Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022 and 2021

Unaudited

minto
Apartment REIT

Minto Apartment Real Estate Investment Trust

Condensed Consolidated Interim Balance Sheets

Unaudited

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

	Note	March 31, 2022	December 31, 2021
Assets			
Investment properties	3	$ 2,384,753	$ 2,360,565
Loans receivable from related parties	10	69,237	63,312
Prepaid expenses and other assets	5	15,498	11,898
Resident and other receivables	6	2,021	2,088
Cash		3,388	2,851
		$ 2,474,897	$ 2,440,714
Liabilities and Unitholders' Equity			
Liabilities			
Class B LP Units	7	$ 488,852	$ 498,415
Class C LP Units	8	212,578	214,069
Mortgages and loans	9	639,603	626,120
Credit facility	9	58,567	51,754
Tenant rental deposits		9,985	10,136
Due to related parties	10	1,236	1,922
Accounts payable and accrued liabilities	11	24,193	28,297
		$ 1,435,014	$ 1,430,713
Unitholders' equity		1,039,883	1,010,001
Contingencies and commitments	16		
Subsequent events	21		
		$ 2,474,897	$ 2,440,714

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Minto Apartment Real Estate Investment Trust

Condensed Consolidated Interim Statements of Net Income and Comprehensive Income

For the three months ended March 31, 2022 and 2021

Unaudited

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

	Note		March 31, 2022		March 31, 2021
Revenue from investment properties	14	$	32,526	$	29,999
Property operating expenses					
Property operating costs			6,480		5,771
Property taxes			3,665		3,508
Utilities			3,595		2,836
			13,740		12,115
Property operating income			18,786		17,884
Other expenses (income)					
General and administrative			1,981		1,902
Finance costs - operations	15		8,913		8,732
Finance income			(988)		(655)
Fair value loss (gain) on:					
Investment properties	3		(14,395)		(914)
Class B LP Units	7, 15		(9,563)		30,511
Interest rate swap	5, 15		(1,307)		(1,062)
Unit-based compensation	20		(100)		193
Fees and other income			(395)		(396)
			(15,854)		38,311
Net income (loss) and comprehensive income (loss)		$	34,640	$	(20,427)

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Minto Apartment Real Estate Investment Trust

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

For the three months ended March 31, 2022 and 2021

Unaudited

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

	Note	Units	Distributions	Retained earnings	Total
Balance, December 31, 2020		$ 631,434	$ (30,204)	$ 248,994	$ 850,224
Net loss and comprehensive loss		—	—	(20,427)	(20,427)
Distributions	12	—	(4,126)	—	(4,126)
Balance, March 31, 2021		$ 631,434	$ (34,330)	$ 228,567	$ 825,671
Balance, December 31, 2021		$ 714,121	$ (47,275)	$ 343,155	$ 1,010,001
Net income and comprehensive income		—	—	34,640	34,640
Distributions	12	—	(4,758)	—	(4,758)
Balance, March 31, 2022		$ 714,121	$ (52,033)	$ 377,795	$ 1,039,883

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Minto Apartment Real Estate Investment Trust

Condensed Consolidated Interim Statements of Cash Flows

For the three months ended March 31, 2022 and 2021

Unaudited

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

	Note	March 31, 2022	March 31, 2021
Cash provided by (used in):			
Operating activities			
Net income (loss)		$ 34,640	$ (20,427)
Adjustments for:			
Finance costs - operations	15	8,913	8,732
Finance income		(988)	(655)
Fair value loss (gain) on:			
Investment properties	3	(14,395)	(914)
Class B LP Units	7, 15	(9,563)	30,511
Interest rate swap	5, 15	(1,307)	(1,062)
Unit-based compensation	20	(100)	193
Change in non-cash working capital	19	(2,710)	(805)
Cash provided by operating activities		14,490	15,573
Financing activities			
Proceeds from mortgage financing	9	32,975	—
Financing costs		(1,061)	(23)
Principal repayments on mortgages	9	(19,763)	(3,211)
Net proceeds from credit facility	9	6,813	11,052
Proceeds from construction loan	9	749	—
Distributions on Class B LP Units		(2,704)	(2,590)
Distributions on Class C LP Units, used to repay principal	8	(1,373)	(1,331)
Distribution on Units		(4,758)	(4,126)
Interest paid		(6,280)	(6,229)
Cash provided by (used in) financing activities		4,598	(6,458)
Investing activities			
Capital additions to investment properties		(11,660)	(9,773)
Development of investment properties		(1,954)	(486)
Loans advanced to related parties	10	(5,382)	—
Interest received		445	447
Cash used in investing activities		(18,551)	(9,812)
Change in cash during the period		537	(697)
Cash, beginning of the period		2,851	2,607
Cash, end of the period		$ 3,388	$ 1,910

See accompanying notes to the unaudited condensed consolidated interim financial statements.

1. Description of the entity

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

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

At March 31, 2022, the REIT's portfolio consists of interests in 30 multi-residential rental properties, including three mixed-use residential apartment and commercial buildings, all of which are held by Minto Apartment Limited Partnership (the "Partnership"), which is consolidated by the REIT.

2. Significant accounting policies

Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

The unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the REIT's audited consolidated financial statements for the years ended December 31, 2021 and 2020 (the "Annual 2021 Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

These unaudited condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT and authorized for issuance on May 3, 2022.

Basis of presentation and measurement

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

The COVID-19 outbreak resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures included the implementation of travel bans, self-imposed quarantine periods and social distancing, and have caused material disruption to businesses globally, resulting in an economic slowdown. These measures have now predominantly been lifted. However, government agencies continue to monitor COVID-19 case counts and for the presence of variants which could pose significant risks to the public and require the imposition of new restrictions. The REIT continues to monitor and assess the impact that COVID-19 will have on its business activities and financial results, including: rental income, occupancy, turnover, cash collections from tenants, future demand and market rents, all of which impact the valuation of investment properties.

The REIT has used all information available as at March 31, 2022 that it considers relevant in determining the potential impact of the COVID-19 pandemic on the carrying amounts of assets and liabilities, earnings for the period and risks disclosed in the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2022 and 2021. The estimates and judgements that could be most significantly impacted by COVID-19 include those underlying the valuation of investment properties. Actual results could differ from those estimates. Investment properties (Note 3) and risk management (Note 17) include disclosures of the potential impacts of COVID-19 on the fair value of investment properties and liquidity risk.

The operating results for the three months ended March 31, 2022 are not necessarily indicative of results that may be expected for the year ending December 31, 2022 due to seasonal variations in property expenses and other factors, including the impacts of COVID-19.

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

The REIT's significant accounting policies were presented in Note 2 of the Annual 2021 Financial Statements and have been consistently applied in the preparation of these unaudited condensed consolidated interim financial statements, with the exception of the item described below.

Construction loan

Construction loans are classified as financial liabilities and measured at amortized cost. The REIT estimates the fair value of construction loans based on the rates that could be obtained for similar debt instruments with similar terms and maturities. Their fair value qualifies as level 2 in the fair value hierarchy.

3. Investment properties

The following table presents the change in investment properties by type:

	Residential properties	Commercial properties	Land under development	Total
Balance, December 31, 2021	$ 2,306,493	$ 18,850	$ 35,222	**$ 2,360,565**
Additions				
Capital expenditures	7,580	13	—	**7,593**
Development expenditures	—	—	2,200	**2,200**
Fair value gain (loss)	14,579	(33)	(151)	**14,395**
Balance, March 31, 2022	$ 2,328,652	$ 18,830	$ 37,271	**$ 2,384,753**

For the three months ended March 31, 2022, the REIT capitalized $97 (March 31, 2021 - $nil) in interest costs associated with the REIT's general borrowings and development loans to the respective developments. The REIT's weighted average borrowing rate on general borrowings was 2.41% (March 31, 2021 - 0%). Interest costs associated with construction loans were capitalized to the respective development using the actual borrowing rate associated with the loan.

The fair value methodology for the REIT's investment properties is considered level 3, as significant unobservable inputs are required to determine fair value. The fair value of investment properties is based on internal valuations and as at March 31, 2022, the entire portfolio was internally valued. The REIT's internal valuation team consists of qualified individuals who hold recognized relevant professional qualifications and have recent experience in the location and category of the respective properties.

The REIT conducts external appraisals of a third of its portfolio annually to ensure that every property is externally appraised at least once every three years. These external appraisals are used by Management to assist in the validation of the market assumptions and data used as part of the internal valuation model.

The REIT continues to review market capitalization, discount and terminal capitalization rates, as well as its future cash flow projections and their impact on the valuation of its properties in light of the COVID-19 pandemic (Note 2). The carrying value of the REIT's investment properties reflects Management's best estimate of fair value in terms of the assessed highest and best use as at March 31, 2022. It is not possible to forecast with certainty the duration or full scope of the economic impact COVID-19 will have on the REIT's business and operations, both in the short and long term. Any long-term effects on market rents, occupancy, turnover and future demand would ultimately impact the underlying valuation of investment properties and such impact may be material.

Fair value for residential properties is predominantly determined using the direct capitalization approach and includes a deduction for estimated aggregate future capital expenditures. For the three months ended March 31, 2022, the aggregate five-year estimated future capital expenditures deducted was $81,924 (December 31, 2021 - $83,852) in determining the fair value of residential properties.

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

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

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

The following table summarizes the capitalization rates used in determining the fair value of the REIT's residential properties:

	March 31, 2022			December 31, 2021		
	Min	Max	Weighted average	Min	Max	Weighted average
Capitalization rate	3.13%	4.50%	3.60%	3.13%	4.50%	3.60%

The following table summarizes the sensitivity of the fair value of residential properties to changes in capitalization rates and estimated 12 month stabilized forecasted NOI as at March 31, 2022:

March 31, 2022	-3%	-1%	NOI	+1%	+3%
Capitalization rate					
-50 basis points	$ 2,633,054	$ 2,689,033	$ 2,717,023	$ 2,745,012	$ 2,800,991
-25 basis points	2,430,652	2,482,458	2,508,361	2,534,264	2,586,069
Base rate	2,256,335	2,304,546	2,328,652	2,352,758	2,400,969
+25 basis points	2,104,636	2,149,719	2,172,261	2,194,803	2,239,887
+50 basis points	1,971,421	2,013,758	2,034,926	2,056,095	2,098,432

The following table summarizes the sensitivity of the fair value of residential properties to changes in capitalization rates and estimated 12 month stabilized forecasted NOI as at December 31, 2021:

December 31, 2021	-3%	-1%	NOI	+1%	+3%
Capitalization rate					
-50 basis points	$ 2,608,163	$ 2,663,669	$ 2,691,421	$ 2,719,174	$ 2,774,679
-25 basis points	2,407,561	2,458,930	2,484,615	2,510,300	2,561,669
Base rate	2,234,782	2,282,589	2,306,493	2,330,396	2,378,203
+25 basis points	2,084,414	2,129,120	2,151,474	2,173,827	2,218,533
+50 basis points	1,952,361	1,994,345	2,015,337	2,036,329	2,078,312

4. Joint operations

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

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

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

5. Prepaid expenses and other assets

	March 31, 2022	December 31, 2021
Prepaid expenses	$ 3,940	$ 2,305
Prepaid CMHC premiums	7,513	6,940
Restricted cash	1,261	1,218
Deposits and other prepayments	1,170	1,128
Interest rate swap	1,614	307
	$ 15,498	$ 11,898
Current	6,030	3,970
Non-current	9,468	7,928
	$ 15,498	$ 11,898

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

Instrument	Maturity	Fixed rate	Original notional amount	Notional amount	March 31, 2022	December 31, 2021
Interest rate swap[1]	April 2026	3.38%	$42,360	$37,014	$ 1,614	$ 307

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

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

	$
Balance, December 31, 2021	$ 307
Non-cash movement	
Fair value gain	1,307
Balance, March 31, 2022	$ 1,614

6. Resident and other receivables

	March 31, 2022	December 31, 2021
Current		
Resident receivables	$ 1,617	$ 1,388
Other receivables	1,165	1,294
Less: Allowance for credit losses	(761)	(594)
	$ 2,021	$ 2,088

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

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

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

7. Class B LP Units

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

	Class B LP Units	$
Balance, December 31, 2021	22,769,073	$ 498,415
Non-cash movement		
Fair value gain	—	(9,563)
Balance, March 31, 2022	22,769,073	$ 488,852

For the three months ended March 31, 2022, distributions of $2,704 (March 31, 2021 - $2,590) to Class B LP Unitholders were declared.

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

8. Class C LP Units

	March 31, 2022	December 31, 2021
Class C LP Units	$ 210,810	$ 212,183
Unamortized mark-to-market adjustments	1,768	1,886
	$ 212,578	$ 214,069
Current	6,024	5,982
Non-current	206,554	208,087
	$ 212,578	$ 214,069

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

	Class C LP Units	$
Balance, December 31, 2021	22,978,700	$ 214,069
Cash flows		
Distributions used to repay principal	—	(1,373)
Non-cash movement		
Amortization of mark-to-market adjustments	—	(118)
	—	(1,491)
Balance, March 31, 2022	22,978,700	$ 212,578

For the three months ended March 31, 2022, the REIT made distributions of $1,648 (March 31, 2021 - $1,690) to the Class C LP Unitholder that were accounted for as finance costs.

The mortgages of investment properties to which the distributions on the Class C LP Units relate bear a weighted average contractual interest rate of 3.16% (December 31, 2021 - 3.16%) and mature at various dates between 2023 and 2030 (December 31, 2021 - 2023 and 2030).

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

Distributions on Class C LP Units as at March 31, 2022, excluding unamortized mark-to-market adjustments, are due as follows:

2022	$	4,137
2023		50,234
2024		50,499
2025		63,541
2026		1,283
2027 and thereafter		41,116

Fair value for the Class C LP Units is calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at March 31, 2022, the current market rates plus risk-adjusted spreads ranged from 2.83% to 4.46% (December 31, 2021 - 1.65% to 3.26%) and the fair value of the Class C LP Units was $209,438 (December 31, 2021 - $218,599) and is considered level 2 within the fair value hierarchy.

9. Secured Debt

		March 31, 2022		December 31, 2021
Mortgages - fixed rate[1]	$	640,746	$	627,534
Unamortized mark-to-market adjustment		1,075		1,152
Unamortized deferred financing costs		(2,967)		(2,566)
Total mortgages		638,854		626,120
Construction loan[2]		749		—
		639,603		626,120
Credit facility[3]		58,567		51,754
	$	698,170	$	677,874
Current		124,246		140,862
Non-current		573,924		537,012
	$	698,170	$	677,874

[1] Fixed rate mortgages are secured by investment properties, bear interest at a weighted average contractual interest rate of 2.70% (December 31, 2021 - 2.71%) and mature at various dates from 2022 through 2032 (December 31, 2021 - 2022 through 2030). The fixed rate mortgages include a $37,014 (December 31, 2021 - $37,262) variable interest mortgage fixed through an interest rate swap.

[2] The REIT has a fixed rate non-revolving construction loan of $93,745 that is used to finance the construction of a new 225-suite residential rental property on surplus land at its Richgrove property in Toronto, Ontario and is secured by a first priority mortgage on the project. The loan bears interest at 2.39% and matures on March 1, 2032. As at March 31, 2022, $749 (December 31, 2021 - $nil) was drawn on the construction loan. Payments are made monthly on an interest-only basis.

[3] The REIT has a revolving credit facility of $200,000 (December 31, 2021 - $200,000) that is secured by several investment properties, matures on July 3, 2024 and is used to fund working capital requirements, acquisitions, letters of credit and for general corporate purposes. At March 31, 2022, $59,009 (December 31, 2021 - $52,196) was drawn and the remaining amount of $140,991 (December 31, 2021 - $147,804) of this facility was available in accordance with its terms and conditions. The credit facility bears interest at one month bankers' acceptance plus 175 bps or prime plus 75 bps and as at March 31, 2022, the weighted average variable interest rate was 2.28% (December 31, 2021 - 2.19%).

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

The secured debt balances at March 31, 2022, excluding unamortized mark-to-market adjustments and unamortized deferred financing costs, are due as follows:

2022	$	121,412
2023		59,606
2024		117,180
2025		50,451
2026		40,975
2027 and thereafter		310,438

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

	Mortgages	Unamortized mark-to-market adjustments	Unamortized deferred financing costs	Construction loan	Credit facility	Total
Balance, December 31, 2021	$ 627,534	$ 1,152	$ (2,566)	$ —	$ 51,754	$ 677,874
Cash flows						
Issued	32,975	—	(507)	749	16,813	50,030
Repayments	(19,763)	—	—	—	(10,000)	(29,763)
	13,212	—	(507)	749	6,813	20,267
Non-cash movement						
Deferred financing amortization	—	—	106	—	—	106
Amortization of mark-to-market adjustment	—	(77)	—	—	—	(77)
	—	(77)	106	—	—	29
Balance, March 31, 2022	$ 640,746	$ 1,075	$ (2,967)	$ 749	$ 58,567	$ 698,170

As at March 31, 2022 and December 31, 2021, the REIT was in compliance with all financial covenants relating to its debt obligations.

Fair value of fixed rate mortgages and loans is calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at March 31, 2022, the current market rates plus risk-adjusted spreads ranged from 1.40% to 4.49% (December 31, 2021 - 1.03% to 3.46%) and the fair value of fixed rate mortgages was $621,583 (December 31, 2021 - $634,412) and is considered level 2 within the fair value hierarchy. Given the variable nature of the credit facility, its carrying value approximates its fair value.

10. Related-party transactions

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

(a) Administrative Support Agreement

For the three months ended March 31, 2022, the REIT incurred $565 (March 31, 2021 - $565) for services rendered by Minto Properties Inc. ("MPI") and its affiliates under the Administrative Support Agreement.

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

(b) Loans receivable from related parties

Project	Related Parties	Commitment	Interest Rate and Maturity	March 31, 2022	December 31, 2021
99 Fifth Avenue, Ottawa, ON ("Fifth and Bank")	Affiliate of MPI	$ 30,000	6% per annum June 30, 2022	$ 30,000	$ 30,000
Lonsdale Avenue, North Vancouver, BC ("Lonsdale Square")	Limited partnership jointly owned by MPI and a subsidiary of Darwin Properties	14,000	7% per annum May 30, 2024	13,078	12,855
Beechwood Avenue, Ottawa, ON ("Beechwood")	Affiliate of MPI	51,400	6% per annum December 31, 2025	11,396	10,094
810 Kingsway, Vancouver, BC ("810 Kingsway")	MPI	19,650	6% per annum August 1, 2024	10,517	10,363
3958 Shelbourne Street, Victoria, BC ("University Heights")	MPI	51,700	7% per annum December 31, 2026	4,246	—
		$ 166,750		$ 69,237	$ 63,312

All commitments include amounts to fund interest costs. In connection with these financings, the REIT will have the exclusive option to purchase the property at Fifth and Bank, Lonsdale Square and Beechwood, MPI's 85% ownership interest in 810 Kingsway and MPI's 45% ownership interest in University Heights, upon project stabilization at 95% of its then-appraised fair market value as determined by independent and qualified third-party appraisers.

The following table shows the movement of loans receivable from related parties:

	$
Balance, December 31, 2021	$ 63,312
Cash flows	
Advances	5,382
Interest received	(444)
	4,938
Non-cash movement	
Interest earned	987
	5,925
Balance, March 31, 2022	$ 69,237

The fair value of the loans receivable from related parties is determined by reference to current market rates that could be obtained for similar instruments with similar terms and maturities. As at March 31, 2022 and December 31, 2021, the carrying value of the loans approximates their fair value and is considered level 2 within the fair value hierarchy.

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

(c) Due to related parties

Item	Related Parties	March 31, 2022	December 31, 2021
Class B LP Units distributions	Limited partnerships wholly-owned by MPI	$ 901	$ 901
Class C LP Units distributions		557	561
Rental and service revenue receivable	MPI and its affiliates	(594)	(521)
Property operating costs payable	MPI and its affiliates	296	411
Development & construction management fee	Affiliate of MPI	41	535
Unit distribution	MPI	35	35
		$ 1,236	$ 1,922

(d) Revenue, expenses and distributions

Related Parties / Item	March 31, 2022	March 31, 2021
MPI, its affiliates, its wholly-owned and jointly-owned limited partnerships		
Rental and service revenue	$ 96	$ 87
Property operating expenses	202	197
Interest income on loans advanced	987	652
Distribution of Class B LP Units (finance costs)	2,704	2,590
Distribution of Class C LP Units (finance costs)	1,648	1,690
Distribution of Class C LP Units (principal repayment)	1,373	1,331
Distributions on Units to MPI	106	102
Compensation of key management personnel		
Paid to executives	165	289
Unit-based compensation expense for executives	291	338
Unit-based compensation for the grant of Deferred Units to Trustees in lieu of annual retainer and meeting fees	192	144

11. Accounts payable and accrued liabilities

	March 31, 2022	December 31, 2021
Accounts payable	$ 7,472	$ 9,154
Accrued liabilities	6,079	8,884
Distributions payable	1,550	1,550
Unit-based compensation	5,298	4,915
Forgivable loan	3,794	3,794
	$ 24,193	$ 28,297
Current	19,898	23,776
Non-current	4,295	4,521
	$ 24,193	$ 28,297

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

12. Units

The Declaration of Trust authorizes the issue of an unlimited number of Units. As of March 31, 2022, there were 40,069,839 (December 31, 2021 - 40,069,839) Units issued and outstanding, with a carrying value of $714,121 (December 31, 2021 - $714,121).

For the three months ended March 31, 2022, distributions to Unitholders of $4,758 (March 31, 2021 - $4,126) were declared, representing monthly distributions of $0.03958 per Unit for the months of January to March (March 31, 2021 - $0.03792 per Unit for the months of January to March 2021).

13. Segment reporting

The REIT owns, manages and operates 30 multi-residential rental properties located in Canada, including three mixed-use residential apartment and commercial buildings. Management, when measuring the REIT's performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the REIT has a single reportable segment for disclosure purposes in accordance with IFRS.

14. Revenue from investment properties

	March 31, 2022	March 31, 2021
Rental revenue	$ 25,706	$ 24,181
Revenue from services	6,820	5,818
	$ 32,526	$ 29,999

15. Finance costs

	March 31, 2022	March 31, 2021
Interest expense on mortgages & construction loan	$ 4,268	$ 4,153
Interest expense & standby fees on credit facility	438	332
Amortization of financing charges	147	160
Amortization of mark-to-market adjustments	(195)	(193)
Capitalized interest	(97)	—
Interest expense & other financing charges	4,561	4,452
Distributions on Class B LP Units (Note 7)	2,704	2,590
Distributions on Class C LP Units (Note 8)	1,648	1,690
Finance costs - operations	$ 8,913	$ 8,732
Fair value loss (gain) on Class B LP Units (Note 7)	(9,563)	30,511
Fair value loss (gain) on interest rate swap (Note 5)	(1,307)	(1,062)
Finance costs	$ (1,957)	$ 38,181

16. 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 REIT has an off-balance sheet arrangement at one of its properties in the Toronto area which was acquired in 2018 pursuant to which the City of Toronto provided a forgivable loan to support affordable housing at this property. Provided that certain conditions are met, the REIT will not need to make repayments under this arrangement. As of March 31, 2022, the remaining unforgiven balance of the loan is $14,688 (December 31, 2021 - $14,688). To date, the REIT has met all conditions related to this forgivable loan and Management has assessed that throughout the remaining term of the loan the REIT is likely to continue to meet the conditions for forgiveness and that the outflow of economic resources to settle the loan is not probable. As such, no liability has been recorded by the REIT.

The REIT has an off-balance sheet arrangement at one of its properties in the Calgary area which was acquired in 2018 pursuant to which the Province of Alberta provided a forgivable loan to support affordable housing at this property. Provided that certain conditions are met, the REIT will not need to make repayments under the arrangement. As of March 31, 2022, the remaining unforgiven balance of the loan is $3,360 (December 31, 2021 - $3,696). To date, the REIT has met all conditions related to this forgivable loan and Management has assessed that throughout the remaining term of the loan the REIT is likely to continue to meet the conditions for forgiveness and that the outflow of economic resources to settle the loan is not probable. As such, no liability has been recorded by the REIT.

As at March 31, 2022, the REIT has committed to advance an additional $76,045 to related parties in order to support the development of several projects and an additional $21,468 to fund interest costs.

The REIT is a guarantor on a joint and several basis for mortgage debt held through one of its joint operations. As at March 31, 2022, the maximum potential obligation resulting from this guarantee is $12,955 (December 31, 2021 - $13,042).

17. Risk management

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

Market Risk

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

(a) Interest rate risk

As the REIT’s interest-bearing assets mainly comprise fixed rate instruments, changes in market interest rates do not have any significant direct effect on the REIT’s income.

The REIT's financial liabilities comprise both fixed rate and variable rate instruments.

The REIT faces interest rate risk on its fixed rate debt due to the expected requirement to refinance such debt in the year of maturity or shortly thereafter. The REIT manages interest rate risk by structuring its financings to stagger the maturities of its debt, thereby mitigating its exposure to interest rate and other credit market fluctuations.

For the portion of the REIT’s financial liabilities that comprise variable rate instruments, from time to time the REIT may enter into interest rate swap contracts or other financial instruments to modify the interest rate profile of its outstanding debt without an exchange of the underlying principal amount.

As at March 31, 2022, the REIT has a committed variable rate credit facility of $200,000 (December 31, 2021 - $200,000) with an outstanding balance of $58,567 (December 31, 2021 - $51,754). A 1% change in prevailing interest rates would change annualized interest charges incurred by $586 (December 31, 2021 - $518).

(b) Currency risk

The REIT's financial statement presentation currency is Canadian dollars. Operations are located in Canada and the REIT has limited operational transactions in foreign-denominated currencies. As such, the REIT has no significant exposure to currency risk.

(c) Other price risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

The REIT is exposed to other price risk on its Class B LP Units. A 1% change in the prevailing market price of the Units as at March 31, 2022 would have a $4,889 (December 31, 2021 - $4,984) 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, 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 of March 31, 2022, current liabilities of $161,353 (December 31, 2021 - $182,642) exceeded current assets of $41,439 (December 31, 2021 - $38,909), resulting in a net working capital deficit of $119,914 (December 31, 2021 - $143,733). The REIT's immediate liquidity needs are met through cash-on-hand, cash flow from operations, refinancing of maturing mortgages and availability on its credit facility. As of March 31, 2022, liquidity was $144,379 (December 31, 2021 - $150,655) consisting of cash of $3,388 (December 31, 2021 - $2,851) and $140,991 (December 31, 2021 - $147,804) 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.

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

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

	March 31, 2022	December 31, 2021
Committed	$ 200,000	$ 200,000
Utilized		
Amounts drawn	58,567	51,754
Letter of credit	442	442
	59,009	52,196
Amount available	$ 140,991	$ 147,804

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

	2022	2023	2024	2025	2026	2027 and thereafter	Total
Mortgages	$ 121,412	$ 59,606	$ 58,613	$ 50,451	$ 40,975	$ 309,689	$ 640,746
Construction loan	—	—	—	—	—	749	749
Credit facility	—	—	58,567	—	—	—	58,567
	121,412	59,606	117,180	50,451	40,975	310,438	700,062
Class C LP Units	4,137	50,234	50,499	63,541	1,283	41,116	210,810
Interest obligation	18,322	21,000	15,935	12,630	9,989	30,675	108,551
Tenant rental deposits	9,949	—	26	—	10	—	9,985
Due to related parties	1,236	—	—	—	—	—	1,236
Accounts payable and accrued liabilities	19,499	597	223	76	4	3,794	24,193
	$ 174,555	$ 131,437	$ 183,863	$ 126,698	$ 52,261	$ 386,023	$ 1,054,837

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

18. Capital risk management

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

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

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

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

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

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

		March 31, 2022		December 31, 2021
Liabilities (principal amounts outstanding):				
Class B LP Units	$	488,852	$	498,415
Class C LP Units		210,810		212,183
Mortgages		640,746		627,534
Construction loan		749		—
Credit facility		58,567		51,754
		1,399,724		1,389,886
Unitholders' equity		1,039,883		1,010,001
	$	2,439,607	$	2,399,887

19. Supplemental cash flow disclosures

Change in non-cash working capital comprises the following:

Three months ended		March 31, 2022		March 31, 2021
Prepaid expenses and other assets	$	(3,084)	$	(1,394)
Resident and other receivables		67		(2)
Tenant rental deposits		(151)		109
Due to related parties		(683)		(8,697)
Accounts payable and accrued liabilities		1,141		9,179
	$	(2,710)	$	(805)

20. Unit-based compensation

Executives

The Deferred Unit plan activity and the value of Unit-based compensation expense for the executives is as follows:

		$
Balance, December 31, 2021	$	2,890
Unit-based compensation expense		291
Fair value gain		(59)
Balance, March 31, 2022	$	3,122

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

	Deferred Units
Balance, December 31, 2021	210,152
Granted	40,000
Distribution equivalents	1,149
Balance, March 31, 2022	251,301

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

Trustees

The Deferred Units granted and the value of Unit-based compensation expense recorded for the Trustees is as follows:

	Deferred Units	$
Balance, December 31, 2021	92,538	$ 2,025
Granted and vested	8,313	181
Distribution equivalents	510	11
Fair value gain	—	(41)
Balance, March 31, 2022	101,361	$ 2,176

21. Subsequent events

On April 22, 2022, the REIT acquired a 28.35% ownership interest in a 501-suite multi-residential rental property located in Toronto, Ontario from a limited partnership in which a subsidiary of MPI and certain current and former executives of MPI own a minority interest. The purchase price was $114,488, with the REIT assuming a $46,158 mortgage. The remaining purchase price was satisfied by the issuance of 2,985,956 Class B LP Units at $22 per unit and $2,639 in cash.

On April 11, 2022, the REIT committed to acquire a 252-suite multi-residential rental property located in Calgary, Alberta from a limited partnership in which a subsidiary of MPI owns a minority interest. The purchase price is $86,515, with the REIT assuming a mortgage of $62,220 and the balance payable in cash. The acquisition is expected to close on May 6, 2022.

Each of these related party transactions were reviewed and approved by a committee of the independent trustees.