Morguard

Real Estate Potential. Realized.

MORGUARD NORTH AMERICAN RESIDENTIAL REAL ESTATE INVESTMENT TRUST

JUNE 30, 2025

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	June 30, 2025	December 31, 2024
ASSETS			
Non-current assets			
Real estate properties	3	**$4,288,383**	$4,333,075
Equity-accounted investments	4	**71,723**	70,874
		4,360,106	4,403,949
Current assets			
Morguard Facility	8	**92,500**	90,000
Amounts receivable		**7,963**	12,584
Prepaid expenses		**5,664**	8,983
Restricted cash		**4,339**	4,857
Cash		**66,004**	51,258
		176,470	167,682
		$4,536,576	$4,571,631
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	5	**$1,443,573**	$1,502,163
Convertible debentures	6	**53,691**	52,830
Class B LP Units	7	**314,494**	295,376
Deferred income tax liabilities	16	**293,162**	299,129
Lease liabilities	9	**16,680**	17,612
		2,121,600	2,167,110
Current liabilities			
Mortgages payable	5	**255,589**	218,917
Accounts payable and accrued liabilities	10	**83,371**	73,614
		338,960	292,531
Total liabilities		**2,460,560**	2,459,641
EQUITY			
Unitholders’ equity		**1,969,771**	2,001,337
Non-controlling interest		**106,245**	110,653
Total equity		**2,076,016**	2,111,990
		$4,536,576	$4,571,631

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF INCOME

In thousands of Canadian dollars

		Three months ended June 30		Six months ended June 30	
	Note	2025	2024	2025	2024
Revenue from real estate properties	12	**$88,537**	$85,756	**$178,811**	$170,512
Property operating expenses					
Property operating costs		**(24,234)**	(23,982)	**(48,820)**	(46,923)
Realty taxes		**(2,492)**	(2,445)	**(40,526)**	(37,656)
Utilities		**(4,914)**	(4,680)	**(11,745)**	(10,697)
Net operating income		**56,897**	54,649	**77,720**	75,236
Other expense (income)					
Interest expense	13	**23,042**	19,692	**45,567**	39,270
Trust expenses	14	**6,036**	5,663	**11,854**	11,157
Equity income from investments	4	**(2,936)**	(2,072)	**(4,934)**	(3,866)
Foreign exchange loss		**2**	4	**4**	6
Other income		**(1,760)**	(154)	**(3,449)**	(234)
Income before fair value changes and income taxes		**32,513**	31,516	**28,678**	28,903
Fair value gain on real estate properties, net	3	**21,203**	18,974	**69,133**	71,140
Fair value gain (loss) on Class B LP Units	7	**(15,501)**	8,095	**(19,118)**	(12,228)
Income before income taxes		**38,215**	58,585	**78,693**	87,815
Provision for income taxes					
Current		**49**	981	**573**	1,607
Deferred		**8,107**	7,033	**9,739**	10,861
		8,156	8,014	**10,312**	12,468
Net income for the period		**$30,059**	$50,571	**$68,381**	$75,347
Net income attributable to:					
Unitholders		**$29,172**	$48,316	**$67,240**	$74,047
Non-controlling interest		**887**	2,255	**1,141**	1,300
		$30,059	$50,571	**$68,381**	$75,347

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

In thousands of Canadian dollars

	Three months ended June 30		Six months ended June 30	
	2025	2024	**2025**	2024
Net income for the period	**$30,059**	$50,571	**$68,381**	$75,347
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified subsequently to net income:				
Unrealized foreign currency translation gain (loss)	**(68,969)**	13,523	**(70,175)**	42,179
Total comprehensive income (loss) for the period	**($38,910)**	$64,094	**($1,794)**	$117,526
Total comprehensive income (loss) attributable to:				
Unitholders	**($34,345)**	$60,717	**$2,614**	$112,684
Non-controlling interest	**(4,565)**	3,377	**(4,408)**	4,842
	($38,910)	$64,094	**($1,794)**	$117,526

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

In thousands of Canadian dollars

	Note	Units	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Unitholders' Equity	Non-controlling Interest	Total Equity
Unitholders' equity, December 31, 2023		$448,150	$48,762	$1,237,892	$117,974	$1,852,778	$106,873	$1,959,651
Changes during the period:								
Net income		—	—	74,047	—	74,047	1,300	75,347
Other comprehensive income		—	—	—	38,637	38,637	3,542	42,179
Repurchase of Units		(8,316)	—	—	—	(8,316)	—	(8,316)
Issue of Units - DRIP		485	—	(485)	—	—	—	—
Distributions		—	—	(13,454)	—	(13,454)	(1,069)	(14,523)
Unitholders' equity, June 30, 2024		$440,319	$48,762	$1,298,000	$156,611	$1,943,692	$110,646	$2,054,338
Changes during the period:								
Net income (loss)		—	—	27,811	—	27,811	(3,762)	24,049
Other comprehensive income		—	—	—	61,140	61,140	5,351	66,491
Repurchase of Units		(17,972)	—	—	—	(17,972)	—	(17,972)
Issue of Units - DRIP		398	—	(398)	—	—	—	—
Distributions		—	—	(13,334)	—	(13,334)	(1,582)	(14,916)
Unitholders' equity, December 31, 2024		$422,745	$48,762	$1,312,079	$217,751	$2,001,337	$110,653	$2,111,990
Changes during the period:								
Net income		**—**	**—**	**67,240**	**—**	**67,240**	**1,141**	**68,381**
Other comprehensive loss		**—**	**—**	**—**	**(64,626)**	**(64,626)**	**(5,549)**	**(70,175)**
Repurchase of Units	11(b)	**(20,951)**	**—**	**—**	**—**	**(20,951)**	**—**	**(20,951)**
Issue of Units - DRIP	11(d)	**382**	**—**	**(382)**	**—**	**—**	**—**	**—**
Distributions	11(d)	**—**	**—**	**(13,229)**	**—**	**(13,229)**	**—**	**(13,229)**
Unitholders' equity, June 30, 2025		**$402,176**	**$48,762**	**$1,365,708**	**$153,125**	**$1,969,771**	**$106,245**	**$2,076,016**

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

		Three months ended June 30		Six months ended June 30	
	Note	2025	2024	2025	2024
OPERATING ACTIVITIES					
Net income		**$30,059**	$50,571	**$68,381**	$75,347
Add (deduct) items not affecting cash	17(a)	**(7,114)**	(29,916)	**(24,050)**	(34,164)
Additions to tenant incentives		**(527)**	(617)	**(703)**	(761)
Distributions from equity-accounted investments	4	**273**	1,377	**273**	1,377
Net change in non-cash operating assets and liabilities	17(b)	**7,956**	10,719	**2,094**	8,847
Cash provided by operating activities		**30,647**	32,134	**45,995**	50,646
INVESTING ACTIVITIES					
Additions to real estate properties	3	**(14,936)**	(12,088)	**(22,557)**	(17,449)
Cash used in investing activities		**(14,936)**	(12,088)	**(22,557)**	(17,449)
FINANCING ACTIVITIES					
Proceeds from new mortgages	5	**—**	209,632	**79,413**	209,632
Financing cost on new mortgages		**—**	(5,458)	**(2,475)**	(5,458)
Repayment of mortgages					
Principal instalment repayments		**(7,979)**	(8,029)	**(16,039)**	(16,152)
Repayment on maturity	5	**—**	—	**(30,832)**	—
Repayment due to mortgage extinguishment		**—**	(91,411)	**—**	(91,411)
Principal payment of lease liabilities	9	**(10)**	(10)	**(20)**	(19)
Proceeds from Morguard Facility		**29,000**	10,250	**40,500**	28,250
Repayments/advances on Morguard Facility		**—**	(10,250)	**(43,000)**	(25,902)
Units repurchased for cancellation	11(b)	**(10,808)**	(8,107)	**(20,951)**	(8,316)
Distributions to Unitholders		**(6,597)**	(6,725)	**(13,304)**	(13,472)
Distributions to non-controlling interest		**—**	(539)	**—**	(1,069)
Decrease (increase) in restricted cash		**(192)**	(153)	**269**	211
Cash provided by (used in) financing activities		**3,414**	89,200	**(6,439)**	76,294
Net increase in cash during the period		**19,125**	109,246	**16,999**	109,491
Net effect of foreign currency translation on cash balance		**(2,244)**	93	**(2,253)**	412
Cash, beginning of period		**49,123**	18,389	**51,258**	17,825
Cash, end of period		**$66,004**	$127,728	**$66,004**	$127,728

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three and six months ended June 30, 2025 and 2024
In thousands of Canadian dollars, except Unit and per Unit amounts and where otherwise noted

NOTE 1

NATURE AND FORMATION OF TRUST

Morguard North American Residential Real Estate Investment Trust (the “REIT”) is an unincorporated open-ended real estate investment trust established pursuant to a Declaration of Trust dated March 1, 2012, and as most recently amended and restated on February 16, 2021 (the “Declaration of Trust”), under and governed by the laws of the Province of Ontario. The trust units of the REIT (“Units”) trade on the Toronto Stock Exchange (“TSX”) under the symbol “MRG.UN.” The REIT invests in multi-suite residential rental properties in Canada and the United States. The REIT’s head office is located at 55 City Centre Drive, Suite 1000, Mississauga, Ontario, L5B 1M3.

The REIT holds its investments in its real estate properties through its ownership in Morguard NAR Canada Limited Partnership (the “Partnership”). As at June 30, 2025, Morguard Corporation (“Morguard”), the parent company of the REIT, holds an indirect 48.4% (December 31, 2024 - 47.4%) interest through its ownership of 8,120,666 Units and 17,223,090 Class B LP Units.

NOTE 2

STATEMENT OF COMPLIANCE AND MATERIAL ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and thus do not contain all the disclosures applicable to the annual audited consolidated financial statements.

The condensed consolidated financial statements were approved and authorized for issue by the Board of Trustees on July 29, 2025.

These condensed consolidated financial statements use the same accounting policies and methods of their application as the most recent annual audited consolidated financial statements and should be read in conjunction with the most recent annual audited consolidated financial statements, which include the material accounting policies most affected by estimates and judgments.

Foreign Exchange

The foreign exchange rates for the current and prior reporting periods are as follows:

	2025	2024
Canadian dollar to United States dollar exchange rates:		
- As at June 30	**$0.7330**	$0.7306
- As at December 31	—	0.6950
- Average for the three months ended June 30	**0.7225**	0.7308
- Average for the six months ended June 30	**0.7095**	0.7361
United States dollar to Canadian dollar exchange rates:		
- As at June 30	**1.3643**	1.3687
- As at December 31	—	1.4389
- Average for the three months ended June 30	**1.3841**	1.3683
- Average for the six months ended June 30	**1.4094**	1.3585

NOTE 3
REAL ESTATE PROPERTIES

Reconciliations of the carrying amounts for real estate properties at the beginning and end of the current period and prior financial year are set out below:

As at	June 30, 2025	December 31, 2024
Balance, beginning of period	**$4,333,075**	$3,999,481
Additions:		
Capital expenditures	**22,557**	59,402
Right-of-use assets	**—**	170
Fair value gain, net	**69,133**	60,372
Foreign currency translation	**(136,736)**	212,473
Other	**354**	1,177
Balance, end of period	**$4,288,383**	$4,333,075

As at June 30, 2025, and December 31, 2024, the REIT had its portfolio appraised by Morguard's appraisal division. In addition, the REIT's U.S. portfolio is appraised by independent U.S. real estate appraisal firms on a three-year cycle.

The REIT utilizes the direct capitalization income method to appraise its portfolio. This method requires that rental income from current leases and key assumptions about rental income, vacancies and inflation rates, among other factors, are used to determine a one-year stabilized net operating income forecast for each individual property within the REIT's portfolio and also considers any capital expenditures anticipated within the year. A capitalization rate was also determined for each property based on market information related to the external sale of similar properties within a similar location. These factors were used to determine the fair value of income producing properties at each reporting period.

As at June 30, 2025, using the direct capitalization income approach, the properties were valued using capitalization rates in the range of 3.8% to 6.3% (December 31, 2024 - 3.8% to 6.3%), resulting in an overall weighted average capitalization rate of 4.5% (December 31, 2024 - 4.5%).

The average capitalization rates by location are set out in the following table:

	June 30, 2025 Capitalization Rates			December 31, 2024 Capitalization Rates		
	Maximum	Minimum	Weighted Average	Maximum	Minimum	Weighted Average
Canada						
Alberta	**5.0%**	**5.0%**	**5.0%**	5.3%	5.3%	5.3%
Ontario	**4.8%**	**3.8%**	**3.9%**	4.5%	3.8%	3.9%
United States						
Colorado	**5.0%**	**5.0%**	**5.0%**	5.0%	5.0%	5.0%
Texas	**5.0%**	**5.0%**	**5.0%**	5.0%	5.0%	5.0%
Louisiana	**5.5%**	**5.5%**	**5.5%**	5.5%	5.5%	5.5%
Illinois	**5.3%**	**5.0%**	**5.0%**	5.3%	5.0%	5.1%
Georgia	**5.3%**	**5.0%**	**5.2%**	5.3%	5.0%	5.2%
Florida	**6.3%**	**4.8%**	**5.3%**	6.3%	4.8%	5.3%
North Carolina	**5.0%**	**5.0%**	**5.0%**	5.0%	5.0%	5.0%
Virginia	**4.8%**	**4.8%**	**4.8%**	4.8%	4.8%	4.8%
Maryland	**4.8%**	**4.8%**	**4.8%**	4.8%	4.8%	4.8%

Fair values are most sensitive to changes in capitalization rates and stabilized net operating income. Generally, an increase in stabilized net operating income will result in an increase in the fair value of the real estate properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in stabilized net operating income, with a lower capitalization rate resulting in a greater impact on the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rate were to increase or decrease by 25 basis points (assuming no change to stabilized net operating income), the fair value of the real estate properties as at June 30, 2025 would decrease by $220,037 or increase by $246,122, respectively.

NOTE 4

EQUITY-ACCOUNTED INVESTMENTS

The following are the REIT's equity-accounted investments as at June 30, 2025, and December 31, 2024:

Property	Principal Place of Business	Type	REIT's Ownership June 30, 2025	REIT's Ownership December 31, 2024	Carrying Value June 30, 2025	Carrying Value December 31, 2024
Marquee at Block 37	Chicago, IL	Joint Venture	**50%**	50%	**$71,723**	$70,874

The following table presents the change in the balance of the equity-accounted investments:

As at	June 30, 2025	December 31, 2024
Balance, beginning of period	**$70,874**	$53,282
Distributions received	**(273)**	(2,734)
Share of net income	**4,934**	15,116
Foreign exchange gain (loss)	**(3,812)**	5,210
Balance, end of period	**$71,723**	$70,874

The following tables present the financial results of the REIT's equity-accounted investments on a 100% basis:

As at	June 30, 2025	December 31, 2024
Non-current assets	**$353,796**	$364,764
Current assets	**4,156**	2,736
Total assets	**$357,952**	$367,500
Non-current liabilities	**$198,164**	$211,728
Current liabilities	**16,342**	14,024
Total liabilities	**$214,506**	$225,752
Net assets	**$143,446**	$141,748
Equity-accounted investments	**$71,723**	$70,874

	Three months ended June 30 2025	Three months ended June 30 2024	Six months ended June 30 2025	Six months ended June 30 2024
Revenue	**$8,492**	$8,022	**$17,088**	$15,878
Expenses	**(4,142)**	(3,926)	**(15,034)**	(13,302)
Fair value gain on income producing properties	**1,522**	48	**7,814**	5,156
Net income for the period	**$5,872**	$4,144	**$9,868**	$7,732
Income in equity-accounted investments	**$2,936**	$2,072	**$4,934**	$3,866

NOTE 5
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	June 30, 2025	December 31, 2024
Principal balance of mortgages	**$1,721,131**	$1,742,986
Deferred financing costs	**(20,667)**	(20,162)
Mark-to-market adjustment	**(1,302)**	(1,744)
	$1,699,162	$1,721,080
Current	**$255,589**	$218,917
Non-current	**1,443,573**	1,502,163
	$1,699,162	$1,721,080
Range of interest rates	**2.03−6.37%**	2.03−6.73%
Weighted average interest rate	**3.90%**	3.88%
Weighted average term to maturity (years)	**5.1**	5.2
Fair value of mortgages	**$1,691,049**	$1,689,869

As at June 30, 2025, the REIT's first mortgages are registered against specific real estate assets and approximately 95% of the REIT's real estate properties, and related rental revenue, have been pledged as collateral for the mortgages payable.

On March 3, 2025, the REIT completed the Canada Mortgage and Housing Corporation ("CMHC") insured financing of a multi-suite residential property located in Kitchener, Ontario, for an amount of $79,413 at an interest rate of 4.02% and for a term of 10 years. The maturing mortgage amounted to $30,832 and had an interest rate of 2.25%.

The aggregate principal repayments and balances maturing of the mortgages payable as at June 30, 2025, together with the weighted average contractual interest rate on debt maturing in the next five years and thereafter, are as follows:

	Principal Instalment Repayments	Balances Maturing	Total	Weighted Average Contractual Rate
2025 (remainder of the year)	$14,928	$153,575	$168,503	3.49%
2026	26,270	169,048	195,318	3.26%
2027	24,472	174,187	198,659	4.23%
2028	21,547	109,607	131,154	3.90%
2029	20,704	222,253	242,957	3.98%
Thereafter	69,472	715,068	784,540	4.02%
	$177,393	$1,543,738	$1,721,131	3.90%

NOTE 6
CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at	June 30, 2025	December 31, 2024
6.00% convertible unsecured subordinated debentures	**$53,571**	$53,129
Fair value of conversion option	**1,550**	1,361
Unamortized financing costs	**(1,430)**	(1,660)
	$53,691	$52,830

For the three and six months ended June 30, 2025, interest on the convertible debentures amounting to $840 (2024 - $840) and $1,680 (2024 - $1,680), respectively, is included in interest expense (Note 13). As at June 30, 2025, $840 (December 31, 2024 - $840) is included in accounts payable and accrued liabilities.

6.00% Convertible Unsecured Subordinated Debentures

On March 9, 2023, the REIT issued $50,000 principal amount of 6.00% convertible unsecured subordinated debentures (the “2023 Debentures”) maturing on March 31, 2028 (the “Maturity Date”). On March 17, 2023, an additional principal amount of $6,000 was issued pursuant to the exercise of the over-allotment option. Interest is payable semi-annually, not in advance, on March 31 and September 30 of each year. Underwriters’ commission, legal and other issue costs attributable to the 2023 Debentures in the amount of $2,410 have been capitalized and are being amortized over their term to maturity. Morguard and Paros Enterprises Limited, related parties, own $5,000 and $2,000 aggregate principal amount of the 2023 Debentures, respectively.

As at June 30, 2025, $56,000 of the face value of the 2023 Debentures was outstanding.

Each of the 2023 Debentures can be converted into fully paid, non-assessable and freely tradable Units at the option of the holder at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by the REIT for redemption of the 2023 Debentures, at a conversion price of $24.15 per Unit, being a ratio of approximately 41.4079 Units per $1,000 principal amount of the 2023 Debentures.

NOTE 7

CLASS B LP UNITS

On April 18, 2012, the REIT issued 17,223,090 Class B LP Units to Morguard for $172,231. The Class B LP Units are non-transferable, except under certain circumstances, but are exchangeable on a one-for-one basis into Units of the REIT at any time at the option of the holder. Prior to such exchange, distributions are made on the Class B LP Units in an amount equivalent to the distribution that would have been made had the Units of the REIT been issued. Each Class B LP Unit was accompanied by a Special Voting Unit, which entitles the holder to receive notice of, attend and vote at all meetings of the Unitholders. There is no value assigned to the Special Voting Units.

As at June 30, 2025, the REIT valued the Class B LP Units based on the closing price of the TSX-listed Units, which resulted in a fair value liability of $314,494 (December 31, 2024 - $295,376) and a corresponding fair value loss for the three months ended June 30, 2025 of $15,501 (2024 - gain of $8,095) and a fair value loss for the six months ended June 30, 2025 of $19,118 (2024 - $12,228).

For the three and six months ended June 30, 2025, distributions on Class B LP Units amounting to $3,272 (2024 - $3,186) and $6,544 (2024 - $6,372), respectively, are included in interest expense (Note 13).

As at June 30, 2025, and December 31, 2024, there were 17,223,090 Class B LP Units issued and outstanding.

NOTE 8

MORGUARD FACILITY

The REIT has an unsecured revolving credit facility with Morguard (the “Morguard Facility”) that provides for borrowings or advances that can be drawn or advanced either in Canadian dollars or an equivalent amount in United States dollars at the entity’s borrowing cost, subject to the availability of sufficient funds. During the first quarter of 2025, the maximum allowable amount to be borrowed or advanced under the Morguard Facility was temporarily increased from $100,000 to $150,000.

As at June 30, 2025, the net amount receivable under the Morguard Facility was $92,500 (December 31, 2024 - $90,000).

During the three months ended June 30, 2025, the REIT recorded net interest income of $1,347 (2024 - interest expense of $71) and during the six months ended June 30, 2025, the REIT recorded net interest income of $2,661 (2024 - $9) on the Morguard Facility.

NOTE 9
LEASE LIABILITIES
The following table presents the change in the balance of lease liabilities:

As at	June 30, 2025	December 31, 2024
Balance, beginning of period	**$17,612**	$16,059
Interest on lease liabilities (Note 13)	**539**	987
Payments	**(559)**	(1,025)
Additions	**—**	170
Foreign exchange gain (loss)	**(912)**	1,421
Balance, end of period	**$16,680**	$17,612

Future minimum lease payments under the lease liabilities are as follows:

As at	June 30, 2025	December 31, 2024
Within 12 months	**$1,085**	$1,144
2 to 5 years	**13,689**	14,722
Over 5 years	**17,017**	18,235
Total minimum lease payments	**31,791**	34,101
Less: Future interest costs	**(15,111)**	(16,489)
Present value of minimum lease payments	**$16,680**	$17,612

NOTE 10
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
Accounts payable and accrued liabilities consist of the following:

As at	June 30, 2025	December 31, 2024
Accounts payable and accrued liabilities	**$57,145**	$64,056
Accrued liabilities (IFRIC 21, Levies)	**16,703**	—
Tenant deposits	**9,523**	9,558
	$83,371	$73,614

NOTE 11
UNITHOLDERS' EQUITY
(a) Units
The REIT is authorized to issue an unlimited number of Units. Each Unit confers the right to one vote at any meeting of Unitholders and to participate *pro rata* in the distributions by the REIT and, in the event of termination or winding-up of the REIT, in the net assets of the REIT. The Unitholders have the right to require the REIT to redeem their Units on demand subject to certain conditions. The Units have no par value. Upon receipt of the redemption notice by the REIT, all rights to and under the Units tendered for redemption will cease and the holder thereof will be entitled to receive a price per Unit ("Redemption Price") as determined by a formula outlined in the Declaration of Trust. The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

The Trustees have discretion with respect to the timing and amounts of distributions.

(b) Normal Course Issuer Bids
On January 10, 2024, the REIT had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 2,795,028 Units and $4,900 principal amount of the 2023 Debentures. The program expired on January 11, 2025. On January 8, 2025, the REIT obtained the approval of the TSX under its NCIB, commencing January 12, 2025, to purchase up to 2,648,573 Units, being approximately 10% of the public float of outstanding Units; the program expires on January 11, 2026. The daily repurchase restriction for the Units is 5,522. Additionally, the REIT may purchase up to $4,900 principal amount of the 2023 Debentures, being 10% of the public float of outstanding 2023 Debentures. The daily repurchase restriction for the 2023 Debentures is $8. The price that the REIT would pay for any such Units or 2023 Debentures would be the market price at the time of acquisition.

During the six months ended June 30, 2025, 1,214,609 Units were repurchased for cash consideration of $20,951 at a weighted average price of $17.25 per Unit. During the year ended December 31, 2024, 1,505,535 Units were repurchased for cash consideration of $26,288 at a weighted average price of $17.46 per Unit.

(c) Special Voting Units

The REIT is authorized to issue an unlimited number of Special Voting Units. The Declaration of Trust and the exchange agreement provide for the issuance of the Special Voting Units, which have no economic entitlement in the REIT or in the distribution or assets of the REIT, but are used to provide voting rights proportionate to the votes of the Units to holders of securities exchangeable into Units, including the Class B LP Units. Each Special Voting Unit is not transferable separately from the Class B LP Unit to which it is attached and will be automatically redeemed and cancelled upon exchange of the attached Class B LP Unit into a Unit.

(d) Units Outstanding

The following table summarizes the changes in Units for the period from December 31, 2023, to June 30, 2025:

Issued and Fully Paid Units	Units	Amount
Balance, December 31, 2023	37,735,959	$448,150
Units issued under the DRIP	53,757	883
Units repurchased through the NCIB plan	(1,505,535)	(26,288)
Balance, December 31, 2024	36,284,181	422,745
Units issued under the DRIP	**22,181**	**382**
Units repurchased through the REIT's NCIB plan	**(1,214,609)**	**(20,951)**
Balance, June 30, 2025	**35,091,753**	**$402,176**

Total distributions declared during the six months ended June 30, 2025, amounted to $13,611, or $0.37998 per Unit (2024 - $13,939, or $0.37002 per Unit), including distributions payable of $2,229 that were declared on June 16, 2025, and paid on July 15, 2025. On July 15, 2025, the REIT declared a distribution of $0.06333 per Unit payable on August 15, 2025.

(e) Distribution Reinvestment Plan

Under the REIT's Distribution Reinvestment Plan ("DRIP"), Unitholders can elect to reinvest cash distributions into additional Units at a weighted average closing price of the Units on the TSX for the five trading days immediately preceding the applicable date of distribution. During the six months ended June 30, 2025, the REIT issued 22,181 Units under the DRIP (year ended December 31, 2024 - 53,757 Units).

NOTE 12
RENTAL INCOME

The components of revenue from real estate properties are as follows:

	Three months ended June 30		Six months ended June 30	
	2025	2024	**2025**	2024
Rental income	**$45,282**	$43,407	**$89,196**	$85,247
Property management and ancillary income	**30,118**	29,045	**62,391**	58,317
Property tax and insurance	**13,137**	13,304	**27,224**	26,948
	$88,537	$85,756	**$178,811**	$170,512

NOTE 13
INTEREST EXPENSE

The components of interest expense are as follows:

	Three months ended June 30		Six months ended June 30	
	2025	2024	**2025**	2024
Interest on mortgages	**$16,987**	$14,907	**$33,876**	$29,120
Interest on convertible debentures (Note 6)	**840**	840	**1,680**	1,680
Interest on lease liabilities (Note 9)	**264**	242	**539**	479
Amortization of mark-to-market adjustment on mortgages	**169**	179	**362**	357
Amortization of deferred financing costs	**875**	727	**1,705**	1,475
Amortization of deferred financing costs on convertible debentures (Note 6)	**115**	108	**230**	215
Accretion on convertible debentures (Note 6)	**221**	221	**442**	442
Fair value loss (gain) on conversion option on convertible debentures (Note 6)	**299**	(975)	**189**	(1,127)
Prepayment fee on mortgage extinguishment	**—**	257	**—**	257
	19,770	16,506	**39,023**	32,898
Distributions on Class B LP Units (Note 7)	**3,272**	3,186	**6,544**	6,372
	$23,042	$19,692	**$45,567**	$39,270

NOTE 14
TRUST EXPENSES

The components of trust expenses are as follows:

	Three months ended June 30		Six months ended June 30	
	2025	2024	**2025**	2024
Asset management fees and distributions	**$5,438**	$4,901	**$10,594**	$9,715
Professional fees	**327**	333	**643**	686
Public company expenses	**206**	203	**413**	401
Other	**65**	226	**204**	355
	$6,036	$5,663	**$11,854**	$11,157

NOTE 15
RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Notes 6, 7 and 8, related party transactions also include the following:

Agreements with Morguard Affiliates

The REIT, the Partnership and its subsidiaries entered into a series of agreements (the “Agreements”) with certain Morguard affiliates whereby the following services are provided by Morguard’s affiliates under the direction of the REIT:

Property Management

Pursuant to the Agreements, Morguard’s affiliates administer the day-to-day operations of the Canadian and U.S. income producing properties, for which Morguard’s affiliates receive partnership fees and distributions equal to 3.5% of gross property revenue of the income producing properties, payable monthly. Fees and distributions for the three and six months ended June 30, 2025 amounted to $3,173 (2024 - $3,059) and $6,393 (2024 - $6,087), respectively, and are included in property operating costs and equity income from investments. As at June 30, 2025, $903 (December 31, 2024 - $925) is included in accounts payable and accrued liabilities.

Asset Management

Pursuant to the Agreements, Morguard’s affiliates have certain duties and responsibilities for the strategic management and administration of the Partnership and its subsidiaries, for which they receive partnership fees and distributions equal to 0.25% of the Partnership’s gross book value defined as acquisition cost of the REIT’s assets plus: (i) fair value adjustments; and (ii) accumulated amortization on property, plant and equipment. In addition, an annual fee and distribution are calculated in arrears, determined by multiplying 15% of the Partnership’s funds from operations in excess of $0.66 per Unit. Fees and distributions for the three and six months ended June 30, 2025 amounted to $5,550 (2024 - $5,004) and $10,820 (2024 - $9,918), respectively, and are included in trust expenses and equity income from investments. As at June 30, 2025, $3,648 (December 31, 2024 - $3,280) is included in accounts payable and accrued liabilities.

Acquisition
Pursuant to the Agreements, Morguard's affiliates are entitled to receive partnership fees with respect to properties acquired, directly or indirectly, by the REIT from third parties, and the fees are to be paid upon the closing of the purchase of each such property. The fees range from 0% of the purchase price paid for properties acquired directly or indirectly from Morguard, including entities controlled by Morguard, up to 0.75% of the purchase price paid for properties acquired from third parties. There were no fees relating to acquisition services for the three and six months ended June 30, 2025, and 2024.

Financing
Pursuant to the Agreements, with respect to arranging for financing services, Morguard's affiliates are entitled to receive partnership fees equal to 0.15% of the principal amount and associated costs (excluding mortgage premiums) of any debt financing or refinancing. Fees relating to financing services for the three and six months ended June 30, 2025 amounted to $nil (2024 - $313) and $119 (2024 - $313), respectively, and have been capitalized to deferred financing costs.

Other Services
As at June 30, 2025, and 2024, the REIT had its portfolio appraised by Morguard's appraisal division. Fees relating to appraisal services for the three and six months ended June 30, 2025 amounted to $52 (2024 - $52) and $104 (2024 - $104), respectively, and are included in trust expenses.

NOTE 16
INCOME TAXES
(a) Canadian Status
The REIT is a "mutual fund trust" pursuant to the *Income Tax Act* (Canada) (the "Act"). Under current tax legislation, a mutual fund trust that is not a Specified Investment Flow-Through ("SIFT") trust pursuant to the Act 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 intends to continue to qualify as a mutual fund trust that is not a SIFT trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

(b) U.S. Status
Certain of the REIT's operations or a portion thereof are conducted through its taxable U.S. subsidiaries, which are subject to U.S. federal and state corporate income taxes.

As at June 30, 2025, the REIT's U.S. subsidiaries have total net operating losses of approximately US$40,972 (December 31, 2024 - US$22,731) of which deferred income tax assets were recognized as it is probable that taxable income will be available against such losses and can be carried forward indefinitely. Included in the net operating losses is the REIT's portion of net operating losses of a subsidiary where the REIT owns a 51% effective interest in a limited partnership of US$8,446 (December 31, 2024 - US$8,747).

As at June 30, 2025, the REIT's U.S. subsidiaries have a total of US$70,692 (December 31, 2024 - US$57,092) of unutilized interest expense deductions on which deferred income tax assets were recognized and can be carried forward indefinitely.

NOTE 17
CONSOLIDATED STATEMENTS OF CASH FLOWS
(a) Items Not Affecting Cash

	Three months ended June 30		Six months ended June 30	
	2025	2024	**2025**	2024
Fair value gain on real estate properties, net	**($29,647)**	($27,218)	**($51,250)**	($55,054)
Fair value loss (gain) on Class B LP Units	**15,501**	(8,095)	**19,118**	12,228
Fair value loss (gain) on conversion option on convertible debentures	**299**	(975)	**189**	(1,127)
Equity income from investments	**(2,936)**	(2,072)	**(4,934)**	(3,866)
Amortization of deferred financing - mortgages	**875**	727	**1,705**	1,475
Amortization of deferred financing - convertible debentures	**115**	108	**230**	215
Amortization of mark-to-market adjustment on mortgages	**169**	179	**362**	357
Accretion on convertible debentures	**221**	221	**442**	442
Amortization of tenant incentives	**182**	176	**349**	305
Deferred income taxes	**8,107**	7,033	**9,739**	10,861
	($7,114)	($29,916)	**($24,050)**	($34,164)

(b) Net Change in Non-cash Operating Assets and Liabilities

	Three months ended June 30		Six months ended June 30	
	2025	2024	**2025**	2024
Amounts receivable	**($557)**	($439)	**$4,189**	($8)
Prepaid expenses	**4,315**	4,746	**2,912**	3,916
Accounts payable and accrued liabilities	**4,198**	6,412	**(5,007)**	4,939
	$7,956	$10,719	**$2,094**	$8,847

(c) Supplemental Cash Flow Information

	Three months ended June 30		Six months ended June 30	
	2025	2024	**2025**	2024
Interest paid	**$17,293**	$15,267	**$35,513**	$31,108

(d) Reconciliation of Liabilities Arising from Financing Activities

The following provides a reconciliation of liabilities arising from financing activities:

As at June 30, 2025	Mortgages Payable	Convertible Debentures	Lease Liabilities	Total
Balance, beginning of period	**$1,721,080**	**$52,830**	**$17,612**	**$1,791,522**
Repayments	**(16,039)**	**—**	**(20)**	**(16,059)**
New financing, net of financing costs	**76,938**	**—**	**—**	**76,938**
Lump-sum repayments	**(30,832)**	**—**	**—**	**(30,832)**
Non-cash changes	**2,067**	**861**	**—**	**2,928**
Foreign exchange	**(54,052)**	**—**	**(912)**	**(54,964)**
Balance, end of period	**$1,699,162**	**$53,691**	**$16,680**	**$1,769,533**

NOTE 18

MANAGEMENT OF CAPITAL

Refer to the REIT's audited consolidated financial statements as at and for the year ended December 31, 2024 for an explanation of the REIT's capital management policy.

The total managed capital for the REIT as at June 30, 2025, and December 31, 2024, is summarized below:

As at	June 30, 2025	December 31, 2024
Mortgages payable, principal balance	**$1,721,131**	$1,742,986
Convertible debentures, face value	**56,000**	56,000
Lease liabilities	**16,680**	17,612
Class B LP Units	**314,494**	295,376
Unitholders' equity	**1,969,771**	2,001,337
	$4,078,076	$4,113,311

The REIT's debt ratios compared to its borrowing limits established in the Declaration of Trust are outlined in the table below:

As at	Borrowing Limits	June 30, 2025	December 31, 2024
Total debt to gross book value	70%	**39.5%**	39.7%
Floating-rate debt to gross book value	20%	**0.8%**	0.9%

NOTE 19

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer to the REIT's audited consolidated financial statements as at and for the year ended December 31, 2024 for an explanation of the REIT's risk management policy as it relates to financial instruments.

Fair Value of Financial Assets and Liabilities

The fair values of cash, restricted cash, amounts receivable, the Morguard Facility and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of these instruments.

Mortgages payable, lease liabilities and convertible debentures are carried at amortized cost using the effective interest rate method of amortization. The estimated fair values of long-term borrowings have been determined based on market information, where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the REIT.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using June 30, 2025 market rates for debt of similar terms (Level 2). Based on these assumptions, as at June 30, 2025 the fair value of mortgages payable before deferred financing costs and mark-to-market adjustment is estimated at $1,691,049 (December 31, 2024 - $1,689,869), compared to the carrying value of $1,721,131 (December 31, 2024 - $1,742,986). The fair value of mortgages payable varies from the carrying value due to fluctuations in market interest rates since their issue.

The fair value of convertible debentures is based on their market trading price (Level 1). As at June 30, 2025, the fair value of convertible debentures before deferred financing costs has been estimated at $57,114 (December 31, 2024 - $58,464), compared to the carrying value of $53,571 (December 31, 2024 - $53,129).

The fair value of the Class B LP Units is equal to the market trading price of the Units.

The REIT's convertible debentures have no restrictive covenants.

The fair value hierarchy of real estate properties and financial instruments measured at fair value on the consolidated balance sheets is as follows:

	June 30, 2025			December 31, 2024		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$4,288,383**	$—	$—	$4,333,075
Financial liabilities:						
Class B LP Units	**314,494**	**—**	**—**	295,376	—	—
Conversion option of convertible debentures	**—**	**1,550**	**—**	—	1,361	—

NOTE 20

SEGMENTED INFORMATION

Substantially all of the REIT's assets and liabilities are in, and their revenue is derived from, the Canadian and U.S. multi-suite residential real estate segments. The Canadian properties are located in the provinces of Alberta and Ontario, and the U.S. properties are located in the states of Colorado, Texas, Louisiana, Illinois, Georgia, Florida, North Carolina, Virginia and Maryland. No single tenant accounts for 10% or more of the REIT's total revenue. The REIT is separated into two reportable segments: Canada and the United States. The REIT has applied judgment by aggregating its operating segments according to the nature of the property operations. Such judgment considers the nature of operations, types of customers and an expectation that operating segments within a reportable segment have similar long-term economic characteristics.

Additional information with respect to each reportable segment is outlined below:

	Three months ended June 30, 2025			Three months ended June 30, 2024		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Revenue from income producing properties	**$28,619**	**$59,918**	**$88,537**	$27,860	$57,896	$85,756
Property operating expenses	**(11,374)**	**(20,266)**	**(31,640)**	(11,024)	(20,083)	(31,107)
Net operating income	**$17,245**	**$39,652**	**$56,897**	$16,836	$37,813	$54,649

	Six months ended June 30, 2025			Six months ended June 30, 2024		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Revenue from real estate properties	**$57,142**	**$121,669**	**$178,811**	$55,464	$115,048	$170,512
Property operating expenses	**(23,825)**	**(77,266)**	**(101,091)**	(22,990)	(72,286)	(95,276)
Net operating income	**$33,317**	**$44,403**	**$77,720**	$32,474	$42,762	$75,236

	June 30, 2025			December 31, 2024		
As at	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Real estate properties	**$1,783,640**	**2,504,743**	**$4,288,383**	$1,713,940	$2,619,135	$4,333,075
Mortgages payable	**712,802**	**986,360**	**1,699,162**	675,069	1,046,011	1,721,080

	Three months ended June 30, 2025			Three months ended June 30, 2024		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Additions to real estate properties	**$6,687**	**$8,249**	**$14,936**	$6,709	$5,379	$12,088
Fair value gain (loss) on real estate properties	**$23,315**	**($2,112)**	**$21,203**	$16,563	$2,411	$18,974

	Six months ended June 30, 2025			Six months ended June 30, 2024		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Additions to real estate properties	**$9,533**	**$13,024**	**$22,557**	$9,336	$8,113	$17,449
Fair value gain on real estate properties	**$60,086**	**$9,047**	**$69,133**	$47,489	$23,651	$71,140

NOTE 21

SUBSEQUENT EVENT

The REIT entered into a binding agreement for the refinancing of a multi-suite residential property located in Chicago, Illinois, in the amount of $163,716 (US$120,000) at an interest rate of 5.35% and for a term of 3 years. The maturing mortgage amounts to $153,575 (US$112,567) and has an interest rate of 3.49%. The REIT expects to close the refinancing during the third quarter of 2025.