


Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

minto
Apartment REIT

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Minto Apartment Real Estate Investment Trust,

Opinion

We have audited the consolidated financial statements of Minto Apartment Real Estate Investment Trust (the "Entity"), which comprise:

- the consolidated balance sheets as at December 31, 2023 and December 31, 2022
- the consolidated statements of net (loss) income and comprehensive (loss) income for the years then ended
- the consolidated statements of changes in unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Evaluation of the fair value of residential investment properties

Description of the matter

We draw attention to Note 2(e), Note 2(q) and Note 3 of the financial statements. The Entity uses the fair value method to account for real estate classified as investment property. The Entity has recorded residential investment properties for an amount of $2,339,678 thousand, representing the most significant portion of investment properties. Significant assumptions in determining the fair value of residential properties include:

- estimated 12-month stabilized forecasted net operating income for each property.
- capitalization rates.

Why the matter is a key audit matter

We identified the evaluation of the fair value of residential investment properties as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of residential investment properties and the high degree of estimation uncertainty in determining the fair value of residential investment properties. Additionally, significant auditor judgment and involvement of those with specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the fair value of residential investment properties to minor changes in significant assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

For a selection of residential investment properties, we assessed the Entity's ability to forecast by comparing the Entity's estimated 12-month stabilized forecasted net operating income used in the prior year's estimate of the fair value of residential investment properties to actual results.

For a selection of residential investment properties, we compared the estimated 12-month stabilized forecasted net operating income for each selected property to the actual historical net operating income by:

- taking into account the changes in conditions and events affecting the residential investment properties.
- considering the adjustments, or lack of adjustments, made by the Entity in arriving at the estimated 12-month stabilized forecasted net operating income.

We involved valuations professionals with specialized skills and knowledge who assisted in evaluating the capitalization rates of the overall portfolio of residential investment properties. These rates were evaluated by comparing them to published reports of real estate industry commentators and considering the various characteristics of the portfolio.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document entitled "2023 Annual Report."

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the 2023 Annual Report as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Amit Shah.

Toronto, Canada
March 6, 2024

Minto Apartment Real Estate Investment Trust
Consolidated Balance Sheets

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

	Note	December 31, 2023	December 31, 2022
Assets			
Investment properties	3	$ 2,454,533	$ 2,611,094
Assets held for sale	3,5	86,000	—
Loans receivable from related parties	13	133,286	98,302
Prepaid expenses and other assets	7	21,354	16,806
Resident and other receivables	8	3,207	3,287
Cash		3,740	5,323
		$ 2,702,120	$ 2,734,812
Liabilities and Unitholders' Equity			
Liabilities			
Class B LP Units	9	$ 416,716	$ 361,858
Class C LP Units	10	227,411	208,086
Mortgages and loan	11	789,817	746,320
Credit facility	12	140,236	157,158
Tenant rental deposits		11,318	10,474
Due to related parties	13	3,202	2,936
Accounts payable and accrued liabilities	14	36,039	34,443
		$ 1,624,739	$ 1,521,275
Unitholders' equity		1,077,381	1,213,537
Contingencies and commitments	19		
Subsequent event	25		
		$ 2,702,120	$ 2,734,812

See accompanying notes to the consolidated financial statements.

Minto Apartment Real Estate Investment Trust
Consolidated Statements of Net (Loss) Income and Comprehensive (Loss) Income

For the years ended December 31, 2023 and 2022

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

	Note	December 31, 2023	December 31, 2022
Revenue from investment properties	17	$ 157,925	$ 143,790
Property operating expenses			
Property operating costs		29,568	28,387
Property taxes		16,187	15,116
Utilities		13,002	12,491
		58,757	55,994
Property operating income		99,168	87,796
Other expenses (income)			
General and administrative		10,446	9,303
Finance costs - operations	18	56,669	44,590
Finance income		(7,381)	(4,818)
Fair value loss (gain) on:			
Investment properties	3	101,627	18,828
Class B LP Units	9, 18	54,858	(197,531)
Interest rate swap	7, 18	751	(2,391)
Unit-based compensation	23	596	(2,246)
Loss on disposition		1,402	—
Fees and other income		(3,141)	(3,339)
		215,827	(137,604)
Net (loss) income and comprehensive (loss) income		$ (116,659)	$ 225,400

See accompanying notes to the consolidated financial statements.

Minto Apartment Real Estate Investment Trust

Consolidated Statements of Changes in Unitholders' Equity

For the years ended December 31, 2023 and 2022

(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		—	—	225,400	225,400
Distributions	15	—	(19,100)	—	(19,100)
Cancellation of Units under normal course issuer bid	15	(3,248)	—	484	(2,764)
Balance, December 31, 2022		$ 710,873	$ (66,375)	$ 569,039	$ 1,213,537
Net loss and comprehensive loss		—	—	(116,659)	(116,659)
Distributions	15	—	(19,645)	—	(19,645)
Units issued, net of issue costs	15	148	—	—	148
Balance, December 31, 2023		$ 711,021	$ (86,020)	$ 452,380	$ 1,077,381

See accompanying notes to the consolidated financial statements.

Minto Apartment Real Estate Investment Trust

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

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

	Note	December 31, 2023	December 31, 2022
Cash provided by (used in):			
Operating activities			
Net (loss) income		$ (116,659)	$ 225,400
Adjustments for:			
Finance costs - operations	18	56,669	44,590
Finance income		(7,381)	(4,818)
Loss on disposition		1,402	—
Fair value loss (gain) on:			
Investment properties	3	101,627	18,828
Class B LP Units	9, 18	54,858	(197,531)
Interest rate swap	7, 18	751	(2,391)
Unit-based compensation	23	596	(2,246)
Change in non-cash working capital	22	1,103	667
Cash provided by operating activities		92,966	82,499
Financing activities			
Proceeds from mortgage financing	11	317,122	34,623
Proceeds from issuance of Class C LP Units	10	25,774	—
CMHC premiums paid		(10,812)	(882)
Financing costs		(3,169)	(537)
Mortgage payments on refinancing	11	(230,999)	(16,300)
Principal repayments on mortgages	11	(14,036)	(13,901)
Net (repayments) proceeds from credit facility	12	(16,922)	105,404
Proceeds from construction loan	11	7,149	8,006
Forgivable loan transferred from restricted cash		—	1,350
Distributions on Class B LP Units		(12,651)	(11,791)
Distributions on Class C LP Units, used to repay principal	10	(5,518)	(5,510)
Distribution on Units		(19,597)	(19,058)
Interest paid		(43,960)	(32,981)
Purchase and cancellation of Units	15	—	(2,764)
Cash (used in) provided by financing activities		(7,619)	45,659
Investing activities			
Acquisition of investment properties	4	—	(28,761)
Capital additions to investment properties		(48,087)	(49,203)
Net loan advances to related parties	13	(30,541)	(32,040)
Development of investment properties		(21,141)	(17,550)
Net proceeds on disposition of investment property	5	9,901	—
Interest received		2,938	1,868
Cash used in investing activities		(86,930)	(125,686)
Change in cash during the year		(1,583)	2,472
Cash, beginning of the year		5,323	2,851
Cash, end of the year		$ 3,740	$ 5,323

See accompanying notes to the consolidated financial statements.

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

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 December 31, 2023, the REIT's portfolio consists of interests in 29 (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. Material accounting policies

(a) Basis of presentation and measurement

These consolidated financial statements have been prepared on a historical cost basis, except for investment properties, Class B units of the Partnership ("Class B LP Units"), Unit-based compensation and interest rate swap, which have been measured at fair value. The consolidated 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, high interest rates and inflation. The REIT has used all information available as at December 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 consolidated financial statements for the year ended December 31, 2023. 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 20) 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.

(b) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "IFRS Accounting Standards") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

These consolidated financial statements were approved by the Board of Trustees of the REIT and authorized for issuance on March 6, 2024.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the REIT and its subsidiaries, including the Partnership. Subsidiaries are consolidated from the date of acquisition, being the date on which the REIT obtains control, and continue to be consolidated until the date when control is lost. Control exists when the REIT is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The accounting policies of subsidiaries have been modified when necessary to align them with the policies adopted by the REIT. All intra-group balances, transactions and unrealized gains and losses are eliminated in full upon consolidation.

(d) Joint arrangements

The REIT has joint arrangements in and therefore joint control of certain investment properties which it manages. The REIT has assessed the nature of its joint arrangements and determined them to be joint operations. The REIT accounts for joint operations by recognizing, in relation to its interest, its share of revenues, expenses, assets and liabilities, which are included in their respective captions on the consolidated balance sheets and consolidated statements of net income and comprehensive income. All balances and effects of transactions between joint operations and the REIT have been eliminated to the extent of the REIT's interest in the joint operations.

(e) Investment properties

The REIT uses the fair value method to account for real estate classified as investment property. Property that is held for long term rentals or for capital appreciation or both is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property and land held for future development to earn rental income. Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably. All repairs and maintenance costs are expensed as incurred.

The acquisition of investment properties is initially measured at cost including directly attributable acquisition costs, except when acquired through a business combination, where such costs are expensed as incurred. Directly attributable acquisition costs include professional fees, land transfer taxes and other transaction costs.

After initial recognition, investment properties are carried at fair value, which is determined based on available market evidence at each reporting date, including capitalization rates that reflect the characteristics, location and market of each property. Gains or losses arising from changes in fair value are included in the consolidated statements of net income and comprehensive income during the period in which they arise. When an investment property is disposed of, the gain or loss is determined as the difference between the disposal proceeds, net of selling costs and the carrying amount of the property and is recognized in the consolidated statements of net income and comprehensive income in the period of disposal.

Fair value for residential properties is predominantly determined using the direct capitalization approach. This approach applies an appropriate capitalization rate, which reflects the characteristics, location and market of each property to the estimated 12 month stabilized forecasted net operating income for each property, and deducting estimated aggregate future capital expenditures. Estimated 12 month stabilized forecasted net operating income is based on the respective property's forecasted results, adjusted to reflect market occupancy rates and expenditure levels. Fair value is determined based on internal valuation models.

Fair value for commercial properties is determined using the discounted future cash flow approach, typically over a term of ten years plus a terminal value. Discount rates and terminal capitalization rates reflect the characteristics, location and market of each property. Future cash flows are based on estimated rental revenue from future leases less related estimated future cash outflows. Fair value is determined based on internal valuation models.

Fair value for land held for development is determined by reference to comparable market prices for similar assets.

Fair value for land under development is determined by reference to comparable market prices for similar assets plus development costs incurred to date. These costs include costs directly attributable to the development, construction costs, property taxes, directly attributable labour costs and borrowing costs on both specific and general debt. Direct and indirect borrowing costs, development costs and property taxes are capitalized when the activities necessary to prepare an asset for development or redevelopment begin, and continue until the date that construction is substantially complete and all necessary occupancy and related permits have been received, whether or not the space is leased. Capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.

Interest is capitalized using the REIT's weighted average cost of borrowing after adjusting for borrowing associated with specific developments. Where borrowing is associated with specific developments, the amount capitalized is the gross interest incurred on such borrowing less any investment income arising on temporary investment of such borrowing.

As part of the internal valuation process, the REIT considers external valuations performed by independent national real estate valuation firms for a cross-section of its properties that represent different geographical locations across the REIT's portfolio. On a quarterly basis, Management reviews and updates, as deemed necessary, the valuation models to reflect current market data.

(f) Financial instruments

Financial instruments are generally measured at fair value on initial recognition. The classification and measurement of financial assets consists of the following categories: (i) measured at amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income (''FVTOCI''). Financial assets classified at amortized cost are measured using the effective interest method. Financial assets classified as FVTPL are measured at fair value with gains and losses recognized in the consolidated statements of net income and comprehensive income. Financial assets classified as FVTOCI are measured at fair value with gains or losses recognized through other comprehensive income, except for gains and losses pertaining to impairment or foreign exchange which are recognized through the consolidated statements of net income and comprehensive income.

The classification and measurement of financial liabilities consists of the following categories: (i) measured at amortized cost and (ii) FVTPL. Financial liabilities classified at amortized cost are measured using the effective interest method. Financial liabilities classified as FVTPL are measured at fair value with changes in fair value attributable to changes in the credit risk of the liability recognized in other comprehensive income, and the remaining amount of change in fair value recognized in the consolidated statements of net income and comprehensive income.

The REIT has made the following classifications for its financial instruments:

Amount	Measurement
Loans receivable from related parties	Amortized cost
Restricted cash	Amortized cost
Interest rate swap	FVTPL
Resident and other receivables	Amortized cost
Cash	Amortized cost
Class B LP Units	FVTPL
Class C LP Units	Amortized cost
Mortgages and loans	Amortized cost
Credit facility	Amortized cost
Tenant rental deposits	Amortized cost
Due to related parties	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

The REIT derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The REIT derecognizes a financial liability when, and only when, the REIT's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statements of net income and comprehensive income.

Transaction costs other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method. These costs include interest, amortization of discounts or premiums relating to borrowings, fees and commissions paid to agents, brokers and advisers, transfer taxes and duties, and a portion of Canada Mortgage and Housing Corporation ("CMHC") insurance premiums related to current mortgages.

Units

Trust units of the REIT ("Units") are redeemable at the holder's option and therefore are considered to be a puttable instrument in accordance with IAS 32, *Financial Instruments: Presentation* ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case the puttable instruments may be presented as equity. The Units meet the exemption conditions of IAS 32 and are presented as equity.

Units represent a Unitholder's proportionate undivided beneficial interest in the REIT. No Unit has any preference or priority over another. No Unitholder has or is deemed to have any right of ownership in any of the assets of the REIT. Each Unit confers the right to one vote at any meeting of Unitholders and to participate pro rata in any distributions and, on liquidation, to a pro rata share of the residual net assets remaining after preferential claims thereon of debtholders.

The REIT does not report an earnings per unit calculation, as per IAS 33, *Earnings Per Share*, as the Units meet the definition of a financial liability under IAS 32.

Unitholders have the right to redeem their Units at the lesser of (i) 90% of the market price of the Units and (ii) 100% of the closing market price on the redemption date. The redemption price will be satisfied by cash up to a limit of $50 for all redemptions in a calendar month, which can be waived at the discretion of the REIT's Trustees.

Class B LP Units

The Class B LP Units are economically equivalent to Units, receive distributions equal to the distributions paid on Units and are exchangeable at the holder's option into Units. One Special Voting Unit in the REIT is issued to the holder of Class B LP Units for each Class B LP Unit held, which entitles the holder to one vote per Special Voting Unit at any meeting of the Unitholders. The limited IAS 32 exception for presentation as equity does not extend to the Class B LP Units. As a result, the Class B LP Units have been classified as financial liabilities and are measured at FVTPL. The fair value of the Class B LP Units is measured every period by reference to the traded value of the Units, with changes in measurement recorded in the consolidated statements of net income and comprehensive income. Distributions on the Class B LP Units are recorded as a finance cost in the consolidated statements of net income and comprehensive income in the period in which the distributions become payable.

Class C LP Units

The Class C units of the Partnership ("Class C LP Units") provide for monthly distributions from the Partnership to the holder of such Class C LP Units to be paid in priority to distributions to holders of the Units and Class B LP Units. Due to the nature of such distributions, the Class C LP Units have been classified as financial liabilities and are carried at amortized cost. Distributions on the Class C LP Units consist of principal repayments and interest expense, with principal repayments reducing the outstanding liability and interest expense recorded in finance costs in the consolidated statements of net income and comprehensive income in the period in which the distributions become payable.

Impairment of financial assets

The REIT has adopted the practical expedient to estimate the expected credit loss ("ECL") on resident and other receivables using a provision matrix based on historical credit loss experience adjusted for current and forecasted future economic conditions. Resident and other receivables are initially measured at fair value and are subsequently measured at amortized cost less a provision for impairment.

The REIT recognizes loss allowances for ECL on the remaining financial assets measured at amortized cost, unfunded loan commitments and financial guarantee contracts. The REIT applies a three-stage approach to measure allowance for credit losses. The REIT measures loss allowance at an amount equal to 12 months of expected losses for performing loans if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses which are credit impaired (Stage 3). The determination of a significant increase in credit risk takes into account different factors and varies by nature of investment. The REIT assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due or certain criteria are met which are specific to the individual borrower based on judgment. The REIT considers a financial asset to be credit impaired when the borrower is more than 90 days past due and when there is objective evidence that there has been a deterioration of credit quality to the extent the REIT no longer has reasonable assurance as to the timely collection of the full amount of principal and interest or when the REIT has commenced enforcement remedies available to it under its contractual agreements.

Measurement of ECL

Loss allowances for ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the REIT in accordance with the contract and the cash flows that the REIT expects to receive) and incorporate significant assumptions including the probability of default as well as the estimated loss given default. ECLs are discounted at the effective interest rate of the financial asset.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the REIT is exposed to credit risk.

The determination of ECLs of a collateralized impaired loan reflects the expected realization of the underlying security, net of expected costs and any amounts legally required to be paid to the borrower.

When determining the allowance for ECLs, the REIT considers reasonable and supportable information that is relevant and available without undue cost or effort. Management considers past events, current market conditions and reasonable forward-looking supportable information about future economic conditions. In assessing information about possible future economic conditions, management utilized multiple economic scenarios including a base case, which represents the most probable outcome and is consistent with management's view of the financial asset. In considering the lifetime of a loan, the contractual period of the loan, including prepayment, extension and other options is generally used.

The estimation of ECLs also includes assumptions about local real estate market conditions, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary.

(g) Fair value measurement

The REIT measures financial instruments, such as Class B LP Units, interest rate swap and Unit-based compensation, and non-financial assets, such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the REIT.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The REIT uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the REIT determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash, restricted cash, resident and other receivables, due to related parties, tenant rental deposits and accounts payable and accrued liabilities are carried at amortized cost, which, due to their short term nature, approximates fair value. Additionally, the credit facility is carried at amortized cost, which, due to its variable rate, approximates fair value.

The REIT estimates the fair value of its mortgages and Class C LP Units based on the rates that could be obtained for similar debt instruments with similar terms and maturities. Their fair value qualifies as level 2 in the fair value hierarchy above.

The fair value of Class B LP Units and Unit-based compensation is measured every period by reference to the traded value of Units and is considered Level 2 in the fair value hierarchy.

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 fair value of the loans receivable from related parties is determined by reference to rates that could be obtained for similar instruments with similar terms and maturities and is considered level 2 in the fair value hierarchy.

There were no transfers of assets or liabilities between fair value levels during the periods presented herein.

(h) Assets held for sale

Investment properties are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use as defined in IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Investment properties classified as held for sale are recorded at fair value in accordance with the valuation policies described in Note 2(e).

(i) CMHC premiums

CMHC mortgage insurance premiums provide coverage over the loan amortization period, typically 25 to 45 years. The portion related to the term of currently outstanding mortgages is accounted for as a financing charge and amortized over the life of respective mortgages using the effective interest method. The remaining portion of the CMHC mortgage insurance premiums is classified as a prepaid expense.

(j) Cash

Cash includes cash on hand and cash maintained in bank accounts.

(k) Income taxes

The REIT is a "mutual fund trust" and a "real estate investment trust" as defined in the Income Tax Act (Canada). Under current tax legislation, a “real estate investment trust” is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to Unitholders. The REIT qualifies as a “real estate investment trust” and intends to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes. Accordingly, no net current tax expenses or current or deferred income tax asset or liability has been recorded in the consolidated financial statements.

(l) Revenue recognition

The REIT retains substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases.

Rental revenue includes base rents earned from tenants under operating lease agreements which is allocated to lease components based on relative stand-alone selling prices. The stand-alone selling prices of the rental component are determined using an adjusted market assessment approach and the stand-alone selling prices of the service components are determined using an expected cost plus a margin approach.

Rental revenue from the rental component is recognized on a straight-line basis over the lease term. When the REIT provides incentives to its tenants, the cost of incentives is recognized over the lease term, on a straight-line basis, as a reduction of revenue.

Revenue from services represents the service component of the REIT’s leases and is accounted for in accordance with IFRS 15, *Revenue from Contracts with Customers* (‘‘IFRS 15’’). These services consist primarily of the recovery of utility, property maintenance and amenity costs where the REIT has determined it is acting as a principal and is recognized over time when the services are provided. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are recorded as contract liabilities.

Management fees are earned from asset, project and property management of jointly controlled properties. Management fees are recorded in fees and other income as the services are provided. Payments for property management fees are due at the beginning of each month, asset management fees are due at the beginning of each quarter and project management fees are due 30 days in arrears.

(m) Finance costs

Finance costs are comprised of interest expense on secured debt and unsecured debt, amortization of mark-to-market adjustments and financing charges, debt retirement costs, distributions on Class B LP Units and Class C LP Units, fair value loss (gain) on Class B LP Units and fair value loss (gain) on an interest rate swap. Finance costs associated with financial liabilities presented at amortized cost are presented in the consolidated statements of net income and comprehensive income using the effective interest method.

(n) Unit-based compensation

The REIT maintains an Amended and Restated Omnibus Equity Incentive Plan (the "Plan") for its Trustees and executives pursuant to which eligible participants may receive Deferred Units, Performance Units, Restricted Units or other similar types of security based compensation. Awards under the Plan may be settled by Units issued from treasury or, if so elected by the participant and subject to the approval of the Plan Administrator, cash. The grant date value is recognized as part of general and administrative expenses over the vesting period, with a corresponding increase in liabilities over the service period related to the award. The grant date value is calculated using the market price of the Units on the grant date for Deferred Units and using a pricing model for Performance Units. Market price is defined as the volume weighted average closing price of the Units on the Toronto Stock Exchange for the five trading days immediately preceding such date. The grant date value estimate for Performance Units requires determination of relevant inputs to the pricing model. The liability is remeasured at each reporting date and settlement date using the closing market price of the Units as defined in the Plan or the updated pricing model as of the date of measurement. Any changes in the value of the liability are recognized as fair value adjustments through the consolidated statements of net income and comprehensive income.

(o) Government grant

The REIT receives financial assistance from the government to help fund the development and operation of affordable rental suites. Government grants are not recognized until there is reasonable assurance that the REIT will comply with the conditions attached to them and that the grants will be received. In accordance with IAS 20 – *Accounting for Government Grants and Disclosure of Government Assistance* ("IAS 20"), grant proceeds related to development properties will be recognized in profit or loss on a systematic basis over the periods in which the REIT recognizes revenue or incurs expenses.

(p) Significant judgments in applying accounting policies

The following are the significant judgments that have been made in applying the REIT's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

Investment property acquisitions

The REIT must assess whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, *Business Combinations* ("IFRS 3"). This assessment requires the REIT to make judgments on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, are capable of being conducted and managed as a business and the REIT obtains control of the business.

Income taxes

The REIT is a "mutual fund trust" and a "real estate investment trust" as defined in the Income Tax Act (Canada). The REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. The REIT is a "real estate investment trust" if it meets the prescribed conditions under the Income Tax Act (Canada) relating to the nature of its assets and revenue. The REIT uses judgment in reviewing the real estate investment trust conditions and assessing their interpretation and application to the REIT's assets and revenue, and it has determined that it qualifies as a "real estate investment trust" for the current period.

Interest in joint operations

The REIT assesses whether an arrangement should be accounted for as a joint operation or a joint venture under IFRS 11, *Joint Arrangements*. This assessment requires the REIT to make judgments on whether the REIT's rights and obligations arising from the arrangement constitute a joint operation or a joint venture.

Recognition of government grants

For acquired residential properties financed through forgivable loans, the REIT assesses whether throughout the remaining term of forgivable loans the REIT is expected to meet the conditions for forgiveness, that the outflow of economic resources is not probable and that in accordance with IAS 37 – *Provision, Contingent Liabilities and Contingent Assets* no financial liability is required to be recorded. For development properties financed through forgivable loans, the REIT assesses whether throughout the remaining term of the forgivable loans there is reasonable assurance that the REIT will meet the conditions for forgiveness. If they do, the balance to be forgiven is recognized over time in the consolidated statements of net income and comprehensive income.

(q) Significant accounting estimates and assumptions

The REIT makes estimates and assumptions that affect the carrying amounts of assets and liabilities and the reported amount of income for the period. Actual results could differ from estimates. The estimates and assumptions that have the most significant effect on the reported amounts in the consolidated financial statements include:

Residential Investment properties valuation

In applying the REIT's policy with respect to investment properties, significant accounting estimates and assumptions are required to determine the valuation of the residential properties under the fair value model. Significant accounting estimates and assumptions used in the REIT's internal valuation model include the estimated 12 month stabilized forecasted net operating income for each property and the capitalization rates that reflect the characteristics, location and market for each property.

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

(r) Adoption of new standards, amendments and interpretations

The following amended standards were adopted by the REIT when they became effective on January 1, 2023:

- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*
- *Definition of Accounting Estimates (Amendments to IAS 8)*

The adoption of these amendments did not have a material impact on the REIT's consolidated financial statements.

(s) Future changes in accounting standards

The following new and amended accounting standards are not expected to have a significant impact on the REIT's consolidated financial statements:

- *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*, effective on January 1, 2024
- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*, effective on January 1, 2024
- *Disclosure of Supplier Finance Arrangement (Amendments to IFRS 7 and IAS 7)*, effective on January 1, 2024
- *Lack of Exchangeability (Amendments to IAS 21)*, effective on January 1, 2025

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 (Note 4)	186,579	12,702	—	**199,281**
Capital expenditures	52,348	48	—	**52,396**
Development expenditures	—	—	18,395	**18,395**
Other	(715)	—	—	**(715)**
Fair value (loss) gain	(19,250)	(3,772)	4,194	**(18,828)**
Balance, December 31, 2022	$ 2,525,455	$ 27,828	$ 57,811	**$ 2,611,094**
Additions				
Capital expenditures	44,017	398	—	**44,415**
Development expenditures	—	—	28,950	**28,950**
Disposition (Note 5)	(42,170)	—	—	**(42,170)**
Transfer to assets held for sale	(86,000)	—	—	**(86,000)**
Other	(129)	—	—	**(129)**
Fair value (loss) gain	(101,495)	(1,254)	1,122	**(101,627)**
Balance, December 31, 2023	$ 2,339,678	$ 26,972	$ 87,883	**$ 2,454,533**

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

For the year ended December 31, 2023, the REIT capitalized $2,905 (December 31, 2022 - $1,051) 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 6.99% (December 31, 2022 - 4.52%). 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 December 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 experience in the location and category of the respective properties.

The REIT also engaged leading independent national real estate appraisal firms with representation and expertise across Canada, and specifically in the markets in which the REIT operates, in order to ensure that every REIT property is externally appraised at least once every three years. These external appraisals were used by Management to assist in the validation of the market assumptions and market data used as part of its internal valuation model. For the year ended December 31, 2023, the REIT obtained external property appraisals representing approximately 66% (December 31, 2022 - 53%) of the fair value of the REIT's investment properties.

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 December 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, future demand, and 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 year ended December 31, 2023, the aggregate five-year estimated future capital expenditures deducted was $89,501 (December 31, 2022 - $89,329) in determining the fair value of residential properties.

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

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

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

	December 31, 2023			December 31, 2022		
	Min	Max	Weighted average	Min	Max	Weighted average
Capitalization rate	3.63%	5.13%	4.16%	3.25%	4.63%	3.80%

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

The following table summarizes the sensitivity of the fair value of residential properties including residential properties held for sale to changes in capitalization rates and estimated 12 month stabilized forecasted NOI as at December 31, 2023:

December 31, 2023	-3%	-1%	NOI	+1%	+3%
Capitalization rate					
-50 basis points	$ 2,590,242	$ 2,645,452	$ 2,673,057	$ 2,700,662	$ 2,755,872
-25 basis points	2,418,162	2,469,824	2,495,655	2,521,486	2,573,148
Base rate	2,266,864	2,315,407	2,339,678	2,363,949	2,412,492
+25 basis points	2,132,798	2,178,576	2,201,465	2,224,354	2,270,132
+50 basis points	2,013,177	2,056,489	2,078,145	2,099,801	2,143,113

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. Acquisition of investment properties

The REIT did not complete any investment property acquisitions during the year ended December 31, 2023.

The REIT completed the following investment property acquisition during the year ended December 31, 2022:

Date of acquisition	Region	Suites	Total acquisition cost	Variable rate mortgage financing	Net cash consideration paid[1]	Ownership interest
April 22, 2022	Toronto, ON	501	$ 112,667	$ 46,158	$ 4,990	28.35%
May 6, 2022	Calgary, AB	252	86,614	62,220	23,771	100%
		753	$ 199,281	$ 108,378	$ 28,761	

[1] After working capital adjustments and, for the acquisition of the Toronto property, issuance of 2,985,956 Class B LP Units.

5. Disposition of investment properties and assets held for sale

Disposition of investment properties

During the year ended December 31, 2023, the REIT completed the disposition of the following investment properties:

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
December 7, 2023	Edmonton, AB	98 92	32,250	24,668	7,016
		254	$ 42,170	$ 31,438	$ 9,901

[1] Net cash proceeds after transaction costs.

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

The REIT did not complete any dispositions during the year ended December 31, 2022.

Assets held for sale

As at December 31, 2023, the REIT classified two residential properties in Ottawa, Ontario as assets held for sale with a fair value of $86,000. On February 15, 2024, these properties were sold as described in Note 25.

As at December 31, 2022, the REIT did not classify any properties as held for sale.

6. 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%

7. Prepaid expenses and other assets

	December 31, 2023	December 31, 2022
Prepaid expenses	$ 2,598	$ 2,729
Prepaid CMHC premiums	15,007	8,825
Restricted cash	1,492	1,434
Deposits and other prepayments	310	1,120
Interest rate swap	1,947	2,698
	$ 21,354	$ 16,806
Current	2,610	3,812
Non-current	18,744	12,994
	$ 21,354	$ 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	Fair value as at December 31, 2023	Fair value as at December 31, 2022
Interest rate swap[1]	April 2026	3.38%	$42,360	$35,217	$ 1,947	$ 2,698

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

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

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

Year ended	December 31, 2023	December 31, 2022
Opening balance	$ 2,698	$ 307
Non-cash movement		
Fair value (loss) gain	(751)	2,391
Closing balance	$ 1,947	$ 2,698

8. Resident and other receivables

	December 31, 2023	December 31, 2022
Current		
Resident receivables	$ 2,049	$ 1,844
Other receivables	2,289	2,375
Less: Allowance for credit losses	(1,131)	(932)
	$ 3,207	$ 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.

9. 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 (Note 4)	2,985,956	60,974
Fair value gain	—	(197,531)
	2,985,956	(136,557)
Balance, December 31, 2022	25,755,029	$ 361,858
Non-cash movement		
Fair value loss	—	54,858
Balance, December 31, 2023	25,755,029	$ 416,716

For the year ended December 31, 2023, distributions of $12,683 (December 31, 2022 - $11,942) 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)

10. Class C LP Units

		December 31, 2023		December 31, 2022
Class C LP Units	$	226,929	$	206,673
Unamortized mark-to-market adjustments		972		1,413
Unamortized deferred borrowing costs		(490)		—
		227,411		208,086
Current		51,393		50,642
Non-current		176,018		157,444
	$	227,411	$	208,086

During the year ended December 31, 2023, the REIT issued 2,577,382 Class C LP Units to MPI in connection with the refinancing of a mortgage of an investment property to which the Class C LP Units relate. Total gross proceeds were $25,774 and CMHC premiums and financing costs were $1,635 for net proceeds of $24,139.

For the year ended December 31, 2023, the REIT also made distributions of $7,306 (December 31, 2022 - $6,574) 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 effective interest rate of 3.45% (December 31, 2022 - 2.95%) and mature at various dates between 2024 and 2033 (December 31, 2022 - 2023 and 2030).

Distributions on Class C LP Units as at December 31, 2023, excluding unamortized mark-to-market adjustments and deferred financing costs, are due as follows:

2024		51,174
2025		64,249
2026		2,023
2027		23,525
2028		1,326
2029 and thereafter		84,632
	$	226,929

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

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

	Class C LP Units	$
Balance, December 31, 2021	22,978,700	$ 214,069
Cash flows		
Distributions used to repay principal	—	(5,510)
Non-cash movement		
Amortization of mark-to-market adjustments	—	(473)
	—	(5,983)
Balance, December 31, 2022	22,978,700	$ 208,086
Cash flows		
Issued	2,577,382	25,774
Distributions used to repay principal	—	(5,518)
Deferred financing costs incurred	—	(154)
Deferred financing CMHC premiums	—	(354)
	2,577,382	19,748
Non-cash movement		
Amortization of mark-to-market adjustments	—	(441)
Deferred financing amortization	—	18
	—	(423)
Balance, December 31, 2023	25,556,082	$ 227,411

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 December 31, 2023, the current market rates plus risk-adjusted spreads ranged from 4.10% to 6.17% (December 31, 2022 - 4.29% to 5.91%) and the fair value of the Class C LP Units was $223,956 (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)

11. Mortgages and loan

	December 31, 2023	December 31, 2022
Mortgages - fixed rate	$ 780,582	$ 631,956
Mortgages - variable rate	—	108,378
Construction loan - fixed rate	15,155	8,006
	795,737	748,340
Unamortized mark-to-market adjustments	686	882
Unamortized deferred financing costs	(6,606)	(2,902)
	789,817	746,320
Current	42,115	238,800
Non-current	747,702	507,520
	$ 789,817	$ 746,320

Mortgages

The mortgages are secured by investment properties and mature at various dates between 2024 and 2033 (December 31, 2022 - 2023 and 2032). The fixed rate mortgages include a $35,217 (December 31, 2022 - $36,257) variable interest mortgage fixed through an interest rate swap. The mortgages secured by investment properties have a weighted average effective interest rate of 3.37% (December 31, 2022 - 3.07%).

Construction loan

The REIT has a fixed rate non-revolving construction loan commitment of $93,745 and as at December 31, 2023, $15,155 (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:

2024	42,928
2025	53,971
2026	84,122
2027	11,282
2028	82,918
2029 and thereafter	520,516
	$ 795,737

(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	8,006	42,629
Deferred financing costs incurred	(537)	—	(537)
Deferred financing CMHC premiums	(319)	—	(319)
Principal payments on refinancing	(16,300)	—	(16,300)
Principal repayments	(13,901)	—	(13,901)
	3,566	8,006	11,572
Non-cash movement			
Assumed on acquisition	108,378	—	108,378
Amortization of mark-to-market adjustment	(270)	—	(270)
Deferred financing charges transferred from prepaid CMHC premiums	(75)	—	(75)
Deferred financing amortization	595	—	595
	108,628	—	108,628
Balance, December 31, 2022	$ 738,314	$ 8,006	$ 746,320
Cash flows			
Issued	317,122	7,149	324,271
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	(14,036)	—	(14,036)
	67,176	7,149	74,325
Non-cash movement			
Assigned on disposition	(31,438)	—	(31,438)
Amortization of mark-to-market adjustment	(147)	—	(147)
Deferred financing amortization	757	—	757
	(30,828)	—	(30,828)
Balance, December 31, 2023	$ 774,662	$ 15,155	$ 789,817

As at December 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 December 31, 2023, the current market rates plus risk-adjusted spreads ranged from 3.99% to 6.00% (December 31, 2022 - 4.25% to 5.87%) and the fair value of fixed rate mortgages and construction loan was $761,780 (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)

12. Credit facility

	December 31, 2023	December 31, 2022
Committed	$ 300,000	$ 300,000
Available	236,034	267,115
Utilized		
Amounts drawn	140,236	157,158
Letter of credit	2,022	442
	142,258	157,600
Undrawn amount available	$ 93,776	$ 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 December 31, 2023, the weighted average variable interest rate was 7.25% (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:

Year ended	December 31, 2023	December 31, 2022
Opening balance	$ 157,158	$ 51,754
Cash flows		
Issued	85,078	115,404
Repayments	(102,000)	(10,000)
	(16,922)	105,404
Closing balance	$ 140,236	$ 157,158

As at December 31, 2023 and December 31, 2022, the REIT was in compliance with all financial covenants relating to its credit facility.

13. 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 consolidated financial statements, related party transactions include:

(a) Administrative Support Agreement

On July 3, 2018, the REIT and Minto Properties Inc. ("MPI"), an entity with significant influence over the REIT, entered into a five-year renewable Administrative Support Agreement ("ASA"). The ASA provides the REIT with certain advisory, transaction and support services, including clerical and administrative support, operational support for the administration of day-to-day activities of the REIT and office space. These services are provided on a cost recovery basis, subject to a maximum during the initial term of the ASA only for all general and administrative expenses, excluding public company costs, of 32 bps of the gross book value of the REIT's assets.

On December 15, 2022, the REIT exercised its option to renew the ASA for an additional term of five years commencing on July 3, 2023. The limitation of all general and administrative expenses, excluding public company costs, of 32 bps of the gross book value of the REIT's assets does not apply to the five-year renewal term.

For the year ended December 31, 2023, the REIT incurred $2,260 (December 31, 2022 - $2,260) for services rendered by MPI and its affiliates under the ASA.

(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	December 31, 2023	December 31, 2022
99 Fifth Avenue, Ottawa, ON ("Fifth and Bank")	Affiliate of MPI	$ 30,000	Variable per annum[1] 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 December 31, 2024	14,084	13,784
Beechwood Avenue, Ottawa, ON ("88 Beechwood")	Affiliate of MPI	51,400	6% per annum December 31, 2025	43,534	25,550
810 Kingsway, Vancouver, BC ("The Hyland")	MPI	19,650	6% per annum August 1, 2024	17,948	15,357
3958 Shelbourne Street, Victoria, BC ("University Heights")	MPI	51,700	7% per annum December 31, 2026	27,041	12,893
		166,750		132,607	97,584
Loan receivable	Management	700	Variable per annum[2] April 27, 2032	679	718
		$ 167,450		$ 133,286	$ 98,302
Current				62,032	30,000
Non-current				71,254	68,302
				$ 133,286	$ 98,302

[1] Effective July 1, 2023, the interest rate is equal to the all-in interest rate the REIT pays on the credit facility on a monthly basis, subject to a maximum interest rate of 7% per annum and minimum interest rate of 5% per annum. Prior to the effective date of this amendment, the interest rate on the loan was 6% per annum.
[2] 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 88 Beechwood, MPI's 85% indirect ownership interest in The Hyland 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 December 31, 2023, the ECL based on 12 month expected losses for the loans receivable is $nil (December 31, 2022 - $nil).

On June 7, 2023, the Fifth and Bank loan agreement was amended to terminate the REIT's purchase option for the property.

On August 8, 2023, the REIT agreed to amend the loan agreement associated with Lonsdale Square to extend the REIT's purchase option to November 30, 2024 and maturity date of the loan to December 31, 2024.

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

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

Year ended	December 31, 2023	December 31, 2022
Opening balance	$ 98,302	$ 63,312
Cash flows		
Net advances	30,541	32,040
Interest received	(2,656)	(1,800)
	27,885	30,240
Non-cash movement		
Interest earned	7,099	4,750
	34,984	34,990
Closing balance	$ 133,286	$ 98,302

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 December 31, 2023, the current market rates plus risk-adjusted spreads ranged from 9.00% to 10.00% (December 31, 2022 - 8.50% to 9.50%) and the fair value of the loans receivable relating to projects was $127,921 (December 31, 2022 - $93,441) and is considered level 2 within the fair value hierarchy.

(c) Due to related parties

Item	Related Parties	December 31, 2023	December 31, 2022
Current			
Class B LP Units distributions	MPI affiliates and a limited partnership wholly-owned by MPI	$ 1,084	$ 1,052
Class C LP Units distributions	Limited partnership wholly-owned by MPI	676	546
Property operating costs payable	MPI and its affiliates	144	493
Development costs and fees	Affiliate of MPI	1,722	1,357
Unit distribution	MPI	38	37
		3,664	3,485
Rental and service revenue receivable	MPI and its affiliates	(462)	(549)
		$ 3,202	$ 2,936

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

(d) Revenue, expenses, capital expenditures and distributions

	December 31, 2023	December 31, 2022
Revenue from MPI, its affiliates and jointly-owned limited partnerships		
Rental and service revenue	$ 509	$ 863
Interest income on loans advanced	7,099	4,750
Expenses and distributions to MPI, its affiliates, its wholly-owned and jointly-owned limited partnerships		
Property operating expenses	1,067	1,315
Development costs and fees	4,162	1,231
Distributions on Class B LP Units (finance costs)	12,683	11,942
Distributions on Class C LP Units (finance costs)	7,306	6,574
Distributions on Class C LP Units (principal)	5,518	5,510
Distributions on Units	442	427
Compensation of key management personnel		
Paid to executives	1,642	770
Unit-based compensation		
Executives	1,461	1,502
Trustees in lieu of annual retainer and meeting fees	630	579

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

(e) Class C LP Units

During the year ended December 31, 2023, the REIT issued 2,577,382 Class C LP Units (Note 10) to MPI in connection with the refinancing of a mortgage of an investment property to which the Class C LP Units relate.

(f) Property acquisitions

On April 22, 2022, the REIT acquired a 28.35% ownership interest in a 501-suite multi-residential rental property located in Toronto, Ontario from a limited partnership in which a subsidiary of MPI and certain current and former executives of MPI owned a minority interest. The acquisition cost of $112,667, including transaction costs of $2,896, was settled by the REIT assuming a $46,158 mortgage, the issuance of 2,985,956 Class B LP Units with a fair value of $60,974, paying $4,990 in cash, and assuming working capital liabilities of $545.

On May 6, 2022, the REIT acquired a 252-suite multi-residential rental property located in Calgary, Alberta from a limited partnership in which a subsidiary of MPI owned a minority interest. The acquisition cost of $86,614, including transaction costs of $99, was settled with the REIT assuming a mortgage of $62,220, paying $23,771 in cash, and assuming working capital liabilities of $623.

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

14. Accounts payable and accrued liabilities

	December 31, 2023	December 31, 2022
Accounts payable	$ 8,606	$ 4,711
Accrued liabilities	13,072	18,457
Distributions payable	1,641	1,592
Unit-based compensation	7,061	4,539
Forgivable loan	5,659	5,144
	$ 36,039	$ 34,443
Current	29,306	28,689
Non-current	6,733	5,754
	$ 36,039	$ 34,443

During the year ended December 31, 2020, In connection with the Richgrove development, the REIT completed a contribution agreement with the City of Toronto whereby the City will contribute funds towards the construction of 100 affordable rental suites as part of the new property and will also provide relief from development charges and certain other fees. Funding and relief from development charges and certain other fees will be in the form of a forgivable loan, with loan forgiveness commencing on the first anniversary of first occupancy of the affordable rental suites, at 4% per year over a period of 25 years.

For the year ended December 31, 2023, $515 of City benefits were received in connection with the Richgrove development and have been recorded as a forgivable loan payable in connection with the terms of the contribution agreement (December 31, 2022 - $1,350).

15. Units

	Units	$
Authorized	Unlimited	
Units issued and outstanding:		
Balance, December 31, 2021	40,069,839	$ 714,121
Cancellation of Units under Normal Course Issuer Bid	(182,227)	(3,248)
Balance, December 31, 2022	39,887,612	710,873
Balance, December 31, 2022	39,887,612	$ 710,873
Units issued for vested Deferred Units	11,000	148
Balance, December 31, 2023	39,898,612	$ 711,021

For the year ended December 31, 2023, distributions to Unitholders of $19,645 (December 31, 2022 - $19,100) were declared, representing monthly distributions of $0.04083 (2022 - $0.03958) per Unit for the months of January to October and $0.04208 (2022 - $0.04083) per Unit for the months of November and December.

Normal Course Issuer Bid ("NCIB")

On September 18, 2023, the Toronto Stock Exchange accepted the REIT's notice to initiate a NCIB for a portion of its Units. The NCIB is authorized from September 20, 2023 through to September 19, 2024 and permits the REIT to acquire up to 3,282,682 Units, including up to 25,003 Units on any given trading day. For the year ended December 31, 2023, the REIT did not purchase and cancel any Units under the NCIB.

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

For the year ended December 31, 2022, the REIT purchased and cancelled 182,227 Units under a previously authorized NCIB, at a weighted average purchase price of $15.15 per Unit, for a total cost including commissions of $2,764. The difference between the purchase price and the weighted average historical unit issuance price was recorded as an increase to retained earnings.

16. Segment reporting

The REIT owns, manages and operates 29 (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 Accounting Standards.

17. Revenue from investment properties

	December 31, 2023	December 31, 2022
Rental revenue	$ 134,751	$ 121,554
Revenue from services	23,174	22,236
	$ 157,925	$ 143,790

18. Finance costs

	December 31, 2023	December 31, 2022
Interest expense on mortgages and loan	$ 26,728	$ 21,802
Interest expense and standby fees on credit facility	10,445	5,128
Financing amortization and other charges	1,221	938
Amortization of mark-to-market adjustments	(588)	(743)
Capitalized interest	(2,905)	(1,051)
Debt retirement costs	1,779	—
Interest expense and other financing charges	36,680	26,074
Distributions on Class B LP Units (Note 9)	12,683	11,942
Distributions on Class C LP Units (Note 10)	7,306	6,574
Finance costs - operations	$ 56,669	$ 44,590
Fair value loss (gain) on:		
Class B LP Units (Note 9)	54,858	(197,531)
Interest rate swap (Note 7)	751	(2,391)
Finance costs	$ 112,278	$ (155,332)

19. 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 consolidated 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 December 31, 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 December 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 December 31, 2023, the REIT has committed to advance an additional $19,501 (December 31, 2022 - $50,087) to related parties in order to support the development of several projects and an additional $14,642 (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 December 31, 2023, the maximum potential obligation resulting from this guarantee is $12,326 (December 31, 2022 - $12,690).

20. 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 December 31, 2023, the REIT has a committed variable rate credit facility of $300,000 (December 31, 2022 - $300,000) with an availability of $236,034 (December 31, 2022 - $267,115) and outstanding balance of $140,236 (December 31, 2022 - $157,158). A 1% change in prevailing interest rates would change annualized interest charges incurred by $1,402 (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 December 31, 2023 would have a $4,167 (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 and Calgary 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 December 31, 2023, current liabilities of $137,334 (December 31, 2022 - $331,531) exceeded current assets of $71,589 (December 31, 2022 - $42,422), resulting in a net working capital deficit of $65,745 (December 31, 2022 - $289,109). Current liabilities as of December 31, 2023 include $75,301 (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 December 31, 2023, liquidity was $97,516 (December 31, 2022 - $114,838) consisting of cash of $3,740 (December 31, 2022 - $5,323) and $93,776 (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:

	2024	2025	2026	2027	2028	2029 and thereafter	Total
Mortgages	$ 42,928	$ 53,971	$ 84,122	$ 11,282	$ 82,918	$ 505,361	$ 780,582
Construction loan	—	—	—	—	—	15,155	15,155
	42,928	53,971	84,122	11,282	82,918	520,516	795,737
Credit facility	—	140,236	—	—	—	—	140,236
Class C LP Units	51,174	64,249	2,023	23,525	1,326	84,632	226,929
Interest obligation[1]	41,774	33,957	25,422	24,194	22,325	63,963	211,635
Tenant rental deposits	11,308	—	—	—	10	—	11,318
Due to related parties	3,202	—	—	—	—	—	3,202
Accounts payable and accrued liabilities	29,306	426	449	23	—	5,835	36,039
	$ 179,692	$ 292,839	$ 112,016	$ 59,024	$ 106,579	$ 674,946	$ 1,425,096

[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.

21. 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:

	December 31, 2023	December 31, 2022
Liabilities (principal amounts outstanding):		
Class B LP Units	$ 416,716	$ 361,858
Class C LP Units	226,929	206,673
Mortgages	780,582	740,334
Construction loan	15,155	8,006
Credit facility	140,236	157,158
	1,579,618	1,474,029
Unitholders' equity	1,077,381	1,213,537
	$ 2,656,999	$ 2,687,566

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

22. Supplemental cash flow disclosures

Change in non-cash working capital comprises the following:

	December 31, 2023	December 31, 2022
Prepaid expenses and other assets	$ 430	$ (3,597)
Resident and other receivables	80	(1,199)
Tenant rental deposits	844	(174)
Due to related parties	56	878
Accounts payable and accrued liabilities	(307)	4,759
	$ 1,103	$ 667

23. Unit-based compensation

Executives

Deferred Units

Deferred Units granted to executives generally vest on the second, third or fourth anniversaries of the grant date and are settled (i) by Units issued from treasury equivalent to the number of Deferred Units credited, including any distributions paid by the REIT on the Units that have accrued in the form of Deferred Units, or (ii) if so elected by the participant and subject to the approval of the Plan Administrator, in cash, in each case following the participant's separation from service with the REIT. The Board of Trustees has the discretion to vary the manner in which the Deferred Units vest for any participant.

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

	December 31, 2023	December 31, 2022
Opening balance	271,176	210,152
Granted	28,000	85,660
Redeemed	—	(14,495)
Forfeited	—	(17,982)
Distribution equivalents	9,821	7,841
Closing balance	308,997	271,176

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

	December 31, 2023	December 31, 2022
Opening balance	$ 2,720	$ 2,890
Unit-based compensation expense	1,305	1,502
Settlement	—	(211)
Fair value loss (gain)	154	(1,461)
Closing balance	$ 4,179	$ 2,720

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

Performance Units

Performance Units granted to executives generally vest on the third anniversary of the grant date based on the achievement of performance goals. Performance Units are settled by Units issued from treasury equivalent to the number of Performance Units credited, including any distributions paid by the REIT on the Units that have accrued in the form of Performance Units or, if so elected by the participant and subject to the approval of the Plan Administrator, cash. The Board of Trustees has the discretion to vary the manner in which the Performance Units vest for any participant.

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

	December 31, 2023	December 31, 2022
Opening balance	31,750	—
Granted	27,855	31,750
Distribution equivalents	980	—
Closing balance	60,585	31,750

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

	December 31, 2023	December 31, 2022[1]
Opening balance	$ —	$ —
Unit-based compensation expense	156	—
Fair value loss	117	—
Closing balance	$ 273	$ —

[1] The performance measurement period for the Performance Units granted for the year ended December 31, 2022 began on January 1, 2023.

Trustees

Trustees have the option to elect to receive up to 100% of all fees that are otherwise payable in cash (i.e. annual board retainer fee, meeting fees and additional retainers) in the form of Deferred Units. The REIT matches 45% of the total value of annual board retainer fees and board and committee meeting fees that a trustee elected to receive in the form of Deferred Units. Deferred Units granted in respect of a participant’s election to receive Deferred Units in lieu of cash compensation vest immediately upon grant. Deferred Units granted further to any match by the REIT also vest immediately. The Board of Trustees has the discretion to vary the manner in which the Deferred Units vest for any participant. The Deferred Units are settled (i) by Units issued from treasury equivalent to the number of Deferred Units credited, including any distributions paid by the REIT on the Units that have accrued in the form of Deferred Units, or (ii) if so elected by the participant and subject to the approval of the Plan Administrator, in cash, in each case following the participant’s separation from service with the REIT.

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

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	33,858		528
Distribution equivalents	3,099		51
Fair value gain	—		(785)
Balance, December 31, 2022	129,495	$	1,819
Granted and vested	38,062		561
Distribution equivalents	4,660		69
Redeemed	(11,000)		(165)
Fair value loss	—		325
Balance, December 31, 2023	161,217	$	2,609

24. Operating leases

The REIT has entered into lease agreements on its investment properties. The residential leases typically have lease terms of 1 to 12 months. The commercial leases have lease terms between 1 to 15 years. There were no tenants that accounted for more than 10% of the REIT's total rental revenue for the year ended December 31, 2023 and 2022. The total future contractual minimum rent lease payments at the REIT's share expected to be received under residential and commercial leases are as follows:

		December 31, 2023		December 31, 2022
Less than 1 year	$	22,969	$	25,822
Between 1 to 5 years		2,197		1,822
5 years and thereafter		2,613		2,972
	$	27,779	$	30,616

25. Subsequent event

On February 15, 2024, the REIT completed the disposition of two properties in Ottawa, Ontario for a sale price of $86,000, generating net proceeds of $67,956.