


Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 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		September 30, 2022		December 31, 2021
Assets					
Investment properties	3	$	2,600,273	$	2,360,565
Loans receivable from related parties	12		81,726		63,312
Prepaid expenses and other assets	6		21,424		11,898
Resident and other receivables	7		5,862		2,088
Cash			5,571		2,851
		$	2,714,856	$	2,440,714
Liabilities and Unitholders' Equity					
Liabilities					
Class B LP Units	8	$	332,241	$	498,415
Class C LP Units	9		209,600		214,069
Mortgages and loans	10		744,640		626,120
Credit facility	11		128,591		51,754
Tenant rental deposits			10,611		10,136
Due to related parties	12		7,502		1,922
Accounts payable and accrued liabilities	13		30,864		28,297
		$	1,464,049	$	1,430,713
Unitholders' equity			1,250,807		1,010,001
Contingencies and commitments	18				
Subsequent events	23				
		$	2,714,856	$	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 and nine months ended September 30, 2022 and 2021

Unaudited

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

		Three months ended September 30,		Nine months ended September 30,	
	Note	**2022**	**2021**	**2022**	**2021**
Revenue from investment properties	16	$ 37,838	$ 31,234	$ 105,874	$ 91,118
Property operating expenses					
Property operating costs		7,233	6,228	20,973	17,791
Property taxes		3,870	3,436	11,244	9,814
Utilities		2,511	2,165	8,808	7,206
		13,614	11,829	41,025	34,811
Property operating income		24,224	19,405	64,849	56,307
Other expenses (income)					
General and administrative		2,254	1,887	6,749	5,753
Finance costs - operations	17	11,923	8,915	31,406	26,512
Finance income		(1,231)	(833)	(3,326)	(2,250)
Fair value loss (gain) on:					
Investment properties	3	18,689	(34,663)	6,619	(86,055)
Class B LP Units	8, 17	(44,813)	(35,976)	(227,148)	45,310
Interest rate swap	6, 17	(302)	(145)	(2,385)	(1,204)
Unit-based compensation	22	(633)	(282)	(2,600)	235
Fees and other income		(1,318)	(426)	(2,298)	(1,222)
		(15,431)	(61,523)	(192,983)	(12,921)
Net income and comprehensive income		$ 39,655	$ 80,928	$ 257,832	$ 69,228

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 nine months ended September 30, 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 income and comprehensive income		—	—	69,228	69,228
Distributions	14	—	(12,380)	—	(12,380)
Balance, September 30, 2021		$ 631,434	$ (42,584)	$ 318,222	$ 907,072
Balance, December 31, 2021		$ 714,121	$ (47,275)	$ 343,155	$ 1,010,001
Net income and comprehensive income		—	—	257,832	257,832
Distributions	14	—	(14,262)	—	(14,262)
Cancellation of Units under normal course issuer bid	14	(3,248)	—	484	(2,764)
Balance, September 30, 2022		$ 710,873	$ (61,537)	$ 601,471	$ 1,250,807

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 nine months ended September 30, 2022 and 2021

Unaudited

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

	Note	September 30, 2022	September 30, 2021
Cash provided by (used in):			
Operating activities			
Net income		$ 257,832	$ 69,228
Adjustments for:			
Finance costs - operations	17	31,406	26,512
Finance income		(3,326)	(2,250)
Fair value loss (gain) on:			
Investment properties	3	6,619	(86,055)
Class B LP Units	8, 17	(227,148)	45,310
Interest rate swap	6, 17	(2,385)	(1,204)
Unit-based compensation	22	(2,600)	235
Change in non-cash working capital	21	3,712	(6,952)
Cash provided by operating activities		64,110	44,824
Financing activities			
Proceeds from mortgage financing	10	34,623	8,558
CMHC premiums paid		(882)	—
Financing costs		(453)	(23)
Principal repayments on mortgages	10	(26,679)	(9,614)
Net proceeds from credit facility	11	76,837	45,052
Proceeds from construction loan	10	2,823	—
Forgivable loan transferred from restricted cash		1,350	—
Distributions on Class B LP Units		(8,702)	(7,771)
Distributions on Class C LP Units, used to repay principal	9	(4,115)	(3,988)
Distribution on Units		(14,272)	(12,380)
Interest paid		(22,894)	(18,997)
Purchase and cancellation of Units	14	(2,764)	—
Cash provided by financing activities		34,872	837
Investing activities			
Acquisition of investment properties	4	(28,761)	—
Capital additions to investment properties		(38,942)	(26,587)
Development of investment properties		(13,442)	(10,740)
Loans advanced to related parties	12	(16,463)	(9,080)
Interest received		1,346	1,226
Cash used in investing activities		(96,262)	(45,181)
Change in cash during the period		2,720	480
Cash, beginning of the period		2,851	2,607
Cash, end of the period		$ 5,571	$ 3,087

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 September 30, 2022, the REIT's portfolio consists of interests in 32 multi-residential rental properties, including four 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 November 8, 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 REIT's business faces risk from economic factors that have recently grown in prominence specifically rising interest rates and inflation. Additionally, 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 economic factors and COVID-19 will have on its business activities and financial results, including: rental income, occupancy, turnover, cash collections from tenants, future demand, finance costs, capitalization rates, market rents, and property operating and administrative expenses, most of which impact the valuation of investment properties.

The REIT has used all information available as at September 30, 2022 that it considers relevant in determining the potential impact of the economic factors and 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 and nine months ended September 30, 2022 and 2021. The estimates and judgements that could be most significantly impacted by economic factors and 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 19) include disclosures of the potential impacts of COVID-19 and other economic factors on the fair value of investment properties and liquidity risk.

The operating results for the nine months ended September 30, 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 and other economic factors.

(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 loans

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, 2020	$ 2,098,052	$ 22,490	$ 17,559	**$ 2,138,101**
Additions				
Capital expenditures	26,077	26	—	**26,103**
Development expenditures	—	—	2,384	**2,384**
Fair value gain (loss)	87,125	(3,575)	2,505	**86,055**
Balance, September 30, 2021	$ 2,211,254	$ 18,941	$ 22,448	**$ 2,252,643**
Balance, December 31, 2021	2,306,493	18,850	35,222	**2,360,565**
Additions				
Acquisitions (Note 4)	186,579	12,702	—	**199,281**
Capital expenditures	33,933	30	—	**33,963**
Development expenditures	—	—	13,083	**13,083**
Fair value loss	(4,647)	(1,972)	—	**(6,619)**
Balance, September 30, 2022	$ 2,522,358	$ 29,610	$ 48,305	**$ 2,600,273**

For the nine months ended September 30, 2022, the REIT capitalized $567 (September 30, 2021 - $27) in interest costs associated with the REIT's general borrowings and construction loans to the respective developments. The REIT's weighted average borrowing rate on general borrowings was 3.99% (September 30, 2021 - 2.18%). 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 September 30, 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.

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

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 economic factors and COVID-19 (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 September 30, 2022. It is not possible to forecast with certainty the duration or full scope of the economic impact COVID-19 and other economic factors 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, future demand and sustained increase in interest rates 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 nine months ended September 30, 2022, the aggregate five-year estimated future capital expenditures deducted was $90,454 (December 31, 2021 - $83,852) in determining the fair value of residential properties.

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:

	September 30, 2022			December 31, 2021		
	Min	Max	Weighted average	Min	Max	Weighted average
Capitalization rate	3.13%	4.50%	3.68%	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 September 30, 2022:

September 30, 2022	-3%	-1%	NOI	+1%	+3%
Capitalization rate					
-50 basis points	$ 2,842,439	$ 2,902,953	$ 2,933,210	$ 2,963,467	$ 3,023,981
-25 basis points	2,628,661	2,684,768	2,712,821	2,740,874	2,796,980
Base rate	2,443,912	2,496,209	2,522,358	2,548,506	2,600,803
+25 basis points	2,282,654	2,331,626	2,356,113	2,380,599	2,429,571
+50 basis points	2,140,675	2,186,720	2,209,743	2,232,765	2,278,810

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

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

4. Acquisition of investment properties

The REIT completed the acquisition of two investment properties for the nine months ended September 30, 2022:

Property	Date of acquisition	Total acquisition cost	Variable rate mortgage financing	Interest rate and maturity	Ownership interest
39 Niagara Street, 29–33 Bathurst Street, Toronto, ON ("Niagara West")	April 22, 2022	$ 112,667	$ 46,158	Bankers' acceptance + 2% or Prime + 1% November 30, 2022	28.35%
220 4 Avenue SW, Calgary, AB ("The International")	May 6, 2022	86,614	62,220	Bankers' acceptance + 2.5% or Prime + 1% September 30, 2022	100%
		$ 199,281	$ 108,378		

Cash used in the acquisition of investment properties was as follows:

	September 30, 2022
Total acquisition cost	$ (199,281)
Mortgage financing assumed	108,378
Issuance of Class B LP Units (Note 8)	60,974
Working capital assumed	1,168
Cash consideration paid on close	$ (28,761)

5. Joint operations

The REIT jointly owns and operates four 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%
Niagara West	April 22, 2022	Toronto, ON	28.35%

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

6. Prepaid expenses and other assets

		September 30, 2022		December 31, 2021
Prepaid expenses	$	7,388	$	2,305
Prepaid CMHC premiums		8,848		6,940
Restricted cash		1,376		1,218
Deposits and other prepayments		1,120		1,128
Interest rate swap		2,692		307
	$	21,424	$	11,898
Current		11,426		3,970
Non-current		9,998		7,928
	$	21,424	$	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		September 30, 2022		December 31, 2021
Interest rate swap[1]	April 2026	3.38%	$42,360	$36,511	$	2,692	$	307

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

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:

Nine months ended		September 30, 2022		September 30, 2021
Opening balance	$	307	$	(1,318)
Non-cash movement				
Fair value gain		2,385		1,204
Closing balance	$	2,692	$	(114)

7. Resident and other receivables

		September 30, 2022		December 31, 2021
Current				
Resident receivables	$	3,283	$	1,388
Other receivables		3,655		1,294
Less: Allowance for credit losses		(1,076)		(594)
	$	5,862	$	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.

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

8. 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, 2020	22,769,073	$	463,806
Non-cash movement			
Fair value loss	—		45,310
Balance, September 30, 2021	22,769,073	$	509,116
Balance, December 31, 2021	22,769,073	$	498,415
Non-cash movement			
Issued, April 22, 2022 (Note 4)	2,985,956		60,974
Fair value gain	—		(227,148)
	2,985,956		(166,174)
Balance, September 30, 2022	25,755,029	$	332,241

For the three and nine months ended September 30, 2022, distributions of $3,058 and $8,820, respectively (September 30, 2021 - $2,591 and $7,771) to Class B LP Unitholders were declared.

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

9. Class C LP Units

		September 30, 2022		December 31, 2021
Class C LP Units	$	208,068	$	212,183
Unamortized mark-to-market adjustments		1,532		1,886
	$	209,600	$	214,069
Current		50,857		5,982
Non-current		158,743		208,087
	$	209,600	$	214,069

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

As at September 30, 2022 there were 22,978,700 (December 31, 2021 - 22,978,700) Class C LP Units of the Partnership outstanding. The following table reconciles the changes in cash flows for the Class C LP Units:

Nine months ended	**September 30, 2022**	**September 30, 2021**
Opening balance	$ 214,069	$ 219,885
Cash flows		
Distributions used to repay principal	(4,115)	(3,988)
Non-cash movement		
Amortization of mark-to-market adjustments	(354)	(356)
	(4,469)	(4,344)
Closing balance	$ 209,600	$ 215,541

For the three and nine months ended September 30, 2022, the REIT also made distributions of $1,645 and $4,940, respectively (September 30, 2021 - $1,687 and $5,066) to the Class C LP Unitholder that were accounted for as finance costs.

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

Distributions on Class C LP Units as at September 30, 2022, excluding unamortized mark-to-market adjustments, are due as follows:

2022	$ 1,395
2023	50,234
2024	50,499
2025	63,541
2026	1,283
2027 and thereafter	41,116
	$ 208,068

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 September 30, 2022, the current market rates plus risk-adjusted spreads ranged from 4.21% to 5.73% (December 31, 2021 - 1.65% to 3.26%) and the fair value of the Class C LP Units was $200,722 (December 31, 2021 - $218,599) and is considered level 2 within the fair value hierarchy.

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

10. Mortgages and loans

	September 30, 2022		December 31, 2021	
	Weighted Average Interest Rate	Balance Outstanding	Weighted Average Interest Rate	Balance Outstanding
Mortgages - fixed rate	2.81%	$ 635,478	2.71%	$ 627,534
Mortgages - variable rate	6.14%	108,378	—	—
Construction loan	2.39%	2,823	—	—
		746,679		627,534
Unamortized mark-to-market adjustments		942		1,152
Unamortized deferred financing costs		(2,981)		(2,566)
		$ 744,640		$ 626,120
Current		224,393		140,862
Non-current		520,247		485,258
		$ 744,640		$ 626,120

Mortgages

The fixed and variable rate mortgages are secured by investment properties and mature at various dates between 2022 and 2032 (December 31, 2021 - 2022 and 2030). The fixed rate mortgages include a $36,511 (December 31, 2021 - $37,262) variable interest mortgage fixed through an interest rate swap.

Construction loan

The REIT has a fixed rate non-revolving construction loan commitment of $93,745 and as at September 30, 2022, $2,823 (December 31, 2021 - $nil) was drawn. The construction loan is used to finance the construction of a new 225-suite residential rental property on surplus land at the REIT's Richgrove property in Toronto, Ontario and is secured by a first priority mortgage on the project. The loan bears fixed interest at 2.39% and matures on March 1, 2032. Payments are made monthly on an interest-only basis.

The mortgages and construction loan, excluding unamortized mark-to-market adjustments and deferred financing costs, are due as follows:

2022	$ 158,450
2023	84,267
2024	59,235
2025	51,093
2026	81,122
2027 and thereafter	312,512
	$ 746,679

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

The following tables reconcile the changes in cash flows for the mortgages and loans payable:

	Fixed and variable rate mortgages	Construction loan	Total
Balance, December 31, 2020	$ 598,079	$ —	$ 598,079
Cash flows			
Issued[1]	8,558	—	8,558
Deferred financing costs incurred	(23)	—	(23)
Repayments	(9,614)	—	(9,614)
	(1,079)	—	(1,079)
Non-cash movement			
Funds held in escrow[1]	(8,558)	—	(8,558)
Amortization of mark-to-market adjustment	(221)	—	(221)
Deferred financing amortization	266	—	266
	(8,513)	—	(8,513)
Balance, September 30, 2021	$ 588,487	$ —	$ 588,487
Balance, December 31, 2021	$ 626,120	$ —	$ 626,120
Cash flows			
Issued	34,623	2,823	37,446
Deferred financing costs incurred	(813)	—	(813)
Repayments	(26,679)	—	(26,679)
	7,131	2,823	9,954
Non-cash movement			
Assumed on acquisition	108,378	—	108,378
Amortization of mark-to-market adjustment	(210)	—	(210)
Deferred financing amortization	398	—	398
	108,566	—	108,566
Balance, September 30, 2022	$ 741,817	$ 2,823	$ 744,640

[1] Proceeds of $8,558 from a fixed rate mortgage that were held in escrow July 2020 were released in September 2021.

As at September 30, 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 the construction loan is calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at September 30, 2022, the current market rates plus risk-adjusted spreads ranged from 2.39% to 5.68% (December 31, 2021 - 1.03% to 3.46%) and the fair value of fixed rate mortgages and construction loan was $593,810 (December 31, 2021 - $634,412) and is considered level 2 within the fair value hierarchy. Given the variable nature of the variable rate mortgages, their carrying value approximates their fair value.

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

11. Credit facility

	September 30, 2022	December 31, 2021
Committed	$ 300,000	$ 200,000
Available	268,607	200,000
Utilized		
Amounts drawn	128,591	51,754
Letter of credit	442	442
	129,033	52,196
Undrawn amount available	$ 139,574	$ 147,804

The following tables reconcile the changes in cash flows for the credit facility:

Nine months ended	September 30, 2022	September 30, 2021
Opening balance	$ 51,754	$ 31,948
Cash flows		
Issued	86,837	45,052
Repayments	(10,000)	—
	76,837	45,052
	$ 128,591	$ 77,000

The REIT has a revolving credit facility that is secured by several investment properties, matures on July 3, 2025 and is used to fund working capital requirements, acquisitions, letters of credit and for general corporate purposes. The credit facility bears interest at one month bankers' acceptance plus 175 bps or prime plus 75 bps. At September 30, 2022, the weighted average variable interest rate was 5.49% (December 31, 2021 - 2.19%). Given the variable nature of the credit facility, its carrying value approximates its fair value.

As at September 30, 2022 and December 31, 2021, the REIT was in compliance with all financial covenants relating to its credit facility.

12. 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 unaudited condensed consolidated interim financial statements, related party transactions include:

(a) Administrative Support Agreement

For the three and nine months ended September 30, 2022, the REIT incurred $565 and $1,695, respectively (September 30, 2021 - $565 and $1,695) 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	September 30, 2022	December 31, 2021
99 Fifth Avenue, Ottawa, ON ("Fifth and Bank")	Affiliate of MPI	$ 30,000	6% per annum December 31, 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	13,543	12,855
Beechwood Avenue, Ottawa, ON ("Beechwood")	Affiliate of MPI	51,400	6% per annum December 31, 2025	16,265	10,094
810 Kingsway, Vancouver, BC ("810 Kingsway")	MPI	19,650	6% per annum August 1, 2024	11,997	10,363
3958 Shelbourne Street, Victoria, BC ("University Heights")	MPI	51,700	7% per annum December 31, 2026	9,212	—
		166,750		81,017	63,312
Loan receivable	Management	700	Variable per annum[1] April 27, 2032	709	—
		$ 167,450		$ 81,726	$ 63,312
Current				30,000	30,000
Non-current				51,726	33,312
				$ 81,726	$ 63,312

[1] The interest rate per annum is set quarterly at the greater of prime and the Canada Revenue Agency's prescribed interest rate to a maximum of 5%. Interest is payable annually in arrears.

All commitments pertaining to projects include a reserve 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:

Nine months ended	September 30, 2022	September 30, 2021
Opening balance	$ 63,312	$ 41,988
Cash flows		
Advances	16,463	9,080
Interest received	(1,346)	(1,198)
	15,117	7,882
Non-cash movement		
Interest earned	3,297	2,222
	18,414	10,104
Closing balance	$ 81,726	$ 52,092

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

Fair value of loans receivable relating to projects is calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at September 30, 2022, the current market rates plus risk-adjusted spreads ranged from 8.00% to 9.00% and the fair value of the loans receivable relating to projects was $78,553 (December 31, 2021 - carrying value of the loans receivable approximated their fair value) and is considered level 2 within the fair value hierarchy.

(c) Due to related parties

Item	Related Parties	September 30, 2022	December 31, 2021
Current			
Class B LP Units distributions	Limited partnership wholly-owned by MPI and MPI affiliates	$ 1,019	$ 901
Class C LP Units distributions	Limited partnership wholly-owned by MPI	541	561
Rental and service revenue receivable	MPI and its affiliates	(1,043)	(521)
Property operating costs payable	MPI and its affiliates	722	411
Development costs and fees	Affiliate of MPI	1,049	535
Costs incurred on behalf of the REIT	MPI	4,426	—
ASA payable	MPI and its affiliates	753	—
Unit distribution	MPI	35	35
		$ 7,502	$ 1,922

(d) Revenue, expenses, capital expenditures and distributions

	Three months ended September 30,		Nine months ended September 30,	
Related Parties / Item	**2022**	**2021**	**2022**	**2021**
MPI, its affiliates, its wholly-owned and jointly-owned limited partnerships				
Rental and service revenue	$ 259	$ 113	$ 516	$ 319
Property operating expenses	299	186	690	535
Interest income on loans advanced	1,209	812	3,297	2,222
Development costs and fees	1,150	—	3,125	—
Distribution of Class B LP Units (finance costs)	3,058	2,591	8,820	7,771
Distribution of Class C LP Units (finance costs)	1,645	1,687	4,940	5,066
Distribution of Class C LP Units (principal)	1,377	1,333	4,115	3,988
Distributions on Units	106	102	318	306
Compensation of key management personnel				
Paid to executives	230	127	583	537
Unit-based compensation				
Executives	364	369	1,240	956
For the grant of Deferred Units to Trustees in lieu of annual retainer and meeting fees	132	139	450	418

Additional compensation to key management personnel for services provided to the REIT was paid by MPI and its affiliate.

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

(e) Property acquisitions

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 acquisition cost of $112,667, including transaction costs of $2,896, was settled by the REIT assuming a $46,158 mortgage, the issuance of 2,985,956 Class B LP Units with a fair value of $60,974, paying $4,990 in cash, and assuming working capital liabilities of $545.

On May 6, 2022, the REIT acquired 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 acquisition cost of $86,614, including transaction costs of $99, was settled with the REIT assuming a mortgage of $62,220, paying $23,771 in cash, and assuming working capital liabilities of $623.

13. Accounts payable and accrued liabilities

		September 30, 2022		December 31, 2021
Accounts payable	$	4,765	$	9,154
Accrued liabilities		15,408		8,884
Distributions payable		1,541		1,550
Unit-based compensation		4,006		4,915
Forgivable loan		5,144		3,794
	$	30,864	$	28,297
Current		25,138		23,776
Non-current		5,726		4,521
	$	30,864	$	28,297

For the nine months ended September 30, 2022, $1,350 of funding was received in connection with the Richgrove development project and has been recorded as forgivable loan payable in connection with the terms of the contribution agreement (December 31, 2021 - $3,794 of development charges and other fees were exempt or waived).

14. Units

	Units		$
Authorized	Unlimited		
Units issued and outstanding:			
Balance, December 31, 2020	36,274,839	$	631,434
Balance, September 30, 2021	36,274,839		631,434
Balance, December 31, 2021	40,069,839	$	714,121
Cancellation of Units under Normal Course Issuer Bid	(182,227)		(3,248)
Balance, September 30, 2022	39,887,612	$	710,873

For the three and nine months ended September 30, 2022, distributions to Unitholders of $4,746 and $14,262, respectively (September 30, 2021 - $4,127 and $12,380) were declared, representing monthly distributions of $0.03958 per Unit for the months of January to September (September 30, 2021 - $0.03792 per Unit for the months of January to September 2021).

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

Normal Course Issuer Bid ("NCIB")

On July 15, 2022, the Toronto Stock Exchange accepted the REIT's notice to initiate a NCIB for a portion of its Units. The NCIB is authorized from July 21, 2022 through to July 20, 2023 and permits the REIT to acquire up to 3,847,284 Units including up to 33,965 Units on any given trading day.

For the three months ending September 30, 2022, the REIT purchased and cancelled 182,227 Units under the NCIB, at a weighted average purchase price of $15.15 per Unit, for a total cost including commissions of $2,764. The difference between the purchase price from the weighted average historical unit issuance price was recorded as an increase to retained earnings.

15. Segment reporting

The REIT owns, manages and operates 32 multi-residential rental properties located in Canada, including four 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.

16. Revenue from investment properties

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Rental revenue	$ 33,842	$ 25,519	$ 88,767	$ 74,475
Revenue from services	3,996	5,715	17,107	16,643
	$ 37,838	$ 31,234	$ 105,874	$ 91,118

17. Finance costs

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Interest expense on mortgages & loans	$ 5,815	$ 4,150	$ 15,383	$ 12,444
Interest expense & standby fees on credit facility	1,573	563	2,784	1,340
Amortization of financing charges	293	144	610	495
Amortization of mark-to-market adjustments	(178)	(193)	(564)	(577)
Capitalized interest	(283)	(27)	(567)	(27)
Interest expense & other financing charges	7,220	4,637	17,646	13,675
Distributions on Class B LP Units (Note 8)	3,058	2,591	8,820	7,771
Distributions on Class C LP Units (Note 9)	1,645	1,687	4,940	5,066
Finance costs - operations	$ 11,923	$ 8,915	$ 31,406	$ 26,512
Fair value loss (gain) on:				
Class B LP Units (Note 8)	(44,813)	(35,976)	(227,148)	45,310
Interest rate swap (Note 6)	(302)	(145)	(2,385)	(1,204)
Finance costs	$ (33,192)	$ (27,206)	$ (198,127)	$ 70,618

18. 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 September 30, 2022, the remaining unforgiven balance of the loan is $13,464 (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 September 30, 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 September 30, 2022, the REIT has committed to advance an additional $65,664 (December 31, 2021 - $42,071) to related parties in order to support the development of several projects and an additional $20,069 (December 31, 2021 - $10,812) 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 September 30, 2022, the maximum potential obligation resulting from this guarantee is $12,779 (December 31, 2021 - $13,042).

19. 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 September 30, 2022, the REIT has a committed variable rate credit facility of $300,000 with an availability of $268,607 (December 31, 2021 - $200,000) and outstanding balance of $128,591 (December 31, 2021 - $51,754). A 1% change in prevailing interest rates would change annualized interest charges incurred by $1,286 (December 31, 2021 - $518).

As at September 30, 2022, the REIT also has two variable rate mortgages with outstanding balance of $108,378 (December 31, 2021 - $nil). A 1% change in prevailing interest rates would change annualized interest charges incurred by $1,084 (December 31, 2021 - $nil). The REIT intends to refinance these mortgages as CMHC-insured fixed rate mortgages by December 31, 2022.

(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 September 30, 2022 would have a $3,322 (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 effects of COVID-19 and other economic factors.

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.

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

As of September 30, 2022, current liabilities of $318,465 (December 31, 2021 - $182,642) exceeded current assets of $52,859 (December 31, 2021 - $38,909), resulting in a net working capital deficit of $265,606 (December 31, 2021 - $143,733). Current liabilities as of September 30, 2022 include $212,725 (December 31, 2021 - $127,833) of mortgage financing which the REIT is actively in the process of refinancing. 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 September 30, 2022, liquidity was $145,145 (December 31, 2021 - $150,655) consisting of cash of $5,571 (December 31, 2021 - $2,851) and $139,574 (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.

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	$ 158,450	$ 84,267	$ 59,235	$ 51,093	$ 81,122	$ 309,689	$ 743,856
Construction loan	—	—	—	—	—	2,823	2,823
Credit facility	—	—	—	128,591	—	—	128,591
	158,450	84,267	59,235	179,684	81,122	312,512	875,270
Class C LP Units	1,395	50,234	50,499	63,541	1,283	41,116	208,068
Interest obligation[1]	9,309	27,716	23,356	17,307	10,483	30,920	119,091
Tenant rental deposits	10,575	—	26	—	10	—	10,611
Due to related parties	7,502	—	—	—	—	—	7,502
Accounts payable and accrued liabilities	24,802	489	294	104	31	5,144	30,864
	$ 212,033	$ 162,706	$ 133,410	$ 260,636	$ 92,929	$ 389,692	$ 1,251,406

[1] Interest obligation on mortgages, construction loan, credit facility and Class C LP Units.

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

20. 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 construction 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:

		September 30, 2022		December 31, 2021
Liabilities (principal amounts outstanding):				
Class B LP Units	$	332,241	$	498,415
Class C LP Units		208,068		212,183
Mortgages		743,856		627,534
Construction loan		2,823		—
Credit facility		128,591		51,754
		1,415,579		1,389,886
Unitholders' equity		1,250,807		1,010,001
	$	2,666,386	$	2,399,887

21. Supplemental cash flow disclosures

Change in non-cash working capital comprises the following:

Nine months ended		September 30, 2022		September 30, 2021
Prepaid expenses and other assets	$	(8,087)	$	(5,896)
Resident and other receivables		(3,745)		(998)
Tenant rental deposits		(37)		22
Due to related parties		5,482		(247)
Accounts payable and accrued liabilities		10,099		167
	$	3,712	$	(6,952)

22. Unit-based compensation

Executives

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

Nine months ended	September 30, 2022	September 30, 2021
Opening balance	210,152	161,091
Granted	80,910	56,000
Redeemed	—	(5,499)
Forfeited	—	(5,499)
Distribution equivalents	5,293	2,981
Closing balance	296,355	209,074

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

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

Nine months ended	September 30, 2022	September 30, 2021
Opening balance	$ 2,890	$ 1,660
Unit-based compensation expense	1,240	956
Settlement	—	(121)
Fair value (gain) loss	(1,674)	105
Closing balance	$ 2,456	$ 2,600

For the three and nine months ended September 30, 2022, the REIT recognized Unit-based compensation expense of $364 and $1,240 (September 30, 2021 - $369 and $956) and fair value gain of $442 and $1,674 (September 30, 2021 - fair value (gain) loss of ($155) and $105), respectively.

Trustees

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

	Deferred Units	$
Balance, December 31, 2020	67,509	$ 1,375
Granted and vested	17,335	393
Distribution equivalents	1,147	25
Fair value loss	—	130
Balance, September 30, 2021	85,991	$ 1,923
Balance, December 31, 2021	92,538	$ 2,025
Granted and vested	25,547	414
Distribution equivalents	2,054	36
Fair value gain	—	(926)
Balance, September 30, 2022	120,139	$ 1,549

For the three and nine months ended September 30, 2022, the REIT recognized Unit-based compensation expense of $132 and $450 (September 30, 2021 - $139 and $418) and fair value gain of $191 and $926 (September 30, 2021 - fair value (gain) loss of ($127) and $130), respectively.

23. Subsequent events

On November 8, 2022, the Board of Trustees approved a 3.2% increase to the REIT's annual distribution from $0.4750 per Unit to $0.4900 per Unit. The monthly distribution will be $0.04083 per Unit, up from $0.03958 per Unit. The increase will be effective for the REIT's November 2022 cash distribution, to be paid on December 15, 2022.