Real Estate Potential. Realized.

MORGUARD NORTH AMERICAN RESIDENTIAL REAL ESTATE INVESTMENT TRUST

SEPTEMBER 30, 2022

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	September 30, 2022	December 31, 2021
ASSETS			
Non-current assets			
Real estate properties	3	**$3,859,005**	$3,256,158
Equity-accounted investments	4	**114,165**	96,376
		3,973,170	3,352,534
Current assets			
Morguard Facility	8	**76,041**	70,000
Amounts receivable		**7,205**	7,188
Prepaid expenses		**12,070**	5,202
Restricted cash		**9,420**	11,801
Cash		**22,965**	26,562
		127,701	120,753
Real estate properties held for sale	3	**126,397**	—
		$4,227,268	$3,473,287
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	5	**$1,254,583**	$1,191,578
Convertible debentures	6	**—**	86,319
Class B LP Units	7	**264,374**	305,021
Deferred income tax liabilities	16	**288,165**	175,229
Lease liabilities	9	**16,585**	9,065
		1,823,707	1,767,212
Current liabilities			
Mortgages payable	5	**153,038**	96,977
Convertible debentures	6	**85,078**	—
Accounts payable and accrued liabilities	10	**67,348**	47,713
		305,464	144,690
Mortgages payable on real estate properties held for sale	5	**28,349**	—
Total liabilities		**2,157,520**	1,911,902
EQUITY			
Unitholders' equity		**1,961,590**	1,484,738
Non-controlling interest		**108,158**	76,647
Total equity		**2,069,748**	1,561,385
		$4,227,268	$3,473,287

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF INCOME

In thousands of Canadian dollars

	Note	Three months ended September 30 2022	2021	Nine months ended September 30 2022	2021
Revenue from real estate properties	12	**$70,766**	$61,955	**$203,415**	$182,091
Property operating expenses					
Property operating costs		**(18,819)**	(16,773)	**(53,813)**	(48,046)
Realty taxes		**(2,485)**	(3,665)	**(30,493)**	(30,814)
Utilities		**(4,587)**	(4,375)	**(14,354)**	(13,532)
Net operating income		**44,875**	37,142	**104,755**	89,699
Other expenses (income)					
Interest expense	13	**16,043**	15,296	**46,373**	45,957
Trust expenses	14	**5,001**	3,614	**13,777**	10,552
Equity income from investments	4	**(3,857)**	(330)	**(10,017)**	(1,817)
Foreign exchange loss (gain)		**(75)**	(28)	**(92)**	10
Other expense (income)		**(717)**	58	**(1,874)**	125
Income before fair value changes and income taxes		**28,480**	18,532	**56,588**	34,872
Fair value gain on real estate properties, net		**55,643**	96,310	**411,449**	155,767
Fair value gain (loss) on Class B LP Units	7	**17,740**	(4,995)	**40,647**	(19,635)
Income before income taxes		**101,863**	109,847	**508,684**	171,004
Provision for income taxes					
Current		**33**	31	**105**	94
Deferred		**20,662**	23,162	**89,719**	36,592
		20,695	23,193	**89,824**	36,686
Net income for the period		**$81,168**	$86,654	**$418,860**	$134,318
Net income attributable to:					
Unitholders		**$70,097**	$83,704	**$395,128**	$129,478
Non-controlling interest		**11,071**	2,950	**23,732**	4,840
		$81,168	$86,654	**$418,860**	$134,318

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	
	2022	2021	**2022**	2021
Net income for the period	**$81,168**	$86,654	**$418,860**	$134,318
OTHER COMPREHENSIVE INCOME				
Item that may be reclassified subsequently to net income:				
Unrealized foreign currency translation gain	**91,068**	21,435	**109,931**	2,475
Total comprehensive income for the period	**$172,236**	$108,089	**$528,791**	$136,793
Total comprehensive income attributable to:				
Unitholders	**$154,237**	$103,126	**$496,754**	$131,841
Non-controlling interest	**17,999**	4,963	**32,037**	4,952
	$172,236	$108,089	**$528,791**	$136,793

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		—	—	129,478	—	129,478	4,840	134,318
Other comprehensive income		—	—	—	2,363	2,363	112	2,475
Issue of Units - DRIP		551	—	(551)	—	—	—	—
Distributions		—	—	(19,932)	—	(19,932)	(1,003)	(20,935)
Unitholders' equity, September 30, 2021		$469,761	$48,762	$791,819	$71,696	$1,382,038	$81,439	$1,463,477
Changes during the period:								
Net income (loss)		—	—	112,610	—	112,610	(1,954)	110,656
Other comprehensive loss		—	—	—	(3,276)	(3,276)	(390)	(3,666)
Issue of Units - DRIP		198	—	(198)	—	—	—	—
Distributions		—	—	(6,634)	—	(6,634)	(2,448)	(9,082)
Unitholders' equity, December 31, 2021		$469,959	$48,762	$897,597	$68,420	$1,484,738	$76,647	$1,561,385
Changes during the period:								
Net income		**—**	**—**	**395,128**	**—**	**395,128**	**23,732**	**418,860**
Other comprehensive income		**—**	**—**	**—**	**101,626**	**101,626**	**8,305**	**109,931**
Issue of Units - DRIP	11(d)	**605**	**—**	**(605)**	**—**	**—**	**—**	**—**
Distributions	11(d)	**—**	**—**	**(19,902)**	**—**	**(19,902)**	**(526)**	**(20,428)**
Unitholders' equity, September 30, 2022		**$470,564**	**$48,762**	**$1,272,218**	**$170,046**	**$1,961,590**	**$108,158**	**$2,069,748**

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

	Note	Three months ended September 30 2022	2021	Nine months ended September 30 2022	2021
OPERATING ACTIVITIES					
Net income		**$81,168**	$86,654	**$418,860**	$134,318
Add (deduct) items not affecting cash	17(a)	**(62,067)**	(72,108)	**(364,734)**	(91,159)
Additions to tenant incentives		**(268)**	(539)	**(744)**	(1,311)
Distributions from equity-accounted investments	4	**1,247**	—	**1,627**	125
Net change in non-cash operating assets and liabilities	17(b)	**5,701**	(2,681)	**5,379**	4,277
Cash provided by operating activities		**25,781**	11,326	**60,388**	46,250
INVESTING ACTIVITIES					
Proceeds from sale of income producing properties, net	3	**32,778**	—	**125,943**	—
Acquisition of income producing properties	3	**(220,746)**	—	**(220,746)**	—
Additions to real estate properties	3	**(12,084)**	(7,354)	**(22,869)**	(19,282)
Contributions to equity-accounted investments		**—**	(633)	**—**	(877)
Cash used in investing activities		**(200,052)**	(7,987)	**(117,672)**	(20,159)
FINANCING ACTIVITIES					
Proceeds from new mortgages	3, 5	**155,859**	—	**175,351**	—
Financing cost on new mortgages		**(1,617)**	—	**(2,005)**	—
Repayment of mortgages					
Principal instalment repayments		**(8,012)**	(6,884)	**(24,367)**	(19,378)
Repayment on maturity	5	**(30,198)**	—	**(41,885)**	—
Repayment due to mortgage extinguishment	3	**(9,972)**	—	**(37,020)**	—
Proceeds from Morguard Facility		**33,355**	13,000	**58,355**	51,238
Advances on and repayments of Morguard Facility		**(47,300)**	—	**(62,300)**	(42,290)
Distributions to Unitholders		**(6,635)**	(6,629)	**(19,899)**	(19,930)
Distributions to non-controlling interest		**(517)**	(216)	**(526)**	(1,003)
Decrease (increase) in restricted cash		**68,909**	(326)	**3,446**	(1,508)
Cash provided by (used in) financing activities		**153,872**	(1,055)	**49,150**	(32,871)
Net increase (decrease) in cash during the period		**(20,399)**	2,284	**(8,134)**	(6,780)
Net effect of foreign currency translation on cash balance		**2,487**	172	**4,537**	2
Cash, beginning of period		**40,877**	18,070	**26,562**	27,304
Cash, end of period		**$22,965**	$20,526	**$22,965**	$20,526

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three and nine months ended September 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 September 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 October 25, 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 September 30	**$0.7231**	$0.7849
- As at December 31	—	0.7888
- Average for the three months ended September 30	**0.7652**	0.7937
- Average for the nine months ended September 30	**0.7793**	0.7992
United States dollar to Canadian dollar exchange rates:		
- As at September 30	**1.3829**	1.2741
- As at December 31	—	1.2678
- Average for the three months ended September 30	**1.3068**	1.2600
- Average for the nine months ended September 30	**1.2832**	1.2513

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	September 30, 2022	December 31, 2021
Balance, beginning of period	**$3,256,158**	$2,941,241
Additions:		
Acquisition of income producing properties	**220,746**	—
Capital expenditures	**22,869**	30,012
Right-of-use assets (Note 9)	**6,643**	—
Dispositions	**(125,943)**	—
Fair value gain, net	**411,190**	288,662
Foreign currency translation	**194,110**	(4,200)
Other	**(371)**	443
Balance, end of period	**$3,985,402**	$3,256,158
Real estate properties	**$3,859,005**	$3,256,158
Real estate properties held for sale	**126,397**	—
Total	**$3,985,402**	$3,256,158

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 September 30, 2022, the following property was classified as held for sale.

Subsequent to September 30, 2022, the REIT sold a multi-suite residential property located in Coconut Creek, Florida, comprising 340 suites, for gross proceeds of $127,227 (US$92,000), excluding closing costs and repaid the mortgage payable secured by the property in the amount of $28,279 (US$20,449).

Transactions completed during the nine months ended September 30, 2022

Acquisitions

On August 8, 2022, the REIT acquired a multi-suite residential property comprising 350 suites located in Chicago, Illinois ("Echelon Chicago"), for a purchase price of $174,345 (US$135,603), including closing costs and was partially funded by a mortgage in the amount of $96,008 (US$74,674) at an interest rate of 4.71% for a term of seven years.

On September 26, 2022, the REIT acquired a retail property ("Rockville Town Square") comprising 186,712 square feet of commercial area located in Rockville, Maryland, for a purchase price of $46,401 (US$33,830), including closing costs. The retail property is part of a mixed-use complex where the REIT currently owns a 50% interest in the residential property.

Dispositions

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).

On August 24, 2022, the REIT sold a multi-suite residential property located in Slidell, Louisiana, comprising 144 suites, for net proceeds of $32,778 (US$25,247), including closing costs and repaid the mortgage payable secured by the property in the amount of $9,972 (US$7,681).

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.

As at September 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 September 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:

	September 30, 2022 Capitalization Rates			December 31, 2021 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	**4.3%**	**3.5%**	**3.7%**	4.3%	3.5%	3.7%
United States						
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	**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	**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%

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, 2022 would decrease by $212,291 or increase by $239,391, respectively.

NOTE 4
EQUITY-ACCOUNTED INVESTMENTS

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

			REIT's Ownership		Carrying Value	
Property	Principal Place of Business	Type	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
The Fenestra	Rockville, MD	Joint Venture	**50%**	50%	**$56,042**	$46,721
Marquee at Block 37	Chicago, IL	Joint Venture	**50%**	50%	**58,123**	49,655
					$114,165	$96,376

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

As at	September 30, 2022	December 31, 2021
Balance, beginning of period	**$96,376**	$93,005
Additions	**—**	1,288
Distributions received	**(1,627)**	(283)
Share of net income	**10,017**	2,691
Foreign exchange gain (loss)	**9,399**	(325)
Balance, end of period	**$114,165**	$96,376

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

As at	September 30, 2022	December 31, 2021
Non-current assets	**$545,706**	$485,315
Current assets	**10,250**	8,675
Total assets	**$555,956**	$493,990
Non-current liabilities	**$306,800**	$285,796
Current liabilities	**20,827**	15,442
Total liabilities	**$327,627**	$301,238
Net assets	**$228,329**	$192,752
Equity-accounted investments	**$114,165**	$96,376

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Revenue	**$10,972**	$9,071	**$30,234**	$25,241
Expenses	**(6,130)**	(6,788)	**(25,724)**	(24,937)
Fair value gain (loss) on income producing properties	**2,872**	(1,623)	**15,524**	3,330
Net income for the period	**$7,714**	$660	**$20,034**	$3,634
Income in equity-accounted investments	**$3,857**	$330	**$10,017**	$1,817

NOTE 5
MORTGAGES PAYABLE

Mortgages payable consists of the following:

As at	September 30, 2022	December 31, 2021
Principal balance of mortgages	**$1,448,552**	$1,300,873
Deferred financing costs	**(12,582)**	(12,318)
	$1,435,970	$1,288,555
Current	**$153,038**	$96,977
Current - mortgages payable on real estate properties held for sale	**28,349**	—
Non-current	**1,254,583**	1,191,578
	$1,435,970	$1,288,555
Range of interest rates	**2.03−4.71%**	2.03−4.11%
Weighted average interest rate	**3.45%**	3.31%
Weighted average term to maturity (years)	**4.9**	5.0
Fair value of mortgages	**$1,344,187**	$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 September 30, 2022, mortgages payable include one mortgage (including unamortized deferred financing costs) classified as current amounting to $28,349.

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%.

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 $59,851 (US$46,515) at an interest rate of 4.19% and for a term of 10 years. The maturing mortgage amounts to $30,198 (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 aggregate principal repayments and balances maturing of the mortgages payable as at September 30, 2022, together with the weighted average contractual interest rate on debt maturing in the next five years and thereafter, are as follows:

	Principal Instalment Repayments	Balances Maturing	Total	Weighted Average Contractual Rate
2022 (remainder of the year)	$8,151	$28,356	$36,507	3.66%
2023	30,768	145,633	176,401	3.48%
2024	28,168	140,446	168,614	3.28%
2025	20,791	186,501	207,292	3.27%
2026	15,005	170,296	185,301	3.25%
Thereafter	53,271	621,166	674,437	3.57%
	$156,154	$1,292,398	$1,448,552	3.45%

NOTE 6
CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at	September 30, 2022	December 31, 2021
4.50% convertible unsecured subordinated debentures	**$85,223**	$85,223
Fair value of conversion option	**241**	2,028
Unamortized financing costs	**(386)**	(932)
	$85,078	$86,319
Current	**$85,078**	$—
Non-current	**—**	86,319
	$85,078	$86,319

For the three and nine months ended September 30, 2022, interest on the convertible debentures amounting to $976 (2021 - $976) and $2,878 (2021 - $2,878), respectively, is included in interest expense (Note 13). As at September 30, 2022, $11 (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 September 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 the 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 September 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 $264,374 (December 31, 2021 - $305,021) and a corresponding fair value gain for the three and nine months ended September 30, 2022 of $17,740 (2021 - loss of $4,995) and $40,647 (2021 - loss of $19,635), respectively.

For the three and nine months ended September 30, 2022, distributions on Class B LP Units amounting to $3,012 (2021 - $3,012) and $9,037 (2021 - $9,037), respectively, are included in interest expense (Note 13).

As at September 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 September 30, 2022, the total amount receivable under the Morguard Facility was $76,041 (December 31, 2021 - $70,000).

During the three and nine months ended September 30, 2022, the REIT recorded net interest income of $811 (2021 - net interest expense of $59) and $1,664 (2021 - net interest expense of $152), respectively, on the Morguard Facility.

NOTE 9

LEASE LIABILITIES

The following table presents the change in the balance of lease liabilities:

As at	September 30, 2022	December 31, 2021
Balance, beginning of period	**$9,065**	$9,103
Additions	**6,643**	—
Foreign exchange loss (gain)	**877**	(38)
	$16,585	$9,065

In connection with the acquisition of Rockville Town Square (Note 3), the REIT assumed a parking garage land lease that expires on September 1, 2061. On acquisition of the property, the REIT recorded a lease liability and a corresponding right-of-use asset amounting to $6,643 (US$4,843).

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

As at	September 30, 2022	December 31, 2021
Within 12 months	**$993**	$434
2 to 5 years	**4,193**	1,888
Over 5 years	**28,638**	10,445
Total minimum lease payments	**33,824**	12,767
Less: Future interest costs	**(17,239)**	(3,702)
Present value of minimum lease payments	**$16,585**	$9,065

NOTE 10
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	September 30, 2022	December 31, 2021
Accounts payable and accrued liabilities	**$57,524**	$36,056
Tenant deposits	**9,824**	11,657
	$67,348	$47,713

NOTE 11
UNITHOLDERS' EQUITY

(a) Units

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

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

(b) Normal Course Issuer Bids

On January 5, 2021, the REIT had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 2,955,913 Units and $8,048 principal amount of the 2018 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 nine months ended September 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 September 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
Units issued under the DRIP	**34,072**	**605**
Balance, September 30, 2022	**39,098,337**	**$470,564**

Total distributions declared during the nine months ended September 30, 2022, amounted to $20,507, or $0.5247 per Unit (2021 - $20,483, or $0.5247 per Unit), including distributions payable of $2,279 that were declared on September 15, 2022, and paid on October 14, 2022. On October 14, 2022, the REIT declared a distribution of $0.0583 per Unit payable on November 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 nine months ended September 30, 2022, the REIT issued 34,072 Units under the DRIP (year ended December 31, 2021 - 44,438 Units).

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	
	2022	2021	**2022**	2021
Rental income	**$36,093**	$30,711	**$103,140**	$91,341
Property management and ancillary income	**24,075**	21,119	**69,880**	61,739
Property tax and insurance	**10,598**	10,125	**30,395**	29,011
	$70,766	$61,955	**$203,415**	$182,091

NOTE 13

INTEREST EXPENSE

The components of interest expense are as follows:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Interest on mortgages	**$11,739**	$9,587	**$33,183**	$28,528
Interest and tax payment on Class C LP Units	**—**	882	**—**	2,671
Interest on the convertible debentures (Note 6)	**976**	976	**2,878**	2,878
Interest on lease liability	**112**	108	**329**	321
Amortization of deferred financing costs	**661**	577	**2,006**	1,829
Amortization of deferred financing costs on the convertible debentures	**183**	174	**546**	518
Fair value loss (gain) on conversion option on the convertible debentures	**(640)**	(20)	**(1,787)**	175
Loss on extinguishment of mortgages payable	**—**	—	**181**	—
	13,031	12,284	**37,336**	36,920
Distributions on Class B LP Units (Note 7)	**3,012**	3,012	**9,037**	9,037
	$16,043	$15,296	**$46,373**	$45,957

NOTE 14

TRUST EXPENSES

The components of trust expenses are as follows:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Asset management fees and distributions	**$4,268**	$2,987	**$11,767**	$8,788
Professional fees	**334**	276	**870**	673
Public company expenses	**210**	191	**599**	572
Other	**189**	160	**541**	519
	$5,001	$3,614	**$13,777**	$10,552

NOTE 15
RELATED PARTY TRANSACTIONS

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

Agreements with Morguard Affiliates

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

Property Management

Pursuant to the Agreements, Morguard's affiliates administer the day-to-day operations of the Canadian and U.S. income producing properties, for which Morguard's affiliates receive partnership fees and distributions equal to 3.5% of gross property revenue of the income producing properties, payable monthly. Fees and distributions for the three and nine months ended September 30, 2022 amounted to $2,576 (2021 - $2,270) and $7,432 (2021 - $6,649), respectively, and are included in property operating costs and equity income from investments. As at September 30, 2022, $771 (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 nine months ended September 30, 2022 amounted to $4,427 (2021 - $3,138) and $12,230 (2021 - $9,236), respectively, and are included in trust expenses and equity income from investments. As at September 30, 2022, $2,814 (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. Fees relating to acquisition services for the three and nine months ended September 30, 2022, amounted to $1,581 (2021 - $nil) and $1,581 (2021 - $nil), respectively, and have been capitalized to income producing properties.

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, 2022 amounted to $240 (2021 - $nil) and $270 (2021 - $nil), respectively, and have been capitalized to deferred financing costs.

Other Services

As at September 30, 2022, 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, 2022 amounted to $53 (2021 - $52) and $159 (2021 - $158), 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, 2022, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$1,019 (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 September 30, 2022, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$51,037 (December 31, 2021 - US$27,780) of which deferred tax assets were recognized, comprising US$23,257 (December 31, 2021 - US$nil) that will expire in various years commencing in 2032 and US$27,780 (December 31, 2021 - US$27,780) that can be carried forward indefinitely.

As at September 30, 2022, the REIT's U.S. subsidiaries have a total of US$18,135 (December 31, 2021 - US$6,827) of unutilized interest expense deductions on 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	
	2022	2021	**2022**	2021
Fair value gain on real estate properties, net	**($61,684)**	($101,211)	**($405,850)**	($149,395)
Fair value loss (gain) on Class B LP Units	**(17,740)**	4,995	**(40,647)**	19,635
Fair value loss (gain) on conversion option on the convertible debentures	**(640)**	(20)	**(1,787)**	175
Equity income from investments	**(3,857)**	(330)	**(10,017)**	(1,817)
Amortization of deferred financing - mortgages	**661**	541	**2,006**	1,645
Amortization of deferred financing - Class C LP Units	**—**	36	**—**	184
Amortization of deferred financing - convertible debentures	**183**	174	**546**	518
Present value adjustment of tax liability on Class C LP Units	**—**	146	**—**	437
Loss on extinguishment of mortgages payable	**—**	—	**181**	—
Amortization of tenant incentives	**348**	399	**1,115**	867
Deferred income taxes	**20,662**	23,162	**89,719**	36,592
	($62,067)	($72,108)	**($364,734)**	($91,159)

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

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Amounts receivable	**($509)**	($422)	**$525**	$660
Prepaid expenses	**(3,802)**	(5,434)	**(6,497)**	(2,500)
Accounts payable and accrued liabilities	**10,012**	3,175	**11,351**	6,117
	$5,701	($2,681)	**$5,379**	$4,277

(c) Supplemental Cash Flow Information

	Three months ended September 30		Nine months ended September 30	
	2022	2021	**2022**	2021
Interest paid	**$14,269**	$12,198	**$36,542**	$34,727

(d) Reconciliation of Liabilities Arising from Financing Activities

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

As at September 30, 2022	Mortgages Payable	Convertible Debentures	Lease Liability	Total
Balance, beginning of period	**$1,288,555**	**$86,319**	**$9,065**	**$1,383,939**
Repayments	**(24,367)**	**—**	**—**	**(24,367)**
New financing, net of financing costs	**173,346**	**—**	**6,643**	**179,989**
Lump-sum repayments	**(78,905)**	**—**	**—**	**(78,905)**
Non-cash changes	**2,187**	**(1,241)**	**—**	**946**
Foreign exchange	**75,154**	**—**	**877**	**76,031**
Balance, end of period	**$1,435,970**	**$85,078**	**$16,585**	**$1,537,633**

NOTE 18

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 September 30, 2022, and December 31, 2021, is summarized below:

As at	September 30, 2022	December 31, 2021
Mortgages payable, principal balance	**$1,448,552**	$1,300,873
Convertible debentures, face value	**85,500**	85,500
Lease liability	**16,585**	9,065
Class B LP Units	**264,374**	305,021
Unitholders' equity	**1,961,590**	1,484,738
	$3,776,601	$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	September 30, 2022	December 31, 2021
Total debt to gross book value	70%	**36.7%**	40.2%
Floating-rate debt to gross book value	20%	**—%**	—%

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, 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 September 30, 2022, market rates for debts of similar terms (Level 2). Based on these assumptions, as at September 30, 2022, the fair value of the mortgages payable before deferred financing costs is estimated at $1,344,187 (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 September 30, 2022, the fair value of the convertible debentures before deferred financing costs has been estimated at $84,731 (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:

	September 30, 2022			December 31, 2021		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$3,859,005**	$—	$—	$3,256,158
Real estate properties held for sale	**—**	**—**	**126,397**	—	—	—
Financial liabilities:						
Class B LP Units	**264,374**	**—**	**—**	305,021	—	—
Conversion option of the convertible debentures	**—**	**241**	**—**	—	2,028	—

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, Virginia and Maryland. No single tenant accounts for 10% or more of the REIT's total revenue. The REIT is separated into two reportable segments, Canada and the United States. The REIT has applied judgment by aggregating its operating segments according to the nature of the property operations. Such judgment considers the nature of operations, types of customers and an expectation that operating segments within a reportable segment have similar long-term economic characteristics.

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

	Three months ended September 30, 2022			Three months ended September 30, 2021		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Revenue from income producing properties	**$25,113**	**$45,653**	**$70,766**	$23,068	$38,887	$61,955
Property operating expenses	**(10,921)**	**(14,970)**	**(25,891)**	(10,231)	(14,582)	(24,813)
Net operating income	**$14,192**	**$30,683**	**$44,875**	$12,837	$24,305	$37,142

	Nine months ended September 30, 2022			Nine months ended September 30, 2021		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Revenue from real estate properties	**$73,648**	**$129,767**	**$203,415**	$69,458	$112,633	$182,091
Property operating expenses	**(33,559)**	**(65,101)**	**(98,660)**	(30,991)	(61,401)	(92,392)
Net operating income	**$40,089**	**$64,666**	**$104,755**	$38,467	$51,232	$89,699

As at	**September 30, 2022**			December 31, 2021		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Real estate properties	**$1,547,420**	**$2,311,585**	**$3,859,005**	$1,501,650	$1,754,508	$3,256,158
Mortgages payable	**$512,358**	**$895,263**	**$1,407,621**	$525,905	$762,650	$1,288,555

	Three months ended September 30, 2022			Three months ended September 30, 2021		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Additions to real estate properties	**$4,933**	**$227,897**	**$232,830**	$3,330	$4,024	$7,354
Fair value gain on real estate properties	**$194**	**$55,449**	**$55,643**	$14,486	$81,824	$96,310

	Nine months ended September 30, 2022			Nine months ended September 30, 2021		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Additions to real estate properties	**$8,081**	**$235,534**	**$243,615**	$5,604	$13,678	$19,282
Fair value gain on real estate properties	**$37,769**	**$373,680**	**$411,449**	$31,304	$124,463	$155,767