Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 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		June 30, 2023		December 31, 2022
Assets					
Investment properties	3	$	2,574,302	$	2,611,094
Loans receivable from related parties	12		109,327		98,302
Prepaid expenses and other assets	6		26,847		16,806
Resident and other receivables	7		3,756		3,287
Cash			6,046		5,323
		$	2,720,278	$	2,734,812
Liabilities and Unitholders' Equity					
Liabilities					
Class B LP Units	8	$	386,840	$	361,858
Class C LP Units	9		204,962		208,086
Mortgages and loan	10		820,305		746,320
Credit facility	11		123,831		157,158
Tenant rental deposits			11,768		10,474
Due to related parties	12		3,497		2,936
Accounts payable and accrued liabilities	13		32,546		34,443
		$	1,583,749	$	1,521,275
Unitholders' equity			1,136,529		1,213,537
Contingencies and commitments	18				
		$	2,720,278	$	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 (Loss) Income and Comprehensive (Loss) Income

For the three and six months ended June 30, 2023 and 2022

Unaudited

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

		Three months ended June 30,		Six months ended June 30,	
	Note	**2023**	**2022**	**2023**	**2022**
Revenue from investment properties	16	$ 39,401	$ 35,510	$ 77,804	$ 68,036
Property operating expenses					
Property operating costs		8,051	7,260	15,494	13,740
Property taxes		3,917	3,709	7,925	7,374
Utilities		2,861	2,702	7,077	6,297
		14,829	13,671	30,496	27,411
Property operating income		24,572	21,839	47,308	40,625
Other expenses (income)					
General and administrative		2,857	2,514	5,613	4,495
Finance costs - operations	17	15,643	10,570	29,466	19,483
Finance income		(1,796)	(1,107)	(3,425)	(2,095)
Fair value loss (gain) on:					
Investment properties	3	45,700	2,325	59,203	(12,070)
Class B LP Units	8, 17	6,696	(172,772)	24,982	(182,335)
Interest rate swap	6, 17	(656)	(776)	(246)	(2,083)
Unit-based compensation	22	40	(1,867)	194	(1,967)
Loss on disposition		—	—	348	—
Fees and other income		(903)	(585)	(1,591)	(980)
		67,581	(161,698)	114,544	(177,552)
Net (loss) income and comprehensive (loss) income		$ (43,009)	$ 183,537	$ (67,236)	$ 218,177

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 six months ended June 30, 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			—		—		218,177		218,177
Distributions	14		—		(9,516)		—		(9,516)
Balance, June 30, 2022		$	714,121	$	(56,791)	$	561,332	$	1,218,662
Balance, December 31, 2022		$	710,873	$	(66,375)	$	569,039	$	1,213,537
Net loss and comprehensive loss			—		—		(67,236)		(67,236)
Distributions	14		—		(9,772)		—		(9,772)
Balance, June 30, 2023		$	710,873	$	(76,147)	$	501,803	$	1,136,529

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 six months ended June 30, 2023 and 2022

Unaudited

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

	Note	June 30, 2023	June 30, 2022
Cash provided by (used in):			
Operating activities			
Net (loss) income		$ (67,236)	$ 218,177
Adjustments for:			
Finance costs - operations	17	29,466	19,483
Finance income		(3,425)	(2,095)
Loss on disposition		348	—
Fair value loss (gain) on:			
Investment properties	3	59,203	(12,070)
Class B LP Units	8, 17	24,982	(182,335)
Interest rate swap	6, 17	(246)	(2,083)
Unit-based compensation	22	194	(1,967)
Change in non-cash working capital	21	(2,692)	(5,008)
Cash provided by operating activities		40,594	32,102
Financing activities			
Proceeds from mortgage financing	10	317,122	34,623
CMHC premiums paid		(9,331)	(882)
Financing costs	10	(2,579)	(416)
Mortgage payments on refinancing	10	(231,435)	(16,300)
Principal repayments on mortgages	10	(6,752)	(6,912)
Net (repayments) proceeds from credit facility	11	(33,327)	59,062
Proceeds from construction loan	10	6,112	2,320
Distributions on Class B LP Units		(6,309)	(5,762)
Distributions on Class C LP Units, used to repay principal	9	(2,825)	(2,738)
Distribution on Units		(9,772)	(9,516)
Interest paid		(22,438)	(13,721)
Cash (used in) provided by financing activities		(1,534)	39,758
Investing activities			
Acquisition of investment properties		—	(28,761)
Capital additions to investment properties		(24,972)	(24,843)
Net loan advances to related parties	12	(8,959)	(11,100)
Development of investment properties		(8,579)	(6,467)
Net proceeds on disposition of investment property	4	2,885	—
Interest received		1,288	893
Cash used in investing activities		(38,337)	(70,278)
Change in cash during the period		723	1,582
Cash, beginning of the period		5,323	2,851
Cash, end of the period		$ 6,046	$ 4,433

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 has been 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 June 30, 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 August 8, 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 June 30, 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 and six months ended June 30, 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 six months ended June 30, 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								
Acquisition		186,579		12,702		—		**199,281**
Capital expenditures		21,438		25		—		**21,463**
Development expenditures		—		—		6,512		**6,512**
Fair value gain (loss)		11,957		264		(151)		**12,070**
Balance, June 30, 2022	$	2,526,467	$	31,841	$	41,583	$	**2,599,891**
Balance, December 31, 2022		2,525,455		27,828		57,811		**2,611,094**
Additions								
Capital expenditures		19,234		313		—		**19,547**
Development expenditures		—		—		12,911		**12,911**
Disposition (Note 4)		(9,920)		—		—		**(9,920)**
Other		(127)		—		—		**(127)**
Fair value loss		(58,602)		(601)		—		**(59,203)**
Balance, June 30, 2023	$	2,476,040	$	27,540	$	70,722	$	**2,574,302**

For the six months ended June 30, 2023, the REIT capitalized $1,234 (June 30, 2022 - $284) 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 6.73% (June 30, 2022 - 2.92%). 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 June 30, 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 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 June 30, 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 six months ended June 30, 2023, the aggregate five-year estimated future capital expenditures deducted was $89,724 (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:

	June 30, 2023			December 31, 2022		
	Min	Max	Weighted average	Min	Max	Weighted average
Capitalization rate	3.38%	4.75%	3.98%	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 June 30, 2023:

June 30, 2023	-3%	-1%	NOI	+1%	+3%
Capitalization rate					
-50 basis points	$ 2,756,754	$ 2,815,444	$ 2,844,789	$ 2,874,134	$ 2,932,825
-25 basis points	2,565,920	2,620,676	2,648,053	2,675,431	2,730,187
Base rate	2,399,067	2,450,382	2,476,040	2,501,697	2,553,012
+25 basis points	2,251,940	2,300,222	2,324,363	2,348,504	2,396,786
+50 basis points	2,121,238	2,166,825	2,189,618	2,212,412	2,257,999

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 six months ended June 30, 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

	June 30, 2023	December 31, 2022
Prepaid expenses	$ 7,891	$ 2,729
Prepaid CMHC premiums	14,341	8,825
Restricted cash	1,365	1,434
Deposits and other prepayments	306	1,120
Interest rate swap	2,944	2,698
	$ 26,847	$ 16,806
Current	7,792	3,812
Non-current	19,055	12,994
	$ 26,847	$ 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	June 30, 2023	December 31, 2022
Interest rate swap[1]	April 2026	3.38%	$42,360	$35,742	$ 2,944	$ 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:

Six months ended	June 30, 2023	June 30, 2022
Opening balance	$ 2,698	$ 307
Non-cash movement		
Fair value gain	246	2,083
Closing balance	$ 2,944	$ 2,390

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

7. Resident and other receivables

		June 30, 2023		December 31, 2022
Current				
Resident receivables	$	2,066	$	1,844
Other receivables		2,792		2,375
Less: Allowance for credit losses		(1,102)		(932)
	$	3,756	$	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			
Issued, April 22, 2022	2,985,956		60,974
Fair value gain	—		(182,335)
	2,985,956		(121,361)
Balance, June 30, 2022	25,755,029	$	377,054
Balance, December 31, 2022	25,755,029	$	361,858
Non-cash movement			
Fair value loss	—		24,982
Balance, June 30, 2023	25,755,029	$	386,840

For the three and six months ended June 30, 2023, distributions of $3,154 and $6,309 (June 30, 2022 - $3,058 and $5,762) to Class B LP Unitholders were declared and accounted for as finance costs.

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

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

9. Class C LP Units

		June 30, 2023		December 31, 2022
Class C LP Units	$	203,848	$	206,673
Unamortized mark-to-market adjustments		1,114		1,413
	$	204,962	$	208,086
Current		61,388		50,642
Non-current		143,574		157,444
	$	204,962	$	208,086

As at June 30, 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:

Six months ended		June 30, 2023		June 30, 2022
Opening balance	$	208,086	$	214,069
Cash flows				
Distributions used to repay principal		(2,825)		(2,738)
Non-cash movement				
Amortization of mark-to-market adjustments		(299)		(236)
		(3,124)		(2,974)
Closing balance	$	204,962	$	211,095

For the three and six months ended June 30, 2023, the REIT also made distributions of $1,603 and $3,209, respectively (June 30, 2022 - $1,647 and $3,295) 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 June 30, 2023, excluding unamortized mark-to-market adjustments, are due as follows:

2023	$	47,409
2024		50,499
2025		63,541
2026		1,283
2027		22,752
2028 and thereafter		18,364
	$	203,848

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 June 30, 2023, the current market rates plus risk-adjusted spreads ranged from 4.38% to 6.59% (December 31, 2022 - 4.29% to 5.91%) and the fair value of the Class C LP Units was $196,621 (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

	June 30, 2023			December 31, 2022		
	Weighted Average Interest Rate		Balance Outstanding	Weighted Average Interest Rate		Balance Outstanding
Mortgages - fixed rate	3.23%	$	812,841	3.03%	$	631,956
Mortgages - variable rate	—%		—	7.45%		108,378
Construction loan	2.39%		14,118	2.39%		8,006
			826,959			748,340
Unamortized mark-to-market adjustments			729			882
Unamortized deferred financing costs			(7,383)			(2,902)
		$	820,305		$	746,320
Current			42,165			238,800
Non-current			778,140			507,520
		$	820,305		$	746,320

Mortgages

The mortgages are secured by investment properties and mature at various dates between 2023 and 2033 (December 31, 2022 - 2023 and 2032). The fixed rate mortgages include a $35,742 (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 June 30, 2023, $14,118 (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		16,976
2024		33,820
2025		54,574
2026		84,742
2027		11,920
2028 and thereafter		624,927
	$	826,959

(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	34,623	2,320	36,943
Deferred financing costs incurred	(466)	—	(466)
Deferred financing CMHC premiums	(309)	—	(309)
Principal payments on refinancing	(16,300)	—	(16,300)
Principal repayments	(6,912)	—	(6,912)
	10,636	2,320	12,956
Non-cash movement			
Assumed on acquisition	108,378	—	108,378
Amortization of mark-to-market adjustment	(150)	—	(150)
Deferred financing amortization	210	—	210
	108,438	—	108,438
Balance, June 30, 2022	$ 745,194	$ 2,320	$ 747,514
Balance, December 31, 2022	738,314	8,006	746,320
Cash flows			
Issued	317,122	6,112	323,234
Deferred financing costs incurred	(2,579)	—	(2,579)
Deferred financing CMHC premiums	(2,332)	—	(2,332)
Principal payments on refinancing	(230,999)	—	(230,999)
Principal repayments	(6,752)	—	(6,752)
	74,460	6,112	80,572
Non-cash movement			
Assigned on disposition	(6,770)	—	(6,770)
Amortization of mark-to-market adjustment	(153)	—	(153)
Deferred financing amortization	336	—	336
	(6,587)	—	(6,587)
Balance, June 30, 2023	$ 806,187	$ 14,118	$ 820,305

As at June 30, 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 June 30, 2023, the current market rates plus risk-adjusted spreads ranged from 4.28% to 6.66% (December 31, 2022 - 4.25% to 5.87%) and the fair value of fixed rate mortgages and construction loan was $776,570 (December 31, 2022 - $595,760) and is considered level 2 within the fair value hierarchy.

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

11. Credit facility

		June 30, 2023		December 31, 2022
Committed	$	300,000	$	300,000
Available		281,510		267,115
Utilized				
Amounts drawn		123,831		157,158
Letter of credit		442		442
		124,273		157,600
Undrawn amount available	$	157,237	$	109,515

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 June 30, 2023, the weighted average variable interest rate was 7.02% (December 31, 2022 - 6.47%). Given the variable nature of the credit facility, its carrying value approximates its fair value.

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

Six months ended		June 30, 2023		June 30, 2022
Opening balance	$	157,158	$	51,754
Cash flows				
Issued		43,673		69,062
Repayments		(77,000)		(10,000)
		(33,327)		59,062
Closing balance	$	123,831	$	110,816

As at June 30, 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 which are recorded at exchange value. 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 six months ended June 30, 2023, the REIT incurred $565 and $1,130 (June 30, 2022 - $565 and $1,130) 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	June 30, 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	32,926	25,550
810 Kingsway, Vancouver, BC ("810 Kingsway")	MPI	19,650	6% per annum August 1, 2024	17,415	15,357
3958 Shelbourne Street, Victoria, BC ("University Heights")	MPI	51,700	7% per annum December 31, 2026	14,323	12,893
		166,750		108,664	97,584
Loan receivable	Management	700	Variable per annum[1] April 27, 2032	663	718
		$ 167,450		$ 109,327	$ 98,302
Current				44,000	30,000
Non-current				65,327	68,302
				$ 109,327	$ 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 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 June 30, 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 maturity date of the loan to January 31, 2024. The interest rate on the loan, which for the six months ended June 30, 2023 was 6% per annum, was also amended and effective July 1, 2023, it was 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. On June 7, 2023, the Fifth and Bank loan agreement was further amended to terminate REIT's purchase option for the property.

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

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

Six months ended		**June 30, 2023**		**June 30, 2022**
Opening balance	$	98,302	$	63,312
Cash flows				
Advances		9,004		11,100
Principal payment received		(45)		—
Interest received		(1,187)		(893)
		7,772		10,207
Non-cash movement				
Interest earned		3,253		2,088
		11,025		12,295
Closing balance	$	109,327	$	75,607

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 June 30, 2023, the current market rates plus risk-adjusted spreads ranged from 8.75% to 9.75% (December 31, 2022 - 8.50% to 9.50%) and the fair value of the loans receivable relating to projects was $104,537 (December 31, 2022 - $93,441) and is considered level 2 within the fair value hierarchy.

(c) Due to related parties

Item	**Related Parties**		**June 30, 2023**		**December 31, 2022**
Current					
Class B LP Units distributions	MPI affiliates and a limited partnership wholly-owned by MPI	$	1,052	$	1,052
Class C LP Units distributions	Limited partnership wholly-owned by MPI		530		546
Property operating costs payable	MPI and its affiliates		342		493
Development costs and fees	Affiliate of MPI		2,002		1,357
Unit distribution	MPI		37		37
			3,963		3,485
Rental and service revenue receivable	MPI and its affiliates		(466)		(549)
		$	3,497	$	2,936

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

(d) Revenue, expenses, capital expenditures and distributions

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
Revenue from MPI, its affiliates and jointly-owned limited partnerships				
Rental and service revenue	$ 141	$ 161	$ 303	$ 257
Interest income on loans advanced	1,675	1,101	3,253	2,088
Expenses and distributions to MPI, its affiliates, its wholly-owned and jointly-owned limited partnerships				
Property operating expenses	309	189	586	391
Development costs and fees	1,824	1,885	4,449	1,975
Distributions on Class B LP Units (finance costs)	3,154	3,058	6,309	5,762
Distributions on Class C LP Units (finance costs)	1,603	1,647	3,209	3,295
Distributions on Class C LP Units (principal)	1,410	1,365	2,825	2,738
Distributions on Units	110	106	220	212
Compensation of key management personnel				
Paid to executives	226	188	1,156	353
Unit-based compensation				
Executives	364	585	739	876
Trustees in lieu of annual retainer and meeting fees	142	126	287	318

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

	June 30, 2023	December 31, 2022
Accounts payable	$ 5,389	$ 4,711
Accrued liabilities	14,147	18,457
Distributions payable	1,592	1,592
Unit-based compensation	5,759	4,539
Forgivable loan	5,659	5,144
	$ 32,546	$ 34,443
Current	26,306	28,689
Non-current	6,240	5,754
	$ 32,546	$ 34,443

14. Units

The Declaration of Trust authorizes the issue of an unlimited number of Units. As of June 30, 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 and six months ended June 30, 2023, distributions to Unitholders of $4,886 and $9,772 (June 30, 2022 - $4,758 and $9,516) were declared, representing monthly distributions of $0.04083 (2022 - $0.03958) per Unit for the months of January to June.

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

15. Segment reporting

The REIT owns, manages and operates 31 (December 31, 2022 - 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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Rental revenue	$ 32,321	$ 29,219	$ 62,740	$ 54,925
Revenue from services	7,080	6,291	15,064	13,111
	$ 39,401	$ 35,510	$ 77,804	$ 68,036

17. Finance costs

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Interest expense on mortgages & loan	$ 6,879	$ 5,300	$ 13,574	$ 9,568
Interest expense & standby fees on credit facility	2,853	773	5,699	1,211
Amortization of financing charges	273	170	533	317
Amortization of mark-to-market adjustments	(227)	(191)	(403)	(386)
Capitalized interest	(671)	(187)	(1,234)	(284)
Debt retirement costs	1,779	—	1,779	—
Interest expense & other financing charges	10,886	5,865	19,948	10,426
Distributions on Class B LP Units (Note 8)	3,154	3,058	6,309	5,762
Distributions on Class C LP Units (Note 9)	1,603	1,647	3,209	3,295
Finance costs - operations	$ 15,643	$ 10,570	$ 29,466	$ 19,483
Fair value loss (gain) on:				
Class B LP Units (Note 8)	6,696	(172,772)	24,982	(182,335)
Interest rate swap (Note 6)	(656)	(776)	(246)	(2,083)
Finance costs	$ 21,683	$ (162,978)	$ 54,202	$ (164,935)

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 June 30, 2023, the remaining unforgiven balance of the loan is $12,240 (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 June 30, 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 June 30, 2023, the REIT has committed to advance an additional $41,083 (December 31, 2022 - $50,087) to related parties in order to support the development of several projects and an additional $17,003 (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 June 30, 2023, the maximum potential obligation resulting from this guarantee is $12,510 (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 June 30, 2023, the REIT has a committed variable rate credit facility of $300,000 (December 31, 2022 - $300,000) with an availability of $281,510 (December 31, 2022 - $267,115) and outstanding balance of $123,831 (December 31, 2022 - $157,158). A 1% change in prevailing interest rates would change annualized interest charges incurred by $1,238 (December 31, 2022 - $1,572).

(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 June 30, 2023 would have a $3,868 (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 is recorded for the ECL.

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 June 30, 2023, current liabilities of $145,114 (December 31, 2022 - $331,531) exceeded current assets of $61,594 (December 31, 2022 - $42,422), resulting in a net working capital deficit of $83,520 (December 31, 2022 - $289,109). Current liabilities as of June 30, 2023 include $85,551 (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 June 30, 2023, liquidity was $163,283 (December 31, 2022 - $114,838) consisting of cash of $6,046 (December 31, 2022 - $5,323) and $157,237 (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	$ 16,976	$ 33,820	$ 54,574	$ 84,742	$ 11,920	$ 610,809	$ 812,841
Construction loan	—	—	—	—	—	14,118	14,118
	16,976	33,820	54,574	84,742	11,920	624,927	826,959
Credit facility	—	—	123,831	—	—	—	123,831
Class C LP Units	47,409	50,499	63,541	1,283	22,752	18,364	203,848
Interest obligation[1]	32,561	37,762	30,838	23,059	21,846	73,328	219,394
Tenant rental deposits	11,758	—	—	—	10	—	11,768
Due to related parties	3,497	—	—	—	—	—	3,497
Accounts payable and accrued liabilities	25,700	645	392	110	—	5,699	32,546
	$ 137,901	$ 122,726	$ 273,176	$ 109,194	$ 56,528	$ 722,318	$ 1,421,843

[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:

	June 30, 2023	December 31, 2022
Liabilities (principal amounts outstanding):		
Class B LP Units	$ 386,840	$ 361,858
Class C LP Units	203,848	206,673
Mortgages	812,841	740,334
Construction loan	14,118	8,006
Credit facility	123,831	157,158
	1,541,478	1,474,029
Unitholders' equity	1,136,529	1,213,537
	$ 2,678,007	$ 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:

Six months ended		June 30, 2023		June 30, 2022
Prepaid expenses and other assets	$	(4,893)	$	(7,353)
Resident and other receivables		(398)		(874)
Tenant rental deposits		1,311		175
Due to related parties		577		788
Accounts payable and accrued liabilities		711		2,256
	$	(2,692)	$	(5,008)

22. Unit-based compensation

Executives

Deferred Units

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

Six months ended	June 30, 2023	June 30, 2022
Opening balance	271,176	210,152
Granted	27,000	80,910
Distribution equivalents	4,631	3,012
Closing balance	302,807	294,074

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

Six months ended		June 30, 2023		June 30, 2022
Opening balance	$	2,720	$	2,890
Unit-based compensation expense		664		876
Fair value loss (gain)		8		(1,232)
Closing balance	$	3,392	$	2,534

Performance Units

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

Six months ended	June 30, 2023	June 30, 2022
Opening balance	31,750	—
Distribution equivalents	430	—
Closing balance	32,180	—

(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:

Six months ended	June 30, 2023	June 30, 2022
Opening balance	$ —	$ —
Unit-based compensation expense	75	—
Fair value loss	53	—
Closing balance	$ 128	$ —

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	16,195	295
Distribution equivalents	1,184	23
Fair value gain	—	(735)
Balance, June 30, 2022	109,917	$ 1,608
Balance, December 31, 2022	129,495	$ 1,819
Granted and vested	17,382	254
Distribution equivalents	2,178	33
Fair value loss	—	133
Balance, June 30, 2023	149,055	$ 2,239