Management's Discussion and Analysis

For the three and six months ended June 30, 2021 and 2020

minto
Apartment REIT

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Section I - Overview

Business Overview

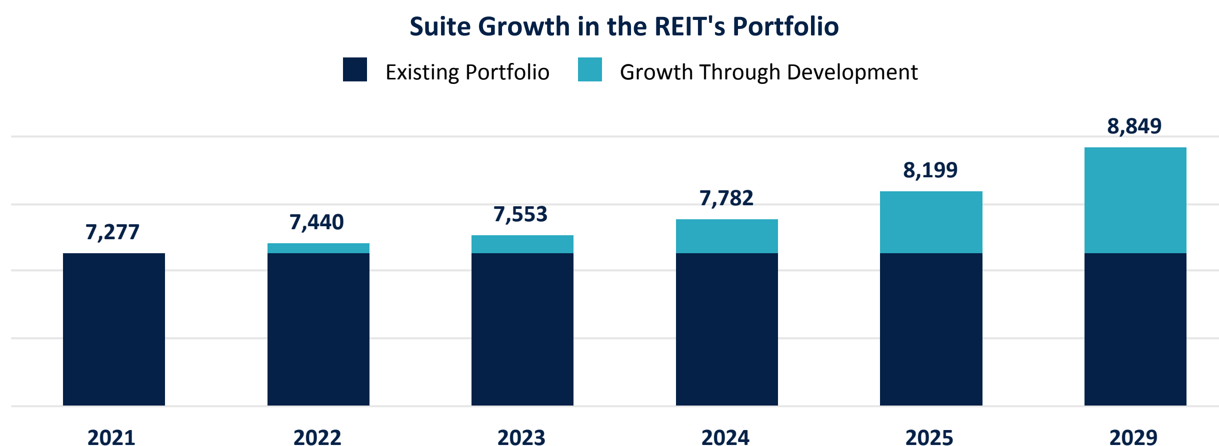
Minto Apartment Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust dated April 24, 2018, which was amended and restated on June 27, 2018 and has been further amended from time to time. The REIT owns and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

The REIT's portfolio, referred to herein as the "Total Portfolio", consists of 29 (June 30, 2020 - 29) multi-residential rental properties located in Ontario, Quebec and Alberta, comprising an aggregate of 5,114 (June 30, 2020 - 5,080) suites that are wholly-owned by the REIT, 1,413 (June 30, 2020 - 1,413) suites that are 50% co-owned with institutional partners and 750 (June 30, 2020 - 750) suites that are 40% co-owned with an institutional partner. The aggregate of 5,114 wholly-owned suites include two additional suites created in December 2020 at the Carlisle in Ottawa, and the 32 suites in a new block at Skyline completed in Q3 2020, to replace a block destroyed by fire prior to the REIT's initial public offering in 2018. A discussion on the Same Property Portfolio has not been provided within this Management's Discussion and Analysis as the impact of the two new suites at Carlisle and the 32 new suites at Skyline are not considered material.

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

The growth in the REIT's portfolio, subject to the completion of projects in the development pipeline as discussed as part of the "Outlook" under Section I - "Overview", will increase the suite count by approximately 22% as depicted below:

Suite Growth in the REIT's Portfolio



Business Strategy and Objectives

The REIT's objectives are to:

- provide Unitholders an opportunity to invest in high-quality income-producing multi-residential rental properties strategically located across urban centres in Canada;
- enhance the value of the REIT's assets and maximize long-term Unitholder value through value-enhancing capital investment programs and active asset and property management of the REIT properties;
- provide Unitholders with predictable and sustainable distributions; and
- expand the REIT's asset base across Canadian urban centres through intensification programs, acquisitions and developments.

Management believes it can accomplish these objectives given that it operates a high quality portfolio in an attractive asset class with compelling supply and demand characteristics. Furthermore, the REIT has several strategic avenues for growth and benefits from its strategic alliance with Minto Properties Inc. ("MPI").

Declaration of Trust

The investment policies of the REIT are outlined in the REIT's Amended and Restated Declaration of Trust dated June 27, 2018, as amended from time to time (collectively, the "DOT"). A copy of the DOT is available on SEDAR at www.sedar.com.

As of August 12, 2021, the REIT was in compliance with its investment guidelines and operating policies.

Basis of Presentation

The following Management's Discussion and Analysis of the REIT's results of operations and financial condition should be read in conjunction with the REIT's unaudited condensed consolidated interim financial statements and accompanying notes for the three and six months ended June 30, 2021 ("Q2 2021" and "YTD 2021", respectively) and 2020, prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and the REIT's audited consolidated financial statements and the accompanying notes for the years ended December 31, 2020 and 2019 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. All amounts are stated in thousands of Canadian dollars, unless otherwise noted.

Management's Discussion and Analysis also contains certain non-IFRS measures including funds from operations ("FFO"), FFO per unit, adjusted funds from operations ("AFFO"), AFFO per unit, AFFO payout ratio, net operating income ("NOI"), debt-to-Gross Book Value ratio, debt-to-earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio, debt service coverage ratio, net asset value ("NAV"), NAV per unit, which are measures commonly used by publicly traded entities in the real estate industry. Management believes that these metrics are useful for measuring different aspects of performance and assessing the underlying operating performance on a consistent basis. However, these measures do not have a standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other publicly traded entities. These measures should strictly be considered supplemental in nature and not a substitute for financial information prepared in accordance with IFRS. See "Non-IFRS Measures" under Section VI - "Supplemental Information" for definitions of these measures.

The REIT's Board of Trustees approved the content of this Management's Discussion and Analysis on August 12, 2021. Disclosure in this document is current to that date unless otherwise stated. Additional information relating to the REIT can be found on SEDAR at www.sedar.com and also on the REIT's website at www.mintoapartments.com.

Forward-Looking Statements

This Management's Discussion and Analysis may contain forward-looking statements (within the meaning of applicable Canadian securities laws) relating to the business of the REIT. Forward-looking statements are identified by words such as "believe", "anticipate", "project", "expect", "intend", "plan", "will", "may", "estimate" and other similar expressions. These statements are based on the REIT's expectations, estimates, forecasts and projections. They are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under the heading "Risks and Uncertainties". There can be no assurance that forward-looking statements will prove to be accurate as actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, these forward-looking statements are made as of the date of this Management's Discussion and Analysis and, except as expressly required by applicable law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Use of Estimates

The preparation of the unaudited condensed consolidated interim financial statements in conformity with IAS 34 requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the unaudited condensed consolidated interim financial statements and accompanying note disclosures. Although these estimates are based on Management's knowledge of current events and actions the REIT may undertake in the future, actual results may differ from the estimates.

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

COVID-19 Impact on the REIT

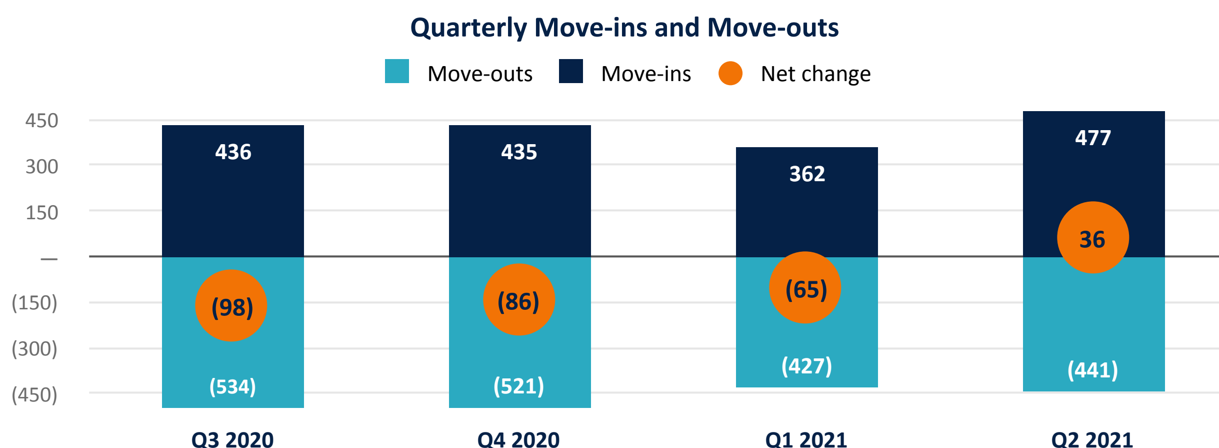
Since the onset of the pandemic, the REIT's first and foremost priority has been the health and safety of its residents, employees, partners and communities. The REIT continues to take the necessary steps and precautions in order to lessen the spread of COVID-19 and to prioritize good health.

During Q2 2021, the federal government's efforts to secure vaccines resulted in improvements in supply to meet the demands of Canadians seeking vaccinations. At the end of Q2 2021, approximately 68% of Canadians had received their first dose and 36% of Canadians were fully vaccinated, contributing to significant reductions in daily COVID-19 case counts. As a result, provincial restrictions started to ease in Q2 2021 ending lockdowns and proceeding with re-opening plans designed to re-start the economy. The risk of the spread of COVID-19 remains and the presence of highly contagious variants continues to pose significant risk and could continue to create disruptions. The impacts of COVID-19 are continually evolving and the REIT continues to evaluate and adapt to the new realities brought on by the global pandemic. Measures implemented to slow the spread of COVID-19, including border and business closures, continued to negatively impact the REIT's operating results for both furnished and unfurnished suites. Notwithstanding these near-term challenges relating to COVID-19, Management maintains strong conviction in its business model, long-term strategy and outlook for the REIT.

Immigration has been an important driver of demand for rental suites and the closing of the border delayed arrivals of new permanent residents to Canada. With lifting of restrictions and border re-opening plans underway, the monthly pace of immigration is expected to increase substantially, albeit at a pace that may fall short of the Canadian government's target of 401,000 new permanent residents this year. Canadian immigration had a positive rebound in Q1 2021 and Q2 2021 with 70,000 and 63,000 new permanent residents admitted to Canada, respectively. This pace of immigration is well above the 38,000 quarterly average for the period of Q2 2020 through Q4 2020. In the month of June 2021, 35,000 new permanent residents were admitted which was the first time over 25,000 new permanent residents were admitted in a single month during the pandemic.

Overall, rental collections have largely been consistent with pre-pandemic collection patterns. The REIT has a strong record of working with its residents on collections. Its bad debt expense averaged only 0.25% of revenues prior to the pandemic. The REIT's bad debt expense has increased since the onset of the pandemic but remains relatively insignificant. Bad debt expense as a percentage of revenue was 0.48% in Q2 2021, in line with 0.46% in Q1 2021.

With provincial restrictions easing at various paces throughout the quarter, leasing activity has picked up resulting in a slight improvement to occupancy for the first time since the outset of the pandemic. The REIT entered into a record high of 534 new leases in Q2 2021, which was a 14% increase in leasing activity compared to 470 new leases in Q1 2021. Furthermore, there were 477 move-ins during the quarter, outpacing the 441 move-outs.



Demand for the furnished suites continued to be impacted as a result of reductions in business travel and corporate relocations, general restrictions on non-essential travel and the closing of the Canadian border. The REIT's furnished suite count was 215 suites as at June 30, 2021 compared to 216 suites at March 31, 2021. Furnished suite occupancy was 74.44% in Q2 2021, an improvement from 62.49% in Q1 2021. In response to a drop in demand from corporate users due to COVID-19 restrictions, the REIT adjusted the furnished rental rates and customer mix to include more government and transient users. Average monthly rent for furnished suites was $3,572 in Q2 2021 compared to $3,540 in Q1 2021. With easing of border restrictions and an increase in business travel, Management expects a partial recovery in the demand for furnished suites in the coming quarters.

The REIT has sufficient liquidity and is well positioned to weather the ongoing crisis. The REIT's liquidity ratio (total liquidity as a percentage of total debt) was 14.49% at June 30, 2021 compared to 18.56% at March 31, 2021. As at June 30, 2021, the REIT had total cash and availability on its credit facility of $127,926.

Fair value gain on investment properties of $50,478 was recognized in Q2 2021, mainly as a result of compression of capitalization rates driven by high-rise properties located in Ottawa and Toronto. The reserve for the impacts of COVID-19 to the fair value of investment properties of $2,041 at March 31, 2021 was eliminated in Q2 2021 with improvement in the leasing activity and economic outlook.

Financial and Operating Highlights

Financial Performance

While COVID-19 impacts continue to weigh on rental demand when compared to the pre-COVID era, with the strong momentum on vaccinations, reduced COVID case counts and improved market outlook, rental market conditions began rebounding in Q2 2021. The targeted marketing efforts and initiatives, including incentives and promotions since the onset of the pandemic, continued to be refined and adjusted to optimize leasing, occupancy and rents. As a result, the REIT was able to realize, on average, an increase of 5.9% on the 534 new leases it signed in Q2 2021, which represents annualized revenue growth of approximately $375. Average monthly rent increased to $1,640 at June 30, 2021 compared to $1,609 for June 30, 2020 and $1,630 for March 31, 2021.

NAV per unit grew from $22.26 as at December 31, 2020 to $23.29 at June 30, 2021. This represents an increase of 4.6%.

Revenue, NOI, FFO and AFFO for the Total Portfolio were lower for Q2 2021 and YTD 2021 compared to the same periods in 2020. For Q2 2021, revenue and NOI were lower by 4.6% and 5.0%, whereas FFO and AFFO were lower by 5.7% and 6.5%. For YTD 2021, revenue and NOI were lower by 4.7% and 6.6%, whereas FFO and AFFO were lower by 7.8% and 9.1%. These reductions are primarily a result of the lower occupancy in the unfurnished suite portfolio, impacts of promotions used to improve occupancy and declining contribution from the REIT's furnished suite operations. The majority of the reduction in the revenue from unfurnished suites, was primarily attributable to reduced occupancy at some of the REIT's core urban properties where the negative impact of COVID-19 was most pronounced. Furnished suites revenue continued to be negatively impacted by reduced corporate demand and travel caused by COVID-19 restrictions.

The REIT continued to execute its strategy to create organic growth by repositioning suites in properties where there is demand for renovated units. The REIT repositioned 88 and 134 suites in Q2 2021 and YTD 2021, respectively, generating an average annual unlevered return of 8.4% and 8.5% respectively.

Organic Growth — Gain-to-Lease

Despite the impacts of COVID-19, the REIT realized on organic growth for the three months ended June 30, 2021 through effective leasing activities and revenue management strategies. As new tenants take occupancy, the REIT is able to move rental rates from older in-place levels to current market rates. During the period, new leases resulted in annualized revenue growth of approximately $375. A summary of leasing activities and the gains to be realized from new leases signed for the three months ended June 30, 2021 is set out in the table below:

Geographic Node	New Leases Signed[1]	Average Monthly Expiring Rent	Average Monthly New Rent	Percentage Gain-on-Turn	Annualized Gain-on-Turn[2]
Toronto	91	$2,209	$2,342	6.0%	$88
Ottawa	296	1,498	1,574	5.0%	112
Alberta	58	1,160	1,174	1.2%	6
Montreal	89	1,945	2,174	11.8%	169
Total/Average	**534**	**$1,593**	**$1,686**	**5.9%**	**$375**

The REIT realized an average gain-on-turn of 5.9% on the 534 new leases it signed in the second quarter of the year. The REIT realized gains in all markets including Alberta, with the majority of the contributions stemming from the Toronto, Ottawa and Montreal markets.

[1] New leases signed includes 100% of new leases from co-ownerships and excludes new leases of furnished suites.
[2] For co-owned properties, reflects the REIT's co-ownership interest only.

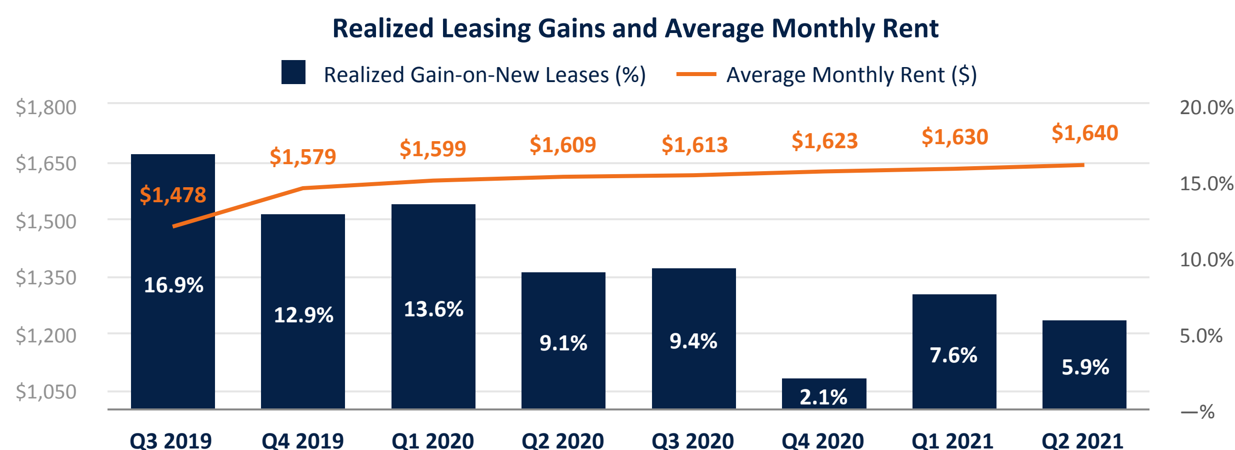
The REIT realized an average gain-on-turn of 5.7% on the 1,004 new leases it signed in the six months ended June 30, 2021. The REIT realized gains in all markets. The following table summarizes the leasing activities and the gains to be realized from new leases signed for the six months ended June 30, 2021:

Geographic Node	New Leases Signed[1]	Average Monthly Expiring Rent	Average Monthly New Rent	Percentage Gain-on-Turn	Annualized Gain-on-Turn[2]
Toronto	205	$2,139	$2,225	4.0%	$119
Ottawa	511	1,529	1,611	5.4%	504
Alberta	122	1,238	1,265	2.2%	40
Montreal	166	1,911	2,137	11.8%	288
Total/Average	**1,004**	**$1,617**	**$1,710**	**5.7%**	**$951**

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

Fiscal Quarter	New Leases Signed[1]	Average Monthly Expiring Rent	Average Monthly New Rent	Percentage Gain-on-Turn	Annualized Gain-on-Turn[2]
Q3 2020	403	$1,489	$1,630	9.4%	$477
Q4 2020	406	1,551	1,584	2.1%	188
Q1 2021	470	1,618	1,741	7.6%	576
Q2 2021	534	1,593	1,686	5.9%	375
Total/Average	**1,813**	**$1,567**	**$1,665**	**6.3%**	**$1,616**

Typically, the peak leasing seasons for the REIT are Q2 and Q3 with reduced activity in the late fall and winter months. However, COVID-19 has disrupted the normal turnover activity and the REIT experienced lower activity in Q2 and Q3 2020, but since then has reached new peaks quarter after quarter. In Q2 2021, 534 new leases were signed, significantly higher than the previous four quarters, as a result of the use of promotions, discounts and pent up demand. For more details see Section II, "Review of Financial Performance - Revenue from Investment Properties".



[1] New leases signed includes 100% of new leases from co-ownerships and excludes new leases of furnished suites.
[2] For co-owned properties, reflects the REIT's co-ownership interest only.

Management continually reviews market conditions and updates its estimates of market rent for the properties in its portfolio. The leasing activity in Q2 2021 indicates an improvement in the rental market from optimism and partial re-opening of the economy following positive momentum in the pace of vaccinations and gradually relaxing of restrictions. As more and more Canadians get vaccinated and remaining restrictions are loosened further, a notable increase in demand is expected from increased immigration, post secondary students and business and leisure visitors. Management anticipates the recovery will be gradual and that it will take some time to translate into the REIT's operating results. However, all this is subject to uncertainties which include existing vaccines not providing a high level of protection against new variants of the virus, resistance from people who do not wish to be vaccinated and a risk of a fourth wave of infections.

Management also monitors market conditions for condominium suites being offered as rentals in the City of Toronto and considers this information when setting its estimate of monthly market rent. The REIT's suites continue to compare favourably on a size and rental rate basis to condominiums. The average size and rental rate of the REIT's Toronto suites is 804 square feet and $2.31 per square foot respectively, compared to 695 square feet and $3.25 per square foot for the average condo rental.[3]

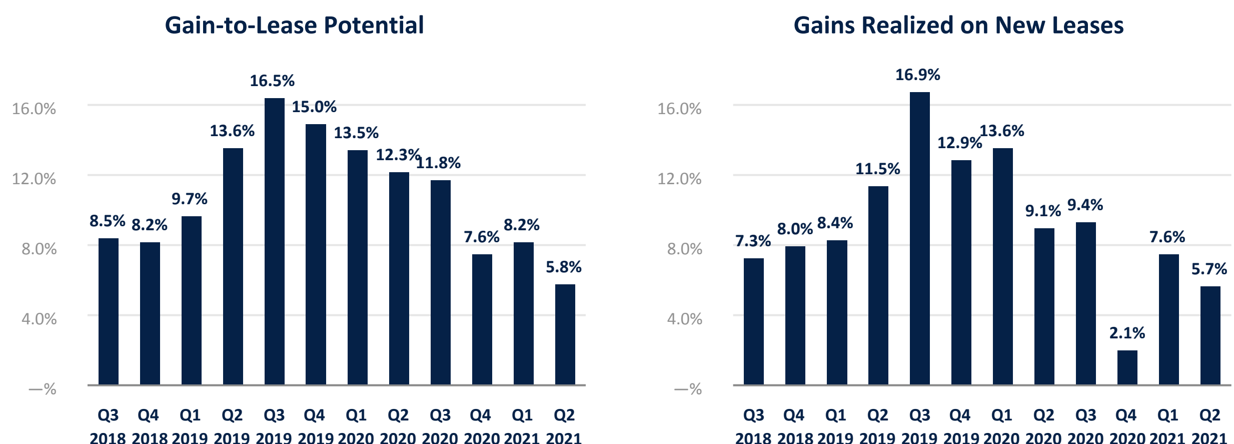
Factoring in the new estimates of market rent, the estimated gain-to-lease potential on existing tenancies for the REIT's portfolio as at June 30, 2021 is as follows:

Geographic Node	Total Suites[4]	Average Monthly In-Place Rent/Suite	Management's Estimate of Monthly Market Rent	Percentage Gain-to-Lease	Annualized Estimated Gain-to-Lease[5]
Toronto	1,700	$1,861	$1,933	3.8%	$942
Ottawa	2,813	1,529	1,602	4.7%	2,447
Alberta	613	1,252	1,320	5.5%	503
Montreal	1,430	1,957	2,164	10.6%	2,374
Total/Average	**6,556**	**$1,640**	**$1,735**	**5.8%**	**$6,266**

Management currently estimates that the portfolio has annualized estimated gain-to-lease potential of approximately $6,266, compared to $8,694 at March 31, 2021. Earlier in the pandemic, Management opted to preserve value by holding rents, leveraging promotions and spot pricing to manage conversion and occupancy. With discounts being offered by competitors in various markets and potential tenants tendency to favour discounts compared to promotions, Management adapted its strategy in Q2 2021 to balance discounts and promotions in the Toronto, Ottawa and Montreal markets in a way that allowed the REIT to increase occupancy without compromising rates as evidenced by the gains realized on turn. This resulted in lower market rents for suites in these markets. These discounts will be gradually removed as occupancy levels stabilize. The REIT continues to realize on gain-to-lease opportunities as suites turnover and expects to continue doing so going forward. The ability of the REIT to realize the gain-to-lease potential is dependent on the number of residents that move-out in its portfolio and overall market conditions. Management expects that the REIT will be able to realize a significant portion of the gain-to-lease potential over a period of three to five years.

[3] Data for condo rentals is from Urbanation's *Q2 2021 UrbanRental Greater Toronto Area Rental Market Report*
[4] Excludes 215 furnished suites, 390 vacant suites, 110 suites offline for repositioning and 6 suites offline for enhanced turns.
[5] For co-owned properties, reflects the REIT's co-ownership interest only.

The REIT has consistently realized on the gain-to-lease potential in its portfolio. The following charts summarize Management's estimate of the gain-to-lease potential remaining in the portfolio, as well as gains the REIT has realized for each quarter.



Value Creation

Repositionings

In order to take advantage of market demand for repositioned properties, the REIT’s asset management strategy targets improvements to suites, building common areas and amenities. As part of an asset management plan for each building, Management will renovate test suites in order to gauge market demand for different improvements or combinations of improvements. Test suites also assist Management in mitigating capital risk by confirming and refining cost estimates, value engineering and uncovering potential issues prior to a broader roll-out of the program. Once an optimal combination of suite improvements is determined, a repositioning plan is executed for all of the suites in the building as suites turn over. The rate at which Management can complete the repositioning plan depends on the rate of suite turnover. Additionally, the government restrictions on construction activities in effect from time-to-time due to the pandemic also impact the pace at which the REIT's repositionings can be performed.

The REIT has active repositioning programs at: Minto Yorkville, Leslie York Mills, High Park Village, Roehampton and Martin Grove in Toronto; Castle Hill and Carlisle in Ottawa; and Rockhill, Le 4300 and Haddon Hall in Montreal. The repositioning of suites at its Edmonton properties remains on hold as lower rental rates are negatively impacting returns on repositioning activities.

A summary of the repositioning activities for the three and six months ended June 30, 2021 is set out below[1].

Property	Ownership Interest	Suites Repositioned and Leased: Three months ended June 30, 2021	Suites Repositioned and Leased: Six months ended June 30, 2021	Remaining Suites to Reposition	Total Suites in the Program	Proportion Complete
Minto Yorkville	100%	2	2	43	99	57%
Leslie York Mills	50%	12	13	285	409	30%
High Park Village	40%	13	26	332	407	18%
Edmonton properties[2]	100%	—	—	74	171	57%
Carlisle	100%	9	18	111	191	42%
Castle Hill	100%	13	15	92	176	48%
Rockhill	50%	19	27	835	934	11%
Le 4300	100%	9	15	244	261	7%
Haddon Hall	100%	11	18	173	191	9%
Roehampton	100%	—	—	148	148	—%
Martin Grove	100%	—	—	32	32	—%
Total		**88**	**134**	**2,369**	**3,019**	**22%**

The REIT completed feasibility studies on the Roehampton suites in Q1 2021. The REIT plans to reposition the entire property as suites become available, including converting furnished suites to unfurnished suites. As of June 30, 2021, 28 suites were under renovation. Supply shortages and provincial restrictions imposed to curb the spread of COVID-19 might impact the timing of the delivery of these suites. The renovation of eight suites was completed during the quarter and leasing activities have commenced for those suites.

The REIT has also commenced repositioning at Martin Grove in Toronto, with two of the 32 market rent suites under renovation as of June 30, 2021.

Martin Grove suites before (upper) and after (lower) renovations

[1] All suite counts, including co-owned properties, are presented at 100% rather than the REIT's ownership share.
[2] Edmonton repositioning program is currently on hold due to market conditions.

The REIT is exploring repositioning opportunities at two other wholly-owned properties in the portfolio, with a combined count of nearly 418 suites with repositioning potential.

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

	Three months ended June 30, 2021	Six months ended June 30, 2021
Suites renovated	88	134
Suites renovated at REIT's proportionate share	65	99
Average cost per suite	$ 51,223	$ 51,584
Average annual rental increase per suite	$ 4,279	$ 4,365
Average annual un-levered return	8.4 %	8.5 %

The REIT repositioned 15 suites at Le 4300 and 18 suites at Haddon Hall during the six months ended June 30, 2021. The average cost per suite renovated at these properties is roughly twice the average cost per suite at the remaining properties as the average suite size is larger and scope of work is more extensive.

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

The following table summarizes costs and average annualized returns from repositioning activities for the past four quarters:

Fiscal Quarter	Suites Renovated[3]	Average Cost per Suite	Average Annual Rental Increase per Suite	Average Annual Un-Levered Return
Q3 2020	62	$36,636	$3,650	10.0%
Q4 2020	56	38,988	3,512	9.0%
Q1 2021	46	52,277	4,531	8.7%
Q2 2021	88	51,223	4,279	8.4%

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

Enhanced Turns

In addition to its repositioning program, the REIT continues to take advantage of vacancies at certain properties to make improvements to suites on turnover in excess of the typical work completed on a regular turnover (defined as an enhanced turn). An enhanced turn involves replacing carpets with modern flooring, as well as improvements to trim and fixtures and new appliances in some instances. The scope of work is narrower than in the repositioning program but early results reflect un-levered returns consistent with the REIT's broader repositioning program. The timing to complete the enhanced turn depends on the condition of the suite and the specific work being performed, but typically ranges from two to four weeks. In Q2 2021, 22 suites were leased after completing enhanced turns and the annualized rental rate increases generated returns in excess of 8% on cost. Another six suites in buildings located in the Parkwood Hills area of Ottawa (Huron, Seneca and Eleanor) were undergoing enhanced turns at June 30, 2021.

[3] All suite counts, including co-owned properties, are presented at 100% rather than the REIT's ownership share.

Before (upper) and after (lower) enhanced turns - Parkwood Hills, Ottawa

Business Updates

On April 29, 2021, the REIT committed to advance up to $43,700 to an affiliate of MPI for the development of a mixed-use multi-residential and commercial rental property at Beechwood in Ottawa, Ontario and an additional $7,700 to fund interest costs. An initial advance of $9,080 was made on the same date. The loan bears interest at 6% per annum and matures in December 2025. The loan is secured by a second priority charge in favour of the lender and a guarantee by MPI. 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.

On May 5, 2021, the REIT renewed the revolving credit facility for a period of three years, maturing on July 3, 2024.

Environmental, Social and Governance Initiatives

As approved by the Board of Trustees for implementation beginning in 2021, the environmental, social and governance ("ESG") strategy is comprised of three strategic pillars (environmental impact, community impact and business resilience), including eighteen initiatives with milestones and/or measurable targets to be achieved within a five-year horizon, enhanced governance measures for ongoing Board of Trustee oversight of the ESG strategy, and reporting and disclosure commitments. Progress highlights are provided below:

Environmental Impact

- Implementation of capital projects is underway to reduce portfolio energy and water use including installation of Artificial Intelligence systems, installation of lighting control systems, and toilet retrofits and renewals;
- A contract was awarded to support setting energy efficiency and emission targets for new developments;
- To support implementation of the technology strategy, installation of water flow sensors to increase real-time water monitoring continued and technologies for real-time energy monitoring are being investigated;
- A consultant was selected to perform a pilot embodied carbon analysis, a first step toward measuring embodied carbon in new developments;
- To support development of a renewable energy strategy, Alberta energy audits, which are in progress, include preliminary feasibility studies for on-site renewable energy opportunities; and
- Potential partners to reduce waste and increase diversion for operated properties and new developments are being identified and evaluated.

Community Impact

- To support expansion of employee ESG competency, development of an ESG e-learning course for staff was completed, with roll-out planned for September 2021;
- A contract was awarded for a consultant to partner with in developing a diversity, equity, and inclusion ("DEI") program and project kick-off occurred in July 2021;
- The selected DEI partner will also support collection of workforce diversity data, beginning with the launch of an employee survey planned for Q4 2021; and
- Preliminary research is underway to support establishing a health and well-being framework for new developments and operated properties and to support development of a new resident engagement program.

Business Resilience

- To support assessment of climate change risks, physical and transition risks associated with climate change were included in a list of ESG topics to be considered in due diligence reviews for new acquisitions;
- Measures to enhance resilience to extreme weather events for Greater Toronto Area high-rise projects have been identified and will be considered in the development of a resilience strategy for other geographies;
- Preliminary research is underway to support updating emergency response and business continuity plans and ESG requirements in procurement processes; and
- Implementation of measures to strengthen cybersecurity continued.

Governance Framework

The Board receives quarterly updates on ESG and an ESG Steering Committee with senior executive representation continues to meet quarterly. ESG training was provided to the Board in Q1 2021 and ESG e-learning for the executive team is scheduled for September 2021. REIT employee incentive pay is linked, in part, to ESG performance targets. Half of the objectives in the annual Balanced Scorecard are ESG metrics.

Reporting and Disclosure Commitments

The REIT participated in the 2021 GRESB Real Estate Assessment, with benchmark results expected in October 2021. The preparation of the REIT's inaugural ESG report is underway with an expected release in fall 2021. The report will align with the Global Reporting Initiative ("GRI") and Sustainability Accounting Standards Board ("SASB") disclosure standards.

Outlook

In the current operating environment, Management is focused on the health and safety of its residents, employees and business partners and on limiting the spread of COVID-19. Notwithstanding the challenges resulting from COVID-19, Management has been able to operate safely while continuing to realize on growth from:

- Organic growth opportunities including realization of gain-to-lease potential;
- Value creation from the repositioning of existing assets by investing in in-suite and common area improvements to drive higher revenue; and
- Capitalizing on our strategic alliance with MPI and its affiliates by accessing its pipeline of assets and deal flow.

At the same time, Management is actively looking for opportunities:

- to make strategic acquisitions in major urban centres across Canada; and
- to develop purpose-built rental properties and engage in intensification of existing properties which have the capacity for added density.

With successful vaccination roll-out efforts and provincial re-opening plans underway across Canada, Management believes the operating environment and tenant demand will continue to improve over the second half of 2021. While Canada has made significant progress in its vaccination efforts since Q1 2021, the transition back to normal day-to-day life is subject to uncertainties. Some of these uncertainties include existing vaccines not providing a high level of protection against new variants of the virus, resistance from people who do not wish to be vaccinated and the timing when the risk of severe illness from the virus becomes manageably low. However, the easing of restrictions on travel and the gradual re-opening of borders will accelerate the transition back to normalcy in day-to-day life and economic activity. Subject to uncertainties discussed earlier, Management expects that as the government-imposed restrictions continue to ease, rising employment, immigration and students will drive demand for rental housing.

The federal government has reiterated its commitment to immigration and has increased its targets for new permanent residents over the next three years in order to catch up on the immigration that was delayed in 2020 and the first half of 2021 due to border closures. The federal government's new targets, along with natural growth, should push net population growth to more than 500,000 people per year for the next three years, returning to historically high population growth last reached in 2019 before the onset of the pandemic. Even though the first half of 2021 marked an improvement in immigration compared to 2020, the current immigration numbers are below the levels achieved prior to the pandemic and a substantial monthly increase is required in order for the federal government to meet its targets for 2021.

Management remains confident that the rental markets will rebound with the re-opening of the economy and easing of restrictions as vaccination levels continue to increase. However, Management expects a delay between the anticipated recovery in the rental markets and improvements to its financial performance as the excess inventory of available unfurnished and furnished suites are absorbed.

The favourable supply and demand fundamentals that existed prior to the pandemic have not gone away. With the rising cost of home ownership, the affordability gap between rental housing and home ownership has widened in most Canadian cities. The supply of new housing remains constrained and inelastic to housing demand and population growth. As population growth increases in 2021 and beyond, rental housing demand is expected to strengthen and occupancy rates will gradually improve, however, Management still expects it to be below the normal occupancy rate for the remainder of 2021.

Organic Growth Opportunities

The REIT expects to continue to see organic growth on turnover of suites in the near term in all markets. Management expects to realize on the gap between market rent and average sitting rent on new leases as suites turnover and rent is adjusted to current market rates. The average gain-to-lease opportunity for the portfolio is 5.8% (as set out in the detailed gain-to-lease table in the previous section).

Value Creation from Repositioning Existing Assets

The REIT has been able to drive higher revenue by investing in in-suite and common area improvements. Management continuously evaluates the existing properties and the need for repositioning. The REIT has an extensive repositioning program with more than 2,300 suites eligible for repositioning. The REIT's ability to execute its repositioning program is highly dependent on the turnover of our tenants and market conditions at the time suite renovations are completed. Government restrictions with regard to the pandemic also impacted the pace of the REIT's renovation program. Subject to unrenovated suites becoming available and potential provincial restrictions, the REIT expects to reposition approximately 125 to 175 suites in the second half of 2021.

Development of Purpose-Built Rental Properties and Intensification on Existing Sites

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

Certain REIT properties have the potential to develop additional rental suites on available excess land. Currently, the REIT is exploring development opportunities at its Richgrove, Leslie York Mills and High Park Village properties in Toronto.

Location and Property Name	Ownership	Est. Suites	Est. Project Costs	Status	Construction Start Date	Estimated Completion	Anticipated Yield
Toronto, ON							
Richgrove	100%	225	$ 114,000	In design and approvals process	Q4 2021	Q3 2025	4.25% - 4.75%
Leslie York Mills	50%	192	173,000		Q3 2021	Q3 2025	3.75% - 4.25%
High Park Village	40%	650	454,000		Q3 2023	Q2 2029	4.25% - 4.75%

The Richgrove community includes Richgrove, comprising two high-rise residential apartment buildings with a total of 258 suites, and Martin Grove, a high-rise residential apartment building with a total of 237 suites. There is excess land on the site which is fully-zoned and entitled to add a new tower consisting of approximately 225 suites, including 100 affordable housing suites and 213 parking stalls. At the end of 2020, the REIT executed a contribution agreement with the City of Toronto to build affordable housing on the surplus land at the property and is in the process of obtaining rental construction financing from CMHC. Enabling work has commenced with construction slated to start later in 2021, with completion expected in Q3 2025.

Leslie York Mills comprises three 18-storey towers with a total of 409 suites. The site presents an intensification opportunity to develop 192 rental terrace homes on four blocks, create an indoor pool, gym and recreational area and replace the existing parking structure with a new two-level underground parking garage. The rezoning and the site plan processing has been completed and final approvals and issuance of permits is pending. The construction is expected to commence in Q3 2021, with completion by Q3 2025.

High Park Village consists of three buildings and an aggregate of 750 suites. The REIT is in discussions with the City of Toronto to develop two towers comprising an estimated 650 suites and 335 underground parking stalls. The construction is expected to commence in Q3 2023, with completion expected to be in Q2 2029.

All three development opportunities remain subject to municipal and, in the case of Leslie York Mills and High Park Village, investment partner approvals. The planning process timing is uncertain owing to the workings of the municipal planning bureaucracy and limitations with the facilitation of public meetings during the COVID-19 crisis.

The construction of the three development projects would add approximately 1,100 suites to the REIT's portfolio at an estimated total cost of $741,000, with an expected average yield between 3.75% - 4.75%.

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

The REIT is continuously exploring opportunities to acquire additional properties or to dispose of existing properties if the proceeds can be deployed more productively in other investments. Acquisition efforts are focused on major urban markets in Canada, with an emphasis on properties that present opportunities with embedded gain-to-lease potential, repositioning potential, intensification potential or a combination of all these opportunities. Although the REIT will pursue any opportunity that fits its strategic mandate, it is devoting time and resources in key markets such as Montreal, Toronto, Ottawa and the Greater Vancouver Area.

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

The REIT has entered into agreements to extend convertible development loans for the following developments:

Location and Project Name	Est. Suites	Est. Project Costs	Status	Construction Start Date	Estimated Stabilization	Maximum Loan Amount
Ottawa, ON						
Fifth + Bank	163	$ 91,000	Under construction	Q3 2020	Q1 2022	$ 30,000
Beechwood	229	123,000	Rezoning complete	Q1 2022	Q4 2024	51,433
North Vancouver, BC						
Lonsdale Square	113	80,000	Under construction	Q2 2021	Q4 2023	14,000

Fifth + Bank involves the redevelopment of a commercial property located at 99 Fifth Avenue in Ottawa, Ontario into a mixed-used multi-residential rental and retail property. Construction of 163 rental suites commenced in Q3 2020 and is expected to be completed in Q3 2021. The property is expected to be stabilized in Q1 2022. Pre-leasing for the property commenced in Q2 2021 and is progressing well with first occupancy expected in Q4 2021.

Beechwood involves the development of a nine-storey structure comprising 229 suites and 6,039 square feet of retail space on an assembly located at 78-88 Beechwood Avenue and 69-93 Barrette Street in Ottawa. Rezoning approval was received in July 2021. Construction on the project is expected to commence in Q1 2022 with stabilization expected by Q4 2024.

Lonsdale Square is part of a large master planned community on a 99-year land lease with the City of North Vancouver. The building will comprise 113 rental suites and 7,800 square feet of retail space. Construction commenced in June 2021 with site mobilization and excavation activities. Construction completion is expected by Q1 2023 and the property is expected to be stabilized in Q4 2023.

The agreements provide the REIT with an exclusive option to purchase each of the properties at 95% of their then-fair market value as determined by independent and qualified third-party appraisers upon stabilization. If all of the purchase options are exercised, these projects will add approximately 500 suites to the REIT's portfolio.

Section II - Financial Highlights and Performance

Key Performance Indicators

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

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

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	Change	**2021**	2020	Change
Operating						
Number of properties	**29**	29	—	**29**	29	—
Total suites[1]	**7,277**	7,243	34	**7,277**	7,243	34
Average monthly rent per suite	**$ 1,640**	$ 1,609	1.9 %	**$ 1,640**	$ 1,609	1.9 %
Occupancy - end of the period	**92.93 %**	96.37 %	(344) bps	**92.93 %**	96.37 %	(344) bps
Occupancy - average for the period	**91.50 %**	96.16 %	(466) bps	**91.18 %**	96.38 %	(520) bps
Financial						
Revenue	**$ 29,885**	$ 31,319	(4.6)%	**$ 59,884**	$ 62,844	(4.7)%
NOI[2]	**$ 19,018**	$ 20,024	(5.0)%	**$ 36,902**	$ 39,513	(6.6)%
NOI margin[2]	**63.6 %**	63.9 %	(30) bps	**61.6 %**	62.9 %	(130) bps
Net income (loss) and comprehensive income (loss)	**$ 8,727**	$ 12,054	(27.6)%	**$ (11,700)**	$ 99,998	(111.7)%
Revenue - Total Portfolio - excluding furnished suites	**$ 28,103**	$ 29,464	(4.6)%	**$ 56,571**	$ 58,912	(4.0)%
NOI[2] - Total Portfolio - excluding furnished suites	**$ 18,181**	$ 18,755	(3.1)%	**$ 35,495**	$ 37,193	(4.6)%
NOI margin[2] - Total Portfolio - excluding furnished suites	**64.7 %**	63.7 %	100 bps	**62.7 %**	63.1 %	(40) bps
FFO[2]	**$ 11,941**	$ 12,659	(5.7)%	**$ 22,832**	$ 24,776	(7.8)%
FFO per unit[2]	**$ 0.2022**	$ 0.2144	(5.7)%	**$ 0.3867**	$ 0.4196	(7.8)%
AFFO[2]	**$ 10,373**	$ 11,097	(6.5)%	**$ 19,695**	$ 21,655	(9.1)%
AFFO per unit[2]	**$ 0.1757**	$ 0.1879	(6.5)%	**$ 0.3336**	$ 0.3668	(9.1)%
AFFO Payout Ratio[2]	**64.8 %**	58.5 %	630 bps	**68.2 %**	60.0 %	820 bps
Distribution per unit	**$ 0.1138**	$ 0.1100	3.5 %	**$ 0.2275**	$ 0.2200	3.4 %
Distribution yield based on Unit closing price	**1.90 %**	2.21 %	(31) bps	**1.90 %**	2.21 %	(31) bps

[1] At June 30, 2021, includes 2,163 (June 30, 2020 - 2,163) suites co-owned with institutional partners.
[2] Refer to Section IV, "Reconciliation of Non-IFRS Measures" for a reconciliation of performance indicators not defined by IFRS.

As at		June 30, 2021		December 31, 2020		Change
Leverage						
Debt-to-Gross Book Value ratio[1]		**38.62 %**		38.57 %		(5) bps
Debt Service Coverage ratio[1]		**1.72 x**		1.91 x		(0.19)x
Debt-to-EBITDA ratio[1]		**12.47 x**		11.51 x		(0.96)x
Weighted average term to maturity on fixed rate debt		**5.42**		5.81		(0.39) years
Weighted average interest rate on fixed rate debt		**2.90 %**		2.94 %		4 bps
Valuation						
NAV[1]	**$**	**1,375,363**	$	1,314,030		4.7 %
NAV per unit[1]	**$**	**23.29**	$	22.26	$	1.03

Review of Financial Performance

The following tables highlight selected financial information for the REIT's Total Portfolio and Total Portfolio - excluding furnished suites for the three and six months ended June 30, 2021 and 2020:

Total Portfolio - excluding furnished suites

	Three months ended June 30,			Six months ended June 30,		
	2021	**2020**	**% Change**	**2021**	**2020**	**% Change**
Revenue from investment properties[2]	**$ 28,103**	$ 29,464	(4.6)%	**$ 56,571**	$ 58,912	(4.0)%
Property operating costs	**5,136**	5,277	2.7 %	**10,242**	10,340	0.9 %
Property taxes	**2,694**	3,379	20.3 %	**6,023**	6,623	9.1 %
Utilities	**2,092**	2,053	(1.9)%	**4,811**	4,756	(1.2)%
NOI[1]	**$ 18,181**	$ 18,755	(3.1)%	**$ 35,495**	$ 37,193	(4.6)%
NOI margin[1]	**64.7 %**	63.7 %	100 bps	**62.7 %**	63.1 %	(40) bps

Total Portfolio

	Three months ended June 30,			Six months ended June 30,		
	2021	**2020**	**% Change**	**2021**	**2020**	**% Change**
Revenue from investment properties	**$ 29,885**	$ 31,319	(4.6)%	**$ 59,884**	$ 62,844	(4.7)%
Property operating costs	**5,792**	5,714	(1.4)%	**11,563**	11,497	(0.6)%
Property taxes	**2,870**	3,465	17.2 %	**6,378**	6,885	7.4 %
Utilities	**2,205**	2,116	(4.2)%	**5,041**	4,949	(1.9)%
NOI[1]	**19,018**	20,024	(5.0)%	**36,902**	39,513	(6.6)%
NOI margin[1]	**63.6 %**	63.9 %	(30) bps	**61.6 %**	62.9 %	(130) bps
General and administrative expenses	**1,964**	1,789	(9.8)%	**3,866**	3,481	(11.1)%
Finance costs - operations	**8,103**	8,454	4.2 %	**16,180**	17,036	5.0 %
Fair value loss (gain) on:						
Investment properties	**(50,478)**	(11,402)	(342.7)%	**(51,392)**	(8,639)	(494.9)%
Class B LP Units	**50,775**	9,108	(457.5)%	**81,286**	(73,999)	209.8 %
Interest rate swap	**3**	361	99.2 %	**(1,059)**	2,660	139.8 %
Unit-based compensation	**324**	33	(881.8)%	**517**	(254)	303.5 %
Fees and other income	**(400)**	(373)	7.2 %	**(796)**	(770)	3.4 %
Net income (loss) and comprehensive income (loss)	**$ 8,727**	$ 12,054	(27.6)%	**$ (11,700)**	$ 99,998	(111.7)%

[1] Refer to Section IV, "Reconciliation of Non-IFRS Measures" for a reconciliation of performance indicators not defined by IFRS.
[2] Includes rental revenue from the lease of unfurnished suites, commercial space, parking revenue and other property income.

Net Operating Income

For the three and six months ended June 30, 2021, Total Portfolio NOI decreased by 5.0% and 6.6% respectively, compared to the same periods in 2020. For the three and six months ended June 30, 2021, Total Portfolio excluding furnished suites NOI decreased by 3.1% and 4.6% respectively, compared to the same periods in 2020. This was primarily a result of lower revenue from reduced occupancy and higher promotions. Since the onset of the pandemic, demand for rentals in urban centres have faced challenges from reduced immigration and travel, government restrictions and other socio-economic factors including remote work arrangements impacting occupancy in the core urban properties of the REIT. Furthermore, lower revenues from furnished suites as a result of lower average rents is also impacting the financial performance of the REIT. This negative NOI impact from lower revenue was partially offset by an increase in average rents mainly for Toronto, Ottawa and Montreal properties and lower property tax expense due to refunds from certain properties in Ottawa.

Revenue from Investment Properties

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
Rental revenue						
Unfurnished suites	**$ 25,634**	$ 27,267	(6.0)%	**$ 51,635**	$ 54,225	(4.8)%
Furnished suites	**1,782**	1,855	(3.9)%	**3,313**	3,932	(15.7)%
Commercial leases	**571**	538	6.1 %	**1,088**	1,072	1.5 %
Parking revenue	**1,073**	1,044	2.8 %	**2,144**	2,122	1.0 %
Other property income	**825**	615	34.1 %	**1,704**	1,493	14.1 %
	$ 29,885	$ 31,319	(4.6)%	**$ 59,884**	$ 62,844	(4.7)%

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

Rental Revenue from Unfurnished Suites

Total Portfolio rental revenue from unfurnished suites for the three and six months ended June 30, 2021 was 6.0% and 4.8% lower than the same periods in 2020, primarily as a result of reduced occupancy, which was down by 466 bps and 520 bps, and higher use of promotions. This was partially offset by a year over year increase in average monthly rents. Approximately 75% of the reduction in revenue was due to decreased occupancy in core urban properties where the negative impact of COVID-19 was most pronounced. Although the use of promotions is trending down, financial results were impacted in Q2 2021, and will continue to be, by the amortization of promotions granted over the last twelve months.

Rental performance metrics for June 30, 2021 and 2020 are as follows:

	June 30, 2021	June 30, 2020
Number of suites[1]	**7,277**	7,243
Average monthly rent per suite	**$ 1,640**	$ 1,609
Occupancy - average for the period	**91.50 %**	96.16 %

Total Portfolio average monthly rent per suite of $1,640 as at June 30, 2021 was $31 per month higher than the same period in 2020, primarily due to higher rents achieved in Toronto, Ottawa and Montreal.

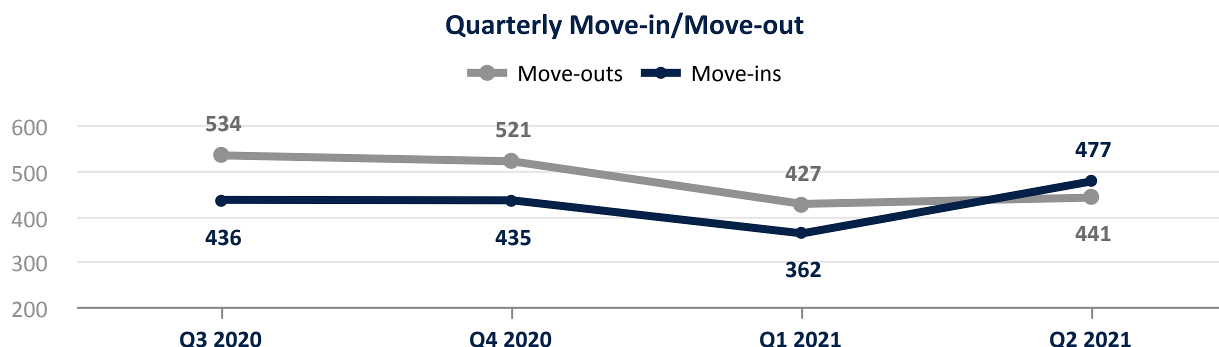
The onset of the pandemic has altered the typical annual turnover pattern for the REIT's suites. In a typical year, the REIT experiences higher turnover in Q2 and Q3 and lower turnover in Q1 and Q4. However, after dipping in Q2 2020 and Q3 2020, the REIT has experienced a higher than expected level of turnover in the past three quarters. There were a number of factors for the significantly higher turnover rate of 8.1% in Q2 2021. First, as the duration of the pandemic lengthens, so does the financial hardship for certain tenants causing people to move in with family and friends, resulting in an increase in demand for larger suites and lower demand for smaller ones. Second, tenants are responding to incentives offered in the market and are moving to take advantage of deals being offered by other landlords for new leases.

[1] Total Portfolio suites includes 2,163 (June 30, 2020 - 2,163) suites co-owned with institutional partners.

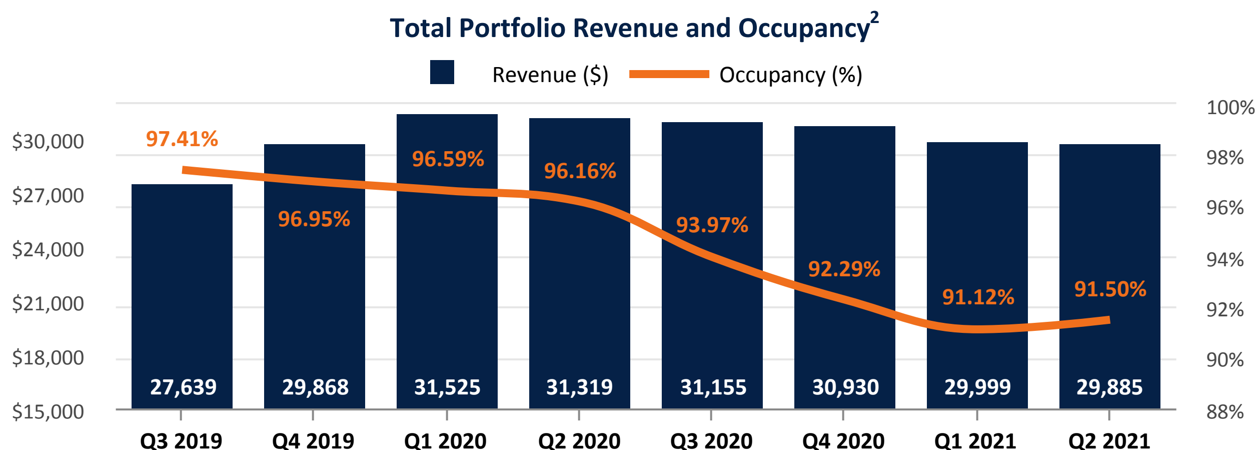
The REIT entered into 534 and 1,004 new leases in Q2 2021 and YTD 2021, which represents a 58% and 45% increase in leasing activity compared to 339 and 692 new leases for the same periods in 2020. Despite the increased leasing activity, there was an unseasonably high level of move-outs in YTD 2021 compared to the same period last year.

For Q2 2021, there were 441 move-outs (Q2 2020 - 375) and 477 move-ins (Q2 2020 - 293), resulting in a slight uptick in occupancy in Q2 2021. Quarterly move-outs have been significantly higher than move-ins since the onset of the pandemic, contributing to declining occupancy. Q2 2021 was the first quarter where move-ins outpaced move-outs, resulting in a slight improvement in the occupancy for Q2 2021.

The graph below sets out the REIT's quarterly move-in/move-out metrics for the past four quarters:



Over the last four quarters, occupancy has trended down mainly due to the economic uncertainties and lower rental demand caused by the pandemic. With the strong momentum on vaccinations, reduced COVID case counts and improved market outlook, rental market conditions began showing signs of growing strength rebounding from a bottom in March/April 2021. Q2 2021 saw a slight uptick in occupancy with move-ins outpacing move-outs for the first time in four quarters. Leasing trends are all moving in the right direction providing cause for cautious optimism that the worst may be behind us.



Rental Revenue from Furnished Suites

For the three and six months ended June 30, 2021, rental revenue from furnished suites was 3.9% and 15.7% lower than the same periods in 2020, mainly due to the impact on demand for furnished suites from reduced business travel, corporate relocations and restrictions on non-essential travel since the onset of the COVID-19 pandemic. In response to these challenges, Management adjusted the rental rates and customer mix to capture the demand, which has led to an increase in year over year occupancy, while reducing the average rents. Sequential quarterly performance has also improved in Q2 2021 with higher occupancy and average monthly rent as compared to Q1 2021.

[2] Average for the period.

The table below outlines select performance metrics for the furnished suites:

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Suites	**215**	216	232	233	239
Average monthly rent	**$ 3,572**	$ 3,540	$ 3,571	$ 3,460	$ 3,956
Occupancy - average for the period	**74.44 %**	62.49 %	77.29 %	75.08 %	64.50 %

Rental Revenue from Commercial Leases

For the three and six months ended June 30, 2021, rental revenue from commercial leases was 6.1% and 1.5% higher than the same periods in 2020, mainly due to higher operating cost recoveries from commercial tenants which include property taxes, insurance and other costs, partially offset by lower base rent revenue from a commercial tenant.

Parking Revenue

For the three and six months ended June 30, 2021, Total Portfolio parking revenue increased by 2.8% and 1.0% compared to the same periods in 2020, mainly as a result of higher visitor parking revenue.

Other Property Income

For the three and six months ended June 30, 2021, the Total Portfolio other property income increased by 34.1% and 14.1% primarily as a result of increase in telecommunications revenue, resident chargebacks, storage rentals and rentals of guest suites and party rooms, partially offset by lower laundry income. For the six months ended June 30, 2021, the increase was further offset by lower revenue from fitness centres.

Property Operating Costs

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	% Change	2021	2020	% Change
Property operating costs	**$ 5,792**	$ 5,714	(1.4)%	**$ 11,563**	$ 11,497	(0.6)%

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

For the three and six months ended June 30, 2021, property operating costs for the Total Portfolio were 1.4% and 0.6% higher compared to the same periods in 2020. This increase was primarily as a result of higher salaries and wages, insurance premiums and advertising expenses, which were partly offset by lower repairs and maintenance. For the three and six months ended June 30, 2021, Total Portfolio property operating costs were 19.4% and 19.3% of revenue, compared to 18.2% and 18.3% for 2020.

Property Taxes

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	% Change	2021	2020	% Change
Property taxes	**$ 2,870**	$ 3,465	17.2 %	**$ 6,378**	$ 6,885	7.4 %

For the three and six months ended June 30, 2021, Total Portfolio property taxes were 17.2% and 7.4% lower as compared to the same periods in 2020, mainly as a result of successful property tax appeals resulting in refunds of taxes relating to certain properties in Ottawa. The decrease was partially offset by the additional property taxes for the Skyline property in Ottawa and changes in assessed values and changes in tax rates across the portfolio. Total Portfolio property taxes were 9.6% and 10.7% of revenue for the three and six months ended June 30, 2021, compared to 11.1% and 11.0% for 2020.

Utilities

	Three months ended June 30,			Six months ended June 30,		
	2021	**2020**	**% Change**	**2021**	**2020**	**% Change**
Electricity	**$ 960**	$ 928	(3.4)%	**$ 1,882**	$ 1,934	2.7 %
Natural gas	**471**	451	(4.4)%	**1,720**	1,619	(6.2)%
Water	**774**	737	(5.0)%	**1,439**	1,396	(3.1)%
	$ 2,205	$ 2,116	(4.2)%	**$ 5,041**	$ 4,949	(1.9)%

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

Total Portfolio utilities for the three months ended June 30, 2021 were 4.2% higher than the same period in 2020. The increase in electricity was mainly as a result of higher rates as compared to the reduced rates in the prior year due to rate-caps introduced in Ontario as a pandemic relief measure by the provincial government. This was partially offset by lower consumption resulting from sustainability projects, including LED lighting and building automation systems. Natural gas expense was higher mainly as a result of higher gas rates due to federal carbon taxes, and water expense was higher primarily due to an increase in rates.

For the six months ended June 30, 2021, electricity expense was lower mainly due to consumption savings from sustainability projects and milder weather, which were partly offset by higher rates compared to same period in 2020. Natural gas and water expense were higher primarily due to higher rates. Total Portfolio utilities for the three and six months ended June 30, 2021 represent 7.4% and 8.4% of revenue, compared to 6.8% and 7.9% for 2020.

General and Administrative Expenses

General and administrative expenses relate to the administration of the REIT, including: audit fees, legal fees, salaries and benefits for certain dual REIT employees, Trustee fees and costs associated with support services provided under the Administrative Support Agreement ("ASA") between the REIT and MPI.

The general and administrative expenses of $1,964 for the three months ended June 30, 2021 were 9.8% higher compared to the same period in 2020, primarily due to an increase in the amount charged under the ASA by $141, an increase in investor relations and deal research costs. The increase in the amount charged under the ASA was due to the growth of the REIT and was approved by the independent trustees. This increase was partly offset by lower unit-based compensation expense as compared to the same period in 2020.

For the six months ended June 30, 2021, general and administrative expenses were 11.1% higher compared to the same period in 2020, primarily as a result of an increase in the amount charged under the ASA by $283, increase in professional fees, investor relations and deal research costs.

Finance Costs - Operations

	Three months ended June 30,			Six months ended June 30,		
	2021	2020	% Change	2021	2020	% Change
Interest expense on mortgages	**$ 4,141**	$ 4,378	5.4 %	**$ 8,294**	$ 8,140	(1.9)%
Interest expense and standby fees on credit facility	**445**	294	(51.4)%	**777**	1,300	40.2 %
Amortization of financing charges	**191**	126	(51.6)%	**351**	237	(48.1)%
Amortization of mark-to-market adjustments	**(191)**	(193)	1.0 %	**(384)**	(382)	(0.5)%
Interest income	**(762)**	(386)	97.4 %	**(1,417)**	(729)	94.4 %
Interest expense and other financing charges	**3,824**	4,219	9.4 %	**7,621**	8,566	11.0 %
Distributions on Class B LP Units	**2,590**	2,505	(3.4)%	**5,180**	5,010	(3.4)%
Distributions on Class C LP Units	**1,689**	1,730	2.4 %	**3,379**	3,460	2.3 %
	$ 8,103	$ 8,454	4.2 %	**$ 16,180**	$ 17,036	5.0 %

Finance costs comprise interest expense on secured debt; interest expense and standby fees on the revolving credit facility; amortization of financing charges and mark-to-market adjustments on the debt; and distributions on Class B LP Units ("Class B LP Units") and Class C LP Units ("Class C LP Units") of Minto Apartment Limited Partnership ("the Partnership"); offset by interest income.

Finance costs for the three months ended June 30, 2021 were lower by $351 compared to the same period in 2020, primarily result of lower interest expense on mortgages mainly due to lower interest on insured mortgages obtained, higher interest income earned on loans advanced to related parties and a decrease in distributions on Class C LP Units, partially offset by additional interest expense and standby fees on the credit facility, higher amortization of financing charges from new mortgage financings secured after June 30, 2020 and an increase in distributions on Class B LP Units.

Finance costs for the six months ended June 30, 2021 were $856 lower compared to the same period in 2020, primarily due to lower interest expense and standby fees on the credit facility, higher interest income from loans advanced to related parties and lower distributions on Class C LP Units. This was partially offset by higher interest expense on mortgages, higher amortization of financing charges with the addition of new mortgage financings and increased distributions on Class B LP Units.

Fair Value Gain (Loss) on Investment Properties

Fair value of residential investment properties is determined using the direct capitalization approach, by applying an appropriate capitalization rate which reflects the characteristics, location and market conditions to the estimated 12 month stabilized forecasted NOI for each property, reduced by an estimate of future capital expenditures.

Management has been monitoring the impact of the pandemic on operations since Q1 2020 and refining the assumptions used in the quantification of the COVID-19 reserve. It is not possible to forecast with certainty the duration or full scope of the economic impact of COVID-19 on the REIT's business and operations, both in the short and long term. Any long-term effects on market rents, occupancy, turnover and future demand would ultimately impact the underlying valuation of investment properties. Prior to June 30, 2021, a COVID-19 valuation reserve was taken for potential near-term income impacts from the pandemic including changes in occupancy and furnished suite operations. With optimism around lifting of provincial restrictions and the return of immigration and in-person post-secondary learning in Q3 due to the successful vaccine roll-out, Management expects the rental markets to begin to rebound in the second half of 2021, leading to the elimination of the valuation reserve as at June 30, 2021.

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

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Forecast NOI	**$ 990**	$ 16,437	**$ 9,286**	$ 25,047
Capitalization rates	**56,605**	—	**56,605**	(3,329)
Capital expenditure reserve	**(9,158)**	(7,203)	**(17,180)**	(9,186)
COVID-19 reserve	**2,041**	2,168	**2,681**	(3,893)
	$ 50,478	$ 11,402	**$ 51,392**	$ 8,639

The increase due to capitalization rates for the three months ended June 30, 2021 was a result of compression of capitalization rates driven by high-rise properties located in Ottawa and Toronto. The weighted average capitalization rate for the portfolio decreased to 3.72% as at June 30, 2021 compared to 3.81% for December 31, 2020. See Section III - "Investment Properties" for changes in capitalization rates by market. The increased capital expenditures reserve is primarily due to ongoing capital expenditure requirements and the advancement of various repositioning programs.

The change in valuation for the six months ended June 30, 2021 resulting from an increase in forecast NOI was primarily driven by properties located in Toronto and Montreal, which have generated higher rental rates on turnover and on newly leased repositioned suites. The increase due to capitalization rates was a result of compression in capitalization rates for high-rise properties located in Ottawa and Toronto. The increased capital expenditures reserve is primarily due to ongoing capital expenditure requirements and the advancement of various repositioning programs, including the commencement of the repositioning program at Roehampton in Toronto.

Fair Value Loss (Gain) on Class B LP Units

The Class B LP Units are owned by a limited partnership wholly-owned by MPI. The Class B LP Units are economically equivalent to Units, in that they receive distributions equal to the distributions paid on Units and are exchangeable into Units at the holder's option. The Class B LP Units are classified as financial liabilities and measured at fair value with any changes in fair value recorded in net income. The fair value gain or loss on Class B LP Units is measured every period by reference to the closing trading price of the Units. An increase in the Unit closing price over the period results in a fair value loss, whereas a decrease in the Unit closing price over the period results in a fair value gain.

For the three months ended June 30, 2021, the Unit price increased from $21.71 to $23.94, resulting in a fair value loss of $50,775. For the same period in 2020, the Unit price increased from $19.50 to $19.90, resulting in a fair value loss of $9,108.

For the six months ended June 30, 2021, the Unit price increased from $20.37 to $23.94, resulting in a fair value loss of $81,286. For the same period in 2020, the opening Unit price was $23.15 and the closing Unit price was $19.90, resulting in a fair value gain of $73,999.

Fair Value Loss (Gain) on Interest Rate Swap

The REIT has an interest rate swap to receive variable interest based on one month bankers' acceptance plus 185 bps and pay fixed interest at 3.38%. The swap is remeasured at each reporting date using discounted cash flow analysis.

For the three months and six months ended June 30, 2021, the REIT recognized a fair value loss of $3 and a fair value gain of $1,059 compared to a fair value loss $361 and $2,660 for the same periods in 2020. The fair value gain or loss is primarily a result of changes in the variable interest rate from period to period. The fair value gain was primarily a result of an increase in variable interest rates whereas the fair value loss mainly resulted from a decrease in variable interest rates.

Fair Value Loss (Gain) on Unit-Based Compensation

The REIT has issued Deferred Units to its Trustees and executives. The liability is remeasured at each reporting date based on the closing Unit price with changes in the value recorded in net income.

For the three months ended June 30, 2021, the REIT recognized a fair value loss of $324 from the increase in Unit price from $21.71 to $23.94. For the same period in 2020, the Unit price increased from $19.50 to $19.90, resulting in a fair value loss of $33.

For the six months ended June 30, 2021, the REIT experienced a fair value loss of $517 from changes in the Unit price for Deferred Units outstanding at December 31, 2020 and Deferred Units issued and redeemed during the quarter. The Unit price increased from $20.37 to $23.94 from December 31, 2020 to June 30, 2021. For the same period in 2020, the Unit price decreased from $23.15 to $19.90, resulting in a fair value gain of $254.

Fees and Other Income

Fees and other income represent revenue from asset, project and property management services provided by the REIT in connection with three properties co-owned with institutional partners. For the three and six months ended June 30, 2021, these fees were 7.2% and 3.4% higher compared to the same periods in 2020, mainly as a result of an increase in project management fees revenue.

Summary of Quarterly Results

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Total assets	$ 2,286,697	$ 2,211,191	$ 2,203,284	$ 2,123,708	$ 2,085,271	$ 2,166,295	$ 2,050,300	$ 1,714,194
Investment properties	$ 2,206,078	$ 2,145,174	$ 2,138,101	$ 2,063,520	$ 2,036,213	$ 2,020,748	$ 2,016,328	$ 1,698,218
Total liabilities	$ 1,456,426	$ 1,385,520	$ 1,353,060	$ 1,292,367	$ 1,306,479	$ 1,396,196	$ 1,363,525	$ 1,277,351
Total non-current liabilities	$ 1,394,275	$ 1,273,525	$ 1,243,761	$ 1,202,911	$ 1,141,192	$ 1,219,829	$ 1,306,124	$ 1,229,491
Revenue from investment properties	$ 29,885	$ 29,999	$ 30,930	$ 31,155	$ 31,319	$ 31,525	$ 29,868	$ 27,639
NOI[1]	$ 19,018	$ 17,884	$ 18,946	$ 20,161	$ 20,024	$ 19,489	$ 18,613	$ 17,588
NOI margin[1]	63.6%	59.6%	61.3%	64.7%	63.9%	61.8%	62.3%	63.6%
Net income (loss) and comprehensive income (loss)	$ 8,727	$ (20,427)	$ 23,010	$ 56,630	$ 12,054	$ 87,944	$ 19,708	$ (29,889)
FFO[1]	$ 11,941	$ 10,891	$ 12,022	$ 13,183	$ 12,659	$ 12,117	$ 11,737	$ 10,808
FFO per unit[1]	$ 0.2022	$ 0.1845	$ 0.2036	$ 0.2233	$ 0.2144	$ 0.2052	$ 0.1997	$ 0.2280
AFFO[1]	$ 10,373	$ 9,322	$ 10,459	$ 11,619	$ 11,097	$ 10,558	$ 10,212	$ 9,385
AFFO per unit[1]	$ 0.1757	$ 0.1579	$ 0.1771	$ 0.1968	$ 0.1879	$ 0.1788	$ 0.1738	$ 0.1980
Distributions declared	$ 6,717	$ 6,716	$ 6,718	$ 6,642	$ 6,496	$ 6,495	$ 6,464	$ 5,101
AFFO Payout Ratio[1]	64.75%	72.04%	64.23%	57.16%	58.54%	61.52%	63.30%	54.35%
Distribution per unit	$ 0.1138	$ 0.1138	$ 0.1138	$ 0.1125	$ 0.1100	$ 0.1100	$ 0.1100	$ 0.1075

The REIT's operating results are affected by seasonal variations and other factors, including the impacts of the COVID-19 pandemic. As a result, the operating performance and metrics in one quarter may not be indicative of future quarters. The winter months typically tend to generate weaker performance due to increased energy consumption and snow clearing costs. The best performing quarters in any given year are typically the second and third quarters, where stronger leasing demand and higher turnovers provide an opportunity to realize the gain-to-lease potential.

With the COVID-19 outbreak in early 2020, conditions in the REIT's markets began to be impacted by reduced immigration and travel, government restrictions and uncertain market and economic conditions. The social and economic realities of the pandemic led to reduced demand for rentals in urban centres, thus reducing occupancy and resulting in lower revenue and NOI for the REIT with the full impact to the REIT's operating results beginning in Q4 2020. In addition to the reduced occupancy for the Total Portfolio, furnished suites which have historically enhanced yield and property returns were negatively impacted by business and travel restrictions and contributed to the decrease in revenue and NOI. Management further implemented targeted marketing efforts and initiatives in an effort to turn suites, including incentives and focused leasing promotions, which also contributed to reduced revenues and NOI. As market conditions bottomed in late Q1 2021 and early Q2 2021, the REIT's operating performance began to slowly improve as reflected in the sequential quarterly improvement in Q2 2021 NOI.

[1] Refer to Section IV, "Reconciliation of Non-IFRS Measures" for a reconciliation of performance indicators not defined by IFRS.

Section III - Assessment of Financial Position

Investment Properties

The following table summarizes the changes in investment properties:

		$
Balance, December 31, 2020	$	2,138,101
Additions		
Capital expenditures		16,585
Fair value gain		51,392
Balance, June 30, 2021	$	**2,206,078**

Capital Expenditures

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Total expenditures	$ 10,426	$ 4,063	$ 16,585	$ 9,641
Development expenditures	630	90	1,116	490
Value-enhancing capital expenditures				
Building improvements	3,304	1,852	5,570	4,438
Suite upgrades	4,768	1,096	7,358	2,938
	8,702	3,038	14,044	7,866
Maintenance capital expenditures	1,724	1,025	2,541	1,775
Maintenance capital expenditures per suite	$ 282	$ 169	$ 415	$ 292

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

Development expenditures are a component of the REIT's growth and value-creation strategy. These include projects which add to the existing suite count of the REIT through intensification or redevelopment of existing assets in order to deliver NAV growth to Unitholders.

Value-enhancing capital expenditures consist of either building improvements or suite upgrades. Building improvements include common area and amenity space upgrades, energy conservation projects, building envelope enhancements and suite enhancements performed, when necessary, as suites turn over. Suite upgrades represent capital expenditures incurred on larger repositioning programs that are designed to generate incremental returns. The repositioning programs include full-scale suite renovations that strategically target certain properties or certain geographic locations, as discussed previously in this Management's Discussion and Analysis under Section I, "Financial and Operating Highlights - Value Creation - Repositioning" and Section I, "Outlook". The REIT's active repositioning programs for the six months ended June 30, 2021 included Minto Yorkville, Roehampton, Leslie York Mills, Martin Grove and High Park Village in Toronto, Castle Hill and Carlisle in Ottawa, and Rockhill, Le 4300 and Haddon Hall in Montreal. The repositioning of suites at its Edmonton properties remains on hold as lower rental rates are negatively impacting returns on repositioning activities.

Maintenance capital expenditures include expenditures that are incurred in order to maintain the existing earning capacity of the REIT's investment properties. Any exterior work is highly dependent on favourable weather conditions and as a result, a significant portion of the exterior work is performed between the months of May and September and therefore actual maintenance capital expenditures in a given quarter may not be indicative of future quarters.

The actual maintenance capital expenditures for the three and six months ended June 30, 2021 were $1,724 and $2,541, or $282 and $415 per suite, and primarily related to maintenance of fire-life safety systems, parking garages, and mechanical, plumbing and electrical work at various buildings, including common areas.

Management expects to spend $900 per suite on average for maintenance capital expenditures on an annual basis. Due to the various government restrictions imposed during 2020, certain projects were deferred which resulted in 2020's annual per suite spend being slightly below target. As provincial restrictions continue to ease, maintenance capital expenditure projects may be accelerated to complete projects that were previously deferred in addition to current year projects. The anticipated per suite spend could exceed the general target of $900 per suite if work can be successfully completed, which is subject to the availability of trades, materials and supplies.

Maintenance projects in Q2 2021 were impacted by government restrictions relating to COVID-19 and the availability of trades, which affected the progress of projects and the level of expenditures incurred to date. With restrictions being lifted, it is anticipated maintenance projects will resume and the level of spend will align with expectations. However, the pandemic is ongoing and Management will continue to monitor and adapt plans accordingly.

Valuation

Fair value for residential properties is determined using the direct capitalization approach. Estimated 12 month stabilized forecasted net operating income is based on the respective property's forecasted results, less estimated aggregate future capital expenditures. Capitalization rates reflect the characteristics, location and market of each property. Fair value is determined based on internal valuation models incorporating market data and valuations performed by external appraisers.

As at June 30, 2021, the REIT is no longer including a portfolio-level valuation reserve meant to account for the near-term income losses resulting from the global pandemic. Due to the COVID-19 vaccine roll-out resulting in the easing of provincial restrictions and the anticipated return to higher immigration and in-person post-secondary learning this fall, Management believes the remaining impacts of short-term elevated vacancy on investment property valuations to be insignificant.

Capitalization rates fluctuate depending on market conditions. The capitalization rates of the portfolio for each of the REIT's residential rental markets were as follows:

As at	June 30, 2021		December 31, 2020	
	Low	High	Low	High
Ottawa, Ontario	3.75%	4.25%	4.00%	4.25%
Toronto, Ontario	3.13%	3.38%	3.25%	3.75%
Edmonton, Alberta	4.25%	4.25%	4.25%	4.25%
Calgary, Alberta	4.15%	4.25%	4.15%	4.25%
Montreal, Quebec	3.50%	3.75%	3.50%	3.75%
Weighted-average capitalization rate		3.72%		3.81%

Class B LP Units

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

As at June 30, 2021, there were 22,769,073 (December 31, 2020 - 22,769,073) Class B LP Units outstanding.

Class C LP Units

The Class C LP Units provide for monthly distributions to the holder of such Class C LP Units to be paid in priority to distributions to holders of the Units and Class B LP Units. Due to the nature of such distributions, the Class C LP Units are classified as financial liabilities.

As at June 30, 2021, there were 22,978,700 (December 31, 2020 - 22,978,700) Class C LP Units outstanding.

The mortgages of investment properties to which the distributions on the Class C LP Units relate bear a weighted average contractual interest rate of 3.16% (December 31, 2020 - 3.16%) and mature at various dates between 2023 and 2030.

Secured Debt

Secured debt includes mortgages and the REIT's revolving credit facility. The REIT maintains mortgages with both fixed and variable interest rates that are secured by investment properties. The fixed rate mortgages bear interest at a weighted average contractual interest rate of 2.81% (December 31, 2020 - 2.85%) and mature at various dates between 2022 to 2030. Included within the fixed rate mortgages is a variable rate mortgage that is fixed at 3.38% through an interest rate swap.

On January 28, 2021, the REIT renewed a mortgage of $22,077 secured by Leslie York Mills. The renewed mortgage bears interest at 1.63% and matures on April 1, 2025.

The REIT has a committed revolving credit facility of $200,000 (December 31, 2020 - $200,000) that is secured by several investment properties, and is used to fund working capital requirements, acquisitions and for general corporate purposes. On May 5, 2021, the REIT renewed the revolving credit facility for a period of three years maturing on July 3, 2024. As at June 30, 2021, $74,391 was utilized (December 31, 2020 - $31,948) and the remaining amount of $125,609 (December 31, 2020 - $168,052) was available in accordance with the credit facility's terms and conditions. The credit facility bears interest at bankers' acceptance rate plus 175 bps or prime plus 75 bps and as at June 30, 2021, the weighted average variable interest rate was 2.18% (December 31, 2020 - 2.25%).

Units

The REIT’s DOT authorizes the issue of an unlimited number of Units. As at June 30, 2021 and December 31, 2020, there were 36,274,839 Units outstanding with a carrying value of $631,434.

Distributions

Distributions are paid monthly to Unitholders of record at the close of business on the last day of a month on or about the 15th day of the following month. Distributions must be approved by the Board of Trustees and are subject to change depending on the general economic outlook and financial performance of the REIT.

For the three and six months ended June 30, 2021, distributions to Unitholders of $4,127 and $8,253 (June 30, 2020 - $3,991 and $7,981) were declared based on approved monthly distributions of $0.03792 (June 30, 2020 - $0.03667) per Unit for the months of January to June.

Section IV - Liquidity, Capital Resources and Contractual Commitments

Liquidity and Capital Resources

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

As at		June 30, 2021		December 31, 2020
Liabilities (principal amounts outstanding):				
Class B LP Units	$	545,092	$	463,806
Class C LP Units		214,869		217,524
Mortgages[1]		593,012		599,413
Credit facility		74,391		31,948
		1,427,364		1,312,691
Unitholders' equity		830,271		850,224
	$	**2,257,635**	**$**	**2,162,915**

Class B LP Units are economically equivalent to Units and are exchangeable for Units at the Class B LP unitholder's option. Due to their exchangeable nature, IAS 32 requires Class B LP Units to be accounted for as a financial liability. Class B LP Units are not indebtedness for borrowed money and are not included in the determination of Debt-to-Gross Book Value ratio.

The objective of the REIT's capital strategy is to arrange capital at the lowest possible cost while maintaining diversity in its lending base, balance in its maturity schedule and sufficient liquidity to fund the ongoing operations of the REIT and pay distributions. At June 30, 2021, 73% (December 31, 2020 - 77%) of the REIT's total debt is CMHC insured and approximately 92% (December 31, 2020 - 96%) is fixed rate including variable rate debt fixed through an interest rate swap.

The REIT uses a prudent amount of debt financing in its capital structure. Pursuant to the REIT's DOT, overall indebtedness, as measured by the Debt-to-Gross Book Value ratio, is not to exceed 65% (or 70% of Gross Book Value including convertible debentures). Notwithstanding this limit, it is Management's current intention to maintain a more conservative Debt-to-Gross Book Value ratio and Management is currently targeting a range of 45%-55%. The REIT's Debt-to-Gross Book Value ratio and liquidity as a percentage of total debt are calculated as follows:

As at		June 30, 2021		December 31, 2020
Class C LP Units	$	216,993	$	219,885
Mortgages[1]		591,685		598,079
Credit facility		74,391		31,948
Total debt		883,069		849,912
Total assets		2,286,697		2,203,284
Debt-to-Gross Book Value ratio		**38.62 %**		**38.57 %**
Total liquidity		127,926		170,659
Liquidity as a percentage of total debt		**14.49 %**		**20.08 %**

The REIT continues to maintain a conservative overall leverage position with a Debt-to-Gross Book Value ratio of 38.62% at June 30, 2021, essentially unchanged from December 31, 2020.

[1] Includes funds held in escrow of $8,558 (December 31, 2020 - $8,558) subject to certain conditions.

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

As at	June 30, 2021	December 31, 2020
Trailing 12 month NOI	$ 76,009	$ 78,620
Trailing 12 month general and administrative expenses	(7,019)	(6,634)
Trailing 12 month fees and other income	1,626	1,600
EBITDA	**70,616**	**73,586**
Total debt, net of cash	880,752	847,305
Debt-to-EBITDA ratio	**12.47x**	**11.51x**

The REIT has staggered the maturities of its debt financings, including distributions payable on the Class C LP Units, to reduce interest rate risk and its risk related to refinancing. As at June 30, 2021, the weighted average term to maturity on the REIT's fixed rate debt was 5.42 years (December 31, 2020 - 5.81) and the weighted average interest rate on fixed rate debt was 2.90% (December 31, 2020 - 2.94%). The contractual payments under the REIT's debt financing is summarized in the table below.

	Principal Repayments		Principal at Maturity					
Year	Mortgages	Class C LP Units	Mortgages	Credit facility	Class C LP Units	Total	% of Total	Interest Rate[2]
2021	$ 6,478	$ 2,686	$ —	$ —	$ —	$ 9,164	1.0 %	— %
2022	12,484	5,510	87,163	—	—	105,157	11.9 %	3.22 %
2023	11,262	5,298	47,620	—	44,936	109,116	12.4 %	3.05 %
2024	9,689	4,321	48,182	74,391	46,178	182,761	20.7 %	2.66 %
2025	8,668	3,067	41,016	—	60,474	113,225	12.8 %	2.91 %
2026	7,536	1,283	32,651	—	—	41,470	4.7 %	3.38 %
Thereafter	25,914	2,923	254,349	—	38,193	321,379	36.4 %	2.71 %
	$ 82,031	**$ 25,088**	**$ 510,981**	**$ 74,391**	**$ 189,781**	**$ 882,272**	**100 %**	

As of June 30, 2021, current liabilities of $62,151 (December 31, 2020 - $109,299) exceeded current assets of $21,312 (December 31, 2020 - $15,854), resulting in a net working capital deficit of $40,839 (December 31, 2020 - $93,445). The REIT's immediate liquidity needs are met through cash-on-hand, cash flow from operations and availability on its credit facility. As of June 30, 2021, liquidity was $127,926 (December 31, 2020 - $170,659) consisting of cash of $2,317 (December 31, 2020 - $2,607) and $125,609 (December 31, 2020 - $168,052) 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 short form base shelf prospectus, allowing for the issuance, from time to time, of Units, debt securities and subscription receipts, or any combination thereof, for an aggregate amount of up to $800,000, of which none has been used as at June 30, 2021. This prospectus is effective for a 25-month period from the date of issuance on December 8, 2020. The net proceeds from the sale of securities for cash may be used for potential future acquisitions, capital expenditures, to repay indebtedness and general working capital purposes.

[2] Weighted average interest rates for maturing mortgages, credit facility and Class C LP Units.

Cash Flows

The REIT held a cash balance of $2,317 as at June 30, 2021 (June 30, 2020 - $6,889). The sources and use of cash flow for the three and six months ended June 30, 2021 and 2020 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Operating activities	**$ 11,370**	$ 19,587	**$ 26,943**	$ 30,744
Financing activities	**13,813**	(113,750)	**7,355**	(8,541)
Investing activities	**(24,776)**	(10,024)	**(34,588)**	(17,242)

Cash provided by operating activities and cash distributions

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

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Net income (loss) and comprehensive income (loss)	**$ 8,727**	$ 12,054	**$ (11,700)**	$ 99,998
Add: distributions on Class B LP Units	**2,590**	2,505	**5,180**	5,010
	11,317	14,559	**(6,520)**	105,008
Less: distributions paid	**(6,717)**	(6,496)	**(13,433)**	(12,991)
Excess (shortfall) of net income (loss) and comprehensive income (loss) over total distributions paid	**$ 4,600**	$ 8,063	**$ (19,953)**	$ 92,017
Cash provided by operating activities	**$ 11,370**	$ 19,587	**$ 26,943**	$ 30,744
Add: interest received	**453**	—	**900**	—
Less: interest paid	**(6,347)**	(6,093)	**(12,576)**	(12,077)
	5,476	13,494	**15,267**	18,667
Less: distributions paid	**(6,717)**	(6,496)	**(13,433)**	(12,991)
(Shortfall) excess of cash provided by operating activities over total distributions and interest paid	**(1,241)**	6,998	**1,834**	5,676
Distributions declared	**$ 6,717**	$ 6,496	**$ 13,433**	$ 12,991

For the three months ended June 30, 2021, net income and comprehensive income exceeded the amount of distributions paid. However, there was a shortfall of net income and comprehensive income over distributions paid for the six months ended June 30, 2021. Distributions are better evaluated in the context of operating cash flows rather than net income (loss) as it is impacted by several non-cash items, including fair value gains or losses on investment properties, Class B LP Units, Unit-based compensation and an interest rate swap.

While cash flows provided by operating activities are generally sufficient to cover distribution requirements, the timing of expenses and fluctuations in non-cash working capital may result in temporary shortfall. In these cases, some portion of distributions may come from the REIT's capital or financing sources other than cash flows provided by operating activities. For the three months ended June 30, 2021, there was a shortfall of cash provided by operating activities over total distributions and interest paid, mainly due to the payment of property tax instalments, whereas for the six months ended June 30, 2021, cash provided by operating activities was in excess of the distributions and interest paid.

Cash provided by (used in) financing activities

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Proceeds from mortgage financing	**$ —**	$ 15,409	**$ —**	$ 115,409
Net proceeds from (repayments on) credit facility	**31,391**	(99,000)	**42,443**	(77,509)
Financing costs paid	**—**	(1,831)	**(23)**	(2,016)
Principal repayments on mortgages	**(3,190)**	(14,458)	**(6,401)**	(16,784)
Distributions paid on various classes of Units	**(8,041)**	(7,777)	**(16,088)**	(15,564)
Interest paid	**(6,347)**	(6,093)	**(12,576)**	(12,077)
	$ 13,813	$ (113,750)	**$ 7,355**	$ (8,541)

For the three and six months ended June 30, 2021, cash flow from financing activities included payments of principal and interest on mortgages, withdrawals from the revolving credit facility and payments of interest thereon and payment of distributions on various classes of Units.

Cash used in investing activities

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Capital additions to investment properties	**$ (16,149)**	$ (8,470)	**$ (26,408)**	$ (11,732)
Loan advances to related parties	**(9,080)**	(1,554)	**(9,080)**	(5,510)
Interest received	**453**	—	**900**	—
	$ (24,776)	$ (10,024)	**$ (34,588)**	$ (17,242)

Included in cash flows from investing activities for the three and six months ended June 30, 2021 are capital expenditures on investment properties, funds advanced for the development of the Beechwood mixed-use multi-residential and commercial rental property in Ottawa, partially offset by interest received mainly from the loans advanced to related parties.

Reconciliation of Non-IFRS Measures

FFO and AFFO

FFO and AFFO are used for evaluating operating performance and are computed as follows[1]:

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Net income (loss) and comprehensive income (loss)	$ **8,727**	$ **12,054**	$ **(11,700)**	$ **99,998**
Distributions on Class B LP Units	2,590	2,505	5,180	5,010
Fair value loss (gain) on:				
Investment properties	(50,478)	(11,402)	(51,392)	(8,639)
Class B LP Units	50,775	9,108	81,286	(73,999)
Interest rate swap	3	361	(1,059)	2,660
Unit-based compensation	324	33	517	(254)
Funds from operations (FFO)	$ **11,941**	$ **12,659**	$ **22,832**	$ **24,776**
Maintenance capital expenditure reserve	(1,377)	(1,369)	(2,753)	(2,739)
Amortization of mark-to-market adjustments	(191)	(193)	(384)	(382)
Adjusted funds from operations (AFFO)	$ **10,373**	$ **11,097**	$ **19,695**	$ **21,655**
Distributions on Class B LP Units	2,590	2,505	5,180	5,010
Distributions on Units	4,127	3,991	8,253	7,981
	6,717	6,496	13,433	12,991
AFFO Payout Ratio	**64.75 %**	**58.54 %**	**68.21 %**	**59.99 %**
Weighted average number of Units and Class B LP Units issued and outstanding	59,043,912	59,043,912	59,043,912	59,043,912
FFO per unit	$ **0.2022**	$ **0.2144**	$ **0.3867**	$ **0.4196**
AFFO per unit	$ **0.1757**	$ **0.1879**	$ **0.3336**	$ **0.3668**

FFO was lower for the three and six months ended June 30, 2021 as compared to the same periods in 2020, reflecting a 5.0% and 6.6% decrease in NOI driven by lower occupancy. AFFO was lower for the three and six months ended June 30, 2021 as compared to the same periods in 2020, primarily as a result of lower FFO and an increase in the maintenance capital expenditure reserve due to the addition of 32 rebuilt Skyline suites to the portfolio suite count based on an estimated expenditure of $900 per suite.

The historical average of the actual maintenance capital expenditure since the REIT's inception was $901 per suite which is in line with the reserve of $900 per suite included in the AFFO calculation.

[1] See Section VI, "Non-IFRS Measures"

NOI and NOI Margin

Total Portfolio - excluding furnished suites

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Revenue from investment properties	$ 28,103	$ 29,464	$ 56,571	$ 58,912
Property operating costs	9,922	10,709	21,076	21,719
NOI	**18,181**	18,755	**$ 35,495**	$ 37,193
NOI margin	**64.7 %**	63.7 %	**62.7 %**	63.1 %

Total Portfolio

	Three months ended June 30,		Six months ended June 30,	
	2021	**2020**	**2021**	**2020**
Revenue from investment properties	$ 29,885	$ 31,319	$ 59,884	$ 62,844
Property operating costs	10,867	11,295	22,982	23,331
NOI	**19,018**	20,024	**$ 36,902**	$ 39,513
NOI margin	**63.6 %**	63.9 %	**61.6 %**	62.9 %

Debt-to-Gross Book Value Ratio

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

Debt Service Coverage Ratio

The Debt Service Coverage ratio is calculated as follows:

	Six months ended June 30, 2021	Year ended December 31, 2020
NOI	**$ 36,902**	$ 78,620
Interest expense and standby fees on credit facility	**777**	1,838
Distributions on Class C LP Units:		
Principal repayments	**2,655**	5,177
Finance costs	**3,379**	6,907
Mortgages:		
Principal repayments	**6,401**	10,503
Finance costs	**8,294**	16,735
Total debt service	**$ 21,506**	$ 41,160
Debt Service Coverage ratio	**1.72x**	1.91x

Debt-to-EBITDA Ratio

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

NAV per unit

As at		June 30, 2021		December 31, 2020
Net assets (Unitholders' equity)	$	830,271	$	850,224
Add: Class B LP Units		545,092		463,806
NAV	$	1,375,363	$	1,314,030
Number of Units and Class B LP Units		59,043,912		59,043,912
NAV per unit	**$**	**23.29**	**$**	**22.26**

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

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

Significant areas of judgment, estimates and assumptions are set out in Note 2 to the annual audited consolidated financial statements for years ended December 31, 2020 and 2019.

The REIT has used the best information available as at June 30, 2021, in determining the potential impact of the COVID-19 outbreak on the carrying amounts of assets and liabilities, earnings for the period and risks disclosed in the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021 and 2020. The estimates that could be most significantly impacted by COVID-19 include those underlying the valuation of investment properties and the estimated credit losses on accounts receivable. Actual results may differ from those estimates.

Risks and Uncertainties

The REIT faces a variety of diverse risks, many of which are inherent in the business conducted by the REIT. These are described in detail under the heading "Risks and Uncertainties" in the REIT's Management's Discussion and Analysis for the years ended December 31, 2020 and 2019, filed on SEDAR (www.sedar.com). These factors still exist at the end of this quarter and remain relatively unchanged.

Financial Risk Management

The REIT's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other price risk.

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 June 30, 2021, the REIT has a committed variable rate credit facility of $200,000 (December 31, 2020 - $200,000) with an outstanding balance of $74,391 (December 31, 2020 - $31,948). A 1% change in prevailing interest rates would change annualized interest charges incurred by $744 (December 31, 2020 - $319).

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.

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 June 30, 2021 would have a $5,451 (December 31, 2020 - $4,638) 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.

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 ongoing 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 at		June 30, 2021	December 31, 2020
Committed	$	200,000 $	200,000
Available		125,609	168,052
Utilized		74,391	31,948

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 and thereafter	Total
Mortgages	$ 6,478	$ 99,647	$ 58,882	$ 57,871	$ 49,684	$ 320,450	$ 593,012
Credit facility	—	—	—	74,391	—	—	74,391
	6,478	99,647	58,882	132,262	49,684	320,450	667,403
Class C LP Units	2,686	5,510	50,234	50,499	63,541	42,399	214,869
Interest obligation	12,439	23,620	20,119	15,047	11,745	35,305	118,275
Tenant rental deposits	9,135	—	—	26	—	10	9,171
Due to related parties	1,479	—	—	—	—	—	1,479
Accounts payable and accrued liabilities	16,218	692	317	106	23	259	17,615
	$ 48,435	$ 129,469	$ 129,552	$ 197,940	$ 124,993	$ 398,423	$ 1,028,812

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

Related Party Transactions

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

Administrative Support Agreement

On July 3, 2018, the REIT and MPI entered into a five year renewable agreement that provides the REIT with certain advisory, transaction and support services, including clerical and administrative support, operational support for the administration of day-to-day activities of the REIT and office space. These services are provided on a cost recovery basis, subject to a maximum during the initial five year term, for all general and administrative expenses, excluding public company costs, of 32 bps of Gross Book Value of the REIT's assets.

For the three and six months ended June 30, 2021, the REIT incurred $565 and $1,130 (June 30, 2020 - $424 and $848) for services rendered by MPI and its affiliates under the ASA.

The REIT monitors the administrative support fee, ensuring adherence with the requirements established under the ASA. For the six months ended June 30, 2021, annualized general and administrative expenses, excluding public company costs, represent 23 bps of Gross Book Value (June 30, 2020 - 22 bps).

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. The loan bears interest at 6% per annum and matures on March 31, 2022. 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 six months ended June 30, 2021, the REIT advanced $nil (June 30, 2020 - $5,510), earned interest income of $893 (June 30, 2020 - $703) and received interest of $893 (June 30, 2020 - $nil). As at June 30, 2021, the amount receivable under the loan was $30,000 (December 31, 2020 - $30,000).

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% per annum and matures on May 30, 2024. 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 six months ended June 30, 2021, the REIT advanced $nil (June 30, 2020 - $nil) and earned interest income of $422 (June 30, 2020 - $nil). As at June 30, 2021, the amount receivable under the loan was $12,410 (December 31, 2020 - $11,988).

The REIT committed to advance up to $43,700 to an affiliate of MPI for the development of a mixed-use multi-residential and commercial rental property located at Beechwood Avenue ("Beechwood") in Ottawa, Ontario and an additional $7,700 to fund interest costs. The loan bears interest at 6% per annum and matures on December 31, 2025. 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 six months ended June 30, 2021, the REIT advanced $9,080 and earned interest income of $95. As at June 30, 2021, the amount receivable under the loan was $9,175.

Due to Related Parties

Amounts due to related parties at June 30, 2021 include $863 and $559 (December 31, 2020 - $863 and $575) 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 a payable of $34 (December 31, 2020 - $34) for distributions on Units and a payable of $23 (December 31, 2020 - $211) for working capital.

At December 31, 2020, amounts due to related parties included $8,356 payable to MPI for the reconstructed Skyline Maisonettes. The amount was repaid on April 22, 2021.

Revenue and Expense

- Included in rental revenue for the three and six months ended June 30, 2021 is $119 and $206 (June 30, 2020 - $99 and $280) of revenue from MPI and its affiliates as rent for office space, furnished suites, parking and other revenue at certain REIT properties.
- Included in property operating expenses for the three and six months ended June 30, 2021 is $152 and $349 (June 30, 2020 - $205 and $365) paid to MPI and its affiliates for repairs and maintenance and other expenses at certain REIT properties.
- For the three and six months ended June 30, 2021, compensation to key management personnel includes $121 and $410 (June 30, 2020 - $146 and $371) paid to executives, Unit-based compensation expense of $249 and $587 (June 30, 2020 - $327 and $576) for executives and Unit-based compensation expense for the grant of Deferred Units to Trustees in lieu of annual retainer and meeting fees of $135 and $279 (June 30, 2020 - $130 and $255), respectively. Additional compensation to key management personnel for services provided to the REIT was paid by MPI and its affiliate.
- Included in finance costs for the three and six months ended June 30, 2021 are distributions on Class B LP Units of $2,590 and $5,180 paid or payable to a limited partnership wholly-owned by MPI. For the three and six months ended June 30, 2020, distributions on Class B LP Units of $2,505 and $5,010 were paid or payable to MPI and a limited partnership wholly-owned by MPI.
- Included in finance costs for the three and six months ended June 30, 2021 are distributions on Class C LP Units of $1,689 and $3,379 (June 30, 2020 - $1,730 and $3,460), paid or payable to a limited partnership wholly-owned by MPI.
- Included in finance costs for the three and six months ended June 30, 2021 is interest income of $758 and $1,410 (June 30, 2020 - $375 and $703) earned from the loans advanced to related parties.

Distributions

- For the three and six months ended June 30, 2021, distributions of $1,324 and $2,655 (June 30, 2020 - $1,281 and $2,573) were made to a limited partnership wholly-owned by MPI in order to repay principal on Class C LP Units.
- For the three and six months ended June 30, 2021, distributions on Units to MPI of $102 and $204 (June 30, 2020 - $99 and $198) were declared and recorded as a reduction to Unitholders' equity.

Contingencies and Commitments

The REIT is subject to claims and legal actions that arise in the ordinary course of business. It is the opinion of Management that any ultimate liability that may arise from such matters would not have a significant adverse effect on the unaudited condensed consolidated interim financial statements of the REIT. The contingencies and commitments of the REIT are set out in Note 16 of the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021 and 2020.

Future Changes in Accounting Standards

The following accounting standards under IFRS have been issued or revised, however are not yet effective and as such have not been applied by the REIT:

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

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

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

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

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, to assist entities in determining which accounting policies to disclose in the financial statements. The amendments apply to annual reporting periods beginning on or after January 1, 2023. Earlier adoption is permitted.

The amendments to IAS 1 require that an entity disclose its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.

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.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, to assist entities to distinguish between accounting policies and accounting estimates. The amendments apply to annual periods beginning on or after January 1, 2023. Earlier adoption is permitted.

The amendments to IAS 8 replace the definition of a "change in accounting estimates" with a definition of "accounting estimates". Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments confirm that a change in an accounting estimate that results from new information or new developments is not the correction of an error.

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

Disclosure Controls and Internal Controls Over Financial Reporting

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

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

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

The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused an evaluation under their direct supervision of, the design of disclosure controls and procedures and internal controls over financial reporting (as defined in National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*) as at June 30, 2021. Based on this evaluation, the CEO and CFO have concluded that they have:

(a) designed disclosure controls and procedures to provide reasonable assurance that:

  (i) material information relating to the REIT is made known to the Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the interim filings are being prepared; and,

  (ii) information required to be disclosed by the REIT in its various reports filed or submitted under securities legislation is recorded, processed, summarized and reported within time periods specified in securities legislation.

(b) designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no significant changes for the three months ended June 30, 2021 to the design of the REIT's ICFR that have materially affected, or are reasonably likely to materially affect, the REIT's ICFR.

Section VI - Supplemental Information

Property Portfolio

	Property	Total Suites	REIT Ownership Interest	Effective Ownership Interest (Suites)
Toronto				
1	High Park Village	750	40%	300
2	Leslie York Mills	409	50%	205
3	Richgrove	258	100%	258
4	Martin Grove	237	100%	237
5	Minto Yorkville[1]	181	100%	181
6	Roehampton[1]	148	100%	148
		1,983		1,329
Ottawa				
7	Minto one80five[1]	417	100%	417
8	Parkwood Hills Garden Homes & Townhomes	393	100%	393
9	Aventura	354	100%	354
10	Huron	251	100%	251
11	Seneca	251	100%	251
12	Castleview	241	100%	241
13	Skyline Garden Homes, Maisonettes & Walkups	259	100%	259
14	The Carlisle	193	100%	193
15	Castle Hill	176	100%	176
16	Grenadier	158	100%	158
17	Tanglewood	122	100%	122
18	Eleanor	117	100%	117
19	Frontenac	104	100%	104
20	Stratford	59	100%	59
		3,095		3,095
Montreal				
21	Rockhill	1,004	50%	502
22	Le 4300	318	100%	318
23	Haddon Hall	210	100%	210
		1,532		1,030
Edmonton				
24	The Lancaster House	98	100%	98
25	York House	92	100%	92
26	Hi-Level Place	64	100%	64
		254		254
Calgary				
27	The Quarters	199	100%	199
28	The Laurier[1]	144	100%	144
29	Kaleidoscope	70	100%	70
		413		413
Portfolio Total		**7,277**		**6,121**

[1] Suite counts for Minto Yorkville, Roehampton, Minto one80five and The Laurier include furnished suites, representing approximately 24% of the total suites at these properties.

Average Rent Per Square Foot

Geographic Node		Average monthly rent	Average sq. ft. per suite		Average rent per sq. ft
Toronto	$	1,861	804	$	2.31
Ottawa		1,529	838		1.82
Alberta		1,252	716		1.75
Montreal		1,957	1,011		1.94
Average	**$**	**1,640**	**848**	**$**	**1.93**

Non-IFRS Measures

The REIT's financial statements are prepared in accordance with IFRS. Management's Discussion and Analysis also contains certain non-IFRS financial measures which are measures commonly used by publicly traded entities in the real estate industry. Management believes that these metrics are useful for measuring different aspects of performance and assessing the underlying operating and financial performance on a consistent basis. However, these measures do not have a standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other publicly traded entities. These measures should strictly be considered supplemental in nature and not a substitute for financial information prepared in accordance with IFRS.

In February 2019, the Real Property Association of Canada (''REALPAC'') published a white paper titled ''White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS''. The purpose of the white paper is to provide reporting issuers and investors with greater guidance on the definition of FFO and AFFO and to help promote more consistent disclosure from reporting issuers. The REIT has reviewed the white paper and has implemented its recommended disclosures in this Management's Discussion and Analysis, except as noted below.

The non-IFRS measures defined below:

- "FFO" is defined as IFRS consolidated net income adjusted for items such as unrealized changes in the fair value of investment properties, effects of puttable instruments classified as financial liabilities and changes in fair value of financial instruments and derivatives. FFO should not be construed as an alternative to net income or cash flows provided by or used in operating activities determined in accordance with IFRS. The REIT's method of calculating FFO is in accordance with REALPAC's recommendations, but may differ from other issuers' methods and, accordingly, may not be comparable to FFO reported by other issuers. The REIT regards FFO as a key measure of operating performance.
- "FFO per unit" is calculated as FFO divided by the weighted average number of Units of the REIT and Class B LP Units of the Partnership outstanding over the period.
- "AFFO" is defined as FFO adjusted for items such as maintenance capital expenditures and straight-line rental revenue differences. AFFO should not be construed as an alternative to net income or cash flows provided by or used in operating activities determined in accordance with IFRS. The REIT's method of calculating AFFO is in accordance with REALPAC's recommendations, except that it adjusts for certain non-cash items (such as adjustments for the amortization of mark-to-market adjustments related to debt), but may differ from other issuers' methods and, accordingly, may not be comparable to AFFO reported by other issuers. The REIT regards AFFO as a key measure of operating performance. The REIT also uses AFFO in assessing its capacity to make distributions.
- "AFFO per unit" is calculated as AFFO divided by the weighted average number of Units of the REIT and Class B LP Units of the Partnership outstanding over the period.
- "AFFO Payout Ratio" is the proportion of the total distributions on Units and Class B LP Units to AFFO.
- "NOI" is defined as revenue from investment properties less property operating costs, property taxes and utilities (collectively referred to as "property operating expenses") prepared in accordance with IFRS. NOI should not be construed as an alternative to net income determined in accordance with IFRS. The REIT's method of calculating NOI may differ from other issuers' methods and, accordingly, may not be comparable to NOI reported by other issuers. The REIT regards NOI as an important measure of the income generated from income-producing properties and is used by Management in evaluating the performance of the REIT's properties. It is also a key input in determining the value of the REIT's properties.
- "NOI margin" is defined as NOI divided by revenue.

- Average monthly rent per suite for unfurnished suites - Represents the average monthly rent for occupied unfurnished suites at the end of the period.
- Occupancy for unfurnished suites, end of the period - Effective from Q1 2021, Management revised its definition of occupancy for unfurnished suites to include the number of suites not available due to renovation in the denominator when calculating the ratio of occupied unfurnished suites to the total unfurnished suites in the portfolio. The numerator and denominator used in the revised definition continues to exclude furnished suites. The revised definition is the ratio of occupied unfurnished suites to the total unfurnished suites in the portfolio at the end of the period.
- See below for revised calculations of occupancy at the end of the period and historical comparatives by fiscal quarter determined using a consistent denominator.

Occupancy - end of the period	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Occupancy - based on revised definition	**92.93 %**	92.22 %	93.52 %	94.74 %	96.37 %
Occupancy - as previously reported	**— %**	— %	95.57 %	97.01 %	97.17 %

- Occupancy for unfurnished suites, average of the period - Effective from Q1 2021, Management decided that it would also disclose the average occupancy for the period in addition to occupancy for unfurnished suites as of the end of the period. Occupancy as an average for the period is a useful indicator to evaluate the unfurnished rental revenue results. It is defined as the ratio of occupied unfurnished suites to the total unfurnished suites in the portfolio for the period. See below for average occupancy for the period and historical comparatives by fiscal quarter determined using a consistent denominator.

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Occupancy - average for the period	**91.50 %**	91.12 %	92.29 %	93.97 %	96.16 %

- Average monthly rent per suite for furnished suites - Represents the average daily rent for furnished suites for the period multiplied by 30.
- Occupancy for furnished suites - The ratio of occupied furnished suites to the total furnished suites in the portfolio for the period.
- Weighted average term to maturity on fixed rate debt - Calculated as the weighted average of the term to maturity on the outstanding fixed rate mortgages, a variable rate mortgage fixed through an interest rate swap and Class C LP Units. The REIT monitors the average term to maturity of its mortgages and Class C LP Units.
- Weighted average interest rate on fixed rate debt - Calculated as the weighted average of the stated interest rates on the outstanding balances of fixed rate mortgages, a variable rate mortgage fixed through an interest rate swap and Class C LP Units. The REIT monitors the average cost of its mortgages and Class C LP Units.
- "Debt-to-Gross Book Value ratio" is calculated by dividing total interest-bearing debt consisting of mortgages, credit facility and Class C LP Units of the Partnership by total assets and is used as the REIT's primary measure of its leverage.
- "Debt-to-EBITDA ratio" is calculated by dividing interest-bearing debt (net of cash) by EBITDA. EBITDA is calculated as the trailing twelve-month NOI adjusted for a full year of stabilized earnings, fees and other income and general and administrative expenses from recently completed acquisitions, but excluding fair value adjustments.
- "Debt Service Coverage ratio" is the ratio of NOI to total debt service consisting of interest expense recorded as finance costs and principal payments on mortgages, credit facility and distributions on Class C LP Units.
- "NAV" is calculated as the sum of the value of Unitholders' equity and Class B LP Units as at the balance sheet date.
- "NAV per unit" is calculated by dividing NAV by the number of Units and Class B LP Units outstanding as at the balance sheet date.