



# Management's Discussion and Analysis

For the three and nine months ended September 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. At September 30, 2019, the REIT's portfolio, referred to herein as the "Total Portfolio", consists of 27 multi-residential rental properties, comprising an aggregate of 4,552 suites which are wholly-owned by the REIT, 1,413 suites that are 50% co-owned with institutional partners and 750 suites that are 40% co-owned with an institutional partner.

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

### Business 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 is 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) Unless the requirement is waived by the REIT's independent Trustees, the REIT will obtain an appraisal of each real property that it intends to acquire and an engineering survey with respect to the physical condition of the property. The REIT must obtain a Phase I environmental site assessment of the property (or be entitled to rely on a Phase I environmental site assessment that is not more than six months old).

As of November 12, 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 nine months ended September 30, 2019, three months ended September 30, 2018 and the period from April 24, 2018 to September 30, 2018, prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and the REIT's audited consolidated financial statements and accompanying notes for the period from April 24, 2018 (date of formation) to December 31, 2018.

The REIT had no operations from April 24, 2018 (date of formation) to July 1, 2018, therefore the comparative information presented in this Management's Discussion and Analysis covers the period from July 2, 2018, when the REIT commenced operations, to September 30, 2018. For the nine months ended September 30, 2018, the operating results cover the 91-day period from July 2, 2018 to September 30, 2018 and as such, are not comparable to the nine months ended September 30, 2019. The analysis of the results of operations will focus on the three-month periods ended September 30, 2019 and 2018. 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 November 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 October 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"), debt-to-Gross Book Value ratio and debt-to-earnings before interest, taxes, depreciation and amortization ("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 changes in fair value of financial instruments and derivatives. 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:

- "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 and is used as the REIT's primary measure of its leverage;
- "Debt-to-EBITDA Ratio" is calculated by dividing interest-bearing debt (net of cash) by annualized EBITDA. EBITDA is calculated by the REIT as NOI adjusted for fees and other income and general and administrative expenses; and
- "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 strategic objectives include leveraging its strategic alliance with MPI and its affiliates. On August 1, 2019, 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. The acquisition was funded by the issuance of 2,806,122 Class B LP Units to MPI for \$55,000, the assumption of a \$39,480 mortgage and the REIT's credit facility. The assumed mortgage has a variable interest rate of one month bankers' acceptance plus 1.85% and maturity date of April 1, 2026. In addition, the REIT assumed an interest rate swap to receive variable interest based on one month bankers' acceptance plus 185 bps and pay fixed interest at 3.38%.



High Park Village, Toronto

On October 10, 2019, the REIT entered into an agreement to acquire two multi-residential rental properties (Le 4300 and Haddon Hall), comprising an aggregate of 528 suites located in Montreal, for a purchase price of \$281,100. In connection with this acquisition, the REIT has entered into a commitment for a \$45,000 mortgage. This acquisition is expected to close on November 20, 2019 and will increase the REIT's exposure to the attractive Montreal market while complementing portfolio quality, which is in line with the stated REIT strategy.

On October 22, 2019, the REIT completed the issuance of 9,850,000 Units from treasury for gross proceeds of \$225,073. The REIT intends to use the net proceeds to finance directly and/or indirectly a portion of the purchase price for the acquisition of Le 4300 and Haddon Hall.

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

- Revenue from investment properties was \$27,639, 31.0% higher than the same period in 2018;
- NOI was \$17,588, 34.4% higher than the same period in 2018;
- NOI margin was 63.6%, 160 bps higher than the same period in 2018;
- Recorded a fair value gain on investment properties of \$47,486; and
- Distributions totaling \$0.1075 per Unit were declared.

The REIT's strong financial results for the three months ended September 30, 2019 are primarily driven by continued favourable rental market conditions, revenue growth by realization of embedded gain-to-lease opportunities, prudent cost management and the impact of acquisitions.

The REIT realized on substantial organic growth for the three months ended September 30, 2019 through effective 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 \$1,148. A summary of leasing activities and the gains to be realized from new leases signed for the three months ended September 30, 2019 are set out in the table below:

Geographic node	New Leases Signed <sup>(1)</sup>	Average Monthly Expiring Rent	Average Monthly New Rent	Percentage Gain-on-Turn	Annualized Gain-on-Turn <sup>(2)</sup>
Toronto	97	\$ 2,003	\$ 2,294	14.6%	\$ 219
Ottawa	213	1,409	1,697	20.5%	737
Alberta	81	1,320	1,392	5.5%	70
Montreal	51	1,398	1,796	28.5%	122
<b>Total/Average</b>	<b>442</b>	<b>\$ 1,486</b>	<b>\$ 1,737</b>	<b>16.9%</b>	<b>\$ 1,148</b>

<sup>(1)</sup> New leases signed includes 100% of new leases from co-ownerships and 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 nine months ended September 30, 2019 are 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	170	\$ 2,099	\$ 2,435	16.0%	\$ 522
Ottawa	630	1,362	1,554	14.1%	1,454
Alberta	228	1,316	1,383	5.1%	183
Montreal	96	1,342	1,629	21.4%	166
<b>Total/Average</b>	<b>1,124</b>	<b>\$ 1,443</b>	<b>\$ 1,630</b>	<b>12.7%</b>	<b>\$ 2,325</b>

<sup>(1)</sup> New leases signed includes 100% of new leases from co-ownerships and 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 \$15,273. The total embedded gain-to-lease has increased by \$9,601 since September 2018, of which 37% is related to acquisitions and 73% is related to increased market rents for the Initial Portfolio.

The increase from June 30, 2019 is a result of increasing market rents throughout the peak leasing season, as well as the acquisition of High Park Village in Toronto. Ottawa continues to experience strong demand in communities such as Parkwood Hills, Tanglewood and Castlevue, contributing to the increase in gain-to-lease potential from last quarter.

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. Although the suite turnover remains strong, the amount of embedded gain-to-lease unlocked is dependent on the suite type and length of tenancy turning over. Management expects that it will be able to realize a significant portion of the gain-to-lease potential over a period of four to five years, given current market conditions.

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

<b>Geographic node</b>	<b>Total Suites<sup>(1)</sup></b>	<b>Average Monthly In-Place Rent/Suite</b>	<b>Management's Estimate of Monthly Market Rent</b>	<b>Percentage Gain-to-Lease</b>	<b>Annualized Estimated Gain-to-Lease<sup>(2)</sup></b>
Toronto	1,809	\$ 1,774	\$ 2,071	16.7%	\$ 4,174
Ottawa	2,929	1,415	1,666	17.7%	8,792
Alberta	617	1,323	1,425	7.7%	757
Montreal	971	1,338	1,600	19.5%	1,550
<b>Total/Average</b>	<b>6,326</b>	<b>\$ 1,478</b>	<b>\$ 1,722</b>	<b>16.5%</b>	<b>\$ 15,273</b>

<sup>(1)</sup> Excludes 257 furnished suites and 132 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, Leslie York Mills and High Park Village in Toronto, its Edmonton properties, Castle Hill and Carlisle in Ottawa and Rockhill in Montreal.



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

Property	Number of Suites Repositioned and Leased		Remaining Number of Suites to Reposition
	Three months ended September 30, 2019	Nine months ended September 30, 2019	
Minto Yorkville	2	19	56
Leslie York Mills	20	30	379
High Park Village	6	6	401
Edmonton properties	16	43	94
Carlisle	8	16	175
Castle Hill	20	36	140
Rockhill	2	2	932
<b>Total</b>	<b>74</b>	<b>152</b>	<b>2,177</b>



Leslie York Mills, Toronto



High Park Village, Toronto



Rockhill, Montreal

The REIT completed 74 repositionings during the quarter, taking advantage of the higher turnover in the summer months. Management continues to moderate the pace of repositionings given the need to balance the short-term dilutive impact of repositioning on FFO, while maintaining net asset value accretion.

The pace of repositioning at Minto Yorkville has declined as expected, as the supply of unrenovated suites for repositioning decreases and the number of previously renovated suites turning over increases.

The repositioning program at High Park Village began prior to the date of acquisition on August 1, 2019. As of the acquisition date, 407 suites were remaining to be renovated. The REIT continued the repositioning program and has repositioned six suites since acquiring the property.

During the third quarter of 2019, the REIT began work on the repositioning program at Rockhill, a six-building property in Montreal, with two test suites repositioned by the end of the third quarter. The REIT was able to achieve the target return on these test suites and plans to move ahead with the repositioning program. As a result, more suites will be repositioned next quarter.

The REIT has been able to achieve a target return varying between 8-15% on suites repositioned and leased to date.

## Outlook

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

The growth is expected to come from:

- Organic growth opportunities including the realization of embedded gain-to-lease on existing rents;
- Value creation from the repositioning of existing assets by investing in in-suite and common area improvements to drive higher revenue;
- Making strategic acquisitions in major urban centres across Canada; and,

- Capitalizing on our relationship with MPI and its affiliates to generate growth either through the development of purpose-built rental properties on existing sites that have the ability to add more density or by accessing MPI's pipeline of assets and opportunities.

### **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 five existing properties - Carlisle, Castle Hill, Leslie York Mills, High Park Village and Rockhill. 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.

Subsequent to quarter end, the REIT committed to purchase two multi-residential rental properties located in Montreal that have significant repositioning potential.

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

On January 7, 2019, the REIT increased its footprint in Alberta with the acquisition of The Quarters, a two-building, 199-suite multi-residential rental property that was newly constructed in 2018.

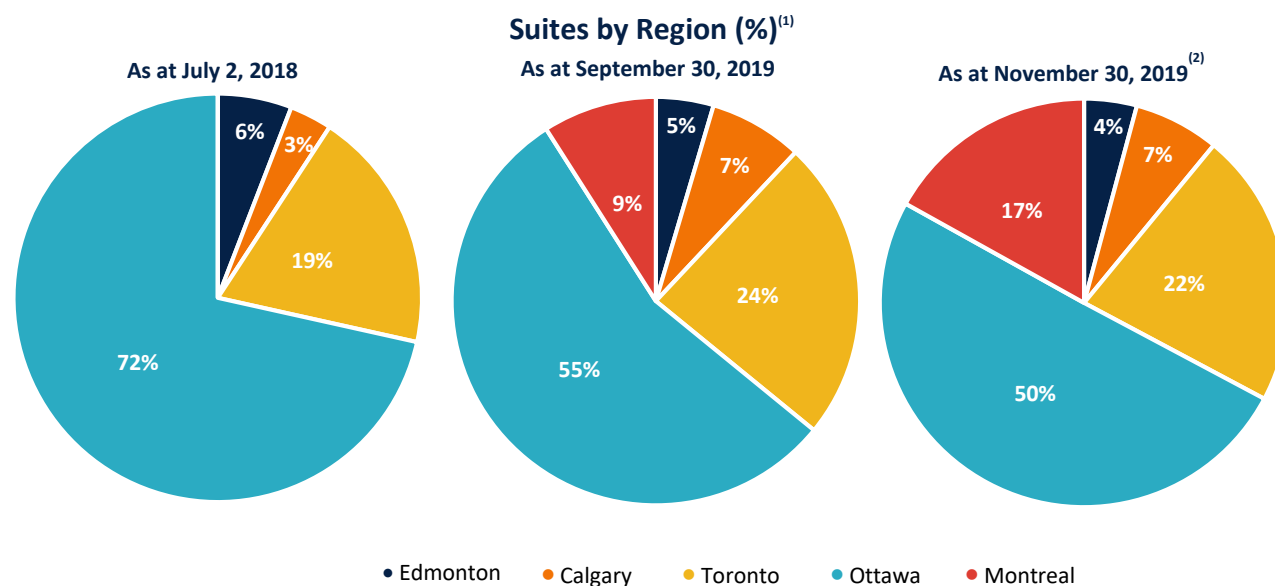
On May 7, 2019, the REIT acquired a 50% ownership interest in Rockhill, a six-building, 1,004 suite multi-residential rental property with repositioning potential. The acquisition was a milestone for the REIT as it represented the entry into the Montreal market. The REIT now has a presence in five of Canada's six largest metropolitan markets.

On May 1, 2019, the REIT acquired MPI's 50% ownership interest 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.

On October 10, 2019, the REIT entered into an agreement to purchase two multi-residential rental properties: Le 4300, a twelve-storey building comprising 318 suites and Haddon Hall, a ten-building property with a total of 210 suites. Both properties are located in Montreal and have significant repositioning potential. The acquisition is expected to close on November 20, 2019 and will increase the REIT's footprint in Montreal and represents more than 20% of suites in the portfolio.

The geographic distribution of suites is as follows:



<sup>(1)</sup> For co-owned properties, reflects the REIT's co-ownership interest only.

<sup>(2)</sup> Assumes the purchase of Le 4300 and Haddon Hall in Montreal closes as expected on November 20, 2019.

## 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 September 30, 2019:

As at or for the three months ended	September 30, 2019
Total assets	\$ 1,714,194
Investment properties	1,698,218
Non-current liabilities	1,229,491
Class C LP Units	226,930
Mortgages	446,663
Credit facility	67,625
Revenue	27,639
Net operating income	17,588
Net loss and comprehensive loss	(29,889)

## Key Performance Indicators

At September 30, 2019, the Total Portfolio of the REIT comprised 27 multi-residential rental properties, comprising an aggregate of 4,552 suites which are wholly-owned by the REIT, 1,413 suites that are 50% co-owned with institutional partners and 750 suites that are 40% co-owned with an institutional partner. A small number of these suites operate as furnished suites.

The "Same Property Portfolio" represents the Initial Portfolio 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) in 22 properties. Same Property Portfolio results include revenue, expenses, NOI, NOI margin, average monthly rent per suite and occupancy. As of September 30, 2019, the Same Property Portfolio makes up 73.9% 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 September 30, 2019 and 2018:

Three months ended	September 30, 2019	September 30, 2018	Change
<b>Operating</b>			
Number of properties	27	22	5
Total suites <sup>(1)</sup>	6,715	4,279	2,436
Average monthly rent per suite	\$ 1,478	\$ 1,388	6.5%
Occupancy	98.58%	98.96%	(38) bps
Average monthly rent per suite - Same Property Portfolio	\$ 1,462	1,388	5.3%
Occupancy - Same Property Portfolio	98.66%	98.96%	(30) bps
<b>Financial</b>			
Revenue	\$ 27,639	\$ 21,098	31.0%
NOI <sup>(2)</sup>	\$ 17,588	\$ 13,088	34.4%
NOI margin <sup>(2)</sup>	63.6%	62.0%	-
Net (loss) income and comprehensive (loss) income	\$ (29,889)	\$ 33,173	(190.1)%
Revenue - Same Property Portfolio	\$ 22,171	\$ 21,098	5.1%
NOI - Same Property Portfolio <sup>(2)</sup>	\$ 13,997	\$ 13,088	6.9%
NOI margin - Same Property Portfolio <sup>(2)</sup>	63.1%	62.0%	110 bps
FFO <sup>(2)</sup>	\$ 10,808	\$ 7,986	35.3%
FFO per unit <sup>(2)</sup>	\$ 0.2280	\$ 0.2175	4.8%
AFFO <sup>(2)</sup>	\$ 9,385	\$ 6,782	38.4%
AFFO per unit <sup>(2)</sup>	\$ 0.1980	\$ 0.1847	7.2%
AFFO Payout ratio <sup>(2)</sup>	54.35%	54.31%	4 bps
Distribution per Unit annualized	\$ 0.44	\$ 0.41	7.3%
Distribution yield based on Unit closing price	1.95%	2.40%	(45) bps

<sup>(1)</sup> Includes 2,163 suites co-owned with institutional partners.

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

<b>As at</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>Change</b>
<b>Leverage</b>			
Debt-to-Gross Book Value ratio <sup>(1)</sup>	43.24%	44.95%	171 bps
Debt Service Coverage ratio <sup>(1)</sup>	1.92x	1.97x	(0.05)x
Debt-to-EBITDA ratio <sup>(1)</sup>	12.81x	11.36x	(1.5)x
Weighted average term to maturity on fixed rate debt	5.89	5.86	0.03 years
Weighted average interest rate on fixed rate debt	3.14%	3.18%	4 bps

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

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

### **Operating**

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

### **Financial**

- (i) 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 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. 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. The REIT monitors the average cost of its mortgages and Class C LP Units.

## Review of Financial Performance

The following table highlights selected financial information for the REIT's Same Property Portfolio and Total Portfolio for the three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018. For the nine months ended September 30, 2018, the operating results cover the 91-day period from July 2, 2018 to September 30, 2018 and as such, are not comparable to the nine months ended September 30, 2019. The analysis of the results of operations will focus on the three month periods ended September 30, 2019 and 2018.

### Same Property Portfolio

For the periods ended September 30,	Three months ended			Nine months ended		
	2019	2018	% Change	2019	2018 <sup>(1)</sup>	% Change
Revenue from investment properties	\$ 22,171	\$ 21,098	5.1%	\$ 64,724	\$ 21,098	206.8%
Property operating costs	4,181	4,004	(4.4)%	12,332	4,004	(208.0)%
Property taxes	2,312	2,279	(1.4)%	6,946	2,279	(204.8)%
Utilities	1,681	1,727	2.7%	5,404	1,727	(212.9)%
Net operating income	\$ 13,997	\$ 13,088	6.9%	\$ 40,042	\$ 13,088	205.9%
NOI margin	63.1%	62.0%	110 bps	61.9%	62.0%	(10) bps

### Total Portfolio

For the periods ended September 30,	Three months ended			Nine months ended		
	2019	2018	% Change	2019	2018 <sup>(1)</sup>	% Change
Revenue from investment properties	\$ 27,639	\$ 21,098	31.0%	\$ 74,570	\$ 21,098	253.4%
Property operating costs	5,227	4,004	(30.5)%	13,961	4,004	(248.7)%
Property taxes	2,864	2,279	(25.7)%	7,911	2,279	(247.1)%
Utilities	1,960	1,727	(13.5)%	6,014	1,727	(248.2)%
Net operating income	\$ 17,588	\$ 13,088	34.4%	\$ 46,684	\$ 13,088	256.7%
NOI margin	63.6%	62.0%	160 bps	62.6%	62.0%	60 bps
General and administrative	1,463	1,055	(38.7)%	3,890	1,055	(268.7)%
Fair value gain investment properties	(47,486)	-	100.0%	(71,331)	-	100.0%
Fair value loss on Class B LP Units	85,707	51,884	(65.2)%	92,173	51,884	(77.7)%
Fair value gain on interest rate swap	(150)	-	100.0%	(150)	-	100.0%
Fair value loss on Unit-based compensation	210	-	(100.0)%	254	-	(100.0)%
Finance costs - operations	8,074	6,139	(31.5)%	22,055	6,139	(259.3)%
Fees and other income	(341)	-	100.0%	(465)	-	100.0%
Bargain purchase gain	-	(79,163)	100.0%	-	(79,163)	100.0%
Net (loss) income and comprehensive (loss) income	(29,889)	33,173	(190.1)%	\$ 258	\$ 33,173	(99.2)%

### Net Operating Income

Same Property Portfolio NOI for the three months ended September 30, 2019 increased by 6.9% compared to the same period in 2018 as a result of higher revenues which was attributable to higher rents from the realization of gain-to-lease potential and repositioning.

Total Portfolio NOI for the three months ended September 30, 2019 increased 34.4% compared to the same period in 2018 as a result of higher revenues, higher NOI for the Same Property Portfolio and the acquisitions of two properties in Calgary, two in Toronto and another in Montreal, comprising a total of 2,432 suites (including 2,163 suites co-owned with institutional partners).

<sup>(1)</sup> Based on operations for the 91-day period from July 2, 2018 to September 30, 2018.

## Revenue from Investment Properties

### Same Property Portfolio

For the periods ended September 30,	Three months ended			Nine months ended		
	2019	2018	% Change	2019	2018 <sup>(1)</sup>	% Change
Rental revenue	\$ 21,415	\$ 20,377	5.1%	\$ 62,605	\$ 20,377	207.2%
Other property income	756	721	4.9%	2,119	721	193.9%
	\$ 22,171	\$ 21,098	5.1%	\$ 64,724	\$ 21,098	206.8%

### Total Portfolio

For the periods ended September 30,	Three months ended			Nine months ended		
	2019	2018	% Change	2019	2018 <sup>(1)</sup>	% Change
Rental revenue	\$ 26,778	\$ 20,377	31.4%	\$ 72,268	\$ 20,377	254.7%
Other property income	861	721	19.4%	2,302	721	219.3%
	\$ 27,639	\$ 21,098	31.0%	\$ 74,570	\$ 21,098	253.4%

Revenue from investment properties consists of rental and other property income. 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 ancillary revenue from laundry facilities, utility charges and other fee income from tenants.

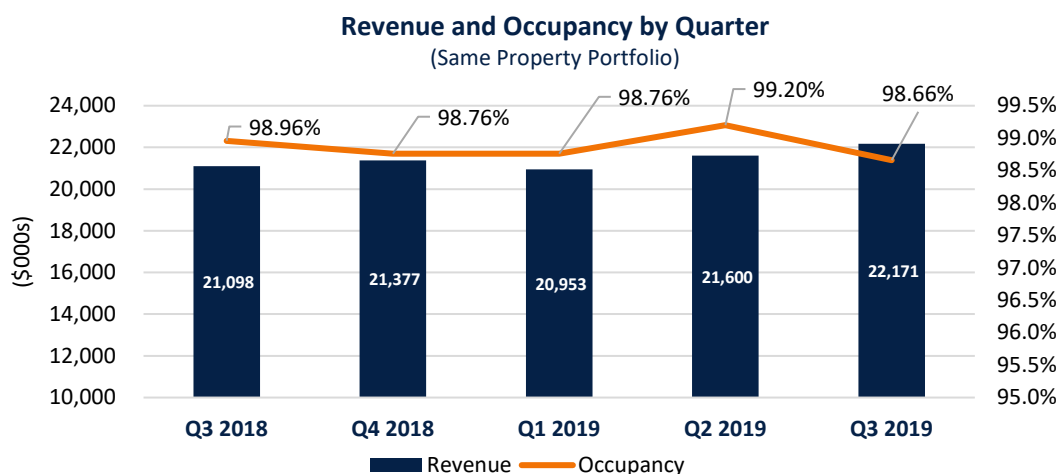
For the three months ended September 30, 2019, Same Property Portfolio revenue was 5.1% higher than the same period in 2018. Revenue was higher primarily due to increases in market rents achieved on new leases and higher revenue earned from repositioned suites. A total of 283 new leases were signed during the quarter relating to the Same Property Portfolio, resulting in an average rent increase of 17.8%.

Total Portfolio revenue for the three months ended September 30, 2019 was 31.0% higher as compared to the same period in 2018 primarily due to the additional suites from new acquisitions and higher rental rates achieved on turnover and repositioning.

Rental performance metrics as at September 30, 2019 and 2018 are as follows:

As at September 30,	Same Property Portfolio		Total Portfolio	
	2019	2018	2019	2018
Number of suites	4,283	4,279	6,715*	4,279
Average monthly rent per suite	\$ 1,462	\$ 1,388	\$ 1,478	\$ 1,388
Occupancy	98.66%	98.96%	98.58%	98.96%

\* Includes 2,163 suites co-owned with institutional partners.



<sup>(1)</sup> Based on operations for the 91-day period from July 2, 2018 to September 30, 2018.

Same Property Portfolio average monthly rent per suite of \$1,462 as at September 30, 2019 was \$74 per suite higher than the same period in 2018 primarily due to realized gain-to-lease on suite turnover across all markets, which experienced higher average monthly rents compared to the same period in 2018.

## Property Operating Costs

### Same Property Portfolio

For the periods ended September 30,	Three months ended			Nine months ended		
	2019	2018	% Change	2019	2018 <sup>(1)</sup>	% Change
Property operating costs	\$ 4,181	\$ 4,004	(4.4)%	\$ 12,332	\$ 4,004	(208.0)%

### Total Portfolio

For the periods ended September 30,	Three months ended			Nine months ended		
	2019	2018	% Change	2019	2018 <sup>(1)</sup>	% Change
Property operating costs	\$ 5,227	\$ 4,004	(30.5)%	\$ 13,961	\$ 4,004	(248.7)%

Property operating costs relate to direct costs associated with operating the properties and providing services to tenants. Included in property operating costs are repairs and maintenance, insurance, site staff salaries, cleaning costs, leasing costs, supplies, waste removal and bad debt expense. The REIT maintains cost discipline and tight controls on property operating costs.

For the three months ended September 30, 2019, property operating costs for the Same Property Portfolio were unfavourable compared to the same period in 2018 primarily due to an increase in insurance premiums.

For the three months ended September 30, 2019, property operating costs for the Total Portfolio were 30.5% higher than the same period in 2018, primarily due to the acquisitions of the properties in Calgary, Toronto and Montreal.

For the three months ended September 30, 2019, Total Portfolio property operating costs as a percentage of revenue was 18.9%, compared to 19.0% for the same period in 2018.

## Property Taxes

### Same Property Portfolio

For the periods ended September 30,	Three months ended			Nine months ended		
	2019	2018	% Change	2019	2018 <sup>(1)</sup>	% Change
Property taxes	\$ 2,312	\$ 2,279	(1.4)%	\$ 6,946	\$ 2,279	(204.8)%

### Total Portfolio

For the periods ended September 30,	Three months ended			Nine months ended		
	2019	2018	% Change	2019	2018 <sup>(1)</sup>	% Change
Property taxes	\$ 2,864	\$ 2,279	(25.7)%	\$ 13,961	\$ 2,279	(512.6)%

Property taxes for the Same Property Portfolio of \$2,312 for the three months ended September 30, 2019 were slightly higher compared to the same period in 2018 as a result of higher property tax assessments.

For the three months ended September 30, 2019, Total Portfolio property taxes were higher as compared to the same period in 2018 primarily due to the acquisitions of new properties in Calgary, Toronto and Montreal. Total Portfolio property taxes as a percentage of revenue were 10.4%, compared to 10.8% for the same period in 2018.

<sup>(1)</sup> Based on operations for the 91-day period from July 2, 2018 to September 30, 2018.



## Utilities

### Same Property Portfolio

For the periods ended September 30,	Three months ended			Nine months ended		
	2019	2018	% Change	2019	2018 <sup>(1)</sup>	% Change
Electricity	\$ 905	\$ 885	(2.3)%	\$ 2,473	\$ 885	(179.4)%
Natural gas	118	118	-%	1,045	118	(785.6)%
Water	658	724	9.1%	1,886	724	(160.5)%
	\$ 1,681	\$ 1,727	2.7%	\$ 5,404	\$ 1,727	(212.9)%

### Total Portfolio

For the periods ended September 30,	Three months ended			Nine months ended		
	2019	2018	% Change	2019	2018 <sup>(1)</sup>	% Change
Electricity	\$ 1,036	\$ 885	(17.1)%	\$ 2,718	\$ 885	(207.1)%
Natural gas	176	118	(49.2)%	1,247	118	(956.8)%
Water	748	724	(3.3)%	2,049	724	(183.0)%
	\$ 1,960	\$ 1,727	(13.5)%	\$ 6,014	\$ 1,727	(248.2)%

Utilities consist of electricity, natural gas and water for the rental properties. Utility costs can be highly variable from one period to the next. The cost is dependent upon seasonality-driven usage, as well as utility rates and commodity prices.

Same Property Portfolio utilities for the three months ended September 30, 2019 were \$46 favourable to the same period in 2018, primarily as result of lower consumption of water, partially offset by higher consumption of electricity. Water consumption was lower as the REIT implemented certain green initiatives at an Ottawa property.

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 months ended September 30, 2019, represent 7.1% of revenue, compared to 8.2% for the same period in 2018.

## 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 dual REIT employees, Trustee fees and costs associated with support services provided under the Administrative Support Agreement ("ASA") between the REIT and MPI. The general and administrative expenses of \$1,463 for the three months ended September 30, 2019 were higher compared to the same period in 2018, primarily due to increased costs relating to the ASA, increased salary expenses and other professional service costs. Cost of support services under the ASA increased by \$141 compared to the same period in 2018. The increase in salary expense is due to a larger number of dual employees (that are not part of the ASA) allocated to the REIT for increased asset management services provided as a result of the growth of the REIT's portfolio. The level of services provided under the ASA and from dual employees are reviewed twice annually on January 1<sup>st</sup> and July 1<sup>st</sup>.

## Fair Value Gain on Investment Properties

The fair value gain on investment properties of \$47,486 for the three months ended September 30, 2019 was primarily due to continued forecast NOI growth of \$45,377, compounded by an increase of \$10,054 from changes in capitalization rates as a result of acquisitions and partially offset by an increase of \$7,945 in the capital expenditures reserve.

The fair value gain on investment properties of \$71,331 for the nine months ended September 30, 2019 was comprised of \$78,079 from additional forecasted NOI, intensified by \$8,598 from changes in capitalization rates and offset by a \$15,346 increase in the capital expenditures reserve.

<sup>(1)</sup> Based on operations for the 91-day period from July 2, 2018 to September 30, 2018.

The increase from changes in forecast NOI for the three and nine months ended September 30, 2019 was primarily due to properties located in Ottawa and Toronto which have generated higher rental rates. The changes in the capitalization rates are mainly driven by properties in Toronto where the market has experienced compression. The increased capital expenditures reserve is primarily due to ongoing capital expenditure requirements and the advancement of repositioning and intensification projects.

### **Fair Value Gain/Loss on Class B LP Units**

The Class B LP Units are owned by MPI and a limited partnership wholly-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 September 30, 2019, the REIT issued an additional 2,806,122 Class B LP Units in connection with the High Park Village acquisition and 896,459 Class B LP Units were exchanged for Units. The increase in Class B LP Units outstanding and the increase in Unit price from \$18.81 to \$22.62 resulted in a fair value loss of \$85,707. For the same period in 2018, the opening Unit price was \$14.50 and closing Unit price was \$17.07, resulting in a fair value loss of \$51,884.

For the nine months ended September 30, 2019, the opening Unit price increased from \$18.50 to \$22.62, resulting in a fair value loss of \$92,173.

### **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 September 30, 2019, the Unit price increased from \$18.81 to \$22.62, which resulted in a fair value loss of \$210. The fair value loss was also impacted by additional Deferred Units granted to the Trustees, offset by the forfeiture of Deferred Units on the resignation of an executive.

For the nine months ended September 30, 2019, the opening Unit price increased from \$18.50 to \$22.62, resulting in a fair value loss of \$254.

### **Fair Value Gain/Loss on Interest Rate Swap**

In connection with the acquisition of High Park Village on August 1, 2019, the REIT assumed an interest rate swap to receive variable interest based on one month bankers' acceptance plus 185 bps and pay fixed interest at 3.38%. For the three months ended September 30, 2019, the REIT recognized a fair value gain of \$150.

## Finance Costs - Operations

For the periods ended September 30,	Three months ended			Nine months ended		
	2019	2018	% Change	2019	2018 <sup>(1)</sup>	% Change
Interest income	\$ (11)	\$ -	100.0%	\$ (103)	\$ -	100.0%
Interest expense on mortgages	3,421	1,894	(80.6)%	8,618	1,894	(355.0)%
Interest expense and standby fees on credit facility	590	409	(44.3)%	1,910	409	(367.0)%
Interest expense on unsecured debt	-	136	100.0%	-	136	100.0%
Amortization of CMHC premiums	21	-	(100.0)%	50	-	(100.0)%
Amortization of financing charges	63	41	(53.7)%	165	41	(302.4)%
Amortization of mark-to-market adjustments	(195)	(241)	(19.1)%	(583)	(241)	(141.9)%
Interest expense and other financing charges	3,889	2,239	(73.7)%	10,057	2,239	(349.2)%
Distributions on Class B LP Units	2,416	2,092	(15.5)%	6,691	2,092	(219.8)%
Distributions on Class C LP Units	1,769	1,808	2.2%	5,307	1,808	(193.5)%
	\$ 8,074	\$ 6,139	(31.52)%	\$ 22,055	\$ 6,139	(259.3)%

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 months ended September 30, 2019 were higher by \$1,935 compared to the same period in 2018, primarily due to interest expense on new mortgage loans and use of the credit facility in connection with the acquisitions in Calgary, Toronto and Montreal, along with additional distributions from the issuance of Class B LP Units and an increase in the per Unit distributions.

## 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 nine months ended September 30, 2019, the REIT began earning asset, project and property management fees from investment properties acquired in Toronto and Montreal during 2019.

## Summary of Quarterly Results

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue	\$ 27,639	\$ 24,796	\$ 22,135	\$ 21,377	\$ 21,098
NOI <sup>(2)</sup>	17,588	15,786	13,310	13,022	13,088
NOI margin <sup>(2)</sup>	63.6%	63.7%	60.1%	60.9%	62.0%
Net (loss) income and comprehensive (loss) income	(29,889)	48,816	(18,669)	16,217	33,173
FFO <sup>(2)</sup>	10,808	9,769	7,318	8,211	7,986
FFO per unit <sup>(2)</sup>	0.2280	0.2146	0.1993	0.2236	0.2175
AFFO <sup>(2)</sup>	9,385	8,445	6,100	6,453	6,782
AFFO per unit <sup>(2)</sup>	0.1980	0.1855	0.1661	0.1757	0.1847
Distributions declared	5,101	4,665	3,764	3,762	3,683
AFFO Payout ratio <sup>(2)</sup>	54.35%	55.24%	61.70%	58.30%	54.31%

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.

<sup>(1)</sup> Based on operations for the 91-day period from July 2, 2018 to September 30, 2018.

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

## Section III - Assessment of Financial Position



### Investment Properties

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

As at	September 30, 2019	
Balance, December 31, 2018	\$	1,197,811
Additions		
Acquisitions of investment properties		415,023
Capital expenditures		14,055
Fair value gain		71,331
Other		(2)
<b>Balance, September 30, 2019</b>	<b>\$</b>	<b>1,698,218</b>

### Acquisitions of Investment Property

The REIT completed the following investment property acquisitions for the nine months ended September 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%
66 Oakmount Road, 111 Pacific Avenue and 255 Glenlake Avenue, Toronto, ON ("High Park Village")	August 1, 2019	750	136,733	39,480	One month bankers' acceptance plus 185 bps <sup>(1)</sup> April 1, 2026	40%
			<b>\$ 415,023</b>	<b>\$ 174,688</b>		

<sup>(1)</sup> In connection with this acquisition, the REIT assumed an interest rate swap to receive variable interest based on one month bankers' acceptance plus 185 bps and pay fixed interest at 3.38%.

Cash used in acquisitions of investment properties is as follows:

	September 30, 2019	
Total acquisition cost	\$	(415,023)
Mortgage assumed		62,872
Interest rate swap acquired		(232)
Class B LP Units issued		56,964
Deposits on acquisition		3,000
Working capital assumed		7,023
<b>Cash consideration</b>	<b>\$</b>	<b>(285,396)</b>

## Capital Expenditures

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

For the periods ended September 30,	Three months ended		Nine months ended	
	2019	2018	2019	2018 <sup>(1)</sup>
Total expenditures	\$ 5,530	\$ 7,495	\$ 14,055	\$ 7,495
Value-enhancing capital expenditures				
Building improvements	1,674	3,447	4,107	3,447
Suite upgrades	2,471	2,825	6,846	2,825
	\$ 4,145	\$ 6,272	\$ 10,953	\$ 6,272
Maintenance capital expenditures	\$ 1,385	\$ 1,223	\$ 3,102	\$ 1,223
<b>Maintenance capital expenditures per suite</b>	<b>\$ 254</b>	<b>\$ 286</b>	<b>\$ 599</b>	<b>\$ 286</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 September 30, 2019 included Minto Yorkville, Leslie York Mills, High Park Village, the three Edmonton properties, Castle Hill, Carlisle and Rockhill. 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 nine months ended September 30, 2019 were \$3,102 or \$599 per suite, relating to in-suite and common area projects.

The REIT has added five investment properties to its portfolio since commencing operations on July 2, 2018, adding an additional 269 wholly-owned suites and 2,163 suites that are co-owned with institutional partners. Management expects to spend, on average, \$900 per suite annually on maintenance capital expenditures for these new properties.

## 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 which is divided by the respective capitalization rate. Estimated aggregate future capital expenditures are subsequently deducted to arrive at fair value. 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.

<sup>(1)</sup> Based on operations for the 91-day period from July 2, 2018 to September 30, 2018.

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	September 30, 2019		December 31, 2018	
	Low	High	Low	High
Ottawa, Ontario	4.00%	5.00%	4.00%	5.00%
Toronto, Ontario	3.25%	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	3.75%	3.75%	N/A	N/A
Average capitalization rate		4.03%		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.

On August 1, 2019, as partial consideration for the acquisition of High Park Village, 2,806,122 Class B LP Units were issued to MPI. On September 17, 2019, a limited partnership wholly-owned by MPI exchanged 896,459 Class B LP Units for Units.

As at September 30, 2019 there were 22,769,073 (December 31, 2018 - 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 September 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 with both fixed and variable interest rates that are secured by investment properties. The fixed rate mortgages bear interest at a weighted average contractual interest rate of 3.14% (December 31, 2018 - 3.20%) and mature at various dates from 2020 to 2030. The variable rate mortgage bears interest at one month bankers' acceptance plus 185 bps and matures on April 1, 2026. The variable interest rate is fixed at 3.38% with the assumption of an interest rate swap.

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 September 30, 2019, \$82,375 (December 31, 2018 - \$114,075) of this facility is available. The credit facility bears interest at bankers' acceptance plus 175 bps or prime plus 75 bps and as at September 30, 2019, the weighted average variable interest rate was 3.71% (December 31, 2018 - 3.94%)

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 conventional mortgage financing for \$67,500, bearing interest at 3.42% and maturing on July 25, 2029. On August 19, 2019, CMHC insurance was acquired for this mortgage, with an additional \$1,544 borrowed to finance the CMHC premiums. The CMHC insured mortgage bears interest at 2.91% and matures on October 1, 2029.

On August 1, 2019, in connection with the acquisition of High Park Village, the REIT assumed a variable rate mortgage which bears interest at bankers' acceptance plus 185 bps and matures on April 1, 2026. In addition, the REIT also assumed an interest rate swap to receive variable interest based on one month bankers' acceptance plus 185 bps and pay fixed interest at 3.38%.

## Units

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

	Units		\$
Authorized	Unlimited		
Units issued and outstanding:			
Balance, December 31, 2018	15,863,100	\$	212,078
Issued, April 15, 2019	8,809,000		165,172
Issued on exchange for Class B LP Units, September 17, 2019	896,459		20,000
	9,705,459		185,172
<b>Balance, September 30, 2019</b>	<b>25,568,559</b>	<b>\$</b>	<b>397,250</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

On August 1, 2019, the Board of Trustees approved a 7.3% increase to the REIT's annual distribution from \$0.41 per Unit to \$0.44 per Unit. The increase was effective for the REIT's August 2019 cash distribution paid on September 16, 2019.

Distributions are paid monthly to Unitholders of record at the close of business on the last 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 nine months ended September 30, 2019, distributions to Unitholders of \$2,685 and \$6,839 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	September 30, 2019	December 31, 2018
Liabilities (principal amounts outstanding):		
Class B LP Units	\$ 515,036	\$ 385,899
Class C LP Units	223,974	227,721
Mortgages	445,065	273,574
Credit facility	67,625	35,925
	1,251,700	923,119
Unitholders' equity	436,843	258,252
	<b>\$ 1,688,543</b>	<b>\$ 1,181,371</b>

Class B LP Units are economically equivalent to Units and are exchangeable for 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 September 30, 2019, 70% (December 31, 2018 - 76%) of the REIT's total debt is CMHC insured and approximately 91% (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:

As at	September 30, 2019	December 31, 2018
Class C LP Units	\$ 226,930	\$ 231,037
Mortgages	446,663	275,601
Credit facility	67,625	35,925
Total debt	741,218	542,563
Total assets	1,714,194	1,206,925
<b>Debt-to-Gross Book Value ratio</b>	<b>43.24%</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>September 30, 2019</b>	<b>December 31, 2018</b>
NOI	\$ 46,684	\$ 26,110
Fees and other income	465	-
General and administrative expenses	(3,890)	(2,267)
EBITDA	43,259	23,843
<b>Annualized EBITDA</b>	<b>\$ 57,679</b>	<b>\$ 47,686</b>
Total debt, net of cash	738,738	541,671
<b>Debt-to-EBITDA ratio</b>	<b>12.81x</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 September 30, 2019, the weighted average term to maturity on the REIT's fixed rate debt was 5.89 (December 31, 2018 - 5.86) years and the weighted average interest rate on fixed rate debt was 3.14% (December 31, 2018 - 3.18%). The contractual payments under the REIT's debt financing is summarized in the table below.

<b>Year</b>	<b>Principal Repayments</b>		<b>Principal at Maturity</b>			<b>Total</b>	<b>% of Total</b>	<b>Interest Rate<sup>(1)</sup></b>
	<b>Mortgages</b>	<b>Class C LP Units</b>	<b>Mortgages</b>	<b>Credit facility</b>	<b>Class C LP Units</b>			
2019	\$ 2,189	\$ 1,272	\$ -	\$ -	\$ -	\$ 3,461	0.5%	-%
2020	9,078	5,178	12,094	-	-	26,350	3.6%	3.59%
2021	8,483	5,341	22,077	67,625	-	103,526	14.1%	3.49%
2022	7,855	5,510	87,161	-	-	100,526	13.6%	3.22%
2023	6,530	5,324	47,620	-	35,563	95,037	12.9%	3.09%
2024	4,863	4,361	48,182	-	55,482	112,888	15.3%	3.01%
2025	4,371	3,067	22,743	-	60,474	90,655	12.3%	3.19%
Thereafter	13,357	4,208	148,462	-	38,194	204,221	27.7%	3.87%
	<b>\$ 56,726</b>	<b>\$ 34,261</b>	<b>\$ 388,339</b>	<b>\$ 67,625</b>	<b>\$ 189,713</b>	<b>\$ 736,664</b>	<b>100%</b>	

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

As of September 30, 2019, current liabilities of \$47,860 (December 31, 2018 - \$31,532) exceeded current assets of \$11,048 (December 31, 2018 - \$7,289), resulting in a net working capital deficit of \$36,812 (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 September 30, 2019, liquidity was \$84,855 (December 31, 2018 - \$114,967) consisting of cash and cash equivalents of \$2,480 (December 31, 2018 - \$892) and \$82,375 (December 31, 2018 - \$114,075) of available borrowing capacity under the credit facility. This is sufficient liquidity to meet the REIT's financial obligations for the foreseeable future.

On December 21, 2018, the REIT filed a short form shelf prospectus, which will allow the REIT to issue Units, debt securities and subscription receipts for an amount up to \$750,000 during the 25-month period that the short form shelf prospectus is effective. The net proceeds from the sale of securities for cash may be used for potential future acquisitions, capital expenditures, to repay indebtedness and general working capital purposes. On April 15, 2019, the REIT raised gross proceeds of \$172,656 from the issuance of Units. Subsequent to quarter end, the REIT raised a further \$225,073 from the issuance of Units. This reduced the amount available to be raised pursuant to the short form shelf prospectus to \$352,271.

## Cash Flows

The REIT held a cash balance of \$2,480 as at September 30, 2019. The sources of and use of cash flow for the three and nine months ended September 30, 2019 are as follows:

For the periods ended September 30,	Three months ended		Nine months ended	
	2019	2018	2019	2018 <sup>(1)</sup>
Operating activities	\$ 12,351	\$ 15,316	\$ 27,946	\$ 15,316
Financing activities	29,457	171,831	270,211	171,831
Investing activities	(45,019)	(185,609)	(296,569)	(185,609)

### 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*:

For the periods ended September 30,	Three months ended		Nine months ended	
	2019	2018	2019	2018 <sup>(1)</sup>
Net (loss) income and comprehensive (loss) income	\$ (29,889)	\$ 33,173	\$ 258	\$ 33,173
Add: distributions on Class B LP Units	2,416	2,092	6,691	2,092
Less: distributions paid	(32,305)	35,265	6,949	35,265
(Shortfall) excess of net (loss) income and comprehensive (loss) income over total distributions paid	\$ (4,986)	\$ (2,428)	\$ (13,114)	\$ (2,428)
Cash provided by operating activities	\$ 12,351	\$ 15,316	\$ 27,946	\$ 15,316
Less: interest paid	(5,608)	(2,999)	(15,227)	(2,999)
Less: distributions paid	6,743	12,317	12,719	12,317
Less: distributions paid	(4,986)	(2,428)	(13,114)	(2,428)
Excess (shortfall) of cash provided by operating activities over total distributions and interest paid	\$ 1,757	\$ 9,889	\$ (395)	\$ 9,889
Distributions declared	\$ 5,081	\$ 2,970	\$ 13,510	\$ 2,970

The REIT has a net (loss) income and comprehensive (loss) income for the three and nine months ended September 30, 2019. Net income (loss) 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, Class B LP Units and derivatives. 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 September 30, 2019, cash provided by operations exceeded distributions and interest paid. For the nine months ended September 30, 2019, the REIT had a shortfall of cash from operating activities over total distributions and interest paid. 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.

<sup>(1)</sup> Based on operations for the 91-day period from July 2, 2018 to September 30, 2018.

## Cash provided by financing activities

For the three months ended September 30, 2019, cash flows provided by financing activities were \$29,457, representing cash inflows from the credit facility of \$43,277 and proceeds from mortgage financing of \$1,544. These cash inflows were partially offset by payment of CMHC premiums and deferred financing costs of \$1,682, repayments on mortgages of \$1,815, additional costs from the issuance of Units in the prior quarter of \$21, distributions on various classes of units of \$6,238 and interest paid of \$5,608.

For the nine months ended September 30, 2019, cash flows provided by financing activities were \$270,211, representing cash inflows from issuance of Units, net of issue costs, of \$165,172, from mortgage financing of \$113,360 and from the credit facility of \$31,700. These cash inflows were partially offset by payment of CMHC premiums and deferred financing costs of \$3,192, repayments on mortgages of \$4,741, distributions on various classes of units of \$16,861 and interest paid of \$15,227.

## Cash used in investing activities

Cash flows used in investment activities for the three months ended September 30, 2019 were \$45,019 and represent the acquisition of investment property in Toronto for \$40,176 and capital additions to investment properties of \$4,843.

For the nine months ended September 30, 2019, cash flows used in investment activities were \$296,569 and represent investment property acquisitions in Calgary, Toronto and Montreal for \$285,396 and capital additions to investment properties of \$11,173.

## Reconciliation of Non-IFRS Measures

### FFO and AFFO

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

For the periods ended September 30,	Three months ended		Nine months ended	
	2019	2018	2019	2018 <sup>(1)</sup>
<b>Net (loss) income and comprehensive (loss) income</b>	\$ (29,889)	\$ 33,173	\$ 258	\$ 33,173
Distributions on Class B LP Units	2,416	2,092	6,691	2,092
Fair value (gain) loss on:				
Investment properties	(47,486)	-	(71,331)	-
Class B LP Units	85,707	51,884	92,173	51,884
Unit-based compensation	210	-	254	-
Interest rate swap	(150)	-	(150)	-
Bargain purchase gain	-	(79,163)	-	(79,163)
<b>Funds from operations (FFO)</b>	\$ 10,808	\$ 7,986	\$ 27,895	\$ 7,986
Maintenance capital expenditure reserve	\$ (1,228)	\$ (963)	\$ (3,382)	\$ (963)
Amortization of mark-to-market adjustments	(195)	(241)	(583)	(241)
<b>Adjusted funds from operations (AFFO)</b>	\$ 9,385	\$ 6,782	\$ 23,930	\$ 6,782
Distributions on Class B LP Units	\$ 2,416	\$ 2,092	\$ 6,691	\$ 2,092
Distributions on Units	2,685	1,591	6,839	1,591
	\$ 5,101	\$ 3,683	\$ 13,530	\$ 3,683
<b>AFFO payout ratio</b>	<b>54.35%</b>	<b>54.31%</b>	<b>56.54%</b>	<b>54.31%</b>
Weighted average number of Units and Class B LP Units	47,402,258	36,722,510	43,218,759	36,722,510
<b>FFO per unit</b>	\$ 0.2280	\$ 0.2175	\$ 0.6454	\$ 0.2175
<b>AFFO per unit</b>	\$ 0.1980	\$ 0.1847	\$ 0.5537	\$ 0.1847

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

<sup>(1)</sup> Based on operations for the 91-day period from July 2, 2018 to September 30, 2018.

FFO was higher for the three months ended September 30, 2019 as compared to the same period in 2018, reflecting the positive NOI variance as a result of higher rents achieved, acquisitions in Calgary, Toronto and Montreal and the realization of gain-to-lease potential. AFFO was higher for the three months ended September 30, 2019 as compared to the same period in 2018, as a result of higher FFO, offset by an increase in maintenance capital expenditure reserve as a result of an increase in the number of suites.

## NOI and NOI Margin

### Same Property Portfolio

For the periods ended September 30,	Three months ended		Nine months ended	
	2019	2018	2019	2018 <sup>(1)</sup>
Revenue from investment properties	\$ 22,171	\$ 21,098	\$ 64,724	\$ 21,098
Property operating expenses	8,174	8,010	24,682	8,010
<b>NOI</b>	<b>\$ 13,997</b>	<b>\$ 13,088</b>	<b>\$ 40,042</b>	<b>\$ 13,088</b>
<b>NOI margin</b>	<b>63.1%</b>	<b>62.0%</b>	<b>61.9%</b>	<b>62.0%</b>

### Total Portfolio

For the periods ended September 30,	Three months ended		Nine months ended	
	2019	2018	2019	2018 <sup>(1)</sup>
Revenue from investment properties	\$ 27,639	\$ 21,098	\$ 74,570	\$ 21,098
Property operating expenses	10,051	8,010	27,886	8,010
<b>NOI</b>	<b>\$ 17,588</b>	<b>\$ 13,088</b>	<b>\$ 46,684</b>	<b>\$ 13,088</b>
<b>NOI margin</b>	<b>63.6%</b>	<b>62.0%</b>	<b>62.6%</b>	<b>62.0%</b>

## Debt-to-Gross Book Value Ratio

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

## Debt Service Coverage Ratio

The Debt Service Coverage ratio is calculated as follows:

As at	September 30, 2019	December 31, 2018
<b>NOI</b>	<b>\$ 46,684</b>	<b>\$ 26,110</b>
Interest expense on mortgages	8,618	3,881
Interest expense and standby fees on credit facility	1,910	809
Interest expense on unsecured promissory note	-	298
Distributions on Class C LP Units - finance costs	5,307	3,606
Mortgage repayments	4,741	2,206
Unsecured promissory note repayments	-	105
Distributions on Class C LP Units - principal repayments	3,747	2,329
<b>Total debt service</b>	<b>\$ 24,323</b>	<b>13,234</b>
<b>Debt Service Coverage ratio</b>	<b>1.92x</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.

<sup>(1)</sup> Based on operations for the 91-day period from July 2, 2018 to September 30, 2018.

## 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 judgment, 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 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 October 15, 2019, 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 participates in co-ownership arrangements that may involve risks and uncertainties associated with third-party involvement, including, but not limited to, its dependency on partners that are not under our control and that might compete with the REIT for opportunities, become bankrupt or otherwise fail to fund their share of required capital contributions, or suffer reputational damage that could have an adverse impact on the REIT. Additionally, our partners might at any time have economic or other business interests or goals that are different than or inconsistent with those of the REIT and we may be required to take actions that are in the interest of the partners collectively, but not in the REIT's sole best interests. Accordingly, we may not be able to favourably resolve issues with respect to such decisions, or we could become engaged in a dispute with any of them that might affect our ability to operate the business or assets in question.

### 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 is floating rate instruments, from time to time the REIT may enter into interest rate swap contracts or other financial instruments to modify the interest rate profile of its outstanding debt without an exchange of the underlying principal amount.

As at September 30, 2019, the REIT has a variable rate credit facility of \$150,000 with an outstanding balance of \$67,625 (December 31, 2018 - \$35,925). A 1% change in prevailing interest rates would change annualized interest charges incurred by \$676 (December 31, 2018 - \$359)

(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 September 30, 2019 would have a \$5,150 (December 31, 2018 - \$3,859) change in the fair value of the Class B LP Units.

The REIT has no significant exposure to other price risk as it does not hold a significant amount of equity securities or commodities.

## 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 Toronto, Montreal, Ottawa, Calgary and Edmonton regions. The nature of this business involves a high volume of tenants with individually small monthly rent amounts. The REIT monitors the collection of residential rent receivables on a regular basis with strictly followed procedures designed to minimize credit loss in cases of non-payment.

## Liquidity Risk

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

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

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

As at	September 30, 2019		December 31, 2018	
Committed	\$	150,000	\$	150,000
Available		82,375		114,075
Utilized		67,625		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	\$ 2,189	\$ 21,172	\$ 30,560	\$ 95,016	\$ 296,128	\$ 445,065
Credit facility	-	-	67,625	-	-	67,625
	2,189	21,172	98,185	95,016	296,128	512,690
Class C LP Units	1,272	5,178	5,341	5,510	206,673	223,974
Interest obligation	5,831	22,820	20,470	17,874	52,527	119,522
Tenant rental deposits	7,992	180	-	-	36	8,208
Due to related parties	1,528	-	-	-	-	1,528
Accounts payable and accrued liabilities	10,871	308	124	58	-	11,361
	\$ 29,683	\$ 49,658	\$ 124,120	\$ 118,458	\$ 555,364	\$ 877,283

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

## Related Party Transactions

In the normal course of operations, the REIT enters into various transactions with related parties. In addition to the related party transactions disclosed elsewhere in this Management's Discussion and Analysis, related party transactions include:

### (a) Administrative Support Agreement

On July 3, 2018, the REIT and MPI entered into a five year renewable ASA. The ASA provides the REIT with certain advisory, transaction and support services, including clerical and administrative support, operational support for the administration of day-to-day activities of the REIT and office space. These services are 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 nine months ended September 30, 2019, the REIT incurred \$282 and \$564 (September 30, 2018 - \$141), inclusive of harmonized sales tax, for services rendered under the ASA.

### (b) Due to related parties

Amounts due to related parties at September 30, 2019 includes \$732 and \$582 (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 \$78 (December 31, 2018 - \$1,643) for working capital, \$103 (December 31, 2018 - \$nil) for distributions on Class B LP Units, \$33 (December 31, 2018 - \$nil) for distributions on Units, \$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 nine months ended September 30, 2019 is \$183 and \$663 (September 30, 2018 - \$112) 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 nine months ended September 30, 2019 is \$265 and \$683 (September 30, 2018 - \$nil) paid to MPI and its affiliates.
- For the three and nine months ended September 30, 2019, compensation to key management personnel includes \$171 and \$496 (September 30, 2018 - \$160) paid to executives, Unit-based compensation expense of \$34 and \$177 (September 30, 2018 - \$47) for executives and Unit-based compensation expense for the grant of deferred units to Trustees in lieu of annual retainer and meeting fees of \$108 and \$343 (September 30, 2018 - \$206), 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 nine months ended September 30, 2019 are distributions on Class B LP Units of \$2,416 and \$6,691 (September 30, 2018 - \$2,092), paid or payable to MPI and a limited partnership wholly-owned by MPI.
- Included in finance costs for the three and nine months ended September 30, 2019 are distributions on Class C LP Units of \$1,769 and \$5,307 (September 30, 2018 - \$1,808), paid or payable to a limited partnership wholly-owned by MPI.
- For the three and nine months ended September 30, 2019, the REIT reimbursed \$nil and \$315 (September 30, 2018 - \$nil) to MPI for costs paid on behalf of the REIT.

### (d) Distributions

- For the three and nine months ended September 30, 2019, distributions of \$1,252 and \$3,747 (September 30, 2018 - \$1,097) to a limited partnership wholly-owned by MPI were made to repay principal on Class C LP Units.
- For the nine months ended September 30, 2019, distributions on Units to MPI of \$33 (September 30, 2018 - \$nil) were declared and recorded as a reduction to Unitholders' equity.

## **(e) Property Acquisitions**

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

On August 1, 2019, the REIT acquired MPI's 40% ownership interest in High Park Village in Toronto, Ontario for acquisition costs of \$136,733. In connection with the acquisition, the REIT assumed a mortgage of \$39,480 which bears interest at bankers' acceptance plus 185 bps and matures on April 1, 2026. In addition, the REIT assumed an interest rate swap to receive variable interest based on one month bankers' acceptance plus 185 bps and pay fixed interest at 3.38%. The purchase price was partially satisfied by the issuance of 2,806,122 Class B LP Units to MPI.

## **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 September 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 September 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. The amendments are not expected to have a material impact on the REIT's consolidated financial statements.

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 7.49% of revenue for the three months ended September 30, 2019 and accounts for approximately 7.95% of investment properties as at September 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 nine months ended September 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 September 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 September 30, 2019 that have significantly affected or are reasonably likely to significantly affect our internal control over financial reporting.

## Subsequent Events

On October 10, 2019, the REIT entered into an agreement to acquire two multi-residential rental properties located in Montreal, Quebec, comprising a total of 528 suites for a purchase price of \$281,100. In connection with this acquisition, the REIT has entered into a commitment for a \$45,000 mortgage. The acquisition is expected to close on November 20, 2019.

On October 22, 2019, the REIT completed the issuance of 9,850,000 Units from treasury at a price of \$22.85 per Unit for gross proceeds of \$225,073. Underwriters' fees and expenses relating to the issuance were approximately \$9,600.

On October 29, 2019, the REIT advanced \$17,100 in connection with its commitment to advance 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 has an interest rate of 6% per annum and matures in March 2022 and is subordinate to senior construction financing.