



# Management's Discussion and Analysis

For the three and six months ended June 30, 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 June 30, 2019, the REIT's portfolio, referred to herein as the "Total Portfolio", consists of 26 multi-residential rental properties, comprising an aggregate of 4,552 suites which are wholly-owned by the REIT and 1,413 suites co-owned with institutional partners in which the REIT has a 50% interest.

### 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 August 12, 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 and six months ended June 30, 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 and six months ended June 30, 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 August 12, 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 adjusted for fees and other income and 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. To fund these investments, the REIT assesses its requirements for debt or capital.

On April 15, 2019 the REIT completed the issuance of 8,809,000 Units from treasury for net proceeds of \$165,172. The net proceeds were used to finance a portion of the purchase price of acquisitions closed during the three months ended June 30, 2019 and to repay amounts outstanding under the credit facility incurred for previous acquisitions.

The REIT's strategic objectives includes leveraging its strategic alliance with MPI and its affiliates. On May 1, 2019, the REIT acquired MPI's 50% ownership interest in Leslie York Mills, a three-building, 409 suite multi-residential rental property in Toronto for acquisition costs of \$76,804. In connection with the acquisition, the REIT assumed mortgage financing of \$23,392, bearing interest at 2.82% and maturing on February 1, 2021. Additionally, subsequent to quarter end, the REIT acquired MPI's 40% interest in High Park Village, a three-building, 750-suite multi-residential rental property in Toronto, for a purchase price of \$131,214 with the REIT assuming a mortgage term loan of \$39,520, with a variable interest rate of bankers' acceptance plus 1.85% and maturity date of April 1, 2026 and an interest rate swap that fixes the interest rate at 3.375%.

On May 7, 2019, the REIT acquired a 50% ownership interest in Rockhill, a six-building, 1,004 suite multi-residential rental property in Montreal, for acquisition costs of \$137,532. This is in line with the REIT's strategy to invest in high quality income-producing multi-residential rental properties in major urban centres in Canada. In connection with the acquisition, the REIT secured mortgage financing of \$67,500, bearing interest at 3.42% and maturing on July 25, 2029.

Selected Total Portfolio operating results for the three months ended June 30, 2019 for the REIT are as follows:

- Revenue from investment properties was \$24,796, 17.8% higher than the Forecast;
- NOI was \$15,786, 25.2% higher than the Forecast;
- NOI margin was 63.7%, 380 bps higher than the Forecast;
- Recorded a fair value gain on investment properties of \$10,276; and
- Distributions of \$0.10248 per Unit were declared.



Leslie York Mills, Toronto



Rockhill, Quebec

The REIT's strong financial results for the three months ended June 30, 2019 were primarily driven by strong rental market conditions, prudent cost management and the impact of the acquisitions in Calgary, Toronto and Montreal.

The REIT realized on substantial organic growth for the three months ended June 30, 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 \$822. A summary of leasing activities and the gains to be realized from new leases signed for the three months ended June 30, 2019 is set out in the table below:

<b>Geographic node</b>	<b>New Leases Signed<sup>(1)</sup></b>	<b>Average Monthly Expiring Rent</b>	<b>Average Monthly New Rent</b>	<b>Percentage Gain-on-Turn</b>	<b>Annualized Gain-on-Turn<sup>(2)</sup></b>
Toronto	44	\$ 2,343	\$ 2,725	16.3%	\$ 174
Ottawa	262	1,339	1,513	12.9%	545
Alberta	84	1,277	1,336	4.6%	59
Montreal	45	1,278	1,439	12.6%	44
<b>Total/Average</b>	<b>435</b>	<b>\$ 1,417</b>	<b>\$ 1,585</b>	<b>11.5%</b>	<b>\$ 822</b>

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

<sup>(2)</sup> For co-owned properties, reflects the REIT's co-ownership interest only.

A summary of leasing activities and the gains to be realized from new leases signed for the six months ended June 30, 2019 is set out in the table below:

<b>Geographic node</b>	<b>New Leases Signed<sup>(1)</sup></b>	<b>Average Monthly Expiring Rent</b>	<b>Average Monthly New Rent</b>	<b>Percentage Gain-on-Turn</b>	<b>Annualized Gain-on-Turn<sup>(2)</sup></b>
Toronto	73	\$ 2,189	\$ 2,565	17.2%	\$ 303
Ottawa	417	1,338	1,482	10.7%	717
Alberta	147	1,313	1,378	4.9%	113
Montreal	45	1,278	1,439	12.6%	44
<b>Total/Average</b>	<b>682</b>	<b>\$ 1,418</b>	<b>\$ 1,568</b>	<b>10.1%</b>	<b>\$ 1,177</b>

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

<sup>(2)</sup> For co-owned properties, reflects the REIT's co-ownership interest only.

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 \$11,536. The embedded rent, segmented by market, is set out in the table below. The increase from March 31, 2019 is a result of: increasing market rents, particularly in Ottawa and Toronto, the acquisition of new properties in Toronto and Montreal and that summer months are the prime season for leasing. In Ottawa, strong demand at Minto 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 and the rental markets remaining strong.



The gain-to-lease potential on existing rents as at June 30, 2019 is as follows:

Geographic node	Average Monthly		Management's Estimate of Monthly Market Rent	Percentage Gain-to-Lease	Annualized Estimated Gain- to-Lease <sup>(2)</sup>
	Total Suites <sup>(1)</sup>	In-Place Rent/Suite			
Toronto	1,086	\$ 1,737	\$ 2,016	16.0%	\$ 2,964
Ottawa	2,933	1,387	1,579	13.8%	6,743
Alberta	622	1,317	1,415	7.5%	734
Montreal	968	1,362	1,550	13.8%	1,095
<b>Total/Average</b>	<b>5,609</b>	<b>\$ 1,439</b>	<b>\$ 1,634</b>	<b>13.6%</b>	<b>\$ 11,536</b>

<sup>(1)</sup> Excludes 240 furnished suites and 116 vacant suites.

<sup>(2)</sup> For co-owned properties, reflects the REIT's co-ownership interest only.

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 and Leslie York Mills in Toronto, its Edmonton properties, and Castle Hill and Carlisle in Ottawa.

A summary of the repositioning activities for the three and six months ended June 30, 2019 is set out below.

Property	Number of Suites Repositioned and Leased		Remaining Number of Suites to Reposition
	Three months ended June 30, 2019	Six months ended June 30, 2019	
Minto Yorkville	9	17	58
Leslie York Mills	10	10	399
Edmonton properties	14	27	110
Carlisle	8	8	183
Castle Hill	16	16	160
<b>Total</b>	<b>57</b>	<b>78</b>	<b>910</b>



Minto Yorkville, Toronto



Castle Hill, Ottawa



Carlisle, Ottawa

The pace of repositioning at Minto Yorkville is expected to decline as the supply of unrenovated suites for repositioning decreases and the number of previously renovated suites turning over increases.

The repositioning projects at Carlisle and Castle Hill started at the beginning of February 2019. In the second quarter of 2019, eight leases of repositioned suites have been signed at Carlisle and 16 leases of repositioned suites have been signed at Castle Hill. Following the successful implementation of test suites, the REIT began its repositioning program at Leslie York Mills in May 2019, with 10 suites repositioned and leased as of June 30, 2019.

The REIT has been able to achieve a target return within the range of 8-15% on suites repositioned and leased to date.

During the second quarter of 2019, Management developed a repositioning plan for Rockhill, a six-building property located in Montreal, which is expected to commence in August 2019.

## 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 difficult 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 this year with the addition of three existing properties - Carlisle, Castle Hill and Leslie York Mills. 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, including the commencement of the Rockhill repositioning program in August 2019.

### Strategic Acquisitions in Major Canadian Urban Centres and Capitalizing on Relationship with MPI and Affiliates

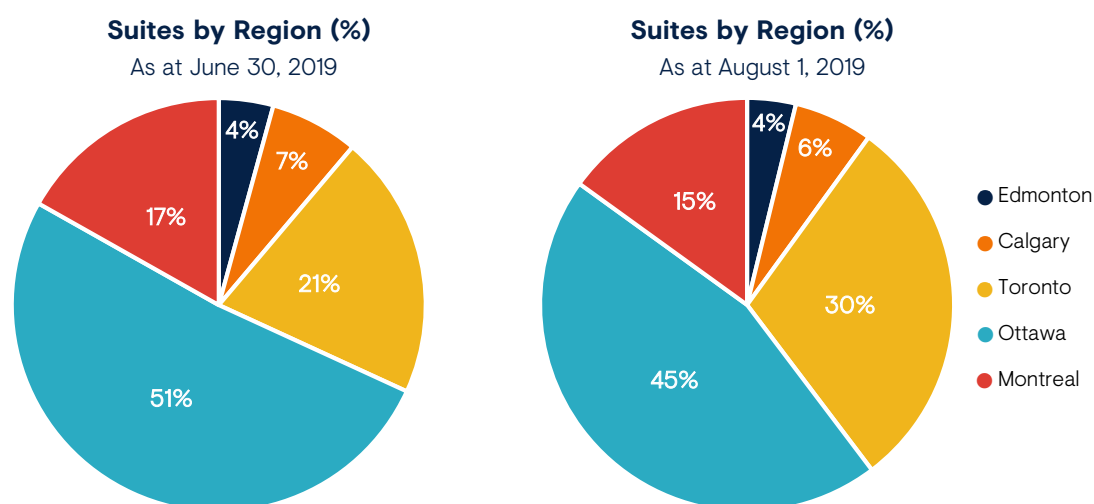
The REIT increased its footprint in Alberta in January 2019 with the acquisition of The Quarters, a two-building, 199-suite multi-residential rental property that was newly constructed in 2018.

In May 2019, the REIT made the significant achievement of entering the Montreal rental market with the purchase of a 50% ownership interest in Rockhill, a six-building, 1,004 suite multi-residential rental property with repositioning potential. With this acquisition, the REIT now has a presence in five of Canada's six largest metropolitan markets.

On May 1, 2019, the REIT acquired MPI's 50% ownership in Leslie York Mills, a three-building, 409 suite multi-residential rental property located in Toronto, demonstrating the benefit of the REIT's relationship with MPI and its affiliates and access to its pipeline of assets. This 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.

On August 1, 2019, the REIT acquired MPI's 40% ownership interest in High Park Village, a three-building, 750 suite multi-residential rental property in Toronto that has significant repositioning and intensification potential.

The geographic distribution of the Total Portfolio's suites is as follows:



## Section II - Financial Highlights and Performance

### Selected Financial Information

The following table includes highlights of selected financial information of the REIT as at and for the three months ended June 30, 2019:

As at and for the three months ended		June 30, 2019
Total assets	\$	1,526,199
Investment properties		1,508,469
Non-current liabilities		1,028,543
Class C LP Units		228,302
Mortgages		407,549
Credit facility		24,348
Revenue		24,796
Net operating income		15,786
Net income and comprehensive income	\$	48,816

## Key Performance Indicators

At June 30, 2019, the Total Portfolio of the REIT comprised 26 multi-residential rental properties, with an aggregate of 4,552 wholly-owned suites and 1,413 suites co-owned with institutional partners in which the REIT has a 50% ownership interest. A small number of these suites 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 four additional suites created from excess common area space). Same Property Portfolio results include revenue, expenses, NOI, NOI margin, average monthly rent per suite and occupancy. As of June 30, 2019, the Same Property Portfolio makes up 80.6% of the total fair value of the investment properties.

The REIT's operating results are affected by seasonal variations in property expenses and other factors. As a result, the operating performance and metrics in one quarter may not be indicative of future quarters.

The following table highlights certain information about the REIT for the three months ended June 30, 2019:

Three months ended	June 30, 2019	
<b>Operating</b>		
Number of properties		26
Total suites <sup>(1)</sup>		5,965
Average monthly rent per suite	\$	1,439
Occupancy		98.72%
Average monthly rent per suite - Same Property Portfolio	\$	1,435
Occupancy - Same Property Portfolio		99.20%
<b>Financial</b>		
Revenue	\$	24,796
NOI <sup>(2)</sup>	\$	15,786
NOI margin <sup>(2)</sup>		63.7%
Net income and comprehensive income	\$	48,816
Revenue - Same Property Portfolio	\$	21,600
NOI - Same Property Portfolio <sup>(2)</sup>	\$	13,647
NOI margin - Same Property Portfolio <sup>(2)</sup>		63.2%
FFO <sup>(2)</sup>	\$	9,769
FFO per unit	\$	0.2146
AFFO <sup>(2)</sup>	\$	8,445
AFFO per unit	\$	0.1855
AFFO Payout ratio <sup>(2)</sup>		55.24%
Distribution per Unit annualized	\$	0.41
Distribution yield based on Unit closing price		2.18%

<sup>(1)</sup> Includes 1,413 suites co-owned with institutional partners in which the REIT has a 50% ownership interest.

<sup>(2)</sup> Refer to Section IV, "Reconciliation of Non-IFRS Measures" for a reconciliation of performance indicators not defined by IFRS.

As at	June 30, 2019	December 31, 2018	Change
<b>Leverage</b>			
Debt-to-Gross Book Value ratio <sup>(1)</sup>	43.26%	44.95%	169 bps
Debt Service Coverage ratio <sup>(1)</sup>	1.88x	1.97x	(0.09)x
Debt-to-EBITDA ratio <sup>(1)</sup>	12.21x	11.36x	(0.9)x
Weighted average term to maturity on fixed rate debt	6.09	5.86	0.23 years
Weighted average interest rate on fixed rate debt	3.19%	3.18%	(1) bp

<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 weighted average number of Units and Class B LP Units outstanding over the period. See Section I, "Non-IFRS Measures".
- (ii) AFFO per unit - Calculated as AFFO divided by the weighted average number of Units and Class B LP Units outstanding over the period. 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 June 30, 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 June 30, 2019. The REIT monitors the average cost of its mortgages and Class C LP Units.

## Review of Financial Performance

The following tables highlight selected financial information for the REIT for the three and six months ended June 30, 2019 compared to the Forecast contained in the Prospectus.

Three months ended June 30, 2019	Same Property Portfolio			Total Portfolio		
	Actual	Forecast	% Change	Actual	Forecast	% Change
Revenue from investment properties	\$ 21,600	\$ 21,048	2.6%	\$ 24,796	\$ 21,048	17.8%
Property operating costs	4,020	4,375	8.1%	4,504	4,375	(2.9)%
Property taxes	2,323	2,320	(0.1)%	2,649	2,320	(14.2)%
Utilities	1,610	1,745	7.7%	1,857	1,745	(6.4)%
Net operating income	\$ 13,647	\$ 12,608	8.2%	\$ 15,786	\$ 12,608	25.2%
General and administrative				1,277	1,100	(16.1)%
Fair value gain on investment properties				(10,276)	-	100.0%
Fair value gain on Class B LP Units				(30,872)	-	100.0%
Fair value gain on unit-based compensation				(36)	-	100.0%
Finance costs - operations				7,001	6,427	(8.9)%
Fees and other income				(124)	-	100.0%
Net income and comprehensive income				\$ 48,816	\$ 5,081	860.8%

Six months ended June 30, 2019	Same Property Portfolio			Total Portfolio		
	Actual	Forecast	% Change	Actual	Forecast	% Change
Revenue from investment properties	\$ 42,553	\$ 41,450	2.7%	\$ 46,931	\$ 41,450	13.2%
Property operating costs	8,151	8,533	4.5%	8,734	8,533	(2.4)%
Property taxes	4,634	4,640	0.1%	5,047	4,640	(8.8)%
Utilities	3,723	4,020	7.4%	4,054	4,020	(0.8)%
Net operating income	\$ 26,045	\$ 24,257	7.4%	\$ 29,096	\$ 24,257	19.9%
General and administrative				2,427	2,200	(10.3)%
Fair value gain on investment properties				(23,845)	-	100.0%
Fair value loss on Class B LP Units				6,466	-	(100.0)%
Fair value loss on unit-based compensation				44	-	(100.0)%
Finance costs - operations				13,981	12,855	(8.8)%
Fees and other income				(124)	-	100.0%
Net income and comprehensive income				\$ 30,147	\$ 9,202	227.6%

## Net Operating Income

For the three and six months ended June 30, 2019, Same Property Portfolio NOI exceeded Forecast by 8.2% and 7.4% as a result of higher revenues and lower operating expenses, as outlined below.

For the three and six months ended June 30, 2019, Total Portfolio NOI grew by 25.2% and 19.9% compared to Forecast as a result of higher revenues, higher NOI on the Same Property Portfolio and the acquisitions of two properties located in Calgary, one in Toronto and another in Montreal, comprising a total of 1,682 suites (including 1,413 suites co-owned with institutional partners).

## Revenue from Investment Properties

Three months ended June 30, 2019	Same Property Portfolio			Total Portfolio		
	Actual	Forecast	% Change	Actual	Forecast	% Change
Rental revenue	\$ 20,850	\$ 20,415	2.1%	\$ 23,992	\$ 20,415	17.5%
Other property income	750	633	18.5%	804	633	27.0%
	<b>\$ 21,600</b>	<b>\$ 21,048</b>	<b>2.6%</b>	<b>\$ 24,796</b>	<b>\$ 21,048</b>	<b>17.8%</b>

Six months ended June 30, 2019	Same Property Portfolio			Total Portfolio		
	Actual	Forecast	% Change	Actual	Forecast	% Change
Rental revenue	\$ 41,190	\$ 40,189	2.5%	\$ 45,490	\$ 40,189	13.2%
Other property income	1,363	1,261	8.1%	1,441	1,261	14.3%
	<b>\$ 42,553</b>	<b>\$ 41,450</b>	<b>2.7%</b>	<b>\$ 46,931</b>	<b>\$ 41,450</b>	<b>13.2%</b>

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

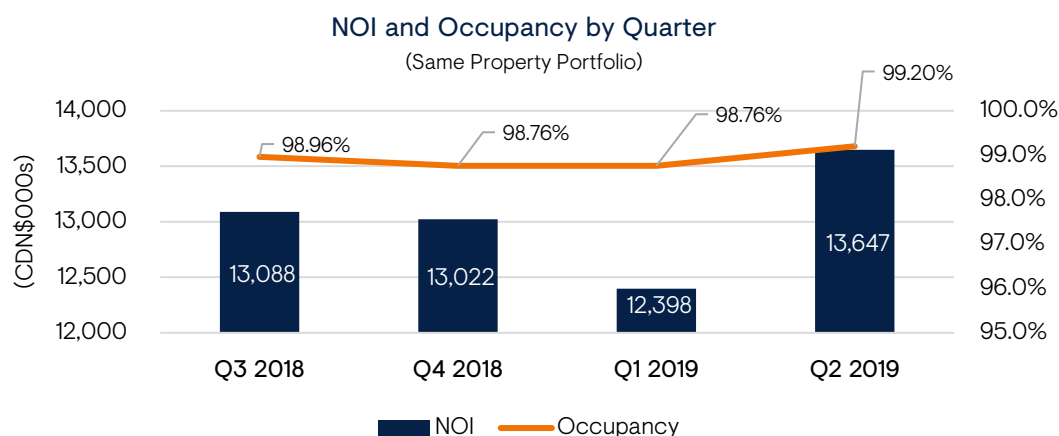
Total Portfolio revenue for the three and six months ended June 30, 2019 was 17.8% and 13.2% higher than Forecast primarily due to the contributions from new acquisitions, higher rental rates and higher occupancy.

For the three and six months ended June 30, 2019, Same Property Portfolio revenue was 2.6% and 2.7% higher than Forecast. 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.

Rental performance metrics for the periods presented are as follows:

As at June 30, 2019	Same Property Portfolio		Total Portfolio	
	Actual	Forecast	Actual	Forecast
Number of suites	4,283	4,279	5,965 <sup>(1)</sup>	4,279
Average monthly rent per suite	\$ 1,435	\$ 1,416	\$ 1,439	\$ 1,416
Occupancy	99.20%	96.80%	98.72%	96.80%

<sup>(1)</sup> Includes 1,413 suites co-owned with institutional partners in which the REIT has a 50% ownership interest.



Same Property Portfolio average monthly rent per suite of \$1,435 was \$19 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 99.2% was also favourable to Forecast by 240 bps due to strong market conditions in Ontario.

## Property Operating Costs

Three months ended June 30, 2019	Same Property Portfolio			Total Portfolio		
	Actual	Forecast	% Change	Actual	Forecast	% Change
Property operating costs	\$ 4,020	\$ 4,375	8.1%	\$ 4,504	\$ 4,375	(2.9)%

Six months ended June 30, 2019	Same Property Portfolio			Total Portfolio		
	Actual	Forecast	% Change	Actual	Forecast	% Change
Property operating costs	\$ 8,151	\$ 8,533	4.5%	\$ 8,734	\$ 8,533	(2.4)%

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.



For the three and six months ended June 30, 2019, property operating costs for the Total Portfolio were 2.9% and 2.4% higher than Forecast, primarily due to the acquisition of the properties in Calgary, Toronto and Montreal.

For the three and six months ended June 30, 2019, Total Portfolio property operating costs as a percentage of revenue were 18.2% and 18.6% respectively, compared to Forecast of 20.8% and 20.6% for the same periods.

For the three and six months ended June 30, 2019, 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 administrative costs directly relating to the properties. The favourable impact was partially offset by an increase in insurance premiums and higher snow removal costs.

## Property Taxes

Three months ended June 30, 2019	Same Property Portfolio			Total Portfolio		
	Actual	Forecast	% Change	Actual	Forecast	% Change
Property taxes	\$ 2,323	\$ 2,320	(0.1)%	\$ 2,649	\$ 2,320	(14.2)%

Six months ended June 30, 2019	Same Property Portfolio			Total Portfolio		
	Actual	Forecast	% Change	Actual	Forecast	% Change
Property taxes	\$ 4,634	\$ 4,640	0.1%	\$ 5,047	\$ 4,640	(8.8)%

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

For the three and six months ended June 30, 2019, Total Portfolio property taxes as a percentage of revenue were 10.7% and 10.8% respectively, compared to Forecast of 11.0% and 11.2% for the same periods.

Property taxes for the Same Property Portfolio of \$2,323 and \$4,634 for the three and six months ended June 30, 2019 and were in line with the Forecast.

## Utilities

Three months ended June 30, 2019	Same Property Portfolio			Total Portfolio		
	Actual	Forecast	% Change	Actual	Forecast	% Change
Electricity	\$ 727	\$ 792	8.2%	\$ 810	\$ 792	(2.3)%
Natural gas	238	271	12.2%	346	271	(27.7)%
Water	645	682	5.4%	701	682	(2.8)%
	\$ 1,610	\$ 1,745	7.7%	\$ 1,857	\$ 1,745	(6.4)%

Six months ended June 30, 2019	Same Property Portfolio			Total Portfolio		
	Actual	Forecast	% Change	Actual	Forecast	% Change
Electricity	\$ 1,568	\$ 1,661	5.6%	\$ 1,682	\$ 1,661	(1.3)%
Natural gas	927	1,071	13.4%	1,071	1,071	-%
Water	1,228	1,288	4.7%	1,301	1,288	(1.0)%
	\$ 3,723	\$ 4,020	7.4%	\$ 4,054	\$ 4,020	(0.8)%

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.

Higher utilities expense for the Total Portfolio was primarily as a result of the investment property acquisitions in Calgary, Toronto and Montreal, partially offset by lower utilities consumption for the Same Property Portfolio.

Total Portfolio utilities for the three and six months ended June 30, 2019, represent 7.5% and 8.6% of revenue, compared to 8.3% and 9.7% for the Forecast for the same periods.

Same Property Portfolio utilities for the three and six months ended June 30, 2019 were \$135 and \$297 favourable to Forecast primarily as result of lower consumption of water, electricity 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 between the REIT and MPI. The general and administrative expenses of \$1,277 and \$2,427 for the three and six months ended June 30, 2019, respectively, were higher than Forecast primarily due to acquisition research costs relating to transactions that were not completed and increased costs pertaining to professional services.

## Fair Value Gain on Investment Properties

The fair value gain on investment properties of \$10,276 for the three months ended June 30, 2019 was comprised of a \$15,486 increase from higher forecast NOI, partially offset by a \$1,328 decrease due to a change in the capitalization rates and an increase of \$3,882 in the capital expenditures reserve.

The fair value gain on investment properties of \$23,845 for the six months ended June 30, 2019 was comprised of a \$32,702 increase due to forecast NOI, partially offset by a \$1,456 decrease due to changes in capitalization rates and an increase of \$7,401 in the capital expenditures reserve.

The increase from changes in forecast NOI for the three and six months ended June 30, 2019 was primarily due to properties located in Ottawa which have been experiencing higher rental rates. The increase in the deduction for capital expenditures was primarily due to the ongoing capital requirements and repositioning projects currently in progress at Carlisle and Leslie York Mills.

## Fair Value Gain/Loss on 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 gain or loss on 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.

For the three months ended June 30, 2019, the opening Unit price was \$20.29 and closing Unit price was \$18.81, resulting in a fair value gain of \$30,872.

For the six months ended June 30, 2019, the opening Unit price was \$18.50 and closing Unit price was \$18.81, resulting in a fair value loss of \$6,466.

## Fair Value Gain/Loss on 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 June 30, 2019, the opening Unit price was \$20.29 and the closing Unit price was \$18.81, resulting in a fair value gain of \$36.

For the six months ended June 30, 2019, the opening Unit price was \$18.50 and the closing Unit price was \$18.81, resulting in a fair value loss of \$44. The impact of the change in Unit price was reduced by deferred units granted to the Trustees during the first and second quarters.

## Finance Costs - Operations

Finance costs for the Total Portfolio for the three and six months ended June 30, 2019 are outlined in the tables below:

Three months ended June 30, 2019	Actual	Forecast	% Change
Interest income	\$ (81)	\$ -	100.0%
Interest expense on mortgages	2,951	1,841	(60.3)%
Interest expense and standby fees on credit facility	350	487	28.1%
Interest expense on unsecured debt	-	179	100.0%
Amortization of CMHC premiums	18	-	(100.0)%
Amortization of financing charges	51	43	(18.6)%
Amortization of mark-to-market adjustments	(194)	(245)	(20.8)%
Interest expense and other financing charges	3,095	2,305	(34.3)%
Distributions on Class B LP Units	2,137	2,350	9.1%
Distributions on Class C LP Units	1,769	1,772	0.2%
	\$ 7,001	\$ 6,427	(8.9)%

Six months ended June 30, 2019	Actual	Forecast	% Change
Interest income	\$ (92)	\$ -	100.0%
Interest expense on mortgages	5,197	3,692	(40.8)%
Interest expense and standby fees on credit facility	1,320	956	(38.1)%
Interest expense on unsecured debt	-	357	100.0%
Amortization of CMHC premiums	29	-	(100.0)%
Amortization of financing charges	102	86	(18.6)%
Amortization of mark-to-market adjustments	(388)	(489)	(20.7)%
Interest expense and other financing charges	6,168	4,602	(34.0)%
Distributions on Class B LP Units	4,275	4,700	9.0%
Distributions on Class C LP Units	3,538	3,553	0.4%
	\$ 13,981	\$ 12,855	(8.8)%

Finance costs comprise interest income, 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.

Finance costs for the three and six months ended June 30, 2019 were higher by \$574 and \$1,126 compared to the Forecast, primarily due to interest expense on new mortgage loans associated with the acquisitions in Calgary, Toronto and Montreal. The unfavourable impact was partially offset by lower distributions on the 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.

## Fees and Other Income

Fees and other income represent revenue from asset, project and property management services provided by the REIT in connection with properties co-owned with institutional partners. For the three and six months ended June 30, 2019, the REIT began earning asset, project and property management fees from investment properties acquired in Toronto and Montreal during the second quarter.

## Summary of Quarterly Results

	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue	\$ 24,796	\$ 22,135	\$ 21,377	\$ 21,098
NOI <sup>(1)</sup>	15,786	13,310	13,022	13,088
NOI margin <sup>(1)</sup>	63.7%	60.1%	60.9%	62.0%
Net income (loss) and comprehensive income (loss)	48,816	(18,669)	16,217	33,173
FFO <sup>(1)</sup>	9,769	7,318	8,211	7,986
FFO per unit	0.2146	0.1993	0.2236	0.2175
AFFO <sup>(1)</sup>	8,445	6,100	6,453	6,782
AFFO per unit	0.1855	0.1661	0.1757	0.1847
Distributions declared	4,665	3,764	3,762	3,683
AFFO Payout ratio <sup>(1)</sup>	55.24%	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 achieved AFFO per unit of \$0.7120 for its first year of operations compared to Forecast of \$0.6307 per unit, representing a 12.9% favourable variance.

The REIT's operating results are affected by seasonal variations in property expenses and other factors. As a result, the operating performance and metrics in one quarter may not be indicative of future quarters and the reader should not simply annualize the results of the current quarter.

## Section III - Assessment of Financial Position



### Investment Properties

The following table summarizes the changes in investment properties for the six months ended June 30, 2019:

As at	June 30, 2019
Balance, beginning of period	\$ 1,197,811
Additions	
Acquisitions of investment property	278,290
Capital expenditures	8,525
Fair value gain	23,845
Other	(2)
<b>Balance, June 30, 2019</b>	<b>\$ 1,508,469</b>

#### Acquisitions of Investment Property

The REIT completed the following investment property acquisitions for the six months ended June 30, 2019, which were accounted for as asset acquisitions, and have contributed to the operating results effective from their respective acquisition date:

Property	Date of acquisition	Suites	Total acquisition cost	Mortgage financing	Interest rate and maturity	Ownership interest
370 & 380 Quarry Way SE, Calgary, AB ("The Quarters")	January 7, 2019	199	\$ 63,954	\$ 44,316	3.04% September 1, 2029	100%
740 & 750 York Mills Road and 17 Farmstead Road, Toronto, ON ("Leslie York Mills")	May 1, 2019	409	76,804	23,392	2.82% February 1, 2021	50%
4850-4874 Côte-des-Neiges Road, Montreal, QC ("Rockhill")	May 7, 2019	1,004	137,532	67,500	3.42% July 25, 2029	50%
			\$ 278,290	\$ 135,208		

Cash used in acquisitions of investment properties is as follows:

	June 30, 2019
Total acquisition cost	\$ (278,290)
Mortgage assumed	23,392
Deposits on acquisition	3,000
Working capital assumed	6,678
Cash consideration	\$ (245,220)

## 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 June 30, 2019	Six months ended June 30, 2019
Total expenditures	\$ 5,442	\$ 8,525
Value-enhancing capital spend		
Building improvements	917	2,433
Suite upgrades	2,945	4,375
	\$ 3,862	\$ 6,808
Maintenance capital expenditures	\$ 1,580	\$ 1,717
<b>Maintenance capital expenditures per suite</b>	<b>\$ 315</b>	<b>\$ 345</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 June 30, 2019 included Minto Yorkville, Leslie York Mills, 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 exterior work is highly dependent on favourable weather conditions and as a result, a significant portion of the exterior work is performed between the months of May and September and therefore actual maintenance capital expenditures in a given quarter may not be indicative of future quarters and the reader should not simply annualize quarterly maintenance capital expenditures. The actual maintenance capital expenditures for the six months ended June 30, 2019 were \$1,717 or \$345 per suite, relating to in-suite and common area projects. This brings the maintenance capital expenditure from July 2, 2018 to June 30, 2019 up to \$3,990, or \$876 per suite, which is in line with the \$900 per suite reserve established at the time of the REIT's initial public offering.

The REIT has added four investment properties to its portfolio since commencing operations on July 2, 2018, adding an additional 269 wholly-owned suites and 1,413 suites that are co-owned with institutional partners in which the REIT has a 50% ownership interest, which were not included as part of the forecasted reserve. With the addition of the new properties, Management does not expect any changes to the forecasted reserve of \$900 per suite for the year ended December 31, 2019.

## 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	June 30, 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	4.15%	4.25%	4.15%	4.42%
Montreal, Quebec	3.73%	3.73%	N/A	N/A
Average capitalization rate		4.10%		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 June 30, 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 June 30, 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 3.20% (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 June 30, 2019, \$125,652 (December 31, 2018 - \$114,075) of this facility is available. The credit facility bears interest at bankers' acceptance plus 1.75% or prime plus 0.75% and as at June 30, 2019, the weighted average variable interest rate was 4.14% (December 31, 2018 - 3.94%)

During the six months ended June 30, 2019, the REIT obtained two new mortgage financings and assumed one mortgage. On March 6, 2019, in connection with the acquisition of The Quarters, the REIT obtained a new CMHC insured mortgage of \$44,316, bearing interest at 3.04% and maturing on September 1, 2029. On May 1, 2019, the REIT assumed mortgage financing of \$23,392 in connection with the acquisition of Leslie York Mills, bearing interest at 2.82% and maturing on February 1, 2021. On May 7, 2019, in connection with the acquisition of Rockhill, the REIT secured mortgage financing for \$67,500, bearing interest at 3.42% and maturing on July 25, 2029.

## Units

The following table presents the change in and outstanding amount of Units for the six months ended June 30, 2019:

	Units	\$
Authorized	Unlimited	
Units issued and outstanding:		
Balance, December 31, 2018	15,863,100	\$ 212,078
Issued	8,809,000	165,172
<b>Balance, June 30, 2019</b>	<b>24,672,100</b>	<b>\$ 377,250</b>

On April 15, 2019, the REIT completed the issuance of 8,809,000 Units from treasury at a price of \$19.60 per Unit for net proceeds of \$165,172 (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 \$7,484.

## 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.

For the three and six months ended June 30, 2019, distributions to Unitholders of \$2,528 and \$4,154 respectively were declared.

## 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	June 30, 2019	December 31, 2018
Liabilities (principal amounts outstanding):		
Class B LP Units	\$ 392,365	\$ 385,899
Class C LP Units	225,226	227,721
Mortgages	405,856	273,574
Credit facility	24,348	35,925
	1,047,795	923,119
Unitholders' equity	449,417	258,252
	<b>\$ 1,497,212</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 unitholder'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 June 30, 2019, 78% (December 31, 2018 - 76%) of the REIT's total debt is CMHC insured and approximately 96% (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 currently targeting a range of 45%-55%. The REIT's Debt-to-Gross Book Value ratio is calculated as follows:

<b>As at</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Class C LP Units	\$ 228,302	\$ 231,037
Mortgages	407,549	275,601
Credit facility	24,348	35,925
Total debt	660,199	542,563
Total assets	1,526,199	1,206,925
<b>Debt-to-Gross Book Value ratio</b>	<b>43.26%</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:

<b>As at</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
NOI	\$ 29,096	\$ 26,110
Fees and other income	124	-
General and administrative expenses	(2,427)	(2,267)
EBITDA	26,793	23,843
<b>Annualized EBITDA</b>	<b>\$ 53,586</b>	<b>\$ 47,686</b>
Total debt, net of cash	654,508	541,671
<b>Debt-to-EBITDA ratio</b>	<b>12.21x</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 future quarters of the year.

The REIT has staggered the maturities of its debt financings, including distributions payable on the Class C LP Units, to reduce interest rate risk and its risk related to refinancing. As at June 30, 2019, the weighted average term to maturity on the REIT's fixed rate debt was 6.09 years (December 31, 2018 - 5.86) and the weighted average interest rate on fixed rate debt was 3.19% (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	\$ 3,762	\$ 2,524	\$ -	\$ -	\$ -	\$ 6,286	1.0%	-%
2020	8,006	5,178	12,094	-	-	25,278	3.9%	3.59%
2021	7,381	5,341	22,077	24,348	-	59,147	9.0%	3.51%
2022	6,722	5,510	87,161	-	-	99,393	15.2%	3.22%
2023	5,365	5,324	47,620	-	35,563	93,872	14.3%	3.09%
2024	3,663	4,361	48,182	-	55,482	111,688	17.0%	3.01%
2025	3,137	3,067	22,743	-	60,474	89,421	13.6%	3.19%
Thereafter	12,073	4,209	115,870	-	38,193	170,345	26.0%	3.34%
	<b>\$ 50,109</b>	<b>\$ 35,514</b>	<b>\$ 355,747</b>	<b>\$ 24,348</b>	<b>\$ 189,712</b>	<b>\$ 655,430</b>	<b>100%</b>	

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

As of June 30, 2019, current liabilities of \$48,239 (December 31, 2018 - \$31,532) exceeded current assets of \$14,749 (December 31, 2018 - \$7,289), resulting in a net working capital deficit of \$33,490 (December 31, 2018 - \$24,243). The REIT's immediate liquidity needs are met through cash-on-hand, cash flow from operations, property-level debt and availability on its credit facility. As of June 30, 2019, liquidity was \$131,343 (December 31, 2018 - \$114,967) consisting of cash and cash equivalents of \$5,691 (December 31, 2018 - \$892) and \$125,652 (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. The REIT raised \$172,656 during the quarter, reducing the amount available to be raised pursuant to the short form shelf prospectus to \$577,344.

## Cash Flows

The REIT held a cash balance of \$5,691 as at June 30, 2019. The sources of and use of cash flow for the three and six months ended June 30, 2019 are as follows:

	Three months ended June 30, 2019	Six months ended June 30, 2019
Operating activities	\$ 10,827	\$ 15,595
Financing activities	181,922	240,754
Investing activities	(187,514)	(251,550)

## 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 June 30, 2019	Six months ended June 30, 2019
Net income and comprehensive income	\$ 48,816	\$ 30,147
Add: distributions on Class B LP Units	2,137	4,275
	50,953	34,422
Less: distributions paid	(4,364)	(8,128)
Excess of net income and comprehensive income over total distributions paid	<b>\$ 46,589</b>	<b>\$ 26,294</b>
Cash provided by operating activities	\$ 10,827	\$ 15,595
Less: interest paid	(4,688)	(9,619)
	6,139	5,976
Less: distributions paid	(4,364)	(8,128)
Excess (shortfall) of cash provided by operating activities over total distributions and interest paid	<b>\$ 1,775</b>	<b>\$ (2,152)</b>
Distributions declared	<b>\$ 4,665</b>	<b>\$ 8,429</b>

Net income is not used as a proxy for distributions as it is impacted by several non-cash items, including fair value gains or losses on investment properties and Class B LP Units. Amounts retained in excess of distributions declared are used to fund acquisitions and capital expenditure requirements.

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 June 30, 2019, cash provided by operations and net income exceeded distributions and interest paid.

For the six months ended June 30, 2019, distributions paid were in excess of cash provided by operations. Cash provided by operations was primarily affected by the timing of property tax installments paid for certain properties. The shortfall in cash provided by operations was funded by the REIT's credit facility.

## Cash provided by financing activities

For the three months ended June 30, 2019, cash flows provided by financing activities were \$181,922 representing cash inflows from issuance of Units, net of issue costs, of \$165,193 and proceeds from mortgage financing of \$67,500. These cash inflows were offset by net payments on the credit facility of \$38,861, payment of CMHC premiums and deferred financing costs of \$72, repayments on mortgages of \$1,543, distributions on various classes of units of \$5,607 and interest paid of \$4,688.

For the six months ended June 30, 2019, cash flows provided by financing activities were \$240,754 representing cash inflows from issuance of Units, net of issue costs, of \$165,193 and proceeds from mortgage financing of \$111,816. These cash inflows were offset by net payments on the credit facility of \$11,577, payment of CMHC premiums and deferred financing costs of \$1,510, repayments on mortgages of \$2,926, distributions on various classes of units of \$10,623 and interest paid of \$9,619.

## Cash used in investing activities

Cash flows used in investment activities for the three months ended June 30, 2019 were \$187,514 and represent the acquisitions of investment properties in Toronto and Montreal for \$183,710 and capital additions to investment properties of \$3,804.

For the six months ended June 30, 2019, cash flows used in investment activities were \$251,550 and represent investment property acquisitions in Calgary, Toronto and Montreal for \$245,220 and capital additions to investment properties of \$6,330.

## 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 June 30, 2019		Six months ended June 30, 2019	
	Actual	Forecast	Actual	Forecast
<b>Net income and comprehensive income</b>	<b>\$ 48,816</b>	<b>\$ 5,081</b>	<b>\$ 30,147</b>	<b>\$ 9,202</b>
Distributions on Class B LP Units	2,137	2,350	4,275	4,700
Fair value (gain) loss on:				
Investment properties	(10,276)	-	(23,845)	-
Class B LP Units	(30,872)	-	6,466	-
Unit-based compensation	(36)	-	44	-
<b>Funds from operations (FFO)</b>	<b>\$ 9,769</b>	<b>\$ 7,431</b>	<b>\$ 17,087</b>	<b>\$ 13,902</b>
Maintenance capital expenditure reserve	\$ (1,130)	\$ (962)	\$ (2,154)	(1,925)
Amortization of mark-to-market adjustments	(194)	(245)	(388)	(489)
<b>Adjusted funds from operations (AFFO)</b>	<b>\$ 8,445</b>	<b>\$ 6,224</b>	<b>\$ 14,545</b>	<b>\$ 11,488</b>
Distributions on Class B LP Units	\$ 2,137	\$ 2,350	\$ 4,275	\$ 4,700
Distributions on Units	2,528	1,414	4,154	2,828
	\$ 4,665	\$ 3,764	\$ 8,429	\$ 7,528
<b>AFFO payout ratio</b>	<b>55.24%</b>	<b>60.48%</b>	<b>57.95%</b>	<b>65.53%</b>
Weighted average number of Units and Class B LP Units	45,531,510	36,722,510	41,127,010	36,722,510
<b>FFO per unit</b>	<b>\$ 0.2146</b>	<b>\$ 0.2024</b>	<b>\$ 0.4155</b>	<b>\$ 0.3786</b>
<b>AFFO per unit</b>	<b>\$ 0.1855</b>	<b>\$ 0.1695</b>	<b>\$ 0.3537</b>	<b>\$ 0.3128</b>

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

FFO was higher for the three and six months ended June 30, 2019 as compared to the Forecast, reflecting the positive NOI variance. AFFO was higher for the three and six months ended June 30, 2019 as compared to the Forecast, as a result of higher FFO, adjusted for the maintenance capital expenditure reserve and the amortization of mark-to-market adjustments.

## NOI and NOI Margin

A reconciliation of NOI and NOI margin for the three months ended June 30, 2019 is set out below:

Three months ended June 30, 2019	Same Property Portfolio		Total Portfolio	
	Actual	Forecast	Actual	Forecast
Revenue from investment properties	\$ 21,600	\$ 21,048	\$ 24,796	\$ 21,048
Property operating expenses	7,953	8,440	9,010	8,440
<b>NOI</b>	<b>\$ 13,647</b>	<b>\$ 12,608</b>	<b>\$ 15,786</b>	<b>\$ 12,608</b>
<b>NOI margin</b>	<b>63.2%</b>	<b>59.9%</b>	<b>63.7%</b>	<b>59.9%</b>

A reconciliation of NOI and NOI margin for the six months ended June 30, 2019 is set out below:

Six months ended June 30, 2019	Same Property Portfolio		Total Portfolio	
	Actual	Forecast	Actual	Forecast
Revenue from investment properties	\$ 42,553	\$ 41,450	\$ 46,931	\$ 41,450
Property operating expenses	16,508	17,193	17,835	17,193
<b>NOI</b>	<b>\$ 26,045</b>	<b>\$ 24,257</b>	<b>\$ 29,096</b>	<b>\$ 24,257</b>
<b>NOI margin</b>	<b>61.2%</b>	<b>58.5%</b>	<b>62.0%</b>	<b>58.5%</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:

Six months ended	June 30, 2019	December 31, 2018
<b>NOI</b>	<b>\$ 29,096</b>	<b>\$ 26,110</b>
Interest expense on mortgages	5,197	3,881
Interest expense and standby fees on credit facility	1,320	809
Interest expense on unsecured promissory note	-	298
Distributions on Class C LP Units - finance costs	3,538	3,606
Mortgage repayments	2,926	2,206
Unsecured promissory note repayments	-	105
Distributions on Class C LP Units - principal repayments	2,495	2,329
<b>Total debt service</b>	<b>\$ 15,476</b>	<b>13,234</b>
<b>Debt Service Coverage ratio</b>	<b>1.88x</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, with the addition of joint ownership risk.

#### Joint arrangements

The REIT acquired two investment properties during the second quarter of 2019 that are subject to joint control and are joint operations. Risks associated with co-ownership include the risk of non-payment of operating and capital costs from the co-owner or the risk of the co-owner selling its interest in the properties.

### 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 June 30, 2019, the REIT has a variable rate credit facility of \$150,000 with an outstanding balance of \$24,348 (December 31, 2018 - \$35,925). A 1% change in prevailing interest rates would change annualized interest charges incurred by \$243.

(ii) Currency risk

The REIT's financial statement presentation currency is Canadian dollars. Operations are located in Canada and the REIT has limited 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 June 30, 2019 would have a \$3,924 (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, Edmonton and Montreal regions. The nature of this business involves a high volume of tenants with individually small monthly rent amounts. The REIT monitors the collection of residential rent receivables on a regular basis with strictly followed procedures designed to minimize credit loss in cases of non-payment.

## Liquidity Risk

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

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

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

<b>As at</b>		<b>June 30, 2019</b>		<b>December 31, 2018</b>
Committed	\$	150,000	\$	150,000
Available		125,652		114,075
Utilized		24,348		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	\$ 3,762	\$ 20,100	\$ 29,458	\$ 93,883	\$ 258,653	\$ 405,856
Credit facility	-	-	24,348	-	-	24,348
	3,762	20,100	53,806	93,883	258,653	430,204
Class C LP Units	2,524	5,178	5,341	5,510	206,673	225,226
Interest obligation	9,852	20,303	18,798	16,920	49,911	115,784
Tenant rental deposits	7,252	180	-	-	36	7,468
Due to related parties	3,088	-	-	-	-	3,088
Accounts payable and accrued liabilities	13,299	363	-	-	-	13,662
	\$ 39,777	\$ 46,124	\$ 77,945	\$ 116,313	\$ 515,273	\$ 795,432

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 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 and six months ended June 30, 2019, the REIT incurred \$141 and \$282, inclusive of harmonized sales tax, for services rendered under the ASA.

### (b) Due to related parties

Amounts due to related parties at June 30, 2019 includes \$713 and \$585 (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. Additionally, amounts due to MPI include \$1,790 (December 31, 2018 - \$1,643) for working capital, \$nil (December 31, 2018 - \$1,049) to reimburse transaction costs and \$nil (December 31, 2018 - \$282) in connection with the ASA.



### (c) Revenue and expenses

- Included in rental revenue for the three and six months ended June 30, 2019 is \$144 and \$480 of revenue from MPI and its affiliates for rent paid for office space, furnished suites, parking and other revenue at certain REIT properties.
- Included in property operating expenses for the three and six months ended June 30, 2019 is \$278 and \$418 paid to MPI and its affiliates.
- For the three and six months ended June 30, 2019, compensation to key management personnel includes \$160 and \$325 paid to executives, unit-based compensation expense of \$72 and \$143 for executives and unit-based compensation expense for the grant of deferred units to Trustees in lieu of annual retainer and meeting fees of \$116 and \$235, respectively. Additional compensation to key management personnel for services provided to the REIT was paid by MPI and its affiliate.
- Included in finance costs for the three and six months ended June 30, 2019 are distributions on Class B LP Units of \$2,137 and \$4,275 and on Class C LP Units of \$1,769 and \$3,538, paid or payable to limited partnerships wholly-owned by MPI.
- Reimbursement of \$315 to MPI for costs paid on behalf of the REIT.

### (d) Distributions

For the three and six months ended June 30, 2019, distributions of \$1,243 and \$2,495 to a limited partnership wholly-owned by MPI were made to repay principal on Class C LP Units.

### (e) Property Acquisition

On May 1, 2019, the REIT acquired MPI's 50% ownership interest in 740 & 750 York Mills Road and 17 Farmstead Road in Toronto, Ontario for acquisition costs of \$76,804. In connection with the acquisition, the REIT assumed a mortgage of \$23,392.

## 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 June 30, 2019, the remaining unforgiven balance of the loan is \$17,136 (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 June 30, 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, have limited the scope of their assessment of the REIT's DC&P and ICFR to exclude controls, policies and procedures of Rockhill. The business was acquired on May 7, 2019 and accounts for approximately 4.92% of revenue in the REIT's unaudited condensed consolidated interim financial statements for the three months ended June 30, 2019, and accounts for approximately 8.88% of investment properties as at June 30, 2019.

The scope limitation is primarily based on the time required to assess the acquired business' existing DC&P and ICFR effectiveness. The assessment of the acquired business' design effectiveness of DC&P and ICFR, and the implementation of any changes determined by Management to be desirable, is expected to be completed by the first quarter of 2020. Further details related to the acquisition are disclosed in Note 4, "Acquisition of Investment Property", in the REIT's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2019.

Without contradiction of the scope limitation of Management's assessment, 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 June 30, 2019. Based on this evaluation, the CEO and CFO have concluded that they 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 changes that occurred during the quarter ended June 30, 2019, with the exception of the acquisition of Rockhill, that have significantly affected or are reasonably likely to significantly affect our internal control over financial reporting.

## Subsequent Events

On August 1, 2019, the REIT acquired MPI's 40% ownership interest in a 750-suite multi-residential rental property located in Toronto, Ontario for a purchase price of \$131,214, with the REIT assuming a mortgage term loan of \$39,520, with a variable interest rate of bankers' acceptance plus 1.85% and maturity date of April 1, 2026 and an interest rate swap that fixes the interest rate at 3.375%. The remaining purchase price was satisfied by the issuance of 2,806,122 Class B LP Units at \$19.60 per unit and the REIT drawing on its existing credit facility.

On August 12, 2019, the Board of Trustees approved a 7.4% increase to the REIT's annual distribution from \$0.4100 per Unit to \$0.4404 per Unit. The monthly distribution will be \$0.03670 per Unit, up from \$0.03416 per Unit. The increase will be effective for the REIT's August 2019 cash distribution, to be paid on September 16, 2019.

## 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 and six months ended June 30, 2019 to the results of the Initial Portfolio:

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Revenue from investment properties	\$ 24,796	\$ 20,181	22.9%	46,931	40,052	17.2%
Property operating costs	4,504	4,349	(3.6)%	8,734	8,257	(5.8)%
Property taxes	2,649	2,195	(20.7)%	5,047	4,449	(13.4)%
Utilities	1,857	1,580	(17.5)%	4,054	3,675	(10.3)%
Net operating income	15,786	12,057	30.9%	29,096	23,671	22.9%
General and administrative expenses	1,277	1,280	0.2%	2,427	2,391	(1.5)%
Fair value gain on investment properties	(10,276)	(27,236)	62.3%	(23,845)	(32,310)	(26.2)%
Fair value (gain) loss on Class B LP Units	(30,872)	-	100.0%	6,466	-	(100.0)%
Fair value (gain) loss on unit-based compensation	(36)	-	100.0%	44	-	(100.0)%
Finance costs - operations	7,001	7,317	4.3%	13,981	12,307	(13.6)%
Fees and other income	(124)	-	100.0%	(124)	-	100.0%
<b>Net income and comprehensive income</b>	<b>\$ 48,816</b>	<b>\$ 30,696</b>	<b>59.0%</b>	<b>30,147</b>	<b>41,283</b>	<b>(27.0)%</b>

### Revenue from Investment Properties

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Rental revenue	\$ 23,992	\$ 19,497	23.1%	45,490	38,479	18.2%
Other property income	804	684	17.5%	1,441	1,573	(8.4)%
	<b>\$ 24,796</b>	<b>\$ 20,181</b>	<b>22.9%</b>	<b>46,931</b>	<b>40,052</b>	<b>17.2%</b>

Other than the new acquisitions, higher rental revenue was driven by an increase in average rents and higher occupancies for the three and six months ended June 30, 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 for the three months ended June 30, 2019 was higher as a result of revenues from new properties acquired during the quarter and higher revenues from laundry facilities, gym memberships, resident chargebacks and operating cost recoveries. For the six months ended June 30, 2019, other property income was lower mainly due to revenue from contractually recoverable operating expenditures that were not available in 2019.

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

As at June 30,	2019	2018
Number of suites	5,965 <sup>(1)</sup>	4,279
Average monthly rent per suite	\$ 1,439	\$ 1,364
Occupancy	98.72%	98.67%

<sup>(1)</sup> Includes 1,413 suites co-owned with institutional partners in which the REIT has a 50% ownership interest.

The average monthly rent per suite increased by \$75 (5.5%) as compared to the same period in 2018. This increase is primarily a result of higher market rents, successful implementation of the REIT's suite repositioning program and higher average rent achieved for occupied furnished suites.

## Property Operating Costs

Property operating costs were higher for the three and six months ended June 30, 2019 as compared to the same period in 2018. This unfavourable variance is due to property operating costs relating to the four new acquisitions, salary increases and higher snow removal costs due to high seasonal snow falls in the first four months of 2019.

## Property Taxes

Property taxes have increased by 20.7% and 13.4% for the three and six months ended June 30, 2019 respectively as compared to the same period in 2018. The acquisitions in Calgary, Toronto and Montreal are the primary contributors to this increase. In addition, 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.

## Utilities

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Electricity	\$ 810	\$ 616	(31.5)%	1,682	1,411	(19.2)%
Natural gas	346	271	(27.7)%	1,071	944	(13.5)%
Water	701	693	(1.2)%	1,301	1,320	1.4%
	\$ 1,857	\$ 1,580	(17.5)%	4,054	3,675	(10.3)%

Utilities for the three months ended June 30, 2019 amounted to \$1,857 or 7.49% of revenue, compared to \$1,580 or 7.83% 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 June 30, 2019. The \$277 increase is primarily due to the acquisitions in Calgary, Toronto and Montreal.

Utilities for the six months ended June 30, 2019 amounted to \$4,054 or 8.64% of revenue, compared to \$3,675 or 9.18% 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 six months ended June 30, 2019. The \$379 increase is primarily due to the acquisitions in Calgary, Toronto and Montreal.

## General and Administrative Expenses

The general and administrative expenses increased by \$36 for the six months ended June 30, 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 six months ended June 30, 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, higher management costs relating to new acquisitions and write-offs of acquisition research costs relating to transactions that were not completed.

## Fair Value Gain on Investment Properties

Refer to Section II, "Review of Financial Performance" for details on the fair value gain on investment properties for the three and six months ended June 30, 2019. The fair value gain on investment properties for the three and six months ended June 30, 2018 was a result of a decrease in capitalization rates for a few properties in Ottawa.

## Fair Value Gain/Loss on 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 June 30, 2018 because the REIT's initial public offering had not yet occurred.

## Fair Value Gain/Loss on 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 June 30, 2018.

## Finance Costs - Operations

Prior to the formation of the REIT, certain one-time debt modification costs were incurred which are not part of finance costs for the REIT. This was the main reason for the favourable finance costs for the three month ended June 30, 2019.

For the six months ended June 30, 2019, the favourable impact of debt modification costs was eliminated by the 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.

## Fees and Other Income

Refer to Section II, "Review of Financial Performance" for details on fees and other income for the three and six months ended June 30, 2019.