a mutual fund trust if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act ("Non-Residents"), except in limited circumstances. Accordingly, the DOT provides that Non-Residents may not be the beneficial owners of more than 49% of the Units (determined on a basic or a fully-diluted basis). The Trustees will also have various powers that can be used for the purpose of monitoring and controlling the extent of Non-Resident ownership of the Units.

(iv) Tax-Basis of Acquired Properties - The Partnership has acquired, and may from time to time in the future acquire, certain properties on a fully or partially tax-deferred basis, such that the tax cost of these properties will be less than their fair market value. If one or more of such properties are disposed of, the gain realized by the Partnership for tax purposes (including any income inclusions arising from the recapture of previously claimed capital cost allowance ("CCA") on depreciable property) will be in excess of that which it would have realized if it had acquired the properties at a tax cost equal to their fair market values. For the purpose of claiming CCA, the undepreciated capital cost ("UCC") of such properties acquired by the Partnership will be equal to the amounts jointly elected by the Partnership and the transferor on the tax-deferred acquisition of such property. The UCC of such property will be less than the fair market value of such property. As a result, the CCA that the Partnership may claim in respect of such properties will be less than it would have been if such properties had been acquired with a tax cost basis equal to their fair market values.

(v) Eligibility for Investment - The Tax Act imposes penalties for the acquisition or holding of investments that are not "qualified investments" within the meaning of the Tax Act by registered retirement savings plans, registered education savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans or tax-free savings accounts (collectively, "Exempt Plans"). Although the REIT will endeavour to ensure that the Units continue to be qualified investments for Exempt Plans, any property distributed to a Unitholder on an in specie redemption of Units may not be qualified investments under the Tax Act.

(vi) Non-Residents of Canada - The Tax Act may impose additional withholding or other taxes on distributions made by the REIT to Unitholders who are Non-Residents. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. The tax consequences under the Tax Act to Non-Residents may be more adverse than the consequences to other Unitholders. Non-Resident Unitholders should consult their own tax advisors

(vii) General Taxation - There can be no assurance that Canadian federal or provincial tax laws, the judicial interpretation thereof, or the administrative and assessing practices and policies of the CRA, the Department of Finance (Canada) and any other tax authority or tax policy agency will not be changed in a manner that adversely affects the REIT, its affiliates or Unitholders, or that any such taxing authority will not challenge tax positions adopted by the REIT and its affiliates. Any such change or challenge could increase the amount of tax payable by the REIT or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of such distributions.

## Financial Risk Management

The REIT's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk.

### 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.

#### (i) 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 December 31, 2018, the REIT has a variable rate credit facility of \$150,000 with an outstanding balance of \$35,925. A 1% change in prevailing interest rates would change annualized interest charges incurred by \$359.

(ii) 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-denominated dollars. As such, the REIT has no significant exposure to currency risk.

(iii) 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 \$3,859 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 expected credit losses.

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 with 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.

The REIT has a committed credit facility for general corporate and working capital purposes. The committed credit facility consists of the following:

	<b>December 31, 2018</b>	
Committed	\$	150,000
Available		114,075
Utilized		35,925

An analysis of the contractual cash flows associated with the REIT's material financial liabilities is set out below:

	2019	2020	2021	2022	2023 and thereafter	Total
Mortgages	\$ 5,524	\$ 17,572	\$ 5,427	\$ 91,994	\$ 153,057	\$ 273,574
Credit facility	-	-	35,925	-	-	35,925
	5,524	17,572	41,352	91,994	153,057	309,499
Class C LP Units	5,019	5,178	5,341	5,510	206,673	227,721
Interest obligation	17,049	16,496	15,308	13,457	28,742	91,052
Refundable tenant deposits	6,594	-	-	-	-	6,594
Due to related parties	4,289	-	-	-	-	4,289
Accounts payable and accrued liabilities	9,328	-	-	-	-	9,328
	\$ 47,803	\$ 39,246	\$ 62,001	\$ 110,961	\$ 388,472	\$ 648,483

The contractual cash flows do not include any unamortized mark-to-market adjustments or unamortized deferred financing costs.

## 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. In addition to the related party transactions disclosed elsewhere in this Management's Discussion and Analysis, related party transactions include:

### (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 for the period from July 3, 2018 to June 30, 2019.

As at December 31, 2018, due to related parties includes \$282 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 32 bps of the gross book value of the REIT's assets.

### (b) Unsecured promissory notes

On closing of the IPO, the REIT issued an unsecured 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 and a maturity date of July 1, 2019. On November 23, 2018, the REIT fully repaid the promissory note to MPI.

On July 3, 2018 the REIT fully repaid an 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 \$602 relating to distributions payable to limited partnerships wholly owned by MPI on Class B LP Units and Class C LP Units respectively. Additionally, amounts payable to MPI include \$1,049 to reimburse transaction costs, \$1,643 for working capital and \$282 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 \$229 of revenue from MPI and its affiliates for rent paid for office space, furnished suites and parking at certain REIT properties.
- Compensation expense includes \$296 paid to key management personnel. Additional compensation to key management personnel for services provided to the REIT was paid by MPI.
- Included in finance costs are distributions on Class B LP Units and Class C LP Units of \$4,229 and \$3,606 respectively, paid or payable to limited partnerships wholly-owned by MPI.

#### (e) Distributions

- Distributions of \$2,329 to a limited partnership wholly-owned by MPI were made to repay principal on Class C LP Units.

## 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 consolidated financial statements of the REIT.

The REIT has committed to pay MPI for 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 December 31, 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 an off-balance sheet arrangement at one of its properties in the Calgary area pursuant to which the Province of Alberta 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 this arrangement. The remaining unforgiven balance of the loan is \$4,704 as of December 31, 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 committed to advance up to \$30,000 of financing to support MPI's planned redevelopment of a commercial property located in Ottawa, Ontario into a mixed-use multi-residential rental and retail property. The financing, which is expected to be advanced in July 2019, will bear an interest rate of 6% per annum and will mature in March 2022 and will be subordinate to senior construction financing. The REIT intends to provide the financing through draws on its revolving credit facility. In connection with this financing, the REIT will have the exclusive option to purchase the property upon stabilization at 95% of fair market value.

## 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:

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.

On October 22, 2018, the IASB issued amendments to IFRS 3, *Business Combinations* that seek to clarify whether a transaction results in an asset acquisition or a business combination. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. 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 are not yet effective that would have a material impact on the REIT's consolidated financial statements.

## Disclosure Controls and Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining a system of disclosure controls and procedures ("DC&P") to provide reasonable assurance that all material information relating to the REIT that is required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis and 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 the Chief Financial Officer, have limited the scope of their assessment of the REIT's DC&P 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 consolidated financial statements for the period from April 24, 2018 (date of formation) to December 31, 2018.

The scope limitation is primarily based on the time required to assess the Partnership's existing DC&P and ICFR effectiveness in a manner consistent with the REIT. The assessment of the Partnership's design effectiveness of DC&P 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, "Business Acquisition" and Note 3 in the REIT's consolidated financial statements for the period from April 24, 2018 (date of formation) to December 31, 2018.

Without contradiction of the scope limitation of management's assessment, it is management's belief, after evaluating the effectiveness of the REIT's DC&P as of December 31, 2018, that the REIT's DC&P were effective to ensure that material information relating to the REIT would have been known to them and that information required to be disclosed by the REIT is recorded, processed, summarized, and reported on a timely basis and within the time period specified in securities legislation. Similarly, without contradiction of the scope limitation of management's assessment, after evaluating the effectiveness of the REIT's ICFR as of December 31, 2018, it is management's belief that the REIT's ICFR provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS. There were no significant changes during the period from July 2, 2018 to December 31, 2018 to the design of the REIT's ICFR that has materially affected, or is reasonably likely to materially affect, the REIT's ICFR.

## Subsequent Events

On January 7, 2019, the REIT completed the acquisition of a two-building multi-residential rental property comprising a total of 199 suites, located in Calgary, Alberta for a purchase price of \$63,750. The purchase price was satisfied using the REIT's existing credit facility. In relation to the new acquisition, new mortgage financing for \$44,316 was obtained on March 6, 2019, bearing interest at 3.04% and maturing on September 1, 2029. The mortgage was used to repay the credit facility.

## Section VI - Supplementary Information



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

The REIT did not exist prior to April 24, 2018. The combined carve-out results of the operations of the Initial 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 Initial 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.



## Results of Operations

The following table compares the results of the REIT for the three months and six months ended December 31, 2018 to the results of the Initial Portfolio for the three months and the six months ended December 31, 2017. The REIT was established on April 24, 2018 and commenced operations on July 2, 2018. Results for the period from April 24, 2018 (date of formation) to July 1, 2018 are not included in comparisons as the REIT had no operations for that period.

	Three months ended December 31,			Six months ended December 31,		
	2018	2017	Variance	2018	2017	Variance
Revenue from investment properties	\$ 21,377	\$ 20,035	\$ 1,342	\$ 42,475	\$ 40,413	\$ 2,062
Property operating costs <sup>(1)</sup>	4,253	3,908	(345)	8,257	8,646	389
Property taxes	2,249	2,253	4	4,528	4,464	(64)
Utilities	1,853	1,909	56	3,580	3,677	97
Net operating income	13,022	11,965	1,057	26,110	23,626	2,484
General and administrative expenses	1,212	1,020	(192)	2,267	2,040	(227)
Fair value adjustment to investment properties	(40,048)	5,546	45,594	(40,048)	(70,196)	(30,148)
Fair value adjustment to Class B LP Units	29,829	-	(29,829)	81,713	-	(81,713)
Fair value adjustment to unit based compensation	76	-	(76)	76	-	(76)
Finance costs - operations	5,736	4,332	(1,404)	11,875	8,888	(2,987)
Bargain purchase gain	-	-	-	(79,163)	-	79,163
<b>Net income and comprehensive income</b>	<b>\$ 16,217</b>	<b>\$ 1,067</b>	<b>\$ 15,150</b>	<b>\$ 49,390</b>	<b>\$ 82,894</b>	<b>\$ (33,504)</b>

Includes revenue and expenses from the acquisition of a new investment property. See Section III, "Investment Properties".

<sup>(1)</sup> The figure for three months ended December 31, 2017 has been normalized for the impact of insurance recovery of \$2,082 on a property destroyed by fire.

### Revenue from Investment Properties

	Three months ended December 31,			Six months ended December 31,		
	2018	2017	Variance	2018	2017	Variance
Rental revenue	\$ 20,623	\$ 18,927	\$ 1,696	\$ 41,000	\$ 38,394	\$ 2,606
Other property income	754	1,108	(354)	1,475	2,019	(544)
	<b>\$ 21,377</b>	<b>\$ 20,035</b>	<b>\$ 1,342</b>	<b>\$ 42,475</b>	<b>\$ 40,413</b>	<b>\$ 2,062</b>

Higher rental revenue was driven by higher occupancy and average rents for the three and six months ended December 31, 2018 against the same period in 2017. Strong rental markets in Ottawa and Toronto resulted in higher occupancy. Other property income was lower compared to the three and six months ended December 31, 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	December 31, 2018	December 31, 2017
Number of suites	4,350	4,279
Average monthly rent per suite	\$ 1,402	\$ 1,352
Occupancy	98.76%	97.09%

The average monthly rent per suite increased by \$50 (3.7%) as compared to the same period in 2017.

## Property Operating Costs

Property operating costs were lower in 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 and 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 1.4% compared to the same period in 2017.

## Utilities

	Three months ended December 31,			Six months ended December 31,		
	2018	2017	Variance	2018	2017	Variance
Electricity	\$ 750	\$ 740	\$ (10)	\$ 1,635	\$ 1,669	\$ 34
Water	562	616	54	1,286	1,290	4
Natural gas	541	553	12	659	718	59
	<b>\$ 1,853</b>	<b>\$ 1,909</b>	<b>\$ 56</b>	<b>\$ 3,580</b>	<b>\$ 3,677</b>	<b>\$ 97</b>

Utilities for 2018 amounted to \$3,580, or 8.43% of revenue, compared to \$3,677 or 9.09% of revenue for 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 2018, as compared to the same period in 2017, partially contributing to the favourable variance.

## General and Administrative Expenses

The general and administrative expenses increased by \$227 in 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 2017, the general and administrative expenses represented an allocation of MPI's general and administrative expenses. The increase also resulted from public company expenditures relating to the REIT.

## Fair Value Adjustment to Investment Properties

Refer to Section II, "Review of Financial Performance - Annual 2018" for details on the fair value adjustment to investment properties.

## 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.

## Fair Value Adjustment to Unit-Based Compensation

The REIT has issued Deferred Units to its Trustees and Executives. The liability is remeasured at each reporting date and settlement date. Any changes in the value are recorded in the value of the liability and are recognized through 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 2018 relates to distributions on Class B LP Units issued as part of the IPO.

## Bargain Purchase Gain

Refer to Section II, "Review of Financial Performance - Annual 2018" 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 years ended December 31, 2017, 2016 and 2015 as presented in the Prospectus.

As at	December 31, 2018	December 31, 2017
Balance, beginning of period	\$ -	\$ 983,983
Acquisition of the Initial Portfolio	1,123,000	-
Acquisition of investment property	20,376	-
Capital expenditure additions	14,387	28,755
Fair value adjustments	40,048	64,627
Other	-	(103)
<b>Balance, end of period</b>	<b>\$ 1,197,811</b>	<b>\$ 1,077,262</b>

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

As at	December 31, 2018	December 31, 2017
Residential properties	\$ 1,175,915	\$ 1,068,762
Commercial properties	21,896	8,500
	<b>\$ 1,197,811</b>	<b>\$ 1,077,262</b>

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

As at	December 31, 2018		December 31, 2017	
	Low	High	Low	High
Ottawa, Ontario	4.00%	5.00%	4.50%	5.00%
Toronto, Ontario	3.38%	3.75%	3.66%	4.00%
Edmonton, Alberta	4.25%	4.25%	4.50%	4.75%
Calgary, Alberta	4.15%	4.42%	4.35%	4.35%

# Independent Auditors' Report

To the Unitholders of Minto Apartment Real Estate Investment Trust

## Opinion

We have audited the consolidated financial statements of Minto Apartment Real Estate Investment Trust (the "Entity"), which comprise:

- the consolidated balance sheet as at December 31, 2018;
- the consolidated statement of net income and comprehensive income for the period from April 24, 2018 (date of formation) to December 31, 2018;
- the consolidated statement of changes in unitholders' equity for the period from April 24, 2018 (date of formation) to December 31, 2018;
- the consolidated statement of cash flows for the period from April 24, 2018 (date of formation) to December 31, 2018; and
- notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the period from April 24, 2018 (date of formation) to December 31, 2018 in accordance with International Financial Reporting Standards (IFRS).

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document entitled "2018 Annual Report".

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We have obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the 2018 Annual Report as of the date of the auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Thomas Rothfischer.

Toronto, Canada

March 19, 2019

# Minto Apartment Real Estate Investment Trust

## Consolidated Balance Sheet

(in thousands of Canadian dollars)

As at	Note	December 31, 2018
<b>Assets</b>		
Investment properties	4	\$ 1,197,811
Prepaid expenses and other assets	6	7,233
Resident and other receivables	7	989
Cash		892
		<hr/>
		\$ 1,206,925
<b>Liabilities and Unitholders' Equity</b>		
<b>Liabilities</b>		
Mortgages	8	\$ 275,601
Credit facility	8	35,925
Class B LP Units	9	385,899
Class C LP Units	10	231,037
Due to related parties	11	4,289
Tenant rental deposits		6,594
Accounts payable and accrued liabilities	12	9,328
		<hr/>
		\$ 948,673
<b>Unitholders' equity</b>		
Contingencies and commitments	17	258,252
Subsequent events	22	
		<hr/>
		\$ 1,206,925

See accompanying notes to the consolidated financial statements.

# Minto Apartment Real Estate Investment Trust

## Consolidated Statement of Net Income and Comprehensive Income

For the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars)

	Note	December 31, 2018
Revenue from investment properties	15	\$ 42,475
Property operating expenses		
Property operating costs		8,257
Property taxes		4,528
Utilities		3,580
		16,365
Property operating income		26,110
Other expenses (income)		
General and administrative		2,267
Fair value adjustment to investment properties	4	(40,048)
Fair value adjustment to Class B LP Units	9,16	81,713
Fair value adjustment to unit-based compensation	21	76
Finance costs - operations	16	11,875
Bargain purchase gain	3	(79,163)
		(23,280)
Net income and comprehensive income		\$ 49,390

See accompanying notes to the consolidated financial statements.



# Minto Apartment Real Estate Investment Trust

## Consolidated Statement of Changes in Unitholders' Equity

For the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars)

		Units	Distributions	Retained earnings	Total
Balance, April 24, 2018	\$	-	\$ -	\$ -	\$ -
Units issued, net of issue costs (Note 13)		212,078	-	-	212,078
Net income and comprehensive income		-	-	49,390	49,390
Distributions		-	(3,216)	-	(3,216)
Balance, December 31, 2018	\$	212,078	\$ (3,216)	\$ 49,390	\$ 258,252

See accompanying notes to the consolidated financial statements.

# Minto Apartment Real Estate Investment Trust

## Consolidated Statement of Cash Flows

For the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars)

	Note	December 31, 2018
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net income		\$ 49,390
Adjustments for:		
Finance costs - operations	16	11,875
Fair value adjustment to investment properties	4	(40,048)
Fair value adjustment to Class B LP Units	9,16	81,713
Fair value adjustment to unit-based compensation	21	76
Bargain purchase gain	3	(79,163)
Change in non-cash working capital	20	5,320
Cash provided by operating activities		29,163
<b>Financing activities</b>		
Proceeds from issuance of Units, net of issue costs		212,877
Repayment of acquisition note	3	(183,288)
Net proceeds from mortgage financing	8	26,024
CMHC premiums paid		(1,566)
Financing costs	8	(11)
Principal repayments on mortgages	8	(2,206)
Proceeds from credit facility	8	41,383
Repayments on credit facility	8	(5,458)
Repayment of unsecured promissory notes	11	(54,150)
Redemption of Class B LP Units	9	(28,277)
Distributions on Class B LP Units		(3,516)
Distributions on Class C LP Units, used to repay principal	10	(2,329)
Distributions on Units		(2,674)
Interest paid		(7,492)
Cash used in financing activities		(10,683)
<b>Investing activities</b>		
Cash balance transferred in acquisition of the Initial Portfolio	3	2,100
Acquisition of investment property	5	(7,465)
Capital additions to investment properties		(12,223)
Cash used in investing activities		(17,588)
Change in cash during the period		892
Cash, April 24, 2018		-
Cash, December 31, 2018		\$ 892

See accompanying notes to the consolidated financial statements.

# Minto Apartment Real Estate Investment Trust

## Notes to the Consolidated Financial Statements

For the period from April 24, 2018 (date of formation) to December 31, 2018

*(in thousands of Canadian dollars, except Unit and per Unit amounts)*

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### 1. Description of the entity

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 "Initial Portfolio"), comprising an aggregate of 4,279 suites located in urban centres in Ontario and Alberta. The Initial 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 gross proceeds of \$30,002. The net proceeds of the over-allotment option were used to redeem 2,069,100 Class B LP Units of the Partnership held by a limited partnership wholly-owned by Minto Properties Inc. ("MPI"). Following the closing of the over-allotment option, there are 15,863,100 Units issued and outstanding.

At December 31, 2018, the REIT's portfolio consists of 23 multi-residential rental properties, comprising an aggregate of 4,350 suites.

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.

### 2. Significant accounting policies

#### (a) Basis of presentation and measurement

These consolidated financial statements have been prepared on a historical cost basis, except for investment properties, Class B LP Units and unit-based compensation plans which have been measured at fair value. The consolidated financial statements have been presented in Canadian dollars, which is the REIT's functional currency.

#### (b) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

These consolidated financial statements were approved by the Board of Trustees of the REIT and authorized for issuance on March 19, 2019.

# Minto Apartment Real Estate Investment Trust

## Notes to the Consolidated Financial Statements

For the period from April 24, 2018 (date of formation) to December 31, 2018

*(in thousands of Canadian dollars, except Unit and per Unit amounts)*

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### (c) Basis of consolidation

The consolidated financial statements include the financial statements of the REIT and its subsidiaries, including the Partnership. Subsidiaries are consolidated from the date of acquisition, being the date on which the REIT obtains control, and continue to be consolidated until the date when control is lost. Control exists when the REIT is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The accounting policies of subsidiaries have been modified when necessary to align them with the policies adopted by the REIT. All intra-group balances, transactions and unrealized gains and losses are eliminated in full upon consolidation.

### (d) Business combinations

At the time of acquisition of property, whether through a controlling share investment or directly, the REIT considers whether the acquisition represents the acquisition of a business. The REIT accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired. If no significant processes, or only insignificant processes, are acquired, the acquisition is treated as an asset acquisition rather than a business combination.

The cost of a business combination is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. The REIT recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination.

Subsequent changes in the fair value of contingent consideration arrangements are recognized in the consolidated statement of net income and comprehensive income. The difference between the purchase price and the fair value of the acquired identifiable net assets and liabilities is goodwill. On the date of acquisition, positive goodwill is recorded as an asset. A bargain purchase gain is recognized immediately in the consolidated statement of net income and comprehensive income. The REIT expenses transaction costs associated with business combinations in the period incurred.

When an acquisition does not meet the criteria for business combination accounting treatment, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated upon initial recognition to the assets and liabilities acquired based upon their relative fair values.

Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period", which cannot exceed one year from the acquisition date, about facts and circumstances that existed at the acquisition date. Subsequent changes in fair value of contingent consideration classified as assets or liabilities that do not qualify as measurement period adjustments are recognized as a gain or loss in the consolidated statement of net income and comprehensive income.

# Minto Apartment Real Estate Investment Trust

## Notes to the Consolidated Financial Statements

For the period from April 24, 2018 (date of formation) to December 31, 2018

*(in thousands of Canadian dollars, except Unit and per Unit amounts)*

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### (e) Investment properties

The REIT uses the fair value method to account for real estate classified as investment property. Property that is held for long-term rentals or for capital appreciation or both is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property. Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably. All repairs and maintenance costs are expensed as incurred.

The acquisition of investment properties is initially measured at cost including directly attributable acquisition costs, except when acquired through a business combination, where such costs are expensed as incurred. Directly attributable acquisition costs include professional fees, land transfer taxes and other transaction costs.

After initial recognition, investment properties are carried at fair value, which is determined based on available market evidence at each reporting date. Gains or losses arising from changes in fair value are included in the consolidated statement of net income and comprehensive income during the period in which they arise. When an investment property is disposed of, the gain or loss is determined as the difference between the disposal proceeds, net of selling costs and the carrying amount of the property and is recognized in the consolidated statement of net income and comprehensive income in the period of disposal.

Fair value for residential properties is determined using the direct capitalization approach. Estimated stabilized net operating income is based on the respective property's forecasted results, less estimated aggregate future capital expenditures. Capitalization rates reflect the characteristics, location and market of each property. Fair value is determined based on internal valuation models incorporating market data and valuations performed by external appraisers.

Fair value for commercial properties is determined using the discounted future cash flow approach over a term of ten years plus a terminal value. Capitalization rates reflect the characteristics, location and market of each property. Future cash flows are based on estimated rental revenue from future leases less related estimated future cash outflows. Fair value is determined based on internal valuation models incorporating market data and valuations performed by external appraisers.

### (f) Financial instruments

Financial instruments are generally measured at fair value on initial recognition. The classification and measurement of financial assets consists of the following categories: (i) measured at amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income ("FVTOCI"). Financial assets classified at amortized cost are measured using the effective interest method. Financial assets classified as FVTPL are measured at fair value with gains and losses recognized in the consolidated statement of net income and comprehensive income. Financial assets classified as FVTOCI are measured at fair value with gains or losses recognized through other comprehensive income, except for gains and losses pertaining to impairment or foreign exchange recognized through the consolidated statement of net income and comprehensive income.

# Minto Apartment Real Estate Investment Trust

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The classification and measurement of financial liabilities consists of the following categories: (i) measured at amortized cost and (ii) FVTPL. Financial liabilities classified at amortized cost are measured using the effective interest method. Financial liabilities classified as FVTPL are measured at fair value with changes in fair value attributable to changes in the credit risk of the liability recognized in other comprehensive income, and the remaining amount of change in fair value recognized in the consolidated statement of net income and comprehensive income.

The REIT has made the following classifications for its financial instruments:

Account	Measurement
Restricted cash	Amortized cost
Resident and other receivables	Amortized cost
Cash	Amortized cost
Mortgages	Amortized cost
Credit facility	Amortized cost
Class B LP Units	FVTPL
Class C LP Units	Amortized cost
Due to related parties	Amortized cost
Tenant rental deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

The REIT derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The REIT derecognizes a financial liability when, and only when, the REIT's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statement of net income and comprehensive income.

Transaction costs other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method. These costs include interest, amortization of discounts or premiums relating to borrowings, fees and commissions paid to agents, brokers and advisers and transfer taxes and duties.

### Units

Units are redeemable at the holder's option and therefore are considered to be a puttable instrument in accordance with IAS 32, *Financial Instruments: Presentation* ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case the puttable instruments may be presented as equity. The Units meet the exemption conditions of IAS 32 and are presented as equity.

As a result of the redemption feature of the Units, they meet the definition of a financial liability under IAS 32 and may not be considered as equity for the purposes of calculating net income on a per unit basis in accordance with IAS 33, *Earnings Per Share*. The REIT has therefore elected to not report an earnings per unit calculation, as permitted under IFRS.

# Minto Apartment Real Estate Investment Trust

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Units represent a Unitholder's proportionate undivided beneficial interest in the REIT. No 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 the REIT. Each Unit confers the right to one vote at any meeting of Unitholders and to participate pro rata in any distributions and, on liquidation, to a pro rata share of the residual net assets remaining after preferential claims thereon of debtholders.

Unitholders have the right to redeem their Units at the lesser of (i) 90% of the market price of the Units (market price is defined as the weighted average trading price of the previous 10 trading days) and (ii) 100% of the closing market price (closing market price is defined as the weighted average trading price on the specified date) on the redemption date. The redemption price will be satisfied by cash up to a limit of \$50 for all redemptions in a calendar month.

### *Class B LP Units*

The Class B LP Units of the Partnership are economically equivalent to Units, 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 Class B LP Units for each Class B LP Unit held. The limited IAS 32 exception for presentation as equity does not extend to the Class B LP Units. As a result, the Class B LP Units have been classified as financial liabilities and are measured at FVTPL. The fair value of the Class B LP Units is measured every period by reference to the traded value of the Units, with changes in measurement recorded in the consolidated statement of net income and comprehensive income. Distributions on the Class B LP Units are recorded as a finance cost in the consolidated statement of net income and comprehensive income in the period in which the distributions become payable.

### *Class C LP Units*

The Class C LP Units of the Partnership provide for monthly distributions from the Partnership to the holder of such Class C LP Units to be paid in priority, subject to certain restrictions, to distributions to holders of the Units and Class B LP Units. Due to the nature of such distributions, the Class C LP Units have been classified as financial liabilities and are carried at amortized cost. Distributions on the Class C LP Units consist of principal repayments and interest expense, with principal repayments reducing the outstanding liability and interest expense recorded in finance costs in the consolidated statement of net income and comprehensive income in the period in which the distributions become payable.

### *Impairment*

The REIT has adopted the practical expedient to estimate the expected credit loss ("ECL") on resident and other receivables using a provision matrix based on historical credit loss experience adjusted for current and forecasted future economic conditions. Resident and other receivables are initially measured at fair value and are subsequently measured at amortized cost less a provision for impairment.

# Minto Apartment Real Estate Investment Trust

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### (g) Fair value measurement

The REIT measures financial instruments, such as Class B LP Units, and non-financial assets, such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the REIT.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The REIT uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- (a) Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- (b) Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- (c) Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the REIT determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash, restricted cash, resident and other receivables, due to related parties, tenant rental deposits and accounts payable and accrued liabilities are carried at amortized cost, which, due to their short term nature, approximates fair value. Additionally, the credit facility is carried at amortized cost, which, due to its variable rate, approximates fair value.

The REIT estimates the fair value of its mortgages and Class C LP Units based on the rates that could be obtained for similar debt instruments with similar terms and maturities. Their fair value qualifies as level 2 in the fair value hierarchy above.



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The fair value of Class B LP Units is measured every period by reference to the traded value of Units and is considered Level 2 in the fair value hierarchy.

There were no transfers of assets between fair value levels during the period presented herein.

### (h) Prepaid CMHC premiums

Insurance premiums and fees paid to the Canada Mortgage and Housing Corporation ("CMHC") are presented within prepaid expenses and other assets. They are amortized over the loan amortization period, typically 25 to 40 years, and the amortization expense is included in finance costs in the consolidated statement of net income and comprehensive income.

### (i) Restricted cash

Restricted cash consists of tenant security deposits and a capital asset replacement reserve fund held in trust accounts. The capital asset replacement reserve fund was established as a condition of a forgivable loan provided by the City of Toronto to support affordable housing at a certain Toronto property.

### (j) Cash

Cash includes cash on hand and cash maintained in bank accounts.

### (k) Income taxes

The REIT is a "mutual fund trust" and a "real estate investment trust" as defined in the Income Tax Act (Canada). Under current tax legislation, a "real estate investment trust" is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to Unitholders. The REIT qualifies as a "real estate investment trust" and intends to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes. Accordingly, no net current tax expenses or current or deferred income tax asset or liability has been recorded in the consolidated financial statements.

### (l) Revenue recognition

The REIT retains substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases.

Rental revenue includes base rents earned from tenants under operating lease agreements which is allocated to lease components based on relative stand-alone selling prices. The stand-alone selling prices of the rental component are determined using an adjusted market assessment approach and the stand-alone selling prices of the service components are determined using an expected cost plus a margin approach.

Rental revenue from the rental component is recognized on a straight-line basis over the lease term. When the REIT provides incentives to its tenants, the cost of incentives is recognized over the lease term, on a straight-line basis, as a reduction of revenue.

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Revenue from services represents the service component of the REIT's leases and is accounted for in accordance with IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). These services consist primarily of the recovery of utility, property maintenance and amenity costs where the REIT has determined it is acting as a principal and is recognized over time when the services are provided. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are recorded as contract liabilities.

### (m) Expenses

Operating expenses and general and administrative expenses are recognized in the consolidated statement of net income and comprehensive income in the period in which they are incurred.

### (n) Finance costs

Finance costs are comprised of interest expense on secured debt and unsecured debt, amortization of mark-to-market adjustments, CMHC premiums and financing charges, distributions on Class B LP Units and Class C LP Units, fair value adjustment to Class B LP Units and gain on retirement of debt. Finance costs associated with financial liabilities presented at amortized cost are presented in the consolidated statement of net income and comprehensive income using the effective interest method. Finance costs also includes interest income which is recognized as earned.

### (o) Unit-based compensation

The REIT maintains an Omnibus Equity Incentive Plan (the "Plan") for its Trustees, employees and consultants pursuant to which eligible participants may receive Deferred Units, Performance Units, Restricted Units or other similar types of security based compensation. Awards under these plans may be settled by Units issued from treasury or, if so elected by the participant and subject to the approval of the Board of Trustees, cash payable upon settlement. The grant date fair value of the amount payable is recognized as part of general and administrative expenses over the vesting period, with a corresponding increase in liabilities over the service period related to the award. The grant date fair value is calculated using the market price of the Units on the grant date. Market price is defined as the volume weighted average closing price of the Units on the Toronto Stock Exchange for the five trading days immediately preceding such date. The liability is remeasured at each reporting date and settlement date using the market price of the Units as defined in the Plan as of the date of measurement. Any changes in the value of the liability are recognized as fair value adjustments through the consolidated statement of net income and comprehensive income.

### (p) Critical judgments in applying accounting policies

The following are the critical judgments that have been made in applying the REIT's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

#### *Investment property acquisitions*

The REIT must assess 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, is capable of being conducted and managed as a business and the REIT obtains control of the business.

# Minto Apartment Real Estate Investment Trust

## Notes to the Consolidated Financial Statements

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### *Income taxes*

The REIT is a mutual fund trust and a real estate investment trust as defined in the Income Tax Act (Canada). The REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. The REIT is a real estate investment trust if it meets the prescribed conditions under the Income Tax Act (Canada) relating to the Real Estate Investment Trust Conditions. The REIT uses judgment in reviewing the Real Estate Investment Trust Conditions and assessing its interpretation and application to the REIT's assets and revenue, and it has determined that it qualifies as a real estate investment trust for the current period.

### (q) 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:

#### *Investment properties valuation*

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.

### (r) 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 to these consolidated financial statements.

#### (i) IFRS 16, *Leases* ("IFRS 16")

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, *Leases*, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have also been impacted, including the definition of a lease. Transitional provisions have been provided.

The REIT is in the final stages of evaluation of the impact of this standard on its consolidated financial statements. Based on its assessment to date, the REIT has determined that the standard will not have a material impact on the consolidated financial statements.

The REIT intends to adopt IFRS 16 in its consolidated financial statements beginning on January 1, 2019, when the standard becomes effective.

#### (ii) Definition of a business (Amendments to IFRS 3, *Business Combinations*)

On October 22, 2018, the IASB issued amendments to IFRS 3, *Business Combinations* that seek to clarify whether a transaction results in an asset acquisition or a business combination. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

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The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

The REIT intends to adopt the amendments in its consolidated financial statements beginning on January 1, 2020, when the standard becomes effective.

### 3. Business combination

On July 2, 2018, the REIT completed the indirect acquisition of the Initial Portfolio from MPI. The acquisition of the Initial Portfolio was accounted for as a business combination using the purchase method of accounting, with the allocation to the fair value of identifiable net assets acquired as follows:

		July 2, 2018
Investment properties	\$	1,123,000
Prepaid expenses and other assets		4,677
Resident and other receivables		87
Cash		2,100
Mortgages, including mark-to-market adjustment of \$2,742		(239,754)
Due to related parties		(1,049)
Tenant rental deposits		(5,234)
Accounts payable and accrued liabilities		(1,067)
		882,760
Excess fair value of net assets acquired over consideration paid - bargain purchase gain		(79,163)
Total consideration for acquisition	\$	803,597
<i>Consideration given by the REIT consists of the following:</i>		
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)
Total consideration for acquisition	\$	(803,597)

The unsecured promissory note of \$28,458 and the acquisition note of \$183,288 were paid on July 3, 2018.

The unsecured promissory note of \$25,780 was repaid on November 23, 2018.

# Minto Apartment Real Estate Investment Trust

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### 4. Investment properties

	December 31, 2018	
Balance, April 24, 2018	\$	-
Additions		
Acquisition of the Initial Portfolio		1,123,000
Acquisition of investment property (Note 5)		20,376
Capital expenditures		14,387
Fair value adjustments		40,048
Balance, December 31, 2018	\$	1,197,811

The following is a breakdown of the REIT's investment properties by type:

	December 31, 2018	
Residential properties	\$	1,175,915
Commercial properties		21,896
	\$	1,197,811

The fair value methodology for the REIT's investment properties is considered level 3, as significant unobservable inputs are required to determine fair value. The fair value of investment properties is based on internal valuations and as at December 31, 2018, the entire portfolio was internally valued. The REIT's internal valuation team consists of qualified individuals who hold recognized relevant professional qualifications and have recent experience in the location and category of the respective properties.

The REIT also engaged leading independent national real estate appraisal firms with representation and expertise across Canada, and specifically in the markets in which the REIT operates, to provide appraisals for the entire portfolio at December 31, 2018. These external appraisals were used by management to assist in the validation of the market assumptions and market data used as part of its internal valuation methodology. On a go-forward basis, the REIT intends to rotate its properties annually to ensure that every property is externally appraised at least once every three years.

The table below summarizes the key unobservable inputs:

	Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Residential properties	Direct capitalization approach	Capitalization rates	There is an inverse relationship between the capitalization rates and the fair value; in other words, the higher the capitalization rates, the lower the estimated fair value.
Commercial properties	Discounted future cash flow approach	Discount and terminal capitalization rates	There is an inverse relationship between the discount and capitalization rates and the fair value; in other words, the higher the discount and/or capitalization rate, the lower the estimated fair value.

# Minto Apartment Real Estate Investment Trust

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The following table summarizes the key valuation metrics of the REIT's residential properties:

	December 31, 2018		
	Min	Max	Weighted Average
Capitalization rate	3.38%	5.00%	4.20%

The following table summarizes the key valuation metrics of the REIT's commercial properties:

	December 31, 2018		
	Min	Max	Weighted Average
Discount rate	5.75%	6.75%	6.07%
Terminal capitalization rate	5.25%	6.25%	5.54%
Number of discount years			11.00

The table below summarizes the sensitivity of the fair value of investment properties to changes in the capitalization and discount rates as at December 31, 2018:

Rate sensitivity	Capitalization rate only		Discount and capitalization rates	
	Residential fair value	Change in fair value	Commercial fair value	Change in fair value
+ 75 basis points	\$ 989,758	\$ (186,157)	\$ 18,738	\$ (3,158)
+ 50 basis points	1,045,000	(130,915)	19,703	(2,193)
+ 25 basis points	1,106,651	(69,264)	20,755	(1,141)
Base rate	1,175,915	-	21,896	-
- 25 basis points	1,254,324	78,409	23,166	1,270
- 50 basis points	1,343,864	167,949	24,558	2,662
- 75 basis points	1,447,155	271,240	26,099	4,203

## 5. Acquisition of investment property

The REIT completed the following investment property acquisition, which was accounted for as an asset acquisition, and has contributed to the operating results effective from the acquisition date:

Location	Date of acquisition	Suite count	Total acquisition cost	Assumed mortgage financing	Interest rate and maturity
Calgary, AB	December 18, 2018	70	\$ 20,376	\$ 12,744	3.59% - June 1, 2020

Cash used in acquisition of investment property is as follows:

	December 31, 2018	
Total acquisition cost	\$	(20,376)
Assumed mortgage financing		12,744
Working capital assumed		167
Cash consideration	\$	(7,465)

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### 6. Prepaid expenses and other assets

	December 31, 2018	
Prepaid expenses	\$	1,145
Prepaid CMHC premiums		1,618
Restricted cash		792
Deposits		3,678
	\$	7,233
Current	\$	5,408
Non-current		1,825
	\$	7,233

### 7. Resident and other receivables

	December 31, 2018	
<b>Current</b>		
Resident receivables	\$	478
Other receivables		589
Less: Allowance for credit losses		(78)
	\$	989

There is no significant concentration of credit risk with respect to trade receivables as the REIT has a large number of tenants.

### 8. Secured debt

	December 31, 2018	
Mortgages <sup>(1)</sup>	\$	273,574
Unamortized mark-to-market adjustment		2,038
Unamortized deferred financing costs		(11)
Total mortgages		275,601
Credit facility <sup>(2)</sup>		35,925
	\$	311,526
Current		5,822
Non-current		305,704
	\$	311,526

<sup>(1)</sup> Mortgages are secured by investment properties, bear interest at a weighted average contractual interest rate of 3.20% and mature at various dates from 2020 through 2030.

<sup>(2)</sup> The REIT has a committed credit facility of \$150,000 that is secured by several investment properties, matures on July 3, 2021 and will be used to fund working capital requirements, acquisitions and for general corporate purposes. At December 31, 2018, \$114,075 of this facility was available in accordance with its terms and conditions and \$35,925 was utilized. The credit facility bears interest at bankers' acceptance plus 1.75% or prime plus 0.75% and as at December 31, 2018, the weighted average variable interest rate was 3.94%.

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## Notes to the Consolidated Financial Statements

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Secured debt balances at December 31, 2018, excluding unamortized mark-to-market adjustments and unamortized deferred financing costs, are due as follows:

2019	\$	5,524
2020		17,572
2021		41,352
2022		91,994
2023 and thereafter		153,057

Secured debt activity for the period from April 24, 2018 (date of formation) to December 31, 2018 is as follows:

	Mortgages	Unamortized mark-to- market adjustment	Unamortized deferred financing costs	Credit facility	Total
Balance, April 24, 2018	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Cash flows</i>					
Issued <sup>(3)</sup>	26,024	-	(11)	41,383	67,396
Repayments	(2,206)	-	-	(5,458)	(7,664)
	23,818	-	(11)	35,925	59,732
<i>Non-cash movement</i>					
Assumed upon business combination	237,012	2,742	-	-	239,754
Assumed on asset acquisition	12,744	-	-	-	12,744
Gain on retirement of mortgage	-	(519)	-	-	(519)
Amortization of mark-to-market adjustment	-	(185)	-	-	(185)
	249,756	2,038	-	-	251,794
Balance, December 31, 2018	\$ 273,574	\$ 2,038	\$ (11)	\$ 35,925	\$ 311,526

<sup>(3)</sup> On November 23, 2018, the REIT obtained new mortgage financing associated with two of its Toronto buildings in the amount of \$49,831; it bears interest at 3.25% and matures in December 2022. The financing was used to repay an existing mortgage of \$23,807 associated with these buildings and the outstanding balance of an unsecured promissory note of \$25,587 due to MPI.

As at December 31, 2018, the REIT was in compliance with all financial covenants relating to its debt obligations.

Fair value for mortgages is calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at December 31, 2018, the current market rates plus risk-adjusted spreads ranged from 2.81% to 3.38% and the fair value of the mortgages was \$276,954 and is considered level 2 within the fair value hierarchy. The value of the credit facility approximates its fair value and is considered level 2 within the fair value hierarchy.



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### 9. Class B LP Units

On July 3, 2018, 22,928,510 Class B LP Units were issued and outstanding with a fair value of \$332,463. On July 10, 2018, pursuant to the over-allotment option granted to the underwriters in connection with the IPO, the REIT issued 2,069,100 additional Units for net proceeds of \$28,277. The net proceeds received were used to redeem 2,069,100 Class B LP Units.

The following table presents the change in and outstanding amount of Class B LP Units for the period from April 24, 2018 (date of formation) to December 31, 2018.

	Units	\$
Class B LP Units, April 24, 2018	-	\$ -
<i>Cash flows</i>		
Class B LP Units redeemed	(2,069,100)	(28,277)
<i>Non-cash movement</i>		
Class B LP Units issued	22,928,510	332,463
Fair value adjustments	-	81,713
	22,928,510	414,176
Class B LP Units, December 31, 2018	20,859,410	\$ 385,899

Distributions of \$4,229 to Class B LP unitholders were declared during the period from April 24, 2018 (date of formation) to December 31, 2018.

### 10. Class C LP Units

The following table presents the change in and outstanding amount of Class C LP Units for the period from April 24, 2018 (date of formation) to December 31, 2018.

	Units	\$
Class C LP Units, April 24, 2018	-	\$ -
<i>Cash flows</i>		
Distributions used to repay principal	-	(2,329)
<i>Non-cash movements</i>		
Class C LP Units issued	22,978,700	230,050
	22,978,700	227,721
Unamortized mark-to-market adjustment	-	3,316
Class C LP Units, December 31, 2018	22,978,700	\$ 231,037
Current		5,499
Non-current		225,538
		\$ 231,037

The REIT made distributions of \$3,606 to Class C LP unitholders that were accounted for as finance costs during the period from April 24, 2018 (date of formation) to December 31, 2018.

# Minto Apartment Real Estate Investment Trust

## Notes to the Consolidated Financial Statements

For the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

The mortgages of investment properties to which the distributions on the Class C LP Units relate bear a weighted average contractual interest rate of 3.16% and mature at various dates between 2023 and 2030.

Distributions on Class C LP Units as at December 31, 2018, excluding unamortized mark-to-market adjustments, are due as follows:

2019	5,019
2020	5,178
2021	5,341
2022	5,510
2023 and thereafter	206,673

Fair value for the Class C LP Units is calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at December 31, 2018, the current market rates plus risk-adjusted spreads ranged from 2.81% to 3.64% and the fair value of the Class C LP Units was \$230,210 and is considered level 2 within the fair value hierarchy.

### 11. 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. In addition to the related party transactions disclosed elsewhere in these consolidated financial statements, related party transactions include:

#### (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 for the period from July 3, 2018 to June 30, 2019.

As at December 31, 2018, due to related parties includes \$282 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 32 bps of the gross book value of the REIT's assets.

#### (b) Unsecured promissory notes

On closing of the IPO, the REIT issued an unsecured 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 and a maturity date of July 1, 2019. On November 23, 2018, the REIT fully repaid the promissory note to MPI.

On July 3, 2018 the REIT fully repaid an 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 \$602 relating to distributions payable to limited partnerships wholly owned by MPI on Class B LP Units and Class C LP Units respectively. Additionally, amounts payable to MPI include \$1,049 to reimburse transaction costs, \$1,643 for working capital and \$282 in connection with the ASA.

# Minto Apartment Real Estate Investment Trust

## Notes to the Consolidated Financial Statements

For the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

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 \$229 of revenue from MPI and its affiliates for rent paid for office space, furnished suites and parking at certain REIT properties.
- Compensation expense includes \$296 paid to key management personnel. Additional compensation to key management personnel for services provided to the REIT was paid by MPI.
- Included in finance costs are distributions on Class B LP Units and Class C LP Units of \$4,229 and \$3,606 respectively, paid or payable to limited partnerships wholly-owned by MPI.

### (e) Distributions

- Distributions of \$2,329 to a limited partnership wholly-owned by MPI were made to repay principal on Class C LP Units.

## 12. Accounts payable and accrued liabilities

	December 31, 2018	
<b>Current</b>		
Accounts payable	\$	4,843
Accrued liabilities		3,943
Distributions payable		542
	\$	9,328

## 13. Units

The following table presents the change in and outstanding amount of Units for the period from April 24, 2018 (date of formation) to December 31, 2018.

	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)
Units, December 31, 2018	15,863,100	\$ 212,078

Distributions of \$3,216 to Unitholders were declared during the period from April 24, 2018 (date of formation) to December 31, 2018. This represents monthly distributions of \$0.03196 per Unit for July 2018 and \$0.03416 per Unit for August 2018 to December 2018.

# Minto Apartment Real Estate Investment Trust

## Notes to the Consolidated Financial Statements

For the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

### 14. Segment reporting

The REIT owns, manages and operates multi-residential rental properties located in Canada, including three mixed-use residential apartment and commercial buildings. Management, when measuring the REIT's performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the REIT has a single reportable segment for disclosure purposes in accordance with IFRS.

### 15. Revenue from investment properties

The components of revenue from investment properties are as follows:

<b>For the period from April 24, 2018 (date of formation) to</b>		<b>December 31, 2018</b>
Rental revenue	\$	34,072
Revenue from services		8,403
	\$	42,475

The REIT's main revenue streams and the nature and effects of initially applying IFRS 15 on the REIT's consolidated financial statements are disclosed in Note 2.

### 16. Finance costs

Finance costs are comprised of the following:

<b>For the period from April 24, 2018 (date of formation) to</b>		<b>December 31, 2018</b>
Interest income	\$	(8)
Interest expense on mortgages		3,881
Interest expense and standby fees on credit facility		809
Interest expense on unsecured debt		298
Amortization of financing charges		92
Amortization of CMHC premiums		4
Amortization of mark-to-market adjustments		(463)
Gain on retirement of debt		(573)
Interest expense and other financing charges		4,040
Distributions on Class B LP Units		4,229
Distributions on Class C LP Units		3,606
Finance costs - operations	\$	11,875
Fair value adjustment to Class B LP Units		81,713
Finance costs	\$	93,588

# Minto Apartment Real Estate Investment Trust

## Notes to the Consolidated Financial Statements

For the period from April 24, 2018 (date of formation) to December 31, 2018

*(in thousands of Canadian dollars, except Unit and per Unit amounts)*

### 17. 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 consolidated financial statements of the REIT.

The REIT has committed to pay MPI for 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 December 31, 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 an off-balance sheet arrangement at one of its properties in the Calgary area pursuant to which the Province of Alberta 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 this arrangement. The remaining unforgiven balance of the loan is \$4,704 as of December 31, 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 committed to advance up to \$30,000 of financing to support MPI's planned redevelopment of a commercial property located in Ottawa, Ontario into a mixed-use multi-residential rental and retail property. The financing, which is expected to be advanced in July 2019, will bear an interest rate of 6% per annum and will mature in March 2022 and will be subordinate to senior construction financing. The REIT intends to provide the financing through draws on its revolving credit facility. In connection with this financing, the REIT will have the exclusive option to purchase the property upon stabilization at 95% of fair market value.

### 18. Risk management

The REIT's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk.

#### 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.

#### (i) 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.

# Minto Apartment Real Estate Investment Trust

## Notes to the Consolidated Financial Statements

For the period from April 24, 2018 (date of formation) to December 31, 2018

*(in thousands of Canadian dollars, except Unit and per Unit amounts)*

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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 December 31, 2018, the REIT has a variable rate credit facility of \$150,000 with an outstanding balance of \$35,925. A 1% change in prevailing interest rates would change annualized interest charges incurred by \$359.

### (ii) 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-denominated dollars. As such, the REIT has no significant exposure to currency risk.

### (iii) 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 \$3,859 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 expected credit losses.

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 with 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.

As at December 31, 2018, current liabilities were \$31,532, exceeding current assets of \$7,289, resulting in a working capital deficiency of \$24,243. The REIT expects to be able to meet all of its obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash flow generated from property operations, (ii) property-specific mortgages, and (iii) credit facility, under which \$114,075 was available and undrawn at December 31, 2018. In addition, subject to market conditions, the REIT may seek to raise funding through equity financing.

# Minto Apartment Real Estate Investment Trust

## Notes to the Consolidated Financial Statements

For the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

The REIT has a committed credit facility for general corporate and working capital purposes. The committed credit facility consists of the following:

	<b>December 31, 2018</b>
Committed	\$ 150,000
Available	114,075
Utilized	35,925

An analysis of the contractual cash flows associated with the REIT's material financial liabilities is set out below:

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023 and thereafter</b>	<b>Total</b>
Mortgages	\$ 5,524	\$ 17,572	\$ 5,427	\$ 91,994	\$ 153,057	\$ 273,574
Credit facility	-	-	35,925	-	-	35,925
	5,524	17,572	41,352	91,994	153,057	309,499
Class C LP Units	5,019	5,178	5,341	5,510	206,673	227,721
Interest obligation	17,049	16,496	15,308	13,457	28,742	91,052
Due to related parties	4,289	-	-	-	-	4,289
Refundable tenant deposits	6,594	-	-	-	-	6,594
Accounts payable and accrued liabilities	9,328	-	-	-	-	9,328
	\$ 47,803	\$ 39,246	\$ 62,001	\$ 110,961	\$ 388,472	\$ 648,483

The contractual cash flows do not include any unamortized mark-to-market adjustments or unamortized deferred financing costs.

## 19. Capital risk management

The REIT's capital consists of mortgages, a credit facility, Class B LP Units, Class C LP Units and Unitholders' equity. The REIT invests its capital to achieve its business objectives and to generate an acceptable long-term return to the REIT's Unitholders. Primary uses of capital include property acquisitions, development activities, capital improvements, funding leasing costs and debt principal repayments.

The REIT's principal objective with respect to debt financing is to minimize its overall borrowing costs while maintaining balance in its maturity schedule, diversity in its lender base and have sufficient liquidity and flexibility to meet current obligations and to pursue new projects. The REIT is subject to certain financial covenants and is in compliance with these covenants.

The actual level and type of future financings to fund the REIT's capital obligations will be determined based on prevailing interest rates, various costs of debt and/or equity capital, capital market conditions and management's general view of the appropriate leverage in the business.

# Minto Apartment Real Estate Investment Trust

## Notes to the Consolidated Financial Statements

For the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

The components of the REIT's capital as at December 31, 2018 are set out in the table below:

	<b>December 31, 2018</b>
Liabilities (principal amounts outstanding)	
Mortgages	\$ 273,574
Credit facility	35,925
Class B LP Units	385,899
Class C LP Units	227,721
	923,119
Unitholders' equity	258,252
	\$ 1,181,371

### 20. Supplemental cash flow disclosures

Change in non-cash working capital comprises the following:

<b>For the period from April 24, 2018 (date of formation) to</b>	<b>December 31, 2018</b>
Prepaid expenses and other assets	\$ (462)
Resident and other receivables	(902)
Due to related parties	1,241
Tenant rental deposits	1,270
Accounts payable and accrued liabilities	4,173
	\$ 5,320

### 21. Unit-based compensation

In connection with the IPO, the Board of Trustees adopted the Plan. Under the terms of the Plan, the Board of Trustees may from time to time, at its discretion, grant Trustees, employees and consultants Restricted Units, Performance Units, Deferred Units or other awards. The purpose of the Plan is to provide eligible participants with compensation opportunities that will encourage ownership of Units, enhance the REIT's ability to attract, retain and motivate executive officers and other key management and incentivize them to increase the long term growth and equity value of the REIT in alignment with the interests of Unitholders.

#### Executives

Upon closing of the IPO, the REIT granted Deferred Units to its executive officers pursuant to the Plan. Deferred Units granted on closing, generally vest on the second, third or fourth anniversaries of the grant date and will be settled by Units issued from treasury equivalent to the number of Deferred Units credited, including any distributions paid by the REIT on the Units that have accrued in the form of Deferred Units or, if so elected by the participant and subject to the approval of the Board of Trustees, cash payable upon the participant's separation from service with the REIT.



# Minto Apartment Real Estate Investment Trust

## Notes to the Consolidated Financial Statements

For the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

A summary of the Deferred Units granted and the value of unit-based compensation expense recorded during the period and as at December 31, 2018 is presented below.

	Units	\$
Deferred Units, April 24, 2018	-	\$ -
Granted	48,742	139
Fair value adjustments	-	37
Deferred Units, December 31, 2018	48,742	\$ 176

### Trustees

Trustees have the option to elect to receive up to 100% of all fees that are otherwise payable in cash (i.e. annual board retainer fee, meeting fees and additional retainers) in the form of Deferred Units. The REIT, on recommendation from the Compensation, Governance and Nominating Committee, determined that the REIT will match up to 50% of the total value of the annual board retainer fee that a Trustee elects to receive in the form of Deferred Units. Deferred Units granted in respect of a participant's election to receive Deferred Units in lieu of cash compensation will vest immediately upon grant. Deferred Units granted further to any match by the REIT will generally vest immediately. The Board of Trustees has the discretion to vary the manner in which the Deferred Units vest for any participant.

	Units	\$
Deferred Units, April 24, 2018	-	\$ -
Granted and vested	18,652	306
Fair value adjustments	-	39
Deferred Units, December 31, 2018	18,652	\$ 345

## 22. Subsequent events

On January 7, 2019, the REIT completed the acquisition of a two-building multi-residential rental property comprising a total of 199 suites, located in Calgary, Alberta for a purchase price of \$63,750. The purchase price was satisfied using the REIT's existing credit facility. In relation to the new acquisition, new mortgage financing for \$44,316 was obtained on March 6, 2019, bearing interest at 3.04% and maturing on September 1, 2029. The mortgage was used to repay the credit facility.

## 23. Operating leases

The REIT has entered into lease agreements on its investment properties. The residential leases typically have lease terms of 1 to 12 months. The commercial leases have lease terms between 1 to 9 years. There were no residents that accounted for more than 10% of the REIT's total rental revenue for the period from April 24, 2018 (date of formation) to December 31, 2018. At December 31, 2018, the total future contractual minimum rent lease payments expected to be received under residential and commercial leases are as follows:

	December 31, 2018
Less than 1 year	\$ 17,714
Between 1 to 5 years	3,559
5 years and thereafter	109
	\$ 21,382

# Minto Apartment Real Estate Investment Trust

## Notes to the Consolidated Financial Statements

For the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

### 24. Supplementary information

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

The following figures have been obtained on a carve-out basis from the financial statements of MPI and present the financial performance of the Initial Portfolio as if these properties had been accounted for on a stand-alone basis with estimates, where necessary, for certain allocations. The basis used is consistent with the presentation of the Annual Carve-out Financial Statements for the years ended December 31, 2017, 2016 and 2015 presented in the IPO prospectus.

At December 31, 2017, the Initial Portfolio consisted of 22 multi-residential rental properties, comprising an aggregate 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 the 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.

		<b>December 31, 2017</b>
Investment properties	\$	1,077,262

		<b>Six months ended December 31, 2017</b>
Revenue from investment properties	\$	40,413
Property operating costs		8,646
Other operating expenses		8,141
General and administrative expenses		2,040

# Property Portfolio

Property	Address	City	Total Suites	Year Built	Avg. Suite Size (Sq.Ft) <sup>(1)</sup>	Asset Type	
<b>Ontario</b>							
1	Richgrove	7 & 21 Richgrove Drive	Toronto	258	1969	968	HR
2	Martin Grove	620 Martin Grove Drive	Toronto	237	2011	592	HR
3	Minto Yorkville	61 Yorkville Avenue	Toronto	181	2004	950	HR
4	Roehampton	150 Roehampton Avenue	Toronto	148	2007	634	HR
5	Minto one80five	185 Lyon Street North	Ottawa	417	1988	695	HR
6	Parkwood Hills Garden Homes & Townhomes	Various Meadowlands, Chesterton, Bowhill, Deer Park, Forest Park, Fisher	Ottawa	393	1968 <sup>(2)</sup>	1,201	LR
7	Aventura	18 & 20 Deerfield Drive	Ottawa	354	1983	682	HR
8	Huron	1339 Meadowlands Drive East	Ottawa	251	1971	772	HR
9	Seneca	1343 Meadowlands Drive East	Ottawa	251	1972	772	HR
10	Castleview	1755 Riverside Drive	Ottawa	241	1973	712	HR
11	Skyline Garden Homes, Maisonettes & Walkups	24-58 Northview Road and Various Eleanor Drive	Ottawa	227	1972 <sup>(2)</sup>	925	LR
12	The Carlisle	221 Lyon Street North and 440 Laurier	Ottawa	191	1985	1,134	HR
13	Castle Hill	1000 Castle Hill Crescent	Ottawa	176	1971	775	HR
14	Grenadier	1129 Meadowlands Drive East	Ottawa	158	1963	690	HR
15	Tanglewood	1-27 & 12-26 Woodfield Drive	Ottawa	122	1975	957	LR
16	Eleanor	30 Eleanor Drive	Ottawa	117	1973	734	HR
17	Frontenac	1192 Meadowlands Drive East	Ottawa	104	1962	604	HR
18	Stratford	1186 Meadowlands Drive East	Ottawa	59	1962	658	MR
<b>Ontario Total</b>			<b>3,885</b>				
<b>Alberta</b>							
19	The Lancaster House	10025 115 Street NW	Edmonton	98	1968	730	HR
20	York House	10030 114 Street NW	Edmonton	92	1968	764	HR
21	Hi-Level Place	11005 98 Avenue NW	Edmonton	61	1959	727	HR
22	Laurier	100 & 200 Quarry Villas SE	Calgary	144	2012	790	MR
23	Kaleidoscope	2505 24 Street NW	Calgary	70	2013	543	MR
<b>Alberta Total</b>			<b>465</b>				
<b>Portfolio Total</b>			<b>4,350</b>				

(1) Excludes furnished suites and commercial area.

(2) Represents the weighted average year of construction.

#### ASSET TYPE KEY

HR = High-Rise

MR = Mid-Rise

LR = Low-Rise





# Unitholder Information

## Board of Trustees

### Michael Waters

CEO of Minto Apartment REIT and of The Minto Group

### Roger Greenberg

Chairman of Minto Apartment REIT, The Minto Group and Ottawa Sports and Entertainment Group

### Allan Kimberley<sup>(1,3)</sup>

Lead Trustee, Director of Orlando Corporation and of Partners REIT

### Philip Orsino

President and CEO of Brightwaters Strategic Solutions Inc. and Director of Bank of Montreal

### Simon Nyilassy<sup>(1,2,3)</sup>

Chair of the Audit Committee, CEO of Marigold & Associates Inc., President, CEO and Director of CHC Student Housing Corp.

### Jacqueline Moss<sup>(2,3)</sup>

Chair of the Compensation, Governance and Nominating Committee, Corporate Director

### Heather Kirk<sup>(1,2,3)</sup>

Executive Vice President and Chief Financial Officer of Cominar REIT

## Officers

### Michael Waters

Chief Executive Officer

### Rob Pike

President and Chief Operating Officer

### Julie Morin

Chief Financial Officer

### Jaime McKenna

Chief Investment Officer

### George Van Noten

Senior Vice President, Operations

### John Moss

General Counsel and Corporate Secretary

### Paul Baron

Vice President, Asset Management

### Martin Tovey

Vice President, Investments

### Head Office

**Minto Apartment REIT**  
180 Kent Street, Suite 200  
Ottawa, Ontario K1P 0B6  
T: 613-230-7051

### Investor Information

[www.mintoapartments.com](http://www.mintoapartments.com)  
[info@mintoapartmentreit.com](mailto:info@mintoapartmentreit.com)  
T: 613-230-7051

### Auditor

**KPMG LLP**

### Legal Counsel

**Goodmans LLP**

### Transfer Agent

**AST Trust Company (Canada)**  
1 Toronto Street, Suite 1200  
Toronto, Ontario M5V 2V6

### Unit Listing

TSX: MI.UN

### Unit Distributions

July 2018  
\$0.03196 per Unit

August 2018 – December 2018  
\$0.03416 per Unit

### Annual Meeting

The Annual General Meeting of Unitholders will be held on Thursday, May 23, 2019 at 11 am at 150 Elgin Street, Suite 1800, Ottawa, Ontario K2P 2P8.

(1) Member of the Audit Committee

(2) Member of the Compensation, Governance and Nominating Committee

(3) Independent

## Acquisition of The Quarters



Subsequent to year-end, on January 7, 2019, Minto Apartment REIT acquired The Quarters for \$63.8 million. The Quarters is a two building, 199 suite residential rental property located in Calgary's Quarry Park, which is home to thriving retail amenities and numerous corporate campuses. The Quarters is in close proximity to another Minto Apartment REIT property, The Laurier, which will result in operating efficiencies. With this transaction, Minto Apartment REIT became the sole purpose-built multi-residential landlord in the Quarry Park corporate campus.



## Acquisition of Kaleidoscope



On December 18, 2018, Minto Apartment REIT acquired Kaleidoscope for \$20.4 million. Kaleidoscope is a 70 suite residential rental property in Calgary. Kaleidoscope has a strong urban location in close proximity to the University of Calgary, the Banff Trail LRT station and the Alberta Children's Hospital.



## Fifth + Bank Financing and Purchase Option



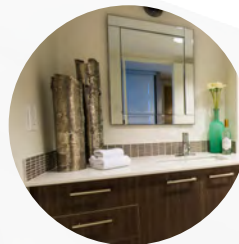
Minto Apartment REIT has agreed to provide up to \$30 million in mortgage financing to assist in funding the redevelopment of an existing commercial building in Ottawa into a mixed-use property with approximately 160 new residential rentals. Minto Apartment REIT has the option to purchase the property at a discount to fair market value upon completion. The property is located in the heart of the Glebe, one of Ottawa's most desirable neighbourhoods.



## Repositioning Program



Minto Apartment REIT continually monitors local market demand and competing product offerings to determine an appropriate strategy for each of our properties. In certain locations there are opportunities to renovate and strategically reposition suites. Improvements to suites and common areas in these properties generate strong growth in rental revenues and produce accretive financial returns on invested capital.





# Canada's Leading Urban Residential REIT



**minto**  
Apartment REIT