



Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019



Minto Apartment Real Estate Investment Trust

Condensed Consolidated Interim Balance Sheet

Unaudited

(in thousands of Canadian dollars)

As at	Note	March 31, 2019	December 31, 2018
Assets			
Investment properties	3	\$ 1,278,415	\$ 1,197,811
Prepaid expenses and other assets	5	9,146	7,233
Due from related parties	10	365	-
Resident and other receivables	6	812	989
Cash		456	892
		\$ 1,289,194	\$ 1,206,925
Liabilities and Unitholders' Equity			
Liabilities			
Class B LP Units	7	\$ 423,237	\$ 385,899
Class C LP Units	8	229,665	231,037
Mortgages	9	318,365	275,601
Credit facility	9	63,209	35,925
Tenant rental deposits		6,808	6,594
Due to related parties	10	1,354	4,289
Accounts payable and accrued liabilities	11	8,599	9,328
		\$ 1,051,237	\$ 948,673
Unitholders' equity			
Contingencies and commitments	16	237,957	258,252
Subsequent events	21		
		\$ 1,289,194	\$ 1,206,925

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Minto Apartment Real Estate Investment Trust

Condensed Consolidated Interim Statement of Net Income and Comprehensive Income

For the three months ended March 31, 2019

Unaudited

(in thousands of Canadian dollars)

	Note	March 31, 2019
Revenue from investment properties	14	\$ 22,135
Property operating expenses		
Property operating costs		4,230
Property taxes		2,398
Utilities		2,197
		8,825
Property operating income		13,310
Other expenses (income)		
General and administrative		1,150
Fair value adjustment to investment properties	3	(13,569)
Fair value adjustment to Class B LP Units	7,15	37,338
Fair value adjustment to unit-based compensation	20	80
Finance costs - operations	15	6,980
		31,979
Net loss and comprehensive loss		\$ (18,669)

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Minto Apartment Real Estate Investment Trust

Condensed Consolidated Interim Statement of Changes in Unitholders' Equity

For the three months ended March 31, 2019

Unaudited

(in thousands of Canadian dollars)

		Units	Distributions	Retained earnings	Total
Balance, January 1, 2019	\$	212,078	\$ (3,216)	\$ 49,390	\$ 258,252
Net loss and comprehensive loss		-	-	(18,669)	(18,669)
Distributions		-	(1,626)	-	(1,626)
Balance, March 31, 2019	\$	212,078	\$ (4,842)	\$ 30,721	\$ 237,957

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Minto Apartment Real Estate Investment Trust

Condensed Consolidated Interim Statement of Cash Flows

For the three months ended March 31, 2019

Unaudited

(in thousands of Canadian dollars)

	Note	March 31, 2019
Cash provided by (used in):		
Operating activities		
Net loss	\$	(18,669)
Adjustments for:		
Finance costs - operations	15	6,980
Fair value adjustment to investment properties	3	(13,569)
Fair value adjustment to Class B LP Units	7,15	37,338
Fair value adjustment to unit-based compensation	20	80
Change in non-cash working capital	19	(8,642)
Cash provided by operating activities		3,518
Financing activities		
Proceeds from mortgage financing	9	44,316
CMHC premiums paid		(1,340)
Financing costs	9	(98)
Principal repayments on mortgages	9	(1,383)
Net proceeds from credit facility	9	27,284
Distributions on Class B LP Units		(2,138)
Distributions on Class C LP Units, used to repay principal	8	(1,252)
Distributions on Units		(1,626)
Interest paid		(4,931)
Cash provided by financing activities		58,832
Investing activities		
Acquisition of investment property	4	(60,260)
Capital additions to investment properties		(2,526)
Cash used in investing activities		(62,786)
Change in cash during the period		(436)
Cash, beginning of the period		892
Cash, end of the period	\$	456

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Minto Apartment Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

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

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. At March 31, 2019, the REIT's portfolio consists of 24 multi-residential rental properties.

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.

The REIT's operations commenced on July 2, 2018 and as such there are no comparatives presented for the condensed consolidated interim statement of net income and comprehensive income, condensed consolidated interim statement of changes in unitholders' equity and condensed consolidated interim statement of cash flows.

2. Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the period from April 24, 2018 (date of formation) to December 31, 2018 (the "Annual 2018 Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

These condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT and authorized for issuance on May 7, 2019.

The operating results for the three months ended March 31, 2019 are not necessarily indicative of results that may be expected for the year ending December 31, 2019 due to seasonal variations in, property expenses and other factors.

The REIT's significant accounting policies were presented in Note 2 of the Annual 2018 Financial Statements and have been consistently applied in the preparation of these condensed consolidated interim financial statements, with the exception of adopting 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.

Minto Apartment Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

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

3. Investment properties

		March 31, 2019
Balance, December 31, 2018	\$	1,197,811
Additions		
Acquisition of investment property (Note 4)		63,954
Capital expenditures		3,083
Fair value adjustments		13,569
Other		(2)
Balance, March 31, 2019	\$	1,278,415

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

		March 31, 2019		December 31, 2018
Residential properties	\$	1,255,445	\$	1,175,915
Commercial properties		22,970		21,896
	\$	1,278,415	\$	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 March 31, 2019, 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 conducts external appraisals of a third of its portfolio annually to ensure that every property is externally appraised at least once every three years.

The table below summarizes the key unobservable inputs in determining fair value:

	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 rates, the lower the estimated fair value.

Minto Apartment Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

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

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

	March 31, 2019			December 31, 2018		
	Min	Max	Weighted Average	Min	Max	Weighted Average
Capitalization rate	3.38%	5.00%	4.19%	3.38%	5.00%	4.20%

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

	March 31, 2019			December 31, 2018		
	Min	Max	Weighted Average	Min	Max	Weighted Average
Discount rate	5.75%	6.75%	5.99%	5.75%	6.75%	6.07%
Terminal capitalization rate	5.25%	6.25%	5.49%	5.25%	6.25%	5.54%
Number of discount years			10.00			10.00

The table below summarizes the sensitivity of the fair value of investment properties to changes in the capitalization and discount rates as at March 31, 2019 and December 31, 2018:

As at March 31, 2019	Capitalization rate only		Discount and capitalization rates	
	Residential fair value	Change in fair value	Commercial fair value	Change in fair value
Rate sensitivity				
+ 75 basis points	\$ 1,056,915	\$ (198,530)	\$ 19,760	\$ (3,210)
+ 50 basis points	1,115,833	(139,612)	20,760	(2,210)
+ 25 basis points	1,181,582	(73,863)	21,790	(1,180)
Base rate	1,255,445	-	22,970	-
- 25 basis points	1,339,051	83,606	24,210	1,240
- 50 basis points	1,434,511	179,066	25,610	2,640
- 75 basis points	1,544,605	289,160	27,180	4,210

As at December 31, 2018	Capitalization rate only		Discount and capitalization rates	
	Residential fair value	Change in fair value	Commercial fair value	Change in fair value
Rate sensitivity				
+ 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

Minto Apartment Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

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

4. Acquisition of investment property

The REIT completed the following investment property acquisition during the three months ended March 31, 2019, 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	Mortgage financing	Interest rate and maturity
370 & 380 Quarry Way SE, Calgary, AB	January 7, 2019	199	\$ 63,954	\$ 44,316	3.04% September 1, 2029

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
Cash consideration	\$ (60,260)

5. Prepaid expenses and other assets

	March 31, 2019	December 31, 2018
Prepaid expenses	\$ 2,550	\$ 1,145
Prepaid CMHC premiums	2,947	1,618
Restricted cash	1,073	792
Deposits	2,576	3,678
	\$ 9,146	\$ 7,233
Current	\$ 6,098	\$ 5,408
Non-current	3,048	1,825
	\$ 9,146	\$ 7,233

Minto Apartment Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

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

6. Resident and other receivables

	March 31, 2019		December 31, 2018	
Resident receivables	\$	372	\$	478
Other receivables		494		589
Less: Allowance for credit losses		(54)		(78)
	\$	812	\$	989

There is no significant concentration of credit risk with respect to trade receivables as the REIT has a high volume of tenants with individually small monthly rent amounts.

7. Class B LP Units

The change in and outstanding amount of Class B LP Units for the three months ended March 31, 2019 is as follows:

	Units		\$	
Class B LP Units, December 31, 2018	20,859,410	\$		385,899
<i>Non-cash movement</i>				
Fair value adjustments	-			37,338
Class B LP Units, March 31, 2019	20,859,410	\$		423,237

For the three months ended March 31, 2019, distributions of \$2,138 to Class B LP Unitholders were declared.

8. Class C LP Units

	March 31, 2019		December 31, 2018	
Class C LP Units	\$	226,469	\$	227,721
Unamortized mark-to-market adjustments		3,196		3,316
	\$	229,665	\$	231,037
Current	\$	5,535	\$	5,499
Non-current		224,130		225,538
	\$	229,665	\$	231,037

The change in Class C LP Units for the three months ended March 31, 2019 is as follows:

	Units		\$	
Class C LP Units, December 31, 2018	22,978,700	\$		231,037
<i>Cash flows</i>				
Distributions used to repay principal	-			(1,252)
<i>Non-cash movements</i>				
Amortization of mark-to-market adjustment	-			(120)
Class C LP Units, March 31, 2019	22,978,700	\$		229,665

Minto Apartment Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

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

For the three months ended March 31, 2019, the REIT made distributions of \$1,769 to Class C LP Unitholders that were accounted for as finance costs.

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.

Distributions on Class C LP Units as at March 31, 2019, excluding unamortized mark-to-market adjustments, are due as follows:

2019	\$	3,767
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 March 31, 2019, the current market rates plus risk-adjusted spreads ranged from 2.50% to 3.34% (December 31, 2018 - 2.81% to 3.64%) and the fair value of the Class C LP Units was \$232,392 (December 31, 2018 - \$230,210) and is considered level 2 within the fair value hierarchy.

9. Secured debt

	March 31, 2019		December 31, 2018	
Mortgages ⁽¹⁾	\$	316,507	\$	273,574
Unamortized mark-to-market adjustment		1,964		2,038
Unamortized deferred financing costs		(106)		(11)
Total mortgages		318,365		275,601
Credit facility ⁽²⁾		63,209		35,925
	\$	381,574	\$	311,526
Current		6,509		5,822
Non-current		375,065		305,704
	\$	381,574	\$	311,526

⁽¹⁾ Mortgages 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 through 2030.

⁽²⁾ 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 March 31, 2019, \$86,791 (December 31, 2018 - \$114,075) of this facility was available in accordance with its terms and conditions and \$63,209 (December 31, 2018 - \$35,925) was utilized. The credit facility bears interest at bankers' acceptance plus 1.75% or prime plus 0.75% and as at March 31, 2019, the weighted average variable interest rate was 4.03% (December 31, 2018 - 3.94%).

Minto Apartment Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

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

Secured debt balances at March 31, 2019, excluding unamortized mark-to-market adjustments and unamortized deferred financing costs, are due as follows:

2019	\$	4,621
2020		18,311
2021		69,397
2022		92,779
2023 and thereafter		194,608

Secured debt activity for the three months ended March 31, 2019 is as follows:

	Mortgages	Unamortized mark-to- market adjustment	Unamortized deferred financing costs	Credit facility	Total
Balance, December 31, 2018	\$ 273,574	\$ 2,038	\$ (11)	\$ 35,925	\$ 311,526
<i>Cash flows</i>					
Issued	44,316	-	(98)	62,284	106,502
Repayments	(1,383)	-	-	(35,000)	(36,383)
	42,933	-	(98)	27,284	70,119
<i>Non-cash movement</i>					
Deferred financing amortization	-	-	3	-	3
Amortization of mark-to-market adjustment	-	(74)	-	-	(74)
	-	(74)	3	-	(71)
Balance, March 31, 2019	\$ 316,507	\$ 1,964	\$ (106)	\$ 63,209	\$ 381,574

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

As at March 31, 2019, 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 March 31, 2019, the current market rates plus risk-adjusted spreads ranged from 2.50% to 3.13% (December 31, 2018 - 2.81% to 3.38%) and the fair value of the mortgages was \$324,045 (December 31, 2018 - \$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.

Minto Apartment Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

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

10. 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 these condensed consolidated interim financial statements, related party transactions include:

(a) Administrative Support Agreement

On July 3, 2018, the REIT and Minto Properties Inc. ("MPI") entered into a five year renewable Administrative Support Agreement ("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

Due from 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.

(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.

Minto Apartment Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

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

(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.

11. Accounts payable and accrued liabilities

		March 31, 2019		December 31, 2018
Accounts payable	\$	2,867	\$	4,843
Accrued liabilities		4,399		3,422
Distributions payable		542		542
Unit-based compensation payable		791		521
	\$	8,599	\$	9,328
Current	\$	8,307	\$	9,152
Non-current		292		176
	\$	8,599	\$	9,328

12. Units

The Declaration of Trust authorizes the issue of an unlimited number of 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 to Unitholders were declared. This represents monthly distributions of \$0.03416 per Unit.

13. 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.

14. Revenue from investment properties

The components of revenue from investment properties are as follows:

Three months ended		March 31, 2019
Rental revenue	\$	17,555
Revenue from services		4,580
	\$	22,135

Minto Apartment Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

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

15. Finance costs

Finance costs are comprised of the following:

Three months ended		March 31, 2019
Interest income	\$	(11)
Interest expense on mortgages		2,246
Interest expense and standby fees on credit facility		970
Amortization of financing charges		51
Amortization of CMHC premiums		11
Amortization of mark-to-market adjustments		(194)
Interest expense and other financing charges		3,073
Distributions on Class B LP Units		2,138
Distributions on Class C LP Units		1,769
Finance costs - operations	\$	6,980
Fair value adjustment to Class B LP Units		37,338
Finance costs	\$	44,318

16. 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.

Minto Apartment Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

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

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.

17. 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.

Minto Apartment Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

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

(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.

As at March 31, 2019, current liabilities were \$28,297 (December 31, 2018 - \$31,532), exceeding current assets of \$7,731 (December 31, 2018 -\$7,289), resulting in a working capital deficiency of \$20,566 (December 31, 2018 - \$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 \$86,791 (December 31, 2018 - \$114,075) was available and undrawn at March 31, 2019. In addition, subject to market conditions, the REIT may seek to raise funding through equity financing.

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

	March 31, 2019		December 31, 2018	
Committed	\$	150,000	\$	150,000
Available		86,791		114,075
Utilized		63,209		35,925

Minto Apartment Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

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

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
Due to related parties	1,354	-	-	-	-	1,354
Tenant rental deposits	6,592	180	-	-	36	6,808
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.

18. Capital risk management

The REIT's capital consists of Class B LP Units, Class C LP Units, mortgages, a credit facility 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 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 having 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 Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

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

The components of the REIT's capital as at March 31, 2019 and December 31, 2018 are set out in the table below:

	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
	\$ 1,267,379	\$ 1,181,371

19. Supplemental cash flow disclosures

Change in non-cash working capital for the three months ended March 31, 2019 comprises the following:

Three months ended	March 31, 2019
Prepaid expenses and other assets	\$ (3,629)
Due from related parties	(365)
Resident and other receivables	177
Tenant rental deposits	(125)
Due to related parties	(2,935)
Accounts payable and accrued liabilities	(1,765)
	\$ (8,642)

20. Unit-based compensation

Executives

The value of unit-based compensation expense recorded for the three months ended March 31, 2019 is as follows:

		\$
Balance, December 31, 2018	\$	176
Unit-based compensation expense		71
Fair value adjustments		45
Balance, March 31, 2019	\$	292

As of March 31, 2019, 49,007 (December 31, 2018 - 48,742) deferred units were granted to executives.

Minto Apartment Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

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

Trustees

A summary of the deferred units granted and the value of unit-based compensation expense recorded during the period and as at March 31, 2019 is presented below.

	Units	\$
Balance, December 31, 2018	18,652	\$ 345
Granted and vested	5,947	119
Fair value adjustments	-	35
Balance, March 31, 2019	24,599	\$ 499

21. 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, with the REIT assuming 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.

22. 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 REIT's initial public offering prospectus dated June 22, 2018.

Minto Apartment Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019

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

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.

Three months ended		March 31, 2018
Revenue from investment properties	\$	19,871
Property operating costs		3,908
Other operating expenses		4,349
General and administrative expenses		1,111