Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

minto
Apartment REIT

Independent Auditors' Report

To the Unitholders of Minto Apartment Real Estate Investment Trust,

Opinion

We have audited the consolidated financial statements of Minto Apartment Real Estate Investment Trust (the "Entity"), which comprise:

- the consolidated balance sheets as at December 31, 2020 and December 31, 2019;
- the consolidated statements of net income and comprehensive income for the years then ended;
- the consolidated statements of changes in unitholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of the fair value of residential investment properties

Description of the matter

We draw attention to Note 2(f), Note 2(r) and Note 3 of the financial statements. The Entity uses the fair value method to account for real estate classified as investment property. The Entity has recorded residential investment properties for an amount of $2,098,052 thousand, representing the most significant portion of investment properties. Significant assumptions in determining the fair value of residential properties include:

- estimated 12 month stabilized forecasted net operating income for each property; and
- capitalization rates.

Why the matter is a key audit matter

We identified the evaluation of the fair value of residential investment properties as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of residential investment properties and the high degree of estimation uncertainty in determining the fair value of residential investment properties. Additionally, significant auditor judgment and involvement of those with specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the fair value of residential investment properties to minor changes in significant assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

For a selection of residential investment properties, we assessed the Entity's ability to forecast by comparing the Entity's estimated 12 month stabilized forecasted net operating income used in the prior year's estimate of the fair value of residential investment properties to actual results.

For a selection of residential investment properties, we compared the estimated 12 month stabilized forecasted net operating income for each selected property to the actual historical net operating income by:

- Taking into account the changes in conditions and events affecting the residential investment properties; and
- Considering the adjustments, or lack of adjustments, made by the Entity in arriving at the estimated 12 month stabilized forecasted net operating income.

For a selection of residential investment properties, we involved valuations professionals with specialized skills and knowledge, who assisted in evaluating the capitalization rates used in determining the fair value of those residential investment properties. These rates were compared to published reports of real estate industry commentators taking into consideration the characteristics of the specific residential property.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions; and
- the information, other than the financial statements and the auditors' report thereon, included in a document entitled "2020 Annual Report."

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the 2020 Annual Report as of the date of the auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards; and

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Thomas Rothfischer.

Toronto, Canada
March 11, 2021

Minto Apartment Real Estate Investment Trust
Consolidated Balance Sheets

(in thousands of Canadian dollars)

	Note		December 31, 2020		December 31, 2019
Assets					
Investment properties	3	$	2,138,101	$	2,016,328
Loans receivable from related parties	11		41,988		19,922
Prepaid expenses and other assets	6		18,538		10,295
Resident and other receivables	7		2,050		1,827
Cash			2,607		1,928
		$	2,203,284	$	2,050,300
Liabilities and Unitholders' Equity					
Liabilities					
Class B LP Units	8	$	463,806	$	527,104
Class C LP Units	9		219,885		225,537
Mortgages	10		598,079		489,307
Credit facility	10		31,948		91,009
Tenant rental deposits			8,965		8,712
Due to related parties	11		10,039		1,838
Accounts payable and accrued liabilities	12		20,338		20,018
		$	1,353,060	$	1,363,525
Unitholders' equity			850,224		686,775
Contingencies and commitments	17				
		$	2,203,284	$	2,050,300

See accompanying notes to the consolidated financial statements.

Minto Apartment Real Estate Investment Trust
Consolidated Statements of Net Income and Comprehensive Income

For the years ended December 31, 2020 and 2019

(in thousands of Canadian dollars)

	Note	December 31, 2020	December 31, 2019
Revenue from investment properties	15	$ 124,929	$ 104,438
Property operating expenses			
Property operating costs		23,221	19,755
Property taxes		13,346	11,016
Utilities		9,742	8,370
		46,309	39,141
Property operating income		78,620	65,297
Other expenses (income)			
General and administrative		6,634	5,607
Finance costs - operations	16	33,767	30,132
Fair value loss (gain) on:			
Investment properties	3	(78,701)	(93,216)
Class B LP Units	8, 16	(63,298)	104,241
Interest rate swap	12, 16	2,429	(879)
Unit-based compensation	21	(249)	325
Fees and other income		(1,600)	(879)
		(101,018)	45,331
Net income and comprehensive income		$ 179,638	$ 19,966

See accompanying notes to the consolidated financial statements.

Minto Apartment Real Estate Investment Trust
Consolidated Statements of Changes in Unitholders' Equity
For the years ended December 31, 2020 and 2019

(in thousands of Canadian dollars)

	Note	Units	Distributions	Retained earnings	Total
Balance, December 31, 2018		$ 212,078	$ (3,216)	$ 49,390	$ 258,252
Units issued, net of issue costs		419,356	—	—	419,356
Net income and comprehensive income		—	—	19,966	19,966
Distributions	13	—	(10,799)	—	(10,799)
Balance, December 31, 2019		$ 631,434	$ (14,015)	$ 69,356	$ 686,775
Net income and comprehensive income		—	—	179,638	179,638
Distributions	13	—	(16,189)	—	(16,189)
Balance, December 31, 2020		$ 631,434	$ (30,204)	$ 248,994	$ 850,224

See accompanying notes to the consolidated financial statements.

Minto Apartment Real Estate Investment Trust
Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019

(in thousands of Canadian dollars)

	Note	December 31, 2020	December 31, 2019
Cash provided by (used in):			
Operating activities			
Net income		$ 179,638	$ 19,966
Adjustments for:			
Finance costs - operations	16	33,767	30,132
Fair value loss (gain) on:			
Investment properties	3	(78,701)	(93,216)
Class B LP Units	8, 16	(63,298)	104,241
Interest rate swap	12, 16	2,429	(879)
Unit-based compensation	21	(249)	325
Change in non-cash working capital	20	(3,729)	(6,739)
Cash provided by operating activities		69,857	53,830
Financing activities			
Proceeds from issuance of Units, net of issue costs		—	399,436
Proceeds from mortgage financing	10	225,576	158,360
CMHC premiums paid		(3,360)	(2,971)
Financing costs	10	(1,757)	(322)
Principal repayments on mortgages	10	(122,597)	(6,930)
Net (repayments) proceeds on credit facility	10	(59,061)	55,084
Distributions on Class B LP Units		(10,133)	(9,073)
Distributions on Class C LP Units, used to repay principal	9	(5,177)	(5,019)
Distribution on Units		(16,144)	(10,011)
Interest paid		(25,286)	(20,869)
Cash (used in) provided by financing activities		(17,939)	557,685
Investing activities			
Capital additions to investment properties		(30,826)	(19,179)
Loans advanced to related parties	11	(22,188)	(19,727)
Interest received		1,775	—
Acquisition of investment properties	4	—	(571,573)
Cash used in investing activities		(51,239)	(610,479)
Change in cash during the year		679	1,036
Cash, beginning of the year		1,928	892
Cash, end of the year		$ 2,607	$ 1,928

See accompanying notes to the consolidated financial statements.

1. Description of the entity

Minto Apartment Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust dated April 24, 2018, which was amended and restated on June 27, 2018, and is amended from time to time. The REIT owns and operates a portfolio of income-producing multi-residential rental properties located in Canada.

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

At December 31, 2020, the REIT's portfolio consists of interests in 29 multi-residential rental properties, including three mixed-use residential apartment and commercial buildings, all of which are held by Minto Apartment Limited Partnership (the "Partnership"), which is consolidated by the REIT.

2. Significant accounting policies

(a) Basis of presentation and measurement

These consolidated financial statements have been prepared on a historical cost basis, except for investment properties, Class B LP Units, Unit-based compensation and interest rate swap, which have been measured at fair value. The consolidated financial statements have been presented in Canadian dollars, which is the REIT's functional currency.

The COVID-19 outbreak has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures include the implementation of travel bans, self-imposed quarantine periods and social distancing, and has caused material disruption to businesses globally, resulting in an economic slowdown. As of December 31, 2020, a couple of vaccine candidates were authorized for use by Health Canada while others were in the approval process. With the limited supply of vaccines available, Health Canada has adopted a phased approach to vaccine delivery with seniors and health care workers being the priority. Until extensive immunization is achieved, public health measures will continue to be essential to minimize the outbreak. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the REIT are unknown. The REIT continues to monitor and assess the impact that COVID-19 will have on its business activities and financial results that could potentially be impacted, including: cash collections from tenants, rental income, occupancy, turnover, future demand and market rents, all of which impact the valuation of investment properties.

The REIT has used all information available as at December 31, 2020 that it considers relevant in determining the potential impact of the COVID-19 pandemic on the carrying amounts of assets and liabilities, earnings for the year and risks disclosed in the consolidated financial statements for the years ended December 31, 2020 and 2019. The estimates and judgements 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 could differ from those estimates. Investment properties (Note 3) and risk management (Note 18) include disclosures of the potential impacts of COVID-19 on fair value of investment properties and liquidity risk.

(b) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

These consolidated financial statements were approved by the Board of Trustees of the REIT and authorized for issuance on March 11, 2021.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the REIT and its subsidiaries, including the Partnership. Subsidiaries are consolidated from the date of acquisition, being the date on which the REIT obtains control, and continue to be consolidated until the date when control is lost. Control exists when the REIT is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The accounting policies of subsidiaries have been modified when necessary to align them with the policies adopted by the REIT. All intra-group balances, transactions and unrealized gains and losses are eliminated in full upon consolidation.

(d) Business combinations

At the time of acquisition of property, whether through a controlling share investment or directly, the REIT considers whether a transaction results in an asset acquisition or a business combination. The amendments to IFRS 3, *Business Combinations* ("IFRS 3"), adopted on January 1, 2020, include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If the REIT chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. If no substantive processes are acquired, the acquisition is treated as an asset acquisition rather than a business combination.

The cost of a business combination is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. The REIT recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination.

Subsequent changes in the fair value of contingent consideration arrangements are recognized in the consolidated statements of net income and comprehensive income. The difference between the purchase price and the fair value of the acquired identifiable net assets and liabilities is goodwill. On the date of acquisition, positive goodwill is recorded as an asset. A bargain purchase gain is recognized immediately in the consolidated statements of net income and comprehensive income. The REIT expenses transaction costs associated with business combinations in the period incurred.

When an acquisition does not meet the criteria for business combination accounting treatment, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated upon initial recognition to the assets and liabilities acquired based upon their relative fair values.

Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period", which cannot exceed one year from the acquisition date, about facts and circumstances that existed at the acquisition date. Subsequent changes in fair value of contingent consideration classified as assets or liabilities that do not qualify as measurement period adjustments are recognized as a gain or loss in the consolidated statements of net income and comprehensive income.

(e) Joint arrangements

The REIT has joint arrangements in and joint control of certain investment properties which it manages. The REIT has assessed the nature of its joint arrangements and determined them to be joint operations. The REIT accounts for joint operations by recognizing in relation to its interest its share of revenues, expenses, assets and liabilities, which are included in their respective captions on the consolidated balance sheets and consolidated statements of net income and comprehensive income. All balances and effects of transactions between joint operations and the REIT have been eliminated to the extent of the REIT's interest in the joint operations.

(f) Investment properties

The REIT uses the fair value method to account for real estate classified as investment property. Property that is held for long term rentals or for capital appreciation or both is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property and land held for future development to earn rental income. Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably. All repairs and maintenance costs are expensed as incurred.

The acquisition of investment properties is initially measured at cost including directly attributable acquisition costs, except when acquired through a business combination, where such costs are expensed as incurred. Directly attributable acquisition costs include professional fees, land transfer taxes and other transaction costs.

After initial recognition, investment properties are carried at fair value, which is determined based on available market evidence at each reporting date, including capitalization rates that reflect the characteristics, location and market of each property. Gains or losses arising from changes in fair value are included in the consolidated statements of net income and comprehensive income during the period in which they arise. When an investment property is disposed of, the gain or loss is determined as the difference between the disposal proceeds, net of selling costs and the carrying amount of the property and is recognized in the consolidated statements of net income and comprehensive income in the period of disposal.

Fair value for residential properties is determined using the direct capitalization approach by applying an appropriate capitalization rate which reflects the characteristics, location and market of each property to the estimated 12 month stabilized forecasted net operating income for each property, and deducting estimated aggregate future capital expenditures. Estimated 12 month stabilized forecasted net operating income is based on the respective property's forecasted results, adjusted to reflect market occupancy rates and expenditure levels. Fair value is determined based on internal valuation models.

Fair value for commercial properties is determined using the discounted future cash flow approach over a term of ten years plus a terminal value. Discount rates and terminal capitalization rates reflect the characteristics, location and market of each property. Future cash flows are based on estimated rental revenue from future leases less related estimated future cash outflows. Fair value is determined based on internal valuation models.

Fair value for land held for development is determined by reference to comparable market prices for similar assets.

As part of the internal valuation process, the REIT considers external valuations performed by independent national real estate valuation firms for a cross-section of properties that represent different geographical locations across the REIT's portfolio. On a quarterly basis, Management reviews and updates, as deemed necessary, the valuation models to reflect current market data.

(g) Financial instruments

Financial instruments are generally measured at fair value on initial recognition. The classification and measurement of financial assets consists of the following categories: (i) measured at amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income (''FVTOCI''). Financial assets classified at amortized cost are measured using the effective interest method. Financial assets classified as FVTPL are measured at fair value with gains and losses recognized in the consolidated statements of net income and comprehensive income. Financial assets classified as FVTOCI are measured at fair value with gains or losses recognized through other comprehensive income, except for gains and losses pertaining to impairment or foreign exchange which are recognized through the consolidated statements of net income and comprehensive income.

The classification and measurement of financial liabilities consists of the following categories: (i) measured at amortized cost and (ii) FVTPL. Financial liabilities classified at amortized cost are measured using the effective interest method. Financial liabilities classified as FVTPL are measured at fair value with changes in fair value attributable to changes in the credit risk of the liability recognized in other comprehensive income, and the remaining amount of change in fair value recognized in the consolidated statements of net income and comprehensive income.

The REIT has made the following classifications for its financial instruments:

Amount	Measurement
Loans receivable from related parties	Amortized cost
Restricted cash	Amortized cost
Interest rate swap	FVTPL
Resident and other receivables	Amortized cost
Cash	Amortized cost
Class B LP Units	FVTPL
Class C LP Units	Amortized cost
Mortgages	Amortized cost
Credit facility	Amortized cost
Tenant rental deposits	Amortized cost
Due to related parties	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

The REIT derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The REIT derecognizes a financial liability when, and only when, the REIT's obligations are discharged, canceled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statements of net income and comprehensive income.

Transaction costs other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method. These costs include interest, amortization of discounts or premiums relating to borrowings, fees and commissions paid to agents, brokers and advisers, transfer taxes and duties, and a portion of Canada Mortgage and Housing Corporation ("CMHC") insurance premiums related to current mortgages.

Units

Units are redeemable at the holder's option and therefore are considered to be a puttable instrument in accordance with IAS 32, *Financial Instruments: Presentation* ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case the puttable instruments may be presented as equity. The Units meet the exemption conditions of IAS 32 and are presented as equity.

Units represent a Unitholder's proportionate undivided beneficial interest in the REIT. No Unit has any preference or priority over another. No Unitholder has or is deemed to have any right of ownership in any of the assets of the REIT. Each Unit confers the right to one vote at any meeting of Unitholders and to participate pro rata in any distributions and, on liquidation, to a pro rata share of the residual net assets remaining after preferential claims thereon of debtholders.

The REIT does not report an earnings per unit calculation, as per IAS 33, *Earnings Per Share*, as the Units meet the definition of a financial liability under IAS 32.

Unitholders have the right to redeem their Units at the lesser of (i) 90% of the market price of the Units and (ii) 100% of the closing market price on the redemption date. The redemption price will be satisfied by cash up to a limit of $50 for all redemptions in a calendar month, which can be waived at the discretion of the Trustees.

Class B LP Units

The Class B LP Units of the Partnership are economically equivalent to Units, receive distributions equal to the distributions paid on Units and are exchangeable at the holder's option into Units. One Special Voting Unit in the REIT is issued to the holder of Class B LP Units for each Class B LP Unit held, which entitles the holder to one vote per Special Voting Unit at any meeting of the Unitholders. The limited IAS 32 exception for presentation as equity does not extend to the Class B LP Units. As a result, the Class B LP Units have been classified as financial liabilities and are measured at FVTPL. The fair value of the Class B LP Units is measured every period by reference to the traded value of the Units, with changes in measurement recorded in the consolidated statements of net income and comprehensive income. Distributions on the Class B LP Units are recorded as a finance cost in the consolidated statements of net income and comprehensive income in the period in which the distributions become payable.

Class C LP Units

The Class C LP Units of the Partnership provide for monthly distributions from the Partnership 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. Due to the nature of such distributions, the Class C LP Units have been classified as financial liabilities and are carried at amortized cost. Distributions on the Class C LP Units consist of principal repayments and interest expense, with principal repayments reducing the outstanding liability and interest expense recorded in finance costs in the consolidated statements of net income and comprehensive income in the period in which the distributions become payable.

Derivative financial instruments

The REIT uses derivative financial instruments to manage risks from fluctuations in interest rates. All derivative instruments are designated and valued at FVTPL in the consolidated financial statements.

Impairment of financial assets

The REIT has adopted the practical expedient to estimate the expected credit loss ("ECL") on resident and other receivables using a provision matrix based on historical credit loss experience adjusted for current and forecasted future economic conditions. Resident and other receivables are initially measured at fair value and are subsequently measured at amortized cost less a provision for impairment.

The REIT recognizes loss allowances for ECL on the remaining financial assets measured at amortized cost, unfunded loan commitments and financial guarantee contracts. The REIT applies a three-stage approach to measure allowance for credit losses. The REIT measures loss allowance at an amount equal to 12 months of expected losses for performing loans if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses which are credit impaired (Stage 3).

(h) Fair value measurement

The REIT measures financial instruments, such as Class B LP Units, interest rate swap and Unit-based compensation, and non-financial assets, such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the REIT.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The REIT uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the REIT determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash, restricted cash, resident and other receivables, due to related parties, tenant rental deposits and accounts payable and accrued liabilities are carried at amortized cost, which, due to their short term nature, approximates fair value. Additionally, the credit facility is carried at amortized cost, which, due to its variable rate, approximates fair value.

The REIT estimates the fair value of its mortgages and Class C LP Units based on the rates that could be obtained for similar debt instruments with similar terms and maturities. Their fair value qualifies as level 2 in the fair value hierarchy above.

The fair value of Class B LP Units and Unit-based compensation is measured every period by reference to the traded value of Units and is considered Level 2 in the fair value hierarchy.

The fair value of the interest rate swap is determined using widely accepted valuation techniques, including discounted cash flow analysis on expected cash flows of the derivatives, using observable market-based inputs including interest rate curves and implied volatilities, and is considered level 2 in the fair value hierarchy.

The fair value of the loans receivable from related parties is determined by reference to rates that could be obtained for similar instruments with similar terms and maturities and is considered level 2 in the fair value hierarchy.

There were no transfers of assets or liabilities between fair value levels during the period presented herein.

(i) CMHC premiums

CMHC mortgage insurance premiums provide coverage over the loan amortization period, typically 25 to 40 years. The portion related to the term of currently outstanding mortgages are accounted for as a financing charge and amortized over the life of respective mortgages using the effective interest method. The remaining portion of the CMHC mortgage insurance premiums are classified as prepaid expenses.

(j) Restricted cash

Restricted cash consists of tenant security deposits and a capital asset replacement reserve fund held in trust accounts. The capital asset replacement reserve fund was established as a condition of a forgivable loan provided by the City of Toronto to support affordable housing at a certain Toronto property.

(k) Cash

Cash includes cash on hand and cash maintained in bank accounts.

(l) Income taxes

The REIT is a "mutual fund trust" and a "real estate investment trust" as defined in the Income Tax Act (Canada). Under current tax legislation, a “real estate investment trust” is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to Unitholders. The REIT qualifies as a “real estate investment trust” and intends to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes. Accordingly, no net current tax expenses or current or deferred income tax asset or liability has been recorded in the consolidated financial statements.

(m) Revenue recognition

The REIT retains substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases.

Rental revenue includes base rents earned from tenants under operating lease agreements which is allocated to lease components based on relative stand-alone selling prices. The stand-alone selling prices of the rental component are determined using an adjusted market assessment approach and the stand-alone selling prices of the service components are determined using an expected cost plus a margin approach.

Rental revenue from the rental component is recognized on a straight-line basis over the lease term. When the REIT provides incentives to its tenants, the cost of incentives is recognized over the lease term, on a straight-line basis, as a reduction of revenue.

Revenue from services represents the service component of the REIT’s leases and is accounted for in accordance with IFRS 15, *Revenue from Contracts with Customers* (‘‘IFRS 15’’). These services consist primarily of the recovery of utility, property maintenance and amenity costs where the REIT has determined it is acting as a principal and is recognized over time when the services are provided. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are recorded as contract liabilities.

Management fees are earned from asset, project and property management of jointly controlled properties. Management fees are recorded in fees and other income as the services are provided. Payments for property management fees are due at the beginning of each month, asset management fees are due at the beginning of each quarter and project management fees are due 30 days in arrears.

(n) Expenses

Operating expenses and general and administrative expenses are recognized in the consolidated statements of net income and comprehensive income in the period in which they are incurred.

(o) Finance costs

Finance costs are comprised of interest expense on secured debt and unsecured debt, amortization of mark-to-market adjustments and financing charges, distributions on Class B LP Units and Class C LP Units, fair value loss (gain) on Class B LP Units and fair value loss (gain) on an interest rate swap. Finance costs associated with financial liabilities presented at amortized cost are presented in the consolidated statements of net income and comprehensive income using the effective interest method. Finance costs also includes interest income which is recognized as earned.

(p) Unit-based compensation

The REIT maintains an Omnibus Equity Incentive Plan (the "Plan") for its Trustees and executives pursuant to which eligible participants may receive Deferred Units, Performance Units, Restricted Units or other similar types of security based compensation. Awards under the Plan may be settled by Units issued from treasury or, if so elected by the participant and subject to the approval of the Board of Trustees, cash payable upon settlement. The grant date value of the amount payable is recognized as part of general and administrative expenses over the vesting period, with a corresponding increase in liabilities over the service period related to the award. The grant date value is calculated using the market price of the Units on the grant date. Market price is defined as the volume weighted average closing price of the Units on the Toronto Stock Exchange for the five trading days immediately preceding such date. The liability is remeasured at each reporting date and settlement date using the market price of the Units as defined in the Plan as of the date of measurement. Any changes in the value of the liability are recognized as fair value adjustments through the consolidated statements of net income and comprehensive income.

(q) Significant judgments in applying accounting policies

The following are the significant judgments that have been made in applying the REIT’s accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

Investment property acquisitions

The REIT must assess whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3. This assessment requires Management to make judgments on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, are capable of being conducted and managed as a business and the REIT obtains control of the business.

Income taxes

The REIT is a mutual fund trust and a real estate investment trust as defined in the Income Tax Act (Canada). The REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. The REIT is a real estate investment trust if it meets the prescribed conditions under the Income Tax Act (Canada) relating to the nature of its assets and revenue. The REIT uses judgment in reviewing the real estate investment trust conditions and assessing their interpretation and application to the REIT’s assets and revenue, and it has determined that it qualifies as a real estate investment trust for the current period.

Interest in joint operations

The REIT assesses whether an arrangement should be accounted for as a joint operation or a joint venture under IFRS 11, *Joint Arrangements*. This assessment requires Management to make judgments on whether the REIT's rights and obligations arising from the arrangement constitute a joint operation or a joint venture.

(r) Significant accounting estimates and assumptions

The REIT makes estimates and assumptions that affect the carrying amounts of assets and liabilities and the reported amount of income for the period. Actual results could differ from estimates. The estimates and assumptions that have the most significant effect on the reported amounts in the consolidated financial statements include:

Residential Investment properties valuation

In applying the REIT’s policy with respect to investment properties, significant accounting estimates and assumptions are required to determine the valuation of the residential properties under the fair value model. Significant accounting estimates and assumptions used in the REIT's internal valuation model include the estimated 12 month stabilized forecasted net operating income for each property and the capitalization rates that reflect the characteristics, location and market for each property.

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

(s) Adoption of new standards, amendments and interpretations

Definition of a business (Amendments to IFRS 3, Business Combinations)

The amendments to IFRS 3 clarify whether a transaction results in an asset acquisition or a business combination. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The REIT adopted the amendments to IFRS 3 on January 1, 2020. The adoption of these amendments did not have any impact on the REIT's consolidated financial statements.

(t) Future changes in accounting standards

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.

3. Investment properties

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

	December 31, 2020	December 31, 2019
Residential properties	$ 2,098,052	$ 1,979,657
Commercial properties	22,490	22,840
Land held for development	17,559	13,831
	$ 2,138,101	$ 2,016,328

The following table presents the change in investment properties:

	December 31, 2020	December 31, 2019
Opening balance	$ 2,016,328	$ 1,197,811
Additions		
Acquisitions of investment properties (Note 4)	—	702,393
Capital expenditures	41,467	22,908
Fair value gain	78,701	93,216
Other	1,605	—
Closing balance	$ 2,138,101	$ 2,016,328

Capital expenditures include costs relating to an investment property which was reconstructed following a fire.

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

The fair value methodology for the REIT's investment properties is considered level 3, as significant unobservable inputs are required to determine fair value. The fair value of investment properties is based on internal valuations and as at December 31, 2020, the entire portfolio was internally valued. The REIT's internal valuation team consists of qualified individuals who hold recognized relevant professional qualifications and have recent experience in the location and category of the respective properties.

The REIT also engaged leading independent national real estate appraisal firms with representation and expertise across Canada, and specifically in the markets in which the REIT operates, in order to ensure that every REIT property is externally appraised at least once every three years. These external appraisals were used by Management to assist in the validation of the market assumptions and market data used as part of its internal valuation model. For the year ended December 31, 2020, the REIT obtained external property appraisals representing approximately 54% (December 31, 2019 - 42%) of the REIT's investment properties.

The REIT continues to review market capitalization, discount and terminal capitalization rates, as well as its future cash flow projections and their impact on the valuation of its properties in light of the COVID-19 pandemic (Note 2(a)). The carrying value of the REIT's investment properties reflects Management's best estimate of fair value in terms of the assessed highest and best use as at December 31, 2020. It is not possible to forecast with certainty the duration or full scope of the economic impact COVID-19 will have 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 and such impact may be material.

The following table summarizes the significant unobservable inputs in determining fair value of residential properties:

Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Capitalization rates	There is an inverse relationship between the capitalization rates and the fair value; in other words, the higher the capitalization rates, the lower the estimated fair value.
Estimated 12 month stabilized forecasted net operating income (NOI)	There is a direct relationship between the estimated 12 month stabilized forecasted NOI and the fair value; in other words, the higher the estimated 12 month stabilized forecasted NOI, the higher the estimated fair value.

The following table summarizes the significant unobservable inputs of the REIT's residential properties:

	December 31, 2020			December 31, 2019		
	Min	Max	Weighted average	Min	Max	Weighted average
Capitalization rate	3.25%	4.25%	3.81%	3.25%	4.75%	3.92%

The following table summarizes the sensitivity of the fair value of residential properties to changes in capitalization rates and estimated 12 month stabilized forecasted NOI as at December 31, 2020:

December 31, 2020	-3%	-1%	NOI	+1%	+3%
Capitalization rate					
-50 basis points	2,350,915	2,400,916	2,425,917	2,450,918	2,500,920
-25 basis points	2,180,741	2,227,234	2,250,481	2,273,727	2,320,221
Base rate	2,032,885	2,076,329	2,098,052	2,119,774	2,163,218
+25 basis points	1,903,225	1,943,997	1,964,382	1,984,768	2,025,539
+50 basis points	1,788,598	1,827,006	1,846,210	1,865,414	1,903,821

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

The following table summarizes the sensitivity of the fair value of residential properties to changes in capitalization rates and estimated 12 month stabilized forecasted NOI as at December 31, 2019:

December 31, 2019	-3%	-1%	NOI	+1%	+3%
Capitalization rate					
-50 basis points	$ 2,208,876	$ 2,255,893	$ 2,279,401	$ 2,302,909	$ 2,349,926
-25 basis points	2,053,600	2,097,415	2,119,323	2,141,231	2,185,046
Base rate	1,918,123	1,959,145	1,979,657	2,000,167	2,041,189
+25 basis points	1,798,885	1,837,448	1,856,730	1,876,012	1,914,575
+50 basis points	1,693,131	1,729,514	1,747,705	1,765,897	1,802,280

4. Acquisitions of investment properties

During the year ended December 31, 2020, there was no change in the number of investment properties.

The REIT completed the following investment property acquisitions for the year ended December 31, 2019, which were accounted for as asset acquisitions and have contributed to the operating results effective from the acquisition date.

Property	Date of acquisition	Total acquisition cost	Assumed mortgage financing	Subsequent mortgage financing	Interest rate and maturity	Ownership interest
370 & 380 Quarry Way SE, Calgary, AB ("The Quarters")	January 7, 2019	$ 63,954	$ —	$ 44,316	3.04% September 1, 2029	100%
740 & 750 York Mills Road and 17 Farmstead Road, Toronto, ON ("Leslie York Mills")	May 1, 2019	76,804	23,392	—	2.82% February 1, 2021	50%
4850-4874 Côte-des-Neiges Road, Montreal, QC ("Rockhill")	May 7, 2019	137,532	—	67,500	3.42% July 25, 2029	50%
66 Oakmount Road, 111 Pacific Avenue and 255 Glenlake Avenue, Toronto, ON ("High Park Village")	August 1, 2019	136,733	39,480	—	One month bankers' acceptance plus 185 bps[1] April 1, 2026	40%
4300 de Maisonneuve Boulevard West, Montreal, QC ("Le 4300")	November 20, 2019	196,343	—	—	—	100%
2150-2174 Sherbrooke Street West, 2211-2255 Lambert Closse Street, 2151-2177 Lincoln Avenue and 2260 Chomedey Street, Montreal, QC ("Haddon Hall")	November 20, 2019	91,027	—	45,000	3.16% December 1, 2030	100%
		$ 702,393	$ 62,872	$ 156,816		

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

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

Cash used in acquisitions of investment properties was as follows:

		December 31, 2019
Total acquisition cost	$	(702,393)
Mortgages assumed		62,872
Interest rate swap acquired		(232)
Issuance of Class B LP Units (Note 8)		56,964
Deposits applied on acquisition		3,000
Transaction costs payable		6,052
Working capital assumed		2,164
Cash consideration paid on close	$	(571,573)

5. Joint operations

The REIT jointly owns and operates three investment properties. The REIT has determined them to be joint operations. Accordingly, the consolidated financial statements of the REIT include its share of revenues, expenses, assets and liabilities. The REIT's ownership interests in the joint operations are as follows:

Property	Date of acquisition	Location	Ownership interest
Leslie York Mills	May 1, 2019	Toronto, ON	50%
Rockhill	May 7, 2019	Montreal, QC	50%
High Park Village	August 1, 2019	Toronto, ON	40%

6. Prepaid expenses and other assets

		December 31, 2020		December 31, 2019
Prepaid expenses	$	1,467	$	1,314
Prepaid CMHC premiums		6,940		4,506
Restricted cash		1,180		1,012
Funds held in escrow (Note 10)		8,558		—
Deposits and other prepayments		393		2,352
Interest rate swap (Note 12)		—		1,111
	$	18,538	$	10,295
Current		11,197		4,641
Non-current		7,341		5,654
	$	18,538	$	10,295

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

7. Resident and other receivables

		December 31, 2020		December 31, 2019
Current				
Resident receivables	$	1,240	$	384
Other receivables		1,422		1,526
Less: Allowance for credit losses		(612)		(83)
	$	2,050	$	1,827

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

8. Class B LP Units

The following table reconciles the changes in cash flows and outstanding units for the Class B LP Units:

	Units		$
Balance, December 31, 2018	20,859,410	$	385,899
Non-cash movement			
Issued, August 1, 2019 (Note 4)	2,806,122		56,964
Exchanged for Units, September 17, 2019 (Note 13)	(896,459)		(20,000)
Fair value loss	—		104,241
	1,909,663		141,205
Balance, December 31, 2019	22,769,073	$	527,104
Non-cash movement			
Fair value gain	—		(63,298)
Balance, December 31, 2020	22,769,073	$	463,806

For the year ended December 31, 2020, distributions of $10,162 (December 31, 2019 - $9,195) to Class B LP Unitholders were declared.

The fair value methodology for the Class B LP Units is considered level 2 within the fair value hierarchy.

9. Class C LP Units

		December 31, 2020		December 31, 2019
Class C LP Units	$	217,524	$	222,702
Unamortized mark-to-market adjustments		2,361		2,835
	$	219,885	$	225,537
Current		5,816		5,653
Non-current		214,069		219,884
	$	219,885	$	225,537

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

The following table reconciles the changes in cash flows for the Class C LP Units:

	Units	$
Balance, December 31, 2018	22,978,700	$ 231,037
Cash flows		
Distributions used to repay principal	—	(5,019)
Non-cash movement		
Amortization of mark-to-market adjustments	—	(481)
	—	(5,500)
Balance, December 31, 2019	22,978,700	$ 225,537
Cash flows		
Distributions used to repay principal	—	(5,177)
Non-cash movement		
Amortization of mark-to-market adjustments	—	(475)
	—	(5,652)
Balance, December 31, 2020	22,978,700	$ 219,885

For the year ended December 31, 2020, the REIT made distributions of $6,907 (December 31, 2019 - $7,066) to the Class C LP Unitholder that were accounted for as finance costs.

The mortgages of investment properties to which the distributions on the Class C LP Units relate bear a weighted average contractual interest rate of 3.16% (December 31, 2019 - 3.16%) and mature at various dates between 2023 and 2030 (December 31, 2019 - 2023 and 2030).

Distributions on Class C LP Units as at December 31, 2020, excluding unamortized mark-to-market adjustments, are due as follows:

2021	$ 5,341
2022	5,510
2023	50,234
2024	50,499
2025	63,541
2026 and thereafter	42,399

Fair value for the Class C LP Units is calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at December 31, 2020, the current market rates plus risk-adjusted spreads ranged from 1.06% to 2.49% (December 31, 2019 - 2.60% to 3.40%) and the fair value of the Class C LP Units was $232,188 (December 31, 2019 - $227,507) and is considered level 2 within the fair value hierarchy.

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

10. Secured Debt

	December 31, 2020	December 31, 2019
Mortgages - fixed rate[1]	$ 599,413	487,876
Unamortized mark-to-market adjustment	1,446	1,741
Unamortized deferred financing costs	(2,780)	(310)
Total mortgages	598,079	489,307
Credit facility[2]	31,948	91,009
	$ 630,027	$ 580,316
Current	66,105	21,490
Non-current	563,922	558,826
	$ 630,027	$ 580,316

[1] Fixed rate mortgages are secured by investment properties, bear interest at a weighted average contractual interest rate of 2.85% (December 31, 2019 - 3.14%) and mature at various dates from 2021 through 2030 (December 31, 2019 - 2020 through 2030). The fixed rate mortgages include a $38,234 (December 31, 2019 - $39,174) variable interest mortgage fixed through an interest rate swap.

[2] The REIT has a committed 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. At December 31, 2020, $31,948 (December 31, 2019 - $91,009) was utilized and the remaining amount of $168,052 (December 31, 2019 - $108,991) of this facility was available in accordance with its terms and conditions. The credit facility bears interest at one month bankers' acceptance plus 175 bps or prime plus 75 bps and as at December 31, 2020, the weighted average variable interest rate was 2.25% (December 31, 2019 - 3.72%).

The secured debt balances at December 31, 2020, excluding unamortized mark-to-market adjustments and unamortized deferred financing costs, are due as follows:

2021	$ 66,157
2022	98,748
2023	57,964
2024	56,945
2025	31,097
2026 and thereafter	320,450

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

The following tables reconcile the changes in cash flows for secured debt:

	Mortgages	Unamortized mark-to-market adjustments	Unamortized deferred financing costs	Credit facility	Total
Balance, December 31, 2018	$ 273,574	$ 2,038	$ (11)	$ 35,925	$ 311,526
Cash flows					
Issued	158,360	—	(322)	257,084	415,122
Repayments	(6,930)	—	—	(202,000)	(208,930)
	151,430	—	(322)	55,084	206,192
Non-cash movement					
Assumed on asset acquisition	62,872	—	—	—	62,872
Deferred financing amortization	—	—	23	—	23
Amortization of mark-to-market adjustment	—	(297)	—	—	(297)
	62,872	(297)	23	—	62,598
Balance, December 31, 2019	$ 487,876	$ 1,741	$ (310)	$ 91,009	$ 580,316
Cash flows					
Issued	225,576	—	(1,757)	56,939	280,758
Repayments	(122,597)	—	—	(116,000)	(238,597)
	102,979	—	(1,757)	(59,061)	42,161
Non-cash movement					
Funds held in escrow[1]	8,558	—	—	—	8,558
Financing costs	—	—	(968)	—	(968)
Deferred financing amortization	—	—	255	—	255
Amortization of mark-to-market adjustment	—	(295)	—	—	(295)
	8,558	(295)	(713)	—	7,550
Balance, December 31, 2020	$ 599,413	$ 1,446	$ (2,780)	$ 31,948	$ 630,027

[1] Proceeds of $11,928 from a conventional mortgage obtained during the year were held in escrow subject to certain conditions. $3,370 of the funds held in escrow were released in December 2020.

As at December 31, 2020 and December 31, 2019, the REIT was in compliance with all financial covenants relating to its debt obligations.

Fair value of fixed rate mortgages is calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at December 31, 2020, the current market rates plus risk-adjusted spreads ranged from 0.95% to 2.81% (December 31, 2019 - 2.60% to 3.90%) and the fair value of fixed rate mortgages was $629,898 (December 31, 2019 - $494,589) and is considered level 2 within the fair value hierarchy. Given the variable nature of the credit facility, its carrying value approximates its fair value.

11. Related-party transactions

In the normal course of operations, the REIT enters into various transactions with related parties. In addition to the related party transactions disclosed elsewhere in these consolidated financial statements, related party transactions include:

(a) Administrative Support Agreement

On July 3, 2018, the REIT and Minto Properties Inc. ("MPI") entered into a five year renewable Administrative Support Agreement ("ASA"). The ASA provides the REIT with certain advisory, transaction and support services, including clerical and administrative support, operational support for the administration of day-to-day activities of the REIT and office space. These services are provided on a cost recovery basis, subject to a maximum for all general and administrative expenses, excluding public company costs, of 32 bps of the gross book value of the REIT's assets.

For the year ended December 31, 2020, the REIT incurred $1,695 (December 31, 2019 - $848) for services rendered by MPI and its affiliates under the ASA.

(b) Loans receivable from related parties

The REIT committed to advance up to $30,000 to an affiliate of MPI to support its redevelopment of a commercial property located at 99 Fifth Avenue, Ottawa, Ontario ("Fifth and Bank"). The loan bears interest at 6% per annum and matures on March 31, 2022. The loan is secured by a second priority charge in favor of the lender and a guarantee by MPI. At the option of the borrower, the interest is payable monthly or deemed an advance. In connection with this financing, the REIT will have the exclusive option to purchase the property upon stabilization at 95% of its then fair market value as determined by independent and qualified third-party appraisers. For the year ended December 31, 2020, the REIT advanced $10,273 (December 31, 2019 - $19,727), earned interest income of $1,544 (December 31, 2019 - $195) and received interest of $1,739 (December 31, 2019 - $nil). As at December 31, 2020, amount receivable under the loan was $30,000 (December 31, 2019 - $19,922).

On November 30, 2020, the REIT committed to advance $11,915 to a limited partnership jointly owned by MPI and a subsidiary of Darwin Properties Limited ("DPL") to develop Phase I of Lonsdale Square ("Lonsdale Square") in North Vancouver, British Columbia and an additional $2,085 to fund interest costs. The loan bears interest at 7% and matures on May 30, 2024. The loan is secured by a second priority charge in favor of the lender and guaranteed by MPI and DPL. At the option of the borrower, the interest is payable monthly or deemed an advance. In connection with this financing, the REIT will have the exclusive option to purchase the property upon stabilization at 95% of its then fair market value as determined by independent and qualified third-party appraisers. For the year ended December 31, 2020, the REIT advanced $11,915 and earned interest income of $73. As at December 31, 2020, the amount receivable under the loan was $11,988.

The fair value of the loans receivable from related parties is determined by reference to current market rates that could be obtained for similar instruments with similar terms and maturities. As at December 31, 2020 and December 31, 2019, the carrying value of the loans approximates their fair value and is considered level 2 within the fair value hierarchy.

(c) Due to related parties

Amounts due to related parties at December 31, 2020 include $863 and $575 (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 $34 (December 31, 2019 - $33) for distributions on Units, $nil (December 31, 2019 - $94) in connection with the ASA, $nil (December 31, 2019 - $103) for distributions on Class B LP Units and $211 (December 31, 2019 - $288) for working capital.

Prior to its initial public offering in 2018, the REIT acquired the Skyline Maisonettes property in Ottawa, Ontario. This property was damaged by a fire in March 2017, which destroyed 32 suites. The re-construction of this block was substantially completed and transferred to the REIT in 2020. Amounts due to related parties include $8,356 (December 31, 2019 - $nil) payable to MPI for the reconstructed Skyline Maisonettes. The payable will settle once the investment property is stabilized.

(d) Revenue and expenses

- Included in rental revenue for the year ended December 31, 2020 is $723 (December 31, 2019 - $842) 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 year ended December 31, 2020 is $713 (December 31, 2019 - $954) paid to MPI and its affiliates for repairs and maintenance and other expenses at certain REIT properties.
- For the year ended December 31, 2020, compensation to key management personnel includes $642 (December 31, 2019 - $768) paid to executives, Unit-based compensation expense of $1,160 (December 31, 2019 - $291) for executives and Unit-based compensation expense for the grant of Deferred Units to Trustees in lieu of annual retainer and meeting fees of $513 (December 31, 2019 - $474), 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 year ended December 31, 2020 are distributions on Class B LP Units of $10,162 (December 31, 2019 - $9,195), paid or payable to MPI and a limited partnership wholly-owned by MPI.
- Included in finance costs for the year ended December 31, 2020 are distributions on Class C LP Units of $6,907 (December 31, 2019 - $7,066), paid or payable to a limited partnership wholly-owned by MPI.
- Included in finance costs for the year ended December 31, 2020 is interest income of $1,617 (December 31, 2019 - $195) earned from the loans advanced to related parties.
- For the year ended December 31, 2020, the REIT reimbursed $nil (December 31, 2019 - $312) to MPI for costs paid on behalf of the REIT.

(e) Distributions

- For the year ended December 31, 2020, distributions of $5,177 (December 31, 2019 - $5,019) were made to a limited partnership wholly-owned by MPI in order to repay principal on Class C LP Units.
- For the year ended December 31, 2020, distributions on Units to MPI of $401 (December 31, 2019 - $131) were declared and recorded as a reduction to Unitholders' equity.

(f) Property acquisitions

- On May 1, 2019, the REIT acquired MPI's 50% ownership interest in Leslie York Mills in Toronto, Ontario for a purchase price of $75,050. In connection with the acquisition, the REIT assumed a mortgage of $23,392.
- On August 1, 2019, the REIT acquired MPI's 40% ownership interest in High Park Village in Toronto, Ontario for a purchase price of $131,214. In connection with the acquisition, the REIT assumed a mortgage of $39,480 which bears interest at one month bankers' acceptance plus 185 bps and matures on April 1, 2026. In addition, the REIT assumed an interest rate swap to receive variable interest based on one month bankers' acceptance plus 185 bps and pay fixed interest at 3.38%. The purchase price was partially satisfied by the issuance of 2,806,122 Class B LP Units to MPI for $55,000.

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

12. Accounts payable and accrued liabilities

	December 31, 2020	December 31, 2019
Accounts payable	$ 8,348	$ 5,571
Accrued liabilities	6,295	11,539
Distributions payable	1,342	1,297
Unit-based compensation (Note 21)	3,035	1,611
Interest rate swap	1,318	—
	$ 20,338	$ 20,018
Current	18,410	19,744
Non-current	1,928	274
	$ 20,338	$ 20,018

The following table is a summary of the REIT's interest rate swap and the respective fair value of the liability (asset):

Instrument	Maturity	Fixed rate	Original notional amount	Notional amount	December 31, 2020	December 31, 2019
Interest rate swap[1]	April 2026	3.38%	$42,360	$38,234	$ 1,318	$ (1,111)

The fair value of the interest rate swap is determined using widely accepted valuation techniques, including discounted cash flow analysis on expected cash flows of the derivatives, using observable market-based inputs including interest rate curves and implied volatilities, and is considered level 2 in the fair value hierarchy.

The following table summarizes the beginning and ending fair value of the swap for the periods presented:

	December 31, 2020	December 31, 2019
Opening balance	$ (1,111)	$ —
Non-cash movement		
Acquired[2]	—	(232)
Fair value loss (gain)	2,429	(879)
Closing balance	$ 1,318	$ (1,111)

[1] The REIT has a 40% ownership interest in this contract through the ownership of a joint operation.

[2] The REIT acquired the interest rate swap on August 1, 2019 in connection with its acquisition of High Park Village.

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

13. Units

The following table presents the change in and outstanding amount of Units:

	Units		$
Authorized	Unlimited		
Units issued and outstanding:			
Balance, December 31, 2018	15,863,100	$	212,078
Issued, April 15, 2019, net	8,809,000		165,172
Issued on exchange for Class B LP Units, September 17, 2019 (Note 8)	896,459		20,000
Issued, October 22, 2019, net	9,850,000		215,401
Issued, November 25, 2019, net	856,280		18,783
Balance, December 31, 2019	36,274,839	$	631,434
Balance, December 31, 2020	36,274,839	$	631,434

On April 15, 2019 the REIT completed the issuance of 8,809,000 Units from treasury at a price of $19.60 per Unit for net proceeds of $165,172. The issuance included 1,149,000 Units sold pursuant to the full exercise of an over-allotment option granted to the underwriters. Underwriters' fees and expenses relating to the issuance were $7,484.

On September 17, 2019, the REIT issued 896,459 Units from treasury in exchange for Class B LP Units at a price of $22.31 per Unit and valued at $20,000.

On October 22, 2019, the REIT completed the issuance of 9,850,000 Units from treasury at a price of $22.85 per Unit for net proceeds of $215,401. Underwriters' fees and expenses relating to the issuance were $9,672.

On November 25, 2019, the REIT completed the issuance of an additional 856,280 Units from treasury at a price of $22.85 per Unit for net proceeds of $18,783 pursuant to the over-allotment option granted to the underwriters in connection with the issuance of Units on October 22, 2019. Underwriters' fees and expenses relating to the issuance were $783.

For the year ended December 31, 2020, distributions to Unitholders of $16,189 (December 31, 2019 - $10,799) were declared. This represents monthly distributions of $0.03667 per Unit for the months of January to July 2020 and $0.03792 per Unit for the months of August to December (December 31, 2019 - monthly distributions of $0.03416 per Unit for the months of January to July and $0.03667 per Unit for the months of August to December).

14. Segment reporting

The REIT owns, manages and operates 29 multi-residential rental properties located in Canada, including three mixed-use residential apartment and commercial buildings. Management, when measuring the REIT's performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the REIT has a single reportable segment for disclosure purposes in accordance with IFRS.

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

15. Revenue from investment properties

The components of revenue from investment properties are as follows:

	December 31, 2020	December 31, 2019
Rental revenue	$ 102,268	$ 85,588
Revenue from services	22,661	18,850
	$ 124,929	$ 104,438

16. Finance costs

Finance costs are comprised of the following:

	December 31, 2020	December 31, 2019
Interest expense on mortgages	$ 16,735	$ 12,255
Interest expense & standby fees on credit facility	1,838	2,619
Amortization of financing charges	548	316
Amortization of mark-to-market adjustments	(770)	(778)
Interest income	(1,653)	(541)
Interest expense & other financing charges	16,698	13,871
Distributions on Class B LP Units (Note 8)	10,162	9,195
Distributions on Class C LP Units (Note 9)	6,907	7,066
Finance costs - operations	$ 33,767	$ 30,132
Fair value loss (gain) on Class B LP Units	(63,298)	104,241
Fair value loss (gain) on interest rate swap	2,429	(879)
Finance costs	$ (27,102)	$ 133,494

17. 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 consolidated financial statements of the REIT.

The REIT has an off-balance sheet arrangement at one of its properties in the Toronto area pursuant to which the City of Toronto provided a forgivable loan to support affordable housing at this property. Provided that certain conditions are met, the REIT will not need to make repayments under this arrangement. As of December 31, 2020, the remaining unforgiven balance of the loan which has not been recorded by the REIT is $15,912 (December 31, 2019 - $17,136). To date, the REIT has met all conditions related to this forgivable loan and Management intends to continue to meet these requirements.

The REIT has an off-balance sheet arrangement at one of its properties in the Calgary area pursuant to which the Province of Alberta provided a forgivable loan to support affordable housing at this property. Provided that certain conditions are met, the REIT will not need to make repayments under the arrangement. As of December 31, 2020, the remaining unforgiven balance of the loan which has not been recorded by the REIT is $4,032 (December 31, 2019 - $4,368). To date, the REIT has met all conditions related to this forgivable loan and Management intends to continue to meet these requirements.

As at December 31, 2020, the REIT has advanced the full commitment of $30,000 (December 31, 2019 - $19,922, committed to advance an additional $10,078) to an affiliate of MPI to support its redevelopment of Fifth and Bank in Ottawa.

As at December 31, 2020, the REIT has committed to fund interest costs as a deemed advance up to an additional $2,012 to a limited partnership 50% owned by MPI to support its development of Lonsdale Square in North Vancouver.

The REIT is a guarantor on a joint and several basis for mortgage debt held through one of its joint operations. As at December 31, 2020, the maximum potential obligation resulting from this guarantee is $13,382 (December 31, 2019 - $13,711).

18. 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.

(a) 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 comprise 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 December 31, 2020, the REIT has a variable rate credit facility of $200,000 (December 31, 2019 - $200,000) with an outstanding balance of $31,948 (December 31, 2019 - $91,009). A 1% change in prevailing interest rates would change annualized interest charges incurred by $319 (December 31, 2019 - $910).

(b) 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.

(c) 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 December 31, 2020 would have a $4,638 (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 loans advanced to related parties, in the event that the borrowers default on the repayment of amounts owing to the REIT. Management mitigates this risk by ensuring adequate security has been provided.

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

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 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.

As of December 31, 2020, current liabilities of $109,299 (December 31, 2019 - $57,401) exceeded current assets of $15,854 (December 31, 2019 - $8,396), resulting in a net working capital deficit of $93,445 (December 31, 2019 - $49,005). Current liabilities as of December 31, 2020 include $31,948 payable for the credit facility which matures on July 3, 2021 at which point the REIT intends to refinance it. 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 December 31, 2020, liquidity was $170,659 (December 31, 2019 - $110,919) consisting of cash of $2,607 (December 31, 2019 - $1,928) and $168,052 (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.

The REIT has a committed credit facility for working capital requirements, acquisitions and for general corporate purposes. Access to this capital is dependent on the successful renewal of the REIT's credit facility when it comes due on July 3, 2021. Although the REIT expects to renew the credit facility, there can be no assurance that it will otherwise have access to sufficient capital or access to capital on favourable terms. Failure by the REIT to access required capital could have a material adverse effect on its financial conditions or results of operations and its ability to make distributions to Unitholders. The committed credit facility consists of the following:

		December 31, 2020		December 31, 2019
Committed	$	200,000	$	200,000
Available		168,052		108,991
Utilized		31,948		91,009

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

		2021		2022		2023		2024		2025		2026 & thereafter		Total
Mortgages	$	34,209	$	98,748	$	57,964	$	56,945	$	31,097	$	320,450	$	599,413
Credit facility		31,948		—		—		—				—		31,948
		66,157		98,748		57,964		56,945		31,097		320,450		631,361
Class C LP Units		5,341		5,510		50,234		50,499		63,541		42,399		217,524
Interest obligation		23,448		21,667		18,180		13,917		11,646		35,306		124,164
Tenant rental deposits		8,929		—		—		26		—		10		8,965
Due to related parties		10,039		—		—		—		—		—		10,039
Accounts payable and accrued liabilities		18,410		413		151		46		—		1,318		20,338
	$	132,324	$	126,338	$	126,529	$	121,433	$	106,284	$	399,483	$	1,012,391

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

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

19. Capital risk management

The REIT's capital consists of Class B LP Units, Class C LP Units, mortgages, a credit facility and Unitholders' equity. The REIT invests its capital to achieve its business objectives and to generate an acceptable long-term return to the REIT's Unitholders. Primary uses of capital include property acquisitions, development activities, capital improvements and debt principal repayments.

The REIT's principal objective with respect to debt financing is to minimize its overall borrowing costs while maintaining balance in its maturity schedule, diversity in its lender base and having sufficient liquidity and flexibility to meet current obligations and to pursue new projects.

The actual level and type of future financings to fund the REIT's capital obligations will be determined based on prevailing interest rates, various costs of debt and/or equity capital, capital market conditions and Management's general view of the appropriate leverage in the business.

The REIT closely monitors its capital position. The REIT is also subject to certain financial covenants and is in compliance with these covenants. Management has performed stress testing on the REIT's covenants to ensure that the REIT continues to meet its covenant obligations in the long term.

The components of the REIT's capital are set out in the table below:

	December 31, 2020	December 31, 2019
Liabilities (principal amounts outstanding):		
Class B LP Units	$ 463,806	$ 527,104
Class C LP Units	217,524	222,702
Mortgages[1]	599,413	487,876
Credit facility	31,948	91,009
	1,312,691	1,328,691
Unitholders' equity	850,224	686,775
	$ 2,162,915	$ 2,015,466

[1] Includes funds held in escrow in connection with Minto one80five financing (Note 10).

20. Supplemental cash flow disclosures

Change in non-cash working capital comprises the following:

Year ended	December 31, 2020	December 31, 2019
Prepaid expenses and other assets	$ 811	$ (1,461)
Resident and other receivables	(223)	(838)
Tenant rental deposits	252	758
Due to related parties	(170)	(2,696)
Accounts payable and accrued liabilities	(4,399)	(2,502)
	$ (3,729)	$ (6,739)

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

21. Unit-based compensation

Executives

Deferred Units granted to executives generally vest on the second, third or fourth anniversaries of the grant date and are settled by Units issued from treasury equivalent to the number of Deferred Units credited, including any distributions paid by the REIT on the Units that have accrued in the form of Deferred Units or, if so elected by the participant and subject to the approval of the Plan Administrator, cash payable upon the participant's separation from service with the REIT. The Board of Trustees has the discretion to vary the manner in which the Deferred Units vest for any participant.

A summary of the Deferred Unit plan activity and the value of Unit-based compensation expense for the executives is presented below:

	December 31, 2020	December 31, 2019
Opening balance	$ 655	$ 176
Unit-based compensation expense	1,160	291
Fair value (gain) loss	(155)	188
Closing balance	$ 1,660	$ 655

The details of movement in Deferred Units for the executives is as follows:

	December 31, 2020	December 31, 2019
Opening balance	108,421	48,742
Granted	49,500	64,000
Distribution equivalents	3,170	967
Forfeited	—	(5,288)
Closing balance	161,091	108,421

Trustees

Trustees have the option to elect to receive up to 100% of all fees that are otherwise payable in cash (i.e. annual board retainer fee, meeting fees and additional retainers) in the form of Deferred Units. Effective November 12, 2019, the REIT matched 45% of the total value of annual board retainer fees and board and committee meeting fees that a trustee elected to receive in the form of Deferred Units. Prior to November 12, 2019, the REIT matched up to 50% of the total value of the annual board retainer fee that a Trustee elected to receive in the form of Deferred Units. Deferred Units granted in respect of a participant's election to receive Deferred Units in lieu of cash compensation vest immediately upon grant. Deferred Units granted further to any match by the REIT also vest immediately. The Board of Trustees has the discretion to vary the manner in which the Deferred Units vest for any participant. The Deferred Units are settled by Units issued from treasury equivalent to the number of Deferred Units credited, including any distributions paid by the REIT on the Units that have accrued in the form of Deferred Units or, if so elected by the participant and subject to the approval of the Plan Administrator, cash payable upon the participant's separation from service with the REIT.

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

A summary of the Deferred Units granted and the value of Unit-based compensation expense recorded for the Trustees is presented below.

	Units	$
Balance, December 31, 2018	18,652	$ 345
Granted and vested	22,111	462
Distribution equivalents	559	12
Fair value loss	—	137
Balance, December 31, 2019	41,322	$ 956
Granted and vested	25,048	490
Distribution equivalents	1,139	23
Fair value gain	—	(94)
Balance, December 31, 2020	67,509	$ 1,375

22. Operating leases

The REIT has entered into lease agreements on its investment properties. The residential leases typically have lease terms of 1 to 12 months. The commercial leases have lease terms between 1 to 15 years. There were no residents that accounted for more than 10% of the REIT's total rental revenue for the year ended December 31, 2020 and 2019. The total future contractual minimum rent lease payments expected to be received under residential and commercial leases are as follows:

	December 31, 2020	December 31, 2019
Less than 1 year	$ 25,913	$ 30,855
Between 1 to 5 years	4,623	3,156
5 years and thereafter	637	405
	$ 31,173	$ 34,416