Morguard

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MORGUARD NORTH AMERICAN RESIDENTIAL REAL ESTATE INVESTMENT TRUST

DECEMBER 31, 2021

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR’S REPORT

To the Unitholders of Morguard North American Residential Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of Morguard North American Residential Real Estate Investment Trust (the “REIT”), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in unitholders’ equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the REIT as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

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 consolidated financial statements* section of our report. We are independent of the REIT in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of real estate properties

Key Audit Matter	How our audit addressed the key audit matter
The REIT’s real estate property portfolio comprises income producing properties and properties under development with a fair value of $3.3 billion which represents 94% of total assets for the year ended December 31, 2021. Fair value of real estate properties is based on external and internal valuations, carried out by third party and certified staff appraisers respectively, using recognized valuation techniques. The valuation methodology for these real estate properties is primarily based on an income approach, utilizing the direct capitalization method. Recent real estate transactions with characteristics and locations similar to the REIT’s assets are also considered when developing the valuations. Note 2 of the consolidated financial statements describes the accounting policy for real estate properties, including the valuation method and valuation inputs. Note 4 of the consolidated financial statements discloses the sensitivity of the fair value of real estate properties to a change in capitalization rates. The valuation of the REIT’s real estate property portfolio is a key audit matter given the inherently subjective nature of significant assumptions including capitalization rates, and assumptions involved in determining stabilized net operating income, including vacancy and rental income. These assumptions are influenced by property specific characteristics including location, type and quality of the properties.	With the assistance of our real estate valuation specialists, we evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others: • We assessed the competence and objectivity of management’s valuation team, and any third-party appraisers engaged, by reviewing the qualifications and expertise of the individuals involved in the preparation and review of the valuations. • We selected a sample of properties where either the fair value change from prior year or significant assumptions fell outside our expectations, based on our understanding of the geographical real estate market for the specific asset type. For this sample of real estate properties, we evaluated the significant assumptions, including capitalization rates and stabilized net operating income including vacancy and rental income, by comparison to the expected real estate market benchmark range for similar assets, in similar locations. We also considered whether there were any additional asset-specific characteristics that may impact the significant assumptions utilized and that these were appropriately considered in the overall assessment of fair value. • We evaluated the REIT’s critical accounting policies and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRSs.

Other information

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

- Management’s Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor’s report thereon, in the Annual Report

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor’s report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the REIT'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 REIT or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the REIT's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 consolidated 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 REIT'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 REIT'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 consolidated 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 REIT to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Stephanie Lamont.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
February 15, 2022

BALANCE SHEETS

In thousands of Canadian dollars

As at December 31	Note	2021	2020
ASSETS			
Non-current assets			
Real estate properties	4	**$3,256,158**	$2,941,241
Equity-accounted investments	5	**96,376**	93,005
		3,352,534	3,034,246
Current assets			
Morguard Facility	9	**70,000**	—
Amounts receivable		**7,188**	5,649
Prepaid expenses		**5,202**	7,809
Restricted cash		**11,801**	9,350
Cash		**26,562**	27,304
		120,753	50,112
		$3,473,287	$3,084,358
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable and Class C LP Units	6	**$1,191,578**	$1,102,235
Convertible debentures	7	**86,319**	85,165
Class B LP Units	8	**305,021**	274,708
Deferred income tax liabilities	16	**175,229**	109,659
Accounts payable and accrued liabilities	10	**9,065**	9,103
		1,767,212	1,580,870
Current liabilities			
Mortgages payable and Class C LP Units	6	**96,977**	107,190
Morguard Facility	9	**—**	6,600
Accounts payable and accrued liabilities	10	**47,713**	42,079
		144,690	155,869
Total liabilities		**1,911,902**	1,736,739
EQUITY			
Unitholders' equity		**1,484,738**	1,270,129
Non-controlling interest		**76,647**	77,490
Total equity		**1,561,385**	1,347,619
		$3,473,287	$3,084,358

Commitments and contingencies 20

See accompanying notes to the consolidated financial statements.

On behalf of the Trustees:

(Signed) "K. Rai Sahi"

K. Rai Sahi,
Trustee

(Signed) "Mel Leiderman"

Mel Leiderman,
Trustee

STATEMENTS OF INCOME

In thousands of Canadian dollars

For the years ended December 31	Note	2021	2020
Revenue from real estate properties	12	**$245,566**	$248,683
Property operating expenses			
Property operating costs		**(65,645)**	(63,762)
Realty taxes		**(32,522)**	(31,770)
Utilities		**(17,904)**	(17,618)
Net operating income		**129,495**	135,533
Other expenses (income)			
Interest expense	13	**65,719**	62,111
Trust expenses	14	**14,392**	15,237
Equity loss (income) from investments	5	**(2,691)**	9,869
Foreign exchange loss		**15**	220
Other income		**(83)**	(431)
Income before fair value changes and income taxes		**52,143**	48,527
Fair value gain on real estate properties, net	4	**288,662**	72,238
Fair value gain (loss) on Class B LP Units	8	**(30,313)**	43,747
Income before income taxes		**310,492**	164,512
Provision for (recovery of) income taxes	16		
Current		**126**	131
Deferred		**65,392**	(2,424)
		65,518	(2,293)
Net income for the year		**$244,974**	$166,805
Net income (loss) attributable to:			
Unitholders		**$242,088**	$175,216
Non-controlling interest		**2,886**	(8,411)
		$244,974	$166,805

See accompanying notes to the consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

In thousands of Canadian dollars

For the years ended December 31	2021	2020
Net income for the year	**$244,974**	$166,805
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified subsequently to net income:		
Unrealized foreign currency translation loss	**(1,191)**	(16,110)
Total comprehensive income for the year	**$243,783**	$150,695
Total comprehensive income (loss) attributable to:		
Unitholders	**$241,175**	$160,426
Non-controlling interest	**2,608**	(9,731)
	$243,783	$150,695

See accompanying notes to the 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, 2019		$468,585	$48,762	$534,893	$84,123	$1,136,363	$89,430	$1,225,793
Changes during the year:								
Net income (loss)		—	—	175,216	—	175,216	(8,411)	166,805
Other comprehensive loss		—	—	—	(14,790)	(14,790)	(1,320)	(16,110)
Issue of Units - DRIP		625	—	(625)	—	—	—	—
Distributions		—	—	(26,660)	—	(26,660)	(2,209)	(28,869)
Unitholders' equity, December 31, 2020		$469,210	$48,762	$682,824	$69,333	$1,270,129	$77,490	$1,347,619
Changes during the year:								
Net income		**—**	**—**	**242,088**	**—**	**242,088**	**2,886**	**244,974**
Other comprehensive loss		**—**	**—**	**—**	**(913)**	**(913)**	**(278)**	**(1,191)**
Issue of Units - DRIP	11(d)	**749**	**—**	**(749)**	**—**	**—**	**—**	**—**
Distributions	11(d)	**—**	**—**	**(26,566)**	**—**	**(26,566)**	**(3,451)**	**(30,017)**
Unitholders' equity, December 31, 2021		**$469,959**	**$48,762**	**$897,597**	**$68,420**	**$1,484,738**	**$76,647**	**$1,561,385**

See accompanying notes to the consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

For the years ended December 31	Note	2021	2020
OPERATING ACTIVITIES			
Net income		**$244,974**	$166,805
Add (deduct) items not affecting cash	17(a)	**(186,584)**	(105,641)
Additions to tenant incentives		**(1,721)**	(777)
Distributions from equity-accounted investments	5	**283**	1,780
Net change in non-cash operating assets and liabilities	17(b)	**6,744**	(12,039)
Cash provided by operating activities		**63,696**	50,128
INVESTING ACTIVITIES			
Additions to income producing properties	4	**(30,012)**	(22,113)
Additions to property under development	4	**—**	(5,951)
Contributions to equity-accounted investments	5	**(1,288)**	—
Cash used in investing activities		**(31,300)**	(28,064)
FINANCING ACTIVITIES			
Proceeds from new mortgages	6	**194,207**	25,151
Financing cost on new mortgages		**(4,647)**	(605)
Repayment of mortgages and Class C LP Units			
Principal instalment repayments		**(26,573)**	(24,480)
Repayment on maturity	6	**(2,424)**	(8,757)
Redemption of Class C LP Units including tax payment	6	**(84,690)**	—
Proceeds from Morguard Facility		**63,938**	61,100
Advances on and repayments of Morguard Facility		**(140,359)**	(34,676)
Distributions to Unitholders		**(26,564)**	(26,660)
Distributions to non-controlling interest		**(3,451)**	(2,209)
Increase in restricted cash		**(2,490)**	(436)
Cash used in financing activities		**(33,053)**	(11,572)
Net increase (decrease) in cash during the year		**(657)**	10,492
Net effect of foreign currency translation on cash balance		**(85)**	(936)
Cash, beginning of year		**27,304**	17,748
Cash, end of year		**$26,562**	$27,304

See accompanying notes to the consolidated financial statements.

NOTES

For the years ended December 31, 2021 and 2020
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 December 31, 2021, Morguard Corporation ("Morguard"), the parent company of the REIT, holds an indirect 44.7% (2020 - 44.7%) interest through its ownership of 7,944,166 Units and 17,223,090 Class B LP Units.

NOTE 2

STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved and authorized for issue by the Board of Trustees on February 15, 2022.

At this time, the duration and impact of COVID-19 is unknown, as is the effectiveness of the government and central bank interventions. Any estimate of the length and severity of these measures are therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect the REIT's operations, financial results and condition in future periods are also subject to significant uncertainty. Management believes it is currently not possible to estimate the long-term impacts the outbreak of COVID-19 will have in determining estimates of fair market value for the REIT's income producing properties, investments in joint arrangements and the valuation of financial instruments. The significant assumptions used in the assessment of fair value and impairment, including estimates of capitalization rates and stabilized net operating income could potentially be impacted, which ultimately impact the underlying valuation of the REIT's real estate properties and equity-accounted investments.

Basis of Presentation

The REIT's consolidated financial statements are prepared on a going-concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated. The consolidated financial statements are prepared on a historical cost basis, except for real estate properties and certain financial instruments that are measured at fair value. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

Basis of Consolidation

The REIT holds its interest in the real estate properties and other assets and liabilities related to these properties directly or indirectly through the Partnership. The consolidated financial statements include the financial statements of the REIT, as well as the entities that are controlled by the REIT ("subsidiaries"). The REIT controls an entity 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. Subsidiaries are fully consolidated from the date of acquisition or the date on which the REIT obtains control and are deconsolidated from the date that control ceases. Intercompany transactions, balances, unrealized losses and unrealized gains on transactions between the REIT and its subsidiaries are eliminated.

Non-controlling Interest

Non-controlling interests represent equity interests in subsidiaries that are not attributable to the REIT. For all of the REIT's subsidiaries, the share of the net assets of the subsidiaries that is attributable to non-controlling interest is presented as a component of equity.

Income Producing Properties

Income producing properties include multi-suite residential properties held to earn rental income. An income producing property that is acquired as an asset purchase and not as a business combination is recorded initially at cost, including transaction costs. Transaction costs include transfer taxes and professional fees for legal and other services.

Subsequent to initial recognition, income producing properties are recorded at fair value. The changes in fair value for each reporting period will be recorded in the consolidated statements of income. In order to avoid double counting, the carrying value of income producing properties includes all capital expenditures associated with upgrading and extending the economic life of the existing properties since these amounts are incorporated in the appraised values of the income producing properties. Fair value is based on valuations using the direct capitalization income method. Recent real estate transactions with characteristics and locations similar to the REIT's assets are also considered. The direct capitalization income method applies a capitalization rate to the property's stabilized net operating income, which incorporates allowances for vacancy, management fees and structural reserves for capital expenditures for the property. The resulting appraised value is further adjusted, where appropriate, for non-recurring costs to stabilize the income.

Properties Under Development

The cost of properties under development includes all expenditures incurred in connection with the acquisition, including all direct development costs, realty taxes and other costs to prepare it for its productive use and borrowing costs directly attributable to the development. Borrowing costs associated with direct expenditures on properties under development or redevelopment are capitalized. Borrowing costs are also capitalized on the purchase price of a site or property acquired specifically for redevelopment in the short term if the activities necessary to prepare the asset for development or redevelopment are in progress. Borrowing costs are capitalized from the commencement of the development until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. The REIT considers practical completion to have occurred when the property is capable of operating in the manner intended by management. Generally, this consideration occurs on completion of construction and receipt of all necessary occupancy and other material permits.

Real estate properties under development are measured at fair value, with changes in fair value being recognized in the consolidated statements of income when fair value can be reliably determined.

Interests in Joint Arrangements

The REIT reviews its interests in joint arrangements and accounts for those joint arrangements in which the REIT is entitled only to the net assets of the arrangement as joint ventures using the equity method of accounting; and for those joint arrangements in which the REIT is entitled to its share of the assets and liabilities as joint operations and recognizes its rights to and obligations of the assets, liabilities, revenue and expenses of the joint operation.

Classification of Units, Class B LP Units and Class C LP Units

Units

Units meet the definition of a financial liability under IFRS as the redemption feature of the Units creates an unavoidable contractual obligation to pay cash (or another financial instrument such as notes payable if redemptions exceed $50 in a given month).

Units are redeemable at the option of the holder and, therefore, are considered "puttable instruments" in accordance with International Accounting Standard ("IAS") 32, Financial Instruments - Presentation ("IAS 32"). IAS 32 allows puttable instruments to be presented as equity provided the instrument meets all of the following conditions: (i) it must entitle the holder to a *pro rata* share of the entity's net assets in the event of the entity's dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class in point (ii) must have identical features; (iv) other than the redemption feature, there can be no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the instruments must be based substantially on the profit or loss of the entity or change in fair value of the entity over the life of the instrument. The Units meet these criteria and, accordingly, are presented as equity in the consolidated financial statements and the distributions declared on the Units are deducted from retained earnings.

Class B LP Units

The Class B limited partnership units of the Partnership ("Class B LP Units") are exchangeable into Units at the option of the holder. As a result of this obligation, the Class B LP Units are exchangeable into a liability (as the Units are a liability by definition) and, accordingly, the Class B LP Units are also considered to be a liability and do not qualify for the exception in IAS 32 to be presented as equity. The distributions paid on the Class B LP Units are classified as interest expense in the consolidated statements of income.

Class C LP Units

Morguard retained the mortgages on four properties ("Retained Debt") that were sold to the REIT and also retained the deferred financing costs associated with the Retained Debt. Morguard remained responsible for the interest and principal payments on the Retained Debt, and the Retained Debt was secured by a charge on the properties. In consideration of the Retained Debt, Morguard received Class C limited partnership units of the Partnership ("Class C LP Units") on which distribution payments were made in an amount expected to be sufficient to permit Morguard to satisfy amounts payable with respect to: (i) the principal and interest under the Retained Debt; and (ii) the amount of tax that is due and payable that is reasonably attributable to any redemption of and distributions on the Class C LP Units.

Financial Instruments

Recognition and Measurement of Financial Instruments

Financial assets must be classified and measured on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets subsequent to initial recognition are classified and measured based on three categories: amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost and FVTPL. Initially, all financial assets and financial liabilities are recorded in the consolidated balance sheets at fair value. After initial recognition, the effective interest related to financial assets and liabilities measured at amortized cost and the gain or loss arising from the change in the fair value of financial assets or liabilities classified as FVTPL are included in net income for the year in which they arise. At each consolidated balance sheet date, financial assets measured at amortized cost or at FVTOCI, except for investment in equity instruments, require an impairment analysis using the expected credit loss model ("ECL model") to determine the expected credit losses using judgment determined on a probability weighting basis.

The following summarizes the REIT's classification and measurement of financial assets and liabilities:

Financial Assets	
Amounts receivable	Amortized cost
Morguard Facility	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
Financial Liabilities	
Mortgages payable and Class C LP Units	Amortized cost
Convertible debentures, excluding conversion option	Amortized cost
Morguard Facility	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liability	Amortized cost
Conversion option of convertible debentures	FVTPL
Class B LP Units	FVTPL

Transaction Costs
Direct and indirect financing costs that are attributable to the issue of financial liabilities measured at amortized cost are presented as a reduction from the carrying amount of the related debt and are amortized using the effective interest rate method over the term of the related debt. These costs include interest, amortization of discounts or premiums relating to borrowings, fees and commissions paid to lenders, agents, brokers and advisers, and transfer taxes and duties that are incurred in connection with the arrangement of borrowings.

Fair Value
The fair value of a financial instrument 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability; or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

Fair value measurements recognized in the consolidated balance sheets are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value measurement is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with remaining maturities at the time of acquisition of three months or less.

Convertible Debentures
Convertible debentures issued by the REIT are convertible into Units at the option of the holder, and the number of Units to be issued does not vary with changes in their fair value.

Upon issuance, convertible debentures are separated into their debt and conversion feature components. The debt component of the convertible debentures is recognized initially at the fair value of a similar debt instrument without a conversion feature. Subsequent to initial recognition, the debt component of a compound financial instrument is measured at amortized cost using the effective interest method.

The conversion feature component of the convertible debentures is recognized at fair value using the Black-Scholes option pricing model as at each consolidated balance sheet date. The convertible debentures are convertible into Units at the holder's option. As a result of this obligation, the convertible debentures are exchangeable into a liability since the Units are puttable instruments that meet the definition of a financial liability under IAS 32. Accordingly, the conversion feature component of the convertible debentures is recorded in the consolidated balance sheets as a liability, measured at fair value, with changes in fair value recognized in the consolidated statements of income.

Any directly attributable transaction costs are allocated to the debt and conversion components of the convertible debentures in proportion to their initial carrying amounts.

Revenue Recognition
Revenue from income producing properties includes rents from tenants under leases and property management and ancillary income (such as utilities, parking and laundry) paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the REIT expects to be entitled in exchange for those goods or services. The REIT has not transferred substantially all of the risks and benefits of ownership of its income producing properties and, therefore, accounts for leases with its tenants as operating leases.

Rental income from tenants under leases include lease components within the scope of IFRS 16, Leases ("IFRS 16") and are comprised of rental income and a recovery of property taxes and insurance. Rental income is accounted for on a straight-line basis over the lease terms. Property tax and insurance recoveries are recognized as income in the period in which they are earned. Any suite-specific incentives offered or initial direct costs incurred in negotiating and arranging an operating lease are reflected in the consolidated balance sheets in the carrying value of income producing properties and are amortized over the term of the operating lease and recognized in the consolidated statements of income on a straight-line basis.

Property management and ancillary income are considered non-lease components and are within the scope of IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The performance obligation for property management and ancillary services is satisfied over time. Rents charged to tenants are generally charged on a gross basis, inclusive of property management and ancillary services. If a contract is separated into more than one performance obligation, the REIT allocates the total transaction price to each performance obligation in an amount based on an expected cost plus a margin approach. The REIT applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Income Taxes

The REIT is a "mutual fund trust" pursuant to the *Income Tax Act* (Canada) (the "Act"). 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 intends to continue to qualify as a real estate investment trust and to make distributions of not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes in Canada. Accordingly, no current or deferred income taxes have been recorded in the consolidated financial statements for the REIT's Canadian properties.

However, the REIT's U.S. properties are held by U.S. subsidiaries that are taxable legal entities. The REIT uses the liability method of accounting for U.S. income taxes. Under the liability method of tax allocation, current income tax assets and liabilities are based on the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted as at the consolidated balance sheet dates. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amounts of deferred income tax assets are reviewed as at each consolidated balance sheet date and reduced to the extent it is no longer probable that the income tax asset will be recovered.

In accordance with IAS 12, Income Taxes ("IAS 12"), the REIT measures deferred income tax assets and liabilities on its U.S. real estate properties based on the rebuttable presumption that the carrying amount of the real estate property is recovered through sale, as opposed to presuming that the economic benefits of the real estate property will be substantially consumed through use over time. This presumption is rebutted if the property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the income producing property over time rather than through sale.

Foreign Exchange

The operations of the REIT's U.S.-based subsidiaries are in United States dollars, which is the functional currency of the foreign subsidiaries. Accordingly, the assets and liabilities of foreign subsidiaries are translated into Canadian dollars at the exchange rate as at the consolidated balance sheet dates. Revenue and expenses are translated at the average rate of exchange for the year. The resulting gains and losses are recorded in other comprehensive income ("OCI"). Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the reporting date. Exchange differences are recognized in profit or loss, except for exchange differences arising from a monetary item receivable from or payable to a foreign subsidiary, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign subsidiary. These exchange differences are recognized in OCI until the disposal of the net investment, at which time they are reclassified to profit or loss.

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

	2021	2020
Canadian dollar to United States dollar exchange rates:		
- As at December 31	**0.7888**	0.7854
- Average for the year ended December 31	**0.7978**	0.7454
United States dollar to Canadian dollar exchange rates:		
- As at December 31	**1.2678**	1.2732
- Average for the year ended December 31	**1.2535**	1.3415

Distributions
Distributions are recognized as a deduction from retained earnings for the Units classified as equity and as interest expense for Class B LP Units classified as a liability.

Reportable Operating Segments
Reportable operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The REIT has determined that its chief operating decision-maker is the Chairman and Chief Executive Officer.

Critical Judgments in Applying Accounting Policies
The following are the critical 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:

Income Producing Properties
The REIT's accounting policies relating to income producing properties are described above. In applying these policies, judgment has been applied in determining whether certain costs are additions to the carrying amount of the property, and, for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property. The key assumptions in the valuation of the REIT's income producing properties are further defined in Note 4.

Joint Arrangements
The REIT applies judgment to determine whether the joint arrangements provided it with joint control, significant influence or no influence and whether the arrangements are joint operations or joint ventures.

Basis of Consolidation
The REIT's basis of consolidation is described above in the "Basis of Consolidation" section. Judgment is applied in determining whether "control" exists within the framework of IFRS 10, Consolidated Financial Statements.

Revenue Recognition
The REIT applies judgment about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The REIT concluded that revenue for property management and ancillary services is to be recognized over time because the tenant simultaneously receives and consumes the benefits provided by the REIT. Rents charged to tenants are generally charged on a gross basis, inclusive of property management and ancillary services. If a contract is identified as containing more than one performance obligation, the REIT allocates the total transaction price to each performance obligation in an amount based on an expected cost plus a margin approach.

Income Taxes
Under current tax legislation, a real estate investment trust is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders during the year. The REIT is a real estate investment trust if it meets prescribed conditions under the Act relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the REIT Conditions and has assessed their interpretation and application to the REIT's Canadian assets and revenue, and it has determined that it qualifies as a real estate investment trust.

The REIT expects to qualify as a real estate investment trust under the Act; however, should it no longer qualify, it would not be able to flow through its taxable income to Unitholders, and the REIT would, therefore, be subject to tax on its Canadian properties.

Critical Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting periods.

In determining estimates of fair market value for the REIT's income producing properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Significant estimates used in determining fair value of the REIT's income producing properties include capitalization rates and stabilized net operating income (which is primarily influenced by revenue growth, vacancy rates, inflation rates and operating costs). Should any of these underlying assumptions change, actual results could differ from the estimated amounts. The critical estimates and assumptions underlying the valuation of income producing properties are outlined in Note 4.

NOTE 3

SUBSIDIARIES WITH NON-CONTROLLING INTEREST

As at December 31, 2021 and 2020, the REIT owns a 51% effective interest in a limited partnership (the "LP"). The LP owns a garden-style property comprising 252 suites located in Cooper City, Florida ("2940 Solano at Monterra") and a high-rise property comprising 515 suites and approximately 20,000 square feet of commercial area located in Chicago, Illinois ("Coast at Lakeshore East").

The following summarizes the results of the REIT's material subsidiaries with non-controlling interest before any intercompany eliminations and the corresponding non-controlling interest in the equity of the LP.

As at December 31	2021	2020
Non-current assets	**$339,770**	$340,963
Current assets	**3,490**	1,883
Total assets	**$343,260**	$342,846
Non-current liabilities	**$184,833**	$191,033
Current liabilities	**10,176**	5,428
Total liabilities	**$195,009**	$196,461
Equity	**$148,251**	$146,385
Non-controlling interest	**$72,643**	$71,729

For the years ended December 31	2021	2020
Revenue from income producing properties	**$25,891**	$28,004
Expenses	**(21,026)**	(21,029)
Fair value loss on income producing properties	**(551)**	(26,653)
Net income (loss) for the year	**$4,314**	($19,678)
Non-controlling interest	**$2,114**	($9,642)

For the years ended December 31	2021	2020
Cash provided by operating activities	**$6,085**	$7,525
Cash used in investing activities	**(757)**	(1,655)
Cash used in financing activities	**(3,863)**	(4,983)
Net increase in cash during the year	**$1,465**	$887

NOTE 4
REAL ESTATE PROPERTIES

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

As at	2021	2020
Balance, beginning of year	**$2,941,241**	$2,872,658
Additions:		
Capital expenditures	**30,012**	22,113
Development expenditures	**—**	5,951
Fair value gain, net	**288,662**	72,238
Foreign currency translation	**(4,200)**	(31,538)
Other	**443**	(181)
Balance, end of year	**$3,256,158**	$2,941,241

On October 31, 2020, the REIT substantially completed the development of 1643 Josephine Street, New Orleans, Louisiana, and the development project was transferred from property under development to income producing properties, and all revenue and expenses pertaining to the property were recorded in the consolidated statements of income commencing on October 31, 2020.

As at December 31, 2021, and 2020, 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.

Morguard's appraisal division consists of Appraisal Institute of Canada ("AIC") designated Accredited Appraiser Canadian Institute ("AACI") members who are qualified to offer valuation and consulting services and expertise for all types of real property, all of whom are knowledgeable and have recent experience in the fair value techniques for investment properties. AACI-designated members must adhere to AIC's Canadian Uniform Standards of Professional Appraisal Practice ("CUSPAP") and undertake ongoing professional development. Morguard's appraisal division is responsible for determining the fair value of investment properties every quarter. The team reports to a senior executive, and the internal valuation team's valuation processes and results are reviewed by senior management at least once every quarter, in line with the REIT's quarterly reporting dates.

Due to the COVID-19 pandemic and the ongoing impact on the economy, there is added risk in management's use of judgment relating to the valuation of the REIT's income producing properties. Key assumptions used in determining the valuation of income producing properties include estimates of capitalization rates and stabilized net operating income (which is primarily influenced by revenue growth, vacancy rates, inflation rates and operating costs), pertain to forward-looking assumptions and market evidence, and accordingly could materially and adversely impact the underlying valuation of the REIT's income producing properties.

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 December 31, 2021, using the direct capitalization income approach, the properties were valued using capitalization rates in the range of 3.5% to 6.5% (2020 - 3.8% to 6.8%) applied to a stabilized net operating income of $140,018 (2020 - $132,725), resulting in an overall weighted average capitalization rate of 4.3% (2020 - 4.5%).

The stabilized occupancy and average capitalization rates by location are set out in the following table

	December 31, 2021					December 31, 2020				
	Occupancy Rates		**Capitalization Rates**			Occupancy Rates		Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Canada										
Alberta	**96.0%**	**96.0%**	**5.0%**	**5.0%**	**5.0%**	96.0%	96.0%	5.0%	5.0%	5.0%
Ontario	**97.0%**	**96.0%**	**4.3%**	**3.5%**	**3.7%**	97.0%	96.0%	4.5%	3.8%	3.9%
United States										
Colorado	**95.0%**	**95.0%**	**4.8%**	**4.8%**	**4.8%**	95.0%	95.0%	5.3%	5.3%	5.3%
Texas	**95.0%**	**95.0%**	**4.8%**	**4.8%**	**4.8%**	95.0%	95.0%	5.3%	5.0%	5.0%
Louisiana	**95.0%**	**95.0%**	**6.5%**	**5.5%**	**5.7%**	95.0%	95.0%	6.8%	5.5%	6.0%
Illinois	**95.0%**	**95.0%**	**4.5%**	**4.5%**	**4.5%**	95.0%	95.0%	4.5%	4.5%	4.5%
Georgia	**96.0%**	**95.0%**	**5.3%**	**4.8%**	**5.1%**	96.0%	95.0%	5.5%	5.0%	5.4%
Florida	**96.0%**	**93.5%**	**6.0%**	**4.5%**	**5.1%**	96.0%	93.5%	6.5%	4.8%	5.5%
North Carolina	**94.0%**	**94.0%**	**5.0%**	**4.8%**	**4.9%**	94.0%	94.0%	5.3%	5.0%	5.1%
Virginia	**95.0%**	**95.0%**	**4.5%**	**4.5%**	**4.5%**	95.0%	95.0%	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 value of the real estate properties as at December 31, 2021 would decrease by $179,300 or increase by $202,004, respectively.

NOTE 5
EQUITY-ACCOUNTED INVESTMENTS

The following are the REIT's equity-accounted investments as at December 31, 2021, and 2020:

			REIT's Ownership		**Carrying Value**	
Property	**Principal Place of Business**	**Type**	**December 31, 2021**	December 31, 2020	**December 31, 2021**	December 31, 2020
The Fenestra	Rockville, MD	Joint Venture	**50%**	50%	**$46,721**	$40,671
Marquee at Block 37	Chicago, IL	Joint Venture	**50%**	50%	**49,655**	52,334
					$96,376	$93,005

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

As at December 31	**2021**	2020
Balance, beginning of year	**$93,005**	$106,521
Additions	**1,288**	—
Distributions received	**(283)**	(1,780)
Share of net income (loss)	**2,691**	(9,869)
Foreign exchange loss	**(325)**	(1,867)
Balance, end of year	**$96,376**	$93,005

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

As at December 31	2021	2020
Non-current assets	**$485,315**	$483,817
Current assets	**8,675**	8,525
Total assets	**$493,990**	$492,342
Non-current liabilities	**$285,796**	$294,098
Current liabilities	**15,442**	12,234
Total liabilities	**$301,238**	$306,332
Net assets	**$192,752**	$186,010
Equity-accounted investments	**$96,376**	$93,005

	2021	2020
Revenue	**$34,396**	$38,927
Expenses	**(30,887)**	(31,025)
Fair value gain (loss) on income producing properties	**1,873**	(27,639)
Net income (loss) for the year	**$5,382**	($19,737)
Income (loss) in equity-accounted investments	**$2,691**	($9,869)

NOTE 6

MORTGAGES PAYABLE AND CLASS C LP UNITS

Mortgages payable and Class C LP Units consist of the following:

As at December 31	2021 Mortgages Payable	2020 Mortgages Payable and Class C LP Units
Principal balance of mortgages	**$1,300,873**	$1,210,463
Deferred financing costs	**(12,318)**	(10,080)
Present value of tax payment on Class C LP Units	**—**	9,042
	$1,288,555	$1,209,425
Current	**$96,977**	$107,190
Non-current	**1,191,578**	1,102,235
	$1,288,555	$1,209,425
Range of interest rates	**2.03–4.11%**	2.03–4.11%
Weighted average interest rate	**3.31%**	3.45%
Weighted average term to maturity (years)	**5.0**	4.8
Fair value of mortgages and Class C LP Units	**$1,335,670**	$1,292,168

The REIT's first mortgages are registered against specific real estate assets and substantially all of the REIT's rental properties and related rental revenue have been pledged as collateral for the mortgages payable.

On November 10, 2021, the REIT completed the Canada Mortgage Housing Corporation ("CMHC") insured financing of four properties, located in Toronto and Mississauga, Ontario, providing gross mortgage proceeds of $194,207 at a weighted average interest rate of 2.72% and for a weighted average term of 10.5 years. Concurrently, the REIT redeemed the Class C LP Units of the Partnership held by Morguard. The Class C LP Units were entitled to priority distributions in satisfaction of financial obligations related to the Retained Debt and any associated tax payable by Morguard. The Retained Debt had a mortgage balance at maturity associated with the refinanced properties of $74,180 at a weighted average interest rate of 3.97%, resulting in net proceeds of $120,027, before financing costs and any associated tax payable.

At the time of redemption of the Class C LP Units, the present value of the REIT's tax obligation on Class C LP Units amounted to $12,934 compared to the carrying value of $9,559, resulting in a loss on tax liability on redemption of Class C LP Units of $3,775 (Note 13).

The aggregate principal repayments and balances maturing of the mortgages payable as at December 31, 2021, 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
2022	$32,610	$66,937	$99,547	3.76%
2023	30,003	145,044	175,047	3.47%
2024	27,284	140,446	167,730	3.28%
2025	20,002	173,544	193,546	3.25%
2026	14,376	162,568	176,944	3.23%
Thereafter	52,196	435,863	488,059	3.27%
	$176,471	$1,124,402	$1,300,873	3.31%

NOTE 7
CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at December 31	2021	2020
4.50% convertible unsecured subordinated debentures	**$85,223**	$85,223
Fair value of conversion option	**2,028**	1,577
Unamortized financing costs	**(932)**	(1,635)
	$86,319	$85,165

For the year ended December 31, 2021, interest on the convertible debentures amounting to $3,848 (2020 - $3,848) is included in interest expense (Note 13). As at December 31, 2021, $980 (2020 - $980) is included in accounts payable and accrued liabilities.

4.50% Convertible Unsecured Subordinated Debentures

On February 13, 2018, the REIT issued $75,000 principal amount of 4.50% convertible unsecured subordinated debentures (the “2018 Debentures”) maturing on March 31, 2023 (the “Maturity Date”). On February 21, 2018, an additional principal amount of $10,500 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. The underwriters’ commissions, legal and other issue costs attributable to the 2018 Debentures in the amount of $3,375 have been capitalized and are being amortized over their term to maturity. Morguard owns $5,000 aggregate principal amount of the 2018 Debentures.

As at December 31, 2021, and 2020, $85,500 of the face value of the 2018 Debentures were outstanding.

Each of the 2018 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 2018 Debentures, at a conversion price of $20.20 per Unit, being a ratio of approximately 49.5050 Units per $1,000 principal amount of 2018 Debentures.

From April 1, 2021 to March 31, 2022, the 2018 Debentures will be redeemable, in whole at any time or in part from time to time, at the option of the REIT on not more than 60 days’ and not less than 30 days’ prior written notice at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption, provided that the volume-weighted average trading price of the Units on the TSX (if the Units are then listed on the TSX) for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given (the “Current Market Price”) is not less than 125% of the conversion price. From April 1, 2022, and prior to the Maturity Date, the 2018 Debentures shall be redeemable, in whole at any time or in part from time to time, at the option of the REIT on not more than 60 days’ and not less than 30 days’ prior written notice at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption. Subject to regulatory approval and other conditions, the REIT may, at its option, elect to satisfy its obligation to pay, in whole or in part, the principal amount of the 2018 Debentures that are to be redeemed or that have matured by issuing and delivering that number of freely tradable Units to the debentureholders obtained by dividing the principal amount of the 2018 Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable.

NOTE 8

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 December 31, 2021, 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 $305,021 (2020 - $274,708) and a corresponding fair value loss for the year ended December 31, 2021 of $30,313 (2020 - gain of $43,747).

For the year ended December 31, 2021, distributions on Class B LP Units amounting to $12,049 (2020 - $12,049) are included in interest expense (Note 13).

As at December 31, 2021, and 2020, there were 17,223,090 Class B LP Units issued and outstanding.

NOTE 9

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 subject to the availability of sufficient funds. If in Canadian dollars, interest will be calculated either at the Canadian prime lending rate or at the bankers’ acceptance rate plus 1.8%. If the borrowing or advance is in United States dollars, interest will be calculated either at the United States prime lending rate or at the United States dollar London Interbank Offered Rate (LIBOR) plus 1.7%. The maximum allowable to be borrowed or advanced under the Morguard Facility is $100,000.

As part of Morguard’s asset management arrangement, Morguard will make payments on behalf of the REIT and charge the Morguard Facility. These transactions are reflected in the consolidated statements of cash flows. Borrowings under the Morguard Facility are considered to be financing activities.

As at December 31, 2021, the total amount receivable under the Morguard Facility was $70,000. As at December 31, 2020, the amount payable under the Morguard Facility was $6,600.

During the year ended December 31, 2021, the REIT incurred net interest income of $33 (2020 - $274) on the Morguard Facility.

NOTE 10

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at December 31	2021	2020
Accounts payable and accrued liabilities	**$36,056**	$30,936
Tenant deposits	**11,657**	11,143
Lease liability	**9,065**	9,103
	$56,778	$51,182
Current	**$47,713**	$42,079
Non-current	**9,065**	9,103
	$56,778	$51,182

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

As at December 31	2021	2020
Within 12 months	**$434**	$435
2 to 5 years	**1,888**	1,826
Over 5 years	**10,445**	10,994
Total minimum lease payments	**12,767**	13,255
Less: Future interest costs	**(3,702)**	(4,152)
Present value of minimum lease payments	**$9,065**	$9,103

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 5, 2021, the REIT had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 2,955,913 Units and $8,048 principal amount of the Debentures. The program expired on January 7, 2022. On January 8, 2022, the REIT obtained the approval of the TSX under its NCIB to purchase up to 1,478,869 Units, being approximately 5% of the public float of outstanding Units; the program expires on January 7, 2023. The daily repurchase restriction for the Units is 7,877. Additionally, the REIT may purchase up to $4,024 principal amount of the 2018 Debentures, being 5% of the public float of outstanding 2018 Debentures. The daily repurchase restriction for the 2018 Debentures is $8. The price that the REIT would pay for any such Units or 2018 Debentures would be the market price at the time of acquisition.

There were no repurchases of Units under the REIT's NCIB plan for the years ended December 31, 2021, and 2020.

(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, 2019, to December 31, 2021:

Issued and Fully Paid Units	Units	Amount
Balance, December 31, 2019	38,979,702	$468,585
Units issued under the DRIP	40,125	625
Balance, December 31, 2020	39,019,827	469,210
Units issued under the DRIP	**44,438**	**749**
Balance, December 31, 2021	**39,064,265**	**$469,959**

Total distributions declared during the year ended December 31, 2021, amounted to $27,315, or $0.6996 per Unit (2020 - $27,285, or $0.6996 per Unit), including distributions payable of $2,277 that were declared on December 15, 2021, and paid on January 14, 2022. On January 14, 2022, the REIT declared a distribution of $0.0583 per Unit payable on February 15, 2022. On February 15, 2022, the REIT declared a distribution of $0.0583 per Unit payable on March 15, 2022.

(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 year ended December 31, 2021, the REIT issued 44,438 Units under the DRIP (2020 - 40,125 Units).

NOTE 12

RENTAL INCOME

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

For the years ended December 31	2021	2020
Rental income	**$115,102**	$119,853
Property management and ancillary income	**91,787**	91,349
Property tax and insurance	**38,677**	37,481
	$245,566	$248,683

NOTE 13

INTEREST EXPENSE

The components of interest expense are as follows:

For the years ended December 31	2021	2020
Interest on mortgages	**$38,807**	$40,707
Interest and tax payment on Class C LP Units	**3,286**	3,683
Interest on the convertible debentures (Note 7)	**3,848**	3,848
Interest on lease liability	**429**	458
Amortization of deferred financing costs	**2,371**	2,599
Amortization of deferred financing costs on the convertible debentures (Note 7)	**703**	662
Loss on tax liability on redemption of Class C LP Units (Note 6)	**3,775**	—
Fair value loss (gain) on conversion option on the convertible debentures (Note 7)	**451**	(1,895)
	53,670	50,062
Distributions on Class B LP Units (Note 8)	**12,049**	12,049
	$65,719	$62,111

NOTE 14

TRUST EXPENSES

The components of trust expenses are as follows:

For the years ended December 31	2021	2020
Asset management fees and distributions	**$11,944**	$12,536
Professional fees	**915**	1,096
Public company expenses	**768**	703
Other	**765**	902
	$14,392	$15,237

NOTE 15
RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Notes 6, 7, 8 and 9, 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. For the year ended December 31, 2021, fees and distributions amounted to $8,970 (2020 - $9,129) and are included in property operating costs and equity income (loss) from investments. As at December 31, 2021, $583 (2020 - $619) 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 is calculated in arrears, determined by multiplying 15% of the Partnership’s funds from operations in excess of $0.66 per Unit. For the year ended December 31, 2021, fees and distributions amounted to $12,543 (2020 - $13,211) and are included in trust expenses and equity income (loss) from investments. As at December 31, 2021, $1,923 (2020 - $1,635) 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 years ended December 31, 2021, and 2020.

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. For the year ended December 31, 2021, fees relating to financing services amounted to $292 (2020 - $37) and have been capitalized to deferred financing costs.

Development

Pursuant to the Agreements, Morguard’s affiliates are entitled to receive partnership fees equal to 1.00% of development costs, where such costs exceed $1,000 and are incurred in connection with: (i) the construction, enlargement or reconstruction of any building, erection, plant, equipment or improvement on a property; or (ii) any refurbishing, additions, upgrading or restoration of or renovations to existing buildings, erections, plant, equipment or improvements, including redevelopments, other than repair and maintenance in the ordinary course of business. For the year ended December 31, 2021, fees relating to development services amounted to $nil (2020 - $52) and are included in property under development. As at December 31, 2021, $nil (2020 - $8) is included in accounts payable and accrued liabilities.

Other Services

As at December 31, 2021, the REIT had its portfolio appraised by Morguard’s appraisal division. For the year ended December 31, 2021, fees relating to appraisal services amounted to $210 (2020 - $198) and are included in trust expenses.

Key Management Compensation

The executive officers of the REIT are employed by Morguard, and the REIT does not directly or indirectly pay any compensation to them. Any variability in compensation paid by Morguard to the executive officers of the REIT has no impact on the REIT's financial obligations, including its obligations under the various Agreements with Morguard and Morguard's affiliates.

NOTE 16

INCOME TAXES

(a) Canadian Status

The REIT is a "mutual fund trust" pursuant to 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.

(c) Income Tax Expense

For the years ended December 31	2021	2020
Current income taxes	**$126**	$131
Deferred income taxes		
Impact of foreign tax rates	**$63,286**	($3,250)
Impact of change in foreign tax rate	**2,221**	669
Other	**(115)**	157
	$65,392	($2,424)
Income tax expense (recovery)	**$65,518**	($2,293)

(d) The Major Components of Deferred Income Tax Liabilities

As at December 31	2021	2020
Real estate properties	**$186,352**	$117,647
Net operating losses	**(8,760)**	(7,115)
Interest expense limitation	**(2,223)**	(756)
Other	**(140)**	(117)
Total net deferred income tax liabilities	**$175,229**	$109,659

(e) The REIT's Tax Losses

As at December 31, 2021, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$34,067 (2020 - US$34,067) of which no deferred tax assets were recognized as it is not probable that taxable profit will be available against such losses of which the deductible temporary difference can be utilized. The net operating losses expire in various years commencing in 2032.

As at December 31, 2021, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$27,780 (2020 - US$15,256) of which deferred tax assets were recognized. The net operating losses can be carried forward indefinitely.

As at December 31, 2021, the REIT's U.S. subsidiaries have a total of US$6,827 (2020 - US$2,201) of unutilized interest expense deductions on which deferred tax assets were recognized.

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

For the years ended December 31	2021	2020
Fair value gain on real estate properties, net	**($288,662)**	($72,238)
Fair value loss (gain) on Class B LP Units	**30,313**	(43,747)
Fair value loss (gain) on conversion option on the convertible debentures	**451**	(1,895)
Equity loss (income) from investments	**(2,691)**	9,869
Amortization of deferred financing - mortgages	**2,187**	2,298
Amortization of deferred financing - Class C LP Units	**184**	301
Amortization of deferred financing - convertible debentures	**703**	662
Present value adjustment of tax liability on Class C LP Units	**486**	575
Loss on tax liability on redemption of Class C LP Units	**3,775**	—
Amortization of tenant incentives	**1,278**	958
Deferred income taxes	**65,392**	(2,424)
	($186,584)	($105,641)

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

For the years ended December 31	2021	2020
Amounts receivable	**($1,556)**	($2,365)
Prepaid expenses	**2,576**	(3,776)
Accounts payable and accrued liabilities	**5,724**	(5,898)
	$6,744	($12,039)

(c) Supplemental Cash Flow Information

For the years ended December 31	2021	2020
Interest paid	**$44,941**	$47,756

(d) Reconciliation of Liabilities Arising from Financing Activities
The following provides a reconciliation of liabilities arising from financing activities:

As at December 31, 2021	Mortgages Payable and Class C LP Units	Convertible Debentures	Lease Liability	Total
Balance, beginning of year	**$1,209,425**	**$85,165**	**$9,103**	**$1,303,693**
Repayments	**(26,573)**	**—**	**—**	**(26,573)**
New financing, net of financing costs	**189,560**	**—**	**—**	**189,560**
Lump-sum repayments	**(87,114)**	**—**	**—**	**(87,114)**
Non-cash changes	**6,632**	**1,154**	**—**	**7,786**
Foreign exchange	**(3,375)**	**—**	**(38)**	**(3,413)**
Balance, end of year	**$1,288,555**	**$86,319**	**$9,065**	**$1,383,939**

NOTE 18
MANAGEMENT OF CAPITAL
The REIT defines capital that it manages as the aggregate of its Unitholders' equity, Class B LP Units, mortgages payable and Class C LP Units, convertible debentures, Morguard Facility payable and lease liability. The REIT's objective when managing capital is to ensure that the REIT will continue as a going concern so that it can sustain daily operations and provide adequate returns to its Unitholders.

The REIT is subject to risks associated with debt financing, including the possibility that existing mortgages may not be refinanced or may not be refinanced on as favourable terms or with interest rates as favourable as those of the existing debt. The REIT mitigates these risks by its continued efforts to stagger the maturity profile of its long-term debt, enhance the value of its real estate properties, maintain high occupancy levels and foster excellent relations with its lenders. The REIT manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The total managed capital for the REIT as at December 31, 2021, and 2020, is summarized below:

As at December 31	2021	2020
Mortgages payable, principal balance	**$1,300,873**	$1,135,377
Class C LP Units and present value of tax payment, principal balance	**—**	84,128
Convertible debentures, face value	**85,500**	85,500
Morguard Facility	**—**	6,600
Lease liability	**9,065**	9,103
Class B LP Units	**305,021**	274,708
Unitholders' equity	**1,484,738**	1,270,129
	$3,185,197	$2,865,545

The REIT's primary objectives when managing capital are to maximize Unit value through the ongoing active management of the REIT's assets and the acquisition of additional real estate properties, which are leased to creditworthy tenants, as opportunities arise.

The REIT's strategy is also driven by policies as set out in the Declaration of Trust, as well as requirements from certain lenders.

The requirements of the REIT's operating policies as outlined in the Declaration of Trust include requirements that the REIT will not:

(a) Incur or assume indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of the REIT would be more than 70% of the gross book value (as defined in the Declaration of Trust) in accordance with IFRS; and

(b) Incur indebtedness aggregating more than 20% of gross book value (as defined in the Declaration of Trust) in accordance with IFRS at floating interest rates or having maturities of less than one year.

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

As at December 31	Borrowing Limits	2021	2020
Total debt to gross book value	70%	**40.2%**	42.8%
Floating-rate debt to gross book value	20%	**—%**	0.2%

NOTE 19

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The REIT's financial assets and liabilities comprise cash, restricted cash, amounts receivable, the Morguard Facility, accounts payable and accrued liabilities, mortgages payable and Class C LP Units, Class B LP Units, lease liability and convertible debentures. Fair values of financial assets and liabilities and discussion of risks associated with financial assets and liabilities are presented as follows.

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 and Class C LP Units, lease liability and the convertible debentures are carried at amortized cost using the effective interest 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 values of the mortgages payable and Class C LP Units have been determined by discounting the cash flows of these financial obligations using December 31, 2021, market rates for debts of similar terms (Level 2). Based on these assumptions, as at December 31, 2021, the fair values of the mortgages payable and Class C LP Units before deferred financing costs and present value of tax payment are estimated at $1,335,670 and $nil (2020 - $1,215,688 and $76,480), respectively. The fair values of the mortgages payable and Class C LP Units vary from their carrying values due to fluctuations in market interest rates since their issue.

The fair value of the convertible debentures are based on their market trading price (Level 1). As at December 31, 2021, the fair value of the convertible debentures before deferred financing costs has been estimated at $86,868 (2020 - $88,339), compared with the carrying value of $85,223 (2020 - $85,223).

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:

	December 31, 2021			December 31, 2020		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$3,256,158**	$—	$—	$2,941,241
Financial liabilities:						
Class B LP Units	**305,021**	**—**	**—**	274,708	—	—
Conversion option of the convertible debentures	**—**	**2,028**	**—**	—	1,577	—

Risks Associated with Financial Assets and Liabilities

The REIT is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk relating to interest rates and foreign exchange rates, credit risk and liquidity risk. The REIT's overall risk management program focuses on establishing policies to identify and analyze the risks faced by the REIT, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the REIT's activities. The REIT aims to develop a disciplined control environment in which all employees understand their roles and obligations.

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices and comprises the following:

Interest Rate Risk

The REIT is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be refinanced on terms as favourable as those of the existing indebtedness. As at December 31, 2021, the REIT had no material outstanding balance of floating interest rate debt.

The REIT's objective when managing interest rate risk is to minimize the volatility of the REIT's income. As at December 31, 2021, interest rate risk has been minimized because all of the long-term debt is financed at fixed interest rates with maturities scheduled over a number of years.

In addition, all mortgages on the Canadian properties are insured by the CMHC. This added level of insurance offered to lenders allows the REIT to receive advantageous interest rates while minimizing the risk of mortgage renewals or extensions.

Foreign Exchange Risk

The REIT is exposed to foreign exchange risk as it relates to its U.S. income producing properties due to fluctuations in the exchange rate between Canadian and United States dollars. Changes in the exchange rate may result in a reduction or an increase of reported earnings and OCI. For the year ended December 31, 2021, a $0.05 change in the United States to Canadian dollar exchange rate would have resulted in approximately a change to net income or loss of $7,715 and a change to other comprehensive income or loss of $28,042.

The REIT's objective when managing foreign exchange risk is to mitigate the exposure from fluctuations in the exchange rate by maintaining U.S. dollar denominated debt against its U.S. assets, which amounted to US$604,861 as at December 31, 2021 (2020 - US$612,115). The REIT currently does not hedge translation exposures.

(b) Credit Risk
Credit risk is the risk that: (i) one party to a financial instrument will cause a financial loss for the REIT by failing to discharge its obligations; and (ii) the possibility that tenants may experience financial difficulty and be unable to meet their rental obligations.

The REIT is exposed to credit risk on all financial assets, and its exposure is generally limited to the carrying value of the financial assets. The REIT mitigates the risk of credit loss with respect to tenants by evaluating their creditworthiness, obtaining security deposits as permitted by legislation and regionally diversifying its portfolio.

The REIT monitors its collection process on a month-to-month basis to ensure that a stringent policy is adopted to provide for all past due amounts. The REIT utilizes the simplified approach to measure expected credit losses under IFRS 9, which requires the REIT to recognize a lifetime expected credit loss allowance on all receivables at each reporting date and are provided for as bad debt expense in the consolidated statements of income within property operating costs. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against property operating costs in the consolidated statements of income.

The following table sets forth details of trade receivables and the related allowance for doubtful accounts:

As at December 31	2021	2020
Trade receivables	**$3,288**	$2,492
Less: Allowance for doubtful accounts	**(1,282)**	(955)
Total trade receivables, net	**$2,006**	$1,537

(c) Liquidity Risk
Liquidity risk is the risk the REIT will encounter difficulties in meeting its financial liability obligations. The REIT is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be able to be refinanced. The REIT's objectives in minimizing liquidity risk are to maintain appropriate levels of leverage on its real estate assets and to stagger the debt maturity profile. As at December 31, 2021, the REIT was holding cash of $26,562 and had no amount drawn on the $100,000 Morguard Facility.

NOTE 20
COMMITMENTS AND CONTINGENCIES
(a) Land Lease
The REIT assumed a land lease in connection with a property located in Falls Church, Virginia, that expires in 2113. The REIT has the option to purchase the land in September 2029 for US$7,150. The REIT has classified the land lease as a lease liability under the assumption that substantially all the risks and rewards incidental to ownership have been transferred.

The minimum annual rental payments for the land lease are payable over the next five years and thereafter as follows:

2022	US$342
2023	342
2024	355
2025	396
2026	396
Thereafter	87,396

The annual rental expenses on the land lease are as follows:

	Annual rental expense
From October 1, 2019 to September 30, 2024	US$342
From October 1, 2024 to September 30, 2029	396
Every 5 years thereafter	The greater of: (i) 1.1 times the rent for the fifteenth lease year (2029) and the last year of each fifth year lease year increment thereafter until 2113; or (ii) Index Adjustment

(b) Other

The REIT is involved in litigation and claims in relation to income producing properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in a liability that would have a significant adverse effect on the final position of the REIT. The REIT has agreed to indemnify, in certain circumstances, the Trustees and officers of the REIT.

In the Province of Ontario, the REIT is subject to, and believes it has complied with, the *Residential Tenancies Act, 2006* (Ontario). Each year, the Ontario government determines the province's residential rent increase for existing tenants. In 2021, the rental guideline increase was 0.0% (2020 - 2.2%).

NOTE 21

SEGMENTED INFORMATION

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 and Virginia. 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:

	December 31, 2021			December 31, 2020		
For the years ended	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Revenue from real estate properties	**$92,882**	**$152,684**	**$245,566**	$94,746	$153,937	$248,683
Property operating expenses	**(41,637)**	**(74,434)**	**(116,071)**	(40,170)	(72,980)	(113,150)
Net operating income	**$51,245**	**$78,250**	**$129,495**	$54,576	$80,957	$135,533

	December 31, 2021			December 31, 2020		
As at	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Real estate properties	**$1,501,650**	**$1,754,508**	**$3,256,158**	$1,414,050	$1,527,191	$2,941,241
Mortgages payable and Class C LP Units	**$525,905**	**$762,650**	**$1,288,555**	$435,408	$774,017	$1,209,425

	December 31, 2021			December 31, 2020		
For the years ended	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Additions to real estate properties	**$11,126**	**$18,886**	**$30,012**	$11,329	$16,735	$28,064
Fair value gain (loss) on real estate properties	**$76,160**	**$212,502**	**$288,662**	$126,112	($53,874)	$72,238