Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

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, 2023	December 31, 2022
Assets			
Investment properties	3	$ 2,603,182	$ 2,611,094
Loans receivable from related parties	12	105,657	98,302
Prepaid expenses and other assets	6	20,684	16,806
Resident and other receivables	7	3,780	3,287
Cash		4,862	5,323
		$ 2,738,165	$ 2,734,812
Liabilities and Unitholders' Equity			
Liabilities			
Class B LP Units	8	$ 380,144	$ 361,858
Class C LP Units	9	206,554	208,086
Mortgages and loan	10	739,564	746,320
Credit facility	11	181,374	157,158
Tenant rental deposits		11,469	10,474
Due to related parties	12	3,602	2,936
Accounts payable and accrued liabilities	13	31,034	34,443
		$ 1,553,741	$ 1,521,275
Unitholders' equity		1,184,424	1,213,537
Contingencies and commitments	18		
Subsequent event	23		
		$ 2,738,165	$ 2,734,812

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, 2023 and 2022

Unaudited

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

	Note		March 31, 2023		March 31, 2022
Revenue from investment properties	16	$	38,403	$	32,526
Property operating expenses					
Property operating costs			7,443		6,480
Property taxes			4,008		3,665
Utilities			4,216		3,595
			15,667		13,740
Property operating income			22,736		18,786
Other expenses (income)					
General and administrative			2,756		1,981
Finance costs - operations	17		13,823		8,913
Finance income			(1,629)		(988)
Fair value loss (gain) on:					
Investment properties	3		13,503		(14,395)
Class B LP Units	8, 17		18,286		(9,563)
Interest rate swap	6, 17		410		(1,307)
Unit-based compensation	22		154		(100)
Loss on disposition			348		—
Fees and other income			(688)		(395)
			46,963		(15,854)
Net (loss) income and comprehensive (loss) income		$	(24,227)	$	34,640

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, 2023 and 2022

Unaudited

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

	Note	Units	Distributions	Retained earnings	Total
Balance, December 31, 2021		$ 714,121	$ (47,275)	$ 343,155	$ 1,010,001
Net income and comprehensive income		—	—	34,640	34,640
Distributions	14	—	(4,758)	—	(4,758)
Balance, March 31, 2022		$ 714,121	$ (52,033)	$ 377,795	$ 1,039,883
Balance, December 31, 2022		$ 710,873	$ (66,375)	$ 569,039	$ 1,213,537
Net loss and comprehensive loss		—	—	(24,227)	(24,227)
Distributions	14	—	(4,886)	—	(4,886)
Balance, March 31, 2023		$ 710,873	$ (71,261)	$ 544,812	$ 1,184,424

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, 2023 and 2022

Unaudited

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

	Note	March 31, 2023	March 31, 2022
Cash provided by (used in):			
Operating activities			
Net (loss) income		$ (24,227)	$ 34,640
Adjustments for:			
Finance costs - operations	17	13,823	8,913
Finance income		(1,629)	(988)
Loss on disposition		348	—
Fair value loss (gain) on:			
Investment properties	3	13,503	(14,395)
Class B LP Units	8, 17	18,286	(9,563)
Interest rate swap	6, 17	410	(1,307)
Unit-based compensation	22	154	(100)
Change in non-cash working capital	21	(2,877)	(2,710)
Cash provided by operating activities		17,791	14,490
Financing activities			
Proceeds from mortgage financing	10	—	32,975
CMHC premiums paid		—	(882)
Financing costs and deposits		(2,564)	(179)
Principal repayments on mortgages	10	(3,502)	(19,763)
Net proceeds from credit facility	11	24,216	6,813
Proceeds from construction loan	10	3,444	749
Distributions on Class B LP Units		(3,155)	(2,704)
Distributions on Class C LP Units, used to repay principal	9	(1,415)	(1,373)
Distribution on Units		(4,886)	(4,758)
Interest paid		(11,340)	(6,280)
Cash provided by financing activities		798	4,598
Investing activities			
Capital additions to investment properties		(10,860)	(11,660)
Loans advanced to related parties	12	(6,221)	(5,382)
Development of investment properties		(5,298)	(1,954)
Net proceeds on disposition of investment property	4	2,885	—
Interest received		444	445
Cash used in investing activities		(19,050)	(18,551)
Change in cash during the period		(461)	537
Cash, beginning of the period		5,323	2,851
Cash, end of the period		$ 4,862	$ 3,388

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, 2023, the REIT's portfolio consists of interests in 31 (December 31, 2022 - 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

(a) 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, 2022 and 2021 (the "Annual 2022 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 9, 2023.

(b) 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 grown in prominence, specifically, rising interest rates and inflation. The REIT has used all information available as at March 31, 2023 that it considers relevant in determining the potential impact of these economic factors 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, 2023 and 2022. The estimates and judgements that could be most significantly impacted by economic factors 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 economic factors on the fair value of investment properties and liquidity risk. The REIT continues to monitor and assess the impact that economic factors will have on its business activities and financial results.

The operating results for the three months ended March 31, 2023 are not necessarily indicative of results that may be expected for the year ending December 31, 2023 due to seasonal variations in property expenses and other factors.

The REIT's significant accounting policies were presented in Note 2 of the Annual 2022 Financial Statements and have been consistently applied in the preparation of these unaudited condensed consolidated interim financial statements.

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

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**
Balance, December 31, 2022		2,525,455		27,828		57,811		**2,611,094**
Additions								
Capital expenditures		6,704		35		—		**6,739**
Development expenditures		—		—		8,946		**8,946**
Disposition (Note 4)		(9,920)		—		—		**(9,920)**
Other		(174)		—		—		**(174)**
Fair value loss		(13,395)		(108)		—		**(13,503)**
Balance, March 31, 2023	$	2,508,670	$	27,755	$	66,757	**$**	**2,603,182**

For the three months ended March 31, 2023, the REIT capitalized $563 (March 31, 2022 - $97) in interest costs associated with the REIT's general borrowings and the construction loan to the respective developments. The REIT's weighted average borrowing rate on general borrowings was 6.62% (March 31, 2022 - 2.41%). Interest costs associated with the construction loan were capitalized to the related 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, 2023, 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 economic factors (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, 2023. It is not possible to forecast with certainty the duration or full scope of the financial impact that 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, and future demand and of a sustained increase in interest rates could 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, 2023, the aggregate five-year estimated future capital expenditures deducted was $86,926 (December 31, 2022 - $89,329) 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, 2023			December 31, 2022		
	Min	Max	Weighted average	Min	Max	Weighted average
Capitalization rate	3.25%	4.63%	3.84%	3.25%	4.63%	3.80%

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, 2023:

March 31, 2023	-3%	-1%	NOI	+1%	+3%
Capitalization rate					
-50 basis points	$ 2,807,897	$ 2,867,584	$ 2,897,427	$ 2,927,271	$ 2,986,958
-25 basis points	2,606,213	2,661,742	2,689,506	2,717,270	2,772,799
Base rate	2,430,802	2,482,714	2,508,670	2,534,626	2,586,538
+25 basis points	2,276,843	2,325,581	2,349,950	2,374,318	2,423,056
+50 basis points	2,140,629	2,186,558	2,209,522	2,232,487	2,278,416

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, 2022:

December 31, 2022	-3%	-1%	NOI	+1%	+3%
Capitalization rate					
-50 basis points	$ 2,831,592	$ 2,891,817	$ 2,921,929	$ 2,952,042	$ 3,012,267
-25 basis points	2,625,751	2,681,732	2,709,722	2,737,713	2,793,694
Base rate	2,447,012	2,499,308	2,525,455	2,551,603	2,603,899
+25 basis points	2,290,353	2,339,419	2,363,951	2,388,484	2,437,550
+50 basis points	2,151,920	2,198,132	2,221,237	2,244,343	2,290,554

4. Disposition of investment property

The REIT completed the disposition of one investment property during the three months ended March 31, 2023:

Date	Region	Suites	Sale price	Amortized cost of assigned debt	Net cash proceeds[1]
March 7, 2023	Edmonton, AB	64	$ 9,920	$ 6,770	$ 2,885

[1] Net cash proceeds after transaction costs and working capital adjustments.

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

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%

6. Prepaid expenses and other assets

	March 31, 2023	December 31, 2022
Prepaid expenses	$ 4,935	$ 2,729
Prepaid CMHC premiums	8,703	8,825
Restricted cash	1,525	1,434
Deposits and other prepayments	3,233	1,120
Interest rate swap	2,288	2,698
	$ 20,684	$ 16,806
Current	7,793	3,812
Non-current	12,891	12,994
	$ 20,684	$ 16,806

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, 2023	December 31, 2022
Interest rate swap[1]	April 2026	3.38%	$42,360	$36,000	$ 2,288	$ 2,698

[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:

Three months ended	March 31, 2023	March 31, 2022
Opening balance	$ 2,698	$ 307
Non-cash movement		
Fair value (loss) gain	(410)	1,307
Closing balance	$ 2,288	$ 1,614

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

7. Resident and other receivables

	March 31, 2023	December 31, 2022
Current		
Resident receivables	$ 2,262	$ 1,844
Other receivables	2,451	2,375
Less: Allowance for credit losses	(933)	(932)
	$ 3,780	$ 3,287

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

8. Class B LP Units

The following table reconciles the changes in cash flows and outstanding units for the Class B LP Units 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
Balance, December 31, 2022	25,755,029	$ 361,858
Non-cash movement		
Fair value loss	—	18,286
Balance, March 31, 2023	25,755,029	$ 380,144

For the three months ended March 31, 2023, distributions of $3,155 (March 31, 2022 - $2,704) 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

	March 31, 2023	December 31, 2022
Class C LP Units	$ 205,258	$ 206,673
Unamortized mark-to-market adjustments	1,296	1,413
	$ 206,554	$ 208,086
Current	61,766	50,642
Non-current	144,788	157,444
	$ 206,554	$ 208,086

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

As at March 31, 2023 there were 22,978,700 (December 31, 2022 - 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:

Three months ended	March 31, 2023	March 31, 2022
Opening balance	$ 208,086	$ 214,069
Cash flows		
Distributions used to repay principal	(1,415)	(1,373)
Non-cash movement		
Amortization of mark-to-market adjustments	(117)	(118)
	(1,532)	(1,491)
Closing balance	$ 206,554	$ 212,578

For the three months ended March 31, 2023, the REIT also made distributions of $1,606 (March 31, 2022 - $1,648) 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, 2022 - 3.16%) and mature at various dates between 2023 and 2030 (December 31, 2022 - 2023 and 2030).

Distributions on Class C LP Units as at March 31, 2023, excluding unamortized mark-to-market adjustments, are due as follows:

2023	$ 48,819
2024	50,499
2025	63,541
2026	1,283
2027	22,752
2028 and thereafter	18,364
	$ 205,258

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, 2023, the current market rates plus risk-adjusted spreads ranged from 3.86% to 5.64% (December 31, 2022 - 4.29% to 5.91%) and the fair value of the Class C LP Units was $199,977 (December 31, 2022 - $199,200) and is considered level 2 within the fair value hierarchy.

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

10. Mortgages and loan

	March 31, 2023			December 31, 2022		
	Weighted Average Interest Rate		Balance Outstanding	Weighted Average Interest Rate		Balance Outstanding
Mortgages - fixed rate	3.03%	$	621,590	3.03%	$	631,956
Mortgages - variable rate	7.55%		108,378	7.45%		108,378
Construction loan	2.39%		11,450	2.39%		8,006
			741,418			748,340
Unamortized mark-to-market adjustments			823			882
Unamortized deferred financing costs			(2,677)			(2,902)
		$	739,564		$	746,320
Current			286,410			238,800
Non-current			453,154			507,520
		$	739,564		$	746,320

Mortgages

The fixed and variable rate mortgages are secured by investment properties and mature at various dates between 2023 and 2032 (December 31, 2022 - 2023 and 2032). The fixed rate mortgages include a $36,000 (December 31, 2022 - $36,257) 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 March 31, 2023, $11,450 (December 31, 2022 - $8,006) 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 loan, excluding unamortized mark-to-market adjustments and deferred financing costs, are due as follows:

2023		235,577
2024		59,077
2025		50,930
2026		80,954
2027		7,982
2028 and thereafter		306,898
	$	741,418

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

The following reconciles the changes in cash flows for the mortgages and loan payable:

	Fixed and variable rate mortgages	Construction loan	Total
Balance, December 31, 2021	$ 626,120	$ —	$ 626,120
Cash flows			
Issued	32,975	749	33,724
Deferred financing costs incurred	(198)	—	(198)
Deferred financing CMHC premiums	(309)	—	(309)
Repayments	(19,763)	—	(19,763)
	12,705	749	13,454
Non-cash movement			
Amortization of mark-to-market adjustment	(77)	—	(77)
Deferred financing amortization	106	—	106
	29	—	29
Balance, March 31, 2022	$ 638,854	$ 749	$ 639,603
Balance, December 31, 2022	738,314	8,006	746,320
Cash flows			
Issued	—	3,444	3,444
Deferred financing costs incurred	(30)	—	(30)
Repayments	(3,502)	—	(3,502)
	(3,532)	3,444	(88)
Non-cash movement			
Assigned on disposition	(6,770)	—	(6,770)
Amortization of mark-to-market adjustment	(59)	—	(59)
Deferred financing amortization	161	—	161
	(6,668)	—	(6,668)
Balance, March 31, 2023	$ 728,114	$ 11,450	$ 739,564

As at March 31, 2023 and December 31, 2022, 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 March 31, 2023, the current market rates plus risk-adjusted spreads ranged from 3.86% to 5.71% (December 31, 2022 - 4.25% to 5.87%) and the fair value of fixed rate mortgages and construction loan was $600,216 (December 31, 2022 - $595,760) 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

		March 31, 2023		December 31, 2022
Committed	$	300,000	$	300,000
Available		268,787		267,115
Utilized				
Amounts drawn		181,374		157,158
Letter of credit		442		442
		181,816		157,600
Undrawn amount available	$	86,971	$	109,515

The following table reconciles the changes in cash flows for the credit facility:

Three months ended		March 31, 2023		March 31, 2022
Opening balance	$	157,158	$	51,754
Cash flows				
Issued		24,216		16,813
Repayments		—		(10,000)
		24,216		6,813
Closing balance	$	181,374	$	58,567

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 March 31, 2023, the weighted average variable interest rate was 6.69% (December 31, 2022 - 6.47%). Given the variable nature of the credit facility, its carrying value approximates its fair value.

As at March 31, 2023 and December 31, 2022, 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 months ended March 31, 2023, the REIT incurred $565 (March 31, 2022 - $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, 2023	December 31, 2022
99 Fifth Avenue, Ottawa, ON ("Fifth and Bank")	Affiliate of MPI	$ 30,000	6% per annum January 31, 2024	$ 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	14,000	13,784
Beechwood Avenue, Ottawa, ON ("Beechwood")	Affiliate of MPI	51,400	6% per annum December 31, 2025	29,697	25,550
810 Kingsway, Vancouver, BC ("810 Kingsway")	MPI	19,650	6% per annum August 1, 2024	17,157	15,357
3958 Shelbourne Street, Victoria, BC ("University Heights")	MPI	51,700	7% per annum December 31, 2026	14,076	12,893
		166,750		104,930	97,584
Loan receivable	Management	700	Variable per annum[1] April 27, 2032	727	718
		$ 167,450		$ 105,657	$ 98,302
Current				30,000	30,000
Non-current				75,657	68,302
				$ 105,657	$ 98,302

[1]The interest rate per annum is set quarterly at the greater of prime and the prescribed interest rate as determined by the Regulations of the Income Tax Act (Canada) to a maximum of 5%. Interest is payable annually in arrears.

All commitments pertaining to projects include a reserve to fund interest costs. If the interest reserve is fully utilized, the interest is paid to the REIT on a monthly basis. 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% indirect ownership interest in 810 Kingsway and MPI's 45% indirect ownership interest in University Heights, upon project stabilization at 95% of then-appraised fair market value as determined by independent and qualified third-party appraisers. As at March 31, 2023, the expected credit loss ("ECL") based on 12 month expected losses for the loans receivable is $nil (December 31, 2022 - $nil).

On March 23, 2023, the REIT and MPI amended the Fifth and Bank loan agreement to extend the REIT's purchase option to December 31, 2023 and the maturity date of the loan to January 31, 2024. The interest rate on the loan, currently at 6% per annum, was also amended and effective July 1, 2023, it will be equal to the all-in interest rate the REIT pays on the credit facility, subject to a maximum interest rate of 7% per annum and minimum interest rate of 5% per annum.

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

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

Three months ended		March 31, 2023		March 31, 2022
Opening balance	$	98,302	$	63,312
Cash flows				
Advances		6,221		5,382
Interest received		(444)		(444)
		5,777		4,938
Non-cash movement				
Interest earned		1,578		987
		7,355		5,925
Closing balance	$	105,657	$	69,237

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 March 31, 2023, the current market rates plus risk-adjusted spreads ranged from 8.50% to 9.50% (December 31, 2022 - 8.50% to 9.50%) and the fair value of the loans receivable relating to projects was $100,906 (December 31, 2022 - $93,441) and is considered level 2 within the fair value hierarchy.

(c) Due to related parties

Item	Related Parties		March 31, 2023		December 31, 2022
Current					
Class B LP Units distributions	Limited partnership wholly-owned by MPI and MPI affiliates	$	1,052	$	1,052
Class C LP Units distributions	Limited partnership wholly-owned by MPI		543		546
Property operating costs payable	MPI and its affiliates		300		493
Development costs and fees	Affiliate of MPI		2,134		1,357
Unit distribution	MPI		37		37
			4,066		3,485
Rental and service revenue receivable	MPI and its affiliates		(464)		(549)
		$	3,602	$	2,936

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

(d) Revenue, expenses, capital expenditures and distributions

Three months ended		March 31, 2023		March 31, 2022
Revenue from MPI, its affiliates and jointly-owned limited partnerships				
Rental and service revenue	$	162	$	96
Interest income on loans advanced		1,578		987
Expenses and distributions to MPI, its affiliates, its wholly-owned and jointly-owned limited partnerships				
Property operating expenses		277		202
Development costs and fees		2,625		90
Distributions on Class B LP Units (finance costs)		3,155		2,704
Distributions on Class C LP Units (finance costs)		1,606		1,648
Distributions on Class C LP Units (principal)		1,415		1,373
Distributions on Units		110		106
Compensation of key management personnel				
Paid to executives		930		165
Unit-based compensation				
Executives		375		291
Trustees in lieu of annual retainer and meeting fees		145		192

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

13. Accounts payable and accrued liabilities

		March 31, 2023		December 31, 2022
Accounts payable	$	5,761	$	4,711
Accrued liabilities		13,324		18,457
Distributions payable		1,592		1,592
Unit-based compensation		5,213		4,539
Forgivable loan		5,144		5,144
	$	31,034	$	34,443
Current		25,427		28,689
Non-current		5,607		5,754
	$	31,034	$	34,443

14. Units

The Declaration of Trust authorizes the issue of an unlimited number of Units. As of March 31, 2023 there were 39,887,612 (December 31, 2022 - 39,887,612) Units issued and outstanding, with a carrying value of $710,873 (December 31, 2022 - $710,873).

For the three months ended March 31, 2023, distributions to Unitholders of $4,886 (March 31, 2022 - $4,758) were declared, representing monthly distributions of $0.04083 (2022 - $0.03958) per Unit for the months of January to March.

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

15. Segment reporting

The REIT owns, manages and operates 31 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		March 31, 2023		March 31, 2022
Rental revenue	$	30,419	$	25,706
Revenue from services		7,984		6,820
	$	38,403	$	32,526

17. Finance costs

Three months ended		March 31, 2023		March 31, 2022
Interest expense on mortgages & loan	$	6,695	$	4,268
Interest expense & standby fees on credit facility		2,846		438
Amortization of financing charges		260		147
Amortization of mark-to-market adjustments		(176)		(195)
Capitalized interest		(563)		(97)
Interest expense & other financing charges		9,062		4,561
Distributions on Class B LP Units (Note 8)		3,155		2,704
Distributions on Class C LP Units (Note 9)		1,606		1,648
Finance costs - operations	$	13,823	$	8,913
Fair value loss (gain) on:				
Class B LP Units (Note 8)		18,286		(9,563)
Interest rate swap (Note 6)		410		(1,307)
Finance costs	$	32,519	$	(1,957)

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 March 31, 2023, the remaining unforgiven balance of the loan is $13,464 (December 31, 2022 - $13,464). 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, 2023, the remaining unforgiven balance of the loan is $3,024 (December 31, 2022 - $3,360). 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, 2023, the REIT has committed to advance an additional $43,866 (December 31, 2022 - $50,087) to related parties in order to support the development of several projects and an additional $17,954 (December 31, 2022 - $19,079) 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, 2023, the maximum potential obligation resulting from this guarantee is $12,600 (December 31, 2022 - $12,690).

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 March 31, 2023, the REIT has a committed variable rate credit facility of $300,000 (December 31, 2022 - $300,000) with an availability of $268,787 (December 31, 2022 - $267,115) and outstanding balance of $181,374 (December 31, 2022 - $157,158). A 1% change in prevailing interest rates would change annualized interest charges incurred by $1,814 (December 31, 2022 - $1,572).

As at March 31, 2023, the REIT also has two variable rate mortgages with an outstanding balance of $108,378 (December 31, 2022 - $108,378). A 1% change in prevailing interest rates would change annualized interest charges incurred by $1,084 (December 31, 2022 - $1,084). In the second quarter of 2023, the REIT refinanced the Niagara West variable rate mortgage with a 10-year 3.87% fixed rate CMHC-insured mortgage and used the proceeds to repay the variable rate mortgage on the property and a portion of the credit facility. The REIT is actively working to refinance its remaining variable rate mortgage with a CMHC-insured fixed rate mortgage.

(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, 2023 would have a $3,801 (December 31, 2022 - $3,619) 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 ECLs.

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 the concentration of credit risk in relation to the loans advanced, in the event that the borrowers default on the contractual terms of repayment of amounts owing to the REIT. The REIT provides financing to MPI and affiliates of MPI for strategic developments and, in turn, receives an option to acquire an ownership interest in those developments. Management mitigates this risk by ensuring there is sufficient security provided by the development assets in addition to guarantees provided by MPI for loans advanced to affiliates of MPI.

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.

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 favourable 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, 2023, current liabilities of $388,664 (December 31, 2022 - $331,531) exceeded current assets of $46,435 (December 31, 2022 - $42,422), resulting in a net working capital deficit of $342,229 (December 31, 2022 - $289,109). Current liabilities as of March 31, 2023 include $330,615 (December 31, 2022 - $271,225) of debt 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 March 31, 2023, liquidity was $91,833 (December 31, 2022 - $114,838) consisting of cash of $4,862 (December 31, 2022 - $5,323) and $86,971 (December 31, 2022 - $109,515) of available borrowing capacity under the credit facility. Management believes that there is sufficient liquidity to meet the REIT's financial obligations.

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

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

	2023	2024	2025	2026	2027	2028 and thereafter	Total
Mortgages	$ 235,577	$ 59,077	$ 50,930	$ 80,954	$ 7,982	$ 295,448	$ 729,968
Construction loan	—	—	—	—	—	11,450	11,450
	235,577	59,077	50,930	80,954	7,982	306,898	741,418
Credit facility	—	—	181,374	—	—	—	181,374
Class C LP Units	48,819	50,499	63,541	1,283	22,752	18,364	205,258
Interest obligation[1]	38,527	28,452	19,874	10,509	9,446	21,297	128,105
Tenant rental deposits	11,459	—	—	—	10	—	11,469
Due to related parties	3,602	—	—	—	—	—	3,602
Accounts payable and accrued liabilities	25,027	532	199	132	—	5,144	31,034
	$ 363,011	$ 138,560	$ 315,918	$ 92,878	$ 40,190	$ 351,703	$ 1,302,260

[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.

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

	March 31, 2023	December 31, 2022
Liabilities (principal amounts outstanding):		
Class B LP Units	$ 380,144	$ 361,858
Class C LP Units	205,258	206,673
Mortgages	729,968	740,334
Construction loan	11,450	8,006
Credit facility	181,374	157,158
	1,508,194	1,474,029
Unitholders' equity	1,184,424	1,213,537
	$ 2,692,618	$ 2,687,566

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

21. Supplemental cash flow disclosures

Change in non-cash working capital comprises the following:

Three months ended	March 31, 2023	March 31, 2022
Prepaid expenses and other assets	$ (2,325)	$ (3,084)
Resident and other receivables	(442)	67
Tenant rental deposits	1,012	(151)
Due to related parties	669	(683)
Accounts payable and accrued liabilities	(1,791)	1,141
	$ (2,877)	$ (2,710)

22. Unit-based compensation

Executives

Deferred Units

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

Three months ended	March 31, 2023	March 31, 2022
Opening balance	271,176	210,152
Granted	27,000	40,000
Distribution equivalents	2,134	1,149
Closing balance	300,310	251,301

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

Three months ended	March 31, 2023	March 31, 2022
Opening balance	$ 2,720	$ 2,890
Unit-based compensation expense	339	291
Fair value loss (gain)	42	(59)
Closing balance	$ 3,101	$ 3,122

Performance Units

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

Three months ended	March 31, 2023	March 31, 2022
Opening balance	31,750	—
Distribution equivalents	165	—
Closing balance	31,915	—

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

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

Three months ended	March 31, 2023	March 31, 2022
Opening balance	$ —	$ —
Unit-based compensation expense	36	—
Fair value loss	20	—
Closing balance	$ 56	$ —

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, 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
Balance, December 31, 2022	129,495	$ 1,819
Granted and vested	8,839	129
Distribution equivalents	1,019	16
Fair value loss	—	92
Balance, March 31, 2023	139,353	$ 2,056

23. Subsequent event

On April 27, 2023, the REIT refinanced the variable rate mortgage of $46,158 secured by the Niagara West property with a $61,237 CMHC-insured 3.87% fixed rate mortgage and a 10-year term. The net proceeds were used to repay a portion of the credit facility.