



# Management's Discussion and Analysis

For the three and nine months ended September 30, 2020 and 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 has been further amended from time to time. The REIT owns and operates a portfolio of income-producing multi-residential rental properties located in Canada.

The REIT's portfolio, referred to herein as the "Total Portfolio", consists of 29 (September 30, 2019 - 27) multi-residential rental properties located in Ontario, Quebec and Alberta, comprising an aggregate of 5,080 (September 30, 2019 - 4,552) suites that are wholly-owned by the REIT, 1,413 (September 30, 2019 - 1,413) suites that are 50% co-owned with institutional partners and 750 (September 30, 2019 - 750) suites that are 40% co-owned with an institutional partner.

The "Same Property Portfolio" consists of 24 multi-residential rental properties comprising an aggregate of 4,552 suites that are wholly-owned by the REIT for comparable periods in 2020 and 2019. The Same Property Portfolio includes The Quarters in Calgary acquired on January 7, 2019, as the exclusion of the impact of the first six days in January is not considered material. As at September 30, 2020, the Same Property Portfolio makes up approximately 68% (September 30, 2019 - 74%) of the total fair value of the investment properties.

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

### 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").

## **Commitment to Environmental, Social and Governance ("ESG")**

Sustainability and social responsibility has been an important part of the Minto Group's culture and values for many years. The Minto Group issued its first public report on its environmental performance and initiatives in 2009, expanded that report to include health and safety performance in 2013 and further expanded the report in 2018 to include ESG generally. As a result of that heritage, the REIT already addresses many ESG elements, including the following:

### **(i) Environmental**

- programs to reduce carbon emissions, energy use, water use and solid waste
- programs to improve air quality
- programs to support natural systems
- third party certification and verification
- partner with research laboratories and invest in new building automation

### **(ii) Social**

- talent attraction and retention
- competitive total rewards value offering for employees
- employee relations, conditions of work
- employee engagement, well-being
- health and safety
- tenant satisfaction and engagement
- community engagement
- community impact, corporate giving
- partner engagement, supply chain management

### **(iii) Governance**

- organizational structure with clear roles and accountabilities
- business strategy
- commitments and policies
- objectives and targets
- resources, including human resources and specialized skills, organizational infrastructure, technology and financial resources
- business systems, processes, programs
- monitoring and disclosure activities
- management oversight/review
- highly qualified Board of Trustees

The REIT has an ESG steering committee in place which is tasked with looking at gaps in the current ESG strategic framework. Working with external consultants, the steering committee is building on this foundation and, to date, has completed a detailed materiality assessment that reviewed and evaluated ESG impacts relevant to the REIT's business, including from the perspective of residents, employees, suppliers, and investors. Furthermore, the steering committee has completed a gap analysis to identify opportunities to strengthen the ESG strategic framework. Working with subject-experts and key business leaders, the steering committee is evaluating new and expanded initiatives, priorities, benchmarks, key performance indicators, and target audiences to include in the ESG strategic framework, with the goal of reporting annually on its performance against ESG targets and key performance indicators. It is anticipated that this reporting will begin in 2021.

## 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 from time to time (collectively, the "DOT"). A copy of the DOT 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, mortgages 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 20% 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 20% 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 10, 2020, 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, 2020 and 2019, 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 the accompanying notes for the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. 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 10, 2020. 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 discussed under the heading "Risks and Uncertainties". 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 IAS 34 requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements and accompanying note disclosures. Although these estimates are based on Management's knowledge of current events and actions the REIT may undertake in the future, actual results may differ from the estimates.

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

## Non-IFRS Measures

The REIT's financial statements are prepared in accordance with IFRS. However, the Management's Discussion and Analysis contains certain non-IFRS financial measures including funds from operations ("FFO"), FFO per unit, adjusted funds from operations ("AFFO"), AFFO per unit, AFFO payout ratio, net operating income ("NOI"), debt-to-Gross Book Value ratio, debt-to-earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio and debt service coverage 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 the REIT adjusts for certain non-cash items (such as adjustments for the amortization of mark-to-market adjustments related to 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 capacity to make distributions.

NOI is defined as revenue from investment properties less property operating costs, property taxes and utilities (collectively referred to as "property operating expenses") 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 following other non-IFRS measures are defined as follows:

- "FFO per unit" is calculated as FFO divided by the weighted average number of Units and Class B LP Units outstanding over the period.
- "AFFO per unit" is calculated as AFFO divided by the weighted average number of Units and Class B LP Units outstanding over the period.
- "AFFO Payout Ratio" is the proportion of the total distributions on Units and Class B LP Units to AFFO.
- "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 EBITDA. EBITDA is calculated as the trailing twelve-month NOI adjusted for a full year of stabilized earnings, fees and other income and general and administrative expenses from recently completed acquisitions, but excluding fair value adjustments.
- "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.

## COVID-19 Response and Impact on the REIT

In recent weeks, the number of COVID-19 cases has surged across Canada reaching levels of daily new cases not seen since the onset of the pandemic. With the spike in COVID-19 cases, certain provincial governments have reintroduced or imposed new stricter restrictions in an attempt to limit further spread of the virus. The impacts of COVID-19 are constantly evolving and the REIT continues to learn and adapt to the new realities brought on by the global pandemic. The REIT's first and foremost priority continues to be the health and safety of its residents, employees, partners and communities. The REIT continues to take the necessary steps and precautions in order to lessen the spread of COVID-19 and to prioritize good health. To that end, through continued hard work and dedication, the REIT team continues to provide essential services so that its residents have safe and healthy homes.

In order to prioritize the health and safety of all, as well as preserve long term Unitholder value, the REIT has implemented its infectious disease protocol and adapted certain operational processes and procedures to respond to the particular circumstances created by COVID-19. These changes are summarized in this section, along with a business update on the pandemic's impact on the REIT's operations and strategy since our last update in August 2020.

### Operations

The REIT implemented a number of initiatives to prioritize the health and well-being of its residents, employees and the communities it operates in, including:

- Operating with limited on-site personnel and adhering to Health Canada guidelines on personal hygiene and social distancing;
- Closure of all fitness facilities;
- Enhanced sanitization of shared surfaces and areas, including doors, railings, foyers and elevators;
- Limiting leasing activities by appointment only, with the use of online tools prioritized;
- Resident requests for repairs and maintenance handled online or by phone;
- Closure of the REIT's corporate offices to outside visitors, with most staff working remotely; and
- Ensuring that all critical vendors have business continuity plans in place and are following property guidelines for personal protective equipment and social distancing.

As provincial governments tighten pandemic restrictions in the midst of this second wave, the REIT continues to maintain precautions and abide by Health Canada guidelines on personal hygiene and social distancing.

The REIT experienced a decrease in tenant turnover in the first half of 2020 as residents limited discretionary moves during the onset of the pandemic. However, turnover in Q3 2020 was up sequentially over previous quarters and was trending upwards towards the end of the quarter. Turnover was 6% in Q3 2020 (21% on a trailing twelve month basis) down slightly from 7% in Q3 2019 (27% on a trailing twelve month basis). Occupancy has been modestly impacted by lower demand from students and individuals immigrating to Canada and additional supply from short term furnished suites marketed on platforms such as Airbnb converting to unfurnished suites.

The REIT experienced an increase in cleaning costs and expects this will continue while COVID-19 precautions are maintained. The enhanced cleaning program, which focuses on high-touch areas and surfaces, requires vigilance but only adds modestly to total property operating costs. This increase in cleaning costs for some areas is partially offset by reduced cleaning costs for fitness facilities that remain closed.

The REIT has experienced a mix of partially offsetting changes in utility expenses and expects this trend to continue. As a result of residents spending more time at home, usage has risen, which has been partially offset by the relaxation of peak pricing policies by most utility providers. Over 90% of the REIT's suites are sub-metered for electricity and approximately two-thirds of its residents pay their own electricity cost, which limits the REIT's exposure.

Overall, the REIT is not expecting any material changes to its NOI margin as the business continues to navigate through the pandemic and the tightening of provincial restrictions as a result of increases in COVID-19 cases.



## Lease Payments and Collections

We continue to see the resiliency of the multi-residential rental business during this pandemic. Rental collections have largely been consistent with pre-pandemic collection patterns and occupancy, which was 97.01% at September 30, 2020, has remained strong.

A number of factors contribute to this result. The REIT's focus on high quality urban locations in major markets attracts a higher proportion of residents that are salaried workers and professionals. Data from Statistics Canada's October 2020 Labour Market Survey shows that employment in the travel, accommodation and food services sectors and younger workers have been most impacted by pandemic related job losses. The REIT also benefits from having more than a third of its portfolio located in Ottawa which has a higher concentration of government and government-related agencies and therefore is much more insulated from economic swings.

Work-from-home requirements set out by many businesses operating in central business districts are influencing resident preferences. Residents working from home are showing a preference for larger suites as people are forced to spend more time at home. Small studio apartments in city cores are the product type that has seen the biggest drop in demand and the REIT has limited exposure to this market. The REIT's average suite size of 823 square feet compares favourably to smaller rentals (particularly rental suites in condominium buildings) in business centres.

Notwithstanding its strong collections, the REIT recognizes the burden placed on many of its residents related to the decline in economic activity across Canada and this will continue to be the case given we are now into a second wave of COVID-19. At the outset of the pandemic, the REIT implemented a number of measures to help its residents cope with the sudden economic shock.

First, the REIT offered payment plans for residents whose incomes were impacted by the pandemic where they could elect to defer up to 50% of their rent for up to a three month period (April, May and June of 2020), with the deferred rent being paid back over periods ranging from three to nine months. Only a small number of residents entered into deferral plans and the REIT stopped offering them broadly in Q2 2020 due to limited demand. As at September 30, 2020, approximately 2.4% of the REIT's residents were on deferral plans and the vast majority of these residents are current on their payments. The REIT will continue to work with residents experiencing payment challenges on a case-by-case basis.

Second, the REIT suspended provincially regulated guideline rent increases and above guideline rent increases that were scheduled to come into effect in April, May, June and July of 2020. This helped to mitigate the economic shock resulting from the substantial government restrictions at the outset of the pandemic. Commencing August 1, 2020, as employment levels began recovering from their lows in April, the REIT resumed regularly scheduled rental increases in accordance with applicable rent control legislation in Ontario and Quebec.

The ability to apply guideline increases in Ontario will be further limited in 2021. The Province of Ontario is in the process of enacting the *Helping Tenants and Small Businesses Act*, which will freeze residential rents for existing tenants for the 2021 calendar year. This temporary freeze on sitting rents will not impact the REIT's ability to negotiate market rents on new leases for suites with tenant turnover.

The REIT has a strong record of working with its residents on collections and its bad debt expense has averaged only 0.25% of revenues since its initial public offering. For the three months ended September 30, 2020, the REIT's bad debt expense was 0.57% due to higher level of overdue balances and risk of default in the COVID environment. It is possible that the REIT's bad debt expense may increase in future quarters due to the economic impact of COVID-19; however, Management does not expect this change to materially impact the REIT's financial results.

## Leasing Activities and Turnover

The REIT experienced a decrease in its quarterly turnover rate to 6% in Q3 2020, compared to 7% in Q3 2019. However, turnover increased sequentially in Q3 2020 over previous quarters and was trending upward at the end of the quarter. The trailing 12-month turnover rate at the end of Q3 2020 was 21%, which was slightly lower than the 22% turnover rate at the end of Q2 2020.

The REIT entered into 403 new leases for the three months ended September 30, 2020 and achieved an average rental rate that was 9.4% higher than the expiring rental rate. The REIT expects to continue realizing gains in rental rates on new leases compared to sitting rental rates, albeit at a lower rate than in pre-pandemic quarters (see "Financial and Operating Highlights - Organic Growth — Gain-to-Lease" for further analysis of organic growth potential).

The REIT generates incremental income by leasing approximately 3.2% of its suites (233 suites out of 7,243 suites as at September 30, 2020) on a furnished basis. The demand for furnished suites has been impacted significantly by the COVID-19 crisis due to reductions on business travel, corporate relocations, general restrictions on non-essential travel and the closing of the Canadian border. Additionally, the REIT's furnished suites are also popular with the film and entertainment industries, both of which were also negatively impacted by travel and border restrictions.

The REIT uses furnished suites as a tool to improve yield through incremental furnished suite income at certain properties. Management adjusts its furnished suite inventory in response to changes in demand. The REIT's inventory of furnished suites peaked at 257 suites in Q4 2019 and Management reduced this inventory to 233 suites at the end of Q3 2020.

Based on strong demand for unfurnished suites in the Yonge-Eglinton sub-market of Toronto, Management has determined that the furnished suites at Roehampton are good candidates for the REIT's repositioning program and will continue to transition these suites to the unfurnished market on a repositioned basis. This repositioning work has already commenced and aims to deliver the repositioned suites to market during the spring 2021 leasing season. Upon completion of these repositioned suites, the REIT's furnished suite offering will be limited to approximately 180 suites comprised of suites at Minto Yorkville and Minto one80five, which have historically been the REIT's strongest properties for furnished suites. Management will continue to monitor and adjust its furnished suite inventory in these properties in response to changing market conditions.

#### Furnished Suites Operating Metrics

| As at                      | September 30, 2020 | June 30, 2020 | September 30, 2019 |
|----------------------------|--------------------|---------------|--------------------|
| Furnished suites inventory | 233                | 239           | 240                |
| Average monthly rent       | \$3,460            | \$3,956       | \$4,410            |
| Occupancy                  | 75%                | 65%           | 92%                |

#### Liquidity

In times of crisis, such as this global pandemic, an organization's ability to survive is often dependent on the strength of its financial position and its access to liquidity. The REIT has sufficient liquidity and is well positioned to weather the current crisis. As at September 30, 2020, the REIT had total cash and availability of \$186,115 which provides sufficient liquidity to fund its obligations for the foreseeable future. The REIT's liquidity ratio (total liquidity as a percentage of total debt) was 22.11% at September 30, 2020. The REIT continues to maintain a conservative overall leverage position with a Debt-to-Gross Book Value ratio of 39.63% at September 30, 2020.

#### Capital Expenditures, Repositioning and Development

Since the lifting of government restrictions on construction activities in Ontario and Quebec in Q2 2020, the REIT has continued repositioning renovation work, new value-enhancing capital expenditures and capital improvements and repairs that are critical to the health and safety of its residents and essential to the maintenance and operation of the buildings. The REIT requires all health and safety regulations to be respected during the performance of this work and schedules work to limit interaction between trades and to allow workers to stay two meters apart at all times. With the second wave of COVID-19, provincial governments have started imposing new restrictions to limit the spread of COVID-19; however, construction activities have not been impacted.

The REIT participates in a redevelopment project of a property located at 99 Fifth Avenue, Ottawa, Ontario ("Fifth and Bank") by way of an investment loan with a purchase option at stabilization (currently expected to be Q1 2022). Project construction is proceeding on schedule at this point.

The REIT currently has three development projects (Richgrove, Leslie York Mills and High Park Village) in various stages of the municipal approval process. The REIT continues to pursue approvals on these projects, but may experience delays in dealing with municipal planning authorities. The REIT will provide further guidance on the status of these projects when municipal approval timelines become more certain.

## Valuation

Transaction activity in the multi-residential sector increased in Q3 2020 compared to Q2 2020 and provided market support for valuations. Although COVID-19 introduces more uncertainty into the valuation of real estate, multi-residential rental assets in Canada have proven to be resilient and highly sought after. Several large multi-residential properties traded in the quarter and these transactions were characterized by a large number of bidders and strong pricing. Furthermore, the continuing availability of CMHC insured debt financing at historically low interest rates continues to support valuation of multi-residential assets.

Fair value of residential properties is determined using the direct capitalization approach. Stabilized net operating income for each property is capitalized at an appropriate capitalization rate and then a deduction is made for certain capital expenditures that each property may require (which includes (i) any major maintenance capital expenditures, and (ii) capital expenditures relating to a suite repositioning if the increased revenue from that suite repositioning is included in the stabilized net operating income).

For the purpose of valuation, stabilized net operating income for each property is estimated by forecasting results for the following 12-month period. Based on its experience during the second and third quarters of 2020, Management has forecast more normal annual turnover and a slower pace of suite repositionings.

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. No changes were made to capitalization rate assumptions as a result of COVID-19. Transaction activity during Q3 2020 provides strong support for the capitalization rates used to value the REIT's properties. The weighted-average capitalization rate used at September 30, 2020 for residential valuation was consistent with December 31, 2019 at 3.92%.

Fair value for the commercial components of the REIT's portfolio is determined using the discounted cash flow method. Details regarding discount rates and terminal capitalization rates are set out in the notes to the REIT's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 and 2019. No adjustments were made to forecasted cash flows or discount rates as a result of COVID-19.

In addition to any adjustments set out above, a reserve for potential COVID-19 impacts was taken at the portfolio level. This reserve conservatively accounts for short term potential effects of the pandemic, including, but not limited to, increased bad debt expense, higher vacancy and promotion costs and disruptions in furnished suite operations. The amount of the reserve taken as at September 30, 2020 is \$3,837 compared to \$nil as of December 31, 2019.

The REIT's investment properties are recorded at a fair value of \$2,063,520 at September 30, 2020, compared to \$2,016,328 at December 31, 2019.

## Financial and Operating Highlights

### Financial Performance

With the economy still in the midst of a pandemic and the recent surge in COVID-19 cases, the performance of the REIT's portfolio has remained strong. Collections continue to be consistent with pre-pandemic collection patterns, average rents have continued to climb and occupancy has remained relatively strong. Management offered rental deferral agreements to all residents and only a limited number of residents participated. The majority of the residents that did participate are current on their payment plans. The impact of COVID-19 on operating expenses has been mixed but has not had a material impact on operating margins. Leasing velocity was better than Q2 2020, resulting in the realization of embedded rent in the portfolio, although it was lower than the comparable quarter in 2019.

Revenue, NOI, FFO and AFFO were all higher in Q3 2020 compared to Q3 2019. This was a result of improved performance of the REIT's unfurnished rentals and the contribution from new property acquisitions. Average monthly rent per suite for the Total Portfolio was up 9.1% in Q3 2020 compared to Q3 2019 and 0.9% higher compared to Q2 2020. Average monthly rent for the Same Property Portfolio was 3.8% higher in Q3 2020 compared to Q3 2019 and 1.1% higher compared to Q2 2020. The NOI margin for the Total Portfolio increased to 64.7% in Q3 2020 from 63.6% in Q3 2019.

NOI and NOI margin for the Same Property Portfolio decreased in Q3 2020 compared to Q3 2019. These reductions are a result of the declining contribution from the REIT's furnished suite operations. Furnished suites have historically enhanced yield and property returns but continue to be negatively impacted by business and travel restrictions resulting from COVID-19. The REIT experienced a slight uptick in demand for furnished suites compared to Q2 2020, with occupancy of 75% and average rent of \$3,460 at Q3 2020, compared to occupancy of 65% and average rent of \$3,956 at the end of the previous quarter. However, Management continues to take steps to reduce furnished suite inventory at certain properties and is taking advantage of furnished suite vacancy to accelerate its repositioning program at Roehampton in Toronto.

The REIT continued to execute its strategy to create organic growth by realizing on embedded rent in the portfolio and by repositioning suites in properties where there is strong demand for renovated units. The REIT was able to realize, on average, an increase of 9.4% on the 403 new leases it signed in the third quarter of the year, which represents annualized revenue growth of approximately \$477. The REIT also repositioned 62 suites during the third quarter of 2020 representing an average annual un-levered return of 10.0%.

On July 21, 2020, the Minto one80five property was refinanced with a \$94.8 million CMHC insured mortgage bearing interest at 2% and a \$23.9 million conventional second mortgage bearing interest at 2.55%, both maturing on August 1, 2030. The proceeds were used to repay the existing variable interest rate mortgage on the same property that was otherwise due to mature on September 30, 2020.

### Organic Growth — Gain-to-Lease

Despite the impacts of COVID-19, the REIT realized on substantial organic growth for the three months ended September 30, 2020 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 \$477. A summary of leasing activities and the gains to be realized from new leases signed for the three months ended September 30, 2020 is set out in the table below:

| Geographic Node      | New Leases Signed <sup>1</sup> | Average Monthly Expiring Rent | Average Monthly New Rent | Percentage Gain (Loss)-on-Turn | Annualized Gain-on-Turn <sup>2</sup> |
|----------------------|--------------------------------|-------------------------------|--------------------------|--------------------------------|--------------------------------------|
| Toronto              | 88                             | \$1,935                       | \$2,153                  | 11.3%                          | \$148                                |
| Ottawa               | 181                            | 1,456                         | 1,651                    | 13.4%                          | 419                                  |
| Alberta              | 78                             | 1,210                         | 1,189                    | (1.8)%                         | (117)                                |
| Montreal             | 56                             | 1,581                         | 1,665                    | 5.4%                           | 27                                   |
| <b>Total/Average</b> | <b>403</b>                     | <b>\$1,489</b>                | <b>\$1,630</b>           | <b>9.4%</b>                    | <b>\$477</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.

The REIT was able to realize, on average, an increase of 9.4% on the 403 new leases it signed in the third quarter of the year. The increase represents a significant uplift over the average monthly expiring rent. The REIT realized gains in all markets, with the exception of Alberta, with the majority of the contribution stemming from the Toronto and Ottawa markets. In Alberta, where incentives continue to be used given the challenging market conditions, 78 new leases were signed for an average loss on turn of 1.8%.

A summary of leasing activities and the gains to be realized from new leases signed for the nine months ended September 30, 2020 is set out below:

| Geographic Node      | New Leases Signed <sup>1</sup> | Average Monthly Expiring Rent | Average Monthly New Rent | Percentage Gain (Loss)-on-Turn | Annualized Gain-on-Turn <sup>2</sup> |
|----------------------|--------------------------------|-------------------------------|--------------------------|--------------------------------|--------------------------------------|
| Toronto              | 230                            | \$1,951                       | \$2,199                  | 12.7%                          | \$429                                |
| Ottawa               | 510                            | 1,430                         | 1,642                    | 14.8%                          | 1,299                                |
| Alberta              | 205                            | 1,239                         | 1,183                    | (4.6)%                         | (139)                                |
| Montreal             | 150                            | 1,676                         | 1,807                    | 7.8%                           | 135                                  |
| <b>Total/Average</b> | <b>1,095</b>                   | <b>\$1,490</b>                | <b>\$1,642</b>           | <b>10.2%</b>                   | <b>\$1,724</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.

The annualized gains to be realized from new leases signed in the last four quarters are as follows:

| Fiscal Quarter       | 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> |
|----------------------|--------------------------------|-------------------------------|--------------------------|-------------------------|--------------------------------------|
| Q4 2019              | 300                            | \$1,458                       | \$1,647                  | 12.9%                   | \$602                                |
| Q1 2020              | 353                            | 1,551                         | 1,762                    | 13.6%                   | 780                                  |
| Q2 2020              | 339                            | 1,469                         | 1,602                    | 9.1%                    | 467                                  |
| Q3 2020              | 403                            | 1,489                         | 1,630                    | 9.4%                    | 477                                  |
| <b>Total/Average</b> | <b>1,395</b>                   | <b>\$1,493</b>                | <b>\$1,660</b>           | <b>11.2%</b>            | <b>\$2,326</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.

The table above highlights the cyclical nature of the business which typically experiences a peak leasing season in the second and third quarters of a calendar year, while there is relatively less leasing activity through the winter period. Due to the COVID-19 pandemic, leasing activity in the second and third quarters of 2020 were lower than historical experience.

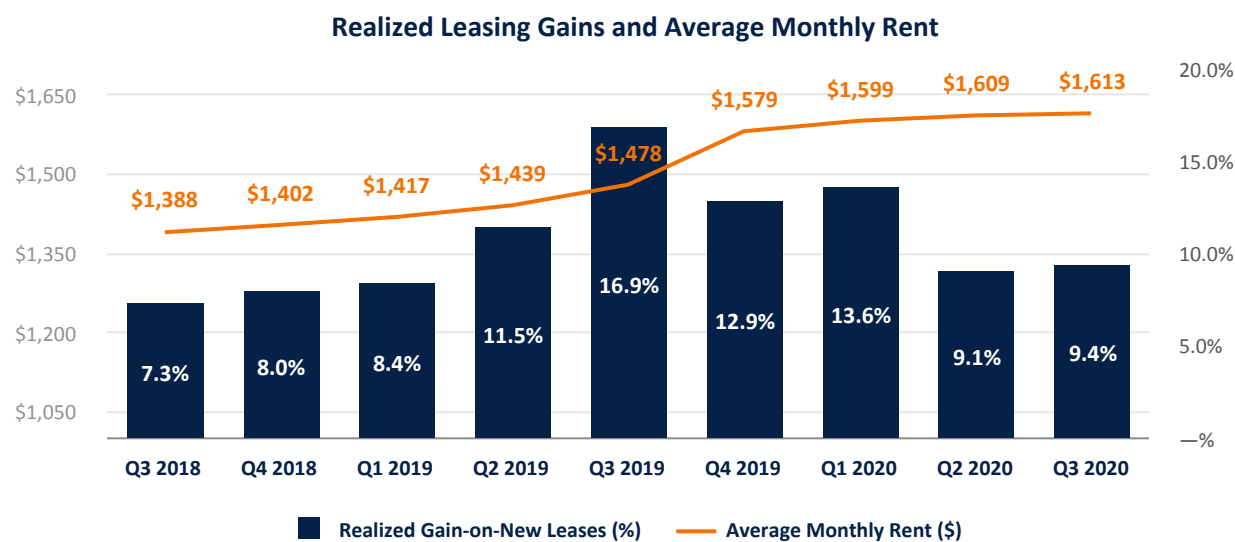
The estimated gain-to-lease potential on existing tenancies as at September 30, 2020 is as follows:

| Geographic Node      | Total Suites <sup>1</sup> | Average Monthly In-Place Rent/Suite | Management's Estimate of Monthly Market Rent | Percentage Gain (Loss)-to-Lease | Annualized Estimated Gain (Loss)-to-Lease <sup>2</sup> |
|----------------------|---------------------------|-------------------------------------|--|---------------------------------|--|
| Toronto              | 1,784                     | \$1,855                             | \$2,101                                      | 13.3%                           | \$3,411  |
| Ottawa               | 2,822                     | 1,494                               | 1,698  | 13.6%                           | 6,907  |
| Alberta              | 609                       | 1,231                               | 1,227  | (0.3)%                          | (28)   |
| Montreal             | 1,436                     | 1,916                               | 2,123  | 10.8%                           | 2,388  |
| <b>Total/Average</b> | <b>6,651</b>              | <b>\$1,613</b>                      | <b>\$1,804</b>                               | <b>11.8%</b>                    | <b>\$12,678</b>  |

<sup>1</sup> Excludes 233 furnished suites and 210 vacant suites and 107 suites offline for repositioning and 42 units offline for enhanced turns.

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

Management continually reviews market conditions and updates the embedded potential gain-to-lease in the portfolio. Management currently estimates that the portfolio has annualized embedded potential gain-to-lease of approximately \$12,678 compared to \$13,417 in Q2 2020. This decrease from Q2 2020 is a result of gains realized in the quarter, revised expectations for each market going forward, more suites undergoing repositioning and a small increase in vacant suites.



Management's estimate of average market rents in Ottawa and Montreal of \$1,698 per month and \$2,123 per month, respectively, remained relatively flat compared to prior quarter.

Management revised its estimate of the average market rent for its Toronto properties based on leases and surveys completed at the end of the quarter. The estimate was increased to \$2,101 per month, which is \$8 higher compared to \$2,093 last quarter. There are a number of factors currently affecting the supply and demand dynamics in the Toronto market.

Immigration has been an important driver of demand in Toronto and the closing of the border has delayed arrivals of new permanent residents to Canada. The Federal Government has reiterated its commitment to immigration and has stated that it will be an important part of Canada's economic recovery. Applications for permanent residency continue to be processed and numbers are expected to ramp back up once border and travel restrictions loosen.

Rule changes affecting short stay suites in Toronto came into effect in November 2019 resulting in some short stay furnished suites coming to the longer-term rental market, a trend which was accelerated by COVID travel restrictions. However, the impact to the REIT's properties has been limited as these suites are generally at higher price points and in locations that do not compete directly with the REIT's properties. There are an estimated 12,000 Airbnb suites in the City of Toronto (less than 1% of the City of Toronto's total housing stock) and are concentrated along the City's Lakeshore. Airbnb suites compete principally with condo rentals at the higher end of the market, and the impact of the condo rental market to the REIT has been minimal.

In Alberta, the economy is battling the impact of both COVID-19 and the drop in oil and gas commodity prices. Many of the REIT's competitors are offering incentives to residents to persuade them to lease suites. To remain competitive, the REIT also provides lease incentives which decreases the effective rental rates achieved on its Alberta properties. Management's estimate of the average market rent for its Alberta properties is \$1,227, which is a decrease of \$18 per month compared to last quarter.

The ability of the REIT to realize the embedded rent is dependent on the rate of turnover in its portfolio and overall favourable market conditions. Management expects that it will be able to realize a significant portion of the gain-to-lease potential over a period of three to five years. However, the changing market conditions due to the impacts of COVID-19 are still uncertain and may slow the rate of realization of the gain-to-lease potential.

## Value Creation

### Repositionings

In order to take advantage of market demand for repositioned properties, the REIT's asset management strategy targets improvements to suites, building common areas and amenities. As part of an asset management plan for each building, Management will renovate test suites in order to gauge market demand for different improvements or combination of improvements. Test suites also assist Management in mitigating capital risk by confirming and refining cost estimates, value engineering and uncovering potential issues prior to a broader roll out of the program. Once an optimal combination of suite improvements is determined, a repositioning plan is executed for all of the suites in the building as suites turn over. The rate at which Management can complete the repositioning plan depends on the rate of suite turnover. Government restrictions in effect with regard to the pandemic earlier in the year also impacted the pace of the REIT's renovation program. The government restrictions in Ontario and Quebec were lifted during the second quarter and the REIT has since been able to resume its repositioning programs.

The REIT has active repositioning programs at: Minto Yorkville, Leslie York Mills and High Park Village in Toronto; Castle Hill and Carlisle in Ottawa; and Rockhill, Le 4300 and Haddon Hall in Montreal. The REIT has temporarily halted repositioning of suites at its Edmonton properties as lower rental rates are negatively impacting returns on repositioning activities. The four suites repositioned in Edmonton represent suites that were already being renovated at the end of Q2 2020 but leased out in Q3 2020.

A summary of the repositioning activities for the three and nine months ended September 30, 2020 is set out below<sup>1</sup>.

| Property                         | Ownership Interest | Suites Repositioned and Leased        |                                      | Remaining Suites to Reposition | Total Suites in the Program | Proportion Complete |
|----------------------------------|--------------------|---------------------------------------|--------------------------------------|--------------------------------|-----------------------------|---------------------|
|                                  |                    | Three months ended September 30, 2020 | Nine months ended September 30, 2020 |                                |                             |                     |
| Minto Yorkville                  | 100%               | 2                                     | 5                                    | 48                             | 99                          | 52%                 |
| Leslie York Mills                | 50%                | 15                                    | 43                                   | 317                            | 409                         | 22%                 |
| High Park Village                | 40%                | 12                                    | 24                                   | 368                            | 407                         | 10%                 |
| Edmonton properties <sup>2</sup> | 100%               | 4                                     | 12                                   | 75                             | 171                         | 56%                 |
| Carlisle                         | 100%               | 5                                     | 20                                   | 142                            | 191                         | 26%                 |
| Castle Hill                      | 100%               | 8                                     | 23                                   | 110                            | 176                         | 38%                 |
| Rockhill                         | 50%                | 14                                    | 54                                   | 869                            | 934                         | 7%                  |
| Le 4300                          | 100%               | 2                                     | 2                                    | 259                            | 261                         | 1%                  |
| Haddon Hall                      | 100%               | —                                     | —                                    | 191                            | 191                         | —%                  |
| <b>Total</b>                     |                    | <b>62</b>                             | <b>183</b>                           | <b>2,379</b>                   | <b>2,839</b>                | <b>16%</b>          |

<sup>1</sup> All suite counts, including co-owned properties, are presented at 100% rather than the REIT's ownership share.

<sup>2</sup> Edmonton repositioning program is currently on hold due to market conditions.



Rockhill, Montreal



Haddon Hall, Montreal



Le 4300, Montreal

Management continues to regulate the pace of repositionings given the need to balance the short-term dilutive impact of repositioning on FFO, with NAV accretion from repositioning. Suites undergoing repositioning are unavailable for approximately 30 to 60 days depending on the type of suite and the extent of improvements, although this may be potentially longer during the pandemic due to social distancing requirements on trades and its impacts to supply chain. The opportunity cost of lost revenue owing to renovation work impacts FFO in the short term, but the value created from the invested capital creates long term value for Unitholders.

The following includes a summary of the costs and returns from the repositioning activities for the periods presented:

|  | <b>Three months ended<br/>September 30, 2020</b> |        | <b>Nine months ended<br/>September 30, 2020</b> |        |
|--|--|--------|---|--------|
| Suites renovated                                 | 62   |        | 183   |        |
| Suites renovated (at the REIT's ownership share) | 40   |        | 120   |        |
| Average cost per suite                           | \$   | 36,636 | \$  | 36,635 |
| Average annual rental increase per suite         | \$   | 3,650  | \$  | 3,492  |
| Average annual un-levered return                 | 10.0 %   |        | 9.5 %   |        |

Management targets a return in the range of 8% to 15% on suites renovated and leased.

The REIT has completed renovations for test suites at Castleview and Skyline Maisonettes in Ottawa and is evaluating the repositioning potential of these properties. The reduction in demand for furnished suites due to COVID-19 has also presented an opportunity to accelerate repositioning at the Roehampton property in Toronto by converting furnished suites to unfurnished as suites turnover. Test suites will be completed in Q4 2020 with the plan to deliver repositioned suites to market in the strong spring 2021 leasing market.

The following table details the potential of each repositioning program that is currently being evaluated at September 30, 2020:

| <b>Property</b>     | <b>Ownership Interest</b> | <b>Potential Suites to Reposition</b> |
|---------------------|---------------------------|---------------------------------------|
| Roehampton          | 100%                      | 148                                   |
| Castleview          | 100%                      | 241                                   |
| Skyline Maisonettes | 100%                      | 168                                   |
| <b>Total</b>        |                           | <b>557</b>                            |

The REIT's repositioning program presents the best risk to return profile of all investment opportunities, generating NAV growth at the expense of modest, near-term earnings dilution. Repositioning programs are flexible, with relatively small, discrete capital commitments and short project durations that are easily accelerated or slowed as market conditions dictate. The REIT's high volume of repositioning programs generates a number of efficiencies through: volume purchasing, repeatable design concepts and material selection, and transferable lessons learned from other projects.

#### Enhanced Turns

In Q3 2020, in addition to its repositioning program, the REIT took advantage of vacancies at certain properties to make improvements to suites on turnover in excess of the typical work completed on a regular turnover (an enhanced turn). An enhanced turn involves removing carpets and replacing it with modern flooring, as well as improvements to trim and fixtures and new appliances in some instances. The scope of work is lower than the scope in the repositioning program but early results are showing rental returns consistent with the REIT's repositioning program. The timing to complete the enhanced turn depends on the condition of the suite and the specific work being performed but typically ranges from two to four weeks. The REIT currently has 42 suites in buildings located in the Parkwood Hills area of Ottawa (Frontenac, Stratford, Grenadier, Huron and Seneca) undergoing enhanced turns.



## Outlook

In the current operating environment, Management is focused on the health and safety of its residents, employees and business partners and on limiting the spread of COVID-19. In the long run, Management will return its focus to growing the REIT in a strategic and disciplined manner. The growth is expected to come from:

- Organic growth opportunities including 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;
- Development of purpose-built rental properties and intensification on existing sites that have the capacity for added density; and,
- Capitalizing on our strategic alliance with MPI and its affiliates by accessing their pipeline of assets and opportunities.

### Organic Growth Opportunities

The duration of the COVID-19 crisis is difficult to predict but Management expects the demand for residential rentals to remain resilient. The temporary closure of non-essential businesses caused economic contraction but swift and significant support from all levels of government and monetary stimulus from the Bank of Canada have helped to mitigate the economic damage. Restrictions began to ease during the second and third quarters and employment levels had started to recover from their April low-point. In recent weeks, however, there has been a surge in COVID-19 cases across Canada, resulting in provincial governments tightening restrictions on businesses, including moving into modified Stage 2 restrictions in the Ottawa and Toronto regions. These restrictions are currently less severe than the measures taken earlier in the pandemic and Management continues to assess the impacts on the business.

While the current state of the pandemic brings a level of uncertainty, Management believes as the economy recovers, the favourable demand and supply dynamics that existed before the crisis should return. Purchase affordability challenges in major urban centres will continue to make renting an attractive option over home ownership. Progressive immigration policies will increase the number of people moving to Canadian cities, although population growth through immigration will slow until border restrictions are removed. Further, a lack of new supply of residential rentals relative to population growth has persisted for many years and demand for residential rental suites is expected to remain strong.

The REIT expects to continue to see organic growth on turnover of suites in the near term in all markets except Alberta. Management expects to realize on the gap between market rent and average sitting rent on new leases as suites turnover in Ottawa, Toronto and Montreal and rent is adjusted to current market rates. The Alberta market is facing the challenge of COVID-19 and low oil and gas commodity prices, both of which are expected to negatively impact the Alberta economy and employment. Factoring in some expected declines in Alberta, the average gain-to-lease opportunity for the portfolio is 11.8% (as set out in the detailed gain-to-lease table in the previous section).

### Value Creation from Repositioning 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 has an extensive repositioning program with more than 2,300 suites eligible for repositioning. The REIT's ability to execute its repositioning program is highly dependent on the turnover of our tenants and market conditions at the time suite renovations are completed. Government restrictions imposed in the earlier part of the year with regard to the pandemic impacted the pace of the REIT's renovation program. These restrictions in Ontario and Quebec were lifted during the second quarter and the REIT was able to resume its repositioning programs. As the number of COVID-19 cases continue to rise across Canada, the provincial governments have started triggering new restrictions, none of which have impacted the repositioning program yet. Subject to the availability of suites through turnover, the REIT expects to reposition approximately 75 suites for the remainder of 2020.

## Development of Purpose-built Rental Properties and Intensification on Existing Sites

Certain REIT properties have the potential to develop additional rental suites on available excess land. Currently, the REIT is exploring development opportunities at its Richgrove, Leslie York Mills and High Park Village properties. These development opportunities remain subject to municipal and investment partner (as applicable) approvals. The REIT continues to pursue these opportunities but may experience additional delays as it deals with local municipalities and faces limitations with the facilitation of public meetings during the COVID-19 crisis.

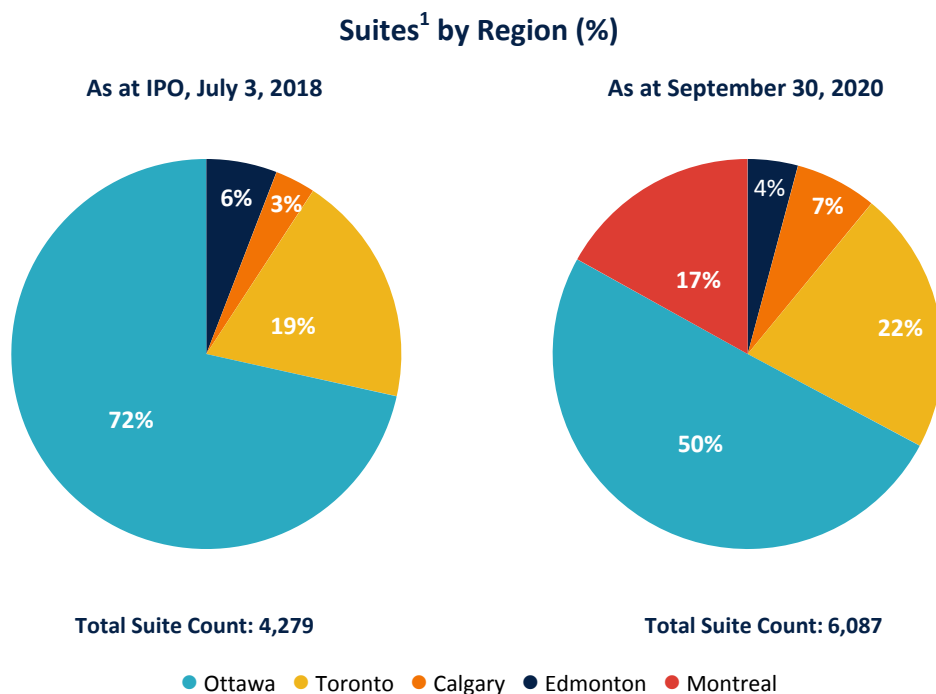
Management evaluates and prioritizes potential development projects that can generate NAV and long-term earnings growth for its Unitholders. Development and construction entails some risk, however we believe the REIT can effectively mitigate this risk through its strategic alliance with MPI and the Minto Group's extensive experience and track record of successful developments and construction.

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

The REIT is continuously exploring opportunities to acquire additional properties in the six core urban markets in Canada, with an emphasis on properties that present opportunities with embedded gain-to-lease potential, repositioning, intensification or a combination of all these opportunities. Although the REIT will pursue any opportunity that fits its strategic mandate, it is devoting time and resources in key markets such as Montreal, Toronto and Vancouver.

In addition to third party acquisitions, the REIT is also focused on capitalizing on its strategic partnership with MPI and its affiliates. MPI hold interests in a variety of investment vehicles with institutional investors and some of these interests may be candidates for transfer to the REIT over time.

The changes in the geographic distribution of the suites within the REIT's portfolio since the REIT's initial public offering on July 3, 2018 (the "IPO") is depicted below:



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

## Section II - Financial Highlights and Performance

### Key Performance Indicators

The REIT's operating results are affected by seasonal variations and other factors, including the impacts of COVID-19. As a result, the operating performance and metrics in one quarter may not be indicative of future quarters.

The following tables highlight certain information about the REIT for the periods presented for the Total Portfolio, Same Property Portfolio and Same Property Portfolio - excluding furnished suites. The information in the table below and throughout this Management's Discussion and Analysis is on a Total Portfolio basis, except where specifically stated otherwise:

|  | Three months ended September 30, |             |           | Nine months ended September 30, |           |            |
|--|----------------------------------|-------------|-----------|---------------------------------|-----------|------------|
|  | 2020                             | 2019        | Change    | 2020                            | 2019      | Change     |
| <b>Operating</b>   |                                  |             |           |                                 |           |            |
| Number of properties   | 29                               | 27          | 2         | 29                              | 27        | 2          |
| Total suites <sup>1</sup>  | 7,243                            | 6,715       | 528       | 7,243                           | 6,715     | 528        |
| Average monthly rent per suite   | \$ 1,613                         | \$ 1,478    | 9.1 %     | \$ 1,613                        | \$ 1,478  | 9.1 %      |
| Occupancy  | 97.01 %                          | 98.58 %     | (157) bps | 97.01 %                         | 98.58 %   | (157) bps  |
| Average monthly rent per suite - Same Property Portfolio                       | \$ 1,514                         | \$ 1,458    | 3.8 %     | \$ 1,514                        | \$ 1,458  | 3.8 %      |
| Occupancy - Same Property Portfolio  | 96.79 %                          | 98.46 %     | (167) bps | 96.79 %                         | 98.46 %   | (167) bps  |
| <b>Financial</b>   |                                  |             |           |                                 |           |            |
| Revenue  | \$ 31,155                        | \$ 27,639   | 12.7 %    | \$ 93,999                       | \$ 74,570 | 26.1 %     |
| NOI <sup>2</sup>   | \$ 20,161                        | \$ 17,588   | 14.6 %    | \$ 59,674                       | \$ 46,684 | 27.8 %     |
| NOI margin <sup>2</sup>  | 64.7 %                           | 63.6 %      | 110 bps   | 63.5 %                          | 62.6 %    | 90 bps     |
| Net income (loss) and comprehensive income (loss)                              | \$ 56,630                        | \$ (29,889) | (289.5)%  | \$ 156,628                      | \$ 258    | 60,608.5 % |
| Revenue - Same Property Portfolio  | \$ 22,540                        | \$ 23,349   | (3.5)%    | \$ 67,976                       | \$ 68,314 | (0.5)%     |
| NOI <sup>2</sup> - Same Property Portfolio                                     | \$ 14,190                        | \$ 14,886   | (4.7)%    | \$ 42,350                       | \$ 42,658 | (0.7)%     |
| NOI margin <sup>2</sup> - Same Property Portfolio                              | 63.0 %                           | 63.8 %      | (80) bps  | 62.3 %                          | 62.4 %    | (10) bps   |
| Revenue - Same Property Portfolio - excluding furnished suites                 | \$ 20,715                        | \$ 20,363   | 1.7 %     | \$ 62,297                       | \$ 60,324 | 3.3 %      |
| NOI <sup>2</sup> - Same Property Portfolio - excluding furnished suites        | \$ 13,286                        | \$ 12,953   | 2.6 %     | \$ 39,204                       | \$ 37,421 | 4.8 %      |
| NOI margin <sup>2</sup> - Same Property Portfolio - excluding furnished suites | 64.1 %                           | 63.6 %      | 50 bps    | 62.9 %                          | 62.0 %    | 90 bps     |
| FFO <sup>2</sup>   | \$ 13,183                        | \$ 10,808   | 22.0 %    | \$ 37,959                       | \$ 27,895 | 36.1 %     |
| FFO per unit <sup>2</sup>  | \$ 0.2233                        | \$ 0.2280   | (2.1)%    | \$ 0.6429                       | \$ 0.6454 | (0.4)%     |
| AFFO <sup>2</sup>  | \$ 11,619                        | \$ 9,385    | 23.8 %    | \$ 33,274                       | \$ 23,930 | 39.0 %     |
| AFFO per unit <sup>2</sup>   | \$ 0.1968                        | \$ 0.1980   | (0.6)%    | \$ 0.5635                       | \$ 0.5537 | 1.8 %      |
| AFFO Payout Ratio <sup>2</sup>   | 57.2 %                           | 54.4 %      | 280 bps   | 59.0 %                          | 56.5 %    | 250 bps    |
| Distribution per unit  | \$ 0.1125                        | \$ 0.1100   | 2.3 %     | \$ 0.3325                       | \$ 0.3125 | 6.4 %      |
| Distribution yield based on Unit closing price                                 | 2.49 %                           | 1.95 %      | 54 bps    | 2.49 %                          | 1.95 %    | 54 bps     |

<sup>1</sup> Includes 2,163 (September 30, 2019 - 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.

| As at  | September 30, 2020 | December 31, 2019 | Change     |
|--|--------------------|-------------------|------------|
| <b>Leverage</b>                                      |                    |                   |            |
| Debt-to-Gross Book Value ratio <sup>1</sup>          | <b>39.63 %</b>     | 39.30 %           | (33) bps   |
| Debt Service Coverage ratio <sup>1</sup>             | <b>1.96x</b>       | 1.93x             | 0.03x      |
| Debt-to-EBITDA ratio <sup>1</sup>                    | <b>11.20x</b>      | 10.72x            | (0.48)x    |
| Weighted average term to maturity on fixed rate debt | <b>6.06</b>        | 5.97              | 0.09 years |
| Weighted average interest rate on fixed rate debt    | <b>2.94 %</b>      | 3.15 %            | 21 bps     |

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 renovation.

### Financial

- (i) FFO, FFO per unit, AFFO, AFFO per unit, AFFO Payout Ratio, NOI, NOI margin, Debt-to-Gross Book Value ratio, Debt Service Coverage ratio and Debt-to-EBITDA ratio - See Section I, "Non-IFRS Measures".
- (ii) Weighted average term to maturity on fixed rate debt - Calculated as the weighted average of the term to maturity on the outstanding fixed rate mortgages and Class C LP Units. The REIT monitors the average term to maturity of its mortgages and Class C LP Units.
- (i) Weighted average interest rate on fixed rate debt - Calculated as the weighted average of the stated interest rates on the outstanding balances of fixed rate mortgages and Class C LP Units. The REIT monitors the average cost of its mortgages and Class C LP Units.

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

## Review of Financial Performance

The following tables highlight selected financial information for the REIT's Same Property Portfolio and Total Portfolio for the three and nine months ended September 30, 2020 and 2019:

### Same Property Portfolio

|                                    | Three months ended September 30, |           |          | Nine months ended September 30, |           |          |
|------------------------------------|----------------------------------|-----------|----------|---------------------------------|-----------|----------|
|                                    | 2020                             | 2019      | % Change | 2020                            | 2019      | % Change |
| Revenue from investment properties | \$ 22,540                        | \$ 23,349 | (3.5)%   | \$ 67,976                       | \$ 68,314 | (0.5)%   |
| Property operating costs           | 4,131                            | 4,312     | 4.2 %    | 12,545                          | 12,752    | 1.6 %    |
| Property taxes                     | 2,442                            | 2,413     | (1.2)%   | 7,542                           | 7,245     | (4.1)%   |
| Utilities                          | 1,777                            | 1,738     | (2.2)%   | 5,539                           | 5,659     | 2.1 %    |
| Net operating income <sup>1</sup>  | \$ 14,190                        | \$ 14,886 | (4.7)%   | \$ 42,350                       | \$ 42,658 | (0.7)%   |
| NOI margin <sup>1</sup>            | 63.0 %                           | 63.8 %    | (80) bps | 62.3 %                          | 62.4 %    | (10) bps |

### Same Property Portfolio - Excluding Furnished Suites

|   | Three months ended September 30, |           |          | Nine months ended September 30, |           |          |
|---|----------------------------------|-----------|----------|---------------------------------|-----------|----------|
|   | 2020                             | 2019      | % Change | 2020                            | 2019      | % Change |
| Revenue from investment properties <sup>2</sup> | \$ 20,715                        | \$ 20,363 | 1.7 %    | \$ 62,297                       | \$ 60,324 | 3.3 %    |
| Property operating costs                        | 3,478                            | 3,580     | 2.8 %    | 10,735                          | 10,782    | 0.4 %    |
| Property taxes                                  | 2,270                            | 2,241     | (1.3)%   | 7,108                           | 6,818     | (4.3)%   |
| Utilities                                       | 1,681                            | 1,589     | (5.8)%   | 5,250                           | 5,303     | 1.0 %    |
| Net operating income <sup>1</sup>               | \$ 13,286                        | \$ 12,953 | 2.6 %    | \$ 39,204                       | \$ 37,421 | 4.8 %    |
| NOI margin <sup>1</sup>                         | 64.1 %                           | 63.6 %    | 50 bps   | 62.9 %                          | 62.0 %    | 90 bps   |

### Total Portfolio

|   | Three months ended September 30, |             |          | Nine months ended September 30, |           |            |
|---|----------------------------------|-------------|----------|---------------------------------|-----------|------------|
|   | 2020                             | 2019        | % Change | 2020                            | 2019      | % Change   |
| Revenue from investment properties                | \$ 31,155                        | \$ 27,639   | 12.7 %   | \$ 93,999                       | \$ 74,570 | 26.1 %     |
| Property operating costs                          | 5,582                            | 5,227       | (6.8)%   | 17,079                          | 13,961    | (22.3)%    |
| Property taxes                                    | 3,299                            | 2,864       | (15.2)%  | 10,184                          | 7,911     | (28.7)%    |
| Utilities   | 2,113                            | 1,960       | (7.8)%   | 7,062                           | 6,014     | (17.4)%    |
| Net operating income <sup>1</sup>                 | 20,161                           | 17,588      | 14.6 %   | 59,674                          | 46,684    | 27.8 %     |
| NOI margin <sup>1</sup>                           | 64.7 %                           | 63.6 %      | 110 bps  | 63.5 %                          | 62.6 %    | 90 bps     |
| General and administrative expenses               | 1,555                            | 1,463       | (6.3)%   | 5,036                           | 3,890     | (29.5)%    |
| Finance costs - operations                        | 8,401                            | 8,074       | (4.1)%   | 25,437                          | 22,055    | (15.3)%    |
| Fair value loss (gain) on:                        |                                  |             |          |                                 |           |            |
| Investment properties                             | (8,831)                          | (47,486)    | 81.4 %   | (17,470)                        | (71,331)  | 75.5 %     |
| Class B LP Units                                  | (36,886)                         | 85,707      | 143.0 %  | (110,885)                       | 92,173    | 220.3 %    |
| Interest rate swap                                | (57)                             | (150)       | 62.0 %   | 2,603                           | (150)     | 1,835.3 %  |
| Unit-based compensation                           | (234)                            | 210         | 211.4 %  | (488)                           | 254       | 292.1 %    |
| Fees and other income                             | (417)                            | (341)       | 22.3 %   | (1,187)                         | (465)     | 155.3 %    |
| Net income (loss) and comprehensive income (loss) | \$ 56,630                        | \$ (29,889) | (289.5)% | \$ 156,628                      | \$ 258    | 60,608.5 % |

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

<sup>2</sup> Includes rental revenue from the lease of unfurnished suites, commercial space, parking revenue and other property income.

## Net Operating Income

Same Property Portfolio NOI excluding furnished suites was 2.6% and 4.8% higher in the three and nine months ended September 30, 2020 compared to the same period in 2019 with revenue growth of 1.7% and 3.3% being the main driver. The revenue growth was a result of realizing significant gain-to-lease and achieving higher revenue from repositioned suites. This was partially offset by reduced revenues as a result of lower turnover and occupancy. Same Property Portfolio NOI excluding furnished suites was also higher due to a decrease in property operating expenses as a result of reduced group health benefit expense claims and lower repairs and maintenance expenses partially offset by an increase in insurance premiums and marketing expenses. Overall, the unfurnished suites have performed well despite the impacts of COVID-19.

Same Property Portfolio NOI for the three and nine months ended September 30, 2020 was 4.7% and 0.7% lower compared to the same period in 2019 primarily due to a decrease in occupancy for furnished suites as a result of lower business travel and the closure of the border due to the pandemic.

Total Portfolio NOI for the three and nine months ended September 30, 2020 increased 14.6% and 27.8%, compared to the same period in 2019 mainly as a result of higher revenues from the three investment property acquisitions completed after June 30, 2019, comprising a total of 2,691 suites (including 2,163 suites co-owned with institutional partners), higher Same Property Portfolio NOI excluding furnished suites, partly offset by lower revenue from furnished suites.

## Revenue from Investment Properties

### Same Property Portfolio

|                       | Three months ended September 30, |           |          | Nine months ended September 30, |           |          |
|-----------------------|----------------------------------|-----------|----------|---------------------------------|-----------|----------|
|                       | 2020                             | 2019      | % Change | 2020                            | 2019      | % Change |
| Rental revenue        |                                  |           |          |                                 |           |          |
| Unfurnished suites    | 18,249                           | 17,889    | 2.0 %    | 55,936                          | 54,086    | 3.4 %    |
| Furnished suites      | 1,825                            | 2,986     | (38.9)%  | 5,679                           | 7,990     | (28.9)%  |
| Commercial leases     | 536                              | 535       | 0.2 %    | 1,608                           | 1,575     | 2.1 %    |
| Parking revenue       | 793                              | 749       | 5.9 %    | 2,358                           | 2,233     | 5.6 %    |
| Other property income | 1,137                            | 1,190     | (4.5)%   | 2,395                           | 2,430     | (1.4)%   |
|                       | \$ 22,540                        | \$ 23,349 | (3.5)%   | \$ 67,976                       | \$ 68,314 | (0.5)%   |

### Total Portfolio

|                       | Three months ended September 30, |           |          | Nine months ended September 30, |           |          |
|-----------------------|----------------------------------|-----------|----------|---------------------------------|-----------|----------|
|                       | 2020                             | 2019      | % Change | 2020                            | 2019      | % Change |
| Rental revenue        |                                  |           |          |                                 |           |          |
| Unfurnished suites    | 26,321                           | 21,930    | 20.0 %   | 80,546                          | 59,956    | 34.3 %   |
| Furnished suites      | 1,839                            | 2,992     | (38.5)%  | 5,771                           | 8,043     | (28.2)%  |
| Commercial leases     | 536                              | 535       | 0.2 %    | 1,608                           | 1,575     | 2.1 %    |
| Parking revenue       | 1,067                            | 863       | 23.6 %   | 3,189                           | 2,402     | 32.8 %   |
| Other property income | 1,392                            | 1,319     | 5.5 %    | 2,885                           | 2,594     | 11.2 %   |
|                       | \$ 31,155                        | \$ 27,639 | 12.7 %   | \$ 93,999                       | \$ 74,570 | 26.1 %   |

Revenue from investment properties consists of rental revenue from residential lease agreements relating to unfurnished suites and furnished suites, commercial lease agreements, parking revenue and other property income. Other property income consists of ancillary revenue from laundry facilities, telecommunication commission revenue, membership fee revenue, other fee income from tenants and recoveries of utility charges, operating costs and property taxes.

### Rental Revenue from Unfurnished Suites

Same Property Portfolio rental revenue from unfurnished suites for the three and nine months ended September 30, 2020 was 2.0% and 3.4% higher than the same period in 2019 primarily due to increases in market rents on new leases and repositioned suites partially offset by lower occupancy and turnover. A total of 295 and 793 new leases of unfurnished suites in the Same Property Portfolio were signed for the three and nine months ended September 30, 2020, resulting in an average annualized rent increase of 11.4% and 11.3%, respectively, driven mainly by the Ontario properties.

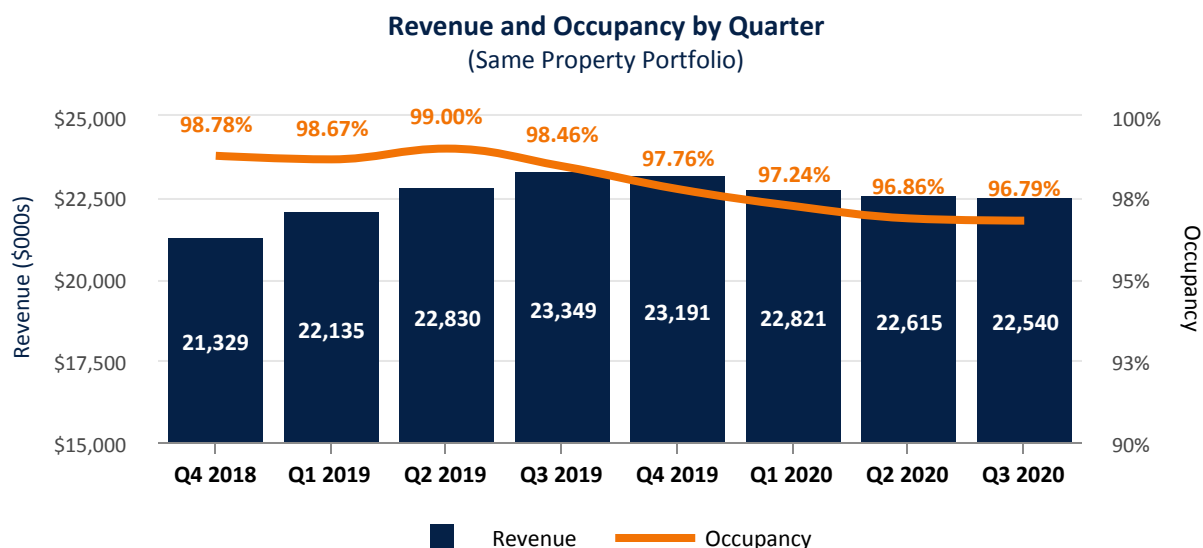
Total Portfolio rental revenue from unfurnished suites for the three and nine months ended September 30, 2020 was 20.0% and 34.3% higher than the same period in 2019 primarily due to additional revenues of \$4,229 and \$15,123 for the three and nine months ended September 30, 2020, respectively from investment property acquisitions completed subsequent to June 30, 2019 and higher revenues from the Same Property Portfolio. A total of 403 and 1,095 new leases of unfurnished suites in the Total Portfolio were signed for the three and nine months ended September 30, 2020, respectively, resulting in an average annualized rent increase of 9.4% and 10.2%, respectively, driven mainly by the Ontario properties.

Rental performance metrics as at September 30, 2020 and 2019 are as follows:

| As at September 30,            | Same Property Portfolio |          | Total Portfolio |          |
|--------------------------------|-------------------------|----------|-----------------|----------|
|                                | 2020                    | 2019     | 2020            | 2019     |
| Number of suites <sup>1</sup>  | 4,552                   | 4,552    | 7,243           | 6,715    |
| Average monthly rent per suite | \$ 1,514                | \$ 1,458 | \$ 1,613        | \$ 1,478 |
| Occupancy                      | 96.79 %                 | 98.46 %  | 97.01 %         | 98.58 %  |

Same Property Portfolio average monthly rent per suite of \$1,514 as at September 30, 2020 was \$56 per month higher than the same period in 2019, primarily due to realized gain-to-lease on suite turnover across Ontario, which experienced higher average monthly rents compared to the same period in 2019.

Total Portfolio average monthly rent per suite of \$1,613 as at September 30, 2020 was \$135 per month higher than the same period in 2019, primarily due to the increase in Same Property Portfolio rents, along with the acquisition of two investment properties subsequent to September 30, 2019 with higher average rental rates. As at September 30, 2020, the average monthly rent from these acquisitions was \$2,391.



<sup>1</sup> Total Portfolio suites includes 2,163 (September 30, 2019 - 2,163) suites co-owned with institutional partners.

Occupancy trended down mainly due to the economic uncertainties and lower rental demand caused by the pandemic. Specifically, the portfolio in Alberta contributed significantly to the lower occupancy due to weaker leasing markets as a result of the pandemic and the decline in oil and gas commodity prices. The majority of all leasing occurs in the second and third quarters when demand is typically greatest. Management opted to preserve value by holding rents and leveraging promotions and spot pricing to manage conversion and occupancy during the quarter.

#### Rental Revenue from Furnished Suites

For the three and nine months ended September 30, 2020, Same Property Portfolio rental revenue from furnished suites was 38.9% and 28.9% lower than the same period in 2019. This was mainly due to lower occupancy as demand for furnished suites was significantly impacted by reductions in business travel and corporate relocations and general restrictions on non-essential travel triggered by the COVID-19 crisis. The REIT's furnished suites are also popular with the film and entertainment industries which suspended filming in Q2 2020 as a result of the on-going government restrictions and uncertainty. While there was an improvement in occupancy for the furnished suites in the third quarter at 75% as compared to 65% at end of the second quarter, the REIT continues to evaluate alternatives in regards to its furnished suites portfolio as a result of headwinds from lower demand in its key market segments. One of the alternatives the REIT is pursuing is an acceleration of the repositioning program at Roehampton of its vacant furnished suites, whereby the suites are renovated and leased as unfurnished suites at market rents.

For the three and nine months ended September 30, 2020, Total Portfolio rental revenue from furnished suites was 38.5% and 28.2% lower than the same period in 2019 due to lower occupancy for furnished suites as a result of the pandemic.

#### Rental Revenue from Commercial Leases

For the three and nine months ended September 30, 2020, Same Property Portfolio and Total Portfolio rental revenue from commercial leases were 0.2% and 2.1% higher than the same period in 2019 due to higher operating cost recoveries which includes property taxes, insurance, landscaping, snow removal and other costs.

#### Parking Revenue

For the three and nine months ended September 30, 2020, parking revenue for the Same Property Portfolio increased by 5.9% and 5.6%. Parking revenues have grown as a result of parking rate increases compared to the same period in 2019, as well as new revenues from paid visitor parking.

For the three and nine months ended September 30, 2020, parking revenue for the Total Portfolio increased by 23.6% and 32.8% primarily due to additional revenue of \$275 and \$831 from investment property acquisitions completed subsequent to March 31, 2019.

#### Other Property Income

For the three and nine months ended September 30, 2020, the decrease of 4.5% and 1.4% in Same Property Portfolio other property income was mainly as a result of lower membership fee revenue due to the closure of the fitness center at one property and lower party room rentals due to COVID-19. This was partially offset by an increase in revenue from utility recovery revenue due to sub-metering, telecommunication commission revenue and a one-time rebate from Hydro Ottawa for the implementation of a building automation system.

For the three and nine months ended September 30, 2020, the Total Portfolio other property income were higher by 5.5% and 11.2%. The increase in other property income from investment property acquisitions made subsequent to June 30, 2019 was offset by the decrease in other property income from the Same Property Portfolio, resulting in an overall increase for the three and nine months ended September 30, 2020.



## Property Operating Costs

### Same Property Portfolio

|                          | Three months ended September 30, |          |          | Nine months ended September 30, |           |          |
|--------------------------|----------------------------------|----------|----------|---------------------------------|-----------|----------|
|                          | 2020                             | 2019     | % Change | 2020                            | 2019      | % Change |
| Property operating costs | \$ 4,131                         | \$ 4,312 | 4.2 %    | \$ 12,545                       | \$ 12,752 | 1.6 %    |

### Total Portfolio

|                          | Three months ended September 30, |          |          | Nine months ended September 30, |           |          |
|--------------------------|----------------------------------|----------|----------|---------------------------------|-----------|----------|
|                          | 2020                             | 2019     | % Change | 2020                            | 2019      | % Change |
| Property operating costs | \$ 5,582                         | \$ 5,227 | (6.8)%   | \$ 17,079                       | \$ 13,961 | (22.3)%  |

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

For the three and nine months ended September 30, 2020, property operating costs for the Same Property Portfolio were favourable compared to the same period in 2019 primarily due to lower repairs and maintenance, lower furnished suites expenses as a result of reduced occupancy and lower group health benefit expense claims, partly offset by an increase in insurance premiums, allowance for doubtful accounts and marketing costs.

For the three and nine months ended September 30, 2020, property operating costs for the Total Portfolio were 6.8% and 22.3% higher than the same period in 2019, primarily due to the additional costs incurred for the investment properties acquired subsequent to March 31, 2019. For the three and nine months ended September 30, 2020, Total Portfolio property operating costs were 17.9% and 18.2% of revenue, compared to 18.9% and 18.7% for the same period in 2019.

## Property Taxes

### Same Property Portfolio

|                | Three months ended September 30, |          |          | Nine months ended September 30, |          |          |
|----------------|----------------------------------|----------|----------|---------------------------------|----------|----------|
|                | 2020                             | 2019     | % Change | 2020                            | 2019     | % Change |
| Property taxes | \$ 2,442                         | \$ 2,413 | (1.2)%   | \$ 7,542                        | \$ 7,245 | (4.1)%   |

### Total Portfolio

|                | Three months ended September 30, |          |          | Nine months ended September 30, |          |          |
|----------------|----------------------------------|----------|----------|---------------------------------|----------|----------|
|                | 2020                             | 2019     | % Change | 2020                            | 2019     | % Change |
| Property taxes | \$ 3,299                         | \$ 2,864 | (15.2)%  | \$ 10,184                       | \$ 7,911 | (28.7)%  |

Property taxes for the Same Property Portfolio of \$2,442 and \$7,542 for the three and nine months ended September 30, 2020 were higher as compared to the same period in 2019 as a result of changes in assessed values and changes in tax rates, with a notable increase in property taxes for properties located in Calgary.

For the three and nine months ended September 30, 2020, Total Portfolio property taxes were higher as compared to the same period in 2019 primarily due to the investment property acquisitions completed subsequent to March 31, 2019. Total Portfolio property taxes were 10.6% and 10.8% of revenue for the three and nine months ended September 30, 2020, compared to 10.4% and 10.6% for the same period in 2019.

## Utilities

### Same Property Portfolio

|             | Three months ended September 30, |          |          | Nine months ended September 30, |          |          |
|-------------|----------------------------------|----------|----------|---------------------------------|----------|----------|
|             | 2020                             | 2019     | % Change | 2020                            | 2019     | % Change |
| Electricity | \$ 885                           | \$ 938   | 5.7 %    | \$ 2,480                        | \$ 2,570 | 3.5 %    |
| Natural gas | 148                              | 118      | (25.4)%  | 1,076                           | 1,135    | 5.2 %    |
| Water       | 744                              | 682      | (9.1)%   | 1,983                           | 1,954    | (1.5)%   |
|             | \$ 1,777                         | \$ 1,738 | (2.2)%   | \$ 5,539                        | \$ 5,659 | 2.1 %    |

### Total Portfolio

|             | Three months ended September 30, |          |          | Nine months ended September 30, |          |          |
|-------------|----------------------------------|----------|----------|---------------------------------|----------|----------|
|             | 2020                             | 2019     | % Change | 2020                            | 2019     | % Change |
| Electricity | \$ 1,048                         | \$ 1,036 | (1.2)%   | \$ 2,982                        | \$ 2,718 | (9.7)%   |
| Natural gas | 226                              | 176      | (28.4)%  | 1,845                           | 1,247    | (48.0)%  |
| Water       | 839                              | 748      | (12.2)%  | 2,235                           | 2,049    | (9.1)%   |
|             | \$ 2,113                         | \$ 1,960 | (7.8)%   | \$ 7,062                        | \$ 6,014 | (17.4)%  |

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

Same Property Portfolio utilities for the three months ended September 30, 2020 were \$39 unfavourable compared to the same period in 2019 primarily due to higher water consumption at certain properties in Ottawa and higher gas rates in Alberta partially offset by the implementation of building automation systems and green initiatives at certain properties.

Same Property Portfolio utilities for the nine months ended September 30, 2020 were \$120 favourable as compared to the same period in 2019, mainly due to lower consumption of gas due to warmer spring weather and electricity savings as a result of the implementation of building automation systems.

Higher utilities for the Total Portfolio were primarily as a result of the investment property acquisitions and changes in Same Property Portfolio utilities. Total Portfolio utilities for the three and nine months ended September 30, 2020 represent 6.8% and 7.5% of revenue, compared to 7.1% and 8.1% for the same period in 2019.

## General and Administrative Expenses

General and administrative expenses relates to 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 \$1,555 and \$5,036 for the three and nine months ended September 30, 2020 were 6.3% and 29.5% higher compared to the same period in 2019. For the three and nine months ended September 30, 2020, the amount charged under the ASA increased by \$141 and \$706. The growth of the REIT's portfolio necessitated higher ASA fees as approved by the independent Trustees. Unit-based compensation for executives also increased by \$256 and \$690 from additional Deferred Units granted in March 2020 and December 2019. This was partially offset by lower acquisition research costs, lower back-office expenses incurred in connection with Rockhill for the comparative periods in 2019 and lower professional services costs.

## Finance Costs - Operations

|  | Three months ended September 30, |          |           | Nine months ended September 30, |           |           |
|--|----------------------------------|----------|-----------|---------------------------------|-----------|-----------|
|  | 2020                             | 2019     | % Change  | 2020                            | 2019      | % Change  |
| Interest expense on mortgages                        | 4,314                            | 3,421    | (26.1)%   | 12,454                          | 8,618     | (44.5)%   |
| Interest expense and standby fees on credit facility | 250                              | 590      | 57.6 %    | 1,550                           | 1,910     | 18.8 %    |
| Amortization of financing charges                    | 86                               | 63       | (36.5)%   | 251                             | 165       | (52.1)%   |
| Amortization of CMHC premiums                        | 60                               | 21       | (185.7)%  | 132                             | 50        | (164.0)%  |
| Amortization of mark-to-market adjustments           | (194)                            | (195)    | 0.5 %     | (576)                           | (583)     | 1.2 %     |
| Interest income                                      | (404)                            | (11)     | 3,572.7 % | (1,133)                         | (103)     | 1,000.0 % |
| Interest expense and other financing charges         | 4,112                            | 3,889    | (5.7)%    | 12,678                          | 10,057    | (26.1)%   |
| Distributions on Class B LP Units                    | 2,561                            | 2,416    | (6.0)%    | 7,571                           | 6,691     | (13.2)%   |
| Distributions on Class C LP Units                    | 1,728                            | 1,769    | 2.3 %     | 5,188                           | 5,307     | 2.2 %     |
|  | \$ 8,401                         | \$ 8,074 | (4.1)%    | \$ 25,437                       | \$ 22,055 | (15.3)%   |

Finance costs comprise interest expense on secured and unsecured debt; amortization of financing charges, CMHC premiums and mark-to-market adjustments on the debt; and distributions on Class B LP Units and Class C LP Units; offset by interest income.

Finance costs for the three and nine months ended September 30, 2020 were higher by \$327 and \$3,382 compared to the same period in 2019, primarily due to additional interest expense and higher amortization of financing charges and CMHC premiums from new mortgage financings secured by Minto one80five and Haddon Hall, as well as additional distributions arising from both increases in the distribution rates in August 2019 and August 2020 and the issuance of Class B LP Units. The increase in finance costs was partially offset by interest income earned on loan advances made for the redevelopment of Fifth and Bank and lower interest expense on the credit facility in 2020 compared to 2019.

## Fair Value Loss (Gain) on Investment Properties

Fair value of residential investment properties is determined using the direct capitalization approach, by applying an appropriate capitalization rate which reflects the characteristics, location and market conditions to the estimated 12 month stabilized forecast NOI for each property, reduced by an estimate of future capital expenditures. It is not possible to forecast with certainty the duration or full scope of the economic impact of COVID-19 on the REIT's business and operations, both in the short and long term. Any long-term effects on market rents, occupancy, turnover and future demand would ultimately impact the underlying valuation of investment properties.

As a result of COVID-19 measures, as at September 30, 2020, stabilized net operating income for each property was conservatively adjusted to reflect the removal of previously scheduled 2021 rental increases in line with Ontario's proposed legislation, as well as reduced annual turnover and its impacts on incremental earnings from suite repositionings. In addition, a valuation reserve was taken for potential near-term income impacts from the pandemic including changes in bad debt expense, vacancy, promotion costs and furnished suite operations. The stabilized capitalization rates remained unchanged from March 31, 2020, as supported by market activity in the quarter.

The fair value gain on investment properties was a result of movement in the following:

|                             | Three months ended September 30, |             | Nine months ended September 30, |             |
|-----------------------------|----------------------------------|-------------|---------------------------------|-------------|
|                             | 2020                             | 2019        | 2020                            | 2019        |
| Forecast NOI                | \$ (16,250)                      | \$ (45,377) | \$ (41,297)                     | \$ (78,079) |
| Capitalization rates        | —                                | (10,054)    | 3,329                           | (8,598)     |
| Capital expenditure reserve | 7,475                            | 7,945       | 16,661                          | 15,346      |
| COVID-19 reserve            | (56)                             | —           | 3,837                           | —           |
|                             | \$ (8,831)                       | \$ (47,486) | \$ (17,470)                     | \$ (71,331) |

The increase in forecast NOI for the three and nine months ended September 30, 2020 were primarily driven by properties located in Ottawa and Toronto, which have generated higher rental rates on turnover partially offset by margin erosion in Alberta driven by increases in property taxes outpacing rental growth. Changes in the capitalization rates for the nine months ended September 30, 2020 are driven by the late 2019 Quebec acquisitions being adjusted to reflect stabilized rates. The increased capital expenditures reserve is primarily due to ongoing capital expenditure requirements and the advancement of repositioning programs.

### **Fair Value Loss (Gain) on Class B LP Units**

The Class B LP Units are owned by MPI and a limited partnership wholly-owned by MPI. The Class B LP Units 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 classified as financial liabilities and 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, 2020, the Unit price decreased from \$19.90 to \$18.28, resulting in a fair value gain of \$36,886. For same period in 2019, the Unit price increased from \$18.81 to \$22.62, resulting in a fair value loss of \$85,707.

For the nine months ended September 30, 2020, the Unit price decreased from \$23.15 to \$18.28, resulting in a fair value gain of \$110,885. For same period in 2019, the opening Unit price was \$18.50 and the closing was \$22.62, resulting in a fair value loss of \$92,173.

### **Fair Value Loss (Gain) 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%. The swap is remeasured at each reporting date using discounted cash flow analysis.

For the three months ended September 30, 2020, the REIT recognized a fair value gain of \$57. For the nine months ended September 30, 2020, the REIT recognized a fair value loss of \$2,603. For the same periods in 2019, the REIT recognized a gain of \$150. The fair value gain or loss is a result of changes in variable interest rate from quarter to quarter.

### **Fair Value Loss (Gain) 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.

During the quarter, the REIT experienced a fair value gain of \$234 resulting from changes in the Unit price for Deferred Units outstanding at September 30, 2020 and Deferred Units issued during quarter. For the three months ended September 30, 2020, the Unit price decreased from \$19.90 to \$18.28. For the same period in 2019, the Unit price increased from \$18.81 to \$22.62, resulting in a fair value loss of \$210.

For the nine months ended September 30, 2020, the Unit price decreased from \$23.15 to \$18.28 resulting in a fair value gain of \$488. For the same period in 2019, the Unit price increased from \$18.50 to \$22.62, resulting in a fair value loss of \$254.

### **Fees and Other Income**

Fees and other income represent revenue from asset, project and property management services provided by the REIT in connection with three properties co-owned with institutional partners.

For the three and nine months ended September 30, 2020, the REIT earned \$417 and \$1,187 in management service fees compared to \$341 and \$465 for the same period in 2019. The increase in management service fee is mainly due to the timing of the acquisitions of these co-owned properties. Two properties were acquired in May 2019 and the third property was acquired in August 2019.

## Summary of Quarterly Results

|   | Q3 2020      | Q2 2020      | Q1 2020      | Q4 2019      | Q3 2019      | Q2 2019      | Q1 2019      | Q4 2018      |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total assets                                      | \$ 2,123,708 | \$ 2,085,271 | \$ 2,166,295 | \$ 2,050,300 | \$ 1,714,194 | \$ 1,526,199 | \$ 1,289,194 | \$ 1,206,925 |
| Investment properties                             | \$ 2,063,520 | \$ 2,036,213 | \$ 2,020,748 | \$ 2,016,328 | \$ 1,698,218 | \$ 1,508,469 | \$ 1,278,415 | \$ 1,197,811 |
| Total liabilities                                 | \$ 1,292,367 | \$ 1,306,479 | \$ 1,396,196 | \$ 1,363,525 | \$ 1,277,351 | \$ 1,076,782 | \$ 1,051,237 | \$ 948,673   |
| Total non-current liabilities                     | \$ 1,202,911 | \$ 1,141,192 | \$ 1,219,829 | \$ 1,306,124 | \$ 1,229,491 | \$ 1,028,543 | \$ 1,022,940 | \$ 917,317   |
| Revenue from investment properties                | \$ 31,155    | \$ 31,319    | \$ 31,525    | \$ 29,868    | \$ 27,639    | \$ 24,796    | \$ 22,135    | \$ 21,377    |
| NOI <sup>1</sup>                                  | \$ 20,161    | \$ 20,024    | \$ 19,489    | \$ 18,613    | \$ 17,588    | \$ 15,786    | \$ 13,310    | \$ 13,022    |
| NOI margin <sup>1</sup>                           | 64.7%        | 63.9%        | 61.8%        | 62.3%        | 63.6%        | 63.7%        | 60.1%        | 60.9%        |
| Net income (loss) and comprehensive income (loss) | \$ 56,630    | \$ 12,054    | \$ 87,944    | \$ 19,708    | \$ (29,889)  | \$ 48,816    | \$ (18,699)  | \$ 16,217    |
| FFO <sup>1</sup>                                  | \$ 13,183    | \$ 12,659    | \$ 12,117    | \$ 11,737    | \$ 10,808    | \$ 9,769     | \$ 7,318     | \$ 8,211     |
| FFO per unit <sup>1</sup>                         | \$ 0.2233    | \$ 0.2144    | \$ 0.2052    | \$ 0.1997    | \$ 0.2280    | \$ 0.2146    | \$ 0.1993    | \$ 0.2236    |
| AFFO <sup>1</sup>                                 | \$ 11,619    | \$ 11,097    | \$ 10,558    | \$ 10,212    | \$ 9,385     | \$ 8,445     | \$ 6,100     | \$ 6,453     |
| AFFO per unit <sup>1</sup>                        | \$ 0.1968    | \$ 0.1879    | \$ 0.1788    | \$ 0.1738    | \$ 0.1980    | \$ 0.1855    | \$ 0.1661    | \$ 0.1757    |
| Distributions declared                            | \$ 6,642     | \$ 6,496     | \$ 6,495     | \$ 6,463     | \$ 5,101     | \$ 4,665     | \$ 3,764     | \$ 3,762     |
| AFFO Payout Ratio <sup>1</sup>                    | 57.16%       | 58.54%       | 61.52%       | 63.30%       | 54.35%       | 55.24%       | 61.70%       | 58.30%       |
| Distribution per unit                             | \$ 0.1125    | \$ 0.1100    | \$ 0.1100    | \$ 0.1100    | \$ 0.1100    | \$ 0.1025    | \$ 0.1025    | \$ 0.1025    |

The REIT's operating results are affected by seasonal variations and other factors, including the impacts of turbulent market conditions caused by the pandemic. As a result, the operating performance and metrics in one quarter may not be indicative of future quarters. The winter months typically tend to generate weaker performance due to increased energy consumption and snow removal costs. The best performing quarters in any given year are typically the second and third quarters, where higher turnovers provide an opportunity to realize the gain-to-lease potential.

Over the last eight quarters, the improved performance is primarily the result of acquisitions, as well as increases in Same Property Portfolio revenue due to favourable rental market conditions and repositionings, however the performance at the end of the first quarter of 2020 and throughout the second and third quarters was impacted by the government restrictions and uncertain market conditions arising from the COVID-19 outbreak. With the easing of government restrictions, the performance of the REIT's unfurnished suite portfolio improved in third quarter of 2020 as average rents continued to climb. Furnished suites have historically enhanced yield and property returns but were negatively impacted by business and travel restrictions since COVID-19 was declared a pandemic in the first quarter of 2020.

<sup>1</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:

| As at                              |           | \$               |
|------------------------------------|-----------|------------------|
| Balance, December 31, 2019         | \$        | 2,016,328        |
| Additions                          |           |                  |
| Capital expenditures               |           | 28,117           |
| Fair value gain                    |           | 17,470           |
| Other                              |           | 1,605            |
| <b>Balance, September 30, 2020</b> | <b>\$</b> | <b>2,063,520</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 three main categories: development expenditures, value-enhancing capital expenditures and maintenance capital expenditures.

|   | Three months ended September 30, |               | Nine months ended September 30, |               |
|---|----------------------------------|---------------|---------------------------------|---------------|
|   | 2020                             | 2019          | 2020                            | 2019          |
| Total expenditures                                | \$ 18,476                        | \$ 5,530      | \$ 28,117                       | \$ 14,055     |
| Development expenditures                          | 10,180                           | —             | 10,670                          | —             |
| Value-enhancing capital expenditures              |                                  |               |                                 |               |
| Building improvements                             | 4,690                            | 1,674         | 9,128                           | 4,107         |
| Suite upgrades                                    | 2,190                            | 2,471         | 5,128                           | 6,846         |
|   | 6,880                            | 4,145         | 14,256                          | 10,953        |
| Maintenance capital expenditures                  | 1,416                            | 1,385         | 3,191                           | 3,102         |
| <b>Maintenance capital expenditures per suite</b> | <b>\$ 232</b>                    | <b>\$ 254</b> | <b>\$ 524</b>                   | <b>\$ 599</b> |

Development and value-enhancing renovations are intended to generate NAV accretion, long term AFFO accretion and increase tenant satisfaction, however value-enhancing capital expenditures tend to be AFFO dilutive in the short term, owing to vacancy during renovation.

Development expenditures are a component of the REIT's growth and value-creation strategy. These include projects which add to the existing suite count of the REIT through intensification or redevelopment of existing assets in order to deliver strong NAV growth to Unitholders. Prior to its initial public offering in 2018, the REIT acquired the Skyline Maisonettes property in Ottawa. This property was damaged by a fire in March 2017, which destroyed 32 suites. The construction of a block of 32 replacement suites was substantially completed in the third quarter of 2020 and the building is beginning its lease-up period. The REIT's operating results are expected to be positively impacted as the lease-up is completed over the coming quarters.

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 turn over. Suite upgrades represent capital expenditures incurred on larger repositioning programs that are designed to generate incremental returns. The repositioning programs include full-scale suite renovations that strategically target certain properties or certain geographic locations, as discussed previously in this Management's Discussion and Analysis under Section I, "Overview - Financial and Operating Highlights - Value Creation - Repositioning" and "Outlook". The REIT's active repositioning programs for the three and nine months ended September 30, 2020 included Minto Yorkville, Leslie York Mills, High Park Village, the Edmonton Properties, Castle Hill, Carlisle, Rockhill, Le 4300 and Haddon Hall. Prior to a broader implementation, the REIT renovates test suites in order to gauge tenants' demand for certain improvements and to mitigate capital risk. Test suites were completed for the Skyline and Castlevue properties in Ottawa and the REIT is currently assessing the repositioning potential of these properties. The reduction in demand for furnished suites due to COVID-19 has also presented an opportunity to accelerate the repositioning program at the Roehampton property in Toronto. Test suites will be completed in Q4 2020 with the plan to deliver furnished suites as unfurnished renovated suites to market in the strong spring leasing market.

Maintenance capital expenditures include expenditures that are incurred in order to maintain the existing earning capacity of the REIT's investment properties. Any 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.

The actual maintenance capital expenditures for the three and nine months ended September 30, 2020 were \$1,416 and \$3,191, or \$232 and \$524 per suite, primarily related to maintenance of roofs and building exterior, and mechanical and electrical work at the buildings including common areas.

For 2020, Management has planned to spend \$900 per suite on maintenance capital expenditures. The REIT's ability to execute its capital maintenance program has been altered in terms of timing with restrictions imposed by government regulations owing to COVID-19 in earlier quarters and the scheduling and availability of trades.

## Valuation

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

As at September 30, 2020, the REIT adjusted its internal valuation model to incorporate the uncertainties associated with COVID-19, which includes the addition of a portfolio-level reserve meant to account for the near-term income losses resulting from the global pandemic.

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, 2020 |       | December 31, 2019 |       |
|-----------------------------|--------------------|-------|-------------------|-------|
|                             | Low                | High  | Low               | High  |
| Ottawa, Ontario             | 4.00%              | 4.75% | 4.00%             | 4.75% |
| Toronto, Ontario            | 3.25%              | 3.75% | 3.25%             | 3.75% |
| Edmonton, Alberta           | 4.25%              | 4.25% | 4.25%             | 4.25% |
| Calgary, Alberta            | 4.15%              | 4.25% | 4.15%             | 4.25% |
| Montreal, Quebec            | 3.50%              | 3.75% | 3.43%             | 3.75% |
| Average capitalization rate |                    | 3.92% |                   | 3.92% |

## Class B LP Units

The Class B LP Units of Minto Apartment Limited Partnership (the "Partnership") receive distributions equivalent to the distributions paid on Units and are exchangeable at the holder's option into Units. One Special Voting Unit in the REIT is issued to the holder of Class B LP Units for each Class B LP Unit held. The limited IAS 32 exception for presentation as equity does not extend to Class B LP Units. As a result, the Class B LP Units are classified as financial liabilities.

As at September 30, 2020, there were 22,769,073 (December 31, 2019 - 22,769,073) 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, 2020, there were 22,978,700 (December 31, 2019 - 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, 2019 - 3.16%) and mature at various dates between 2023 and 2030.

## Secured Debt

Secured debt includes mortgages and the REIT's revolving 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 2.85% (December 31, 2019 - 3.14%) and mature at various dates between 2021 to 2030. Included within the fixed rate mortgages is a variable rate mortgage whose rate is fixed at 3.38% by means of an interest rate swap.

On March 31, 2020, the REIT obtained a \$100,000 variable interest mortgage secured by Minto one80five, with an interest rate of bankers' acceptance plus 25 bps maturing on September 30, 2020. On July 21, 2020, this mortgage was fully repaid with proceeds from two new mortgage financings: a CMHC-insured mortgage of \$94,797 bearing interest of 2.00% and maturing on August 1, 2030, and a conventional mortgage of \$23,928 bearing interest of 2.55% with the same maturity. \$11,928 of the proceeds from the conventional financing are held in escrow until certain conditions are met.

On November 20, 2019, in connection with the acquisition of Haddon Hall, the REIT secured conventional mortgage financing of \$45,000, bearing interest at 3.16% and maturing on December 1, 2030. On April 24, 2020, CMHC insurance was obtained for the mortgage, with an additional \$1,151 borrowed to finance CMHC premiums. The mortgage now insured by CMHC bears interest at 2.67% and matures on December 1, 2030.

On June 1, 2020, the REIT paid off its mortgage associated with the Kaleidoscope property in Calgary. On June 29, 2020, the REIT obtained a CMHC insured mortgage of \$14,258 secured by the property, bearing interest at 1.56% and maturing on July 15, 2030.

The REIT has a committed revolving credit facility of \$200,000 (December 31, 2019 - \$200,000) 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. The availability under the revolving credit facility is reviewed quarterly. As at September 30, 2020, \$183,110 (December 31, 2019 - \$108,991) of this facility was available. The credit facility bears interest at bankers' acceptance rate plus 175 bps or prime plus 75 bps and as at September 30, 2020, the all-in weighted average variable interest rate was 3.03% (December 31, 2019 - 3.72%).

## Units

The REIT's DOT authorizes the issue of an unlimited number of Units. As at September 30, 2020, there were 36,274,839 (December 31, 2019 - 36,274,839) Units outstanding with a carrying value of \$631,434 (December 31, 2019 - \$631,434).



## Distributions

On August 11, 2020, the Board of Trustees approved a 3.4% increase to the REIT's annual distribution from \$0.4400 per Unit to \$0.4550 per Unit. The increase was effective for the REIT's August 2020 cash distribution paid on September 15, 2020.

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, 2020, distributions to Unitholders of \$4,081 and \$12,062 (September 30, 2019 - \$2,685 and \$6,839) were declared based on approved monthly distributions of \$0.03667 per Unit for the months of January to July and \$0.03792 per Unit for the months of August and September (September 30, 2019 - \$0.03416 per Unit for the months of January to July and \$0.03667 per Unit for the months of August and September).

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

### Liquidity and Capital Resources

The REIT's capital structure, shown in the table below, is comprised of mortgages, a credit facility, Class B LP Units, Class C LP Units and Unitholders' equity.

| As at  | September 30, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| Liabilities (principal amounts outstanding): |                    |                   |
| Class B LP Units                             | \$ 416,219         | \$ 527,104        |
| Class C LP Units                             | 218,836            | 222,702           |
| Mortgages <sup>1</sup>                       | 602,563            | 487,876           |
| Credit facility                              | 16,836             | 91,009            |
|  | 1,254,454          | 1,328,691         |
| Unitholders' equity                          | 831,341            | 686,775           |
|  | \$ 2,085,795       | \$ 2,015,466      |

<sup>1</sup> Includes funds held in trust in connection with Minto one80five financing.

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, 2020, 78% (December 31, 2019 - 64%) of the REIT's total debt is CMHC-insured and approximately 98% (December 31, 2019 - 89%) 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 and liquidity as a percentage of total debt are calculated as follows:

| As at  | September 30, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| Class C LP Units                               | \$ 221,316         | \$ 225,537        |
| Mortgages                                      | 603,474            | 489,307           |
| Credit facility                                | 16,836             | 91,009            |
| Total debt                                     | 841,626            | 805,853           |
| Total assets                                   | 2,123,708          | 2,050,300         |
| <b>Debt-to-Gross Book Value ratio</b>          | <b>39.63 %</b>     | <b>39.30 %</b>    |
| Total liquidity                                | 186,115            | 110,919           |
| <b>Liquidity as a percentage of total debt</b> | <b>22.11 %</b>     | <b>13.76 %</b>    |

The REIT continues to maintain a conservative overall leverage position with a Debt-to-Gross Book Value ratio of 39.63% at September 30, 2020.

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

| As at  | September 30, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| Trailing twelve-month NOI                              | \$ 78,287          | \$ 65,297         |
| General and administrative expenses                    | (6,753)            | (5,607)           |
| Fees and other income                                  | 1,601              | 879               |
|  | 73,135             | 60,569            |
| Impact on NOI of stabilized earnings from acquisitions | 1,724              | 14,410            |
| <b>EBITDA</b>  | <b>74,859</b>      | <b>74,979</b>     |
| Total debt, net of cash                                | 838,621            | 803,925           |
| <b>Debt-to-EBITDA ratio</b>                            | <b>11.20 x</b>     | <b>10.72 x</b>    |

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, 2020, the weighted average term to maturity on the REIT's fixed rate debt was 6.06 (December 31, 2019 - 5.97) years and the weighted average interest rate on fixed rate debt was 2.94% (December 31, 2019 - 3.15%). The contractual payments under the REIT's debt financing is summarized in the table below.

| Year       | Principal Repayments |                  | Principal at Maturity |                  |                   | Total             | % of Total   | Interest Rate <sup>1</sup> |
|------------|----------------------|------------------|-----------------------|------------------|-------------------|-------------------|--------------|----------------------------|
|            | Mortgages            | Class C LP Units | Mortgages             | Credit facility  | Class C LP Units  |                   |              |                            |
| 2020       | \$ 3,148             | \$ 1,312         | \$ —                  | \$ —             | \$ —              | \$ 4,460          | 0.5 %        | 2.23 %                     |
| 2021       | 12,134               | 5,341            | 22,077                | 16,836           | —                 | 56,388            | 6.7 %        | 2.97 %                     |
| 2022       | 11,585               | 5,510            | 87,163                | —                | —                 | 104,258           | 12.4 %       | 3.22 %                     |
| 2023       | 10,344               | 5,298            | 47,620                | —                | 44,936            | 108,198           | 12.9 %       | 3.05 %                     |
| 2024       | 8,759                | 4,319            | 48,182                | —                | 46,178            | 107,438           | 12.8 %       | 3.04 %                     |
| 2025       | 8,354                | 3,067            | 22,743                | —                | 60,474            | 94,638            | 11.3 %       | 3.19 %                     |
| Thereafter | 33,454               | 4,208            | 287,000               | —                | 38,193            | 362,855           | 43.4 %       | 3.01 %                     |
|            | <b>\$ 87,778</b>     | <b>\$ 29,055</b> | <b>\$ 514,785</b>     | <b>\$ 16,836</b> | <b>\$ 189,781</b> | <b>\$ 838,235</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, 2020, current liabilities of \$89,456 (December 31, 2019 - \$57,401) exceeded current assets of \$23,455 (December 31, 2019 - \$8,396), resulting in a net working capital deficit of \$66,001 (December 31, 2019 - \$49,005). 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, 2020, liquidity was \$186,115 (December 31, 2019 - \$110,919) consisting of cash of \$3,005 (December 31, 2019 - \$1,928) and \$183,110 (December 31, 2019 - \$108,991) of available borrowing capacity under the credit facility. Management believes that there is sufficient liquidity to meet the REIT's financial obligations for the foreseeable future.

On December 21, 2018, the REIT filed a short form base shelf prospectus, which allows 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 base 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. For the year ended December 31, 2019, the REIT completed two equity issuances and raised gross proceeds of \$417,295. As at September 30, 2020, the amount available to be raised pursuant to the short form base shelf prospectus is \$332,705.

## Cash Flows

The REIT held a cash balance of \$3,005 as at September 30, 2020 (September 30, 2019 - \$2,480). The sources and use of cash flow for the three and nine months ended September 30, 2020 and 2019 are as follows:

|                      | Three months ended September 30, |           | Nine months ended September 30, |           |
|----------------------|----------------------------------|-----------|---------------------------------|-----------|
|                      | 2020                             | 2019      | 2020                            | 2019      |
| Operating activities | \$ 14,461                        | \$ 12,351 | \$ 45,205                       | \$ 27,946 |
| Financing activities | (10,381)                         | 29,457    | (18,922)                        | 270,211   |
| Investing activities | (7,964)                          | (45,019)  | (25,206)                        | (296,569) |

## Cash provided by operating activities and cash distributions

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

|  | Three months ended September 30, |             | Nine months ended September 30, |            |
|--|----------------------------------|-------------|---------------------------------|------------|
|  | 2020                             | 2019        | 2020                            | 2019       |
| Net income (loss) and comprehensive income (loss)  | \$ 56,630                        | \$ (29,889) | \$ 156,628                      | \$ 258     |
| Add: distributions on Class B LP Units   | 2,561                            | 2,416       | 7,571                           | 6,691      |
|  | 59,191                           | (27,473)    | 164,199                         | 6,949      |
| Less: distributions paid   | (6,569)                          | (4,986)     | (19,560)                        | (13,114)   |
| Excess (shortfall) of net income (loss) and comprehensive income (loss) over total distributions paid  | \$ 52,622                        | \$ (32,459) | \$ 144,639                      | \$ (6,165) |
| Cash provided by operating activities  | \$ 14,461                        | \$ 12,351   | \$ 45,205                       | \$ 27,946  |
| Add: interest received   | 1,197                            | —           | 1,197                           | —          |
| Less: interest paid  | (6,918)                          | (5,608)     | (18,995)                        | (15,227)   |
|  | 8,740                            | 6,743       | 27,407                          | 12,719     |
| Less: distributions paid   | (6,569)                          | (4,986)     | (19,560)                        | (13,114)   |
| Excess (shortfall) of cash provided by operating activities over total distributions and interest paid | 2,171                            | 1,757       | 7,847                           | (395)      |
| Distributions declared   | \$ 6,642                         | \$ 5,101    | \$ 19,633                       | \$ 13,530  |

The REIT has net income and comprehensive income in excess of distributions paid for the three and nine months ended September 30, 2020. Net income is not used as a proxy for distributions as it is impacted by several non-cash items, including fair value gains or losses on investment properties, Class B LP Units, Unit-based compensation and an interest rate swap.

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 and nine months ended September 30, 2020, cash provided by operating activities was in excess of distributions and interest paid.

### Cash (used in) provided by financing activities

|   | Three months ended September 30, |           | Nine months ended September 30, |            |
|---|----------------------------------|-----------|---------------------------------|------------|
|   | 2020                             | 2019      | 2020                            | 2019       |
| Proceeds from mortgage financing                    | \$ 106,797                       | \$ 1,544  | \$ 222,206                      | \$ 113,360 |
| Net (repayments) proceeds on credit facility        | 3,336                            | 43,277    | (74,173)                        | 31,700     |
| Proceeds from issuance of Units, net of issue costs | —                                | (21)      | —                               | 165,172    |
| CMHC premiums and deferred financing costs paid     | (3,071)                          | (1,682)   | (5,087)                         | (3,192)    |
| Principal repayments on mortgages                   | (102,663)                        | (1,815)   | (119,447)                       | (4,741)    |
| Distributions paid on various classes of Units      | (7,862)                          | (6,238)   | (23,426)                        | (16,861)   |
| Interest paid                                       | (6,918)                          | (5,608)   | (18,995)                        | (15,227)   |
|   | \$ (10,381)                      | \$ 29,457 | \$ (18,922)                     | \$ 270,211 |

Key transactions affecting cash flow from financing activities for the three and nine months ended September 30, 2020 included:

- On June 1, 2020, the REIT paid off its mortgage associated with the Kaleidoscope property in Calgary. On June 29, 2020, the REIT obtained a new CMHC insured mortgage secured by Kaleidoscope of \$14,258, bearing interest at 1.56% and maturing on July 15, 2030.
- Two new mortgage financings were obtained on July 21, 2020, secured by Minto one80five: a CMHC-insured mortgage of \$94,797 bearing interest of 2.00% and maturing on August 1, 2030; and a conventional mortgage of \$23,928 bearing interest of 2.55% with the same maturity. Proceeds from these mortgages were used to repay the existing \$100,000 variable rate mortgage on the property obtained on March 31, 2020.
- The 3.4% increase in distributions on Units and Class B LP Units from August 2020.

### Cash used in investing activities

|  | Three months ended September 30, |             | Nine months ended September 30, |              |
|--|----------------------------------|-------------|---------------------------------|--------------|
|  | 2020                             | 2019        | 2020                            | 2019         |
| Capital additions to investment properties | \$ (7,095)                       | \$ (4,843)  | \$ (18,827)                     | \$ (11,173)  |
| Loan advances to an affiliate of MPI       | (2,066)                          | —           | (7,576)                         | —            |
| Interest received                          | 1,197                            | —           | 1,197                           | —            |
| Acquisition of investment properties       | —                                | (40,176)    | —                               | (285,396)    |
|  | \$ (7,964)                       | \$ (45,019) | \$ (25,206)                     | \$ (296,569) |

Included in cash flows from investing activities for the three and nine months ended September 30, 2020 are capital expenditures on investment properties and advances of funds to MPI for the construction of Fifth and Bank in Ottawa, partially offset by interest received primarily from loan advances for construction of Fifth and Bank in Ottawa.

## Reconciliation of Non-IFRS Measures

### FFO and AFFO

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

|  | Three months ended September 30, |                  | Nine months ended September 30, |                  |
|--|----------------------------------|------------------|---------------------------------|------------------|
|  | 2020                             | 2019             | 2020                            | 2019             |
| Net income (loss) and comprehensive income (loss)                            | \$ 56,630                        | \$ (29,889)      | \$ 156,628                      | \$ 258           |
| Distributions on Class B LP Units  | 2,561                            | 2,416            | 7,571                           | 6,691            |
| Fair value loss (gain) on:   |                                  |                  |                                 |                  |
| Investment properties  | (8,831)                          | (47,486)         | (17,470)                        | (71,331)         |
| Class B LP Units   | (36,886)                         | 85,707           | (110,885)                       | 92,173           |
| Interest rate swap   | (57)                             | (150)            | 2,603                           | (150)            |
| Unit-based compensation  | (234)                            | 210              | (488)                           | 254              |
| <b>Funds from operations (FFO)</b>   | <b>\$ 13,183</b>                 | <b>\$ 10,808</b> | <b>\$ 37,959</b>                | <b>\$ 27,895</b> |
| Maintenance capital expenditure reserve                                      | (1,370)                          | (1,228)          | (4,109)                         | (3,382)          |
| Amortization of mark-to-market adjustments                                   | (194)                            | (195)            | (576)                           | (583)            |
| <b>Adjusted funds from operations (AFFO)</b>                                 | <b>\$ 11,619</b>                 | <b>\$ 9,385</b>  | <b>\$ 33,274</b>                | <b>\$ 23,930</b> |
| Distributions on Class B LP Units  | 2,561                            | 2,416            | 7,571                           | 6,691            |
| Distributions on Units   | 4,081                            | 2,685            | 12,062                          | 6,839            |
|  | 6,642                            | 5,101            | 19,633                          | 13,530           |
| <b>AFFO Payout Ratio</b>   | <b>57.16 %</b>                   | <b>54.35 %</b>   | <b>59.00 %</b>                  | <b>56.54 %</b>   |
| Weighted average number of Units and Class B LP Units issued and outstanding | 59,043,912                       | 47,402,258       | 59,043,912                      | 43,218,759       |
| <b>FFO per unit</b>  | <b>\$ 0.2233</b>                 | <b>\$ 0.2280</b> | <b>\$ 0.6429</b>                | <b>\$ 0.6454</b> |
| <b>AFFO per unit</b>   | <b>\$ 0.1968</b>                 | <b>\$ 0.1980</b> | <b>\$ 0.5635</b>                | <b>\$ 0.5537</b> |

FFO was higher for the three and nine months ended September 30, 2020 as compared to the same period in 2019, reflecting the positive NOI variance driven by higher rents achieved for the Same Property Portfolio, contributions from acquisitions completed subsequent to September 30, 2019 and the realization of gain-to-lease potential on suite turnover. AFFO was higher for the three and nine months ended September 30, 2020 as compared to the same period in 2019, primarily as a result of higher FFO. This increase was offset by an increase in the maintenance capital expenditure reserve due to the growth in portfolio suite count based on a budgeted spend of \$900 per suite.

<sup>1</sup> See Section I, "Non-IFRS Measures"

## NOI and NOI Margin

### Same Property Portfolio

|                                    | Three months ended September 30, |                  | Nine months ended September 30, |                  |
|------------------------------------|----------------------------------|------------------|---------------------------------|------------------|
|                                    | 2020                             | 2019             | 2020                            | 2019             |
| Revenue from investment properties | \$ 22,540                        | \$ 23,349        | \$ 67,976                       | \$ 68,314        |
| Property operating expenses        | 8,350                            | 8,463            | 25,626                          | 25,656           |
| <b>NOI</b>                         | <b>\$ 14,190</b>                 | <b>\$ 14,886</b> | <b>\$ 42,350</b>                | <b>\$ 42,658</b> |
| <b>NOI margin</b>                  | <b>63.0 %</b>                    | <b>63.8 %</b>    | <b>62.3 %</b>                   | <b>62.4 %</b>    |

### Same Property Portfolio - Excluding Furnished Suites

|                                    | Three months ended September 30, |               | Nine months ended September 30, |                  |
|------------------------------------|----------------------------------|---------------|---------------------------------|------------------|
|                                    | 2020                             | 2019          | 2020                            | 2019             |
| Revenue from investment properties | \$ 20,715                        | \$ 20,363     | \$ 62,297                       | \$ 60,324        |
| Property operating costs           | 7,429                            | 7,410         | 23,093                          | 22,903           |
| <b>NOI</b>                         | <b>13,286</b>                    | <b>12,953</b> | <b>\$ 39,204</b>                | <b>\$ 37,421</b> |
| <b>NOI Margin</b>                  | <b>64.1 %</b>                    | <b>63.6 %</b> | <b>62.9 %</b>                   | <b>62.0 %</b>    |

### Total Portfolio

|                                    | Three months ended September 30, |               | Nine months ended September 30, |                  |
|------------------------------------|----------------------------------|---------------|---------------------------------|------------------|
|                                    | 2020                             | 2019          | 2020                            | 2019             |
| Revenue from investment properties | \$ 31,155                        | \$ 27,639     | \$ 93,999                       | \$ 74,570        |
| Property operating costs           | 10,994                           | 10,051        | 34,325                          | 27,886           |
| <b>NOI</b>                         | <b>20,161</b>                    | <b>17,588</b> | <b>\$ 59,674</b>                | <b>\$ 46,684</b> |
| <b>NOI Margin</b>                  | <b>64.7 %</b>                    | <b>63.6 %</b> | <b>63.5 %</b>                   | <b>62.6 %</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:

|  | Nine months ended  |               | Year ended        |               |
|--|--------------------|---------------|-------------------|---------------|
|  | September 30, 2020 |               | December 31, 2019 |               |
| <b>NOI</b>   | <b>\$</b>          | <b>59,674</b> | <b>\$</b>         | <b>65,297</b> |
| Interest expense and standby fees on credit facility |                    | 1,550         |                   | 2,619         |
| Distributions on Class C LP Units:                   |                    |               |                   |               |
| Principal repayments                                 |                    | 3,866         |                   | 5,019         |
| Finance costs  |                    | 5,188         |                   | 7,066         |
| Mortgages:   |                    |               |                   |               |
| Principal repayments                                 |                    | 7,353         |                   | 6,930         |
| Finance costs  |                    | 12,454        |                   | 12,255        |
| <b>Total debt service</b>                            | <b>\$</b>          | <b>30,411</b> | <b>\$</b>         | <b>33,889</b> |
| <b>Debt Service Coverage ratio</b>                   |                    | <b>1.96 x</b> |                   | <b>1.93 x</b> |

## Debt-to-EBITDA Ratio

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

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

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

Significant areas of judgment, estimates and assumptions are set out in Note 2 to the annual audited consolidated financial statements for year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018 except for the potential impact of COVID-19 outbreak on the REIT.

The REIT has used the best information available as at September 30, 2020, in determining the potential impact of the COVID-19 outbreak on the carrying amounts of assets and liabilities, earnings for the period and risks disclosed in the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 and 2019. The estimates that could be most significantly impacted by COVID-19 include those underlying the valuation of investment properties and the estimated credit losses on accounts receivable. Actual results may differ from those estimates.

## 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 "Risks and Uncertainties" the REIT's Management's Discussion and Analysis for the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018, filed on SEDAR ([www.sedar.com](http://www.sedar.com)). These factors still exist at the end of this quarter and remain relatively unchanged, with the exception of the addition of the COVID-19 contagious disease risk.

### COVID-19 - Contagious Disease Risk

COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020. It or a similar contagious disease outbreak at a local, regional or national level may have a material adverse effect on the business, financial condition and results of operations of the REIT. In particular, a contagious disease outbreak like COVID-19 may result in a general or acute decline in economic activity in the regions in which the REIT operates, increased unemployment, decreased immigration, reduced tenant traffic and turnover, reduced rents and/or increased tenant incentives, supply shortages and other supply chain disruptions, staff shortages, increased government regulation, mobility restrictions and other quarantine measures. These and similar consequences of a contagious disease outbreak like COVID-19 may adversely impact tenants' ability to pay rent and the REIT's ability to capture gains-to-lease, reposition suites and pursue construction and development activities. Increased government regulation may also restrict the REIT's ability to enforce material provisions under its leases, including in respect of the collection of rent or other payment obligations. The quarantine or contamination of one or more of the REIT's properties or suites may negatively impact the REIT's occupancy or reputation.

Management is monitoring the situation closely and has implemented a business continuity plan and will proactively adjust its plans as the COVID-19 pandemic evolves.

## 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 mainly comprise fixed rate instruments, changes in market interest rates do not have any significant direct effect on the REIT's income.

The REIT's financial liabilities comprise both fixed rate and variable 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. 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 variable 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, 2020, the REIT has a variable rate credit facility of \$200,000 (December 31, 2019 - \$200,000) with an outstanding balance of \$16,836 (December 31, 2019 - \$91,009). A 1% change in prevailing interest rates would change annualized interest charges incurred by \$168 (December 31, 2019 - \$910).

#### (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 the prevailing market price of the Units as at September 30, 2020 would have a \$4,162 (December 31, 2019 - \$5,271) change in the fair value of the Class B LP Units.

### Credit Risk

Credit risk is the risk that tenants and/or debtors may experience financial difficulty and be unable to fulfill their lease commitments or loan repayments. An allowance for impairment is taken for all expected credit losses.

The REIT's risk of credit loss from tenants experiencing financial difficulties 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.

The REIT is also exposed to credit risk in relation to the loan advanced to an affiliate of MPI for the development of Fifth and Bank, in the event that the borrower defaults on the repayment of amounts owing to the REIT. Management mitigates this risk by ensuring adequate security has been provided.



## 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's liquidity is subject to macroeconomic, financial, competitive and other factors that are beyond the REIT's control including the recent COVID-19 disruption.

Liquidity risk is managed through cash flow forecasting. Management monitors forecasts of the REIT's liquidity requirements to ensure it has sufficient cash to meet operational needs through maintaining sufficient cash and/or availability on the undrawn credit facility and ensuring that it meets its financial covenants related to debt agreements. Such forecasting involves a significant degree of judgment, and takes into consideration the current and projected macroeconomic conditions, the REIT's cash collection efforts, debt financing plans and covenant compliance required under the terms of debt agreements. There is a risk that such liquidity forecasts may not be achieved and that currently available debt financing may no longer be available to the REIT at terms and conditions that are favorable to the REIT, or at all.

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 credit facility.

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

| As at     | September 30, 2020 | December 31, 2019 |
|-----------|--------------------|-------------------|
| Committed | \$ 200,000         | \$ 200,000        |
| Available | 183,110            | 108,991           |
| Utilized  | 16,836             | 91,009            |

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

|  | 2020      | 2021      | 2022       | 2023       | 2024 and thereafter | Total        |
|--|-----------|-----------|------------|------------|---------------------|--------------|
| Mortgages                                | \$ 3,148  | \$ 34,211 | \$ 98,748  | \$ 57,964  | \$ 408,492          | \$ 602,563   |
| Credit facility                          | —         | 16,836    | —          | —          | —                   | 16,836       |
|  | 3,148     | 51,047    | 98,748     | 57,964     | 408,492             | 619,399      |
| Class C LP Units                         | 1,312     | 5,341     | 5,510      | 50,234     | 156,439             | 218,836      |
| Interest obligation                      | 6,100     | 23,346    | 21,667     | 18,180     | 60,869              | 130,162      |
| Tenant rental deposits                   | 8,658     | —         | —          | —          | 36                  | 8,694        |
| Due to related parties                   | 1,462     | 8,356     | —          | —          | —                   | 9,818        |
| Accounts payable and accrued liabilities | 13,675    | 430       | 284        | 100        | 1,521               | 16,010       |
|  | \$ 34,355 | \$ 88,520 | \$ 126,209 | \$ 126,478 | \$ 627,357          | \$ 1,002,919 |

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:

### Administrative Support Agreement

On July 3, 2018, the REIT and MPI entered into a five year renewable agreement that 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 during the initial five year term, for all general and administrative expenses, excluding public company costs, of 32 bps of Gross Book Value.

For the three and nine months ended September 30, 2020, the REIT incurred \$424 and \$1,272 (September 30, 2019 - \$282 and \$564) for services rendered under the ASA.

The REIT monitors the administrative support fee, ensuring adherence with the requirements established under the ASA. For the nine months ended September 30, 2020, annualized general and administrative expenses, excluding public company costs, represent 17 bps of Gross Book Value (September 30, 2019 - 19 bps).

### Loan Receivable from Related Party

The REIT committed to advance up to \$30,000 to an affiliate of MPI to support its redevelopment of Fifth and Bank. The loan bears interest at 6% per annum, matures on March 31, 2022 and is subordinate to senior construction financing. At the option of the borrower, interest is payable monthly or deemed as an advance. The principal amount is due on maturity. In connection with this financing, the REIT will have the exclusive option to purchase the property upon stabilization at 95% of the fair market value.

The following table summarizes the activity of the loan receivable:

|                             |    | \$      |
|-----------------------------|----|---------|
| Balance, December 31, 2019  | \$ | 19,922  |
| <i>Cash flows</i>           |    |         |
| Advances                    |    | 7,576   |
| Interest received           |    | (1,171) |
| <i>Non-cash movement</i>    |    |         |
| Accrued interest            |    | 1,107   |
| Balance, September 30, 2020 | \$ | 27,434  |

### Due to Related Parties

Amounts due to related parties at September 30, 2020 include \$757 and \$569 (December 31, 2019 - \$732 and \$588) 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 \$106 (December 31, 2019 - \$103) for distributions on Class B LP Units, \$34 (December 31, 2019 - \$33) for distributions on Units, \$nil (December 31, 2019 - \$94) in connection with the ASA and a receivable of \$4 (December 31, 2019 - payable of \$288) for working capital.

Amounts due to related parties also includes \$8,356 payable to MPI for 32 Skyline Maisonettes which were reconstructed following a fire and is due and payable on stabilization of the property.

### Revenue and Expenses

- Included in rental revenue for the three and nine months ended September 30, 2020 is \$171 and \$451 (September 30, 2019 - \$183 and \$663) of revenue from MPI and its affiliates as rent 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, 2020 is \$165 and \$530 (September 30, 2019 - \$265 and \$683) paid to MPI and its affiliates for IT system maintenance, repairs and maintenance and other expenses at certain REIT properties.
- For the three and nine months ended September 30, 2020, compensation to key Management personnel includes \$125 and \$496 (September 30, 2019 - \$171 and \$496) paid to executives, Unit-based compensation expense of \$291 and \$867 (September 30, 2019 - \$34 and \$177) for executives and Unit-based compensation expense for the grant of Deferred Units to Trustees in lieu of annual retainer and meeting fees of \$120 and \$375 (September 30, 2019 - \$108 and \$343), 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, 2020 are distributions on Class B LP Units of \$2,561 and \$7,571 (September 30, 2019 - \$2,416 and \$6,691), 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, 2020 are distributions on Class C LP Units of \$1,728 and \$5,188 (September 30, 2019 - \$1,769 and \$5,307), paid or payable to a limited partnership wholly-owned by MPI.
- Included in finance costs for the three and nine months ended September 30, 2020 is interest income of \$404 and \$1,107 (September 30, 2019 - \$nil and \$nil) earned on the loan advanced to an affiliate of MPI for the redevelopment of Fifth and Bank in Ottawa.
- For the three and nine months ended September 30, 2020, the REIT reimbursed \$nil (September 30, 2019 - \$nil and \$315) to MPI for costs paid on behalf of the REIT.

### Distributions

- For the three and nine months ended September 30, 2020, distributions of \$1,293 and \$3,866 (September 30, 2019 - \$1,252 and \$3,747) were made to a limited partnership wholly-owned by MPI in order to repay principal on Class C LP Units.
- For the three and nine months ended September 30, 2020, distributions on Units to MPI of \$101 and \$299 (September 30, 2019 - \$33 and \$33) were declared and recorded as a reduction to Unitholders' equity.

## 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 unaudited condensed consolidated interim financial statements of the REIT. The contingencies and commitments of the REIT are set out in Note 16 of the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 and 2019.

## Adoption of Accounting Standards

The REIT adopted the amendments to IFRS 3, *Business Combinations*, that clarify whether a transaction results in an asset acquisition or a business combination. The REIT adopted the amendments in its unaudited condensed consolidated interim financial statements beginning on January 1, 2020. These amendments did not have an impact on the REIT's unaudited condensed consolidated interim financial statements.

## 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:

### **Classification of Liabilities as Current or Non-Current (Amendments to IAS 1, *Presentation of Financial Statements*)**

On January 23, 2020, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, providing a more general approach to the classification of liabilities based on the contractual agreements in place at the reporting date. The amendments apply to annual reporting periods beginning on or after January 1, 2023. Earlier adoption is permitted.

The amendments to IAS 1 affect only the presentation of liabilities in the balance sheet and seek to clarify that the classification of liabilities as current or non-current should be based on the rights that are in existence at the end of the reporting period. Further, the amendments make clear that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and that the settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The REIT intends to adopt the amendments in its consolidated financial statements beginning on January 1, 2023, when the amendments become effective. The REIT is assessing the potential impact of the amendments, however does not expect them to have a material impact on the REIT's consolidated financial statements.

## Disclosure Controls and Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining a system of disclosure controls and procedures ("DC&P") to provide reasonable assurance that all material information relating to the REIT that is required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis and within the time period specified in securities legislation.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, Management is required to use judgment in evaluating controls and procedures.

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, 2020. 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.
- (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 significant changes for the three months ended September 30, 2020 to the design of the REIT's ICFR that have materially affected, or are reasonably likely to materially affect, the REIT's ICFR.

Management has also considered the impact of COVID-19 on its ICFR and DC&P and noted that while a significant portion of the workforce has shifted to working remotely, controls continue to operate as designed. The REIT has not significantly reduced its workforce nor reduced the number of working hours as a result of the pandemic and control owners continue to perform their ordinary control activities. Similarly, the REIT has not experienced significant challenges or delays in completing its accounting and financial reporting processes while working remotely. In response to the increase in tele-working, Management has put forth incremental effort to ensure material information flows throughout the organization effectively and has significantly increased the frequency of meetings aimed at disseminating and soliciting key information.

## Section VI - Supplemental Information

### Property Portfolio

| Property  | Total Suites | REIT Ownership Interest | Effective Ownership Interest (Suites) |
|---|--------------|-------------------------|---------------------------------------|
| <b>Toronto</b>  |              |                         |                                       |
| 1 High Park Village   | 750          | 40%                     | 300                                   |
| 2 Leslie York Mills   | 409          | 50%                     | 205                                   |
| 3 Richgrove   | 258          | 100%                    | 258                                   |
| 4 Martin Grove  | 237          | 100%                    | 237                                   |
| 5 Minto Yorkville <sup>1</sup>                              | 181          | 100%                    | 181                                   |
| 6 Roehampton <sup>1</sup>                                   | 148          | 100%                    | 148                                   |
|   | 1,983        |                         | 1,329                                 |
| <b>Ottawa</b>   |              |                         |                                       |
| 7 Minto one80five <sup>1</sup>                              | 417          | 100%                    | 417                                   |
| 8 Parkwood Hills Garden Homes & Townhomes                   | 393          | 100%                    | 393                                   |
| 9 Aventura  | 354          | 100%                    | 354                                   |
| 10 Huron  | 251          | 100%                    | 251                                   |
| 11 Seneca   | 251          | 100%                    | 251                                   |
| 12 Castlevue  | 241          | 100%                    | 241                                   |
| 13 Skyline Garden Homes, Maisonettes & Walkups <sup>2</sup> | 227          | 100%                    | 227                                   |
| 14 The Carlisle   | 191          | 100%                    | 191                                   |
| 15 Castle Hill  | 176          | 100%                    | 176                                   |
| 16 Grenadier  | 158          | 100%                    | 158                                   |
| 17 Tanglewood   | 122          | 100%                    | 122                                   |
| 18 Eleanor  | 117          | 100%                    | 117                                   |
| 19 Frontenac  | 104          | 100%                    | 104                                   |
| 20 Stratford  | 59           | 100%                    | 59                                    |
|   | 3,061        |                         | 3,061                                 |
| <b>Montreal</b>   |              |                         |                                       |
| 21 Rockhill <sup>1</sup>                                    | 1,004        | 50%                     | 502                                   |
| 22 Le 4300  | 318          | 100%                    | 318                                   |
| 23 Haddon Hall  | 210          | 100%                    | 210                                   |
|   | 1,532        |                         | 1,030                                 |
| <b>Edmonton</b>   |              |                         |                                       |
| 24 The Lancaster House                                      | 98           | 100%                    | 98                                    |
| 25 York House   | 92           | 100%                    | 92                                    |
| 26 Hi-Level Place   | 64           | 100%                    | 64                                    |
|   | 254          |                         | 254                                   |
| <b>Calgary</b>  |              |                         |                                       |
| 27 The Quarters   | 199          | 100%                    | 199                                   |
| 28 The Laurier <sup>1</sup>                                 | 144          | 100%                    | 144                                   |
| 29 Kaleidoscope   | 70           | 100%                    | 70                                    |
|   | 413          |                         | 413                                   |
| <b>Portfolio Total<sup>3</sup></b>                          | <b>7,243</b> |                         | <b>6,087</b>                          |

<sup>1</sup> Suite counts for Minto Yorkville, Roehampton, Minto one80five, Rockhill and The Laurier include furnished suites, representing approximately 12% of the total suites at these properties.

<sup>2</sup> Excludes 32 Maisonettes rebuilt after being destroyed by fire in March 2017 and are under a lease up period.

<sup>3</sup> Same Property Portfolio comprises the properties listed in the table above, with the exception of properties 1, 2, 21, 22, 23.

## Average Rent Per Square Foot

| Geographic Node |    | Average monthly rent | Average sq. ft. per suite |    | Average rent per sq. ft |
|-----------------|----|----------------------|---------------------------|----|-------------------------|
| Toronto         | \$ | 1,855                | 800                       | \$ | 2.32                    |
| Ottawa          |    | 1,494                | 836                       |    | 1.79                    |
| Alberta         |    | 1,231                | 725                       |    | 1.70                    |
| Montreal        |    | 1,916                | 1,007                     |    | 1.90                    |
| Average         | \$ | 1,613                | 846                       | \$ | 1.91                    |