2022 FOURTH QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

MORGUARD NORTH AMERICAN RESIDENTIAL REIT

Q4 2022

Morguard

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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PART I

Morguard North American Residential Real Estate Investment Trust ("Morguard Residential REIT" or the "REIT") is pleased to provide this review of operations and update on our financial performance for the year ended December 31, 2022. Unless otherwise noted, dollar amounts are stated in thousands of Canadian dollars, except per suite and REIT trust unit ("Unit") amounts.

The following Management's Discussion and Analysis ("MD&A") sets out the REIT's strategies and provides an analysis of the financial performance for the year ended December 31, 2022, and significant risks facing the business. Historical results, including trends that might appear, should not be taken as indicative of future operations or results.

This MD&A should be read in conjunction with the REIT's audited consolidated financial statements and accompanying notes for the years ended December 31, 2022 and 2021. This MD&A is based on financial information prepared in accordance with International Financial Reporting Standards ("IFRS") and is dated February 14, 2023. Disclosure contained in this document is current to that date unless otherwise noted.

Additional information relating to Morguard Residential REIT, including the REIT's Annual Information Form, can be found at www.sedar.com and www.morguard.com.

FORWARD-LOOKING STATEMENTS DISCLAIMER

Statements contained herein that are not based on historical or current fact, including without limitation, statements containing the words "anticipates", "believes", "may", "continue", "estimate", "expects" and "will" and words of similar expression, constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, both nationally and in the regions in which the REIT operates; changes in business strategy or development/acquisition plans; environmental exposures; financing risk; existing governmental regulations and changes in, or the failure to comply with, governmental regulations; liability and other claims asserted against the REIT; risk and uncertainties relating to the outbreak of the novel strain of the coronavirus identified as COVID-19 and other factors referred to in the REIT's filings with Canadian securities regulators. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Morguard Residential REIT does not assume the obligation to update or revise any forward-looking statements.

Given the impact of the changing circumstances surrounding the COVID-19 pandemic and the related response from the REIT, governments (federal, state, provincial and municipal), regulatory authorities, businesses and customers, there is inherently more uncertainty associated with the REIT's assumptions as compared to prior periods. These assumptions and related risks, include but are not limited to management's expectations with respect to the factors above as well as general economic conditions, such as the impact on the economy and financial markets of the COVID-19 pandemic and other health risks.

SPECIFIED FINANCIAL MEASURES

Morguard Residential REIT reports its financial results in accordance with IFRS. However, this MD&A also uses specified financial measures that are not defined by IFRS, which follow the disclosure requirements established by National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure*. Specified financial measures are categorized as non-GAAP financial measures, non-GAAP ratios, and other financial measures, which are capital management measures, supplementary financial measures, and total of segments measures.

NON-GAAP FINANCIAL MEASURES

Non-GAAP financial measures do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. These measures should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. The REIT's management uses these measures to aid in assessing the REIT's underlying core performance and provides these additional measures so that investors may do the same. Management believes that the non-GAAP financial measures described below, which supplement the IFRS measures, provide readers with a more comprehensive understanding of management's perspective on the REIT's operating results and performance.

The following discussion describes the non-GAAP financial measures the REIT uses in evaluating its operating results:

PROPORTIONATE SHARE BASIS

The REIT’s balance sheet and statements of income prepared in accordance with IFRS have been adjusted (as described below) to derive the REIT’s proportionately owned financial results (“Proportionate Basis”). The Proportionate Basis adjustment excludes the impact of realty taxes accounted for under IFRIC 21 (described below) and records realty taxes for all properties on a *pro rata* basis over the entire fiscal year. Management believes that the Proportionate Basis non-GAAP financial measures, which supplement the IFRS measures, provide readers with a more comprehensive understanding of management’s perspective on the REIT’s operating results and performance.

Non-Controlling Interest Share (“NCI Share”)

NCI Share adjusts for three Canadian properties and two U.S. properties whereby the REIT controls but does not own a 100% interest in the subsidiary and, as a result, the REIT fully consolidates their financial results within its consolidated financial statements. The adjustment removes the non-controlling interest portion that is consolidated under IFRS. The presentation of *pro rata* assets, liabilities, revenue and expenses represents a non-GAAP financial measure and may not accurately depict the legal and economic implications of the REIT’s interest in the joint ventures.

Equity-Accounted Investments (“Equity Interest”)

Equity Interest adjusts interests in joint arrangements that are accounted for using the equity method of accounting. The financial results of two U.S. properties under IFRS are presented on a single line within the consolidated balance sheet and statements of income and have been adjusted on a proportionately owned basis to each respective financial statement line presented within the balance sheet and statements of income. The presentation of *pro rata* assets, liabilities, revenue and expenses represents a non-GAAP financial measure and may not accurately depict the legal and economic implications of the REIT’s interest in the joint venture.

IFRIC 21

Net operating income (“NOI”) includes the impact of realty taxes accounted for under the International Financial Reporting Interpretations Committee (“IFRIC”) Interpretation 21, Levies (“IFRIC 21”). IFRIC 21 states that an entity recognizes a levy liability in accordance with the relevant legislation. The obligating event for realty taxes for the U.S. municipalities in which the REIT operates is ownership of the property on January 1 of each year for which the tax is imposed and, as a result, the REIT records the entire annual realty tax expense for its U.S. properties on January 1, except for U.S. properties acquired during the year in which the realty taxes are not recorded in the year of acquisition.

A reconciliation of the REIT’s proportionately owned financial results from the IFRS financial statement presentation is presented under the section Part IX, “Reconciliation of Non-GAAP Financial Measures.”

PROPORTIONATE SHARE NOI (“PROPORTIONATE NOI”)

NOI and Proportionate NOI are important measures in evaluating the operating performance of the REIT’s real estate properties and are a key input in determining the fair value of the REIT’s properties. Proportionate NOI represents NOI (an IFRS measure) adjusted for the following: i) to exclude the impact of realty taxes accounted for under IFRIC 21 as noted above. Proportionate NOI records realty taxes for all properties on a *pro rata* basis over the entire fiscal year; ii) to exclude the non-controlling interest share of NOI for those properties that are consolidated under IFRS; and iii) to include equity-accounted investments NOI at the REIT’s ownership interest.

In addition, included in Proportionate Share NOI is the composition of revenue from real estate properties (an IFRS measure) in three categories: i) gross rental revenue (before vacancy and ancillary revenue); ii) vacancy; and iii) ancillary revenue. The presentation of revenue from real estate properties in these three categories (on a Proportionate Share Basis) represents a non-GAAP financial measure and is presented in this MD&A because management considers this non-GAAP financial measure to be an important measure of the REIT’s operating performance that provides a more comprehensive understanding of revenue from real estate properties.

A reconciliation of Proportionate NOI from the IFRS financial statement presentation of NOI (revenue from real estate properties (and the composition of revenue), property operating costs, realty taxes and utilities) is presented under the section Part IX, “Reconciliation of Non-GAAP Financial Measures.”

SAME PROPERTY PROPORTIONATE NOI

Same Property Proportionate NOI is presented in this MD&A because management considers this non-GAAP financial measure to be an important measure of the REIT's operating performance for properties owned by the REIT continuously for the current and comparable reporting period and does not take into account the impact of the operating performance of property acquisitions and dispositions as well as development properties until reaching stabilized occupancy. In addition, Same Property Proportionate NOI is presented in local currency and by country, isolating any impact of foreign exchange fluctuations. A reconciliation of the components of Same Property Proportionate NOI is presented under the section Part III, "Review of Operational Results."

A reconciliation of Same Property Proportionate NOI from the IFRS financial statement presentation of NOI (revenue from real estate properties (and the composition of revenue), property operating costs, realty taxes and utilities) is presented under the section Part IX, "Reconciliation of Non-GAAP Financial Measures."

FUNDS FROM OPERATIONS ("FFO")

FFO (and FFO per Unit) is a non-GAAP financial measure widely used as a real estate industry standard that supplements net income and evaluates operating performance but is not indicative of funds available to meet the REIT's cash requirements. FFO can assist with comparisons of the operating performance of the REIT's real estate between periods and relative to other real estate entities. FFO is computed by the REIT in accordance with the current definition of the Real Property Association of Canada ("REALPAC") and is defined as net income attributable to Unitholders adjusted for fair value adjustments, distributions on the Class B LP Units, realty taxes accounted for under IFRIC 21, deferred income taxes (on the REIT's U.S. properties), gains/losses on the sale of real estate properties (including income taxes on the sale of real estate properties) and other non-cash items. The REIT considers FFO to be a useful measure for reviewing its comparative operating and financial performance. FFO per Unit is calculated as FFO divided by the weighted average number of Units outstanding (including Class B LP Units) during the period.

A reconciliation of net income attributable to Unitholders (an IFRS measure) to FFO is presented under the section Part III, "Funds From Operations."

INDEBTEDNESS

Indebtedness (as defined in the Declaration of Trust) is a measure of the amount of debt financing utilized by the REIT. Indebtedness is presented in this MD&A because management considers this non-GAAP financial measure to be an important measure of the REIT's financial position.

A reconciliation of indebtedness from the IFRS financial statement presentation is presented under the section Part IX, "Reconciliation of Non-GAAP Financial Measures."

GROSS BOOK VALUE

Gross book value (as defined in the Declaration of Trust) is a measure of the value of the REIT's assets. Gross book value is presented in this MD&A because management considers this non-GAAP financial measure to be an important measure of the REIT's asset base and financial position.

A reconciliation of gross book value from the IFRS financial statement presentation is presented under the section Part IX, "Reconciliation of Non-GAAP Financial Measures."

TOTAL DISTRIBUTIONS (INCLUDING CLASS B LP UNITS)

Total distributions (including Class B LP Units) is a non-GAAP financial measure calculated by combining distributions to Unitholders and distributions on the Class B LP Units that originate from different IFRS financial statement line items. Under IFRS, the Class B LP Units are classified as financial liabilities, and the corresponding distributions paid to the unitholders are classified as interest expense. Total distributions (including Class B LP Units) is presented in this MD&A because management believes Class B LP Unit distribution payments do not represent financing charges because these amounts are payable only if the REIT declares distributions and only for the amount of any distributions declared, both of which are at the discretion of the Board of Trustees as outlined in the Declaration of Trust (defined below).

A reconciliation of the IFRS financial statement presentation of Unitholders distribution plus distributions on the Class B LP Units is presented under the section Part III, "Distributions."

NON-GAAP RATIOS

Non-GAAP ratios do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. These measures should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. The REIT's management uses these measures to aid in assessing the REIT's underlying core performance and provides these additional measures so that investors may do the same. Management believes that the non-GAAP ratios described below, provide readers with a more comprehensive understanding of management's perspective on the REIT's operating results and performance.

The following discussion describes the non-GAAP ratios the REIT uses in evaluating its operating results.

PROPORTIONATE NOI MARGIN

Proportionate NOI margin is calculated as Proportionate NOI divided by revenue (on a Proportionate Basis) and is an important measure in evaluating the operating performance (including the level of operating expenses) of the REIT's real estate properties. Proportionate NOI margin is presented in this MD&A because management considers this non-GAAP ratio to be an important measure of the REIT's operating performance and financial position.

FFO PAYOUT RATIO

FFO payout ratio compares distributions (including Class B LP Units) to FFO. Distributions (including Class B LP Units) is calculated based on the monthly distribution per Unit multiplied by the weighted average number of Units outstanding (including Class B LP Units) during the period and is an important metric in assessing the sustainability of retained cash flow to fund capital expenditures and distributions. FFO payout ratio is presented in this MD&A because management considers this non-GAAP ratio to be an important measure of the REIT's operating performance and financial position.

INDEBTEDNESS TO GROSS BOOK VALUE RATIO

Indebtedness to gross book value ratio is a compliance measure in the Declaration of Trust and establishes the limit for financial leverage of the REIT. Indebtedness to gross book value ratio is presented in this MD&A because management considers this non-GAAP ratio to be an important measure of the REIT's financial position.

INTEREST COVERAGE RATIO

Interest coverage ratio measures the amount of cash flow available to meet annual interest payments on the REIT's indebtedness. Generally, the higher the interest coverage ratio, the lower the credit risk. Interest coverage ratio is presented in this MD&A because management considers this non-GAAP ratio to be an important measure of the REIT's operating performance and financial position.

INDEBTEDNESS COVERAGE RATIO

Indebtedness coverage ratio measures the amount of cash flow available to meet annual principal and interest payments on the REIT's indebtedness. Generally, the higher the indebtedness coverage ratio, the higher the capacity for additional debt. Indebtedness coverage ratio is presented in this MD&A because management considers this non-GAAP ratio to be an important measure of the REIT's operating performance and financial position.

SUPPLEMENTARY FINANCIAL MEASURES

Supplementary financial measures represent a component of a financial statement line item (including ratios that are not non-GAAP ratios) that are presented in a more granular way outside the financial statements, calculated in accordance with the accounting policies used to prepare the line item presented in the financial statements.

The following discussion describes the supplementary financial measures the REIT uses in evaluating its operating results:

SAME PROPERTY NOI

Same Property NOI is presented in this MD&A because management considers this supplementary financial measure to be an important measure of the REIT's operating performance, representing NOI for properties owned by the REIT continuously for the current and comparable reporting period and does not take into account the impact of the operating performance of property acquisitions and dispositions as well as development properties until reaching stabilized occupancy. In addition, Same Property NOI is presented in local currency and by country, isolating any impact of foreign exchange fluctuations. A summary of the components of Same Property NOI is presented under the section Part III, "Review of Operational Results."

Included in Same Property NOI is the composition of revenue from real estate properties (an IFRS measure) in three categories: i) gross rental revenue (before vacancy and ancillary revenue); ii) vacancy; and iii) ancillary revenue. The presentation of revenue from real estate properties in these three categories represents a supplementary financial measure and is presented in this MD&A because management considers this measure to be an important measure of the REIT's operating performance that provides a more comprehensive understanding of revenue from real estate properties.

NOI MARGIN

NOI margin is calculated as NOI divided by revenue and is an important measure in evaluating the operating performance (including the level of operating expenses) of the REIT's real estate properties. NOI margin is presented in this MD&A because management considers this supplementary financial measure to be an important measure of the REIT's operating performance and financial position.

REAL ESTATE PROPERTIES BY REGION

The composition of the REIT's real estate properties by region is presented in this MD&A because management considers this supplementary financial measure to be an important measure of the REIT's asset base and financial position. A summary of the components of real estate properties by region is presented under the section Part IV, "Balance Sheet Analysis."

CAPITAL EXPENDITURES BY COUNTRY

The composition of the REIT's capital expenditures by country is presented in this MD&A because management considers this supplementary financial measure to be an important measure of the REIT's capital expenditures by its Canadian and U.S. portfolios. The REIT is committed to improving its operating performance by incurring appropriate capital expenditures in order to replace and maintain the productive capacity of its property portfolio so as to sustain its rental income generating potential over the portfolio's useful life. A summary of the components of capital expenditures by country is presented under the section Part IV, "Balance Sheet Analysis."

LOAN-TO-VALUE ("LTV")

LTV is calculated by multiplying a rate of leverage by the real estate properties' fair value and is presented in this MD&A by year and is plotted against the maturity profile of the REIT's mortgages payable. Included in the analysis are equity-accounted investments at the REIT's interest. The presentation of LTV against its corresponding mortgage maturity profile represents a supplementary financial measure and is presented in this MD&A because management considers this measure to be an important measure of the REIT's financial position. A table illustrating the LTV by year, plotted against the REIT's mortgage maturity profile is presented under the section Part V, "Capital Structure and Debt Profile."

CAPITAL MANAGEMENT MEASURES

The REIT's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions pursuant to the Declaration of Trust, as well as existing debt covenants, while continuing to build long-term Unitholder value and maintaining sufficient capital contingencies.

The following discussion describes the REIT capital management measures.

TOTAL CAPITALIZATION

Total capitalization as disclosed in the notes to the REIT's audited consolidated financial statements for the year ended December 31, 2022, and 2021 is calculated as the sum of the principal amount of the REIT's total debt (including mortgages payable, convertible debentures, lease liabilities and amounts drawn under its revolving credit facility with Morguard Corporation), Unitholders' equity and Class B LP Units liability, and is presented in this MD&A because management considers this capital management measure to be an important measure of the REIT's financial position.

LIQUIDITY

Liquidity is calculated as the sum of cash, amounts available under its revolving credit facility with Morguard and any committed net additional mortgage financing proceeds and is presented in this MD&A because management considers this capital management measure to be an important measure of the REIT's financial position as well as determining the annual level of distributions to Unitholders.

PART II

BUSINESS OVERVIEW AND STRATEGY

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 Units of the REIT trade on the Toronto Stock Exchange (“TSX”) under the symbol “MRG.UN.”

The REIT has been formed to own multi-suite residential rental properties across Canada and the United States. The objectives of the REIT are to: i) generate stable and growing cash distributions on a tax-efficient basis; ii) enhance the value of the REIT’s assets and maximize the long-term value of the Units through active asset and property management; and iii) expand the asset base of the REIT primarily through acquisitions and improvement of its properties through targeted and strategically deployed capital expenditures.

The REIT’s internal growth strategy will focus on maximizing cash flow from its portfolio. The REIT intends to increase cash flows by maximizing occupancy and average monthly rent (“AMR”), taking into account local conditions in each of its regional markets, managing its operating expenses as a percentage of revenues and strengthening its asset base through its building infrastructure improvement and capital expenditure programs.

The REIT’s external growth strategy is focused on opportunities to acquire additional multi-suite residential properties located in urban centres and major suburban regions in Canada and the United States that satisfy the REIT’s investment criteria, as well as generating greater cash flow from acquired properties. The REIT will seek to leverage its relationship with Morguard Corporation (“Morguard”) to access acquisition opportunities that satisfy the REIT’s investment criteria. Additionally, subject to limited exceptions, the REIT has the right of first opportunity to acquire the existing interests in Morguard’s multi-suite residential properties prior to any disposition by Morguard to a third party.

COVID-19 PANDEMIC

At various times commencing March 2020, the outbreak of the novel strain of coronavirus (“COVID-19”) resulted in an economic slowdown and material disruption to business. The REIT recognizes the impact COVID-19 has on many of its tenants in North America and its stakeholders, and is committed to taking measures to protect the health of its employees, tenants and communities. At the onset of the COVID-19 pandemic, Morguard initiated its crisis management plan with a team mandated to maintain a safe environment for our residents, employees and stakeholders, coordinating efforts across our portfolio, standardizing communications and responding as circumstances demand.

With the guidance of public health authorities, and at the direction of various levels of government, Morguard continues to implement measures to help reduce the spread of COVID-19. We are actively monitoring the ongoing developments with regards to COVID-19 and are committed to ensuring a healthy and safe environment, adjusting our service model as necessary.

SIGNIFICANT EVENT

DISPOSITIONS / ACQUISITIONS

On June 6, 2022, the REIT sold a property constructed in 1988, comprising 292 suites located in Atlanta, Georgia, 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 property constructed in 2005, comprising 144 suites located in Slidell, Louisiana, 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).

On October 6, 2022, the REIT sold a property constructed in 1998, comprising 340 suites located in Coconut Creek, Florida, for net proceeds of $124,914 (US$91,052), including closing costs, and repaid the mortgage payable secured by the property in the amount of $28,055 (US$20,450).

The dispositions are consistent with management’s strategy to dispose of certain assets where values are benefiting from strong market demand and to focus on opportunities to acquire properties located in urban centres and major suburban markets in Canada and the United States.

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.

ECHELON CHICAGO

On August 8, 2022, the REIT acquired a multi-suite residential property located in Chicago, Illinois ("Echelon Chicago"), for a purchase price of $174,345 (US$135,603), including closing costs. Concurrent with the acquisition, the REIT completed mortgage financing on the property in the amount of $96,008 (US$74,674) for a term of seven years at an interest rate of 4.71%. Echelon Chicago is a 39-storey, high-rise apartment building located in the Kinzie Station neighbourhood of Chicago's West Loop. The property features 350 luxury apartments, 280 parking spaces and extensive best-in-class amenities including a resort style pool and sundeck, cardio and fitness centre, business centre and grilling stations. Echelon Chicago has studio, one, and two-bedroom apartments, with an average unit size of 786 square feet, featuring upscale finishes and Chicago skyline views from all vantage points.

ROCKVILLE TOWN SQUARE

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 $46,751 (US$34,085), including closing costs. The retail property is part of a mixed-use complex where the REIT owns the residential property, creating operational efficiencies and the opportunity to enhance our long-term vision within the immediate submarket. The property features retail, dining, and municipal and financial services, providing a pedestrian-friendly location that offers public gathering areas, entertainment events, and serves as a neighbourhood hub in the affluent Montgomery County.

Subsequent to December 31, 2022, the REIT acquired from Morguard, the remaining 50% interest in Fenestra at Rockville Town Square, comprising 492 residential suites (at 100% ownership), for a purchase price of $96,840 (US$71,500), excluding closing costs, and assumed mortgages payable of $45,997 (US$33,961).

FINANCIAL AND OPERATIONAL HIGHLIGHTS

As at December 31 (In thousands of dollars, except as noted otherwise)	2022	2021
Operational Information		
Number of properties	**42**	43
Total suites	**12,849**	13,275
Occupancy percentage - Canada	**98.6%**	93.6%
Occupancy percentage - U.S.	**95.3%**	96.3%
AMR - Canada (in actual dollars)	**$1,588**	$1,535
AMR - U.S. (in actual U.S. dollars)	**US$1,771**	US$1,525
Summary of Financial Information		
Gross book value(1)	**$3,934,417**	$3,473,287
Indebtedness(1)	**$1,496,179**	$1,395,438
Indebtedness to gross book value ratio(1)	**38.0%**	40.2%
Weighted average mortgage interest rate(2)	**3.50%**	3.31%
Weighted average term to maturity on mortgages payable (years)	**4.9**	5.0
Exchange rates - United States dollar to Canadian dollar	**$1.35**	$1.27
Exchange rates - Canadian dollar to United States dollar	**$0.74**	$0.79

(1) Represents a non-GAAP financial measure/ratio that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. This measure should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. Additional information on this non-GAAP financial measure/ratio can be found under the section Part I, "Specified Financial Measures."

(2) Represents the contractual interest rates on mortgages payable and the Retained Debt (defined below).

For the years ended December 31 (In thousands of dollars, except per Unit amounts)	2022	2021
Summary of Financial Information		
Interest coverage ratio(1)	**2.54**	2.33
Indebtedness coverage ratio(1)	**1.58**	1.52
Revenue from real estate properties	**$278,491**	$245,566
NOI	**$151,215**	$129,495
Proportionate NOI(1)	**$154,109**	$130,584
Same Property Proportionate NOI(1)	**$143,322**	$122,590
NOI margin - IFRS	**54.3%**	52.7%
NOI margin - Proportionate(1)	**54.2%**	52.3%
Net income	**$239,563**	$244,974
FFO - basic(1)	**$82,803**	$64,770
FFO - diluted(1)	**$86,651**	$68,618
FFO per Unit - basic(1)	**$1.47**	$1.15
FFO per Unit - diluted(1)	**$1.43**	$1.13
Distributions per Unit	**$0.7030**	$0.6996
FFO payout ratio(1)	**47.8%**	60.8%
Weighted average number of Units outstanding (in thousands):		
Basic(2)	**56,310**	56,265
Diluted(2) (3)	**60,543**	60,498
Average exchange rates - United States dollar to Canadian dollar	**$1.30**	$1.25
Average exchange rates - Canadian dollar to United States dollar	**$0.77**	$0.80

(1) Represents a non-GAAP financial measure/ratio that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. This measure should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. Additional information on this non-GAAP financial measure/ratio can be found under the section Part I, "Specified Financial Measures."

(2) For purposes of calculating FFO per Unit, Class B LP Units are included as Units outstanding on both a basic and diluted basis.

(3) Includes the dilutive impact of the convertible debentures.

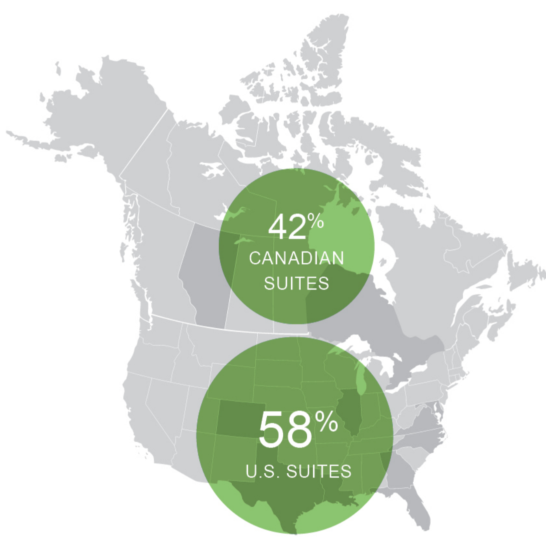
REAL ESTATE PROPERTIES

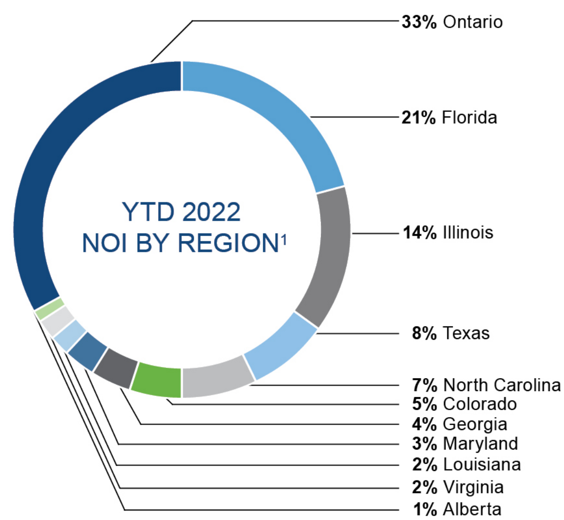
As at December 31, 2022, the REIT's multi-suite residential property portfolio consists of 16 Canadian properties and 26 U.S. properties, having a total of 12,849 residential suites and 239,500 square feet of commercial area. The properties are primarily located in urban centres and major suburban regions in Alberta, Ontario, Colorado, Texas, Louisiana, Illinois, Georgia, Florida, North Carolina, Virginia and Maryland.

The following table details the regional distribution of the REIT's portfolio as at December 31, 2022:

Region (In thousands of dollars, except as otherwise noted)	Number of Properties	Total Suites(1)	% of the Portfolio (based on suites)	Fair Value of Real Estate Properties(1)
Canadian Properties				
Alberta	1	277	2.2%	$50,200
Ontario				
Mississauga	7	2,219	17.3%	744,600
Toronto	6	1,997	15.5%	427,230
Other(2)	2	842	6.5%	230,200
	16	**5,335**	**41.5%**	**$1,452,230**
U.S. Properties				
Colorado	2	454	3.5%	$161,851
Texas	3	1,021	8.0%	281,580
Louisiana	2	249	2.0%	67,043
Illinois	3	1,555	12.1%	776,478
Georgia	2	522	4.1%	151,286
Florida	9	2,253	17.5%	685,056
North Carolina	2	864	6.7%	250,970
Virginia	1	104	0.8%	70,699
Maryland(3)	2	492	3.8%	244,740
	26	**7,514**	**58.5%**	**$2,689,703**
Total	**42**	**12,849**	**100.0%**	**$4,141,933**

(1) Total suites and fair value of real estate properties include non-controlling interest; the REIT, on a proportionate basis, has ownership of11,829 suites. Fair value of real estate properties represents the sum of income producing properties ($3,626,853) and equity-accounted investment properties ($515,080) inclusive of non-controlling interest share.
(2) Other Ontario includes one property in each of Kitchener, Ontario and Ottawa, Ontario.
(3) Includes a retail property comprising 186,712 square feet of commercial area.





1 Includes equity-accounted investments at ownership share and excludes the impact of realty taxes under IFRIC 21.

Approximately 79% of the suites in Canada are located in Toronto and Mississauga, which form part of the Greater Toronto Area ("GTA"). The GTA is Canada's most significant economic cluster and contains the largest concentration of people. The regional distribution of the remaining suites serves to add stability to the REIT's cash flows because it reduces the REIT's vulnerability to economic fluctuations affecting any particular region.

AVERAGE MONTHLY RENT AND OCCUPANCY BY REGION

The following table details AMR (in actual dollars), stated in local currency, and occupancy of the REIT's portfolio for the following periods and is calculated on a proportionate ownership basis:

Region	AMR/Suite at December 31, 2022	AMR/Suite at December 31, 2021	% Change	Occupancy at December 31, 2022	Occupancy at December 31, 2021
Canadian Properties (in Canadian dollars)					
Alberta	**$1,351**	$1,397	**(3.3%)**	**92.1%**	76.6%
Ontario					
Mississauga[(1)]	**1,783**	1,723	**3.5%**	**99.3%**	96.0%
Toronto	**1,422**	1,374	**3.5%**	**99.1%**	94.3%
Other[(2)]	**1,548**	1,464	**5.7%**	**97.7%**	91.0%
Total Ontario	**1,601**	1,543	**3.8%**	**99.0%**	94.5%
Total Canada (in Canadian dollars)	**$1,588**	$1,535	**3.5%**	**98.6%**	93.6%
U.S. Properties (in U.S. dollars)					
Colorado	**$1,712**	$1,536	**11.5%**	**97.8%**	96.0%
Texas	**1,613**	1,423	**13.4%**	**94.1%**	95.5%
Louisiana	**1,715**	1,574	**9.0%**	**95.5%**	96.7%
Illinois	**2,653**	2,366	**12.1%**	**96.3%**	95.1%
Georgia	**1,575**	1,427	**10.4%**	**96.7%**	97.1%
Florida	**1,652**	1,436	**15.0%**	**95.1%**	97.7%
North Carolina	**1,402**	1,214	**15.5%**	**95.1%**	93.4%
Virginia	**2,374**	2,142	**10.8%**	**94.2%**	94.2%
Maryland	**2,051**	1,894	**8.3%**	**93.5%**	97.7%
U.S. Same Property	**1,737**	1,536	**13.1%**	**95.3%**	96.2%
Disposition/Acquisition[(3)]	**2,366**	1,435	**64.9%**	**94.5%**	96.7%
Total U.S. (in U.S. dollars)	**$1,771**	$1,525	**16.1%**	**95.3%**	96.3%
Total (in local currencies)	**$1,690**	$1,528	**10.6%**	**96.7%**	95.1%

(1) Excludes 36 suites impacted by a fire at a property during the second quarter of 2022.
(2) Other Ontario includes one property in each of Kitchener, Ontario and Ottawa, Ontario.
(3) U.S. disposition includes a property located in Atlanta, Georgia (sold in June 2022), a property located in Slidell, Louisiana (sold in August 2022) and a property located in Coconut Creek, Florida (sold in October 2022).
U.S. acquisition includes Echelon Chicago (acquired in August 2022).

CANADIAN PROPERTIES

As at December 31, 2022, AMR per suite in Canada increased by 3.5% compared to December 31, 2021. Sequentially, AMR in Canada of $1,588 as at December 31, 2022, increased by 1.0% compared to $1,573 as at September 30, 2022. Effective January 1, 2022, the Ontario guideline rental rate increase is 1.2% (2021 - 0.0%), which has contributed to a higher rental rate growth than in previous years. The REIT also experienced rental rate growth from above guideline increases at several properties upon the completion of capital projects, and rental rate increases on suite turnover.

In addition, the REIT can apply for an above-guideline increase ("AGI") relating to eligible capital repairs and security services. The REIT still has the ability to increase rents on turnover and through above-guideline applications and has filed two applications for an above-guideline increase during the year.

As at December 31, 2022, AMR at the REIT's single property in Edmonton, Alberta, decreased by 3.3% compared to December 31, 2021. The AMR decrease compared to December 31, 2021, is due to the lower rents achieved on turnover which is a result of the continued softening rental market in downtown Edmonton. There are no restrictions regarding annual rental increases in Alberta which will provide the flexibility to increase rents to pre-pandemic levels once the market improves.

The REIT continued to experience steady demand, particularly towards the end of last year and throughout 2022 as Ontario's economy reopened, which allowed the REIT to increase rents from below market rates as suites turned over. During the year ended December 31, 2022, the REIT's Canadian portfolio turned over 1,012 suites, or 19.0% of total suites located in Canada and achieved AMR growth of 13.7% on suite turnover. Overall, Canadian turnover is higher compared to 14.9% achieved during the year ended December 31, 2021.

As at December 31, 2022, occupancy in Canada increased to 98.6%, compared to 93.6% at December 31, 2021 and sequentially, occupancy in Canada increased from 98.3% at September 30, 2022. Leasing activity increased to pre-pandemic levels, as economic conditions improved, and as people returned to their normal routine.

Occupancy at the REIT's Other Ontario region increased from 91.0% at December 31, 2021, to 97.7% at December 31, 2022, primarily due to the increase in occupancy at the REIT's property located in Ottawa, from 79.2% to 99.0%. This was predominantly due to the opening of universities that have resumed in-class learning.

As at December 31, 2022, occupancy at the REIT's single property located in Edmonton, Alberta, at 92.1% increased from 76.6% at December 31, 2021, due to the high proportion of tenants who attend nearby universities that have resumed in-class learning. Occupancy increased from 88.8% at September 30, 2022, for the same reason noted above. The downtown rental market is slowly seeing an increase in occupancy as new rental products become leased.

U.S. PROPERTIES

As at December 31, 2022, Same Property AMR per suite in the U.S. increased by 13.1% compared to December 31, 2021, as the REIT had double-digit percentage AMR growth in nearly all regions. Same Property AMR growth was led by North Carolina, Florida, Texas and Illinois, showing signs of continued strong market fundamentals in these regions. As at December 31, 2022, Same Property AMR at the REIT's properties located in Chicago's Loop increased by 12.1% compared to December 31, 2021, due to stabilized occupancy and raising rents from the pandemic-related lows experienced during the prior year. In addition, management's focus has shifted to finding the optimal balance of occupancy and market rent growth in the REIT's Chicago market. Market rents continued to be strong through the busy summer leasing season and are expected to continue leading into the winter months, as occupancies have remained strong due to a limited supply of new construction compared to previous years.

During the third quarter of 2022, the REIT acquired Echelon Chicago, a 350 suite luxury high-rise in the West Loop constructed in 2008, further adding to the REIT's core urban Chicago holdings. As at December 31, 2022, AMR was $2,366, reflecting the quality of the property, while occupancy was stable at 94.5%. This acquisition further reduces the age of the portfolio, replacing Briarhill Apartments, Blue Isle Apartment Homes and Greenbrier Estates, which were constructed in 1988, 1998 and 2005, respectively.

The REIT continues to utilize revenue management tools aimed at balancing rent growth, traffic and renewal exposure. That balance has been maintained as management continues to adapt to evolving market conditions, matching expiring leases with new move-ins, using multiple technologies, including virtual leasing, contactless apartment tours and an artificial intelligence leasing assistant which all have improved prospect access. The REIT has also maintained Same Property AMR growth during the fourth quarter within all of its submarkets while enjoying strong occupancies. Though management believes some supply challenges will continue in a few markets, demand continues to be strong and we expect this trend of AMR growth to continue, especially in the Florida and other Sunbelt region markets, where demand is outweighing supply.

As at December 31, 2022, Same Property occupancy in the U.S. was 95.3% compared to 96.2% at December 31, 2021, continuing the positive momentum experienced last year. Management's active leasing and renewal strategies continue to be successful as it continually monitors rents, lease term and exposure, enabling the portfolio to maintain strong rent growth and occupancies. Resident retention remains a major driver of occupancy as management focuses on providing value through excellent customer service while increasing rents at strong but reasonable rates. Though the busy leasing season has slowed down, management is pleased to report that occupancies within most all of the REIT's U.S. residential assets continue to outperform pre-pandemic levels. Management expects the leasing activity to slow while occupancy levels remain stable as we move into the fall and winter months. Management will continue to closely monitor public health measures within the REIT's U.S. markets and remain flexible to make any adjustments necessary.

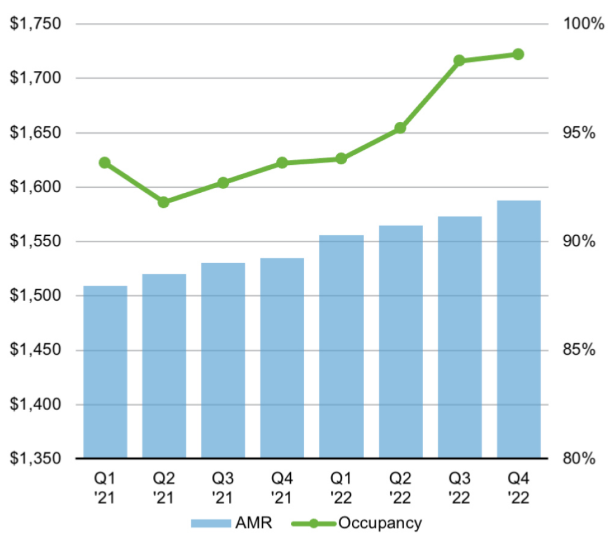
Sequentially, Same Property occupancy in the U.S. at 95.3% decreased slightly compared to 95.9% as at September 30, 2022. Stable and optimum occupancy levels were achieved in part by higher rents coupled with strong demand and generally lower suite turnover. In addition, and across multiple regions, a lack of supply and high demand for single family homes attracted former homeowners to sell their properties and move to rentals. This trend has continued through several interest rate hikes by the Federal Reserve, but has begun to slow going into the first quarter of 2023.

During the third quarter of 2022, the REIT acquired Rockville Town Square comprising 186,712 square feet of ground level commercial space located directly below the Fenestra at Rockville Town Square. The acquisition of the retail asset will provide further operating synergies while enhancing the REIT's long-term vision within the Rockville, Maryland, submarket.

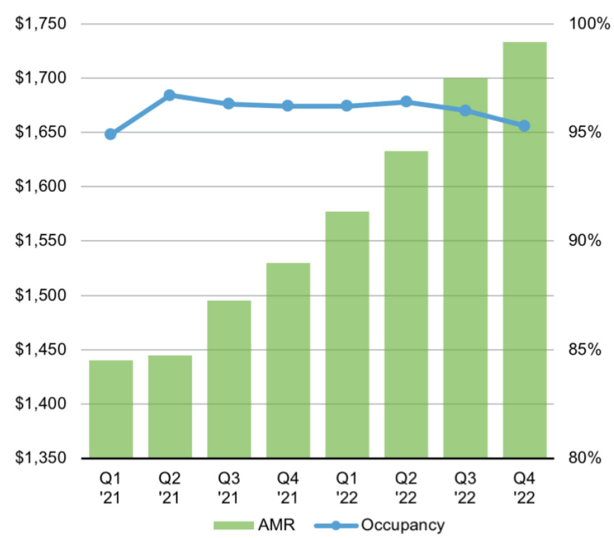
For the year ended December 31, 2022, the REIT's rental incentives amounted to $934 (2021 - $1,721), mainly at properties that were impacted by new supply and increased vacancy in urban markets. Incentives were used on an as-needed basis in those limited submarkets to compete with new inventory.

The following table details AMR (in actual dollars), stated in local currency, and occupancy of the REIT's Same Property portfolio at each quarter end since March 31, 2021:

CANADA



U.S.



The REIT's collection of rental income during the year ended December 31, 2022 is materially in line with historical collection rates. Management will monitor rent collections and compassionately follow up with those accounts in arrears as the impact of the pandemic, inflation and rising gas prices continue to weigh on the North American economy.

PART III

REVIEW OF OPERATIONAL RESULTS

The REIT's operational results are summarized below:

For the years ended December 31 (In thousands of dollars)	2022	2021
Revenue from real estate properties	**$278,491**	$245,566
Property operating expenses		
Property operating costs	**(74,226)**	(65,645)
Realty taxes	**(33,080)**	(32,522)
Utilities	**(19,970)**	(17,904)
Net operating income	**151,215**	129,495
Other expenses (income)		
Interest expense	**63,681**	65,719
Trust expenses	**19,356**	14,392
Equity income from investments	**(3,822)**	(2,691)
Foreign exchange loss (gain)	**(69)**	15
Other income	**(3,549)**	(83)
Income before fair value changes and income taxes	**75,618**	52,143
Fair value gain on real estate properties, net	**208,275**	288,662
Fair value gain (loss) on Class B LP Units	**26,007**	(30,313)
Income before income taxes	**309,900**	310,492
Provision for income taxes		
Current	**132**	126
Deferred	**70,205**	65,392
	70,337	65,518
Net income for the year	**$239,563**	$244,974
Net income attributable to:		
Unitholders	**$219,282**	$242,088
Non-controlling interest	**20,281**	2,886
	$239,563	$244,974

REVENUE FROM REAL ESTATE PROPERTIES

Higher rental revenue for the year ended December 31, 2022, is mainly due to rental rate increases, lower vacancy, foreign exchange fluctuations and the net impact from the acquisition and disposition of properties.

NET OPERATING INCOME

The following tables provide the NOI and Proportionate NOI for the REIT's consolidated Canadian and U.S. operations and present the following non-GAAP financial measures/ratios: Proportionate NOI, Same Property Proportionate NOI and Proportionate NOI margin. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. These measures should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. Additional information on these non-GAAP financial measures/ratios can be found under the section Part I, "Specified Financial Measures."

Same Property results for the year ended December 31, 2022, measures the operating performance for properties owned and have reached stabilization by the REIT continuously since January 1, 2021, and excludes the following properties: i) 1643 Josephine, New Orleans, Louisiana, a redevelopment property acquired on April 5, 2018, which reached stabilized occupancy in October 2021; ii) Briarhill Apartments in Atlanta, Georgia, sold during the second quarter of 2022; iii) Greenbrier Estates in Slidell, Louisiana, sold during the third quarter of 2022; iv) Blue Isle Apartment Homes in Coconut Creek, Florida, sold during the fourth quarter of 2022; and v) Echelon Chicago and Rockville Town Square, acquired during the third quarter of 2022.

Same Property and Same Property Proportionate results for the year ended December 31, 2022, represent 11,203 and 11,365 residential suites, respectively.

Net Operating Income

The following table provides the consolidated net operating income for the REIT's Canadian and U.S. properties:

For the year ended December 31 (In thousands of dollars)	2022 NOI	2022 Proportionate NOI	2021 NOI	2021 Proportionate NOI
Revenue from properties				
Same Property				
Gross rental revenue (before vacancy and ancillary revenue)	**$248,857**	**$255,234**	$225,269	$231,496
Vacancy	**(12,552)**	**(12,944)**	(14,203)	(15,822)
Ancillary	**19,821**	**19,426**	16,254	15,648
Same Property	**256,126**	**261,716**	227,320	231,322
Disposition/Acquisition/Development	**22,365**	**22,365**	18,246	18,246
Total revenue from properties	**278,491**	**284,081**	245,566	249,568
Property operating expenses				
Same Property				
Operating costs	**66,167**	**67,872**	58,536	59,972
Realty taxes	**30,451**	**31,060**	30,178	31,349
Utilities	**19,058**	**19,462**	17,105	17,411
Same Property	**115,676**	**118,394**	105,819	108,732
Disposition/Acquisition/Development	**11,600**	**11,578**	10,252	10,252
Total property operating expenses	**127,276**	**129,972**	116,071	118,984
NOI				
Total Same Property	**140,450**	**143,322**	121,501	122,590
Disposition/Acquisition/Development	**10,765**	**10,787**	7,994	7,994
Total NOI	**$151,215**	**$154,109**	$129,495	$130,584
NOI margin	**54.3%**	**54.2%**	52.7%	52.3%

For the year ended December 31, 2022, NOI from the REIT's properties increased by $21,720 (or 16.8%) to $151,215, compared to $129,495 in 2021. The increase in NOI is due to an increase in Same Property NOI of $18,949 (or 15.6%), an increase in NOI of $1,606 from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021, and a net increase in NOI of $1,165 from the acquisition and disposition of properties. The Same Property increase of $18,949 is due to an increase in Canada of $3,432 (or 6.7%), an increase in the U.S. of US$9,804 (or 17.5%), and the change in foreign exchange rate which increased NOI by $5,713.

For the year ended December 31, 2022, Proportionate NOI from the REIT's properties increased by $23,525 (or 18.0%) to $154,109, compared to $130,584 in 2021. The increase in Proportionate NOI is due to an increase in Same Property Proportionate NOI of $20,732 (or 16.9%), an increase in Proportionate NOI of $1,606 from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021, and a net increase in Proportionate NOI of $1,187 from the acquisition and disposition of properties. The Same Property increase of $20,732 is due to an increase in Canada of $3,407 (or 6.7%), an increase in the U.S. of US$11,106 (or 19.4%), and the change in foreign exchange rate which increased Proportionate NOI by $6,219.

The following table provides the consolidated net operating income for the REIT's Canadian and U.S. properties in local currency:

For the year ended December 31 (In thousands of dollars)	2022 NOI	2022 Proportionate NOI	2021 NOI	2021 Proportionate NOI
Same Property NOI - Canada (local currency)	**$54,677**	**$54,345**	$51,245	$50,938
Same Property NOI - U.S. (local currency)	**65,834**	**68,258**	56,030	57,152
Disposition/Acquisition/Development (local currency)	**8,200**	**8,268**	6,371	6,371
Exchange amount to Canadian dollars	**22,504**	**23,238**	15,849	16,123
Total NOI	**$151,215**	**$154,109**	$129,495	$130,584

The following table provides the NOI and Proportionate NOI for the REIT's Canadian properties:

For the year ended December 31 (In thousands of dollars)	2022 NOI	2022 Proportionate NOI	2021 NOI	2021 Proportionate NOI
Revenue from properties				
Gross rental revenue (before vacancy and ancillary revenue)	**$99,721**	**$99,178**	$96,851	$96,329
Vacancy	**(4,458)**	**(4,443)**	(8,205)	(8,170)
Ancillary(1)	**4,150**	**4,130**	4,236	4,214
Revenue from properties	**99,413**	**98,865**	92,882	92,373
Property operating expenses				
Operating costs	**21,665**	**21,559**	20,312	20,214
Realty taxes	**10,115**	**10,057**	10,137	10,075
Utilities	**12,956**	**12,904**	11,188	11,146
Total property operating expenses	**44,736**	**44,520**	41,637	41,435
NOI	**$54,677**	**$54,345**	$51,245	$50,938
NOI margin	**55.0%**	**55.0%**	55.2%	55.1%

(1) Ancillary revenue mainly comprises parking, laundry and cable income, amortized rent concessions and storage fees. Ancillary revenue also includes commercial revenue, net of vacancy.

For the year ended December 31, 2022, NOI from the Canadian properties increased by $3,432 (or 6.7%) to $54,677, compared to $51,245 in 2021. The increase in NOI is primarily due to an increase in revenue of $6,531 (or 7.0%) from higher gross rental revenue (3.0%) resulting from an increase in AMR and lower vacancy due to improved leasing activity, partially offset by an increase in operating expenses of $3,099 (or 7.4%). The increase in operating expenses was due to higher operating costs of $1,353 (primarily due to an increase in repairs and maintenance, payroll costs and property management fees) and higher utilities of $1,768. The increase in repairs and maintenance was due to higher in-suite repairs compared to 2021 where non-essential spending was reduced. The increase in utilities was mainly due to an increase in gas and water rates, partially offset by a decrease in hydro expense due to lower consumption and an increase in the number of suites sub-metered, net of an increase in hydro rates and reduced rebates under Ontario's Electricity Rebate program.

For the year ended December 31, 2022, Proportionate NOI from the Canadian properties increased by $3,407 (or 6.7%) to $54,345, compared to $50,938 in 2021. The increase in Proportionate NOI is due to an increase in revenue of $6,492 (or 7.0%), from higher gross rental revenue (3.0%) resulting from an increase in AMR and lower vacancy due to improved leasing activity, partially offset by an increase in operating expenses of $3,085 (or 7.4%). The increase in operating expenses was due to higher operating costs of $1,345 and higher utilities of $1,758, for the same reasons described above.

The REIT's Canadian NOI margin and Proportionate NOI margin were 55.0% and 55.0%, respectively, for the year ended December 31, 2022, compared to 55.2% and 55.1%, respectively, for the year ended December 31, 2021. Overall, as noted above, the impact of lower vacancy and higher AMR, relative to the increase in operating expenses, contributed to the slight increase in NOI margin.

The following table provides the NOI and Proportionate NOI for the U.S. properties:

For the year ended December 31 (In thousands of U.S. dollars, unless otherwise noted)	2022 NOI	2022 Proportionate NOI	2021 NOI	2021 Proportionate NOI
Revenue from properties				
Same Property				
Gross rental revenue (before vacancy and ancillary revenue)	**$114,430**	**$119,742**	$102,420	$107,802
Vacancy	**(6,200)**	**(6,511)**	(4,855)	(6,169)
Ancillary(1)	**12,039**	**11,740**	9,664	9,198
Same Property	**120,269**	**124,971**	107,229	110,831
Disposition/Acquisition/Development	**17,123**	**17,123**	14,554	14,554
Total revenue from properties	**137,392**	**142,094**	121,783	125,385
Property operating expenses				
Same Property				
Operating costs	**34,137**	**35,525**	30,493	31,717
Realty taxes	**15,619**	**16,157**	15,988	16,969
Utilities	**4,679**	**5,031**	4,718	4,993
Same Property	**54,435**	**56,713**	51,199	53,679
Disposition/Acquisition/Development	**8,923**	**8,855**	8,183	8,183
Total property operating expenses	**63,358**	**65,568**	59,382	61,862
NOI (in U.S. dollars)				
Same Property	**65,834**	**68,258**	56,030	57,152
Disposition/Acquisition/Development	**8,200**	**8,268**	6,371	6,371
Total NOI (in U.S. dollars)	**74,034**	**76,526**	62,401	63,523
Exchange amount to Canadian dollars	**22,504**	**23,238**	15,849	16,123
NOI (in Canadian dollars)	**$96,538**	**$99,764**	$78,250	$79,646
NOI margin (in U.S. dollars)	**53.9%**	**53.9%**	51.2%	50.7%

(1) Ancillary revenue mainly comprises parking, laundry and cable income; amortized rent concessions; storage fees; utility chargebacks and other fee income associated with moving in or out (such as application fees and cleaning fees), late rental payment fees from residents under the terms of the lease arrangements. Ancillary revenue also includes commercial revenue, net of vacancy.

For the year ended December 31, 2022, NOI from the U.S. properties increased by $18,288 (or 23.4%) to $96,538, compared to $78,250 in 2021. The increase in NOI is primarily due to an increase in Same Property NOI of US$9,804 (or 17.5%), an increase in NOI of US$1,224 from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021, and a net increase in NOI of US$605 from the acquisition and disposition of properties. The change in foreign exchange rate also increased NOI by $6,655. The Same Property NOI increase was due to an increase in revenue of US$13,040 (or 12.2%) from higher gross rental revenue (11.7%) resulting from an increase in AMR and ancillary revenue, net of higher vacancy, partially offset by an increase in operating expenses of US$3,236 (or 6.3%). The increase in operating expenses was due to higher operating costs of US$3,644 (primarily due to an increase in administrative expenses (bad debt expense), payroll costs, insurance expense (higher premiums), repairs and maintenance as well as higher property management fees), partially offset by lower realty taxes of US$369. The increase in repairs and maintenance was mainly due to higher make-ready expenses, as well as higher common area, landscaping and other contract costs. The decrease in realty taxes was impacted by a higher tax rebate received during 2022 compared to 2021, partially offset by an increase in taxes due to an increase in assessed value at certain properties.

For the year ended December 31, 2022, Proportionate NOI from the U.S. properties increased by $20,118 (or 25.3%) to $99,764, compared to $79,646 in 2021. The increase in Proportionate NOI is due to an increase in Same Property Proportionate NOI of US$11,106 (or 19.4%), an increase in Proportionate NOI of US$1,224 from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021, and a net increase in Proportionate NOI of US$673 from the acquisition and disposition of properties. The change in foreign exchange rate also increased NOI by $7,115. The Same Property Proportionate NOI increase was due to an increase in revenue of US$14,140 (or 12.8%) from higher gross rental revenue (11.1%) resulting from an increase in AMR and ancillary revenue, net of higher vacancy, partially offset by an increase in operating expenses of US$3,034 (or 5.7%). The increase in operating expenses was due to higher operating costs of US$3,808, partially offset by lower realty taxes of US$812 for the same reasons described above.

The REIT's U.S. NOI margin and Proportionate NOI margin were 53.9% and 53.9%, respectively, for the year ended December 31, 2022, compared to 51.2% and 50.7%, respectively, for the year ended December 31, 2021. The NOI margin and Proportionate NOI margin were both impacted by an increase in Same Property revenue and the positive impact of NOI from the net acquisition and disposition activity, and from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021. The REIT's Proportionate NOI margin, in addition to the reasons noted above, was also impacted by an increase in revenue from lower vacancy at the REIT's two equity-accounted properties.

INTEREST EXPENSE

Interest expense consists of the following:

For the years ended December 31 (In thousands of dollars)	2022	2021
Interest on mortgages	**$45,465**	$38,807
Distributions on Class C LP Units - interest	**—**	2,800
Interest on mortgages and Retained Debt	**45,465**	41,607
Distributions on Class C LP Units - tax payment	**—**	486
Interest on convertible debentures	**3,848**	3,848
Interest on lease liability	**565**	429
Amortization of deferred financing costs	**2,707**	2,371
Amortization of deferred financing costs on the convertible debentures	**741**	703
Fair value loss (gain) on conversion option on the convertible debentures	**(1,934)**	451
Loss on tax liability on redemption of Class C LP Units	**—**	3,775
Loss on extinguishment of mortgages payable	**181**	—
Interest expense before distributions on Class B LP Units	**51,573**	53,670
Distributions on Class B LP Units	**12,108**	12,049
	$63,681	$65,719

Interest expense decreased by $2,038 during the year ended December 31, 2022, to $63,681, compared to $65,719 in 2021. The decrease is predominantly due to a loss on tax liability on redemption of Class C LP Units of $3,775 recorded in 2021, a higher non-cash fair value gain on the convertible debentures' conversion option of $2,385 in 2022, partially offset by an increase in interest on mortgages and Retained Debt of $3,858, mainly resulting from additional net mortgage proceeds on the completion of the REIT's refinancing during 2022 and during the fourth quarter of 2021 (described below) as well as a net increase in interest on mortgages from the impact of acquisition and dispositions. The weakening of the Canadian dollar increased interest expense on U.S. mortgages by $1,129, excluding the impact of dispositions and acquisitions.

Under IFRS, the Class B LP Units are classified as financial liabilities, and the corresponding distributions paid to the Unitholders are classified as interest expense. The REIT believes these distribution payments do not represent financing charges because these amounts are payable only if the REIT declares distributions and only for the amount of any distributions declared, both of which are at the discretion of the Board of Trustees as outlined in the Declaration of Trust. The total distributions paid and accrued to Class B LP Unitholders for the year ended December 31, 2022, amounted to $12,108 (2021 - $12,049).

During 2012, Morguard retained the mortgages and deferred financing costs (the "Retained Debt"), on four Canadian properties that were sold to the REIT. Morguard remained responsible for the interest and principal payments on the Retained Debt, and the Retained Debt was secured by a charge on the properties. In consideration of the Retained Debt, Morguard received Class C LP Units on which distribution payments were made in an amount expected to be sufficient to permit Morguard to satisfy amounts payable with respect to: i) the principal and interest of 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 portion of the distributions that represent the interest and tax components associated with the Retained Debt that had been classified as interest expense for the year ended December 31, 2022, amounted to $nil (2021 - $3,286). During the fourth quarter of 2021, the REIT redeemed its Class C LP Units in connection with the Retained Debt and settled the associated tax obligation on Class C LP Units payable to Morguard after completing the refinancing of the four properties.

TRUST EXPENSES

Trust expenses consist of the following:

For the years ended December 31 (In thousands of dollars)	2022	2021
Asset management fees and distributions	**$16,579**	$11,944
Professional fees	**1,209**	915
Public company expenses	**819**	768
Other	**749**	765
	$19,356	$14,392

Trust expenses increased by $4,964 during the year ended December 31, 2022, to $19,356, compared to $14,392 in 2021. The increase during the year ended December 31, 2022 is predominantly due to higher asset management fees and distributions, resulting from an increase in incentive distributions from a higher FFO per Unit as well as an increase in gross book value (see Part VI, “Related Party Transactions”).

EQUITY INCOME FROM INVESTMENTS

The REIT has a 50% interest in two properties comprising 1,182 suites located in Rockville, Maryland, and in Chicago, Illinois, in which the REIT has joint control of the investment.

Equity income from investments for the year ended December 31, 2022, was $3,822 and included a non-cash fair value loss on real estate properties of $2,026. For the year ended December 31, 2021, equity income from investments was $2,691 and included a non-cash fair value gain on real estate properties of $936. Excluding the impact of non-cash fair value changes on real estate properties, equity income from investments increased by $4,093. The increase was due to an increase in NOI of $4,172, predominantly due to an increase in revenue from higher AMR, lower vacancy, lower amortized rent concessions, and lower operating expenses mainly a result of a successful realty tax appeal.

FOREIGN EXCHANGE LOSS (GAIN)

IFRS requires monetary assets and liabilities denominated in foreign currencies to be translated into Canadian dollars at the exchange rate in effect at the reporting date, and any gain or loss is recognized in the consolidated statements of income. The REIT’s foreign exchange gain for the year ended December 31, 2022, amounted to $69 (2021 - loss of $15), which is mainly the result of the fluctuation of the Canadian dollar against the United States dollar as at December 31, 2022, when compared to December 31, 2021.

OTHER INCOME

Other expense (income) mainly represents interest income earned or expense incurred on the Morguard Facility for advances made to/from Morguard and other expenses (income). For the year ended December 31, 2022, other income amounted to $3,549 (2021 - $83). The increase in other income for the year ended December 31, 2022, was predominantly due to higher interest income on the Morguard Facility resulting from a higher average receivable balance during 2022 compared to 2021 and an increase in prime interest rates during 2022. In addition, interest earned on restricted cash held as part of a 1031 Exchange from disposition proceeds amounted to $417.

FAIR VALUE GAIN ON REAL ESTATE PROPERTIES, NET

The REIT elected to adopt the fair value model to account for its real estate properties, and changes in fair value each period have been recognized as fair value gain or loss in the consolidated statements of income. Fair value adjustments are determined based on the movement of various valuation parameters on a quarterly basis, including stabilized NOI and capitalization rates.

For the year ended December 31, 2022, the REIT recognized a net fair value gain of $208,275 (2021 - $288,662) comprised of a $277,603 fair value gain at the REIT’s U.S. properties, partially offset by a $69,328 fair value loss at the Canadian properties. The fair value gain at the U.S. properties was due to an increase in stabilized NOI and a fair value gain realized on dispositions during the year. The fair value loss at the Canadian properties was due to a 25 basis point increase in capitalization rates at most Canadian properties, partially offset by an increase in stabilized NOI.

FAIR VALUE GAIN (LOSS) ON CLASS B LP UNITS

The Class B LP Units are classified as financial liabilities in accordance with IFRS and, as a result, are recorded at their fair value at each reporting date. As at December 31, 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 $279,014 (2021 - $305,021) and a corresponding fair value gain for the year ended December 31, 2022 of $26,007 (2021 - loss of $30,313). The fair value gain for the year ended December 31, 2022 was due to a decrease in the price of the REIT's Units (see Part V, "Capital Structure and Debt Profile").

INCOME TAXES

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.

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.

For the year ended December 31, 2022, the REIT recorded current tax expense of $132 (2021 - $126).

For the year ended December 31, 2022, the REIT has recorded deferred tax expense for U.S. federal and state taxes associated with the U.S. subsidiaries of $70,205 (2021 - $65,392). The deferred tax expense in 2022 is attributable to the fair value increase recorded under IFRS on U.S. properties.

The REIT's provision for income taxes consists of the following:

For the years ended December 31 (In thousands of dollars)	2022	2021
Current	**$132**	$126
Deferred	**70,205**	65,392
Provision for income taxes	**$70,337**	$65,518

As at December 31, 2022, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$nil (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.

As at December 31, 2022, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$44,622 (2021 - US$27,780) of which deferred tax assets were recognized as it is probable that taxable profit will be available against such losses. The total net operating losses comprise US$16,996 (2021 - US$nil) that will expire in various years commencing in 2032 and US$27,626 (2021 - US$27,780) that can be carried forward indefinitely.

As at December 31, 2022, the REIT's U.S. subsidiaries have a total of US$20,929 (2021 - US$6,827) of unutilized interest expense deductions on which deferred tax assets were recognized.

FUNDS FROM OPERATIONS

FFO (and FFO per Unit) is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. This measure should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. FFO is computed by the REIT in accordance with the current definition of the Real Property Association of Canada ("REALPAC") and is widely used as a real estate industry standard that supplements net income and evaluates operating performance but is not indicative of funds available to meet the REIT's cash requirements. Additional information on this non-GAAP financial measure can be found under the section Part I, "Specified Financial Measures."

The following table provides a reconciliation of FFO to its closely related financial statement measurement for the following periods:

	Three months ended December 31		Year ended December 31	
(In thousands of dollars, except per Unit amounts)	**2022**	2021	**2022**	2021
Net income (loss) for the period attributable to Unitholders	**($175,846)**	$112,610	**$219,282**	$242,088
Add/(deduct):				
Realty taxes accounted for under IFRIC 21[1]	**(5,818)**	(6,751)	**22**	—
Fair value loss (gain) on conversion option on the convertible debentures	**(147)**	276	**(1,934)**	451
Distributions on Class B LP Units recorded as interest expense[2]	**3,071**	3,012	**12,108**	12,049
Foreign exchange loss (gain)	**23**	5	**(69)**	15
Fair value loss (gain) on real estate properties, net[3]	**212,962**	(132,167)	**(206,249)**	(289,598)
Non-controlling interests' share of fair value gain (loss) on real estate properties	**(5,845)**	(3,368)	**15,445**	285
Fair value loss (gain) on Class B LP Units	**14,640**	10,678	**(26,007)**	30,313
Loss on tax liability on redemption of Class C LP Units	**—**	3,775	**—**	3,775
Deferred income tax expense (recovery)	**(19,514)**	28,800	**70,205**	65,392
FFO - basic	**$23,526**	$16,870	**$82,803**	$64,770
Interest expense on the convertible debentures	**970**	970	**3,848**	3,848
FFO - diluted	**$24,496**	$17,840	**$86,651**	$68,618
FFO per Unit - basic	**$0.42**	$0.30	**$1.47**	$1.15
FFO per Unit - diluted	**$0.40**	$0.29	**$1.43**	$1.13
Weighted average number of Units outstanding (in thousands):				
Basic[4]	**56,328**	56,282	**56,310**	56,265
Diluted[4] [5]	**60,561**	60,515	**60,543**	60,498

(1) Realty taxes accounted for under IFRIC 21 (including equity-accounted investments) and excludes non-controlling interests' share.
(2) Under IFRS, the Class B LP Units are considered financial liabilities and, as a result of this classification, their corresponding distribution amounts are considered interest expense. The REIT believes these distribution payments do not truly represent financing charges because these amounts are payable only if the REIT declares distributions and only for the amount of any distributions declared, both of which are at the discretion of the Board of Trustees as outlined in the Declaration of Trust. Therefore, these distributions are excluded from the calculation of FFO.
(3) Includes fair value adjustment on real estate properties for equity-accounted investments.
(4) For purposes of calculating FFO per Unit, Class B LP Units are included as Units outstanding on both a basic and diluted basis.
(5) Includes the dilutive impact of the convertible debentures.

Basic FFO for the three months ended December 31, 2022, increased by $6,656 (or 39.5%) to $23,526 ($0.42 per Unit), compared to $16,870 ($0.30 per Unit) in 2021. The increase is mainly due to higher Proportionate NOI of $8,558 and an increase in other income of $1,467, primarily from an increase in interest income on the Morguard Facility, partially offset by an increase in interest expense of $1,695 (calculated on a Proportionate Basis and excludes distributions on Class B LP Units, fair value adjustments on the conversion option on the convertible debentures and loss on tax liability on redemption of Class C LP Units) and an increase in trust expense of $1,679 (calculated on a Proportionate Basis).

Basic FFO per Unit for the three months ended December 31, 2022, increased by $0.12 to $0.42 per Unit, compared to $0.30 per Unit in 2021 due to the following factors:

i) on a Same Property Proportionate Basis, in local currency, an increase in NOI from higher AMR and lower vacancy, partly offset by higher operating expenses, an increase in interest expense and trust expenses had a $0.05 per Unit positive impact, of which successful property tax appeals, net of consulting fees contributed $0.025 per Unit. In addition, a change in the foreign exchange rate had a $0.04 per Unit positive impact, primarily resulting from an increase in FFO generated from U.S. properties;

ii) the impact of acquisition, net of disposition of properties had a $nil per Unit impact; and
iii) an increase in other income primarily from an increase in interest income on the Morguard Facility and interest income earned on restricted cash held as part of a 1031 Exchange from disposition proceeds, had a $0.03 per Unit positive impact.

Basic FFO for the year ended December 31, 2022, increased by $18,033 (or 27.8%) to $82,803 ($1.47 per Unit), compared to $64,770 ($1.15 per Unit) in 2021. The increase is mainly due to higher Proportionate NOI of $23,525 and an increase in other income of $3,466, primarily from an increase in interest income on the Morguard Facility, partially offset by an increase in interest expense of $4,065 (calculated on a Proportionate Basis and excludes distributions on Class B LP Units, fair value adjustments on the conversion option on the convertible debentures and loss on tax liability on redemption of Class C LP Units) and an increase in trust expenses of $4,887 (calculated on a Proportionate Basis).

Basic FFO per Unit for the year ended December 31, 2022, increased by $0.32 to $1.47 per Unit, compared to $1.15 per Unit in 2021 due to the following factors:

i) on a Same Property Proportionate Basis, in local currency, an increase in NOI from higher AMR and lower vacancy, partly offset by higher operating expenses, an increase in interest expense and trust expenses had a $0.15 per Unit positive impact, of which successful property tax appeals, net of consulting fees contributed $0.025 per Unit. In addition, a change in the foreign exchange rate had a $0.09 per Unit positive impact, primarily resulting from an increase in FFO generated from U.S. properties;
ii) an increase from the contribution of the REIT's development property, which reached stabilized occupancy in October 2021, had a $0.03 per Unit positive impact;
iii) the impact of acquisition, net of disposition of properties had a $0.01 per Unit negative impact, primarily due to the timing of redeploying sales proceeds towards acquisitions; and
iv) an increase in other income primarily from an increase in interest income on the Morguard Facility and interest income earned on restricted cash held as part of a 1031 Exchange from disposition proceeds, had a $0.06 per Unit positive impact.

DISTRIBUTIONS

Total distributions (including Class B LP Units) is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. This measure should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. Additional information on this non-GAAP financial measure can be found under the section Part I, "Specified Financial Measures."

On October 25, 2022, the REIT announced that its Board of Trustees has approved an increase to its annual cash distributions by $0.02 per Unit (2.86%) to $0.72 per Unit on an annualized basis from $0.70 per Unit. The increase was effective for the November 2022 distribution, paid on December 15, 2022.

The Trustees have discretion with respect to the timing and amounts of distributions. For the year ended December 31, 2022, total distributions (including Class B LP Units) amounted to $39,588 (2021 - $39,364).

For the years ended December 31 (In thousands of dollars)	2022 Units	2022 Class B LP Units	2022 Total	2021 Units	2021 Class B LP Units	2021 Total
Distributions paid and declared	**$26,665**	**$12,108**	**$38,773**	$26,566	$12,049	$38,615
Distributions – DRIP	**815**	**—**	**815**	749	—	749
Total	**$27,480**	**$12,108**	**$39,588**	$27,315	$12,049	$39,364

The following table summarizes distributions paid to holders of Units in relation to net income and cash provided by operating activities:

For the years ended December 31 (In thousands of dollars)	2022	2021	2020
Net income	**$239,563**	$244,974	$166,805
Cash provided by operating activities	**75,173**	63,696	50,128
Distributions - Units(1)	**$27,480**	$27,315	$27,285
Excess of net income over distributions	**$212,083**	$217,659	$139,520
Excess of cash provided by operating activities over distributions	**$47,693**	$36,381	$22,843

(1) Excludes distributions on Class B LP Units since these were recorded as interest expense and, therefore, were deducted in calculating net income and cash provided by operating activities.

Net income for the year ended December 31, 2022, includes net income of $167,877 of non-cash components relating to a fair value gain on real estate properties, fair value gain on Class B LP Units, equity income from investments, an IFRIC 21 adjustment to realty taxes and deferred taxes. Net income exceeded distributions when removing the impact of these non-cash items.

In determining the annual level of distributions to Unitholders, the REIT looks at forward-looking cash flow information, including forecasts and budgets, and the future prospects of the REIT. Furthermore, the REIT does not consider periodic cash flow fluctuations resulting from items such as the timing of property operating costs, property tax instalments or semi-annual debenture interest payments in determining the level of distributions to Unitholders in any particular quarter. Additionally, in establishing the level of distributions to the Unitholders, the REIT considers the impact of, among other items, the future growth in the income producing properties, the impact of future acquisitions and capital expenditures related to the income producing properties.

PART IV

BALANCE SHEET ANALYSIS

REAL ESTATE PROPERTIES

The REIT accounts for its real estate properties using the fair value model. The following table provides the regional allocation of real estate properties for the following periods:

As at December 31 (In thousands of Canadian dollars, unless otherwise stated)	2022	2021
Canadian Properties		
Alberta	**$50,200**	$57,200
Ontario	**1,402,030**	1,444,450
Total Canadian Properties	**1,452,230**	1,501,650
U.S. Properties (in US dollars)		
Colorado	**119,500**	107,400
Texas	**207,900**	173,300
Louisiana	**49,500**	58,900
Illinois	**336,000**	196,000
Georgia	**111,700**	149,100
Florida	**505,800**	489,900
North Carolina	**185,300**	157,600
Virginia	**52,200**	51,700
Maryland	**37,699**	—
Total U.S. Properties (in US dollars)	**1,605,599**	1,383,900
Exchange amount to Canadian dollars	**569,024**	370,608
Total U.S. Properties (in Canadian dollars)	**2,174,623**	1,754,508
Total real estate properties	**$3,626,853**	$3,256,158

The value of real estate properties increased by $370,695 as at December 31, 2022, to $3,626,853, compared to $3,256,158 at December 31, 2021. The increase is mainly the result of the following:

- A net fair value gain on real estate properties of $208,253;
- An increase due to the acquisition of Echelon Chicago and Rockville Town Square totalling $221,096 (US$169,688);
- A decrease due to the disposition of three U.S. properties located in Georgia, Louisiana and Florida totalling $250,857 (US$190,451);
- An increase due to the recognition of a right-of-use asset in connection with a land lease associated with the acquisition of Rockville Town Square of $6,643 (US$4,843);
- Capitalization of property enhancements of $40,819; and
- An increase of $145,077 due to the change in U.S. dollar foreign exchange rate.

APPRAISAL CAPITALIZATION RATES

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

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.

As at December 31, 2022, and 2021, the REIT had all 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 December 31, 2022, using the direct capitalization income approach, the properties were valued using capitalization rates in the range of 3.8% to 6.0% (2021 - 3.5% to 6.5%) applied to a stabilized net operating income of $161,168 (2021 - $140,018), resulting in an overall weighted average capitalization rate of 4.4% (2021 - 4.3%).

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

	December 31, 2022					December 31, 2021				
	Occupancy		**Capitalization Rates**			Occupancy		Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Canada										
Alberta	**96.0%**	**96.0%**	**5.3%**	**5.3%**	**5.3%**	96.0%	96.0%	5.0%	5.0%	5.0%
Ontario	**97.5%**	**96.5%**	**4.3%**	**3.8%**	**3.9%**	97.0%	96.0%	4.3%	3.5%	3.7%
United States										
Colorado	**95.0%**	**95.0%**	**4.8%**	**4.8%**	**4.8%**	95.0%	95.0%	4.8%	4.8%	4.8%
Texas	**95.0%**	**95.0%**	**4.8%**	**4.5%**	**4.7%**	95.0%	95.0%	4.8%	4.8%	4.8%
Louisiana	**95.0%**	**95.0%**	**5.5%**	**5.5%**	**5.5%**	95.0%	95.0%	6.5%	5.5%	5.7%
Illinois(1)	**95.0%**	**94.0%**	**5.0%**	**4.8%**	**4.9%**	95.0%	93.0%	4.8%	4.5%	4.6%
Georgia	**96.0%**	**95.0%**	**5.3%**	**4.8%**	**5.0%**	96.0%	95.0%	5.3%	4.8%	5.1%
Florida	**96.0%**	**93.6%**	**6.0%**	**4.5%**	**5.1%**	96.0%	93.5%	6.0%	4.5%	5.1%
North Carolina	**94.0%**	**94.0%**	**5.0%**	**4.8%**	**4.9%**	94.0%	94.0%	5.0%	4.8%	4.9%
Virginia	**95.0%**	**95.0%**	**4.5%**	**4.5%**	**4.5%**	95.0%	95.0%	4.5%	4.5%	4.5%
Maryland(1)	**95.0%**	**95.0%**	**4.5%**	**4.5%**	**4.5%**	95.0%	95.0%	4.3%	4.3%	4.3%

(1) Includes equity-accounted investments.

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 income producing 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 in stabilized net operating income), the value of the income producing properties as at December 31, 2022, would decrease by $189,521 or increase by $212,295, respectively.

PROPERTY CAPITAL INVESTMENTS

The REIT has a continual capital improvement program with respect to its investment properties. The program is designed to maintain and improve the operating performance of the properties and has enhanced the value of the properties by allowing the REIT to charge higher rents or by enabling it to lower operating expenses. The capital investments have also increased resident retention by ensuring that the properties retain their attractiveness to both existing and prospective tenants.

The REIT is committed to improving its operating performance by incurring appropriate capital expenditures in order to replace and maintain the productive capacity of its property portfolio so as to sustain its rental income-generating potential over the portfolio's useful life. In accordance with IFRS, the REIT capitalizes all capital improvement expenditures on its properties which enhance the service potential of the property and extend the useful lives of the asset.

During 2020 and 2021, property capital improvements were impacted by the COVID-19 pandemic due to physical distancing restrictions limiting access to the building and tenant suites. Following appropriate physical distancing protocol, the REIT limited capital expenditures to exterior work and prioritized work to maintain the structural and overall safety of the properties.

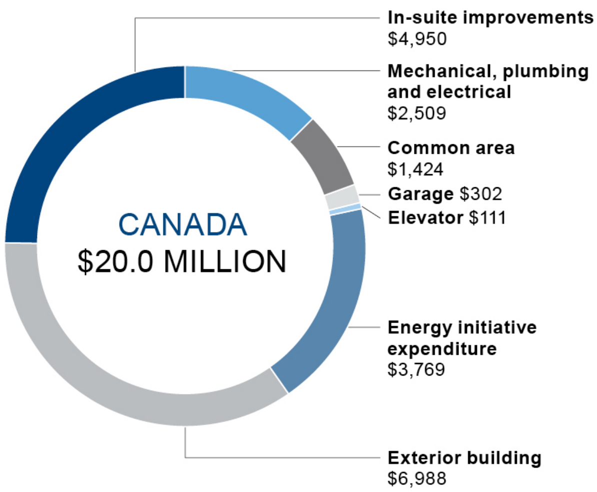
The following table provides additional details on total capital expenditures over the past three years:

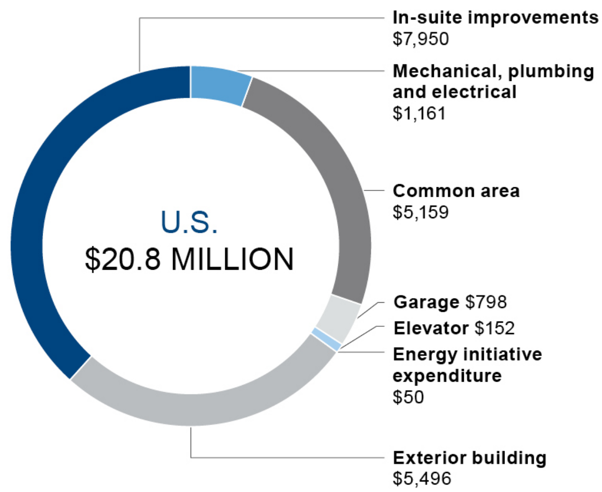
For the years ended December 31 (In thousands of dollars)	**2022**	2021	2020
Common area	**$6,583**	$3,848	$2,878
Mechanical, plumbing and electrical	**3,670**	1,759	1,674
Exterior building	**12,484**	12,341	6,806
Garage	**1,100**	106	360
Elevator	**263**	201	961
Energy initiative expenditure	**3,819**	428	1,569
In-suite improvements	**12,900**	11,329	7,865
Total capital expenditures	**$40,819**	$30,012	$22,113

Capital Expenditures by Country

The following details total capital expenditures by country:

For the year ended December 31, 2022
(In thousands of dollars)





During the year ended December 31, 2022, the REIT's total capital expenditures amounted to $40,819 (or $3,428 per suite), compared to $30,012 (or $2,488 per suite) during 2021. The REIT's revenue-enhancing capital expenditures were mainly comprised of in-suite improvements and energy initiative upgrades, the REIT also benefited from common area and exterior building projects which enhance the overall appeal of the properties.

The REIT's in-suite renovations at properties where solid rental demand, coupled with strong market fundamentals allow for above-market rent increases and an attractive return on the capital invested. Across the portfolio, during 2022 in-suite improvements included upgrades such as new kitchen countertops and appliances and the replacement of carpet with a more durable plank flooring.

The REIT continued capital expenditures on energy efficiency initiatives across the portfolio, which included boiler replacements, water and lighting retrofits. Common area capital expenditure included enhancing amenity areas such as courtyards and other outdoor/indoor amenity spaces as well as hallway and corridors completed at several properties. Sustaining capital included several projects such as balcony, garage, roof, fencing, sidewalk and driveways, as well as landscaping upgrades which were completed across multiple properties.

EQUITY-ACCOUNTED INVESTMENTS

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

			Ownership		Carrying Value	
Property	Place of Business	Investment Type	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
The Fenestra	Rockville, MD	Joint Venture	**50%**	50%	**$52,857**	$46,721
Marquee at Block 37	Chicago, IL	Joint Venture	**50%**	50%	**52,605**	49,655
					$105,462	$96,376

The Fenestra at Rockville Town Square was constructed in 2008 and comprises 492 suites across three six-storey buildings, featuring condo-quality amenities located in an urban growth market within commuting distance of Washington, D.C. Subsequent to December 31, 2022, the REIT acquired from Morguard, the remaining 50% interest in the property.

The Marquee at Block 37 is a newly constructed 38-storey apartment building located in the heart of downtown Chicago and features 690 suites and extensive best-in-class amenities.

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

As at December 31 (In thousands of Canadian dollars)	2022	2021
Balance, beginning of year	**$96,376**	$93,005
Additions	**—**	1,288
Distributions received	**(1,796)**	(283)
Share of net income	**3,822**	2,691
Foreign exchange gain (loss)	**7,060**	(325)
Balance, end of year	**$105,462**	$96,376

PART V

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The REIT has liquidity of $279,000, comprised of approximately $98,500 in cash (including restricted cash held by a qualified intermediary in connection with the disposition of a property during the fourth quarter of 2022), an $80,500 receivable under its revolving credit facility with Morguard Corporation and an additional $100,000 of availability under the credit facility. In addition, the REIT has approximately $102,000 of unencumbered assets.

Net cash flows from operating activities represent the primary source of liquidity to fund distributions and maintenance capital expenditures. The REIT's net cash flows from operating activities depend on the occupancy level of its rental properties, rental rates on its leases, collectability of rent from its tenants, level of operating expenses and other factors. Material changes in these factors may adversely affect the REIT's cash flows from operating activities and liquidity (see Part VII, "Risks and Uncertainties").

The REIT expects to be able to meet all of its obligations, including distributions to Unitholders, maintenance and property capital expenditure commitments as they become due, and to provide for the future growth of the business. The REIT expects to have sufficient liquidity as a result of cash flows from operating activities and financing available through the Morguard Facility. Accordingly, the REIT does not intend to repay maturing debt from cash flow but rather with proceeds from refinancing such debt, subject to certain conditions (see Part V, "Capital Structure and Debt Profile").

CASH FLOWS

The following table details the changes in cash for the following periods:

For the years ended December 31 (In thousands of dollars)	2022	2021
Cash provided by operating activities	**$75,173**	$63,696
Cash used in investing activities	**(11,058)**	(31,300)
Cash used in financing activities	**(78,880)**	(33,053)
Net decrease in cash during the year	**(14,765)**	(657)
Net effect of foreign currency translation on cash balance	**2,839**	(85)
Cash, beginning of year	**26,562**	27,304
Cash, end of year	**$14,636**	$26,562

Cash Provided by Operating Activities

Cash provided by operating activities during the year ended December 31, 2022, was $75,173, compared to $63,696 in 2021. The change during the year mainly relates to an increase in NOI (excluding IFRIC 21 adjustment) of $21,742, an increase in other income of $3,466, an increase from distributions from equity-accounted investments of $1,513, partially offset by a net decrease in non-cash operating assets and liabilities of $7,084, an increase in trust expenses of $4,964 and an increase in interest expense of $4,053.

Cash Used in Investing Activities

Cash used in investing activities during the year ended December 31, 2022, totalled $11,058, compared to $31,300 in 2021. The cash used in investing activities during the year consists of acquisition of income producing properties totalling $221,096 and the capitalization of property enhancements of $40,819, partially offset by the net proceeds from the sale of income producing properties of $250,857.

Cash Used in Financing Activities

Cash used in financing activities during the year ended December 31, 2022, totalled $78,880, compared to $33,053 during the same period in 2021. The cash used in financing activities during the year was largely due to net proceeds from new mortgages of $210,126, partially offset by the repayment of mortgages on maturity of $78,271, an increase in restricted cash of $76,393 representing the net sales proceeds held by a qualified intermediary pursuant to the REIT utilizing a 1031 Exchange, the repayment of mortgage payable due to mortgage extinguishments in connection with the disposal of properties totalling $65,075, mortgage principal instalment repayments totalling $32,535, distributions paid to Unitholders of $26,665 and net advances on the Morguard Facility of $8,875.

CAPITAL STRUCTURE AND DEBT PROFILE

The REIT's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions pursuant to the Declaration of Trust, as well as existing debt covenants, while continuing to build long-term Unitholder value and maintaining sufficient capital contingencies. Total capitalization as disclosed in the notes to the REIT's consolidated financial statements for the years ended December 31, 2022 and 2021, is calculated as the sum of the principal amount of the REIT's total debt (including mortgages payable, convertible debentures, lease liabilities and amounts drawn under its revolving credit facility with Morguard), Unitholders' equity and Class B LP Units liability.

The total managed capital of the REIT is summarized below:

As at December 31 (In thousands of dollars)	2022	2021
Mortgages payable, principal balance	**$1,394,444**	$1,300,873
Convertible debentures, face value	**85,500**	85,500
Lease liabilities	**16,235**	9,065
Class B LP Units	**279,014**	305,021
Unitholders' equity	**1,753,475**	1,484,738
Total capitalization	**$3,528,668**	$3,185,197

DEBT PROFILE

As at December 31, 2022, the overall leverage, as represented by the ratio of total indebtedness to gross book value was 38.0%. The requirements of the REIT's operating policies as outlined in the Declaration of Trust include the requirement that the REIT will not incur or assume indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of the REIT would be more than 70% of the gross book value.

The interest coverage ratio and the indebtedness coverage ratio are calculated based on obligations associated with mortgages payable and Class C LP Units, lease liability, the convertible debentures and the Morguard Facility.

The following table summarizes the key debt metrics:

As at December 31	2022	2021
Total indebtedness to gross book value(1)	**38.0%**	40.2%
Weighted average mortgage interest rate(2)	**3.50%**	3.31%
Weighted average term to maturity on mortgages payable (years)	**4.9**	5.0

(1) A calculation of indebtedness to gross book value (a non-GAAP ratio) and a reconciliation of the ratio's non-GAAP financial measure components from the IFRS financial statement presentation is presented under the section Part IX, "Reconciliation of Non-GAAP Financial Measures."

(2) Represents the contractual interest rates on mortgages payable and Class C LP Units.

For the years ended December 31	2022	2021
Interest coverage ratio(1)	**2.54**	2.33
Indebtedness coverage ratio(2)	**1.58**	1.52

(1) A calculation of interest coverage ratio (a non-GAAP ratio) and a reconciliation of the ratio's non-GAAP financial measure components from the IFRS financial statement presentation is presented under the section Part IX, "Reconciliation of Non-GAAP Financial Measures."

(2) A calculation of indebtedness coverage ratio (a non-GAAP ratio) and a reconciliation of the ratio's non-GAAP financial measure components from the IFRS financial statement presentation is presented under the section Part IX, "Reconciliation of Non-GAAP Financial Measures."

MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at December 31 (In thousands of dollars)	2022	2021
Principal balance of mortgages	**$1,394,444**	$1,300,873
Deferred financing costs	**(12,270)**	(12,318)
	$1,382,174	$1,288,555

Range of interest rates	**2.03−5.79%**	2.03−4.11%
Weighted average interest rate	**3.50%**	3.31%
Weighted average term to maturity (years)	**4.9**	5.0
Fair value of mortgages	**$1,291,966**	$1,335,670

As at December 31, 2022, the principal balance on the mortgages payable totalled $1,394,444 (2021 - $1,300,873), and the deferred financing costs associated with the mortgages amounted to $12,270 (2021 - $12,318).

Mortgages payable increased by $93,619 as at December 31, 2022, to $1,382,174, compared to $1,288,555 at December 31, 2021. The increase is mainly due to the following:

- The repayment of mortgages totalling $65,075 (US$49,659) on the disposition of three multi-suite residential properties located in Georgia, Louisiana and Florida;
- The repayment of mortgages totalling $78,271 (US$59,444) on three multi-suite residential properties located in Florida, which were refinanced for an amount totalling $116,625 (US$89,253);
- New mortgage financing of $96,008 (US$74,674) on the acquisition of Echelon Chicago;
- Financing costs of $2,507;
- Scheduled principal repayments of $32,535;
- An increase of $56,486 due to the change in the U.S. dollar foreign exchange rate; and
- Amortization of deferred financing costs and a loss on extinguishment of mortgages payable totalling $2,888.

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 amounted to $11,687 (US$9,136), 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 $59,581 (US$46,515) at an interest rate of 4.19% and for a term of 10 years. The maturing mortgage amounted to $30,198 (US$23,469), and had an interest rate of 3.78%.

On December 30, 2022, the REIT completed the refinancing of a multi-suite residential property located in Cooper City, Florida, in the amount of $37,282 (US$27,500) at a floating interest rate calculated at the 30-day average Secured Overnight Financing Rate (“SOFR”) plus 2.06% and for a term of five years. The maturing mortgage amounted to $36,386 (US$26,839), was open and prepayable at no penalty before its scheduled maturity on January 1, 2023, and had an interest rate of 3.86%.

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.

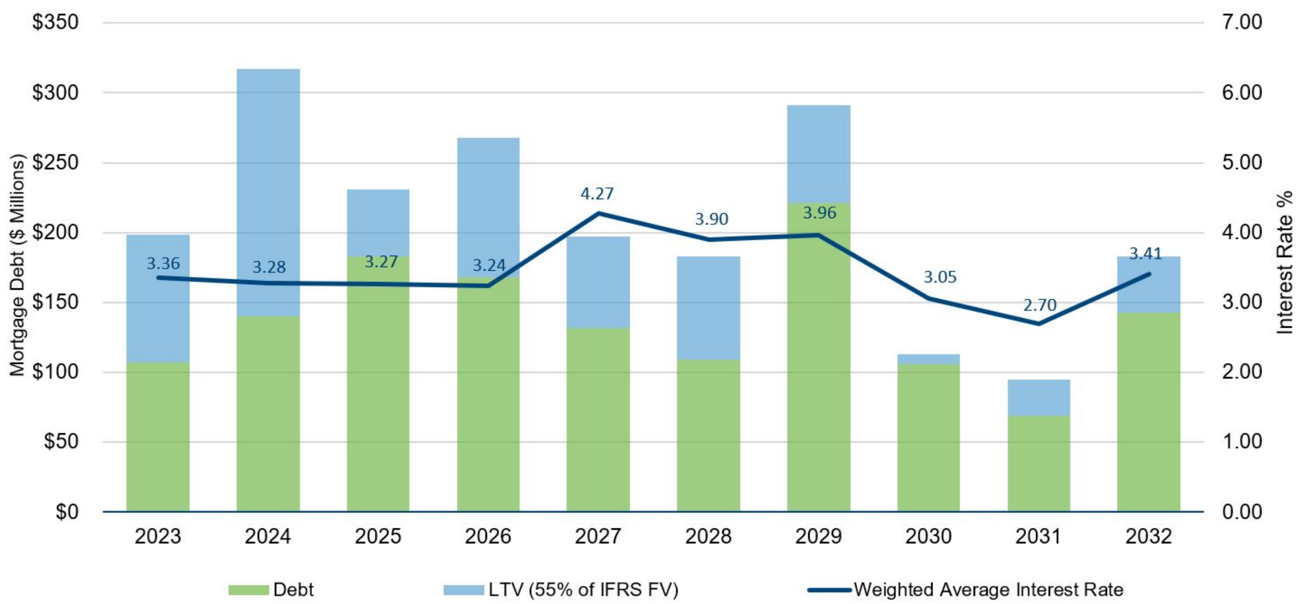
Short-term fluctuations in working capital are funded through the Morguard Facility. The REIT anticipates meeting all future obligations and has no off-balance-sheet financing arrangements.

The following table details the REIT’s mortgages that are scheduled to mature in the next two years.

	2023				2024			
Asset Type	Number of Properties	Principal Maturing	Weighted Average Interest Rate	Maturing Loan-to-Value Ratio	Number of Properties	Principal Maturing	Weighted Average Interest Rate	Maturing Loan-to-Value Ratio
Canada	1	$24,553	2.96%	24.4%	5	$140,446	3.28%	24.4%
U.S.	4	82,234	3.47%	31.5%	—	—	—%	—%
	5	**$106,787**	**3.36%**	**29.5%**	**5**	**$140,446**	**3.28%**	**24.4%**

As at December 31, 2022, the following table illustrates the REIT's mortgages (including equity-accounted investments at the REIT's interest), along with the IFRS fair value (at a loan-to-value of 55%) secured against the mortgages by year of maturity:

As at December 31, 2022



CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at December 31 (In thousands of dollars)	2022	2021
4.50% convertible unsecured subordinated debentures	**$85,223**	$85,223
Fair value of conversion option	**94**	2,028
Unamortized financing costs	**(191)**	(932)
	$85,126	$86,319

For the year ended December 31, 2022, interest on the convertible debentures amounting to $3,848 (2021 - $3,848) is included in interest expense.

4.50% Convertible Unsecured Subordinated Debentures

On February 13, 2018, the REIT issued $75,000 principal amount of 4.50% convertible unsecured subordinated debentures maturing on March 31, 2023 (the "Maturity Date"). On February 21, 2018, an additional principal amount of $10,500 was issued pursuant to the exercise of the over-allotment option. Interest is payable semi-annually, not in advance, on March 31 and September 30 of each year. The underwriters' commissions, legal and other issue costs attributable to the 2018 Debentures in the amount of $3,375 have been capitalized and are being amortized over their term to maturity. Morguard owns $5,000 aggregate principal amount of the 2018 Debentures.

As at December 31, 2022, and 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.

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. The maximum allowable to be borrowed or advanced under the Morguard Facility is $100,000.

As at December 31, 2022, the amount receivable under the Morguard Facility was $80,695 (2021 - $70,000).

During the year ended December 31, 2022, the REIT recorded net interest income of $2,982 (2021 - $33) on the Morguard Facility.

LEASE LIABILITIES

The REIT has classified its land leases as a lease liability under the assumption that substantially all the risks and rewards incidental to ownership have been transferred.

Ground Lease #1

The REIT’s property located in Falls Church, Virginia, is subject to a land lease that expires in 2113, with a fixed price land purchase option available in September 2029 for US$7,150.

Ground Lease #2

In connection with the acquisition of Rockville Town Square, the REIT assumed a land lease with an annual lease payment of $376, expiring 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).

The future minimum lease payments under the lease liabilities are as follows:

As at December 31 (In thousands of Canadian dollars)	2022	2021
Within 12 months	**$972**	$434
2 to 5 years	**4,125**	1,888
Over 5 years	**27,915**	10,445
Total minimum lease payments	**33,012**	12,767
Less: Future interest costs	**(16,777)**	(3,702)
Present value of minimum lease payments	**$16,235**	$9,065

CONTRACTUAL MATURITIES

The contractual maturities and repayment obligations of the REIT’s financial liabilities for upcoming periods as at December 31, 2022, are as follows:

As at December 31, 2022	2023	2024	2025	2026	2027	Thereafter	Total
Mortgages payable	**$137,325**	**$168,395**	**$203,888**	**$183,239**	**$103,910**	**$597,687**	**$1,394,444**
Mortgage interest	**46,704**	**42,763**	**36,340**	**29,277**	**25,153**	**52,076**	**232,313**
Convertible debentures	**85,500**	**—**	**—**	**—**	**—**	**—**	**85,500**
Convertible debentures’ interest	**949**	**—**	**—**	**—**	**—**	**—**	**949**
Accounts payable and accrued liabilities	**53,719**	**—**	**—**	**—**	**—**	**—**	**53,719**
Lease liabilities	**972**	**990**	**1,045**	**1,045**	**1,045**	**27,915**	**33,012**
	$325,169	**$212,148**	**$241,273**	**$213,561**	**$130,108**	**$677,678**	**$1,799,937**

UNITHOLDERS’ EQUITY, SPECIAL VOTING UNITS AND CLASS B LP UNITS

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.

The following table summarizes the changes in Units for the period from December 31, 2020, to December 31, 2022:

Issued and Fully Paid Units (In thousands, except Unit amounts)	Units	Amount
Balance, December 31, 2020	39,019,827	$469,210
Units issued under DRIP	44,438	749
Balance, December 31, 2021	39,064,265	469,959
Units issued under DRIP	**47,528**	**815**
Balance, December 31, 2022	**39,111,793**	**$470,774**

NORMAL COURSE ISSUER BIDS

On January 8, 2022, the REIT had the approval of the TSX under its normal course issuer bid (“NCIB”) to purchase up to 1,478,869 Units and $4,024 principal amount of the 2018 Debentures. The program expired on January 7, 2023. On January 6, 2023, the REIT obtained the approval of the TSX under its NCIB, commencing January 10, 2023, to purchase up to 1,474,371 Units, being approximately 5% of the public float of outstanding Units; the program expires on January 9, 2024. The daily repurchase restriction for the Units is 8,461. 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 $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 years ended December 31, 2022, and 2021.

DISTRIBUTION REINVESTMENT PLAN

Under the REIT’s Distribution Reinvestment Plan (“DRIP”), Unitholders can elect to reinvest cash distributions into additional Units at a weighted average closing price of the Units on the TSX for the five trading days immediately preceding the applicable date of distribution. During the year ended December 31, 2022, the REIT issued 47,528 Units under the DRIP (2021 - 44,438 Units).

SPECIAL VOTING UNITS AND CLASS B LP 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 of 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.

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 that entitles the holder to receive notice of, attend and vote at all meetings of the Unitholders. There is no value assigned to the Special Voting Units.

As at December 31, 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 $279,014 (2021 - $305,021) and a corresponding fair value gain for the year ended December 31, 2022 of $26,007 (2021 - loss of $30,313).

For the year ended December 31, 2022, distributions on Class B LP Units amounting to $12,108 (2021 - $12,049) are included in interest expense.

As at December 31, 2022, Morguard owned a 44.7% effective interest in the REIT through its ownership of 7,944,166 Units and 17,223,090 Class B LP Units.

As at December 31, 2022, there were 39,111,793 Units and 17,223,090 exchangeable Class B LP Units issued and outstanding.

As at February 14, 2023, there were 39,060,057 Units and 17,223,090 exchangeable Class B LP Units issued and outstanding.

PART VI

RELATED PARTY TRANSACTIONS

Related party transactions that are in the normal course of operations are subject to the same processes and controls as other transactions; that is, they are subject to standard approval procedures and management oversight but are also considered by management for reasonability against fair value. Related party transactions that are material are subject to review and approval by the REIT's Audit Committee, which consists of independent directors.

AGREEMENTS WITH MORGUARD AFFILIATES

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

Property Management

Pursuant to the Agreements, Morguard's affiliates administer the day-to-day operations of the Canadian and U.S. income producing properties, for which Morguard's affiliates receive partnership fees and distributions equal to 3.5% of gross property revenue of the income producing properties, payable monthly. For the year ended December 31, 2022, fees and distributions amounted to $10,174 (2021 - $8,970) and are included in property operating costs and equity income from investments.

Asset Management

Pursuant to the Agreements, Morguard's affiliates have certain duties and responsibilities for the strategic management and administration of the Partnership and its subsidiaries, for which they receive partnership fees and distributions equal to 0.25% of the Partnership's gross book value defined as acquisition cost of the REIT's assets plus: (i) fair value adjustments; and (ii) accumulated amortization on property, plant and equipment. In addition, an annual fee and distribution is calculated in arrears, determined by multiplying 15% of the Partnership's funds from operations in excess of $0.66 per Unit. For the year ended December 31, 2022, fees and distributions amounted to $17,193 (2021 - $12,543) and are included in trust expenses and equity income from investments.

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. For the year ended December 31, 2022, fees relating to acquisition services amounted to $1,581 (2021 - $nil) 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. For the year ended December 31, 2022, fees relating to financing services amounted to $325 (2021 - $292) and have been capitalized to deferred financing costs.

Other Services

As at December 31, 2022, and 2021, the REIT had its portfolio appraised by Morguard's appraisal division. Fees relating to appraisal services for the year ended December 31, 2022, amounted to $212 (2021 - $210) and are included in trust expenses.

All the Agreements had an initial term of 10 years and are renewable for further terms of five years each, subject to certain notice provisions or upon the occurrence of an event of default as stipulated in the provisions of the Agreements.

KEY MANAGEMENT COMPENSATION

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

PART VII

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The REIT's consolidated financial statements for the years ended December 31, 2022 and 2021, have been prepared in accordance with IFRS. A summary of the significant accounting policies is included in Note 2 to the audited consolidated financial statements for the year ended December 31, 2022.

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The REIT's critical accounting policies are those that management believes are the most important in portraying the REIT's financial condition and results and that require the most subjective judgment and estimates on the part of management.

INCOME PRODUCING PROPERTIES

Income producing properties are recorded at fair value, determined based on available market evidence, at the balance sheet date. The critical assumptions and estimates used when determining the fair value of income producing properties are the amount of rental income from future leases reflecting current market conditions adjusted for assumption of future cash flows with respect to current and future leases, capitalization rates and expected occupancy rates. The properties are appraised using the direct capitalization income method. To assist with the evaluation of fair value, the REIT has its properties appraised by Morguard's appraisal division. Morguard's appraisal division is staffed with accredited members of the AIC who collectively in 2022 valued approximately $11 billion of real estate properties in Canada and the U.S. for institutional and corporate clients.

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.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Management reports on a quarterly basis the fair value of financial instruments. The fair value of financial instruments approximates amounts at which these instruments could be exchanged between knowledgeable and willing parties. The estimated fair value may differ in amount from that which could be realized on an immediate settlement of the instruments. Management estimates the fair value of mortgages payable by discounting the cash flows of these financial obligations using December 31, 2022, market rates for debts of similar terms.

FINANCIAL INSTRUMENTS

The following describes the REIT's recognized and unrecognized financial instruments.

The REIT's financial assets and liabilities comprise cash, restricted cash, amounts receivable, the Morguard Facility, accounts payable and accrued liabilities, mortgages payable, Class B LP Units, lease liabilities and the convertible debentures.

Financial assets must be classified and measured on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets subsequent to initial recognition are classified and measured based on three categories: amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost and FVTPL. Fair values of financial assets and liabilities are presented as follows:

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Mortgages payable, lease liabilities 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 have been determined by discounting the cash flows of these financial obligations using December 31, 2022, market rates for debts of similar terms. Based on these assumptions, as at December 31, 2022, the fair value of the mortgages payable before deferred financing costs and present value of tax payment is estimated at $1,291,966 (2021 - $1,335,670). The fair values of the mortgages payable vary from their carrying values due to fluctuations in market interest rates since their issue.

The fair value of the convertible debentures are based on their market trading price. As at December 31, 2022, the fair value of the convertible debentures before deferred financing costs has been estimated at $85,081 (2021 - $86,868), compared with the carrying value of $85,223 (2021 - $85,223).

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

RISKS AND UNCERTAINTIES

An investment in securities of the REIT involves significant risks. Investors should carefully consider the risks described below and the other information described elsewhere in this MD&A (and as updated by subsequent interim MD&A) and those risks set out in the REIT's Annual Information Form ("AIF") for the year ended December 31, 2022, dated February 14, 2023, before making a decision to buy securities of the REIT. If any of the following or other risks occur, the REIT's business, prospects, financial condition, financial performance and cash flows could be materially adversely impacted. In that case, the ability of the REIT to make distributions to Unitholders and the Partnership to make distributions could be adversely affected, the trading price of securities of the REIT could decline and investors could lose all or part of their investment in such securities. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

There are certain risks inherent in an investment in the securities of the REIT and in the activities of the REIT, including those set out in the REIT's publicly filed disclosure available on SEDAR.

The following are business risks the REIT expects to face in the normal course of its operations and management's strategy to reduce the potential impact.

COVID-19 AND OTHER PANDEMIC OR EPIDEMIC RISKS

The ongoing COVID-19 pandemic at various times has led to prolonged voluntary and mandatory building closures, business closures, government restrictions on travel, movement and gatherings, quarantines, curfews, self-isolation and physical distancing. The impact of these measures has led to a general shutdown of economic activity and has disrupted workforce and business operations both in North America and other parts of the world. Such occurrences could have a material adverse effect on the demand for real estate, the ability of tenants to pay rent and the debt and equity capital markets. The duration and impact of the ongoing COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. The permanence of recovery following such occurrences cannot be accurately predicted, nor can the impact on the REIT's business and operations, real estate valuations, securities, cash flows, results of operations and the REIT's ability to obtain additional financing or re-financing and ability to make distributions to Unitholders.

Specifically, such enhanced risks associated with COVID-19 may include, but are not limited to:

(a) a material reduction in rental revenue and related collections due to associated financial hardship, unemployment and non-essential business orders governing the complete or partial closure of certain businesses;

(b) a material increase in vacancy potentially caused by the resulting economic crisis, changes in consumer demand for businesses' products and services, changes in businesses' real estate requirements and the inability of businesses to operate in the normal course or at all;

(c) uncertainty of real estate valuations resulting from the impact of a potential decline in revenue and/or lack of market activity and demand for real estate;

(d) the negative impact on Canadian and global debt and equity capital markets, impacting both pricing and availability;

(e) ability to access capital markets at a reasonable cost;

(f) the trading price of the REIT's securities;

(g) the impact of additional legislation, regulation, fiscal and monetary policy responses and other government interventions;

(h) uncertainty delivering services due to illness, REIT or government-imposed isolation programs, restrictions on the movement of personnel, closures and supply chain disruptions;

(i) uncertainty associated with costs, delays and availability of resources required to complete major maintenance and expansion projects on time and on budget and lease-up space following completion of development projects;

(j) adverse impacts on the creditworthiness of tenants and other counterparties; and

(k) increased risk of cyber-attacks due to remote working environments and increased reliance on information technology infrastructure.

The foregoing is not an exhaustive list of all risk factors.

Other outbreaks of pandemics and epidemics may have similar impacts on our business, operations, financial condition and ability to make distributions to Unitholders.

OPERATING RISK

Real estate has a high fixed cost associated with ownership, and income lost due to vacancies cannot easily be minimized through cost reduction. Substantially all of our leases are for a term of one year or less. Because these leases generally permit residents to leave at the end of the lease without penalty, our rental revenues are impacted by declines in market rents more quickly than if our leases were for longer terms.

Tenant retention and leasing vacant suites are critical to maintaining occupancy levels. Through well-located and professionally managed properties, management seeks to increase tenant loyalty and become the landlord of choice. The REIT reduces operating risk through diversification of its portfolio by tenants, lease maturities, product and location.

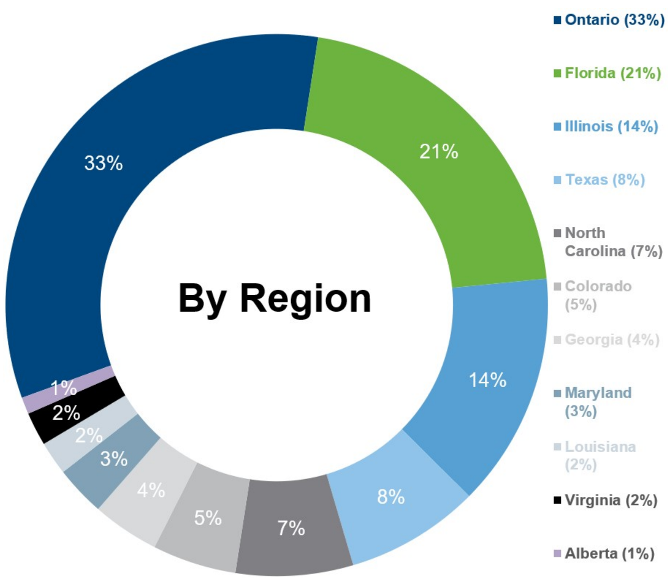
Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale.

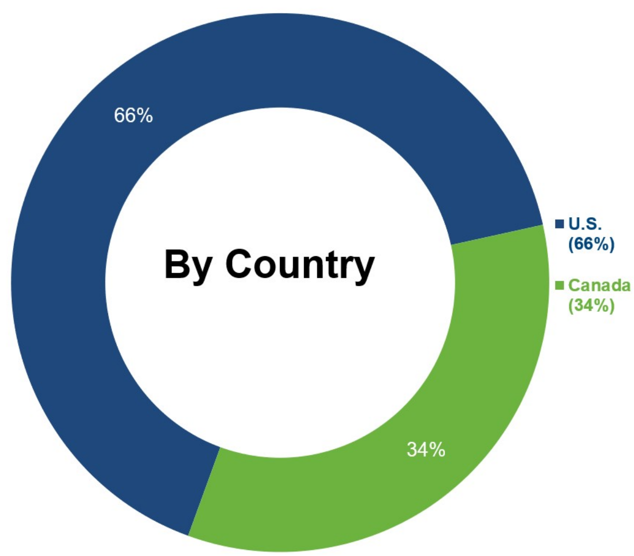
The REIT is also subject to utility and property tax risk relating to increased costs that the REIT may experience as a result of higher resource prices, as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised as a result of revaluations of municipal properties and their adherent tax rates. In some instances, enhancements to properties may result in a significant increase in property assessments following a revaluation. Additionally, utility expenses, mainly consisting of natural gas, water and electricity service charges, have been subject to considerable price fluctuations over the past several years. Unlike commercial leases, which generally are "net" leases and allow a landlord to recover expenditures, residential leases are generally "gross" leases, and the landlord is not able to pass on costs to its tenants.

The REIT currently relies on third-party vendors, developers, co-owners and strategic partners to provide the REIT with various services or to complete projects. The lack of an effective process for developing joint venture arrangements or for contract tendering, drafting, review, approval and monitoring may pose a risk for the REIT. The REIT may not be able to negotiate contract terms, service levels and rates that are optimal for the REIT. In addition, co-owners or joint venture partners may fail to fund their share of capital, may not comply with the terms of any governing agreements or may incur reputational damage which could negatively impact the REIT. Inefficient, ineffective or incomplete vendor management/partnership strategies, policies and procedures could impact the REIT's reputation, operations and/or financial performance.

In connection with the prudent management of its properties, the REIT makes significant property capital investments (for example, to upgrade and maintain building structure, balconies, parking garages, roofing, and electrical and mechanical systems). The REIT commissioned building condition reports in connection with the acquisition of each of the properties, and subsequently as needed, and has committed to a multi-year property capital investment plan based on the findings of such reports. The REIT continually monitors its properties to ensure appropriate and timely capital repairs and replacements are carried out in accordance with its property capital investment programs. The REIT requires sufficient capital to carry out its planned property capital investment and repair and refurbishment programs to upgrade its properties or it could be exposed to operating business risks arising from structural failure, electrical or mechanical breakdowns, fire or water damage, etc., which may result in significant loss of earnings to the REIT. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

For the year ended December 31, 2022, the REIT’s portfolio diversification (inclusive of equity-accounted investments) as a percentage of net operating income is as follows:





COMPETITION

The multi-suite residential real estate sector is highly competitive. The REIT faces competition from many sources, including other multi-suite residential buildings in the immediate vicinity and the broader geographic areas where the REIT’s residential properties are located. In addition, overbuilding in the multi-suite residential sector, particularly in the United States, may increase the supply of multi-suite residential properties, further increasing the level of competition in certain markets. Such competition may reduce occupancy rates and rental revenues of the REIT and could have a material adverse effect on the REIT’s business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

Furthermore, the multi-suite residential properties that the REIT owns or may acquire, compete with numerous housing alternatives in attracting tenants, including owner-occupied single- and multi-family homes available to rent or purchase. The relative demand for such alternatives may be increased by declining mortgage interest rates, government programs that promote home ownership or other events or initiatives that increase the affordability of such alternatives to multi-suite residential rental properties and could materially adversely affect the REIT’s ability to retain tenants, lease suites and increase or maintain rental rates. Such competition may reduce occupancy rates and rental revenues of the REIT and could have a material adverse effect on the REIT’s business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

The competition for multi-suite residential properties available for sale may significantly increase the cost of acquiring such assets and may result in such assets being acquired by the REIT at prices or on terms that are comparatively less favourable to the REIT or may result in such assets being acquired by competitors of the REIT. In addition, the number of entities seeking to acquire multi-suite residential properties and/or the amount of funds competing for such acquisitions may increase. In addition, single-property acquisitions from tax-motivated individual sellers may be available for sale only at a higher cost to the REIT relative to portfolio acquisitions. Increases in the cost to the REIT of acquiring multi-suite residential properties may materially adversely affect the ability of the REIT to acquire such properties on favourable terms and may otherwise have a material adverse effect on the REIT’s business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

ENVIRONMENTAL RISK

As an owner of real property, the REIT is subject to various laws relating to environmental matters. These laws impose liability for the cost of removal and remediation of certain hazardous materials released or deposited on properties owned or managed by the REIT or on adjacent properties. The failure to remove or remediate such substances or locations, if any, could adversely affect the REIT’s ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the REIT. As a result, Phase 1 environmental site assessments are completed prior to the acquisition of any property. Once the property is acquired, environmental assessment programs ensure continued compliance with all laws and regulations governing environmental and related matters. The REIT’s management is responsible for ensuring compliance with environmental legislation and is required to report quarterly to the REIT’s Board of Trustees. The REIT has certain properties that contain hazardous substances, and management has concluded that the necessary remediation costs will not have a material impact on its operations. The REIT has obtained environmental insurance on certain assets to further manage risk.

CLIMATE CHANGE RISK

The REIT is exposed to risks associated with inclement winter weather, including increased need for maintenance and repair and/or energy costs at its properties. Any of these events might have a material adverse effect on the REIT’s business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

Morguard has a sustainability program which helps the group structure efforts and act on environmental, social and governance risks and opportunities that are most important to its stakeholders. These major areas of focus are:

- decreasing energy and water use; reducing waste and emissions;
- creating excellence in energy and environmental management that result in green building certifications;
- collecting consistent data that tracks and validates its performance towards its objectives;
- reporting transparency;
- engaging investors, employees and tenants to support its initiatives; and
- driving new sustainability ideas and policies that align with this focus area.

RISK OF LOSS NOT COVERED BY INSURANCE

The REIT generally maintains insurance policies related to its business, including casualty, general liability and other policies covering the REIT’s business operations, employees and assets; however, the REIT would be required to bear all losses that are not adequately covered by insurance, as well as any insurance deductibles. In the event of a substantial property loss, the insurance coverage may not be sufficient to pay the full current market value or current replacement cost of the property. In the event of an uninsured loss, the REIT could lose some or all of its capital investment, cash flow and anticipated profits related to one or more properties. Although the REIT believes that its insurance programs are adequate, assurance cannot be provided that the REIT will not incur losses in excess of insurance coverage or that insurance can be obtained in the future at acceptable levels and reasonable cost.

RISK OF NATURAL DISASTER

While the REIT has insurance to cover a substantial portion of damages to properties caused by hurricanes and other natural disasters, the insurance includes deductible amounts, and certain items may not be covered by insurance. The REIT’s operations and properties may be significantly affected by future natural disasters which may expose the REIT to loss of rent and incur additional storm or other natural disaster cleanup costs.

RISK RELATED TO INSURANCE RENEWALS

Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for terrorism. When the REIT's current insurance policies expire, the REIT may encounter difficulty in obtaining or renewing property or casualty insurance on its properties at the same levels of coverage and under similar terms, including limits and deductibles customarily carried for similar properties. Such insurance may be more limited and, for catastrophic risks (for example, earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Even if the REIT were able to renew our policies at levels and with limitations consistent with its current policies, the REIT cannot be sure that it will be able to obtain such insurance at premium rates that are commercially reasonable. If the REIT were unable to obtain adequate insurance on its properties for certain risks, it could cause the REIT to be in default under specific covenants on certain of its indebtedness or other contractual commitments it has that require the REIT to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur or if the REIT were unable to obtain adequate insurance and its properties experienced damages that would otherwise have been covered by insurance, it could adversely affect the REIT's financial condition and the operations of its properties.

LIQUIDITY AND CAPITAL AVAILABILITY RISK

Liquidity risk is the risk that the REIT cannot meet a demand for cash or fund its obligations as they come due. Although a portion of the cash flows generated by the properties is devoted to servicing such outstanding debt, there can be no assurance that the REIT will continue to generate sufficient cash flows from operations to meet interest payments and principal repayment obligations upon an applicable maturity date. If the REIT is unable to meet interest payments and principal repayment obligations, it could be required to renegotiate such payments or issue additional equity or debt or obtain other financing. The failure of the REIT to make or renegotiate interest or principal payments or issue additional equity or debt or obtain other financing could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

The real estate industry is highly capital intensive. The REIT requires access to capital to fund operating expenses, to maintain its properties, to fund its growth strategy and certain other capital expenditures from time to time, and to refinance indebtedness. Although the REIT expects to have access to the existing revolving credit facilities, there can be no assurance that it will otherwise have access to sufficient capital or access to capital on favourable terms. Further, in certain circumstances, the REIT may not be able to borrow funds due to limitations set forth in the Declaration of Trust. Failure by the REIT to access required capital could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

Liquidity and capital availability risks are mitigated by maintaining appropriate levels of liquidity, by diversifying the REIT's sources of funding, by maintaining a well-diversified debt maturity profile and by actively monitoring market conditions.

REPORTING INVESTMENT PROPERTY AT FAIR VALUE

The REIT holds investment property to earn rental income or for capital appreciation, or both. All investment properties are measured using the fair value model under IFRS, whereby changes in fair value are recognized for each reporting period in the consolidated statements of income (loss). Management values each investment property based on the most probable price that a property should be sold for in a competitive and open market as of the specified date under all conditions requisite to a fair sale, such as the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus. Each investment property has been valued on a highest and best-use basis.

There is a risk that general declines in real estate markets or sales of assets by the REIT under financial or other hardship, would have an impact on the fair values reported. Market assumptions applied for valuation purposes do not necessarily reflect the REIT's specific history or experience, and the conditions for realizing the fair values through a sale may change or may not be realized. Consequently, there is a risk that the actual fair values may differ, and the differences may be material. In addition, there is an inherent risk related to the reliance on and use of a single appraiser because this approach may not adequately capture the range of fair values that market participants would assign to the investment properties. Certain ratios and covenants could be negatively affected by downturns in the real estate market and could have a significant impact on the REIT's operating revenues and cash flows, as well as the fair values of the investment properties.

Certain ratios and covenants could be negatively affected by downturns in the real estate market and could have a significant impact on the REIT's operating revenues and cash flows, as well as the fair values of the investment properties.

FINANCING RISK

The REIT is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities secured by the REIT's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. The COVID-19 pandemic and related economic and market conditions may adversely impact credit and capital markets. To minimize this risk, the REIT has structured its debt maturities over a number of years and has negotiated fixed interest rates on substantially all of its mortgages payable.

As at December 31, 2022, the majority of the REIT's mortgages are insured in Canada under the National Housing Act ("NHA") and administered by Canada Mortgage and Housing Corporation ("CMHC") and in the U.S. with Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") or the U.S. Department of Housing and Urban Development ("HUD") insured mortgages. The REIT seeks to manage its financing risk by maintaining a balanced maturity profile with no significant debts coming due in any period.

The use of CMHC, Fannie Mae, Freddie Mac or HUD insured mortgages ("insured mortgages") will assist the REIT in managing its renewal risk, allowing the REIT to increase the overall credit quality of the mortgage and, as such, enable the REIT to obtain preferential interest rates as well as facilitating easier renewal on its due dates. However, there can be no assurance that the renewal of debt will be on as favourable terms as the REIT's existing debt. Insured mortgages are major sources of financing for the multi-family residential sector and any potential reduction in loans, guarantees and credit enhancement arrangements could limit the availability of financing, increase the cost of financing or otherwise decrease the liquidity and credit available to the multi-family residential sector generally and the REIT specifically. To the extent that any insured mortgage financing requires consent or approval that is not obtained or that such consent or approval is only available on unfavourable terms, the REIT may be required to finance a conventional mortgage, which may be less favourable to the REIT than an insured mortgage.

FOREIGN EXCHANGE RISK

A significant portion of the REIT's real estate properties are located in the United States. As a result, the REIT is exposed to foreign currency exchange rate risk with respect to future cash flows derived from the properties located in the United States. The REIT's exposure to exchange rate risk could increase if the proportion of income from properties located in the United States increases as a result of future property acquisitions.

As at December 31, 2022, the Canadian dollar value was US$0.74 compared to US$0.79 a year earlier. The average exchange rate for the year ended December 31, 2022, was US$0.77 compared to US$0.80 during 2021. The weakening of the Canadian dollar during 2022 resulted in an unrealized foreign currency translation gain of approximately $82,290 for the year ended December 31, 2022, recognized in other comprehensive income ("OCI").

The REIT mitigates its foreign currency exposure by offsetting certain revenues earned in United States dollars from its U.S. properties against expenses and liabilities undertaken by the REIT in United States dollars.

INTERNAL CONTROLS

Effective internal controls are necessary for the REIT to provide reliable financial reports and to help prevent fraud. Although the REIT undertakes a number of procedures and Morguard and certain of its subsidiaries implement a number of safeguards, in each case in order to help ensure the reliability of their respective financial reports, including those imposed on the REIT under Canadian securities law, the REIT cannot be certain that such measures ensure that the REIT will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls or difficulties encountered in their implementation could harm the REIT's results of operations or cause it to fail to meet its reporting obligations. If the REIT or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the REIT's consolidated financial statements and materially adversely affect the trading price of the REIT's securities.

The REIT's management has evaluated the effectiveness of the REIT's disclosure controls and procedures and, based on such evaluation, has concluded that their design and operation are adequate and effective as of and for the year ended December 31, 2022. The REIT's management has also evaluated the effectiveness of the internal controls over financial reporting and has concluded that their design and operation are effective as of and for the year ended December 31, 2022.

VOLATILE MARKET PRICE FOR THE REIT'S SECURITIES

The market price for the REIT's securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the REIT's control, including the following: (i) actual or anticipated fluctuations in the REIT's financial performance and future prospects; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT; (iv) addition to or departure of the REIT's executive officers; (v) release or expiration of lock-up or other transfer restrictions on outstanding Units or Class B LP Units; (vi) sales or perceived sales of additional Units; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the REIT's industry or target markets; (ix) liquidity of the REIT's securities; (x) prevailing interest rates; (xi) the market price of other REIT securities; (xii) a decrease in the amount of distributions declared and paid by the REIT; and (xiii) general economic conditions.

Financial markets have, in recent years, experienced significant price and volume fluctuations that have particularly affected the market prices of securities of issuers and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such issuers. Accordingly, the market price of the REIT's securities may decline even if the REIT's financial performance, underlying asset values, or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the REIT's environmental, social and governance practices and performance compared to such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the REIT's securities by those institutions. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil exist for a protracted period of time, the REIT's operations could be adversely impacted and the trading price of the securities may be adversely affected.

DISTRIBUTIONS

As a result of seasonal fluctuations in cash flows or other potential reductions in cash flow, including those that may result from decreases in rental revenues relating to the COVID-19 pandemic and related economic conditions, the REIT from time to time may pay distributions to Unitholders that have exceeded cash flow from operating activities. As a result, the REIT has not funded distributions from alternate sources such as the Morguard Facility, mortgages or other financing instruments, has not made any distributions that have included a return of capital and has not been required to amend any material contracts. There can be no assurance in the future that the REIT will continue to fund distributions entirely from cash from operating activities. In such an event, the REIT may be required to fund its distributions from sources other than operations, such as the Morguard Facility, mortgages or other financial instruments make distributions that include a return of capital; or amend material contracts. In addition, non-cash distributions, such as the issuance of Units under the DRIP, have the effect of increasing the number of Units outstanding, which may cause cash distributions to increase over time assuming stable per Unit cash distribution levels.

DEPENDENCE ON MORGUARD

The REIT is dependent upon Morguard for certain operational, administrative, information system and risk management services relating to the REIT's business. Should Morguard terminate the Asset Management Agreement, the REIT may be required to engage the services of an external asset manager. The REIT may be unable to engage an asset manager on acceptable terms, in which case the REIT's operations and cash available for distribution may be adversely affected. A part of our success depends in part on our ability to attract and retain the services of qualified personnel, especially executive officers who are responsible for making important capital allocation decisions. There is substantial competition for qualified personnel in the real estate industry, and the loss of key qualified personnel could adversely affect the REIT.

SIGNIFICANT OWNERSHIP BY MORGUARD

At the date hereof, Morguard holds an approximately 44.7% effective interest in the REIT through ownership of, or the control or direction over, Units and Class B LP Units. For so long as Morguard maintains a significant effective interest in the REIT, Morguard benefits from certain contractual rights regarding the REIT and the Partnership, such as pre-emptive rights to maintain its *pro rata* ownership interest in the REIT and the Partnership and certain "tag-along" rights to sell a proportionate number of its Units pursuant to a *bona fide* third-party offer to the REIT to purchase any of the securities of a partnership controlled by the REIT on the same terms and conditions set forth in the *bona fide* offer. Morguard has the ability to exercise influence with respect to the affairs of the REIT and significantly affect the outcome of Unitholder votes and also may have the ability to effectively prevent certain fundamental transactions. Morguard's significant effective interest may discourage transactions involving a change of control of the REIT, including transactions in which an investor might otherwise receive a premium for its Units over the then current market price.

POTENTIAL CONFLICTS OF INTEREST WITH MORGUARD

Morguard's continuing businesses may lead to conflicts of interest between Morguard and the REIT. The REIT may not be able to resolve any such conflicts, and, even if it does, the resolution may be less favourable to the REIT than if it were dealing with a party that was not a holder of a significant interest in the REIT. The agreements that the REIT entered into with Morguard may be amended upon agreement between the parties, subject to applicable law and approval of the independent Trustees. Because of Morguard's significant holdings in the REIT, the REIT may not have the leverage to negotiate any required amendments to these agreements on terms as favourable to the REIT as those the REIT could secure with a party that was not a significant holder of Units.

RISK RELATED TO GOVERNMENT REGULATIONS

Certain jurisdictions in Canada and the United States have enacted residential tenancy legislation that, among other things, imposes rent control guidelines that limit the REIT's ability to raise rental rates at its properties. Limits on the REIT's ability to raise rental rates at its properties may materially adversely affect the REIT's ability to increase income from its properties.

In addition to limiting the REIT's ability to raise rental rates, provincial and territorial residential tenancy legislation provides certain rights to tenants, while imposing obligations upon the landlord. Residential tenancy legislation in the provinces of Alberta and Ontario prescribes certain procedures that must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the respective administrative body governing residential tenancies as appointed under a province's residential tenancy legislation, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

Under Ontario's rent control legislation, a landlord is entitled to increase the rent for existing tenants once every 12 months by no more than the "guideline amount" based on the Ontario Consumer Price Index ("CPI"). The guideline increase cannot be more than 2.5%, even if the CPI increase is higher. For the calendar year 2022, the Government of Ontario passed legislation to freeze rent by setting the rental guideline amount at 1.2% (0.0% for 2021). This adjustment is meant to take into account the income of the building and the municipal and school taxes, the insurance bills, the energy costs, maintenance and service costs. Landlords may apply to the Ontario Rental Housing Tribunal for an increase above the guideline amounts if annual costs for heat, hydro, water or municipal taxes have increased significantly or if building security, maintenance and service costs have increased. When a suite is vacated, however, the landlord is entitled to lease the suite to a new tenant at any rental amount, after which annual increases are limited to the applicable guideline amount. The landlord may also be entitled to a greater increase in rent for a suite under certain circumstances, including, for example, where extra expenses have been incurred as a result of a renovation of that suite.

Further, residential tenancy legislation in certain jurisdictions in Canada and the United States provides the tenant with the right to bring certain claims to the respective administrative body seeking an order to, among other things, compel the landlord to comply with health, safety, housing and maintenance standards. As a result, the REIT may, in the future, incur capital expenditures that may not be fully recoverable from tenants. The inability to fully recover substantial capital expenditures from tenants may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

Residential tenancy legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner that will materially adversely affect the ability of the REIT to maintain the historical level of earnings of its properties.

MORGUARD RESIDENTIAL REIT UNITHOLDER TAXATION

The Act contains rules (the "SIFT Rules") that apply to a SIFT. A SIFT includes a publicly listed or traded partnership or trust such as an income trust. Under the SIFT Rules, certain distributions will not be deductible in computing the SIFT trust's taxable income, and the SIFT trust will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT trust as returns of capital should generally not be subject to the tax. The SIFT Rules do not apply to a trust that satisfies certain conditions relating to the nature of its income and investments (the "REIT Exception"). Although, as of the date hereof, management believes that the REIT will be able to meet the requirements of the REIT Exception throughout 2022 and beyond, there can be no assurance that the REIT will be able to qualify for the REIT Exception such that the REIT and the Unitholders will not be subject to the SIFT Rules in 2023 or in future years.

In the event that the SIFT Rules apply to the REIT, the impact to Unitholders will depend on the status of the holder and, in part, on the amount of income distributed, which would not be deductible by the REIT in computing its income in a particular year, and what portions of the REIT's distributions constitute "non-portfolio earnings", other income and returns of capital. The likely effect of the SIFT Rules on the market for Units and on the REIT's ability to finance future acquisitions through the issue of Units or other securities is unclear. If the SIFT Rules apply to the REIT, they may adversely affect the marketability of the Units, the amount of cash available for distributions and the after-tax return to investors.

The REIT intends to comply with the requirements under the Act at all relevant times such that it will maintain its status as a "unit trust" and a "mutual fund trust" for purposes of the Act. Under current law, a trust may lose its status under the Act as a mutual fund trust if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of non-residents, except in limited circumstances. Accordingly, non-residents may not be the beneficial owners of more than 49% of the Units (determined on a basic or a fully diluted basis). The Trustees will also have various powers that can be used for the purpose of monitoring and controlling the extent of non-resident ownership of the Units. The restrictions on the issuance of Units by the REIT to non-residents may negatively affect the REIT's ability to raise financing for future acquisitions or operations. In addition, the non-resident ownership restrictions could have a negative impact on the liquidity of the Units and the market price at which Units can be sold. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting mutual fund trusts will not be changed in a manner that adversely affects Unitholders.

The Act may impose additional withholding or other taxes on distributions made by the REIT to Unitholders who are non-residents. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. Unitholders who are non-residents should consult their own tax advisers.

The Act includes "loss restriction event" ("LRE") rules that could potentially apply to the REIT. In general, the REIT will be subject to an LRE if a person (or group of persons) acquires more than 50% of the fair market value of the Units. If an LRE occurs: (i) the REIT will be deemed to have a year-end for tax purposes immediately before the LRE occurs; (ii) any net income and net realized capital gains of the REIT at such year-end will be distributed to Unitholders to the extent required for the REIT not to be liable for income taxes; and (iii) the REIT will be restricted in its ability to use tax losses (including any unrealized capital losses) that exist at the time of the LRE in taxation years that end after the time of the LRE.

On February 4, 2022, the Department of Finance (Canada) released draft legislation to implement, among other things, some of the tax measures included in the 2021 Federal Budget (the "Proposals"). Included in the Proposals are rules that may limit the amount of interest that certain taxpayers may be able to deduct for tax purposes (the "Interest Rules") which are expected to be effective for the 2024 fiscal year. The Interest Rules are proposed to address base erosion and profit shifting issues arising from taxpayers deducting interest, principally in the context of multinational enterprises and cross-border investments. The Department of Finance (Canada) is reviewing the comments received during the consultation period. Management is reviewing the Interest Rules to assess the impact, if any, on the REIT.

INVESTMENT RESTRICTIONS

The REIT has been structured and operates in adherence to stringent investment restrictions and operating policies as set out in its Declaration of Trust and as applicable under tax laws relating to real estate investment trusts. These policies cover such matters as the type and location of properties that the REIT can acquire, the maximum leverage allowed, environmental matters and investment restrictions. Pursuant to the Declaration of Trust, the REIT's overall leverage is limited to 70% of its reported gross book value.

DEPENDENCE ON THE PARTNERSHIP

The REIT is an unincorporated, open-ended real estate investment trust that is entirely dependent on the operations and assets of the Partnership through the REIT's ownership of a 69.4% limited partnership interest in the Partnership. Cash distributions to holders of Units will be dependent on, among other things, the ability of the Partnership to make cash distributions with respect to the Class A LP Units. The Partnership and its subsidiaries are separate and distinct legal entities. The ability of the Partnership to make cash distributions or other payments or advances will depend on the Partnership's results of operations and may be restricted by, among other things, applicable corporate, tax and other laws and regulations and contractual restrictions contained in the instruments governing any indebtedness of the Partnership (including the Retained Debt), any priority distributions contained in the Limited Partnership Agreement and other agreements governing the Partnership and restrictions contained in the agreements governing the arrangement with the co-owners of certain properties.

UNITHOLDER LIABILITY

The Declaration of Trust provides that no holders of Units will be subject to any liability whatsoever to any person in connection with a holding of Units. In addition, legislation has been enacted in the province of Ontario and certain other provinces that is intended to provide holders of Units in those provinces with limited liability. However, there remains a risk, which is considered by the REIT to be remote in the circumstances, that a holder of Units could be held personally liable for the obligations of the REIT to the extent that claims are not satisfied out of the assets of the REIT. The affairs of the REIT are conducted in a manner to seek to minimize such risk wherever possible.

The Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier will be held to have any personal liability as such, and that no recourse may be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the REIT. Only assets of the REIT are intended to be liable and subject to levy or execution.

The following provinces have legislation relating to Unitholder liability protection: British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Québec. Certain of these statutes have not yet been judicially considered, and it is possible that reliance on such statutes by a Unitholder could be successfully challenged on jurisdictional or other grounds. The Trustees will cause the operations of the REIT to be conducted, with the advice of counsel, in a manner and in such jurisdictions so as to avoid, as far as practicable, any material risk of liability to the Unitholders for claims against the REIT. The Trustees will also cause the REIT to carry insurance, to the extent to which they determine to be possible and reasonable, for the benefit of Unitholders and annuitants in such amounts as they consider adequate to cover non-contractual or non-excluded liability.

TECHNOLOGY AND INFORMATION SECURITY RISK

The REIT uses information technology for general business operations, the effective achievement of strategic business objectives, to improve tenants' experience and to streamline operations. Consequently, the REIT faces information technology risk from its continuous adoption and use of information technology. The risk consists of information technology-related events such as cybersecurity incidents that could potentially have an adverse impact on the REIT's financial condition, IT systems, operations and tenants. Although we make efforts to maintain the security and integrity of our IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts will be effective or that attempted security breaches or disruptions will not be successful or damaging.

The efficient operation of the REIT's business is dependent on computer hardware and software systems operated primarily by Morguard. Information systems are vulnerable to cybersecurity incidents. A cybersecurity incident is considered to be any material adverse event that threatens the confidentiality, integrity or availability of the REIT's information resources. A cybersecurity incident is an intentional attack or an unintentional event including, but not limited to, malicious software, attempts to gain unauthorized access to data or information systems, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. The REIT's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to its business relationships with users, the disclosure of confidential information including personally identifiable information, potential liability to third parties, loss of revenue, additional regulatory scrutiny and fines, as well as litigation and other costs and expenses. Morguard takes data privacy and protection seriously and has implemented processes, procedures and controls to help mitigate these risks. Access to personal data is controlled through physical security and IT security mechanisms. Additionally, Morguard monitors and assesses risks surrounding collection, usage, storage, protection and retention/ destruction practices of personal data. These measures, as well at its increased awareness of a risk of a cyber incident, do not guarantee that the REIT's financial results will not be negatively impacted by such an incident.

The REIT and Morguard depend on relevant and reliable information for decision-making and financial reporting. As the volume of data being generated and reported by the REIT increases and evolves, Morguard will continue to undertake investments in IT systems to store, process and leverage such data. The failure to successfully migrate to new IT systems, or disruptions which may arise as a result of the transition to new IT systems, could result in a lack of relevant and reliable information to enable management to effectively achieve its strategic plan or manage the operations of the REIT, which could negatively affect the reputation, operations and financial performance of the REIT. In addition, any significant loss of data or failure to maintain reliable data could negatively affect the reputation, operations and financial performance of the REIT.

CONTROLS AND PROCEDURES CONCERNING FINANCIAL INFORMATION

The financial certification process project team has documented and assessed the design and effectiveness of the internal controls in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. This undertaking has enabled the Chief Executive Officer and Chief Financial Officer to attest that the design and effectiveness of the internal controls with regard to financial information are effective using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control - Integrated Framework (2013). In order to ensure that the consolidated financial statements and MD&A present fairly, in all material respects, the financial position of the REIT and the results of its operations, management is responsible for establishing and maintaining disclosure controls and procedures, as well as internal control over financial reporting.

The REIT’s management has evaluated the effectiveness of the REIT’s disclosure controls and procedures and, based on such evaluation, has concluded that their design and operation are adequate and effective as of and for the year ended December 31, 2022. The REIT’s management has also evaluated the effectiveness of the internal controls over financial reporting and has concluded that the design and operation are effective as of and for the year ended December 31, 2022.

An information disclosure policy constitutes the framework for the information disclosure process with regard to the annual and interim filings, as well as to other reports filed or submitted under securities legislation. This policy aims in particular at identifying material information and validating the related reporting. Morguard’s Disclosure Committee, established in 2005, is responsible for ensuring compliance with this policy for both Morguard and the REIT. Morguard’s senior management acts as the Disclosure Committee, ensuring compliance with this policy and reviewing main documents to be filed with regulatory authorities to ensure that all significant information regarding operations is communicated in a timely manner.

PART VIII

SELECTED ANNUAL AND QUARTERLY INFORMATION

The following table shows information for revenue from real estate properties, NOI, net income attributable to Unitholders, FFO, total distributions (including Class B LP Units), total assets, non-current financial liabilities, and per Unit amounts for the periods noted.

For the years ended December 31 (In thousands of dollars)	2022	2021	2020
Revenue from real estate properties	**$278,491**	$245,566	$248,683
NOI	**151,215**	129,495	135,533
NOI per Unit(1)			
- basic	**2.68**	2.30	2.41
- diluted	**2.50**	2.14	2.24
Net income attributable to Unitholders	**219,282**	242,088	175,216
Net income attributable to Unitholders per Unit(1)			
- basic	**3.89**	4.30	3.12
- diluted	**3.68**	4.06	2.96
FFO			
- basic	**82,803**	64,770	68,945
- diluted	**86,651**	68,618	72,793
FFO per Unit(1)			
- basic	**1.47**	1.15	1.23
- diluted	**1.43**	1.13	1.20
Total distributions (including Class B LP Units)	**39,588**	39,364	39,334
Distributions per Unit (annualized)	**0.7030**	0.6996	0.6996
Total assets	**3,934,417**	3,473,287	3,084,358
Non-current portion of financial liabilities			
Mortgages payable and Class C LP Units	**1,247,355**	1,191,578	1,102,235
Convertible debentures	**—**	86,319	85,165
Class B LP Units	**279,014**	305,021	274,708
Lease liability	**16,235**	9,065	9,103
Number of suites	**12,849**	13,275	13,275

(1) For the purpose of calculating NOI, net income attributable to Unitholders and FFO per Unit, Class B LP Units are included as Units outstanding on both a basic and diluted basis.

The following table provides a summary of operating results for the last eight quarters.

(In thousands of dollars, except per Unit amounts)	Revenue	NOI	FFO	Net Income (Loss) Attributable to Unitholders	Net Income (Loss) Attributable to Unitholders per Unit	
					Basic	Diluted(1)
December 31, 2022	**$75,076**	**$46,460**	**$23,526**	**($175,846)**	**($3.13)**	**($2.89)**
September 30, 2022	70,766	44,875	21,137	70,097	1.24	1.17
June 30, 2022	67,392	42,456	19,833	162,601	2.89	2.70
March 31, 2022	65,257	17,424	18,307	162,430	2.89	2.70
December 31, 2021	63,475	39,796	16,870	112,610	2.00	1.87
September 30, 2021	61,955	37,142	16,153	83,704	1.49	1.40
June 30, 2021	59,814	37,373	16,128	18,765	0.33	0.33
March 31, 2021	60,322	15,184	15,619	27,009	0.48	0.46

(1) Includes the dilutive impact of the convertible debentures.

SUMMARY OF QUARTERLY RESULTS

A significant portion of the REIT's real estate properties are located in the United States. As a result, the REIT is exposed to foreign currency exchange rate fluctuations with respect to its quarterly results derived from its properties located in the U.S.

Quarterly results fluctuate due to acquisitions and dispositions, the impact of foreign exchange rate fluctuations and mortgage refinancing. In addition, net income (loss) includes a number of non-cash components, such as, fair value gain (loss) on Class B LP Units, fair value gain (loss) on real estate properties, an IFRIC 21 adjustment to realty taxes, equity income (loss) from investments and deferred taxes.

During the fourth quarter of 2022, the REIT disposed of a property comprising 340 suites.

During the third quarter of 2022, the REIT disposed of two properties comprising a total of 484 suites and acquired two properties, one multi-suite residential property comprising 350 suites and one retail property comprising 186,712 square feet of commercial area.

During the second quarter of 2022, the REIT disposed of a property comprising 292 suites.

Revenue and Net Operating Income

The regional distribution of the REIT's suites serves to add stability to the REIT's cash flows because it reduces the REIT's vulnerability to economic fluctuations affecting any particular region. However, tenant retention and leasing vacant suites are critical to maintaining occupancy levels.

In Canada, certain provinces and territories have enacted residential tenancy legislation that, among other things, imposes rent control guidelines that limit the REIT's ability to raise rental rates at its properties. For the calendar year 2022, the Ontario guideline increase amount was established at 1.2% (0.0% for 2021). In addition, overbuilding in the multi-suite residential sector, particularly in the United States, may increase the supply of multi-suite residential properties, further increasing the level of competition in certain markets. Such competition may reduce occupancy rates and rental revenues of the REIT and, consequently, revenue and operating results.

Since the first quarter of 2020, the onset of COVID-19 and stay-at-home orders disrupted normal traffic patterns throughout the Canadian and U.S. portfolios, but remained stable overall with the exception of a few properties directly impacted by university and local business closures.

The REIT has seen steady revenue growth resulting from an increase in Same Property revenue. The increase in revenue is due to improvements in occupancy as well as the REIT's development property which reached stabilized occupancy during October 2021.

As at December 31, 2022, Same Property occupancy in Canada was 98.6% and, although occupancy had declined since the third quarter of 2020 due to continued lower leasing traffic resulting from social distancing restrictions and current economic conditions, it has now been consistently rising since the third quarter of 2021 as leasing traffic starts to normalize after the pandemic. Approximately 79% of the suites in Canada are located in the GTA. The GTA is Canada's most significant economic cluster and contains the largest concentration of people.

As at December 31, 2022, Same Property occupancy in the U.S. was 95.3% as the REIT's overall U.S. occupancy maintained optimum levels, continuing its positive momentum from 2020 and during 2021.

Similar to revenue, NOI has profiled stable and steady growth over the last eight quarters resulting from an increase in revenue and the REIT's ability to control expenses as a percentage of revenue. The impact of foreign exchange rates and the REIT's development property which reached stabilized occupancy during the fourth quarter of 2021 also factored into the variance from quarter to quarter. Furthermore, the first quarter results (three months ended March 31) are impacted by IFRIC 21, whereby the REIT records the entire annual realty tax expense for its U.S. properties on January 1, except for U.S. properties acquired during the year in which the realty taxes are not recorded in the year of acquisition. As a result, the second, third and fourth quarters typically have no realty tax expense, which results in higher NOI and NOI margins.

Net Income (Loss) Attributable to Unitholders

Taking into account the above factors for revenue and NOI variations, the change in net income (loss) is predominantly due to a change in non-cash components described below:

- The REIT valued the Class B LP Units based on the closing price of the TSX-listed Units. The volatility of the stock market from the impact of the global health crisis resulted in a significant decline in the REIT's Unit price as at March 31, 2020 resulting in a fair value gain on the Class B LP Units. Subsequent to the first quarter of 2020, there has been volatility in the trading price of the REIT's Units resulting in a fair value gain/loss on Class B LP Units;
- The REIT has recorded a fair value gain on real estate properties for the years ended December 31, 2022 and 2021, due to an increase in stabilized NOI and compression in capitalization rates at certain properties. During the fourth quarter of 2022, the REIT recorded a fair value loss on its real estate properties due to an increase in capitalization rates at most properties. In addition, equity-accounted investments include non-cash fair value changes on real estate properties;
- The REIT has recorded deferred tax expense coinciding with the fair value gains of the REIT's U.S. real estate properties.

Fourth Quarter Results

For the three months ended December 31 (In thousands of dollars)	2022	2021
Revenue from real estate properties	**$75,076**	$63,475
Property operating expenses		
Property operating costs	**(20,413)**	(17,599)
Realty taxes	**(2,587)**	(1,708)
Utilities	**(5,616)**	(4,372)
Net operating income	**46,460**	39,796
Other expenses (income)		
Interest expense	**17,308**	19,762
Trust expenses	**5,579**	3,840
Equity loss (income) from investments	**6,195**	(874)
Foreign exchange loss	**23**	5
Other income	**(1,675)**	(208)
Income before fair value changes and income taxes	**19,030**	17,271
Fair value gain (loss) on real estate properties, net	**(203,174)**	132,895
Fair value loss on Class B LP Units	**(14,640)**	(10,678)
Income (loss) before income taxes	**(198,784)**	139,488
Provision for (recovery of) income taxes		
Current	**27**	32
Deferred	**(19,514)**	28,800
	(19,487)	28,832
Net income (loss) for the period	**($179,297)**	$110,656
Net income (loss) attributable to:		
Unitholders	**($175,846)**	$112,610
Non-controlling interest	**(3,451)**	(1,954)
	($179,297)	$110,656

The REIT's net loss attributable to Unitholders for the three months ended December 31, 2022, amounted to $175,846, compared to net income of $112,610 for the three months ended December 31, 2021. Non-controlling interest share of net loss during the three months ended December 31, 2022, amounted to a net loss of $3,451, compared to $1,954 for the three months ended December 31, 2021.

The net loss was primarily due to the following:

- An increase in fair value loss on real estate properties of $336,069, resulting from a fair value loss of $203,174 recorded during the fourth quarter of 2022, mainly due to an increase in capitalization rates compared to a fair value gain of $132,895 recorded in 2021;

- An increase in fair value loss on Class B LP Units of $3,962 due to an increase in trading price of the Units during the fourth quarter of 2022 compared to the same period in 2021;
- An increase in equity loss from investments of $7,069, resulting from fair value loss on real estate properties; and
- An increase in trust expenses of $1,739 due to higher asset management fees and distributions.

These items were partially offset by the following:

- A decrease in deferred taxes of $48,314, mainly due to an increase in fair value loss on the REIT's U.S. real estate properties;
- An increase in NOI of $6,664, largely attributable to an increase in revenue, partially offset by higher operating costs;
- A decrease in interest expense of $2,454, mainly due to a loss on tax liability on redemption of Class C LP Units during the fourth quarter of 2021, partly offset by an increase in interest on mortgages payable; and
- An increase in interest income of $1,467, mainly from higher interest income on the Morguard Facility.

SUBSEQUENT EVENT

Subsequent to December 31, 2022, the REIT acquired from Morguard, the remaining 50% interest in Fenestra at Rockville Town Square, comprising 492 residential suites, for a purchase price of $96,840 (US$71,500), excluding closing costs, and assumed mortgages payable of $45,997 (US$33,961).

PART IX

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The REIT's proportionate consolidated financial statements are as follows:

BALANCE SHEETS

		Non-GAAP Adjustments		
As at December 31, 2022	IFRS	NCI Share	Equity Interest	Proportionate Basis (Non-GAAP)
ASSETS				
Non-current assets				
Real estate properties	$3,626,853	($204,271)	$257,540	$3,680,122
Equity-accounted investments	105,462	—	(105,462)	—
	3,732,315	(204,271)	152,078	3,680,122
Current assets				
Morguard Facility	80,695	—	—	80,695
Amounts receivable	11,402	(693)	651	11,360
Prepaid expenses	6,373	(238)	863	6,998
Restricted cash	88,996	(366)	965	89,595
Cash	14,636	(2,354)	2,821	15,103
	202,102	(3,651)	5,300	203,751
	$3,934,417	($207,922)	$157,378	$3,883,873
LIABILITIES AND EQUITY				
Non-current liabilities				
Mortgages payable	$1,247,355	($80,549)	$149,418	$1,316,224
Class B LP Units	279,014	—	—	279,014
Deferred income tax liabilities	262,760	—	—	262,760
Lease liabilities	16,235	—	—	16,235
	1,805,364	(80,549)	149,418	1,874,233
Current liabilities				
Mortgages payable	134,819	(19,361)	3,234	118,692
Convertible debentures	85,126	—	—	85,126
Accounts payable and accrued liabilities	53,719	(6,098)	4,726	52,347
	273,664	(25,459)	7,960	256,165
Total liabilities	2,079,028	(106,008)	157,378	2,130,398
EQUITY				
Unitholders' equity	1,753,475	—	—	1,753,475
Non-controlling interest	101,914	(101,914)	—	—
Total equity	1,855,389	(101,914)	—	1,753,475
	$3,934,417	($207,922)	$157,378	$3,883,873

The following table provides a reconciliation of gross book value and indebtedness as defined in the Declaration of Trust from their IFRS financial statement presentation:

		Non-GAAP Adjustments		
As at December 31, 2022	IFRS	NCI Share	Equity Interest	Proportionate Basis (Non-GAAP)
Total Assets / Gross book value(1)	$3,934,417	($207,922)	$157,378	$3,883,873
Mortgage payable	$1,382,174	($99,910)	$152,652	$1,434,916
Add: deferred financing costs	12,270	(414)	551	12,407
	1,394,444	(100,324)	153,203	1,447,323
Convertible debentures, face value	85,500	—	—	85,500
Lease liabilities	16,235	—	—	16,235
Indebtedness	$1,496,179	($100,324)	$153,203	$1,549,058
Indebtedness / Gross book value	38.0%			39.9%

(1) Gross book value (as defined in the Declaration of Trust) includes the impact of any fair value adjustments.

STATEMENTS OF INCOME

For the three months ended December 31 (In thousands of dollars)	2022 IFRS	2022 Non-GAAP Adjustments NCI Share	2022 Non-GAAP Adjustments Equity Interest	2022 Non-GAAP Adjustments IFRIC 21	2022 Proportionate Basis (Non-GAAP)	2021 IFRS	2021 Non-GAAP Adjustments NCI Share	2021 Non-GAAP Adjustments Equity Interest	2021 Non-GAAP Adjustments IFRIC 21	2021 Proportionate Basis (Non-GAAP)
Revenue from properties										
Same Property										
Gross rental revenue	**$65,110**	**($3,995)**	**$5,725**	**$—**	**$66,840**	$57,985	($3,314)	$4,782	$—	$59,453
Vacancy	**(2,770)**	**158**	**(307)**	**—**	**(2,919)**	(3,699)	177	(242)	—	(3,764)
Ancillary	**5,952**	**(332)**	**358**	**—**	**5,978**	4,081	(260)	37	—	3,858
Same Property	**68,292**	**(4,169)**	**5,776**	**—**	**69,899**	58,367	(3,397)	4,577	—	59,547
Disposition/Acquisition/Development	**6,784**	**—**	**—**	**—**	**6,784**	5,108	—	—	—	5,108
Total revenue from properties	**75,076**	**(4,169)**	**5,776**	**—**	**76,683**	63,475	(3,397)	4,577	—	64,655
Property operating expenses										
Same Property										
Operating costs	**17,605**	**(1,026)**	**1,515**	**—**	**18,094**	15,602	(942)	1,382	—	16,042
Realty taxes	**2,581**	**400**	**(1,010)**	**5,230**	**7,201**	2,006	44	(44)	5,983	7,989
Utilities	**5,215**	**(111)**	**197**	**—**	**5,301**	4,173	(143)	202	—	4,232
Same Property	**25,401**	**(737)**	**702**	**5,230**	**30,596**	21,781	(1,041)	1,540	5,983	28,263
Disposition/Acquisition/Development	**3,215**	**—**	**—**	**588**	**3,803**	1,898	—	—	768	2,666
Total property operating expenses	**28,616**	**(737)**	**702**	**5,818**	**34,399**	23,679	(1,041)	1,540	6,751	30,929
NOI										
Same Property	**42,891**	**(3,432)**	**5,074**	**(5,230)**	**39,303**	36,586	(2,356)	3,037	(5,983)	31,284
Disposition/Acquisition/Development	**3,569**	**—**	**—**	**(588)**	**2,981**	3,210	—	—	(768)	2,442
Total NOI(1)	**46,460**	**(3,432)**	**5,074**	**(5,818)**	**42,284**	39,796	(2,356)	3,037	(6,751)	33,726
Other expenses (income)										
Interest expense	**17,308**	**(927)**	**1,328**	**—**	**17,709**	19,762	(866)	1,257	—	20,153
Trust expenses	**5,579**	**(111)**	**153**	**—**	**5,621**	3,840	(76)	178	—	3,942
Equity loss (income) from investments	**6,195**	**—**	**(6,195)**	**—**	**—**	(874)	—	874	—	—
Foreign exchange gain	**23**	**—**	**—**	**—**	**23**	5	—	—	—	5
Other income	**(1,675)**	**—**	**—**	**—**	**(1,675)**	(208)	—	—	—	(208)
Income before fair value changes and income taxes	**19,030**	**(2,394)**	**9,788**	**(5,818)**	**20,606**	17,271	(1,414)	728	(6,751)	9,834
Fair value gain (loss) on real estate properties, net	**(203,174)**	**5,845**	**(9,788)**	**5,818**	**(201,299)**	132,895	3,368	(728)	6,751	142,286
Fair value loss on Class B LP Units	**(14,640)**	**—**	**—**	**—**	**(14,640)**	(10,678)	—	—	—	(10,678)
Income (loss) before income taxes	**(198,784)**	**3,451**	**—**	**—**	**(195,333)**	139,488	1,954	—	—	141,442
Provision for (recovery of) income taxes										
Current	**27**	**—**	**—**	**—**	**27**	32	—	—	—	32
Deferred	**(19,514)**	**—**	**—**	**—**	**(19,514)**	28,800	—	—	—	28,800
	(19,487)	**—**	**—**	**—**	**(19,487)**	28,832	—	—	—	28,832
Net income (loss) for the period	**($179,297)**	**$3,451**	**$—**	**$—**	**($175,846)**	$110,656	$1,954	$—	$—	$112,610
(1) NOI included the following:										
IFRIC 21	**($5,577)**	**$673**	**($914)**	**$5,818**	**$—**	($6,372)	$802	($1,181)	$6,751	$—

The following table provides a reconciliation of interest and indebtedness coverage ratios from their IFRS financial statement presentation:

For the three months ended December 31 (In thousands of dollars)	2022 IFRS	2022 Non-GAAP Adjustments NCI Share	2022 Non-GAAP Adjustments Equity Interest	2022 Non-GAAP Adjustments IFRIC 21	2022 Proportionate Basis (Non-GAAP)	2021 IFRS	2021 Non-GAAP Adjustments NCI Share	2021 Non-GAAP Adjustments Equity Interest	2021 Non-GAAP Adjustments IFRIC 21	2021 Proportionate Basis (Non-GAAP)
NOI	**$46,460**	**($3,432)**	**$5,074**	**($5,818)**	**$42,284**	$39,796	($2,356)	$3,037	($6,751)	$33,726
IFRIC 21 adjustment	**(5,577)**	**673**	**(914)**	**5,818**	**—**	(6,372)	802	(1,181)	6,751	—
Trust expenses	**(5,579)**	**111**	**(153)**	**—**	**(5,621)**	(3,840)	76	(178)	—	(3,942)
Other income	**1,675**	**—**	**—**	**—**	**1,675**	208	—	—	—	208
	$36,979	**($2,648)**	**$4,007**	**$—**	**$38,338**	$29,792	($1,478)	$1,678	$—	$29,992
Interest expense	**$17,308**	**($927)**	**$1,328**	**$—**	**$17,709**	$19,762	($866)	$1,257	$—	$20,153
Fair value gain (loss) on conversion option on the convertible debentures	**147**	**—**	**—**	**—**	**147**	(276)	—	—	—	(276)
Loss on tax liability on redemption of Class C LP Units	**—**	**—**	**—**	**—**	**—**	(3,775)	—	—	—	(3,775)
Distributions on Class B LP Units	**(3,071)**	**—**	**—**	**—**	**(3,071)**	(3,012)	—	—	—	(3,012)
	$14,384	**($927)**	**$1,328**	**$—**	**$14,785**	$12,699	($866)	$1,257	$—	$13,090
Interest coverage ratio	**2.57**				**2.59**	2.35				2.29
Indebtedness coverage ratio	**1.64**				**1.65**	1.50				1.50

STATEMENTS OF INCOME (CONTINUED)

For the year ended December 31 (In thousands of dollars)	2022 IFRS	2022 Non-GAAP Adjustments NCI Share	2022 Non-GAAP Adjustments Equity Interest	2022 Non-GAAP Adjustments IFRIC 21	2022 Proportionate Basis (Non-GAAP)	2021 IFRS	2021 Non-GAAP Adjustments NCI Share	2021 Non-GAAP Adjustments Equity Interest	2021 Proportionate Basis (Non-GAAP)
Revenue from properties									
Same Property									
Gross rental revenue	**$248,857**	**($14,762)**	**$21,139**	**$—**	**$255,234**	$225,269	($12,903)	$19,130	$231,496
Vacancy	**(12,552)**	**716**	**(1,108)**	**—**	**(12,944)**	(14,203)	621	(2,240)	(15,822)
Ancillary	**19,821**	**(1,257)**	**862**	**—**	**19,426**	16,254	(914)	308	15,648
Same Property	**256,126**	**(15,303)**	**20,893**	**—**	**261,716**	227,320	(13,196)	17,198	231,322
Disposition/Acquisition/Development	**22,365**	**—**	**—**	**—**	**22,365**	18,246	—	—	18,246
Total revenue from properties	**278,491**	**(15,303)**	**20,893**	**—**	**284,081**	245,566	(13,196)	17,198	249,568
Property operating expenses									
Same Property									
Operating costs	**66,167**	**(3,881)**	**5,586**	**—**	**67,872**	58,536	(3,529)	4,965	59,972
Realty taxes	**30,451**	**(2,197)**	**2,806**	**—**	**31,060**	30,178	(2,783)	3,954	31,349
Utilities	**19,058**	**(505)**	**909**	**—**	**19,462**	17,105	(553)	859	17,411
Same Property	**115,676**	**(6,583)**	**9,301**	**—**	**118,394**	105,819	(6,865)	9,778	108,732
Disposition/Acquisition/Development	**11,600**	**—**	**—**	**(22)**	**11,578**	10,252	—	—	10,252
Total property operating expenses	**127,276**	**(6,583)**	**9,301**	**(22)**	**129,972**	116,071	(6,865)	9,778	118,984
NOI									
Same Property	**140,450**	**(8,720)**	**11,592**	**—**	**143,322**	121,501	(6,331)	7,420	122,590
Disposition/Acquisition/Development	**10,765**	**—**	**—**	**22**	**10,787**	7,994	—	—	7,994
Total NOI[1]	**151,215**	**(8,720)**	**11,592**	**22**	**154,109**	129,495	(6,331)	7,420	130,584
Other expenses (income)									
Interest expense	**63,681**	**(3,550)**	**5,117**	**—**	**65,248**	65,719	(3,466)	5,031	67,284
Trust expenses	**19,356**	**(334)**	**627**	**—**	**19,649**	14,392	(264)	634	14,762
Equity income from investments	**(3,822)**	**—**	**3,822**	**—**	**—**	(2,691)	—	2,691	—
Foreign exchange loss (gain)	**(69)**	**—**	**—**	**—**	**(69)**	15	—	—	15
Other income	**(3,549)**	**—**	**—**	**—**	**(3,549)**	(83)	—	—	(83)
Income before fair value changes and income taxes	**75,618**	**(4,836)**	**2,026**	**22**	**72,830**	52,143	(2,601)	(936)	48,606
Fair value gain on real estate properties, net	**208,275**	**(15,445)**	**(2,026)**	**(22)**	**190,782**	288,662	(285)	936	289,313
Fair value gain (loss) on Class B LP Units	**26,007**	**—**	**—**	**—**	**26,007**	(30,313)	—	—	(30,313)
Income before income taxes	**309,900**	**(20,281)**	**—**	**—**	**289,619**	310,492	(2,886)	—	307,606
Provision for income taxes									
Current	**132**	**—**	**—**	**—**	**132**	126	—	—	126
Deferred	**70,205**	**—**	**—**	**—**	**70,205**	65,392	—	—	65,392
	70,337	**—**	**—**	**—**	**70,337**	65,518	—	—	65,518
Net income for the year	**$239,563**	**($20,281)**	**$—**	**$—**	**$219,282**	$244,974	($2,886)	$—	$242,088
(1) NOI included the following:									
IFRIC 21	**$22**	**$—**	**$—**	**($22)**	**$—**	$—	$—	$—	$—

The following table provides a reconciliation of interest and indebtedness coverage ratios from their IFRS financial statement presentation:

For the year ended December 31 (In thousands of dollars)	2022 IFRS	2022 Non-GAAP Adjustments NCI Share	2022 Non-GAAP Adjustments Equity Interest	2022 Non-GAAP Adjustments IFRIC 21	2022 Proportionate Basis (Non-GAAP)	2021 IFRS	2021 Non-GAAP Adjustments NCI Share	2021 Non-GAAP Adjustments Equity Interest	2021 Proportionate Basis (Non-GAAP)
NOI	**$151,215**	**($8,720)**	**$11,592**	**$22**	**$154,109**	$129,495	($6,331)	$7,420	$130,584
IFRIC 21 adjustment	**22**	**—**	**—**	**(22)**	**—**	—	—	—	—
Trust expenses	**(19,356)**	**334**	**(627)**	**—**	**(19,649)**	(14,392)	264	(634)	(14,762)
Other income	**3,549**	**—**	**—**	**—**	**3,549**	83	—	—	83
	$135,430	**($8,386)**	**$10,965**	**$—**	**$138,009**	$115,186	($6,067)	$6,786	$115,905
Interest expense	**$63,681**	**($3,550)**	**$5,117**	**$—**	**$65,248**	$65,719	($3,466)	$5,031	$67,284
Loss on extinguishment of mortgages	**(181)**	**—**	**—**	**—**	**(181)**	—	—	—	—
Fair value gain (loss) on conversion option on the convertible debentures	**1,934**	**—**	**—**	**—**	**1,934**	(451)	—	—	(451)
Loss on tax liability on redemption of Class C LP Units	**—**	**—**	**—**		**—**	(3,775)	—	—	(3,775)
Distributions on Class B LP Units	**(12,108)**	**—**	**—**	**—**	**(12,108)**	(12,049)	—	—	(12,049)
	$53,326	**($3,550)**	**$5,117**	**$—**	**$54,893**	$49,444	($3,466)	$5,031	$51,009
Interest coverage ratio	**2.54**				**2.51**	2.33			2.27
Indebtedness coverage ratio	**1.58**				**1.56**	1.52			1.50

PART X

OUTLOOK

The Canadian multi-suite residential rental market recovery continued to unfold in the second half of 2022, building on the gains made over the past year. Healthy demand fundamentals were observed across much of the country. Economic growth and the resulting jobs created, supported positive rental demand momentum through to the end of 2022. Rental demand strengthened even more with the arrival of a record 437,000 international migrants in 2022. Additionally, rising interest rates forced many renter families to continue renting accommodation, thereby further stabilizing demand in Canada’s multi-suite residential rental sector. The positive rental demand momentum drove vacancy levels moderately lower in most of the country’s major urban centres. Generally, demand outpaced supply throughout 2022. As a result, average monthly rents continued to rise and reach record-high levels in most regions of the country.

Canada’s multi-suite residential sector is expected to continue to exhibit healthy performance characteristics in 2023. Rental demand will stabilize, despite a weak economic and job growth outlook. Demand will ensure rental market conditions remain tight, with relatively few options for families and individuals looking to rent accommodation in several markets. Positive demand fundamentals coupled with available supply constraints will ensure rents hold at the peak for the cycle, with the potential for slight increases in the tightest of markets. While the rental market outlook is generally positive, investment market activity will remain muted through the first half of 2023.

The U.S. multi-suite residential purpose-built rental market recovery slowed substantially during the second half of 2022, following a period of record-breaking performance. The national vacancy rate began to rise and ended up being 130 basis points higher than a year earlier. Supply outpaced demand through much of 2022. With supply outstripping demand, rent growth slowed significantly from the record inflation rates of 2021 and early 2022. The recovery will continue to moderate in 2023. The national economy is projected to slow considerably in the first half of 2023, which will have a negative impact on job growth and rental demand. New supply will remain elevated through much of 2023, which will drive vacancy higher. By the end of 2023, the national vacancy rate is projected to rise year-over-year, according to CoStar. Rent growth will moderate in 2023, with the national average rent rising year-over-year. The rent growth moderation will be in keeping with the broader sector trend.

CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Morguard North American Residential Real Estate Investment Trust and its subsidiaries (the "REIT"), which comprise the consolidated balance sheets as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in unitholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the REIT as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the REIT in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Valuation of real estate properties

Key Audit Matter	How our audit addressed the key audit matter
The REIT's real estate property portfolio comprises income producing properties with a fair value of \$3.6 billion which represents 92% of total assets as at December 31, 2022. Fair value of real estate properties is based on external and internal valuations, carried out by third party and certified staff appraisers respectively, using recognized valuation techniques. The valuation methodology for these real estate properties is primarily based on an income approach, utilizing the direct capitalization method. Recent real estate transactions with characteristics and locations similar to the REIT's assets are also considered when developing the valuations. Note 2 of the consolidated financial statements describes the accounting policy for real estate properties, including the valuation method and valuation inputs. Note 3 of the consolidated financial statements discloses the sensitivity of the fair value of real estate properties to a change in capitalization rates. The valuation of the REIT's real estate property portfolio is a key audit matter given the inherently subjective nature of significant assumptions including capitalization rates, and assumptions involved in determining stabilized net operating income, including vacancy and rental income. These assumptions are influenced by property specific characteristics including location, type and quality of the properties.	With the assistance of our real estate valuation specialists, we evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others: • We assessed the competence and objectivity of management's valuation team, and any third-party appraisers engaged, by reviewing the qualifications and expertise of the individuals involved in the preparation and review of the valuations. • We selected a sample of properties where either the fair value change from prior year or significant assumptions fell outside our expectations, based on our understanding of the geographical real estate market for the specific asset type. For this sample of real estate properties, we evaluated the significant assumptions, including capitalization rates and stabilized net operating income which includes vacancy and rental income, by comparison to the expected real estate market benchmark range for similar assets, in similar locations. We also considered whether there were any additional asset-specific characteristics that may impact the significant assumptions utilized and that these were appropriately considered in the overall assessment of fair value. • We assessed the accuracy of management's historical fair value estimates through comparison to transactions to acquire and dispose of interests in real estate properties completed by the REIT during the year. • We evaluated the REIT's critical accounting policies and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRSs.

Other information

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

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

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

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the REIT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the REIT or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the REIT's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the REIT to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the REIT to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with *those charged with governance*, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kim Tang.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 14, 2023

BALANCE SHEETS

In thousands of Canadian dollars

As at December 31	Note	2022	2021
ASSETS			
Non-current assets			
Real estate properties	3	**$3,626,853**	$3,256,158
Equity-accounted investments	5	**105,462**	96,376
		3,732,315	3,352,534
Current assets			
Morguard Facility	9	**80,695**	70,000
Amounts receivable		**11,402**	7,188
Prepaid expenses		**6,373**	5,202
Restricted cash	3	**88,996**	11,801
Cash		**14,636**	26,562
		202,102	120,753
		$3,934,417	$3,473,287
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	6	**$1,247,355**	$1,191,578
Convertible debentures	7	**—**	86,319
Class B LP Units	8	**279,014**	305,021
Deferred income tax liabilities	17	**262,760**	175,229
Lease liabilities	10	**16,235**	9,065
		1,805,364	1,767,212
Current liabilities			
Mortgages payable	6	**134,819**	96,977
Convertible debentures	7	**85,126**	—
Accounts payable and accrued liabilities	11	**53,719**	47,713
		273,664	144,690
Total liabilities		**2,079,028**	1,911,902
EQUITY			
Unitholders' equity		**1,753,475**	1,484,738
Non-controlling interest		**101,914**	76,647
Total equity		**1,855,389**	1,561,385
		$3,934,417	$3,473,287

Commitments and contingencies 21

See accompanying notes to the consolidated financial statements.

On behalf of the Trustees:

(Signed) "K. Rai Sahi"

K. Rai Sahi,
Trustee

(Signed) "Mel Leiderman"

Mel Leiderman,
Trustee

STATEMENTS OF INCOME

In thousands of Canadian dollars

For the years ended December 31	Note	2022	2021
Revenue from real estate properties	13	**$278,491**	$245,566
Property operating expenses			
Property operating costs		**(74,226)**	(65,645)
Realty taxes		**(33,080)**	(32,522)
Utilities		**(19,970)**	(17,904)
Net operating income		**151,215**	129,495
Other expenses (income)			
Interest expense	14	**63,681**	65,719
Trust expenses	15	**19,356**	14,392
Equity income from investments	5	**(3,822)**	(2,691)
Foreign exchange loss (gain)		**(69)**	15
Other income	9	**(3,549)**	(83)
Income before fair value changes and income taxes		**75,618**	52,143
Fair value gain on real estate properties, net	3	**208,275**	288,662
Fair value gain (loss) on Class B LP Units	8	**26,007**	(30,313)
Income before income taxes		**309,900**	310,492
Provision for income taxes	17		
Current		**132**	126
Deferred		**70,205**	65,392
		70,337	65,518
Net income for the year		**$239,563**	$244,974
Net income attributable to:			
Unitholders		**$219,282**	$242,088
Non-controlling interest		**20,281**	2,886
		$239,563	$244,974

See accompanying notes to the consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

In thousands of Canadian dollars

For the years ended December 31	2022	2021
Net income for the year	**$239,563**	$244,974
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified subsequently to net income:		
Unrealized foreign currency translation gain (loss)	**82,290**	(1,191)
Total comprehensive income for the year	**$321,853**	$243,783
Total comprehensive income attributable to:		
Unitholders	**$295,402**	$241,175
Non-controlling interest	**26,451**	2,608
	$321,853	$243,783

See accompanying notes to the consolidated financial statements.

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

In thousands of Canadian dollars

	Note	Units	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Unitholders' Equity	Non-controlling Interest	Total Equity
Unitholders' equity, December 31, 2020		$469,210	$48,762	$682,824	$69,333	$1,270,129	$77,490	$1,347,619
Changes during the year:								
Net income		—	—	242,088	—	242,088	2,886	244,974
Other comprehensive loss		—	—	—	(913)	(913)	(278)	(1,191)
Issue of Units - DRIP		749	—	(749)	—	—	—	—
Distributions		—	—	(26,566)	—	(26,566)	(3,451)	(30,017)
Unitholders' equity, December 31, 2021		$469,959	$48,762	$897,597	$68,420	$1,484,738	$76,647	$1,561,385
Changes during the year:								
Net income		**—**	**—**	**219,282**	**—**	**219,282**	**20,281**	**239,563**
Other comprehensive income		**—**	**—**	**—**	**76,120**	**76,120**	**6,170**	**82,290**
Issue of Units - DRIP	12(d)	**815**	**—**	**(815)**	**—**	**—**	**—**	**—**
Distributions	12(d)	**—**	**—**	**(26,665)**	**—**	**(26,665)**	**(1,184)**	**(27,849)**
Unitholders' equity, December 31, 2022		**$470,774**	**$48,762**	**$1,089,399**	**$144,540**	**$1,753,475**	**$101,914**	**$1,855,389**

See accompanying notes to the consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

For the years ended December 31	Note	2022	2021
OPERATING ACTIVITIES			
Net income		**$239,563**	$244,974
Add (deduct) items not affecting cash	18(a)	**(164,912)**	(186,584)
Additions to tenant incentives		**(934)**	(1,721)
Distributions from equity-accounted investments	5	**1,796**	283
Net change in non-cash operating assets and liabilities	18(b)	**(340)**	6,744
Cash provided by operating activities		**75,173**	63,696
INVESTING ACTIVITIES			
Proceeds from sale of income producing properties, net	3	**250,857**	—
Acquisition of income producing properties	3	**(221,096)**	—
Additions to real estate properties	3	**(40,819)**	(30,012)
Contributions to equity-accounted investments	5	**—**	(1,288)
Cash used in investing activities		**(11,058)**	(31,300)
FINANCING ACTIVITIES			
Proceeds from new mortgages	3, 6	**212,633**	194,207
Financing cost on new mortgages		**(2,507)**	(4,647)
Repayment of mortgages			
Principal instalment repayments		**(32,535)**	(26,573)
Repayment on maturity	6	**(78,271)**	(2,424)
Repayment due to mortgage extinguishment	3	**(65,075)**	—
Redemption of Class C LP Units including tax payment	6	**—**	(84,690)
Principal payment of lease liabilities	10	**(8)**	—
Proceeds from Morguard Facility		**74,786**	63,938
Advances on and repayments of Morguard Facility		**(83,661)**	(140,359)
Distributions to Unitholders		**(26,665)**	(26,564)
Distributions to non-controlling interest		**(1,184)**	(3,451)
Increase in restricted cash	3	**(76,393)**	(2,490)
Cash used in financing activities		**(78,880)**	(33,053)
Net decrease in cash during the year		**(14,765)**	(657)
Net effect of foreign currency translation on cash balance		**2,839**	(85)
Cash, beginning of year		**26,562**	27,304
Cash, end of year		**$14,636**	$26,562

See accompanying notes to the consolidated financial statements.

NOTES

For the years ended December 31, 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 December 31, 2022, Morguard Corporation ("Morguard"), the parent company of the REIT, holds an indirect 44.7% (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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved and authorized for issue by the Board of Trustees on February 14, 2023.

Basis of Presentation

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

Basis of Consolidation

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

Non-controlling Interest

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

Income Producing Properties

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

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

Interests in Joint Arrangements

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

Classification of Units and Class B LP Units

Units

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

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

Class B LP Units

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

Financial Instruments

Recognition and Measurement of Financial Instruments

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

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

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

Transaction Costs

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

Fair Value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability; or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

Cash and Cash Equivalents

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

Convertible Debentures

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

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

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

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

Revenue Recognition

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

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

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

Income Taxes

The REIT is a “mutual fund trust” pursuant to the *Income Tax Act* (Canada) (the “Act”). Under current tax legislation, a real estate investment trust is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes, provided that its taxable income is fully distributed to Unitholders. The REIT intends to continue to qualify as a real estate investment trust and to make distributions of not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes in Canada. Accordingly, no current or deferred income taxes have been recorded in the consolidated financial statements for the REIT’s Canadian properties.

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

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

Foreign Exchange

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

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

	2022	2021
Canadian dollar to United States dollar exchange rates:		
- As at December 31	**$0.7383**	$0.7888
- Average for the year ended December 31	**0.7686**	0.7978
United States dollar to Canadian dollar exchange rates:		
- As at December 31	**1.3544**	1.2678
- Average for the year ended December 31	**1.3011**	1.2535

Distributions

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

Reportable Operating Segments

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

Critical Judgments in Applying Accounting Policies

The following are the critical judgments that have been made in applying the REIT's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

Income Producing Properties

The REIT's accounting policies relating to income producing properties are described above. In applying these policies, judgment has been applied in determining whether certain costs are additions to the carrying amount of the property, and, for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property. The key assumptions in the valuation of the REIT's income producing properties are further defined in Note 3.

Joint Arrangements

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

Basis of Consolidation

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

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

Income Taxes
Under current tax legislation, a real estate investment trust is not liable to pay Canadian income taxes, provided that its taxable income is fully distributed to Unitholders during the year. The REIT is a real estate investment trust if it meets prescribed conditions under the Act relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the REIT Conditions and has assessed their interpretation and application to the REIT's Canadian assets and revenue, and it has determined that it qualifies as a real estate investment trust. The REIT expects to qualify as a real estate investment trust under the Act; however, should it no longer qualify, it would not be able to flow through its taxable income to Unitholders, and the REIT would, therefore, be subject to tax on its Canadian properties.

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

In determining estimates of fair market value for the REIT's income producing properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Significant estimates used in determining fair value of the REIT's income producing properties include capitalization rates and stabilized net operating income (which is primarily influenced by revenue growth, vacancy rates, inflation rates and operating costs). Should any of these underlying assumptions change, actual results could differ from the estimated amounts. The critical estimates and assumptions underlying the valuation of income producing properties are outlined in Note 3.

Future Accounting Policy Changes
Amendments to IAS 1, Classification of Liabilities as Current or Non-Current ("IAS 1")
The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendments to IAS 1 are effective for reporting periods beginning on or after January 1, 2024 and are not expected to have a material impact on the REIT's consolidated financial statements.

Amendments to IAS 1, Non-Current Liabilities with Covenants
The amendments aim to improve the information companies provide about long-term debt with covenants. The amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements.

The amendments to IAS 1 are effective for reporting periods beginning on or after January 1, 2024 and are not expected to have a material impact on the REIT's consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies
The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 and IFRS Practice Statement 2 are effective for reporting periods beginning on or after January 1, 2023 and are not expected to have a material impact on the REIT's consolidated financial statements.

Amendments to IAS 8, Definition of Accounting Estimates ("IAS 8")
The amendments aim to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments to IAS 8 are effective for reporting periods beginning on or after January 1, 2023 and are not expected to have a material impact on the REIT's consolidated financial statements.

NOTE 3
REAL ESTATE PROPERTIES

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

As at December 31	2022	2021
Balance, beginning of year	**$3,256,158**	$2,941,241
Additions:		
Acquisition of income producing properties	**221,096**	—
Capital expenditures	**40,819**	30,012
Right-of-use assets (Note 10)	**6,643**	—
Dispositions	**(250,857)**	—
Fair value gain, net	**208,253**	288,662
Foreign currency translation	**145,077**	(4,200)
Other	**(336)**	443
Balance, end of year	**$3,626,853**	$3,256,158

Transactions completed during the year ended December 31, 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 $46,751 (US$34,085), including closing costs. The retail property is part of a mixed-use complex where the REIT owns the residential property ("Fenestra at Rockville Town Square").

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).

On October 6, 2022, the REIT sold a multi-suite residential property located in Coconut Creek, Florida, comprising 340 suites, for net proceeds of $124,914 (US$91,052), including closing costs, and repaid the mortgage payable secured by the property in the amount of $28,055 (US$20,450).

The REIT is pursuing a tax deferred exchange under Internal Revenue Code Section 1031 ("1031 Exchange") in connection with its U.S. property dispositions. Under a 1031 Exchange, subject to certain conditions, the REIT will be able to defer tax payable upon the acquisition of a replacement property. In addition, a 1031 Exchange requires a qualified intermediary to hold the net sale proceeds until they are used to buy a replacement property or up to 180 days if no replacement property is acquired. As at December 31, 2022, net proceeds amounting to $83,959 (US$61,990) are held with a qualified intermediary and are presented as restricted cash on the consolidated balance sheets.

As at December 31, 2022, and 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.

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

Key assumptions used in determining the valuation of income producing properties include estimates of capitalization rates and stabilized net operating income (which is primarily influenced by revenue growth, vacancy rates, inflation rates and operating costs), pertain to forward-looking assumptions and market evidence, and accordingly could materially and adversely impact the underlying valuation of the REIT's income producing properties.

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

As at December 31, 2022, using the direct capitalization income approach, the properties were valued using capitalization rates in the range of 3.8% to 6.0% (2021 - 3.5% to 6.5%) applied to a stabilized net operating income of $161,168 (2021 - $140,018), resulting in an overall weighted average capitalization rate of 4.4% (2021 - 4.3%).

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

	December 31, 2022					December 31, 2021				
	Occupancy Rates		**Capitalization Rates**			Occupancy Rates		Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Canada										
Alberta	**96.0%**	**96.0%**	**5.3%**	**5.3%**	**5.3%**	96.0%	96.0%	5.0%	5.0%	5.0%
Ontario	**97.5%**	**96.5%**	**4.3%**	**3.8%**	**3.9%**	97.5%	96.0%	4.3%	3.5%	3.7%
United States										
Colorado	**95.0%**	**95.0%**	**4.8%**	**4.8%**	**4.8%**	95.0%	95.0%	4.8%	4.8%	4.8%
Texas	**95.0%**	**95.0%**	**4.8%**	**4.5%**	**4.7%**	95.0%	95.0%	4.8%	4.8%	4.8%
Louisiana	**95.0%**	**95.0%**	**5.5%**	**5.5%**	**5.5%**	95.0%	95.0%	6.5%	5.5%	5.7%
Illinois	**95.0%**	**95.0%**	**4.8%**	**4.8%**	**4.8%**	95.0%	95.0%	4.5%	4.5%	4.5%
Georgia	**96.0%**	**95.0%**	**5.3%**	**4.8%**	**5.0%**	96.0%	95.0%	5.3%	4.8%	5.1%
Florida	**96.0%**	**93.6%**	**6.0%**	**4.5%**	**5.1%**	96.0%	93.5%	6.0%	4.5%	5.1%
North Carolina	**94.0%**	**94.0%**	**5.0%**	**4.8%**	**4.9%**	94.0%	94.0%	5.0%	4.8%	4.9%
Virginia	**95.0%**	**95.0%**	**4.5%**	**4.5%**	**4.5%**	95.0%	95.0%	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 December 31, 2022 would decrease by $189,521 or increase by $212,295, respectively.

NOTE 4

SUBSIDIARIES WITH NON-CONTROLLING INTEREST

As at December 31, 2022, and 2021, the REIT owns a 51% effective interest in a limited partnership (the "LP"). The LP owns a garden-style property comprising 252 suites located in Cooper City, Florida ("2940 Solano at Monterra"), and a high-rise property comprising 515 suites and approximately 20,000 square feet of commercial area located in Chicago, Illinois ("Coast at Lakeshore East").

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

As at December 31	2022	2021
Non-current assets	**$399,006**	$339,770
Current assets	**5,649**	3,490
Total assets	**$404,655**	$343,260
Non-current liabilities	**$194,681**	$184,833
Current liabilities	**9,797**	10,176
Total liabilities	**$204,478**	$195,009
Equity	**$200,177**	$148,251
Non-controlling interest	**$98,087**	$72,643

For the years ended December 31	2022	2021
Revenue from income producing properties	**$30,113**	$25,891
Expenses	**(20,717)**	(21,026)
Fair value gain (loss) on income producing properties	**32,357**	(551)
Net income for the year	**$41,753**	$4,314
Non-controlling interest	**$20,459**	$2,114

For the years ended December 31	2022	2021
Cash provided by operating activities	**$8,551**	$6,085
Cash used in investing activities	**(1,704)**	(757)
Cash used in financing activities	**(6,524)**	(3,863)
Net increase in cash during the year	**$323**	$1,465

NOTE 5

EQUITY-ACCOUNTED INVESTMENTS

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

			REIT's Ownership		Carrying Value	
Property	Principal Place of Business	Type	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Fenestra	Rockville, MD	Joint Venture	**50%**	50%	**$52,857**	$46,721
Marquee at Block 37	Chicago, IL	Joint Venture	**50%**	50%	**52,605**	49,655
					$105,462	$96,376

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

As at December 31	2022	2021
Balance, beginning of year	**$96,376**	$93,005
Additions	**—**	1,288
Distributions received	**(1,796)**	(283)
Share of net income	**3,822**	2,691
Foreign exchange gain (loss)	**7,060**	(325)
Balance, end of year	**$105,462**	$96,376

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

As at December 31	2022	2021
Non-current assets	**$515,080**	$485,315
Current assets	**10,600**	8,675
Total assets	**$525,680**	$493,990
Non-current liabilities	**$298,836**	$285,796
Current liabilities	**15,920**	15,442
Total liabilities	**$314,756**	$301,238
Net assets	**$210,924**	$192,752
Equity-accounted investments	**$105,462**	$96,376

For the years ended December 31	2022	2021
Revenue	**$41,786**	$34,396
Expenses	**(30,090)**	(30,887)
Fair value gain (loss) on income producing properties	**(4,052)**	1,873
Net income for the year	**$7,644**	$5,382
Income in equity-accounted investments	**$3,822**	$2,691

NOTE 6
MORTGAGES PAYABLE

Mortgages payable consists of the following:

As at December 31	2022	2021
Principal balance of mortgages	**$1,394,444**	$1,300,873
Deferred financing costs	**(12,270)**	(12,318)
	$1,382,174	$1,288,555
Current	**$134,819**	$96,977
Non-current	**1,247,355**	1,191,578
	$1,382,174	$1,288,555
Range of interest rates	**2.03–5.79%**	2.03–4.11%
Weighted average interest rate	**3.50%**	3.31%
Weighted average term to maturity (years)	**4.9**	5.0
Fair value of mortgages	**$1,291,966**	$1,335,670

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 amounted to $11,687 (US$9,136), 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 amounted to $30,198 (US$23,469), and had an interest rate of 3.78%.

On December 30, 2022, the REIT completed the refinancing of a multi-suite residential property located in Cooper City, Florida, in the amount of $37,282 (US$27,500) at a floating interest rate calculated at the 30-day average Secured Overnight Financing Rate ("SOFR") plus 2.06% and for a term of five years. The maturing mortgage amounted to $36,386 (US$26,839), was open and prepayable at no penalty before its scheduled maturity on January 1, 2023, and had an interest rate of 3.86%.

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.

The aggregate principal repayments and balances maturing of the mortgages payable as at December 31, 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
2023	$30,538	$106,787	$137,325	3.36%
2024	27,949	140,446	168,395	3.28%
2025	20,595	183,293	203,888	3.27%
2026	14,856	168,383	183,239	3.24%
2027	13,353	90,557	103,910	4.64%
Thereafter	39,648	558,039	597,687	3.55%
	$146,939	$1,247,505	$1,394,444	3.50%

Class C LP Units

During 2012, Morguard retained the mortgages on four properties ("Retained Debt") that were sold to the REIT and also retained the deferred financing costs associated with the Retained Debt. Morguard remained responsible for the interest and principal payments on the Retained Debt, and the Retained Debt was secured by a charge on the properties. In consideration of the Retained Debt, Morguard received Class C limited partnership units of the Partnership ("Class C LP Units") on which distribution payments were made in an amount expected to be sufficient to permit Morguard to satisfy amounts payable with respect to: (i) the principal and interest under the Retained Debt; and (ii) the amount of tax that is due and payable that is reasonably attributable to any redemption of and distributions on the Class C LP Units.

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

At the time of redemption of the Class C LP Units, the present value of the REIT's tax obligation on Class C LP Units amounted to $12,934 compared to the carrying value of $9,559, resulting in a loss on tax liability on redemption of Class C LP Units of $3,775 (Note 14).

NOTE 7
CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at December 31	2022	2021
4.50% convertible unsecured subordinated debentures	**$85,223**	$85,223
Fair value of conversion option	**94**	2,028
Unamortized financing costs	**(191)**	(932)
	$85,126	$86,319
Current	**$85,126**	$—
Non-current	**—**	86,319
	$85,126	$86,319

For the year ended December 31, 2022, interest on the convertible debentures amounting to $3,848 (2021 - $3,848) is included in interest expense (Note 14). As at December 31, 2022, $980 (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 December 31, 2022, and 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 8

CLASS B LP UNITS

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

As at December 31, 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 $279,014 (2021 - $305,021) and a corresponding fair value gain for the year ended December 31, 2022 of $26,007 (2021 - loss of $30,313).

For the year ended December 31, 2022, distributions on Class B LP Units amounting to $12,108 (2021 - $12,049) are included in interest expense (Note 14).

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

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

As at December 31, 2022, the total amount receivable under the Morguard Facility was $80,695 (2021 - $70,000).

During the year ended December 31, 2022, the REIT recorded net interest income of $2,982 (2021 - $33) on the Morguard Facility.

NOTE 10
LEASE LIABILITIES

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

As at December 31	2022	2021
Balance, beginning of year	**$9,065**	$9,103
Interest on lease liabilities (Note 14)	**565**	429
Payments	**(573)**	(429)
Additions	**6,643**	—
Foreign exchange loss (gain)	**535**	(38)
	$16,235	$9,065

In connection with the acquisition of Rockville Town Square (Note 3), the REIT assumed a land lease with an annual lease payment of $376, expiring 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 liabilities are as follows:

As at December 31	2022	2021
Within 12 months	**$972**	$434
2 to 5 years	**4,125**	1,888
Over 5 years	**27,915**	10,445
Total minimum lease payments	**33,012**	12,767
Less: Future interest costs	**(16,777)**	(3,702)
Present value of minimum lease payments	**$16,235**	$9,065

NOTE 11
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at December 31	2022	2021
Accounts payable and accrued liabilities	**$44,982**	$36,056
Tenant deposits	**8,737**	11,657
	$53,719	$47,713

NOTE 12
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 8, 2022, the REIT had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 1,478,869 Units and $4,024 principal amount of the 2018 Debentures. The program expired on January 7, 2023. On January 6, 2023, the REIT obtained the approval of the TSX under its NCIB, commencing January 10, 2023, to purchase up to 1,474,371 Units, being approximately 5% of the public float of outstanding Units; the program expires on January 9, 2024. The daily repurchase restriction for the Units is 8,461. 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 $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 years ended December 31, 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 December 31, 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	**47,528**	**815**
Balance, December 31, 2022	**39,111,793**	**$470,774**

Total distributions declared during the year ended December 31, 2022, amounted to $27,480, or $0.7030 per Unit (2021 - $27,315, or $0.6996 per Unit), including distributions payable of $2,347 that were declared on December 15, 2022, and paid on January 16, 2023. On January 16, 2023, the REIT declared a distribution of $0.06 per Unit payable on February 15, 2023.

(e) Distribution Reinvestment Plan
Under the REIT's Distribution Reinvestment Plan ("DRIP"), Unitholders can elect to reinvest cash distributions into additional Units at a weighted average closing price of the Units on the TSX for the five trading days immediately preceding the applicable date of distribution. During the year ended December 31, 2022, the REIT issued 47,528 Units under the DRIP (2021 - 44,438 Units).

NOTE 13
RENTAL INCOME

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

For the years ended December 31	2022	2021
Rental income	**$141,147**	$123,004
Property management and ancillary income	**96,637**	83,885
Property tax and insurance	**40,707**	38,677
	$278,491	$245,566

NOTE 14
INTEREST EXPENSE

The components of interest expense are as follows:

For the years ended December 31	2022	2021
Interest on mortgages	**$45,465**	$38,807
Interest and tax payment on Class C LP Units	**—**	3,286
Interest on convertible debentures (Note 7)	**3,848**	3,848
Interest on lease liability (Note 10)	**565**	429
Amortization of deferred financing costs	**2,707**	2,371
Amortization of deferred financing costs on the convertible debentures (Note 7)	**741**	703
Fair value loss (gain) on conversion option on the convertible debentures (Note 7)	**(1,934)**	451
Loss on tax liability on redemption of Class C LP Units (Note 6)	**—**	3,775
Loss on extinguishment of mortgages payable	**181**	—
	51,573	53,670
Distributions on Class B LP Units (Note 8)	**12,108**	12,049
	$63,681	$65,719

NOTE 15
TRUST EXPENSES

The components of trust expenses are as follows:

For the years ended December 31	2022	2021
Asset management fees and distributions	**$16,579**	$11,944
Professional fees	**1,209**	915
Public company expenses	**819**	768
Other	**749**	765
	$19,356	$14,392

NOTE 16
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. For the year ended December 31, 2022, fees and distributions amounted to $10,174 (2021 - $8,970) and are included in property operating costs and equity income from investments. As at December 31, 2022, $737 (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. For the year ended December 31, 2022, fees and distributions amounted to $17,193 (2021 - $12,543) and are included in trust expenses and equity income from investments. As at December 31, 2022, $3,210 (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. For the year ended December 31, 2022, fees relating to acquisition services amounted to $1,581 (2021 - $nil) 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. For the year ended December 31, 2022, fees relating to financing services amounted to $325 (2021 - $292) and have been capitalized to deferred financing costs.

Other Services
As at December 31, 2022, and 2021, the REIT had its portfolio appraised by Morguard's appraisal division. For the year ended December 31, 2022, fees relating to appraisal services amounted to $212 (2021 - $210) and are included in trust expenses.

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

NOTE 17
INCOME TAXES
(a) Canadian Status
The REIT is a "mutual fund trust" pursuant to the Act. Under current tax legislation, a mutual fund trust that is not a Specified Investment Flow-Through ("SIFT") trust pursuant to the Act is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes, provided that its taxable income is fully distributed to Unitholders. The REIT intends to continue to qualify as a mutual fund trust that is not a SIFT trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

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

(c) Provision for Income Taxes

For the years ended December 31	2022	2021
Current income taxes	**$132**	$126
Deferred income taxes		
Impact of foreign tax rates	**$78,831**	$63,286
Impact of change in foreign tax rate	**1,686**	2,221
Recognition of the benefit of tax losses	**(10,382)**	—
Other	**70**	(115)
	$70,205	$65,392
Provision for income taxes	**$70,337**	$65,518

(d) The Major Components of Deferred Income Tax Liabilities

As at December 31	2022	2021
Real estate properties	**$286,096**	$186,352
Net operating losses	**(15,078)**	(8,760)
Interest expense limitation	**(7,195)**	(2,223)
Other	**(1,063)**	(140)
Total net deferred income tax liabilities	**$262,760**	$175,229

(e) The REIT's Tax Losses

As at December 31, 2022, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$nil (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.

As at December 31, 2022, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$44,622 (2021 - US$27,780) of which deferred tax assets were recognized as it is probable that taxable profit will be available against such losses. The total net operating losses comprise US$16,996 (2021 - US$nil) that will expire in various years commencing in 2032 and US$27,626 (2021 - US$27,780) that can be carried forward indefinitely.

As at December 31, 2022, the REIT's U.S. subsidiaries have a total of US$20,929 (2021 - US$6,827) of unutilized interest expense deductions on which deferred tax assets were recognized.

NOTE 18

CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Items Not Affecting Cash

For the years ended December 31	2022	2021
Fair value gain on real estate properties, net	**($208,253)**	($288,662)
Fair value loss (gain) on Class B LP Units	**(26,007)**	30,313
Fair value loss (gain) on conversion option on the convertible debentures	**(1,934)**	451
Equity income from investments	**(3,822)**	(2,691)
Amortization of deferred financing - mortgages	**2,707**	2,187
Amortization of deferred financing - Class C LP Units	**—**	184
Amortization of deferred financing - convertible debentures	**741**	703
Present value adjustment of tax liability on Class C LP Units	**—**	486
Loss on tax liability on redemption of Class C LP Units	**—**	3,775
Loss on extinguishment of mortgages payable	**181**	—
Amortization of tenant incentives	**1,270**	1,278
Deferred income taxes	**70,205**	65,392
	($164,912)	($186,584)

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

For the years ended December 31	2022	2021
Amounts receivable	**($3,806)**	($1,556)
Prepaid expenses	**(891)**	2,576
Accounts payable and accrued liabilities	**4,357**	5,724
	($340)	$6,744

(c) Supplemental Cash Flow Information

For the years ended December 31	2022	2021
Interest paid	**$49,009**	$44,941

(d) Reconciliation of Liabilities Arising from Financing Activities

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

As at December 31, 2022	Mortgages Payable	Convertible Debentures	Lease Liability	Total
Balance, beginning of year	**$1,288,555**	**$86,319**	**$9,065**	**$1,383,939**
Repayments	**(32,535)**	**—**	**(8)**	**(32,543)**
New financing, net of financing costs	**210,126**	**—**	**6,643**	**216,769**
Lump-sum repayments	**(143,346)**	**—**	**—**	**(143,346)**
Non-cash changes	**2,888**	**(1,193)**	**—**	**1,695**
Foreign exchange	**56,486**	**—**	**535**	**57,021**
Balance, end of year	**$1,382,174**	**$85,126**	**$16,235**	**$1,483,535**

NOTE 19

MANAGEMENT OF CAPITAL

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

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

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

As at December 31	2022	2021
Mortgages payable, principal balance	**$1,394,444**	$1,300,873
Convertible debentures, face value	**85,500**	85,500
Lease liabilities	**16,235**	9,065
Class B LP Units	**279,014**	305,021
Unitholders' equity	**1,753,475**	1,484,738
	$3,528,668	$3,185,197

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

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

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

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

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

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

As at December 31	Borrowing Limits	**2022**	2021
Total debt to gross book value	70%	**38.0%**	40.2%
Floating-rate debt to gross book value	20%	**0.9%**	—%

NOTE 20

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Fair Value of Financial Assets and Liabilities

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

Mortgages payable, lease liabilities 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 December 31, 2022, market rates for debts of similar terms (Level 2). Based on these assumptions, as at December 31, 2022, the fair value of the mortgages payable before deferred financing costs is estimated at $1,291,966 (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 December 31, 2022, the fair value of the convertible debentures before deferred financing costs has been estimated at $85,081 (2021 - $86,868), compared with the carrying value of $85,223 (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:

	December 31, 2022			December 31, 2021		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$3,626,853**	$—	$—	$3,256,158
Financial liabilities:						
Class B LP Units	**279,014**	**—**	**—**	305,021	—	—
Conversion option of the convertible debentures	**—**	**94**	**—**	—	2,028	—

Risks Associated with Financial Assets and Liabilities

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

(a) Market Risk

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

Interest Rate Risk

The REIT is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be refinanced on terms as favourable as those of the existing indebtedness. For the year ended December 31, 2022, the increase or decrease in annual net income for each 1% change in interest rates on floating-rate debt would amount to $372.

The REIT's objective when managing interest rate risk is to minimize the volatility of the REIT's income. As at December 31, 2022, interest rate risk has been minimized because substantially all of the long-term debt is financed at fixed interest rates with maturities scheduled over a number of years.

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

Foreign Exchange Risk

The REIT is exposed to foreign exchange risk as it relates to its U.S. income producing properties due to fluctuations in the exchange rate between Canadian and United States dollars. Changes in the exchange rate may result in a reduction or an increase of reported earnings and OCI. For the year ended December 31, 2022, a $0.05 change in the United States to Canadian dollar exchange rate would have resulted in approximately a change to net income or loss of $10,749 and a change to OCI of $35,713.

The REIT's objective when managing foreign exchange risk is to mitigate the exposure from fluctuations in the exchange rate by maintaining U.S. dollar-denominated debt against its U.S. assets, which amounted to US$649,804 as at December 31, 2022 (2021 - US$604,861). The REIT currently does not hedge translation exposures.

(b) Credit Risk

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

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

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

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

As at December 31	2022	2021
Trade receivables	**$5,039**	$3,288
Less: Allowance for doubtful accounts	**(1,537)**	(1,282)
Total trade receivables, net	**$3,502**	$2,006

(c) Liquidity Risk
Liquidity risk is the risk the REIT will encounter difficulties in meeting its financial liability obligations. The REIT is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be able to be refinanced. The REIT's objectives in minimizing liquidity risk are to maintain appropriate levels of leverage on its real estate assets and to stagger the debt maturity profile. As at December 31, 2022, the REIT was holding cash of $14,636 and had access to an additional $19,305 through the Morguard Facility.

NOTE 21
COMMITMENTS AND CONTINGENCIES
(a) Land Leases
The REIT has classified its land leases as a lease liability under the assumption that substantially all the risks and rewards incidental to ownership have been transferred.

The minimum annual rental payments for the REIT's land leases are payable over the next five years and thereafter as follows:

2023	US$718
2024	731
2025	772
2026	772
2027	772
Thereafter	99,671

The REIT assumed a land lease in connection with a property located in Falls Church, Virginia, that expires in 2113. The REIT has the option to purchase the land in September 2029 for US$7,150.

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

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

The REIT assumed a land lease in connection with the acquisition of Rockville Town Square (Note 3) that expires on September 1, 2061.

Ground Lease #2	Annual rental expense
From September 1, 2022 to August 31, 2023	US$376
Every year thereafter to September 1, 2061	Consumer Price Index Adjustment

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

In the Province of Ontario, the REIT is subject to, and believes it has complied with, the *Residential Tenancies Act, 2006* (Ontario). Each year, the Ontario government determines the province's residential rent increase for existing tenants. In 2022, the rental guideline increase was 1.2% (2021 - 0.0%).

NOTE 22

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:

	December 31, 2022			December 31, 2021		
For the years ended	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Revenue from real estate properties	**$99,413**	**$179,078**	**$278,491**	$92,882	$152,684	$245,566
Property operating expenses	**(44,736)**	**(82,540)**	**(127,276)**	(41,637)	(74,434)	(116,071)
Net operating income	**$54,677**	**$96,538**	**$151,215**	$51,245	$78,250	$129,495

	December 31, 2022			December 31, 2021		
As at	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Real estate properties	**$1,452,230**	**$2,174,623**	**$3,626,853**	$1,501,650	$1,754,508	$3,256,158
Mortgages payable	**$507,757**	**$874,417**	**$1,382,174**	$525,905	$762,650	$1,288,555

	December 31, 2022			December 31, 2021		
For the years ended	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Additions to real estate properties	**$20,053**	**$241,862**	**$261,915**	$11,126	$18,886	$30,012
Fair value gain (loss) on real estate properties	**($69,328)**	**$277,603**	**$208,275**	$76,160	$212,502	$288,662

NOTE 23

SUBSEQUENT EVENT

Subsequent to December 31, 2022, the REIT acquired from Morguard, the remaining 50% interest in Fenestra at Rockville Town Square (Note 5), comprising 492 residential suites, for a purchase price of $96,840 (US$71,500), excluding closing costs, and assumed mortgages payable of $45,997 (US$33,961).