Real Estate Potential. Realized.

MORGUARD NORTH AMERICAN RESIDENTIAL REAL ESTATE INVESTMENT TRUST

SEPTEMBER 30, 2019

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BALANCE SHEETS
In thousands of Canadian dollars

As at	Note	September 30, 2019	December 31, 2018
ASSETS			
Non-current assets			
Real estate properties	4	**$2,902,829**	$2,932,835
Equity-accounted investment	5	**41,811**	40,859
		2,944,640	2,973,694
Current assets			
Morguard Facility	9	**77,699**	—
Amounts receivable		**3,397**	3,652
Prepaid expenses		**10,534**	4,164
Restricted cash		**13,858**	13,173
Cash		**20,444**	16,786
		125,932	37,775
		$3,070,572	$3,011,469
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable and Class C LP Units	6	**$1,113,351**	$1,195,709
Convertible debentures	7	**88,618**	84,769
Class B LP Units	8	**341,878**	295,376
Deferred income tax liabilities		**121,951**	114,351
Accounts payable and accrued liabilities	10	**9,469**	9,754
		1,675,267	1,699,959
Current liabilities			
Mortgages payable and Class C LP Units	6	**131,268**	124,418
Morguard Facility	9	**—**	12,803
Accounts payable and accrued liabilities	10	**51,225**	46,428
		182,493	183,649
Total liabilities		**1,857,760**	1,883,608
EQUITY			
Unitholders’ equity		**1,122,159**	1,018,423
Non-controlling interest		**90,653**	109,438
Total equity		**1,212,812**	1,127,861
		$3,070,572	$3,011,469

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF INCOME (LOSS)

In thousands of Canadian dollars

	Note	Three months ended September 30 2019	2018	Nine months ended September 30 2019	2018
Revenue from real estate properties	12	**$61,135**	$61,172	**$184,353**	$179,239
Property operating expenses					
Property operating costs		**(16,205)**	(16,085)	**(47,207)**	(44,898)
Realty taxes		**(2,775)**	(2,420)	**(30,000)**	(26,803)
Utilities		**(4,117)**	(4,484)	**(13,282)**	(13,922)
Net operating income		**38,038**	38,183	**93,864**	93,616
Other expenses (income)					
Interest expense	13	**18,114**	16,960	**52,124**	48,519
Trust expenses	14	**3,433**	3,387	**10,633**	10,239
Equity income from investment	5	**(37)**	(23)	**(2,165)**	(909)
Foreign exchange loss (gain)		**(207)**	463	**486**	(777)
Other income		**(479)**	(9)	**(630)**	(78)
Income before fair value changes and income taxes		**17,214**	17,405	**33,416**	36,622
Fair value gain on real estate properties, net		**9,842**	28,026	**68,427**	133,854
Fair value loss on Class B LP Units	8	**(24,629)**	(16,879)	**(46,502)**	(16,879)
Income before income taxes		**2,427**	28,552	**55,341**	153,597
Provision for income taxes					
Current		**33**	33	**99**	94
Deferred		**3,801**	3,507	**11,011**	28,398
		3,834	3,540	**11,110**	28,492
Net income (loss) for the period		**($1,407)**	$25,012	**$44,231**	$125,105
Net income (loss) attributable to:					
Unitholders		**($1,950)**	$21,550	**$42,239**	$117,845
Non-controlling interest		**543**	3,462	**1,992**	7,260
		($1,407)	$25,012	**$44,231**	$125,105

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
In thousands of Canadian dollars

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Net income (loss) for the period	**($1,407)**	$25,012	**$44,231**	$125,105
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified subsequently to net income (loss):				
Unrealized foreign currency translation gain (loss)	**9,350**	(12,978)	**(23,367)**	20,980
Total comprehensive income for the period	**$7,943**	$12,034	**$20,864**	$146,085
Total comprehensive income (loss) attributable to:				
Unitholders	**$6,385**	$10,177	**$21,504**	$135,973
Non-controlling interest	**1,558**	1,857	**(640)**	10,112
	$7,943	$12,034	**$20,864**	$146,085

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, 2017		$367,928	$48,762	$332,735	$64,917	$814,342	$103,364	$917,706
Changes during the period:								
Net income		—	—	117,845	—	117,845	7,260	125,105
Other comprehensive income		—	—	—	18,128	18,128	2,852	20,980
Issue of Units - DRIP		358	—	(358)	—	—	—	—
Issue of Units - debentures converted		23	—	—	—	23	—	23
Distributions		—	—	(16,326)	—	(16,326)	(3,035)	(19,361)
Unitholders' equity, September 30, 2018		$368,309	$48,762	$433,896	$83,045	$934,012	$110,441	$1,044,453
Changes during the period:								
Net income (loss)		—	—	54,380	—	54,380	(4,775)	49,605
Other comprehensive income		—	—	—	35,580	35,580	4,785	40,365
Issue of Units - DRIP		122	—	(122)	—	—	—	—
Distributions		—	—	(5,549)	—	(5,549)	(1,013)	(6,562)
Unitholders' equity, December 31, 2018		**$368,431**	**$48,762**	**$482,605**	**$118,625**	**$1,018,423**	**$109,438**	**$1,127,861**
Changes during the period:								
Net income		**—**	**—**	**42,239**	**—**	**42,239**	**1,992**	**44,231**
Other comprehensive loss		**—**	**—**	**—**	**(20,735)**	**(20,735)**	**(2,632)**	**(23,367)**
Increase in subsidiary ownership interest		**—**	**—**	**—**	**—**	**—**	**(15,497)**	**(15,497)**
Issue of Units	11(d)	**99,591**	**—**	**—**	**—**	**99,591**	**—**	**99,591**
Issue of Units - DRIP	11(d)	**418**	**—**	**(418)**	**—**	**—**	**—**	**—**
Distributions	11(d)	**—**	**—**	**(17,359)**	**—**	**(17,359)**	**(2,648)**	**(20,007)**
Unitholders' equity, September 30, 2019		**$468,440**	**$48,762**	**$507,067**	**$97,890**	**$1,122,159**	**$90,653**	**$1,212,812**

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

		Three months ended September 30		Nine months ended September 30	
	Note	2019	2018	2019	2018
OPERATING ACTIVITIES					
Net income (loss)		**($1,407)**	$25,012	**$44,231**	$125,105
Add (deduct) items not affecting cash	17(a)	**16,667**	(10,613)	**442**	(81,032)
Additions to tenant incentives		**(483)**	(437)	**(739)**	(1,840)
Net change in non-cash operating assets and liabilities	17(b)	**(3,636)**	(4,598)	**(6,549)**	(3,589)
Cash provided by operating activities		**11,141**	9,364	**37,385**	38,644
INVESTING ACTIVITIES					
Additions to income producing properties	4	**(8,474)**	(7,239)	**(18,967)**	(17,196)
Additions to property under development	4	**(1,923)**	(401)	**(4,560)**	(458)
Proceeds from sale of income producing properties, net	4	**—**	—	**38,626**	—
Acquisition of property under development		**—**	—	**—**	(14,866)
Cash provided by (used in) investing activities		**(10,397)**	(7,640)	**15,099**	(32,520)
FINANCING ACTIVITIES					
Proceeds from issuance of Units, net of costs	11(d)	**99,591**	—	**99,591**	—
Proceeds from new mortgages		**—**	—	**—**	80,000
Financing cost on new mortgages		**—**	—	**—**	(905)
Repayment of mortgages and Class C LP Units					
Repayments on maturity		**—**	—	**—**	(67,892)
Repayment due to mortgage extinguishment	4	**—**	—	**(11,331)**	—
Principal instalment repayments		**(5,553)**	(5,143)	**(16,778)**	(15,628)
Proceeds from issuance of convertible debentures, net of costs		**—**	—	**—**	82,125
Redemption of convertible debentures		**—**	—	**—**	(59,977)
Increase in subsidiary ownership interest	4	**—**	—	**(8,014)**	—
Repayment of Morguard Facility		**(98,505)**	(3,772)	**(128,796)**	(99,670)
Proceeds from Morguard Facility		**7,500**	12,100	**37,200**	90,793
Distributions to Unitholders		**(5,882)**	(5,421)	**(17,062)**	(16,326)
Distributions to non-controlling interest		**(842)**	(983)	**(2,648)**	(3,035)
Increase in restricted cash		**(1,133)**	(2,258)	**(1,065)**	(2,042)
Cash used in financing activities		**(4,824)**	(5,477)	**(48,903)**	(12,557)
Net increase (decrease) in cash during the period		**(4,080)**	(3,753)	**3,581**	(6,433)
Net effect of foreign currency translation on cash balance		**65**	(30)	**77**	(345)
Cash, beginning of period		**24,459**	22,126	**16,786**	25,121
Cash, end of period		**$20,444**	$18,343	**$20,444**	$18,343

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three and nine months ended September 30, 2019 and 2018

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 amended and restated on April 18, 2012 (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 September 30, 2019, Morguard Corporation ("Morguard"), the parent company of the REIT, holds an indirect 44.8% 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 October 29, 2019.

These condensed consolidated financial statements use the same accounting policies and methods of their application as the most recent annual audited consolidated financial statements, except for the adoption of current accounting policies as described in Note 3, and should be read in conjunction with the most recent annual audited consolidated financial statements.

Foreign Exchange

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

	2019	2018
Canadian dollar to United States dollar exchange rates:		
- As at September 30	**$0.7551**	$0.7725
- As at December 31	—	0.7330
- Average for the three months ended September 30	**0.7573**	0.7651
- Average for the nine months ended September 30	**0.7523**	0.7766
United States dollar to Canadian dollar exchange rates:		
- As at September 30	**1.3243**	1.2945
- As at December 31	—	1.3642
- Average for the three months ended September 30	**1.3204**	1.3070
- Average for the nine months ended September 30	**1.3292**	1.2876

NOTE 3
ADOPTION OF ACCOUNTING STANDARDS
Current Accounting Policy Changes
IFRS 16, *Leases* ("IFRS 16")

In January 2016, the IASB issued IFRS 16. The new standard requires that for most leases, lessees must initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset for the right to use the underlying asset for the lease term. Lessor accounting under IFRS 16 is substantially unchanged; lessors will continue to classify all leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the REIT is the lessor.

The REIT adopted the standard on January 1, 2019, using a modified retrospective approach. The REIT elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The REIT also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

Leases previously classified as finance leases

The REIT did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under IAS 17). The requirements of IFRS 16 were applied to these leases from January 1, 2019.

Leases previously accounted for as operating leases

The REIT reviewed all operating lease contracts in which it is a lessee and concluded that all operating leases were either a short-term lease for which the REIT applied the short-term leases exemption to leases having a lease term that ends within 12 months at the date of initial application or low-value asset and therefore had no impact upon adoption.

Summary of new accounting policies that have been applied from the date of initial application

At the commencement date of a lease, the REIT will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Certain right-of-use assets related to land leases meet the definition of investment property under IAS 40, *Investment Property*; therefore, the fair value model is applied to those assets. Interest expense on the lease liability and the fair value gain (loss) on the right-of-use asset is recognized separately.

The REIT measures lease liabilities at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the REIT and payments of penalties for terminating a lease, if the lease term reflects the REIT exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the REIT uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The REIT applies the recognition exemptions for leases of low-value assets and short-term leases.

IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23")

IFRIC 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12, *Income Taxes* ("IAS 12") and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. IFRIC 23 specifically addresses the following:

– Whether an entity considers uncertain tax treatments collectively;
– The assumptions an entity makes about the examination of tax treatments by taxation authorities;
– How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
– How an entity considers the effect of changes in facts and circumstances.

An entity applies IFRIC 23 for annual reporting periods beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight.

The REIT adopted the interpretation on January 1, 2019. IFRIC 23 did not have a material impact on the REIT's consolidated financial statements.

NOTE 4

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	September 30, 2019			December 31, 2018
	Income Producing Properties	Property Under Development	Total	Total
Balance, beginning of period	**$2,916,118**	**$16,717**	**$2,932,835**	$2,570,589
Additions:				
Acquisition of property under development	**—**	**—**	**—**	14,866
Capital expenditures	**18,967**	**—**	**18,967**	28,950
Development expenditures	**—**	**4,560**	**4,560**	1,165
Dispositions	**(63,809)**	**—**	**(63,809)**	—
Fair value gain, net	**68,022**	**—**	**68,022**	180,283
Foreign currency translation	**(49,760)**	**(505)**	**(50,265)**	135,754
Other	**(7,481)**	**—**	**(7,481)**	1,228
Balance, end of period	**$2,882,057**	**$20,772**	**$2,902,829**	$2,932,835

On February 1, 2019, the REIT sold a property located in Shreveport, Louisiana, comprising 194 suites, for gross proceeds of $13,510 (US$10,317), including closing costs, and the purchaser assumed the mortgage secured by the property in the amount of $6,980 (US$5,330).

On March 19, 2019, the REIT sold a property located in Lafayette, Louisiana, comprising 192 suites, for gross proceeds of $15,062 (US$11,332), including closing costs, and the purchaser assumed the mortgage secured by the property in the amount of $9,417 (US$7,085).

On March 19, 2019, the REIT sold a property located in New Iberia, Louisiana, comprising 148 suites, for gross proceeds of $8,208 (US$6,175), including closing costs, and the purchaser assumed the mortgage secured by the property in the amount of $5,934 (US$4,464).

On March 27, 2019, the REIT sold a property located in Gretna, Louisiana, comprising 261 suites, for gross proceeds of $22,601 (US$16,849), including closing costs, and repaid the mortgage secured by the property in the amount of $11,331 (US$8,447).

On April 30, 2019, the REIT sold a property located in Harahan, Louisiana, comprising 48 suites, for gross proceeds of $4,428 (US$3,298), including closing costs, and the purchaser assumed the mortgage secured by the property in the amount of $2,852 (US$2,125).

On May 22, 2019, the REIT acquired partial interests in three properties controlled by the REIT located in Mississauga, Ontario, for a gross purchase price of $15,628, including closing costs, and the REIT assumed the partial interest of the mortgages secured by the properties amounting to $7,614.

As at September 30, 2019, and December 31, 2018, the REIT had its portfolio appraised by Morguard's appraisal division. In addition, the REIT's U.S. portfolio is appraised by independent U.S. real estate appraisal firms on a three-year cycle.

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

As at September 30, 2019, using the direct capitalization income approach, the properties were valued using capitalization rates in the range of 4.0% to 6.8% (December 31, 2018 - 4.0% to 7.8%), resulting in an overall weighted average capitalization rate of 4.7% (December 31, 2018 - 4.7%).

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 September 30, 2019 would decrease by $145,840 or increase by $162,489, respectively.

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

	September 30, 2019 Capitalization Rates			December 31, 2018 Capitalization Rates		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
Canada						
Alberta	**5.0%**	**5.0%**	**5.0%**	5.0%	5.0%	5.0%
Ontario	**4.5%**	**4.0%**	**4.2%**	4.5%	4.0%	4.2%
United States						
Colorado	**5.3%**	**5.3%**	**5.3%**	5.3%	5.3%	5.3%
Texas	**5.3%**	**5.0%**	**5.1%**	5.3%	5.0%	5.1%
Louisiana	**6.8%**	**5.5%**	**6.0%**	7.8%	5.5%	6.8%
Illinois	**4.5%**	**4.5%**	**4.5%**	4.5%	4.5%	4.5%
Georgia	**5.5%**	**5.0%**	**5.4%**	5.5%	5.0%	5.4%
Florida	**6.5%**	**4.8%**	**5.5%**	6.5%	5.0%	5.5%
North Carolina	**5.3%**	**5.0%**	**5.1%**	5.3%	5.0%	5.1%
Virginia	**4.8%**	**4.8%**	**4.8%**	4.8%	4.8%	4.8%

NOTE 5
EQUITY-ACCOUNTED INVESTMENT

The REIT owns a 50% interest in a property comprising 492 suites located in Rockville, Maryland, in which the REIT has joint control of the investment and accounts for its investment using the equity method.

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

As at	September 30, 2019	December 31, 2018
Balance, beginning of period	**$40,859**	$37,295
Share of net income	**2,165**	271
Foreign exchange gain (loss)	**(1,213)**	3,293
Balance, end of period	**$41,811**	$40,859

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

As at	September 30, 2019	December 31, 2018
Non-current assets	**$174,954**	$176,118
Current assets	**4,904**	3,863
Total assets	**$179,858**	$179,981
Non-current liabilities	**$93,269**	$95,997
Current liabilities	**2,968**	2,266
Total liabilities	**$96,237**	$98,263
Net assets	**$83,621**	$81,718
Equity-accounted investment	**$41,811**	$40,859

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Revenue	**$3,331**	$3,284	**$10,152**	$9,786
Expenses	**(2,046)**	(2,270)	**(9,121)**	(8,691)
Fair value gain (loss) on income producing property	**(1,211)**	(968)	**3,298**	723
Net income for the period	**$74**	$46	**$4,329**	$1,818
Income in equity-accounted investment	**$37**	$23	**$2,165**	$909

NOTE 6
MORTGAGES PAYABLE AND CLASS C LP UNITS

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

As at	September 30, 2019			December 31, 2018
	Mortgages Payable	Class C LP Units	Total	Mortgages Payable and Class C LP Units
Principal balance of mortgages	**$1,167,865**	**$79,445**	**$1,247,310**	$1,325,810
Deferred financing costs	**(10,987)**	**(561)**	**(11,548)**	(14,423)
Present value of tax payment on Class C LP Units	**—**	**8,857**	**8,857**	8,740
	$1,156,878	**$87,741**	**$1,244,619**	$1,320,127
Current	**$128,105**	**$3,163**	**$131,268**	$124,418
Non-current	**1,028,773**	**84,578**	**1,113,351**	1,195,709
	$1,156,878	**$87,741**	**$1,244,619**	$1,320,127
Range of interest rates	**2.25−4.25%**	**3.97%**	**2.25−4.25%**	2.25−4.25%
Weighted average interest rate	**3.45%**	**3.97%**	**3.49%**	3.49%
Weighted average term to maturity (years)	**5.3**	**1.8**	**5.1**	5.8
Fair value of mortgages and Class C LP Units	**$1,204,473**	**$81,129**	**$1,285,602**	$1,323,506

Morguard retained the mortgages on four properties that were sold to the REIT (the “Retained Debt”) and also retained the deferred financing costs associated with the Retained Debt. Morguard remains responsible for the interest and principal payments on the Retained Debt, and the Retained Debt is secured by a charge on the properties.

In consideration of the Retained Debt, Morguard received Class C LP Units of the Partnership on which distribution payments are made in an amount expected to be sufficient to permit Morguard to satisfy the amount payable with respect to: (i) principal and interest under the Retained Debt; and (ii) the amount of tax that is due and payable that is reasonably attributable to any distributions on the Class C LP Units.

The REIT’s first mortgages are registered against specific real estate assets, and the Retained Debt is secured by charges on the four properties. The REIT provided Morguard’s creditors with a guarantee with respect to the Retained Debt to ensure the lenders are not prejudiced in their ability to collect from Morguard in the event that payments on the Class C LP Units are not made as expected. Morguard has also provided an indemnity to the REIT for any losses suffered by the REIT in the event payments on the Retained Debt are not made as required provided such losses are not attributable to any action or failure to act on the part of the REIT.

Substantially all of the REIT’s rental properties and related rental revenue have been pledged as collateral for the mortgages payable.

The aggregate principal repayments and balances maturing of the mortgages payable and the Class C LP Units as at September 30, 2019, 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
2019 (remainder of the year)	$5,760	$101,547	$107,307	3.21%
2020	23,562	8,828	32,390	4.25%
2021	24,468	75,280	99,748	3.97%
2022	24,668	69,921	94,589	3.76%
2023	21,715	150,415	172,130	3.47%
Thereafter	40,396	700,750	741,146	3.44%
	$140,569	$1,106,741	$1,247,310	3.49%

NOTE 7
CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at	September 30, 2019	December 31, 2018
4.50% convertible unsecured subordinated debentures	**$85,223**	$85,223
Fair value of conversion option	**5,852**	2,469
Unamortized financing costs	**(2,457)**	(2,923)
	$88,618	$84,769

For the three and nine months ended September 30, 2019, interest on the convertible debentures amounting to $965 (2018 - $980) and $2,878 (2018 - $2,852), respectively, are included in interest expense (Note 13). As at September 30, 2019, $11 (December 31, 2018 - $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, commencing on

September 30, 2018. 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 September 30, 2019, and December 31, 2018, $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.

4.65% Convertible Unsecured Subordinated Debentures

On March 15, 2013, the REIT issued $60,000 principal amount of 4.65% convertible unsecured subordinated debentures (the "2013 Debentures") maturing on March 30, 2018. On February 23, 2018, $23 of the 2013 Debentures were converted into 1,483 Units, and on February 26, 2018, the REIT redeemed the remaining $59,977 of its outstanding 2013 Debentures in advance of their March 30, 2018 maturity date.

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 September 30, 2019, 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 $341,878 (December 31, 2018 - $295,376) and a corresponding fair value loss for the three and nine months ended September 30, 2019 of $24,629 (2018 - $16,879) and $46,502 (2018 - $16,879), respectively.

For the three and nine months ended September 30, 2019, distributions on Class B LP Units amounting to $2,924 (2018 - $2,842) and $8,773 (2018 - $8,526), respectively, are included in interest expense (Note 13).

As at September 30, 2019, and December 31, 2018, 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 at September 30, 2019, the net amount receivable under the Morguard Facility was $77,699, comprising an amount receivable of US$48,100 and a receivable of $14,000. As at December 31, 2018, the net amount payable under the Morguard Facility was $12,803, comprising an amount receivable of US$22,858 and a payable of $43,986.

During the three and nine months ended September 30, 2019, the REIT earned net interest income of $393 (2018 - $7) and $585 (2018 - $15), respectively, on the Morguard Facility.

NOTE 10
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	September 30, 2019	December 31, 2018
Accounts payable and accrued liabilities	**$39,907**	$35,123
Tenant deposits	**11,318**	11,305
Lease liability	**9,469**	9,754
	$60,694	$56,182
Current	**$51,225**	$46,428
Non-current	**9,469**	9,754
	$60,694	$56,182

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 December 13, 2018, the REIT obtained the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 2,556,288 Units, being approximately 10% of the public float of outstanding Units; the program expires on December 20, 2019. The daily repurchase restriction for the Units is 6,157. Additionally, the REIT may purchase up to $8,050 principal amount of the 2018 Debentures, being 10% of the public float of outstanding 2018 Debentures. The daily repurchase restriction for the 2018 Debentures is $12. 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 nine months ended September 30, 2019.

(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, 2017, to September 30, 2019:

Issued and Fully Paid Units	Units	Amount
Balance, December 31, 2017	33,690,613	$367,928
Units issued under the DRIP	30,784	480
2013 Debentures converted	1,483	23
Balance, December 31, 2018	33,722,880	368,431
Issuance of Units for cash, net of costs	**5,226,200**	**99,591**
Units issued under the DRIP	**23,010**	**418**
Balance, September 30, 2019	**38,972,090**	**$468,440**

On August 28, 2019, the REIT completed an offering for 5,226,200 Units sold for a price of $19.75 per Unit for aggregate gross proceeds of $103,217 (the “Offering”). The net proceeds of the Offering, after underwriters’ commission and other closing costs totalling $3,626, was $99,591. Morguard purchased 1,269,000 of the Units offered amounting to $25,063.

Total distributions declared during the nine months ended September 30, 2019, amounted to $17,777, or $0.5094 per Unit (2018 - $16,684, or $0.495 per Unit), including distributions payable of $2,206 that were declared on September 16, 2019, and paid on October 15, 2019. On October 15, 2019, the REIT declared a distribution of $0.0566 per Unit payable on November 15, 2019.

(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 nine months ended September 30, 2019, the REIT issued 23,010 Units under the DRIP (December 31, 2018 - 30,784 Units).

(f) Accumulated Other Comprehensive Income

The accumulated other comprehensive income consists of the following amounts:

As at	September 30, 2019	December 31, 2018
Unrealized foreign currency translation gain	**$97,890**	$118,625
Balance, end of period	**$97,890**	$118,625

NOTE 12
RENTAL INCOME

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

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Rental income	**$28,613**	$29,762	**$87,540**	$87,939
Property management and ancillary income	**23,248**	23,289	**69,189**	66,899
Property tax and insurance	**9,274**	8,121	**27,624**	24,401
	$61,135	$61,172	**$184,353**	$179,239

NOTE 13
INTEREST EXPENSE

The components of interest expense are as follows:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Interest on mortgages	**$10,179**	$10,591	**$30,823**	$31,260
Interest and tax payment on Class C LP Units	**955**	964	**2,838**	2,898
Interest on the convertible debentures (Note 7)	**965**	980	**2,878**	2,852
Interest on lease liability	**99**	98	**299**	290
Amortization of mark-to-market adjustment on mortgages	**—**	—	**—**	(443)
Amortization of deferred financing costs	**679**	741	**2,103**	2,233
Amortization of deferred financing costs on the convertible debentures	**156**	148	**466**	433
Fair value loss on conversion option on the convertible debentures	**2,157**	596	**3,383**	470
Loss on extinguishment of mortgages payable	**—**	—	**561**	—
	15,190	14,118	**43,351**	39,993
Distributions on Class B LP Units (Note 8)	**2,924**	2,842	**8,773**	8,526
	$18,114	$16,960	**$52,124**	$48,519

NOTE 14
TRUST EXPENSES

The components of trust expenses are as follows:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Asset management fees and distributions	**$2,982**	$2,828	**$8,816**	$8,335
Professional fees	**196**	279	**828**	918
Public company expenses	**174**	132	**539**	476
Other	**81**	148	**450**	510
	$3,433	$3,387	**$10,633**	$10,239

NOTE 15
RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Notes 6, 7, 8, 9 and 11(d), 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 nine months ended September 30, 2019 amounted to $2,135 (2018 - $2,120) and $6,449 (2018 - $6,252), respectively, and are included in property operating costs and equity income from investment. As at September 30, 2019, $625 (December 31, 2018 - $654) 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 nine months ended September 30, 2019 amounted to $3,037 (2018 - $2,882) and $8,980 (2018 - $8,493), respectively, are included in trust expenses and equity income from investment. As at September 30, 2019, $4,325 (December 31, 2018 - $5,469) 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. Fees relating to acquisition services for the three and nine months ended September 30, 2019 amounted to $nil (2018 - $nil) and $nil (2018 - $110), respectively.

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 nine months ended September 30, 2019 amounted to $nil (2018 - $nil) and $nil (2018 - $121), respectively, 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. Fees relating to development services for the three and nine months ended September 30, 2019, amounted to $17 (2018 - $nil) and $49 (2018 - $nil), respectively, and are included in property under development. As at September 30, 2019, $13 (December 31, 2018 - $nil) is included in accounts payable and accrued liabilities.

Other Services
As at September 30, 2019, the REIT had its portfolio appraised by Morguard's appraisal division. Fees relating to appraisal services for the three and nine months ended September 30, 2019 amounted to $53 (2018 - $58) and $163 (2018 - $174), respectively, and are included in trust expenses.

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

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

As at September 30, 2019, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$36,189 (December 31, 2018 - US$30,075) 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 September 30, 2019, the REIT's U.S. subsidiaries have a total of US$8,885 (December 31, 2018 - US$8,172) of unutilized interest expense deductions of which deferred tax assets were recognized.

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

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Fair value gain on real estate properties, net	**($15,076)**	($32,895)	**($62,580)**	($129,093)
Fair value loss on Class B LP Units	**24,629**	16,879	**46,502**	16,879
Fair value loss on conversion option on the convertible debentures	**2,157**	596	**3,383**	470
Equity income from investment	**(37)**	(23)	**(2,165)**	(909)
Amortization of deferred financing - mortgages	**604**	668	**1,877**	2,009
Amortization of deferred financing - Class C LP Units	**75**	73	**226**	224
Amortization of deferred financing - convertible debentures	**156**	148	**466**	433
Present value adjustment of tax liability on Class C LP Units	**143**	138	**424**	414
Amortization of mark-to-market adjustment on mortgages	**—**	—	**—**	(443)
Loss on extinguishment of mortgages payable	**—**	—	**561**	—
Amortization of tenant incentives	**215**	296	**737**	586
Deferred income taxes	**3,801**	3,507	**11,011**	28,398
	$16,667	($10,613)	**$442**	($81,032)

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

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Amounts receivable	**$17**	$799	**$175**	$2,757
Prepaid expenses	**(2,473)**	(4,202)	**(6,478)**	(3,861)
Accounts payable and accrued liabilities	**(1,180)**	(1,195)	**(246)**	(2,485)
	($3,636)	($4,598)	**($6,549)**	($3,589)

(c) Supplemental Cash Flow Information

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Interest paid	**$12,899**	$13,886	**$37,401**	$37,197

(d) Reconciliation of Liabilities Arising from Financing Activities

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

As at September 30, 2019	Mortgages Payable and Class C LP Units	Convertible Debentures	Morguard Facility	Lease Liability	Total
Balance, beginning of period	**$1,320,127**	**$84,769**	**$12,803**	**$9,754**	**$1,427,453**
Repayments	**(16,778)**	**—**	**(128,796)**	**—**	**(145,574)**
New financing, net	**—**	**—**	**37,200**	**—**	**37,200**
Lump-sum repayments	**(11,331)**	**—**	**—**	**—**	**(11,331)**
Non-cash changes	**(22,095)**	**3,849**	**—**	**—**	**(18,246)**
Foreign exchange	**(25,304)**	**—**	**1,094**	**(285)**	**(24,495)**
Balance, end of period	**$1,244,619**	**$88,618**	**($77,699)**	**$9,469**	**$1,265,007**

NOTE 18
MANAGEMENT OF CAPITAL

Refer to the REIT's audited consolidated financial statements as at and for the year ended December 31, 2018 for an explanation of the REIT's capital management policy.

The total managed capital for the REIT as at September 30, 2019, and December 31, 2018, is summarized below:

As at	September 30, 2019	December 31, 2018
Mortgages payable, principal balance	**$1,167,865**	$1,243,887
Class C LP Units and present value of tax payment, principal balance	**88,302**	90,663
Convertible debentures, face value	**85,500**	85,500
Morguard Facility	**—**	12,803
Lease liability	**9,469**	9,754
Class B LP Units	**341,878**	295,376
Unitholders' equity	**1,122,159**	1,018,423
	$2,815,173	$2,756,406

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	September 30, 2019	December 31, 2018
Total debt to gross book value	70%	**44.0%**	47.9%
Floating-rate debt to gross book value	20%	**—%**	0.4%

NOTE 19
FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer to the REIT's audited consolidated financial statements as at and for the year ended December 31, 2018 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 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 September 30, 2019, market rates for debts of similar terms (Level 2). Based on these assumptions, as at September 30, 2019, 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 $1,204,473 and $81,129, (December 31, 2018 - $1,239,641 and $83,865), 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 values of the convertible debentures are based on their market trading price (Level 1). As at September 30, 2019, the fair value of the convertible debentures before deferred financing costs has been estimated at $88,946 (December 31, 2018 - $85,500), compared with the carrying value of $85,223 (December 31, 2018 - $85,223).

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

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

	September 30, 2019			December 31, 2018		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$2,902,829**	$—	$—	$2,932,835
Financial liabilities:						
Class B LP Units	**341,878**	**—**	**—**	295,376	—	—
Conversion option of the convertible debentures	**—**	**5,852**	**—**	—	2,469	—

The REIT's convertible debentures have no restrictive covenants.

NOTE 20

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 September 30, 2019			Three months ended September 30, 2018		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Revenue from income producing properties	**$23,468**	**$37,667**	**$61,135**	$22,480	$38,692	$61,172
Property operating expenses	**(9,929)**	**(13,168)**	**(23,097)**	(9,378)	(13,611)	(22,989)
Net operating income	**$13,539**	**$24,499**	**$38,038**	$13,102	$25,081	$38,183

	Nine months ended September 30, 2019			Nine months ended September 30, 2018		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Revenue from real estate properties	**$69,565**	**$114,788**	**$184,353**	$67,009	$112,230	$179,239
Property operating expenses	**(30,055)**	**(60,434)**	**(90,489)**	(28,858)	(56,765)	(85,623)
Net operating income	**$39,510**	**$54,354**	**$93,864**	$38,151	$55,465	$93,616

	September 30, 2019			December 31, 2018		
As at	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Real estate properties	**$1,258,560**	**$1,644,269**	**$2,902,829**	$1,209,490	$1,723,345	$2,932,835
Mortgages payable and Class C LP Units	**$438,425**	**$806,194**	**$1,244,619**	$449,225	$870,902	$1,320,127

	Three months ended September 30, 2019			Three months ended September 30, 2018		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Additions to real estate properties	**$4,096**	**$6,301**	**$10,397**	$3,106	$4,534	$7,640
Fair value gain on real estate properties	**$6,059**	**$3,783**	**$9,842**	$17,786	$10,240	$28,026

	Nine months ended September 30, 2019			Nine months ended September 30, 2018		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Additions to real estate properties	**$7,073**	**$16,454**	**$23,527**	$6,347	$26,173	$32,520
Fair value gain on real estate properties	**$49,425**	**$19,002**	**$68,427**	$41,682	$92,172	$133,854

NOTE 21

SUBSEQUENT EVENT

On October 1, 2019, the REIT completed the refinancing of three U.S. multi-suite residential properties located in Texas, in the amount of $109,304 (US$82,530) at a weighted average interest rate of 3.24% and for terms of 10 years. The maturing mortgages amounted to $101,555 (US$76,680) were open and prepayable at no penalty before their scheduled maturity on December 1, 2019 and had a weighted average interest rate of 3.21%.