



Real Estate Potential. **Realized.**

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MORGUARD NORTH AMERICAN  
RESIDENTIAL REAL ESTATE  
INVESTMENT TRUST

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JUNE 30, 2022

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CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
(UNAUDITED)

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## BALANCE SHEETS

In thousands of Canadian dollars

| As at   | Note | June 30, 2022      | December 31, 2021  |
|---|------|--------------------|--------------------|
| <b>ASSETS</b>   |      |                    |                    |
| <b>Non-current assets</b>                                 |      |                    |                    |
| Real estate properties                                    | 3    | \$3,409,805        | \$3,256,158        |
| Equity-accounted investments                              | 4    | 103,803            | 96,376             |
|   |      | <b>3,513,608</b>   | <b>3,352,534</b>   |
| <b>Current assets</b>                                     |      |                    |                    |
| Morguard Facility   | 8    | 60,000             | 70,000             |
| Amounts receivable  |      | 6,252              | 7,188              |
| Prepaid expenses  |      | 7,964              | 5,202              |
| Restricted cash   | 3    | 77,456             | 11,801             |
| Cash  |      | 40,877             | 26,562             |
|   |      | <b>192,549</b>     | <b>120,753</b>     |
| Real estate properties held for sale                      | 3    | 150,251            | —                  |
|   |      | <b>\$3,856,408</b> | <b>\$3,473,287</b> |
| <b>LIABILITIES AND EQUITY</b>                             |      |                    |                    |
| <b>Non-current liabilities</b>                            |      |                    |                    |
| Mortgages payable   | 5    | \$1,053,072        | \$1,191,578        |
| Convertible debentures                                    | 6    | —                  | 86,319             |
| Class B LP Units  | 7    | 282,114            | 305,021            |
| Deferred income tax liabilities                           | 15   | 248,141            | 175,229            |
| Accounts payable and accrued liabilities                  | 9    | 9,213              | 9,065              |
|   |      | <b>1,592,540</b>   | <b>1,767,212</b>   |
| <b>Current liabilities</b>                                |      |                    |                    |
| Mortgages payable   | 5    | 176,264            | 96,977             |
| Convertible debentures                                    | 6    | 85,535             | —                  |
| Accounts payable and accrued liabilities                  | 9    | 60,848             | 47,713             |
|   |      | <b>322,647</b>     | <b>144,690</b>     |
| Mortgages payable on real estate properties held for sale | 5    | 36,556             | —                  |
| <b>Total liabilities</b>                                  |      | <b>1,951,743</b>   | <b>1,911,902</b>   |
| <b>EQUITY</b>   |      |                    |                    |
| Unitholders' equity                                       |      | 1,813,989          | 1,484,738          |
| Non-controlling interest                                  |      | 90,676             | 76,647             |
| <b>Total equity</b>                                       |      | <b>1,904,665</b>   | <b>1,561,385</b>   |
|   |      | <b>\$3,856,408</b> | <b>\$3,473,287</b> |

See accompanying notes to the condensed consolidated financial statements.

## STATEMENTS OF INCOME

In thousands of Canadian dollars

|  | Note | Three months ended<br>June 30 |                 | Six months ended<br>June 30 |                 |
|--|------|-------------------------------|-----------------|-----------------------------|-----------------|
|  |      | 2022                          | 2021            | 2022                        | 2021            |
| Revenue from real estate properties                      | 11   | \$67,392                      | \$59,814        | \$132,649                   | \$120,136       |
| Property operating expenses                              |      |                               |                 |                             |                 |
| Property operating costs                                 |      | (17,818)                      | (15,847)        | (34,994)                    | (31,273)        |
| Realty taxes   |      | (2,600)                       | (2,390)         | (28,008)                    | (27,149)        |
| Utilities  |      | (4,518)                       | (4,204)         | (9,767)                     | (9,157)         |
| <b>Net operating income</b>                              |      | <b>42,456</b>                 | <b>37,373</b>   | <b>59,880</b>               | <b>52,557</b>   |
| Other expenses (income)                                  |      |                               |                 |                             |                 |
| Interest expense   | 12   | 12,629                        | 15,756          | 30,330                      | 30,661          |
| Trust expenses   | 13   | 4,595                         | 3,599           | 8,776                       | 6,938           |
| Equity income from investments                           | 4    | (4,512)                       | (1,559)         | (6,160)                     | (1,487)         |
| Foreign exchange loss (gain)                             |      | (32)                          | 15              | (17)                        | 38              |
| Other expense (income)                                   |      | (748)                         | 45              | (1,157)                     | 67              |
| <b>Income before fair value changes and income taxes</b> |      | <b>30,524</b>                 | <b>19,517</b>   | <b>28,108</b>               | <b>16,340</b>   |
| Fair value gain on real estate properties, net           |      | 109,077                       | 32,006          | 355,806                     | 59,457          |
| Fair value gain (loss) on Class B LP Units               | 7    | 55,631                        | (21,184)        | 22,907                      | (14,640)        |
| <b>Income before income taxes</b>                        |      | <b>195,232</b>                | <b>30,339</b>   | <b>406,821</b>              | <b>61,157</b>   |
| Provision for income taxes                               |      |                               |                 |                             |                 |
| Current  |      | 40                            | 31              | 72                          | 63              |
| Deferred   |      | 28,642                        | 10,039          | 69,057                      | 13,430          |
|  |      | 28,682                        | 10,070          | 69,129                      | 13,493          |
| <b>Net income for the period</b>                         |      | <b>\$166,550</b>              | <b>\$20,269</b> | <b>\$337,692</b>            | <b>\$47,664</b> |
| <b>Net income attributable to:</b>                       |      |                               |                 |                             |                 |
| Unitholders  |      | \$162,601                     | \$18,765        | \$325,031                   | \$45,774        |
| Non-controlling interest                                 |      | 3,949                         | 1,504           | 12,661                      | 1,890           |
|  |      | \$166,550                     | \$20,269        | \$337,692                   | \$47,664        |

See accompanying notes to the condensed consolidated financial statements.

## STATEMENTS OF COMPREHENSIVE INCOME

In thousands of Canadian dollars

|  | Three months ended<br>June 30 |          | Six months ended<br>June 30 |          |
|--|-------------------------------|----------|-----------------------------|----------|
|  | 2022                          | 2021     | 2022                        | 2021     |
| <b>Net income for the period</b>                                 | <b>\$166,550</b>              | \$20,269 | <b>\$337,692</b>            | \$47,664 |
| <b>OTHER COMPREHENSIVE INCOME</b>                                |                               |          |                             |          |
| <b>Item that may be reclassified subsequently to net income:</b> |                               |          |                             |          |
| Unrealized foreign currency translation gain (loss)              | <b>34,161</b>                 | (9,979)  | <b>18,863</b>               | (18,960) |
| <b>Total comprehensive income for the period</b>                 | <b>\$200,711</b>              | \$10,290 | <b>\$356,555</b>            | \$28,704 |
| <b>Total comprehensive income (loss) attributable to:</b>        |                               |          |                             |          |
| Unitholders  | <b>\$194,232</b>              | \$9,797  | <b>\$342,517</b>            | \$28,715 |
| Non-controlling interest   | <b>6,479</b>                  | 493      | <b>14,038</b>               | (11)     |
|  | <b>\$200,711</b>              | \$10,290 | <b>\$356,555</b>            | \$28,704 |

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, 2020        |       | \$469,210        | \$48,762            | \$682,824          | \$69,333                               | \$1,270,129               | \$77,490                 | \$1,347,619        |
| Changes during the period:                    |       |                  |                     |                    |  |                           |                          |                    |
| Net income                                    |       | —                | —                   | 45,774             | —                                      | 45,774                    | 1,890                    | 47,664             |
| Other comprehensive loss                      |       | —                | —                   | —                  | (17,059)                               | (17,059)                  | (1,901)                  | (18,960)           |
| Issue of Units - DRIP                         |       | 351              | —                   | (351)              | —                                      | —                         | —                        | —                  |
| Distributions                                 |       | —                | —                   | (13,303)           | —                                      | (13,303)                  | (787)                    | (14,090)           |
| Unitholders' equity, June 30, 2021            |       | \$469,561        | \$48,762            | \$714,944          | \$52,274                               | \$1,285,541               | \$76,692                 | \$1,362,233        |
| Changes during the period:                    |       |                  |                     |                    |  |                           |                          |                    |
| Net income                                    |       | —                | —                   | 196,314            | —                                      | 196,314                   | 996                      | 197,310            |
| Other comprehensive income                    |       | —                | —                   | —                  | 16,146                                 | 16,146                    | 1,623                    | 17,769             |
| Issue of Units - DRIP                         |       | 398              | —                   | (398)              | —                                      | —                         | —                        | —                  |
| Distributions                                 |       | —                | —                   | (13,263)           | —                                      | (13,263)                  | (2,664)                  | (15,927)           |
| <b>Unitholders' equity, December 31, 2021</b> |       | <b>\$469,959</b> | <b>\$48,762</b>     | <b>\$897,597</b>   | <b>\$68,420</b>                        | <b>\$1,484,738</b>        | <b>\$76,647</b>          | <b>\$1,561,385</b> |
| Changes during the period:                    |       |                  |                     |                    |  |                           |                          |                    |
| Net income                                    |       | —                | —                   | 325,031            | —                                      | 325,031                   | 12,661                   | 337,692            |
| Other comprehensive income                    |       | —                | —                   | —                  | 17,486                                 | 17,486                    | 1,377                    | 18,863             |
| Issue of Units - DRIP                         | 10(d) | 403              | —                   | (403)              | —                                      | —                         | —                        | —                  |
| Distributions                                 | 10(d) | —                | —                   | (13,266)           | —                                      | (13,266)                  | (9)                      | (13,275)           |
| <b>Unitholders' equity, June 30, 2022</b>     |       | <b>\$470,362</b> | <b>\$48,762</b>     | <b>\$1,208,959</b> | <b>\$85,906</b>                        | <b>\$1,813,989</b>        | <b>\$90,676</b>          | <b>\$1,904,665</b> |

See accompanying notes to the condensed consolidated financial statements.

## STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

|  | Note  | Three months ended<br>June 30 |                 | Six months ended<br>June 30 |                 |
|--|-------|-------------------------------|-----------------|-----------------------------|-----------------|
|  |       | 2022                          | 2021            | 2022                        | 2021            |
| <b>OPERATING ACTIVITIES</b>                                |       |                               |                 |                             |                 |
| Net income   |       | \$166,550                     | \$20,269        | \$337,692                   | \$47,664        |
| Add (deduct) items not affecting cash                      | 16(a) | (148,240)                     | (5,999)         | (302,667)                   | (19,051)        |
| Additions to tenant incentives                             |       | (260)                         | (505)           | (476)                       | (772)           |
| Distributions from equity-accounted investments            | 4     | 283                           | —               | 380                         | 125             |
| Net change in non-cash operating assets and liabilities    | 16(b) | 3,749                         | 6,434           | (322)                       | 6,958           |
| <b>Cash provided by operating activities</b>               |       | <b>22,082</b>                 | <b>20,199</b>   | <b>34,607</b>               | <b>34,924</b>   |
| <b>INVESTING ACTIVITIES</b>                                |       |                               |                 |                             |                 |
| Additions to real estate properties                        | 3     | (6,906)                       | (6,266)         | (10,785)                    | (11,928)        |
| Proceeds from sale of income producing properties, net     | 3     | 93,165                        | —               | 93,165                      | —               |
| Contributions to equity-accounted investments              |       | —                             | (244)           | —                           | (244)           |
| <b>Cash provided by (used in) investing activities</b>     |       | <b>86,259</b>                 | <b>(6,510)</b>  | <b>82,380</b>               | <b>(12,172)</b> |
| <b>FINANCING ACTIVITIES</b>                                |       |                               |                 |                             |                 |
| Proceeds from new mortgages                                | 5     | 19,492                        | —               | 19,492                      | —               |
| Financing cost on new mortgages                            |       | (388)                         | —               | (388)                       | —               |
| Repayment of mortgages                                     |       |                               |                 |                             |                 |
| Principal instalment repayments                            |       | (8,125)                       | (6,200)         | (16,355)                    | (12,494)        |
| Repayment on maturity                                      | 5     | (11,687)                      | —               | (11,687)                    | —               |
| Repayment due to mortgage extinguishment                   | 3     | (27,048)                      | —               | (27,048)                    | —               |
| Proceeds from Morguard Facility                            |       | —                             | 7,000           | 25,000                      | 38,238          |
| Advances on and repayments of Morguard Facility            |       | —                             | (8,290)         | (15,000)                    | (42,290)        |
| Distributions to Unitholders                               |       | (6,632)                       | (6,648)         | (13,264)                    | (13,301)        |
| Distributions to non-controlling interest                  |       | (9)                           | (389)           | (9)                         | (787)           |
| Increase in restricted cash                                | 3     | (66,512)                      | (660)           | (65,463)                    | (1,182)         |
| <b>Cash used in financing activities</b>                   |       | <b>(100,909)</b>              | <b>(15,187)</b> | <b>(104,722)</b>            | <b>(31,816)</b> |
| <b>Net increase (decrease) in cash during the period</b>   |       | <b>7,432</b>                  | <b>(1,498)</b>  | <b>12,265</b>               | <b>(9,064)</b>  |
| Net effect of foreign currency translation on cash balance |       | 2,232                         | (231)           | 2,050                       | (170)           |
| Cash, beginning of period                                  |       | 31,213                        | 19,799          | 26,562                      | 27,304          |
| <b>Cash, end of period</b>                                 |       | <b>\$40,877</b>               | <b>\$18,070</b> | <b>\$40,877</b>             | <b>\$18,070</b> |

See accompanying notes to the condensed consolidated financial statements.

## NOTES

For the three and six months ended June 30, 2022 and 2021

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, 2022, Morguard Corporation ("Morguard"), the parent company of the REIT, holds an indirect 44.7% (December 31, 2021 - 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 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 26, 2022.

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 significant accounting policies most affected by estimates and judgments.

#### Foreign Exchange

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

|   | 2022            | 2021     |
|---|-----------------|----------|
| Canadian dollar to United States dollar exchange rates: |                 |          |
| - As at June 30   | <b>\$0.7760</b> | \$0.8068 |
| - As at December 31                                     | —               | 0.7888   |
| - Average for the three months ended June 30            | <b>0.7832</b>   | 0.8142   |
| - Average for the six months ended June 30              | <b>0.7865</b>   | 0.8019   |
| United States dollar to Canadian dollar exchange rates: |                 |          |
| - As at June 30   | <b>1.2886</b>   | 1.2394   |
| - As at December 31                                     | —               | 1.2678   |
| - Average for the three months ended June 30            | <b>1.2768</b>   | 1.2282   |
| - Average for the six months ended June 30              | <b>1.2715</b>   | 1.2470   |

### 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, 2022      | December 31, 2021  |
|--------------------------------------|--------------------|--------------------|
| Balance, beginning of period         | \$3,256,158        | \$2,941,241        |
| Additions:                           |                    |                    |
| Capital expenditures                 | 10,785             | 30,012             |
| Dispositions                         | (93,165)           | —                  |
| Fair value gain, net                 | 355,314            | 288,662            |
| Foreign currency translation         | 31,255             | (4,200)            |
| Other                                | (291)              | 443                |
| <b>Balance, end of period</b>        | <b>\$3,560,056</b> | <b>\$3,256,158</b> |
| Real estate properties               | \$3,409,805        | \$3,256,158        |
| Real estate properties held for sale | 150,251            | —                  |
| <b>Total</b>                         | <b>\$3,560,056</b> | <b>\$3,256,158</b> |

On June 6, 2022, the REIT sold a multi-suite residential property located in Atlanta, Georgia, comprising 292 suites, for net proceeds of \$93,165 (US\$74,152), including closing costs and repaid the mortgage payable secured by the property in the amount of \$27,048 (US\$21,528).

The REIT is pursuing a tax deferred exchange under Internal Revenue Code Section 1031 (“1031 Exchange”) in connection with its U.S. property dispositions. Under a 1031 Exchange, subject to certain conditions, the REIT will be able to defer tax payable upon the acquisition of a replacement property. In addition, a 1031 Exchange requires a qualified intermediary to hold the net sale proceeds until they are used to buy a replacement property or up to 180 days if no replacement property is acquired. As at June 30, 2022, net proceeds amounting to \$66,921 (US\$51,933) are held with a qualified intermediary and are presented as restricted cash on the consolidated balance sheets.

Real estate properties held for sale are assets that the REIT intends to sell rather than hold on a long-term basis and meet the criteria established in IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (“IFRS 5”) for separate classification. As at June 30, 2022, the following two properties were classified as held for sale.

The REIT entered into a binding agreement to sell a multi-suite residential property located in Slidell, Louisiana, comprising 144 suites, for gross proceeds of \$32,924 (US\$25,550), excluding closing costs. The REIT expects to close the sale of the property during the third quarter, at which time the mortgage payable secured by the property in the amount of \$9,936 (US\$7,711) will be repaid.

The REIT entered into a conditional agreement to sell a multi-suite residential property located in Coconut Creek, Florida, comprising 340 suites, for gross proceeds of \$118,551 (US\$92,000), excluding closing costs. The REIT expects to close the sale of the property during the third quarter, at which time the mortgage payable secured by the property in the amount of \$26,635 (US\$20,670) will be repaid.

As at June 30, 2022, and December 31, 2021, 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.

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 June 30, 2022, using the direct capitalization income approach, the properties were valued using capitalization rates in the range of 3.5% to 5.8% (December 31, 2021 - 3.5% to 6.5%), resulting in an overall weighted average capitalization rate of 4.2% (December 31, 2021 - 4.3%).

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

|                          | June 30, 2022<br>Capitalization Rates |         |                     | December 31, 2021<br>Capitalization Rates |         |                     |
|--------------------------|---------------------------------------|---------|---------------------|---|---------|---------------------|
|                          | Maximum                               | Minimum | Weighted<br>Average | Maximum                                   | Minimum | Weighted<br>Average |
| <b>Canada</b>            |                                       |         |                     |   |         |                     |
| Alberta                  | 5.0%                                  | 5.0%    | 5.0%                | 5.0%                                      | 5.0%    | 5.0%                |
| Ontario                  | 4.3%                                  | 3.5%    | 3.7%                | 4.3%                                      | 3.5%    | 3.7%                |
| <b>United States</b>     |                                       |         |                     |   |         |                     |
| Colorado                 | 4.5%                                  | 4.5%    | 4.5%                | 4.8%                                      | 4.8%    | 4.8%                |
| Texas                    | 4.5%                                  | 4.5%    | 4.5%                | 4.8%                                      | 4.8%    | 4.8%                |
| Louisiana <sup>(1)</sup> | 5.3%                                  | 5.3%    | 5.3%                | 6.5%                                      | 5.5%    | 5.7%                |
| Illinois                 | 4.5%                                  | 4.5%    | 4.5%                | 4.5%                                      | 4.5%    | 4.5%                |
| Georgia                  | 5.0%                                  | 4.5%    | 4.8%                | 5.3%                                      | 4.8%    | 5.1%                |
| Florida <sup>(1)</sup>   | 5.8%                                  | 4.3%    | 4.9%                | 6.0%                                      | 4.5%    | 5.1%                |
| North Carolina           | 4.8%                                  | 4.5%    | 4.6%                | 5.0%                                      | 4.8%    | 4.9%                |
| Virginia                 | 4.3%                                  | 4.3%    | 4.3%                | 4.5%                                      | 4.5%    | 4.5%                |

(1) Excludes real estate properties classified as held for sale.

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 June 30, 2022 would decrease by \$191,473 or increase by \$216,166, respectively.

## NOTE 4

### EQUITY-ACCOUNTED INVESTMENTS

The following are the REIT's equity-accounted investments as at June 30, 2022, and December 31, 2021:

| Property            | Principal Place<br>of Business | Type          | REIT's Ownership |                      | Carrying Value   |                      |
|---------------------|--------------------------------|---------------|------------------|----------------------|------------------|----------------------|
|                     |                                |               | June 30,<br>2022 | December 31,<br>2021 | June 30,<br>2022 | December 31,<br>2021 |
| The Fenestra        | Rockville, MD                  | Joint Venture | 50%              | 50%                  | \$52,161         | \$46,721             |
| Marquee at Block 37 | Chicago, IL                    | Joint Venture | 50%              | 50%                  | 51,642           | 49,655               |
|                     |                                |               |                  |                      | <b>\$103,803</b> | <b>\$96,376</b>      |

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

| <b>As at</b>                  | <b>June 30,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|-------------------------------|--------------------------|------------------------------|
| Balance, beginning of period  | \$96,376                 | \$93,005                     |
| Additions                     | —                        | 1,288                        |
| Distributions received        | (380)                    | (283)                        |
| Share of net income           | 6,160                    | 2,691                        |
| Foreign exchange gain (loss)  | 1,647                    | (325)                        |
| <b>Balance, end of period</b> | <b>\$103,803</b>         | <b>\$96,376</b>              |

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

| <b>As at</b>                        | <b>June 30, 2022</b> | <b>December 31, 2021</b> |
|-------------------------------------|----------------------|--------------------------|
| Non-current assets                  | \$505,512            | \$485,315                |
| Current assets                      | 9,518                | 8,675                    |
| <b>Total assets</b>                 | <b>\$515,030</b>     | <b>\$493,990</b>         |
| Non-current liabilities             | \$287,415            | \$285,796                |
| Current liabilities                 | 20,009               | 15,442                   |
| <b>Total liabilities</b>            | <b>\$307,424</b>     | <b>\$301,238</b>         |
| <b>Net assets</b>                   | <b>\$207,606</b>     | <b>\$192,752</b>         |
| <b>Equity-accounted investments</b> | <b>\$103,803</b>     | <b>\$96,376</b>          |

|   | <b>Three months ended<br/>June 30</b> |                | <b>Six months ended<br/>June 30</b> |                |
|---|---------------------------------------|----------------|-------------------------------------|----------------|
|   | <b>2022</b>                           | <b>2021</b>    | <b>2022</b>                         | <b>2021</b>    |
| Revenue   | \$9,853                               | \$8,369        | \$19,262                            | \$16,170       |
| Expenses  | (5,986)                               | (4,880)        | (19,594)                            | (18,149)       |
| Fair value gain (loss) on income producing properties | 5,157                                 | (371)          | 12,652                              | 4,953          |
| <b>Net income for the period</b>                      | <b>\$9,024</b>                        | <b>\$3,118</b> | <b>\$12,320</b>                     | <b>\$2,974</b> |
| <b>Income in equity-accounted investments</b>         | <b>\$4,512</b>                        | <b>\$1,559</b> | <b>\$6,160</b>                      | <b>\$1,487</b> |

## NOTE 5

### MORTGAGES PAYABLE

Mortgages payable consists of the following:

| <b>As at</b>  | <b>June 30, 2022</b> | <b>December 31, 2021</b> |
|---|----------------------|--------------------------|
| Principal balance of mortgages                                      | \$1,277,132          | \$1,300,873              |
| Deferred financing costs  | (11,240)             | (12,318)                 |
|   | <b>\$1,265,892</b>   | <b>\$1,288,555</b>       |
| Current   | \$176,264            | \$96,977                 |
| Current - mortgages payable on real estate properties held for sale | 36,556               | —                        |
| Non-current   | 1,053,072            | 1,191,578                |
|   | <b>\$1,265,892</b>   | <b>\$1,288,555</b>       |
| Range of interest rates   | 2.03–4.11%           | 2.03–4.11%               |
| Weighted average interest rate                                      | 3.31%                | 3.31%                    |
| Weighted average term to maturity (years)                           | 4.6                  | 5.0                      |
| Fair value of mortgages   | \$1,215,849          | \$1,335,670              |

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.

Mortgages payable on real estate properties held for sale are secured by income producing properties that the REIT intends to sell rather than hold on a long-term basis and meet the criteria established in IFRS 5 for separate

classification. As at June 30, 2022, mortgages payable include two mortgages (including unamortized deferred financing costs) classified as current amounting to \$36,556.

On April 29, 2022, the REIT completed the refinancing of a multi-suite residential property located in West Palm Beach, Florida, in the amount of \$19,492 (US\$15,238) at an interest rate of 3.89% and for a term of 10 years. The maturing mortgage amounts to \$11,687 (US\$9,136), was open and prepayable at no penalty before its scheduled maturity on August 1, 2022, and had an interest rate of 3.96%.

The aggregate principal repayments and balances maturing of the mortgages payable as at June 30, 2022, together with the weighted average contractual interest rate on debt maturing in the next five years and thereafter, are as follows:

|                              | Principal<br>Instalment<br>Repayments | Balances<br>Maturing | Total       | Weighted<br>Average<br>Contractual Rate |
|------------------------------|---------------------------------------|----------------------|-------------|---|
| 2022 (remainder of the year) | \$15,653                              | \$66,813             | \$82,466    | 3.67%                                   |
| 2023                         | 29,999                                | 137,376              | 167,375     | 3.48%                                   |
| 2024                         | 27,444                                | 140,446              | 167,890     | 3.28%                                   |
| 2025                         | 20,144                                | 175,886              | 196,030     | 3.26%                                   |
| 2026                         | 14,513                                | 163,963              | 178,476     | 3.23%                                   |
| Thereafter                   | 52,365                                | 432,530              | 484,895     | 3.27%                                   |
|                              | \$160,118                             | \$1,117,014          | \$1,277,132 | 3.31%                                   |

## NOTE 6

### CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

| As at   | June 30, 2022 | December 31, 2021 |
|---|---------------|-------------------|
| 4.50% convertible unsecured subordinated debentures | \$85,223      | \$85,223          |
| Fair value of conversion option                     | 881           | 2,028             |
| Unamortized financing costs                         | (569)         | (932)             |
|   | \$85,535      | \$86,319          |
| Current   | \$85,535      | \$—               |
| Non-current   | —             | 86,319            |
|   | \$85,535      | \$86,319          |

For the three and six months ended June 30, 2022, interest on the convertible debentures amounting to \$959 (2021 - \$959) and \$1,902 (2021 - \$1,902), respectively, is included in interest expense (Note 12). As at June 30, 2022, \$959 (December 31, 2021 - \$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 June 30, 2022, and December 31, 2021, \$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, 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 (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) on the date of redemption or maturity, as applicable.

## 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, 2022, 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 \$282,114 (December 31, 2021 - \$305,021) and a corresponding fair value gain for the three and six months ended June 30, 2022 of \$55,631 (2021 - loss of \$21,184) and \$22,907 (2021 - loss of \$14,640), respectively.

For the three and six months ended June 30, 2022, distributions on Class B LP Units amounting to \$3,013 (2021 - \$3,013) and \$6,025 (2021 - \$6,025), respectively, are included in interest expense (Note 12).

As at June 30, 2022, and December 31, 2021, 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 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 at the United States prime lending rate. The maximum allowable to be borrowed or advanced under the Morguard Facility is \$100,000.

As at June 30, 2022, the total amount receivable under the Morguard Facility was \$60,000 (December 31, 2021 - \$70,000).

During the three and six months ended June 30, 2022, the REIT recorded net interest income of \$491 (2021 - net interest expense of \$51) and \$853 (2021 - net interest expense of \$93), respectively, on the Morguard Facility.

## NOTE 9

### ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

| As at                                    | June 30, 2022   | December 31, 2021 |
|--|-----------------|-------------------|
| Accounts payable and accrued liabilities | \$48,739        | \$36,056          |
| Tenant deposits                          | 12,109          | 11,657            |
| Lease liability                          | 9,213           | 9,065             |
|  | <b>\$70,061</b> | <b>\$56,778</b>   |
| Current                                  | \$60,848        | \$47,713          |
| Non-current                              | 9,213           | 9,065             |
|  | <b>\$70,061</b> | <b>\$56,778</b>   |

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

| As at  | June 30, 2022  | December 31, 2021 |
|--|----------------|-------------------|
| Within 12 months                               | \$441          | \$434             |
| 2 to 5 years                                   | 1,954          | 1,888             |
| Over 5 years                                   | 10,362         | 10,445            |
| Total minimum lease payments                   | 12,757         | 12,767            |
| Less: Future interest costs                    | (3,544)        | (3,702)           |
| <b>Present value of minimum lease payments</b> | <b>\$9,213</b> | <b>\$9,065</b>    |

## NOTE 10

### 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 six months ended June 30, 2022 and 2021.

#### (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, 2020, to June 30, 2022:

| Issued and Fully Paid Units        | Units             | Amount           |
|------------------------------------|-------------------|------------------|
| 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          |
| <b>Units issued under the DRIP</b> | <b>22,156</b>     | <b>403</b>       |
| <b>Balance, June 30, 2022</b>      | <b>39,086,421</b> | <b>\$470,362</b> |

Total distributions declared during the six months ended June 30, 2022, amounted to \$13,669, or \$0.3498 per Unit (2021 - \$13,654, or \$0.3498 per Unit), including distributions payable of \$2,279 that were declared on June 15, 2022, and paid on July 15, 2022. On July 15, 2022, the REIT declared a distribution of \$0.0583 per Unit payable on August 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 six months ended June 30, 2022, the REIT issued 22,156 Units under the DRIP (year ended December 31, 2021 - 44,438 Units).

#### NOTE 11

##### RENTAL INCOME

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

|  | Three months ended<br>June 30 |                 | Six months ended<br>June 30 |                  |
|--|-------------------------------|-----------------|-----------------------------|------------------|
|  | 2022                          | 2021            | 2022                        | 2021             |
| Rental income                            | \$34,205                      | \$30,261        | \$67,047                    | \$60,630         |
| Property management and ancillary income | 23,062                        | 20,152          | 45,805                      | 40,620           |
| Property tax and insurance               | 10,125                        | 9,401           | 19,797                      | 18,886           |
|  | <b>\$67,392</b>               | <b>\$59,814</b> | <b>\$132,649</b>            | <b>\$120,136</b> |

#### NOTE 12

##### INTEREST EXPENSE

The components of interest expense are as follows:

|   | Three months ended<br>June 30 |                 | Six months ended<br>June 30 |                 |
|---|-------------------------------|-----------------|-----------------------------|-----------------|
|   | 2022                          | 2021            | 2022                        | 2021            |
| Interest on mortgages   | \$10,801                      | \$9,380         | \$21,444                    | \$18,941        |
| Interest and tax payment on Class C LP Units                              | —                             | 899             | —                           | 1,789           |
| Interest on the convertible debentures (Note 6)                           | 959                           | 959             | 1,902                       | 1,902           |
| Interest on lease liability   | 109                           | 105             | 217                         | 213             |
| Amortization of deferred financing costs                                  | 681                           | 610             | 1,345                       | 1,252           |
| Amortization of deferred financing costs on the convertible debentures    | 182                           | 172             | 363                         | 344             |
| Fair value loss (gain) on conversion option on the convertible debentures | (3,297)                       | 618             | (1,147)                     | 195             |
| Loss on extinguishment of mortgages payable                               | 181                           | —               | 181                         | —               |
|   | <b>9,616</b>                  | <b>12,743</b>   | <b>24,305</b>               | <b>24,636</b>   |
| Distributions on Class B LP Units (Note 7)                                | 3,013                         | 3,013           | 6,025                       | 6,025           |
|   | <b>\$12,629</b>               | <b>\$15,756</b> | <b>\$30,330</b>             | <b>\$30,661</b> |

**NOTE 13**  
**TRUST EXPENSES**

The components of trust expenses are as follows:

|   | Three months ended<br>June 30 |                | Six months ended<br>June 30 |                |
|---|-------------------------------|----------------|-----------------------------|----------------|
|   | 2022                          | 2021           | 2022                        | 2021           |
| Asset management fees and distributions | \$3,951                       | \$2,941        | \$7,499                     | \$5,801        |
| Professional fees                       | 255                           | 265            | 536                         | 397            |
| Public company expenses                 | 196                           | 187            | 389                         | 381            |
| Other                                   | 193                           | 206            | 352                         | 359            |
|   | <b>\$4,595</b>                | <b>\$3,599</b> | <b>\$8,776</b>              | <b>\$6,938</b> |

**NOTE 14**  
**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, 2022 amounted to \$2,467 (2021 - \$2,186) and \$4,856 (2021 - \$4,379), respectively, and are included in property operating costs and equity income from investments. As at June 30, 2022, \$686 (December 31, 2021 - \$583) 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. Fees and distributions for the three and six months ended June 30, 2022 amounted to \$4,104 (2021 - \$3,088) and \$7,803 (2021 - \$6,098), respectively, and are included in trust expenses and equity income from investments. As at June 30, 2022, \$2,503 (December 31, 2021 - \$1,923) 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, 2022, and 2021.

**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, 2022 amounted to \$30 (2021 - \$nil) and \$30 (2021 - \$nil), respectively, and have been capitalized to deferred financing costs.



## Other Services

As at June 30, 2022, 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, 2022 amounted to \$53 (2021 - \$53) and \$106 (2021 - \$106), respectively, and are included in trust expenses.

## NOTE 15

### 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, 2022, the U.S. subsidiaries of the REIT have total net operating losses of approximately US\$953 (December 31, 2021 - 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. The recognition of previously unrecognized tax losses relates to the sale of a real estate property (Note 3) as it is probable that taxable income will be available against which the losses will be utilized until the REIT is able to identify and close on a property acquisition utilizing a 1031 Exchange.

As at June 30, 2022, the U.S. subsidiaries of the REIT have total net operating losses of approximately US\$16,167 (December 31, 2021 - US\$27,780) of which deferred tax assets were recognized that can be carried forward indefinitely.

As at June 30, 2022, the REIT's U.S. subsidiaries have a total of US\$5,892 (December 31, 2021 - US\$6,827) of unutilized interest expense deductions on which deferred tax assets were recognized.

## NOTE 16

### CONSOLIDATED STATEMENTS OF CASH FLOWS

#### (a) Items Not Affecting Cash

|   | Three months ended<br>June 30 |            | Six months ended<br>June 30 |            |
|---|-------------------------------|------------|-----------------------------|------------|
|   | 2022                          | 2021       | 2022                        | 2021       |
| Fair value gain on real estate properties, net                            | (\$114,839)                   | (\$37,486) | (\$344,166)                 | (\$48,184) |
| Fair value loss (gain) on Class B LP Units                                | (55,631)                      | 21,184     | (22,907)                    | 14,640     |
| Fair value loss (gain) on conversion option on the convertible debentures | (3,297)                       | 618        | (1,147)                     | 195        |
| Equity income from investments  | (4,512)                       | (1,559)    | (6,160)                     | (1,487)    |
| Amortization of deferred financing - mortgages                            | 681                           | 536        | 1,345                       | 1,104      |
| Amortization of deferred financing - Class C LP Units                     | —                             | 74         | —                           | 148        |
| Amortization of deferred financing - convertible debentures               | 182                           | 172        | 363                         | 344        |
| Present value adjustment of tax liability on Class C LP Units             | —                             | 146        | —                           | 291        |
| Loss on extinguishment of mortgages payable                               | 181                           | —          | 181                         | —          |
| Amortization of tenant incentives   | 353                           | 277        | 767                         | 468        |
| Deferred income taxes   | 28,642                        | 10,039     | 69,057                      | 13,430     |
|   | (\$148,240)                   | (\$5,999)  | (\$302,667)                 | (\$19,051) |



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

|  | Three months ended<br>June 30 |         | Six months ended<br>June 30 |         |
|--|-------------------------------|---------|-----------------------------|---------|
|  | 2022                          | 2021    | 2022                        | 2021    |
| Amounts receivable                       | \$18                          | \$2,172 | \$1,034                     | \$1,082 |
| Prepaid expenses                         | 1,234                         | 2,290   | (2,695)                     | 2,934   |
| Accounts payable and accrued liabilities | 2,497                         | 1,972   | 1,339                       | 2,942   |
|  | \$3,749                       | \$6,434 | (\$322)                     | \$6,958 |

**(c) Supplemental Cash Flow Information**

|               | Three months ended<br>June 30 |          | Six months ended<br>June 30 |          |
|---------------|-------------------------------|----------|-----------------------------|----------|
|               | 2022                          | 2021     | 2022                        | 2021     |
| Interest paid | \$10,260                      | \$10,255 | \$22,273                    | \$22,529 |

**(d) Reconciliation of Liabilities Arising from Financing Activities**

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

| As at June 30, 2022                   | Mortgages<br>Payable | Convertible<br>Debentures | Lease<br>Liability | Total              |
|---------------------------------------|----------------------|---------------------------|--------------------|--------------------|
| Balance, beginning of period          | \$1,288,555          | \$86,319                  | \$9,065            | \$1,383,939        |
| Repayments                            | (16,355)             | —                         | —                  | (16,355)           |
| New financing, net of financing costs | 19,104               | —                         | —                  | 19,104             |
| Lump-sum repayments                   | (38,735)             | —                         | —                  | (38,735)           |
| Non-cash changes                      | 1,526                | (784)                     | —                  | 742                |
| Foreign exchange                      | 11,797               | —                         | 148                | 11,945             |
| <b>Balance, end of period</b>         | <b>\$1,265,892</b>   | <b>\$85,535</b>           | <b>\$9,213</b>     | <b>\$1,360,640</b> |

**NOTE 17**

**MANAGEMENT OF CAPITAL**

Refer to the REIT's audited consolidated financial statements as at and for the year ended December 31, 2021 for an explanation of the REIT's capital management policy.

The total managed capital for the REIT as at June 30, 2022, and December 31, 2021, is summarized below:

| As at                                | June 30, 2022 | December 31, 2021 |
|--------------------------------------|---------------|-------------------|
| Mortgages payable, principal balance | \$1,277,132   | \$1,300,873       |
| Convertible debentures, face value   | 85,500        | 85,500            |
| Lease liability                      | 9,213         | 9,065             |
| Class B LP Units                     | 282,114       | 305,021           |
| Unitholders' equity                  | 1,813,989     | 1,484,738         |
|                                      | \$3,467,948   | \$3,185,197       |

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, 2022 | December 31, 2021 |
|--|------------------|---------------|-------------------|
| Total debt to gross book value         | 70%              | 35.6%         | 40.2%             |
| Floating-rate debt to gross book value | 20%              | —%            | —%                |

## NOTE 18

### FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer to the REIT's audited consolidated financial statements as at and for the year ended December 31, 2021 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 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 value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using June 30, 2022, market rates for debts of similar terms (Level 2). Based on these assumptions, as at June 30, 2022, the fair value of the mortgages payable before deferred financing costs is estimated at \$1,215,849 (December 31, 2021 - \$1,335,670). The fair value of the mortgages payable varies from the carrying value 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 June 30, 2022, the fair value of the convertible debentures before deferred financing costs has been estimated at \$87,210 (December 31, 2021 - \$86,868), compared with the carrying value of \$85,223 (December 31, 2021 - \$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:

|   | June 30, 2022 |         |             | December 31, 2021 |         |             |
|---|---------------|---------|-------------|-------------------|---------|-------------|
|   | Level 1       | Level 2 | Level 3     | Level 1           | Level 2 | Level 3     |
| <b>Assets:</b>                                  |               |         |             |                   |         |             |
| Real estate properties                          | \$—           | \$—     | \$3,409,805 | \$—               | \$—     | \$3,256,158 |
| Real estate properties held for sale            | —             | —       | 150,251     | —                 | —       | —           |
| <b>Financial liabilities:</b>                   |               |         |             |                   |         |             |
| Class B LP Units                                | 282,114       | —       | —           | 305,021           | —       | —           |
| Conversion option of the convertible debentures | —             | 881     | —           | —                 | 2,028   | —           |

## NOTE 19

### 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:

|                             | Three months ended<br>June 30, 2022      |                 |                 | Three months ended<br>June 30, 2021 |                 |                 |
|-----------------------------|--|-----------------|-----------------|-------------------------------------|-----------------|-----------------|
|                             | Canada                                   | U.S.            | Total           | Canada                              | U.S.            | Total           |
|                             | Revenue from income producing properties | \$24,518        | \$42,874        | \$67,392                            | \$23,032        | \$36,782        |
| Property operating expenses | (11,009)                                 | (13,927)        | (24,936)        | (10,206)                            | (12,235)        | (22,441)        |
| <b>Net operating income</b> | <b>\$13,509</b>                          | <b>\$28,947</b> | <b>\$42,456</b> | <b>\$12,826</b>                     | <b>\$24,547</b> | <b>\$37,373</b> |

|                             | Six months ended<br>June 30, 2022   |                 |                 | Six months ended<br>June 30, 2021 |                 |                 |
|-----------------------------|-------------------------------------|-----------------|-----------------|-----------------------------------|-----------------|-----------------|
|                             | Canada                              | U.S.            | Total           | Canada                            | U.S.            | Total           |
|                             | Revenue from real estate properties | \$48,535        | \$84,114        | \$132,649                         | \$46,390        | \$73,746        |
| Property operating expenses | (22,638)                            | (50,131)        | (72,769)        | (20,760)                          | (46,819)        | (67,579)        |
| <b>Net operating income</b> | <b>\$25,897</b>                     | <b>\$33,983</b> | <b>\$59,880</b> | <b>\$25,630</b>                   | <b>\$26,927</b> | <b>\$52,557</b> |

| As at             | June 30, 2022          |             |             | December 31, 2021 |             |             |
|-------------------|------------------------|-------------|-------------|-------------------|-------------|-------------|
|                   | Canada                 | U.S.        | Total       | Canada            | U.S.        | Total       |
|                   | Real estate properties | \$1,542,310 | \$1,867,495 | \$3,409,805       | \$1,501,650 | \$1,754,508 |
| Mortgages payable | \$516,884              | \$712,452   | \$1,229,336 | \$525,905         | \$762,650   | \$1,288,555 |

|   | Three months ended<br>June 30, 2022 |           |           | Three months ended<br>June 30, 2021 |          |          |
|---|-------------------------------------|-----------|-----------|-------------------------------------|----------|----------|
|   | Canada                              | U.S.      | Total     | Canada                              | U.S.     | Total    |
|   | Additions to real estate properties | \$2,543   | \$4,363   | \$6,906                             | \$1,330  | \$4,936  |
| Fair value gain on real estate properties | \$6,897                             | \$102,180 | \$109,077 | \$7,358                             | \$24,648 | \$32,006 |

|   | Six months ended<br>June 30, 2022   |           |           | Six months ended<br>June 30, 2021 |          |          |
|---|-------------------------------------|-----------|-----------|-----------------------------------|----------|----------|
|   | Canada                              | U.S.      | Total     | Canada                            | U.S.     | Total    |
|   | Additions to real estate properties | \$3,148   | \$7,637   | \$10,785                          | \$2,274  | \$9,654  |
| Fair value gain on real estate properties | \$37,575                            | \$318,231 | \$355,806 | \$16,818                          | \$42,639 | \$59,457 |

## NOTE 20

### SUBSEQUENT EVENTS

On July 1, 2022, the REIT completed the refinancing of a multi-suite residential property located in Palm Beach County, Florida, in the amount of \$59,939 (US\$46,515) at an interest rate of 4.19% and for a term of 10 years. The maturing mortgage amounts to \$30,242 (US\$23,469), was open and prepayable at no penalty before its scheduled maturity on October 1, 2022, and had an interest rate of 3.78%.

The REIT entered into a binding agreement to acquire a multi-suite residential property comprising 350 suites located in Chicago, Illinois, for a purchase price of \$171,384 (US\$133,000), excluding closing costs. The acquisition is expected to close during the third quarter of 2022.