



# Management's Discussion and Analysis

For the three months ended March 31, 2019

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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 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. At March 31, 2019, the REIT's portfolio consists of 24 multi-residential rental properties, comprising an aggregate of 4,552 suites, referred to herein as the "Total Portfolio".

### 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 Minto Properties Inc. ("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 May 7, 2019, the REIT was in compliance with its investment guidelines and operating policies.

## Basis of Presentation

The following Management's Discussion and Analysis of the REIT's results of operations and financial condition should be read in conjunction with the REIT's unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2019, prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"), the REIT's audited consolidated financial statements and accompanying notes for the period from April 24, 2018 (date of formation) to December 31, 2018 and the REIT's final initial public offering prospectus dated June 22, 2018 (the "Prospectus").

The analysis provides comparison to the REIT's financial forecast for the three months ended March 31, 2019 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 May 7, 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 and the REIT's prospectus supplement dated April 15, 2019. 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 unaudited condensed consolidated interim financial statements in conformity with International Financial Reporting Standards ("IFRS") requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the unaudited condensed consolidated interim financial statements and accompanying note disclosures. Although these estimates are based on Management's knowledge of current events and actions the REIT may undertake in the future, actual results may differ from the estimates.

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

## Non-IFRS Measures

This 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"), net operating income ("NOI"), earnings before interest, taxes, depreciation and amortization ("EBITDA"), debt-to-Gross Book Value ratio and debt-to-EBITDA ratio, 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 2019, 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.

Additionally, this Management's Discussion and Analysis contains several other real estate industry metrics that could be considered non-IFRS financial measures:

- EBITDA is calculated by the REIT as NOI less general and administrative expenses.
- "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 total assets.
- "Debt-to-EBITDA Ratio" is calculated by dividing interest-bearing debt (net of cash) by annualized EBITDA.
- "Debt Service Coverage Ratio" is the ratio of NOI to total debt service consisting of interest expense recorded as finance costs and principal payments on mortgages, credit facility and distributions on Class C LP Units.

## 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. On January 7, 2019, the REIT acquired The Quarters, a two-building multi-residential rental property comprising a total of 199 suites located in Calgary. The purchase price of \$63,954 was financed using the REIT's credit facility. On March 6, 2019, mortgage financing of \$44,316 was obtained relating to the acquisition, bearing interest at 3.04% and maturing on September 1, 2029.

In our continued effort to create value, three additional suites were created from excess common area space at a property in Edmonton during the quarter.

Subsequent to quarter end, the REIT acquired a 50% ownership interest in Rockhill, a six-building multi-residential rental property comprising 1,004 suites in Montreal for a purchase price of \$134,000 and also acquired MPI's 50% ownership interest in Leslie York Mills, a three-building multi-residential rental property comprising 409 suites in Toronto. These acquisitions advance the REIT's growth and geographic expansion strategies, while also continuing to leverage the REIT's strategic alliance with MPI and its affiliates.

Selected Total Portfolio operating results for the three months ended March 31, 2019 for the REIT are as follows:

- Revenue from investment properties was \$22,135, 8.5% higher than the Forecast;
- NOI was \$13,310, 14.3% higher than the Forecast;
- NOI margin was 60.1%, 300 bps higher than the Forecast;
- Recorded a fair value adjustment to investment properties of \$13,569; and
- Distributions of \$0.10248 per Unit were declared.

The REIT's strong financial results for the three months ended March 31, 2019 were primarily driven by strong rental market conditions, prudent cost management and the impact of the two recently completed strategic acquisitions in Calgary.

The REIT realized on substantial organic growth for the three months ended March 31, 2019 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 \$355. A summary of leasing activities and the gains to be realized from new leases signed for the three months ended March 31, 2019 is set out in the table below.<sup>(1)</sup>

<b>Geographic node</b>	<b>New Leases Signed</b>	<b>Average Monthly Expiring Rent</b>	<b>Average Monthly New Rent</b>	<b>Percentage Gain-on-Turn</b>	<b>Annualized Gain-on-Turn</b>
Toronto	29	\$ 1,987	\$ 2,356	18.6%	\$ 129
Ottawa	155	1,337	1,430	6.9%	172
Alberta	63	1,361	1,433	5.3%	54
<b>Total/Average</b>	<b>247</b>	<b>\$ 1,420</b>	<b>\$ 1,539</b>	<b>8.4%</b>	<b>\$ 355</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 \$6,982. The embedded rent, segmented by market, is set out in the table below. The increase from December 31, 2018 is a result of increasing market rents, particularly in Ottawa and Toronto. In Ottawa, strong demand at one80five, which recently completed its repositioning program, and the Parkwood Hills community have put upward pressure on rental rates. Given the size of the Ottawa portfolio, small increases in market rent make a large contribution to the potential gain-to-lease. 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 March 31, 2019<sup>(1)</sup> is as follows:

<b>Geographic node</b>	<b>Total Suites</b>	<b>Average Monthly In-Place Rent/Suite</b>	<b>Management's Estimate of Monthly Market Rent</b>	<b>Percentage Gain-to-Lease</b>	<b>Annualized Estimated Gain-to-Lease</b>
Toronto	672	\$ 1,721	\$ 1,983	15.2%	\$ 2,115
Ottawa	2,931	1,372	1,493	8.8%	4,246
Alberta	631	1,300	1,382	6.3%	621
<b>Total/Average</b>	<b>4,234</b>	<b>\$ 1,417</b>	<b>\$ 1,554</b>	<b>9.7%</b>	<b>\$ 6,982</b>

<sup>(1)</sup> Excludes 241 furnished suites and 77 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, its Edmonton properties, and Castle Hill and Carlisle in Ottawa.



A summary of the repositioning activities for the three months ended March 31, 2019 is set out in the table below.

Property	Number of Suites Repositioned and Leased	Remaining Number of Suites to Reposition
Minto Yorkville	8	67
Edmonton properties	13	124
Carlisle	-	191
Castle Hill	-	176



Minto Yorkville, Toronto



Castle Hill, Ottawa



Carlisle, Ottawa

The pace of repositioning at Minto Yorkville is expected to decline as the number of remaining suites to reposition decreases and the number of previously renovated suites turning over increases, making access to unrenovated suites more challenging.

The repositioning projects at Carlisle and Castle Hill started at the beginning of February 2019. Thus far in the second quarter of 2019, 6 leases of repositioned suites have been signed at Carlisle and 13 leases of repositioned suites have been signed at Castle Hill, with a rate of return within the target range of 8-15%.

## Outlook

Management is focused on growing the REIT in a strategic and disciplined manner.

### Organic Growth Opportunities

Residential real estate in large urban markets is poised for further growth as a result of population growth from immigration and employment gains, coupled with a lack of supply and rising home ownership costs, which have created an increased demand for rental suites. Home ownership percentages are also impacted by the changes in mortgage qualification requirements, making it tougher to obtain financing which further supports demand in the rental market.

The REIT is well-positioned to respond to this strong demand. Management expects to grow revenues by realizing the embedded gain-to-lease potential and maintaining high occupancy levels. With the majority of the REIT portfolio subject to vacancy de-control, Management has the flexibility to move rents to market rates as suites turn over.

## Value Creation from the Repositioning of Existing Assets

The REIT has been able to drive higher revenue by investing in in-suite and common area improvements. Management continuously evaluates the existing properties and the need for repositioning. The REIT completed the repositioning on Minto one80five last year and expanded its repositioning portfolio with the addition of two existing properties - Carlisle and Castle Hill. The REIT targets a return on investment of at least 8-15% upon completion of the renovation. The REIT plans to continue with repositioning programs as a strategy to achieve value creation for the foreseeable future.

## Continued Strategic Acquisitions in Major Canadian Urban Centres

The REIT has increased its footprint in Alberta with the acquisition of The Quarters in January 2019. The purchase of a 50% interest in Rockhill in May 2019 represents the REIT's entry into the Montreal rental market. The REIT now has a presence in five of Canada's six largest metropolitan regions and Management is focused on further strategic acquisitions in major urban centres across Canada.

## Capitalizing on Relationship with MPI and Affiliates

On May 1, 2019, the REIT acquired MPI's 50% ownership in Leslie York Mills, a three-building multi-residential rental property located in Toronto, Ontario, demonstrating the benefit of the REIT's relationship with MPI and its affiliates and access to its pipeline of assets. Management is focused on further growth by accessing MPI's pipeline of assets and opportunities.

The REIT believes that the Leslie York Mills property presents a significant opportunity for repositioning. The property also holds an intensification opportunity, with recent zoning amendments that permit the development of 192 rental terrace homes, averaging approximately 1,050 square feet per suite.

## Section II - Financial Highlights and Performance



### Selected Financial Information

The following table includes highlights of selected operating and financial information of the REIT for the three months ended March 31, 2019:

		<b>March 31, 2019</b>
Total assets	\$	1,289,194
Investment properties		1,278,415
Non-current liabilities		1,022,940
Class C LP Units		229,665
Mortgages		318,365
Credit facility		63,209
Revenue		22,135
Net operating income		13,310
Net loss and comprehensive loss		(18,669)

## Key Performance Indicators

At March 31, 2019, the Total Portfolio of the REIT comprised 24 multi-residential rental properties, with an aggregate of 4,552 suites, a small number of which operate as furnished suites.

The "Same Property Portfolio" represents 22 properties acquired on July 2, 2018 when the REIT's operations commenced, comprising 4,283 suites (including 4 additional suites created from excess common area space). Same Property Portfolio results includes revenue, expenses, NOI, NOI margin, average monthly rent per suite and occupancy. As of March 31, 2019, the Same Property Portfolio makes up 93.4% of the total fair value of the investment properties.

The REIT's operations are affected by seasonal cycles and as a result operating performance and metrics in one quarter may not be indicative of other quarters of the year.

The following table highlights certain information about the REIT for the three months ended March 31, 2019:

Three months ended	March 31, 2019
<b>Operating</b>	
Number of properties	24
Total suites	4,552
Average monthly rent per suite	\$ 1,417
Occupancy	98.67%
Average monthly rent per suite - Same Property Portfolio	\$ 1,417
Occupancy - Same Property Portfolio	98.76%
<b>Financial</b>	
Revenue	\$ 22,135
NOI <sup>(1)</sup>	\$ 13,310
NOI margin <sup>(1)</sup>	60.1%
Net loss and comprehensive loss	\$ (18,669)
Revenue - Same Property Portfolio	\$ 20,953
NOI - Same Property Portfolio	\$ 12,398
NOI margin - Same Property Portfolio	59.2%
FFO <sup>(1)</sup>	\$ 7,318
FFO per unit	\$ 0.1993
AFFO <sup>(1)</sup>	\$ 6,100
AFFO per unit	\$ 0.1661
AFFO Payout ratio <sup>(1)</sup>	61.70%
Distribution per Unit annualized	\$ 0.41
Distribution yield based on Unit closing price	2.02%

<sup>(1)</sup> Refer to Section IV, "Reconciliation of Non-IFRS Measures" for a reconciliation of performance indicators not defined by IFRS.

As at	March 31, 2019	December 31, 2018	Change
<b>Liquidity and Leverage</b>			
Debt-to-Gross Book Value ratio <sup>(1)</sup>	47.41%	44.95%	(246) bps
Debt Service Coverage ratio <sup>(1)</sup>	1.75x	1.97x	(0.22)x
Debt-to-EBITDA ratio <sup>(1)</sup>	12.56x	11.36x	(1.2)x
Weighted average term to maturity on fixed rate debt	6.01	5.86	0.15 years
Weighted average interest rate on fixed rate debt	3.17%	3.18%	1 bps

<sup>(1)</sup> Refer to Section IV, "Reconciliation of Non-IFRS Measures" for a reconciliation of performance indicators not defined by IFRS.

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 rent exclude suites that are not available due to repositioning projects or major refurbishment projects.

## Financial

- (i) FFO per unit - Calculated as FFO divided by the sum of the total number of Units and the total number of Class B LP Units as at March 31, 2019. See Section I, "Non-IFRS Measures".
- (ii) 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 March 31, 2019. See Section I, "Non-IFRS Measures".
- (iii) AFFO Payout ratio - The AFFO Payout ratio is the proportion of the total distributions on Units and Class B LP Units to AFFO.
- (iv) Weighted average term to maturity on fixed rate debt - Calculated as the weighted average of the term to maturity on the outstanding mortgages and Class C LP Units as at March 31, 2019. The REIT monitors the average term to maturity of its mortgages and Class C LP Units.
- (v) Weighted average interest rate on fixed rate debt - Calculated as the weighted average of the stated interest rates on the outstanding balances of mortgages and Class C LP Units as at March 31, 2019. The REIT monitors the average cost of its mortgages and Class C LP Units.

## Review of Financial Performance - First Quarter 2019

The following table highlights selected financial information for the REIT's Same Property Portfolio and Total Portfolio for the three months ended March 31, 2019 compared to the Forecast contained in the Prospectus.

Three months ended March 31, 2019	Same Property Portfolio			Total Portfolio		
	Actual	Forecast	% Change	Actual	Forecast	% Change
Revenue from investment properties	\$ 20,953	\$ 20,402	2.7%	\$ 22,135	\$ 20,402	8.5%
Property operating costs	4,131	4,158	0.6%	4,230	4,158	(1.7)%
Property taxes	2,311	2,320	0.4%	2,398	2,320	(3.4)%
Utilities	2,113	2,275	7.1%	2,197	2,275	3.4%
Net operating income	\$ 12,398	\$ 11,649	6.4%	\$ 13,310	\$ 11,649	14.3%
General and administrative	1,150	1,100	(4.5)%	1,150	1,100	(4.5)%
Fair value adjustment to investment properties	(13,621)	-	100.0%	(13,569)	-	100.0%
Fair value adjustment to Class B LP Units	37,338	-	(100.0)%	37,338	-	(100.0)%
Fair value adjustment to unit-based compensation	80	-	(100.0)%	80	-	(100.0)%
Finance costs - operations	6,774	6,428	(5.4)%	6,980	6,428	(8.6)%
Net (loss) income and comprehensive (loss) income	(19,323)	4,121	(568.9)%	\$ (18,669)	\$ 4,121	(553.0)%

### Net Operating Income

Same Property Portfolio NOI increased by 6.4% compared to Forecast as a result of higher revenues and lower operating expenses, as outlined below.

Total Portfolio NOI grew by 14.3% compared to Forecast as a result of higher revenues, mainly as a result of higher NOI on the Same Property Portfolio and the acquisitions made on December 18, 2018 and January 7, 2019 of two properties located in Calgary, comprising a total of 269 suites.

### Revenue from Investment Properties

Three months ended March 31, 2019	Same Property Portfolio			Total Portfolio		
	Actual	Forecast	% Change	Actual	Forecast	% Change
Rental revenue	\$ 20,340	\$ 19,774	2.9%	\$ 21,498	\$ 19,774	8.7%
Other property income	613	628	(2.4)%	637	628	1.4%
	\$ 20,953	\$ 20,402	2.7%	\$ 22,135	\$ 20,402	8.5%

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.

Total Portfolio revenue was higher than Forecast due to the contribution from the two properties acquired in Calgary, higher rental rates and higher occupancy.

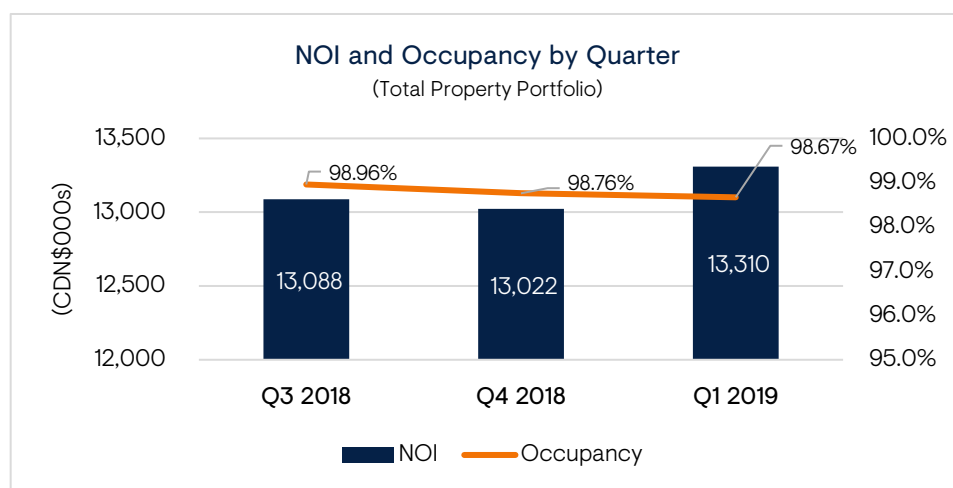
Same Property Portfolio revenue was 2.7% higher than Forecast. Rental revenue increased due to higher than expected occupancy across the portfolio and higher rents achieved on new leases, revenue earned from the furnished suites, higher revenue earned from repositioned suites and ancillary revenue.

The increase in other property income for the Total Portfolio was as a result of higher revenues from laundry services, resident chargebacks, membership fees and lease cancellation fees partially offset by lower recoveries on utilities and operating costs.

The decrease in other property income for the Same Property Portfolio was primarily due to lower recoveries on utilities and operating costs, partially offset by higher revenues from laundry services, resident chargebacks, and membership fees.

Rental performance metrics as at March 31, 2019 are as follows:

As at March 31, 2019	Same Property Portfolio		Total Portfolio	
	Actual	Forecast	Actual	Forecast
Number of suites	4,283	4,279	4,552	4,279
Average monthly rent per suite	\$ 1,417	\$ 1,399	\$ 1,417	\$ 1,399
Occupancy	98.76%	96.40%	98.67%	96.40%



Same Property Portfolio average monthly rent per suite of \$1,417 was \$18 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. Same Property Portfolio occupancy of 98.76% was also favourable to Forecast by 236 bps due to strong market conditions in Ontario.

## Property Operating Costs

Three months ended March 31, 2019	Same Property Portfolio			Total Portfolio		
	Actual	Forecast	% Change	Actual	Forecast	% Change
Property operating costs	\$ 4,131	\$ 4,158	0.6%	\$ 4,230	\$ 4,158	(1.7)%

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. The REIT maintains cost discipline and tight controls on property operating costs.

The acquisition of the two properties in Calgary resulted in an increase of \$99 in property operating costs for the Total Portfolio compared to Forecast.

Property operating costs for the Same Property Portfolio were favourable to Forecast due to lower marketing and advertising costs as a result of high occupancy and lower other administrative costs directly relating to the properties. The favourable impact was partially offset by higher snow removal and hauling costs than Forecast.

Overall, Total Portfolio property operating costs represent 19.1% of revenue compared to Forecast of 20.4%.

## Property Taxes

Three months ended March 31, 2019	Same Property Portfolio			Total Portfolio		
	Actual	Forecast	% Change	Actual	Forecast	% Change
Property taxes	\$ 2,311	\$ 2,320	0.4 %	\$ 2,398	\$ 2,320	(3.4)%

Property taxes for the Same Property Portfolio were \$2,311 for the three months ended March 31, 2019 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.

Property taxes for the Total Portfolio were higher than Forecast due primarily to the two acquisitions of new properties in Calgary.

## Utilities

Three months ended March 31, 2019	Same Property Portfolio			Total Portfolio		
	Actual	Forecast	% Change	Actual	Forecast	% Change
Electricity	\$ 841	\$ 869	3.2%	\$ 872	\$ 869	(0.3)%
Natural gas	689	800	13.9%	725	800	9.4%
Water	583	606	3.8%	600	606	1.0%
	\$ 2,113	\$ 2,275	7.1%	\$ 2,197	\$ 2,275	3.4%

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.

Utilities represents 24.9% of total operating expenses for the Total Portfolio, 24.7% for the Same Property Portfolio and 26.0% for the Forecast. Lower expenses were a result of lower consumption of water and natural gas.

## General and Administrative Expenses

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 \$1,150 for the three months ended March 31, 2019 were higher than Forecast primarily due to increased costs pertaining to professional services.

## Fair Value Adjustment to Investment Properties

The increase in fair value of investment properties of \$13,569 for the three months ended March 31, 2019 was comprised of a \$17,216 increase due to NOI, partially offset by a \$128 decrease due to a slight adjustment in the capitalization rates on the commercial properties and an increase of \$3,519 in the capital expenditures deductions. The increase from changes in NOI was primarily due to properties located in Toronto and Ottawa which have been experiencing higher rental rates. The increase in the deduction for capital expenditures was primarily due to repositioning projects currently in progress at Castle Hill, Carlisle, Minto Yorkville and the Edmonton properties.

## 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 \$18.50 and closing Unit price was \$20.29, resulting in a fair value loss of \$37,338 for the three months ended March 31, 2019.

## 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 three months ended March 31, 2019, a fair value loss of \$80 was recorded, as the Unit price increased to \$20.29 as at March 31, 2019.



## Finance Costs - Operations

Three months ended March 31, 2019	Same Property Portfolio			Total Portfolio		
	Actual	Forecast	% Change	Actual	Forecast	% Change
Interest income	\$ (6)	\$ -	100.0%	\$ (11)	\$ -	100.0%
Interest expense on mortgages	2,037	1,851	(10.0)%	2,246	1,851	(21.3)%
Interest expense and standby fees on credit facility	970	469	(106.8)%	970	469	(106.8)%
Interest expense on unsecured debt	-	178	100.0%	-	178	100.0%
Amortization of CMHC premiums	11	-	(100.0)%	11	-	(100.0)%
Amortization of financing charges	49	43	(14.0)%	51	43	(18.6)%
Amortization of mark-to-market adjustments	(194)	(244)	(20.5)%	(194)	(244)	(20.5)%
Interest expense and other financing charges	2,867	2,297	(24.8)%	3,073	2,297	(33.8)%
Distributions on Class B LP Units	2,138	2,350	9.0%	2,138	2,350	9.0%
Distributions on Class C LP Units	1,769	1,781	0.7%	1,769	1,781	0.7%
	\$ 6,774	\$ 6,428	(5.4)%	\$ 6,980	\$ 6,428	(8.6)%

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 and distributions on Class B LP Units and Class C LP Units. Total Portfolio finance costs for the three months ended March 31, 2019 were higher by \$552 compared to the Forecast, primarily due to interest expense on new mortgage loans associated with the two Calgary acquisitions and increased draws on the credit facility used to finance the acquisitions of new investment properties. The unfavourable impact was partially offset by lower distributions on Class B LP Units due to the exercise of the over-allotment option granted to the underwriters as part of the REIT's initial public offering, which reduced the number of Class B LP Units outstanding.

## Summary of Quarterly Results

	Q1 2019	Q4 2018	Q3 2018
Revenue	\$ 22,135	\$ 21,377	\$ 21,098
NOI <sup>(1)</sup>	13,310	13,022	13,088
NOI margin	60.1%	60.9%	62.0%
Net (loss) income and comprehensive (loss) income	(18,669)	16,217	33,173
FFO <sup>(1)</sup>	7,318	8,211	7,986
FFO per unit	0.1993	0.2236	0.2175
AFFO <sup>(1)</sup>	6,100	6,453	6,782
AFFO per unit	0.1661	0.1757	0.1847
Distributions declared	3,764	3,762	3,683
AFFO Payout ratio <sup>(1)</sup>	61.70%	58.30%	54.31%

<sup>(1)</sup> Refer to Section IV, "Reconciliation of Non-IFRS Measures" for a reconciliation of performance indicators not defined by IFRS.

The REIT's operations are affected by seasonal cycles and as a result operating performance and metrics in one quarter may not be indicative of other quarters of the year.

## Section III - Assessment of Financial Position



### Investment Properties

The following table summarizes the changes in investment properties for the three months ended March 31, 2019:

As at	March 31, 2019
Balance, beginning of period	\$ 1,197,811
Additions	
Acquisition of investment property	63,954
Capital expenditures	3,083
Fair value adjustments	13,569
Other	(2)
<b>Balance, end of period</b>	<b>\$ 1,278,415</b>

#### Acquisition of Investment Property

On January 7, 2019, the REIT completed the asset acquisition of a two-building multi-residential investment property, The Quarters, which is located at 370 & 380 Quarry Way SE, Calgary, Alberta and comprises 199 suites.

Cash used in acquisition of investment property is as follows:

	March 31, 2019
Total acquisition cost	\$ (63,954)
Deposits on acquisition	3,000
Working capital assumed	694
	<b>\$ (60,260)</b>

#### 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.

Three months ended	March 31, 2019
Total expenditures	\$ 3,083
Value-enhancing capital spend	
Building improvements	1,516
Suite upgrades	1,430
	<b>\$ 2,946</b>
Maintenance capital expenditures	\$ 137
Number of suites	4,552
<b>Maintenance capital expenditures per suite</b>	<b>\$ 30</b>

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. The repositioning programs include full-scale suite renovations strategically targeting certain properties or certain geographic locations. The REIT's active repositioning programs for the three months ended March 31, 2019 included Minto Yorkville, the three Edmonton properties, Castle Hill and Carlisle. 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. The actual maintenance capital expenditures for the three months ended March 31, 2019 was \$137 or \$30 per suite, relating to in-suite and common area projects. There were minor maintenance expenditures in the first quarter of 2019 relating to capital projects given the inclement weather in the winter. This brings the maintenance capital expenditure from July 2, 2018 to March 31, 2019 up to \$2,410, or \$529 per suite. Although this is tracking favourable to plan, it is anticipated to align with the annual forecasted reserve of \$900 per suite.

The REIT has added two investment properties to its portfolio since commencing operations on July 2, 2018, adding an additional 269 suites. Both of these buildings are newer which typically entails less capital maintenance.

## 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 for each of the REIT's residential rental markets were as follows:

As at	March 31, 2019		December 31, 2018	
	Low	High	Low	High
Ottawa, Ontario	4.00%	5.00%	4.00%	5.00%
Toronto, Ontario	3.38%	3.75%	3.38%	3.75%
Edmonton, Alberta	4.25%	4.25%	4.25%	4.25%
Calgary, Alberta	4.08%	4.42%	4.15%	4.42%
Average capitalization rate		4.19%		4.20%

## Class B LP Units

The Class B LP Units of Minto Apartment Limited Partnership (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. As at March 31, 2019 and December 31, 2018, there were 20,859,410 Class B LP Units outstanding.

## 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 to 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. As at March 31, 2019 and December 31, 2018, there were 22,978,700 Class C LP Units outstanding.

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% (December 31, 2018 - 3.16%) and mature at various dates between 2023 and 2030.

## 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 3.18% (December 31, 2018 - 3.20%) and mature at various dates from 2020 to 2030. The REIT has a committed credit facility of \$150,000 (December 31, 2018 - \$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 March 31, 2019, \$86,791 (December 31, 2018 - \$114,075) of this facility is available.

On March 6, 2019, in connection with the acquisition of The Quarters, the REIT obtained new CMHC insured mortgage financing of \$44,316, bearing interest at 3.04% and maturing on September 1, 2029.

## Units

There are 15,863,100 Units with a value of \$212,078 outstanding as at March 31, 2019 and December 31, 2018. During the three months ended March 31, 2019, distributions of \$1,626 (December 31, 2018 - \$3,216) to Unitholders were declared. This represents monthly distributions of \$0.03416 per Unit.

The total number of deferred units issued to executives and Trustees as at March 31, 2019 is 73,606 (December 31, 2018 - 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, a credit facility, Class B LP Units, Class C LP Units and Unitholders' equity. The capital structure of the REIT for the periods presented is as follows:

As at	March 31, 2019	December 31, 2018
Liabilities (principal amounts outstanding):		
Class B LP Units	\$ 423,237	\$ 385,899
Class C LP Units	226,469	227,721
Mortgages	316,507	273,574
Credit facility	63,209	35,925
	1,029,422	923,119
Unitholders' equity	237,957	258,252
	<b>\$ 1,267,379</b>	<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. At March 31, 2019, 74% (December 31, 2018 - 76%) of the REIT's total debt is CMHC insured and approximately 90% (December 31, 2018 - 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 current 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 is calculated as follows:

As at	March 31, 2019	December 31, 2018
Class C LP Units	\$ 229,665	\$ 231,037
Mortgages	318,365	275,601
Credit facility	63,209	35,925
Total debt	611,239	542,563
Total assets	1,289,194	1,206,925
<b>Debt-to-Gross Book Value ratio</b>	<b>47.41%</b>	<b>44.95%</b>

Management measures the Debt-to-EBITDA ratio as a measure of the REIT's financial health and liquidity. Generally, the lower the ratio, the lower the credit risk. The REIT's Debt-to-EBITDA ratio is calculated as follows:

As at	March 31, 2019	December 31, 2018
NOI	\$ 13,310	\$ 26,110
Less: general and administrative expenses	(1,150)	(2,267)
EBITDA	12,160	23,843
<b>Annualized EBITDA</b>	<b>\$ 48,640</b>	<b>\$ 47,686</b>
Total debt, net of cash	610,783	541,671
<b>Debt-to-EBITDA ratio</b>	<b>12.56x</b>	<b>11.36x</b>

The REIT's operations are affected by seasonal cycles and as a result Debt-to-EBITDA ratio in one quarter may not be indicative of other quarters of the year.

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 March 31, 2019, the weighted average term to maturity on the REIT's fixed rate debt was 6.01 years (December 31, 2018 - 5.86) and the weighted average interest rate on fixed rate debt was 3.17% (December 31, 2018 - 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	\$ 4,621	\$ 3,767	\$ -	\$ -	\$ -	\$ 8,388	1.4%	-%
2020	6,217	5,178	12,094	-	-	23,489	3.9%	3.59%
2021	6,188	5,341	-	63,209	-	74,738	12.3%	4.03%
2022	5,618	5,510	87,161	-	-	98,289	16.2%	3.22%
2023	4,223	5,324	47,620	-	35,563	92,730	15.3%	3.09%
2024	2,482	4,361	48,182	-	55,482	110,507	18.2%	3.01%
2025	1,915	3,067	22,743	-	60,474	88,199	14.5%	3.19%
Thereafter	7,450	4,209	59,993	-	38,193	109,845	18.2%	3.29%
	<b>\$ 38,714</b>	<b>\$ 36,757</b>	<b>\$ 277,793</b>	<b>\$ 63,209</b>	<b>\$ 189,712</b>	<b>\$ 606,185</b>	<b>100%</b>	

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

As of March 31, 2019, current liabilities of \$28,297 (December 31, 2018 - \$31,356) exceeded current assets of \$7,731 (December 31, 2018 - \$7,289), resulting in a net working capital deficit of \$20,566 (December 31, 2018 - \$24,067). The REIT's immediate liquidity needs are met through cash-on-hand, cash flow from operations, property-level debt and availability on its credit facility. As of March 31, 2019, liquidity was \$87,247 (December 31, 2018 - \$114,967) consisting of cash and cash equivalents of \$456 (December 31, 2018 - \$892) and \$86,791 (December 31, 2018 - \$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 short form shelf 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 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.

On April 15, 2019, the REIT issued 8,809,000 Units for gross proceeds of \$172,656.

## Cash Flows

The REIT held a balance of cash of \$456 as at March 31, 2019. The sources of and use of cash flow for the three months ended March 31, 2019 are as follows:

Three months ended	March 31, 2019
Operating activities	\$ 3,518
Financing activities	58,832
Investing activities	(62,786)

### Cash provided by operating activities and cash distributions

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

Three months ended	March 31, 2019
Net loss and comprehensive loss	\$ (18,669)
Add: distributions on Class B LP Units	2,138
	(16,531)
Less: distributions paid	(3,764)
Net loss and comprehensive loss over total distributions paid	\$ (20,295)
Cash provided by operating activities	\$ 3,518
Less: interest paid	(4,931)
	(1,413)
Less: distributions paid	(3,764)
Cash provided by operating activities over total distributions and interest paid	\$ (5,177)
Distributions declared	\$ 3,764

While cash flows provided by operating activities are generally sufficient to cover distribution requirements, the timing of expenses and fluctuations in non-cash working capital may result in temporary shortfall. In these cases, some portion of distributions may come from the REIT's capital or financing sources other than cash flows provided by operating activities.

For the three months ended March 31, 2019 cash provided by operations and net income did not exceed distributions paid. Cash provided by operations was primarily affected by the timing of property tax installments paid for certain properties and deposits made for pending multi-residential rental property acquisitions. Net income was impacted by several non-cash items, including fair value adjustment to investment properties and fair value adjustment to Class B LP Units, which do not immediately impact the cash available to pay current distributions.

## Cash provided by financing activities

Cash flows provided by financing activities were \$58,832 and represent proceeds from mortgage financing of \$44,316 and net proceeds from draws on the credit facility of \$27,284, offset by payment of CMHC premiums and deferred financing costs of \$1,438, repayments on mortgages of \$1,383, distributions on various classes of units of \$5,016 and interest paid of \$4,931.

## Cash used in investing activities

Cash flows used in investment activities were \$62,786 and represent capital additions to investment properties of \$2,526 and acquisition of the investment property in Calgary for \$60,260.

## 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 March 31, 2019	Actual	Forecast
<b>Net (loss) income and comprehensive (loss) income</b>	<b>\$ (18,669)</b>	<b>\$ 4,121</b>
Distributions on Class B LP Units	2,138	2,350
Fair value adjustment to investment properties	(13,569)	-
Fair value adjustment to Class B LP Units	37,338	-
Fair value adjustment on unit-based compensation	80	-
<b>Funds from operations (FFO)</b>	<b>\$ 7,318</b>	<b>\$ 6,471</b>
Maintenance capital expenditure reserve	\$ (1,024)	\$ (963)
Amortization of mark-to-market adjustments	(194)	(244)
<b>Adjusted funds from operations (AFFO)</b>	<b>\$ 6,100</b>	<b>\$ 5,264</b>
Distributions on Class B LP Units	\$ 2,138	\$ 2,350
Distributions on Units	1,626	1,414
	\$ 3,764	\$ 3,764
<b>AFFO payout ratio</b>	<b>61.70%</b>	<b>71.50%</b>
Units and Class B LP Units	36,722,510	36,722,510
<b>FFO per unit</b>	<b>\$ 0.1993</b>	<b>\$ 0.1762</b>
<b>AFFO per unit</b>	<b>\$ 0.1661</b>	<b>\$ 0.1433</b>

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

FFO was higher for the three months ended March 31, 2019 as compared to the Forecast, reflecting the positive NOI variance. AFFO was higher for the three months ended March 31, 2019 as compared to the Forecast, as a result of higher FFO, adjusted for the amortization of mark-to-market adjustments.



## NOI and NOI Margin

A reconciliation of NOI and NOI margin for the three months ended March 31, 2019 is set out below:

Three months ended March 31, 2019	Same Property Portfolio		Total Portfolio	
	Actual	Forecast	Actual	Forecast
Revenue from investment properties	\$ 20,953	\$ 20,402	\$ 22,135	\$ 20,402
Property operating expenses	8,555	8,753	8,825	8,753
<b>NOI</b>	<b>\$ 12,398</b>	<b>\$ 11,649</b>	<b>\$ 13,310</b>	<b>\$ 11,649</b>
<b>NOI margin</b>	<b>59.2%</b>	<b>57.1%</b>	<b>60.1%</b>	<b>57.1%</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 is calculated as follows:

As at	March 31, 2019	December 31, 2018
<b>NOI</b>	<b>\$ 13,310</b>	<b>\$ 26,110</b>
Interest expense on mortgages	2,246	3,881
Interest expense and standby fees on credit facility	970	809
Interest expense on unsecured promissory note	-	298
Distributions on Class C LP Units - finance costs	1,769	3,606
Mortgage repayments	1,383	2,206
Unsecured promissory note repayments	-	105
Distributions on Class C LP Units - principal repayments	1,252	2,329
<b>Total debt service</b>	<b>\$ 7,620</b>	<b>13,234</b>
<b>Debt Service Coverage ratio</b>	<b>1.75x</b>	<b>1.97x</b>

## Debt-to-EBITDA Ratio

Refer to Section IV, "Liquidity and Capital Resources" for a reconciliation of Debt-to-EBITDA ratio.

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



### Critical Judgments in Applying Accounting Policies and Critical Accounting Estimates and Assumptions

Significant areas of judgement, estimates and assumptions are set out in Note 2 to the annual audited consolidated financial statements for the period from April 24, 2018 (date of formation) to December 31, 2018.

### Risks and Uncertainties

The REIT faces a variety of diverse risks, many of which are inherent in the business conducted by the REIT. These are described in detail in the Management's Discussion and Analysis for the three months ended December 31, 2018 and the period from April 24, 2018 (date of formation) to December 31, 2018 and in the REIT's Annual Information Form for 2018, both filed on SEDAR ([www.sedar.com](http://www.sedar.com)). These factors still exist at the end of this quarter and still remain relatively unchanged.

### 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 March 31, 2019, the REIT has a variable rate credit facility of \$150,000 with an outstanding balance of \$63,209 (December 31, 2018 - \$35,925). A 1% change in prevailing interest rates would change annualized interest charges incurred by \$632.

(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 currencies. 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 as at March 31, 2019 would have a \$4,232 (December 31, 2018 - \$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:

As at		March 31, 2019		December 31, 2018
Committed	\$	150,000	\$	150,000
Available		86,791		114,075
Utilized		63,209		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	\$ 4,621	\$ 18,311	\$ 6,188	\$ 92,779	\$ 194,608	\$ 316,507
Credit facility	-	-	63,209	-	-	63,209
	4,621	18,311	69,397	92,779	194,608	379,716
Class C LP Units	3,767	5,178	5,341	5,510	206,673	226,469
Interest obligation	14,522	18,939	17,214	14,725	36,634	102,034
Refundable tenant deposits	6,592	180	-	-	36	6,808
Due to related parties	1,354	-	-	-	-	1,354
Accounts payable and accrued liabilities	8,307	292	-	-	-	8,599
	\$ 39,163	\$ 42,900	\$ 91,952	\$ 113,014	\$ 437,951	\$ 724,980

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. 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 ASA. The ASA 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. 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.

For the three months ended March 31, 2019, \$141, inclusive of harmonized sales tax, was incurred by the REIT for services rendered under the ASA.

### (b) Due from related parties

Advances to related parties are non-interest bearing, unsecured and are due on demand.

### (c) Due to related parties

Amounts due to related parties at March 31, 2019 includes \$713 and \$598 (December 31, 2018 - \$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 and \$43 (December 31, 2018 - \$1,643) for working capital.

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 for the three months ended March 31, 2019 is \$336 of revenue from MPI and its affiliates for rent paid for office space, furnished suites and parking at certain REIT properties.
- Compensation expense includes \$165 paid to key management personnel for the three months ended March 31, 2019. Additional compensation to key management personnel for services provided to the REIT was paid by MPI and an affiliate of MPI.
- The REIT granted deferred units to Trustees with a value of \$119 in lieu of annual retainer and meeting fees and fair value adjustments of \$35 for the three months ended March 31, 2019.
- Included in finance costs for the three months ended March 31, 2019 are distributions on Class B LP Units and Class C LP Units of \$2,138 and \$1,769 respectively, paid or payable to limited partnerships wholly-owned by MPI.
- For the three months ended March 31, 2019, the REIT incurred \$71 of unit-based compensation expenses and fair value adjustments of \$45 for the executives.

#### (e) Distributions

- For the three months ended March 31, 2019, distributions of \$1,252 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 condensed consolidated interim 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. As of March 31, 2019, the remaining unforgiven balance of the loan is \$18,360 (December 31, 2018 - \$18,360). 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. As of March 31, 2019, the remaining unforgiven balance of the loan is \$4,368 (December 31, 2018 - \$4,704). 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 starting in the fourth quarter of 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 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.

## Adoption of Accounting Standards

The REIT adopted amended standard IFRS 16, *Leases* effective January 1, 2019 using the modified retrospective approach. The REIT has determined that the adoption of this standard did not result in changes to opening equity as at January 1, 2019.

## 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:

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.

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.

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 unaudited condensed consolidated interim 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, had limited for fiscal 2018, 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 assessment of the Partnership's design effectiveness of DC&P and ICFR, and the implementation of any changes determined by management to be desirable, was completed during the first quarter of 2019.

The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused an evaluation under their direct supervision of, the design of disclosure controls and procedures and internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at March 31, 2019. Based on this evaluation, we have concluded that we have a) designed disclosure controls and procedures to provide reasonable assurance that (i) material information relating to the REIT is made known to the Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the interim filings are being prepared and (ii) information required to be disclosed by the REIT in its various reports filed or submitted under securities legislation is recorded, processed, summarized and reported within time periods specified in securities legislation; and b) designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no material changes that occurred during the quarter ended March 31, 2019 that have significantly affected or are reasonably likely to significantly affect our internal control over financial reporting.

## Subsequent Events

On April 15, 2019, the REIT completed the sale of 8,809,000 Units from treasury at a price of \$19.60 per Unit for gross proceeds of \$172,656 (the "Offering"). The Offering included 1,149,000 Units sold pursuant to the full exercise of an over-allotment option granted to the underwriters. Underwriters' fees and expenses relating to the Offering were approximately \$7,400.

On May 1, 2019, the REIT acquired MPI's 50% ownership interest in a 409-suite multi-residential rental property located in Toronto, Ontario. The purchase price for this ownership interest was \$75,050 and in connection with the acquisition the REIT assumed a \$23,500 mortgage, bearing interest at 2.82% and maturing February 1, 2021.

On May 7, 2019, the REIT acquired a 50% ownership interest in a 1,004-suite multi-residential rental property located in Montreal, Quebec. The purchase price for this ownership interest was \$134,000. The REIT secured a \$67,500 conventional mortgage, representing its 50% interest, bearing interest at 3.42% and maturing July 25, 2029. The REIT is in the process of obtaining CMHC financing and once approved the interest rate is expected to decrease by approximately 50 bps.



## 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 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.

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 REIT did not exist prior to April 24, 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 ended March 31, 2019 to the results of the Initial Portfolio the three months ended March 31, 2018.

Three months ended March 31,	2019 <sup>(1)</sup>	2018	% Change
Revenue from investment properties	\$ 22,135	\$ 19,871	11.4 %
Property operating costs	4,230	3,908	(8.2)%
Property taxes	2,398	2,254	(6.4)%
Utilities	2,197	2,095	(4.9)%
Net operating income	13,310	11,614	14.6%
General and administrative expenses	1,150	1,111	(3.5)%
Fair value adjustment to investment properties	(13,569)	(5,074)	167.4%
Fair value adjustment to Class B LP Units	37,338	-	(100.0)%
Fair value adjustment to unit based compensation	80	-	(100.0)%
Finance costs - operations	6,980	4,990	(39.9)%
<b>Net (loss) income and comprehensive (loss) income</b>	<b>\$ (18,669)</b>	<b>\$ 10,587</b>	<b>(276.3)%</b>

<sup>(1)</sup> The figures for three months ended March 31, 2019 include revenue and expenses from new acquisitions since July 2, 2018.



## Revenue from Investment Properties

Three months ended March 31,	2019	2018	% Change
Rental revenue	\$ 21,498	\$ 18,985	13.2%
Other property income	637	886	(28.1)%
	<b>\$ 22,135</b>	<b>\$ 19,871</b>	<b>11.4%</b>

Other than the new acquisitions, higher rental revenue was driven by an increase in average rents and higher occupancies for the three months ended March 31, 2019 against the same period in 2018. Strong rental markets in Ottawa and Toronto resulted in higher occupancy along with substantial completion of the REIT's repositioning projects at Yorkville and Minto one80five.

Other property income was lower compared to the three months ended March 31, 2018 as the previous period included revenue from contractually recoverable operating expenditures that are not available in 2019.

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

As at March 31,	2019	2018
Number of suites	4,552	4,279
Average monthly rent per suite	\$ 1,417	\$ 1,356
Occupancy	98.67%	97.52%

The average monthly rent per suite increased by \$61 (4.5%) as compared to the same period in 2018.

The REIT has also been able to obtain higher average rent per occupied unfurnished suite against the same period in 2018. The higher rents are a combination of higher market rents and the REIT's suite repositioning program.

## Property Operating Costs

Property operating costs were higher for the three months ended March 31, 2019 as compared to the same period in 2018. This unfavourable variance is due to property operating costs relating to the two new acquisitions, salary increases and higher snow removal costs due to high seasonal snow falls.

## 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 three years, which commenced in 2018 and will be completed in 2020. As a result, the property taxes have increased by 6.4% compared to the same period in 2018. The acquisitions in Calgary also contributed to the increase.

## Utilities

Three months ended March 31,	2019	2018	% Change
Electricity	\$ 872	\$ 795	(9.7)%
Natural gas	725	673	(7.7)%
Water	600	627	4.3%
	<b>\$ 2,197</b>	<b>\$ 2,095</b>	<b>(4.9)%</b>

Utilities for the three months ended March 31, 2019 amounted to \$2,197 or 9.93% of revenue, compared to \$2,095 or 10.54% of revenue for the same period in 2018. Overall, as a proportion of revenues and on a per suite basis, utilities have remained stable for the three months ended March 31, 2019. The \$102 increase is primarily due to the acquisitions in Calgary.

## General and Administrative Expenses

The general and administrative expenses increased by \$39 for the three months ended March 31, 2019 compared to the same period in 2018. The REIT did not exist prior to April 24, 2018 and as such, the basis of presentation of the general and administrative expenses differs between the comparative periods. For the three months ended March 31, 2018, 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 and costs relating to the new acquisitions subsequent to quarter end.

## Fair Value Adjustment to Investment Properties

Refer to Section II, "Review of Financial Performance - First Quarter 2019" for details on the fair value adjustment to investment properties for the three months ended March 31, 2019. The fair value adjustment to investment properties for the three months ended March 31, 2018 was a result of a decrease in capitalization rates for a few properties in Ottawa.

## 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 as of March 31, 2018 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 as of March 31, 2018 as the REIT had not yet been formed.

## Finance Costs - Operations

The increase in finance costs from operations for the three months ended March 31, 2019 relates to distributions on Class B LP Units issued as part of the REIT's initial public offering and the interest paid on mortgages and the credit facility used to finance the acquisitions of new properties in Calgary.