**Morguard North American Residential REIT**

# Management's Discussion and Analysis & Consolidated Financial Statements

2024

Fourth Quarter Report

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, 2024. 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, 2024, 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, 2024 and 2023. This MD&A is based on financial information prepared in accordance with International Financial Reporting Standards ("IFRS") and is dated February 11, 2025. 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.sedarplus.ca 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 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 failure to comply with, governmental regulations; liability and other claims asserted against the REIT; risks and uncertainties relating to pandemics or epidemics 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.

## 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 one U.S. property (two U.S. properties prior to January 5, 2023) 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 in 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 in 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 in 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 in 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 (loss) 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 (loss) 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 (loss) attributable to Unitholders (an IFRS measure) to FFO is presented in 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 in 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 in 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’ distributions plus distributions on the Class B LP Units is presented in 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 in 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 in 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 plotted against the balance at maturity of the REIT's mortgages payable. Included in the analysis is an equity-accounted investment at the REIT's interest. The presentation of LTV against its corresponding mortgage maturity balance 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 LTV by year, plotted against the REIT's mortgage maturity profile, is presented in 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's capital management measures:

### TOTAL CAPITALIZATION

Total capitalization as disclosed in the notes to the REIT's audited consolidated financial statements for the years ended December 31, 2024 and 2023 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 flows 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.

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

| As at December 31<br>(In thousands of dollars, except as noted otherwise) | 2024 | 2023 |
|---|---|---|
| **Operational Information** | | |
| Number of properties | **43** | 43 |
| Total suites | **13,089** | 13,089 |
| Occupancy percentage - Canada | **97.2%** | 98.7% |
| Occupancy percentage - U.S. | **93.8%** | 94.2% |
| AMR - Canada (in actual dollars) | **$1,772** | $1,674 |
| AMR - U.S. (in actual U.S. dollars) | **US$1,907** | US$1,875 |
| **Summary of Financial Information** | | |
| Gross book value[1] | **$4,571,631** | $4,095,931 |
| Indebtedness[1] | **$1,816,598** | $1,583,311 |
| Indebtedness to gross book value ratio[1] | **39.7%** | 38.7% |
| Weighted average mortgage interest rate | **3.88%** | 3.72% |
| Weighted average term to maturity on mortgages payable (years) | **5.2** | 4.9 |
| Exchange rates - United States dollar to Canadian dollar | **$1.44** | $1.32 |
| Exchange rates - Canadian dollar to United States dollar | **$0.69** | $0.76 |

(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 a substitute for related financial information prepared in accordance with IFRS. Additional information on this non-GAAP financial measure/ratio can be found in Part I, "Specified Financial Measures."

| For the years ended December 31<br>(In thousands of dollars, except per Unit amounts) | 2024 | 2023 |
|---|---|---|
| **Summary of Financial Information** | | |
| Interest coverage ratio[1] | **2.33** | 2.48 |
| Indebtedness coverage ratio[1] | **1.60** | 1.64 |
| Revenue from real estate properties | **$344,188** | $331,620 |
| NOI | **$181,420** | $180,240 |
| Proportionate NOI[1] | **$181,211** | $178,756 |
| Same Property Proportionate NOI[1] | **$176,852** | $175,327 |
| NOI margin - IFRS | **52.7%** | 54.4% |
| NOI margin - Proportionate[1] | **53.0%** | 54.2% |
| Net income | **$99,396** | $185,281 |
| FFO - basic[1] | **$89,859** | $91,942 |
| FFO - diluted[1] | **$93,219** | $95,550 |
| FFO per Unit - basic[1] | **$1.65** | $1.65 |
| FFO per Unit - diluted[1] | **$1.64** | $1.63 |
| Distributions per Unit | **$0.74336** | $0.72334 |
| FFO payout ratio[1] | **45.0%** | 43.8% |
| Weighted average number of Units outstanding (in thousands): | | |
| Basic[2] | **54,387** | 55,662 |
| Diluted[2][3] | **56,706** | 58,501 |
| Average exchange rates - United States dollar to Canadian dollar | **$1.37** | $1.35 |
| Average exchange rates - Canadian dollar to United States dollar | **$0.73** | $0.74 |

(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 a substitute for related financial information prepared in accordance with IFRS. Additional information on this non-GAAP financial measure/ratio can be found in 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 convertible debentures.

## REAL ESTATE PROPERTIES

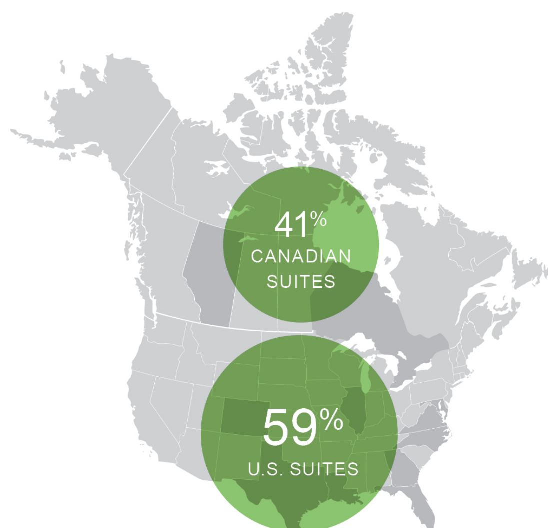
As at December 31, 2024, the REIT's multi-suite residential property portfolio consists of 16 Canadian properties and 27 U.S. properties, having a total of 13,089 residential suites and 239,500 square feet of commercial area. The properties are primarily located in urban centres and major suburban regions in Alberta, Ontario, Colorado, Texas, Louisiana, Illinois, Georgia, Florida, North Carolina, Virginia and Maryland.

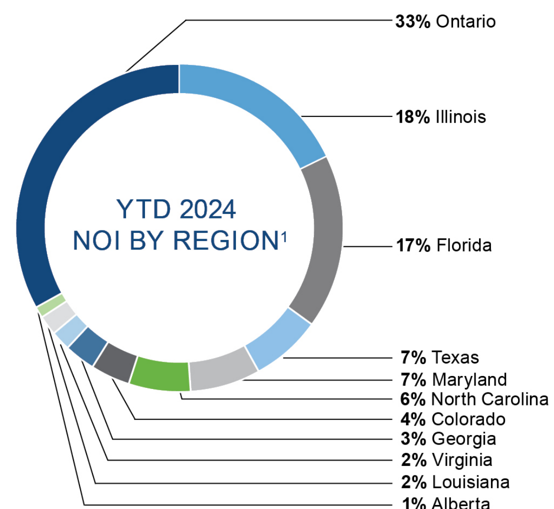
Approximately 79% of the suites in Canada are located in Toronto and Mississauga, which form part of the Greater Toronto Area ("GTA"). The GTA is Canada's most significant economic cluster and contains the largest concentration of people. The regional distribution of the remaining suites serves to add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

The following table details the regional distribution of the REIT's portfolio as at December 31, 2024:

| 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 | 2.1% | $54,700 |
| **Ontario** | | | | |
| Mississauga | 7 | 2,219 | 17.0% | 877,000 |
| Toronto | 6 | 1,997 | 15.3% | 526,840 |
| Other(2) | 2 | 842 | 6.4% | 255,400 |
| | **16** | **5,335** | **40.8%** | **$1,713,940** |
| **U.S. Properties** | | | | |
| **Colorado** | 2 | 454 | 3.5% | $181,014 |
| **Texas** | 3 | 1,021 | 7.8% | 292,528 |
| **Louisiana** | 2 | 249 | 1.9% | 66,765 |
| **Illinois** | 4 | 1,795 | 13.7% | 942,051 |
| **Georgia** | 2 | 522 | 4.0% | 150,509 |
| **Florida** | 9 | 2,253 | 17.2% | 724,774 |
| **North Carolina** | 2 | 864 | 6.6% | 272,096 |
| **Virginia** | 1 | 104 | 0.8% | 72,089 |
| **Maryland**(3) | 2 | 492 | 3.7% | 282,073 |
| | **27** | **7,754** | **59.2%** | **$2,983,899** |
| **Total** | **43** | **13,089** | **100.0%** | **$4,697,839** |

(1) Total suites and fair value of real estate properties include non-controlling interest; the REIT, on a proportionate basis, has ownership of12,315 suites. Fair value of real estate properties represents the sum of income producing properties ($4,333,075) and equity-accounted investment properties ($364,764) inclusive of non-controlling interest share.
(2) Other Ontario includes one property in each of Kitchener and Ottawa.
(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.

## 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, 2024 | AMR/Suite at December 31, 2023 | % Change | Occupancy at December 31, 2024 | Occupancy at December 31, 2023 |
|---|---|---|---|---|---|
| **Canadian Properties (in Canadian dollars)** | | | | | |
| **Alberta** | **$1,514** | $1,410 | **7.4%** | **96.0%** | 97.5% |
| **Ontario** | | | | | |
| Mississauga[1] | **1,996** | 1,875 | **6.5%** | **96.3%** | 98.9% |
| Toronto | **1,581** | 1,504 | **5.1%** | **98.3%** | 98.9% |
| Other[2] | **1,715** | 1,640 | **4.6%** | **97.6%** | 97.8% |
| Total Ontario | **1,786** | 1,689 | **5.7%** | **97.3%** | 98.8% |
| **Total Canada (in Canadian dollars)** | **$1,772** | $1,674 | **5.9%** | **97.2%** | 98.7% |
| **U.S. Properties (in U.S. dollars)** | | | | | |
| **Colorado** | **$1,826** | $1,796 | **1.7%** | **91.3%** | 94.2% |
| **Texas** | **1,634** | 1,661 | **(1.6%)** | **95.3%** | 94.9% |
| **Louisiana** | **1,631** | 1,623 | **0.5%** | **91.0%** | 84.8% |
| **Illinois** | **2,747** | 2,651 | **3.6%** | **93.9%** | 94.9% |
| **Georgia** | **1,579** | 1,610 | **(1.9%)** | **95.8%** | 95.2% |
| **Florida** | **1,757** | 1,736 | **1.2%** | **93.7%** | 93.9% |
| **North Carolina** | **1,462** | 1,448 | **1.0%** | **92.7%** | 93.5% |
| **Virginia** | **2,586** | 2,469 | **4.7%** | **99.0%** | 98.1% |
| **Maryland** | **2,273** | 2,139 | **6.3%** | **93.5%** | 96.3% |
| **Total U.S. (in U.S. dollars)** | **$1,907** | $1,875 | **1.7%** | **93.8%** | 94.2% |
| **Total (in local currencies)** | **$1,849** | $1,789 | **3.4%** | **95.3%** | 96.1% |

(1) For periods prior to the second quarter of 2024, 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 and Ottawa.

### CANADIAN PROPERTIES

As at December 31, 2024, Canadian AMR per suite was $1,772, an increase of 5.9% compared to December 31, 2023. Sequentially, Canadian AMR at December 31, 2024 increased by 1.0%, compared to $1,754 at September 30, 2024.

Effective January 1, 2024, the Ontario guideline rental rate increase is 2.5% (2023 - 2.5%). The REIT also experienced rental rate growth from above-guideline increases ("AGI") at several properties upon the completion of capital projects as well as rental rate increases on suite turnover. In addition, within the Ontario portfolio, the REIT has filed AGI applications relating to eligible capital repairs, providing the ability to increase rents upon approval from the Landlord and Tenant Board.

The REIT continued to experience steady demand, which allowed the REIT to increase rents from below market rates as suites turned over. During the year ended December 31, 2024, the REIT's Canadian portfolio turned over 547 suites, or 10.3% of total suites, and achieved AMR growth of 23.1% on suite turnover. Overall, Canadian turnover was lower compared to 11.3% achieved during the year ended December 31, 2023.

As at December 31, 2024, AMR at the REIT's single property in Edmonton, Alberta, increased by 7.4% compared to December 31, 2023. The property typically has increased turnover during the summer months as a high proportion of tenants attend nearby universities, which has allowed the REIT to increase rental rates. Over the past year the Edmonton market experienced a recovery as economic conditions improved. There are no restrictions regarding annual rent increases in Alberta, which provides flexibility to increase rent with increased demand.

Occupancy within the REIT's Ontario region decreased to 97.3% at December 31, 2024, compared to 98.8% at December 31, 2023. During the second quarter of 2024, the REIT completed the reconstruction of 36 suites at a property located in Mississauga, Ontario, that were previously impacted by a fire, which contributed to the decrease in occupancy as the suites became available; four suites remain vacant. The newly constructed suites feature stainless steel appliances and have been upgraded to include in-suite washer/dryers, providing strong AMR uplift.

As at December 31, 2024, occupancy at the REIT's single property located in Edmonton, Alberta, at 96.0%, decreased from 97.5% at December 31, 2023 and, sequentially, occupancy increased compared to 94.2% at September 30, 2024. During the year, the REIT's Edmonton property had stable occupancy resulting from increased demand as economic conditions improved.

As at December 31, 2024, occupancy in Canada decreased to 97.2%, compared to 98.7% at December 31, 2023, and sequentially, occupancy decreased slightly compared to 97.8% at September 30, 2024. Lower occupancy was mainly due to increased competition from condominium rentals and newly built apartment rentals coming to market.

### U.S. PROPERTIES

As at December 31, 2024, U.S. AMR per suite was US$1,907, an increase of 1.7% compared to December 31, 2023. AMR growth was led by Maryland, Virginia, Illinois, Colorado and Florida, as these regions continue to show signs of solid market fundamentals. Specifically, Maryland's AMR rose by 6.3%, primarily due to continued strong rental demand. Sequentially, U.S. AMR at December 31, 2024 decreased slightly by 0.2%, compared to US$1,911 at September 30, 2024.

The REIT has successfully provided higher than normal AMR growth over the past several years, which during the second half of 2024 began to normalize. Management's focus aims to balance rent growth, traffic and renewal exposure. With affordable single family homes remaining in short supply, occupancy overall rebounded during the fourth quarter, especially in Texas and Georgia, positioning these markets for rental growth next year. The REIT is focused on achieving steady AMR growth and maintaining stable occupancy throughout the portfolio.

As at December 31, 2024, AMR at the REIT's properties located in Chicago increased by 3.6% compared to December 31, 2023, due to stabilize occupancy and sustained rental demand. With limited new inventory coming online in downtown Chicago over the next two years, management's focus will continue to find the optimal balance of occupancy and market rent growth. To that end, market rents for the REIT's Chicago assets are expected to remain stable as we work through the slower winter leasing season.

As at December 31, 2024, AMR at the REIT's properties located in Florida increased by 1.2% compared to December 31, 2023, and sequentially, AMR decreased slightly by 0.4% compared to September 30, 2024, as rental incentives were offered to curb lower occupancy. As a result, occupancy at the REIT's properties in Florida increased to 93.7%, compared to 91.3% at September 30, 2024 as demand remained strong, with the exception of the Pensacola region.

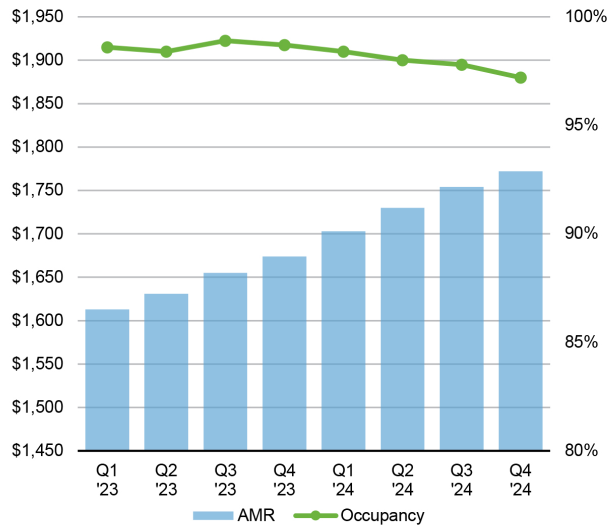
As at December 31, 2024, U.S. occupancy decreased slightly to 93.8%, compared to 94.2% at December 31, 2023. Management's active leasing and renewal strategies, which include rent monitoring and management of lease term exposure, continue to provide stable occupancy while maintaining solid rent growth. While the U.S. economy remains strong with low unemployment and declining inflation, the REIT continues to benefit from higher interest rates alongside elevated insurance rates, making home ownership difficult for many and renting the more affordable choice. The REIT's Maryland and Colorado markets saw the largest drop in occupancy year over year, due mainly to tenants relocating, whether due to job relocation, commuting, moving out of state or cost of living increases. Currently, Maryland and Colorado properties are leased at 94.7% and 96.0%, respectively, further evidence that management's strategy of minimizing renewal increases, offering rental incentives and reducing rents on stale vacant suites is driving occupancy higher. Further, in order to maintain relevance, retain current tenants and attract new ones, the REIT's capital reinvestment includes suite renovations, improvements to recreation facilities, refurbishing of common areas, maintaining its building mechanicals and waterproofing its exterior facades.

Sequentially, as at December 31, 2024, U.S. occupancy of 93.8% increased compared to 91.7% as at September 30, 2024. The increase in occupancy can be attributed to a slight decrease in AMR since September 30, 2024 and the use of rental incentives in select markets. Moving forward, management is well positioned for modest AMR growth, while maintaining stable occupancy throughout the portfolio. Looking ahead, management expects occupancy to remain stable through the slower winter leasing season and into the spring for the majority of its markets.

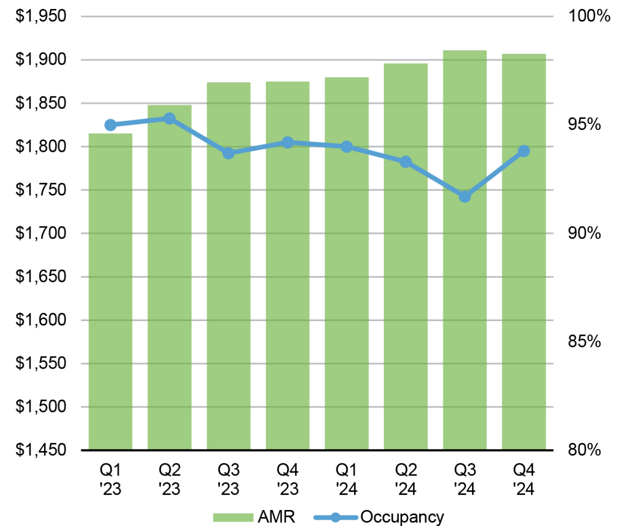
For the year ended December 31, 2024, the REIT's rental incentives amounted to $1,682 (2023 - $848), mainly at properties that were impacted by new supply and increased vacancy in urban markets. Incentives were used on an as-needed basis in those limited submarkets to compete with new inventory.

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, 2023:

## CANADA




## U.S.



# PART III

## REVIEW OF OPERATIONAL RESULTS

The REIT's operational results are summarized below:

| For the years ended December 31<br>(In thousands of dollars) | 2024 | 2023 |
|---|---|---|
| Revenue from real estate properties | **$344,188** | $331,620 |
| Property operating expenses | | |
| Property operating costs | **(97,116)** | (92,110) |
| Realty taxes | **(44,308)** | (38,531) |
| Utilities | **(21,344)** | (20,739) |
| **Net operating income** | **181,420** | 180,240 |
| Other expenses (income) | | |
| Interest expense | **83,004** | 75,189 |
| Trust expenses | **22,179** | 21,977 |
| Equity income from investments | **(15,116)** | (5,376) |
| Foreign exchange loss | **565** | 22 |
| Other income | **(2,511)** | (360) |
| **Income before fair value changes and income taxes** | **93,299** | 88,788 |
| Fair value gain on real estate properties, net | **60,372** | 79,947 |
| Fair value gain (loss) on Class B LP Units | **(40,991)** | 24,629 |
| **Income before income taxes** | **112,680** | 193,364 |
| Provision for income taxes | | |
| Current | **1,487** | 1,209 |
| Deferred | **11,797** | 6,874 |
| | **13,284** | 8,083 |
| **Net income for the year** | **$99,396** | $185,281 |
| **Net income (loss) attributable to:** | | |
| Unitholders | **$101,858** | $176,336 |
| Non-controlling interest | **(2,462)** | 8,945 |
| | **$99,396** | $185,281 |

### REVENUE FROM REAL ESTATE PROPERTIES

Higher rental revenue for the year ended December 31, 2024 is mainly due to rental rate increases, foreign exchange fluctuations and the impact from the acquisition 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 in section Part I, "Specified Financial Measures."

Same Property results for the year ended December 31, 2024 measure the operating performance for properties owned and having reached stabilization by the REIT continuously since January 1, 2023, and excludes Xavier, acquired during the first quarter of 2023. The REIT acquired the remaining 50% interest of Fenestra at Rockville Town Square on January 5, 2023, and has classified the property as Same Property as the current and prior ownership periods are materially comparable.

Same Property and Same Property Proportionate results for the year ended December 31, 2024 represent 12,159 and 12,075 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 years ended December 31 (In thousands of dollars) | 2024 NOI | 2024 Proportionate NOI | 2023 NOI | 2023 Proportionate NOI |
|---|---|---|---|---|
| **Revenue from properties** | | | | |
| Same Property | | | | |
| Gross rental revenue (before vacancy and ancillary revenue) | **$320,147** | **$318,823** | $305,686 | $304,449 |
| Vacancy | **(19,642)** | **(19,667)** | (14,485) | (14,401) |
| Ancillary | **33,909** | **33,045** | 33,206 | 32,549 |
| Same Property | **334,414** | **332,201** | 324,407 | 322,597 |
| Acquisition | **9,774** | **9,774** | 7,213 | 7,213 |
| Total revenue from properties | **344,188** | **341,975** | 331,620 | 329,810 |
| **Property operating expenses** | | | | |
| Same Property | | | | |
| Operating costs | **93,889** | **92,656** | 89,639 | 88,660 |
| Realty taxes | **42,569** | **42,130** | 38,525 | 38,200 |
| Utilities | **20,895** | **20,563** | 20,481 | 20,410 |
| Same Property | **157,353** | **155,349** | 148,645 | 147,270 |
| Acquisition | **5,415** | **5,415** | 2,735 | 3,784 |
| Total property operating expenses | **162,768** | **160,764** | 151,380 | 151,054 |
| **NOI** | | | | |
| Same Property | **177,061** | **176,852** | 175,762 | 175,327 |
| Acquisition | **4,359** | **4,359** | 4,478 | 3,429 |
| **Total NOI** | **$181,420** | **$181,211** | $180,240 | $178,756 |
| **NOI margin** | **52.7%** | **53.0%** | 54.4% | 54.2% |

For the year ended December 31, 2024, NOI from the REIT's properties increased by $1,180 (or 0.7%) to $181,420, compared to $180,240 in 2023. The increase in NOI is due to an increase in Same Property NOI of $1,299 (or 0.7%), partially offset by a decrease in NOI of $119 from the acquisition of Xavier during the first quarter of 2023. The Same Property NOI increase of $1,299 is due to an increase in Canada of $4,472 (or 7.2%), a decrease in the U.S. of US$3,574 (or 4.2%) and the change in foreign exchange rate, which increased NOI by $401.

For the year ended December 31, 2024, Proportionate NOI from the REIT's properties increased by $2,455 (or 1.4%) to $181,211, compared to $178,756 in 2023. The increase in Proportionate NOI is due to an increase in Same Property Proportionate NOI of $1,525 (or 0.9%) and an increase in Proportionate NOI of $930 from the acquisition of Xavier during the first quarter of 2023. The Same Property Proportionate NOI increase of $1,525 is due to an increase in Canada of $4,452 (or 7.2%), a decrease in the U.S. of US$3,390 (or 4.0%) and the change in foreign exchange rate, which increased Proportionate NOI by $463.

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

| For the years ended December 31 (In thousands of dollars) | 2024 NOI | 2024 Proportionate NOI | 2023 NOI | 2023 Proportionate NOI |
|---|---|---|---|---|
| Same Property NOI - Canada (local currency) | **$66,246** | **$65,869** | $61,774 | $61,417 |
| Same Property NOI - U.S. (local currency) | **80,901** | **81,024** | 84,475 | 84,414 |
| Acquisition (local currency) | **3,185** | **3,185** | 3,325 | 2,545 |
| Exchange amount to Canadian dollars | **31,088** | **31,133** | 30,666 | 30,380 |
| **Total NOI** | **$181,420** | **$181,211** | $180,240 | $178,756 |

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

| For the years ended December 31<br>(In thousands of dollars) | 2024<br>NOI | 2024<br>Proportionate NOI | 2023<br>NOI | 2023<br>Proportionate NOI |
|---|---|---|---|---|
| **Revenue from properties** | | | | |
| Gross rental revenue (before vacancy and ancillary revenue) | **$110,212** | **$109,615** | $104,136 | $103,567 |
| Vacancy | **(3,611)** | **(3,595)** | (2,170) | (2,162) |
| Ancillary[(1)] | **5,566** | **5,537** | 5,038 | 5,013 |
| Revenue from properties | **112,167** | **111,557** | 107,004 | 106,418 |
| **Property operating expenses** | | | | |
| Operating costs | **23,171** | **23,058** | 22,359 | 22,246 |
| Realty taxes | **11,463** | **11,391** | 10,919 | 10,853 |
| Utilities | **11,287** | **11,239** | 11,952 | 11,902 |
| Total property operating expenses | **45,921** | **45,688** | 45,230 | 45,001 |
| **NOI** | **$66,246** | **$65,869** | $61,774 | $61,417 |
| **NOI margin** | **59.1%** | **59.0%** | 57.7% | 57.7% |

(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, 2024, NOI from the Canadian properties increased by $4,472 (or 7.2%) to $66,246, compared to $61,774 in 2023. The increase in NOI is primarily due to an increase in revenue of $5,163 (or 4.8%) from higher gross rental revenue (5.8%) resulting from an increase in AMR and ancillary revenue (higher parking revenue), net of higher vacancy, partially offset by an increase in operating expenses of $691 (or 1.5%). The increase in operating expenses is primarily due to higher operating costs of $812 (3.6%) and an increase in realty taxes of $544 (5.0%), partially offset by lower utilities of $665 (5.6%). The increase in operating costs is mainly due to an increase in insurance expense (higher premiums), payroll costs (hiring for vacant positions as well as in-house maintenance staff) and property management fees, partially offset by lower repairs and maintenance expense and general and administrative expenses (lower legal and bad debt expense). The increase in realty taxes is mainly due to a higher mill rate as most property assessments continue to be based on 2016 assessed values. The decrease in utilities is predominantly due to: i) a decrease in gas expense resulting from lower consumption attributable to a warmer winter and a decrease in gas rate, partially offset by ii) an increase in hydro rate, net of a decrease in consumption and higher rebates under the Ontario Electricity Rebate program and tenant recovery, and iii) an increase in water expense due to an increase in rate, net of a decrease in consumption.

For the year ended December 31, 2024, Proportionate NOI from the Canadian properties increased by $4,452 (or 7.2%) to $65,869, compared to $61,417 in 2023. The increase in Proportionate NOI is due to an increase in revenue of $5,139 (or 4.8%) from higher gross rental revenue (5.8%) resulting from an increase in AMR and ancillary revenue, net of higher vacancy, for the same reasons described above, partially offset by an increase in operating expenses of $687 (or 1.5%). The increase in operating expenses is due to higher operating costs of $812 and increase in realty taxes of $538, partially offset by lower utilities of $663, for the same reasons described above.

The REIT's Canadian NOI margin and Proportionate NOI margin were 59.1% and 59.0%, respectively, for the year ended December 31, 2024, compared to 57.7% and 57.7%, respectively, for the year ended December 31, 2023. Overall, as noted above, the impact of higher AMR relative to the increase in operating expenses contributed to the increase in NOI margin.

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

| For the years ended December 31 (In thousands of U.S. dollars, unless otherwise noted) | 2024 NOI | 2024 Proportionate NOI | 2023 NOI | 2023 Proportionate NOI |
|---|---|---|---|---|
| **Revenue from properties** | | | | |
| Same Property | | | | |
| Gross rental revenue (before vacancy and ancillary revenue) | **$153,231** | **$152,700** | $149,352 | $148,857 |
| Vacancy | **(11,694)** | **(11,722)** | (9,119) | (9,065) |
| Ancillary[1] | **20,695** | **20,086** | 20,866 | 20,399 |
| Same Property | **162,232** | **161,064** | 161,099 | 160,191 |
| Acquisition | **7,134** | **7,134** | 5,349 | 5,349 |
| Total revenue from properties | **169,366** | **168,198** | 166,448 | 165,540 |
| **Property operating expenses** | | | | |
| Same Property | | | | |
| Operating costs | **51,605** | **50,791** | 49,854 | 49,213 |
| Realty taxes | **22,713** | **22,443** | 20,452 | 20,259 |
| Utilities | **7,013** | **6,806** | 6,318 | 6,305 |
| Same Property | **81,331** | **80,040** | 76,624 | 75,777 |
| Acquisition | **3,949** | **3,949** | 2,024 | 2,804 |
| Total property operating expenses | **85,280** | **83,989** | 78,648 | 78,581 |
| **NOI (in U.S. dollars)** | | | | |
| Same Property | **80,901** | **81,024** | 84,475 | 84,414 |
| Acquisition | **3,185** | **3,185** | 3,325 | 2,545 |
| **Total NOI (in U.S. dollars)** | **84,086** | **84,209** | 87,800 | 86,959 |
| Exchange amount to Canadian dollars | **31,088** | **31,133** | 30,666 | 30,380 |
| **NOI (in Canadian dollars)** | **$115,174** | **$115,342** | $118,466 | $117,339 |
| **NOI margin (in U.S. dollars)** | **49.6%** | **50.1%** | 52.7% | 52.5% |

(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), and 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, 2024, NOI from the U.S. properties decreased by $3,292 (or 2.8%) to $115,174, compared to $118,466 in 2023. The decrease in NOI is primarily due to a decrease in Same Property NOI of US$3,574 (or 4.2%), lower NOI of US$140 from the acquisition of Xavier during the first quarter of 2023 and the change in foreign exchange rate, which increased NOI by $422. The Same Property NOI decrease is due to an increase in operating expenses of US$4,707 (or 6.1%), partially offset by an increase in revenue of US$1,133 (or 0.7%) from higher gross rental revenue (2.6%) resulting from an increase in AMR, net of higher vacancy and a decrease in ancillary revenue (from higher commercial vacancy and concessions, net of higher parking income). The increase in operating expenses is due to higher operating costs of US$1,751 (3.5%), an increase in realty taxes of US$2,261 (11.1%) and an increase in utilities of US$695 (11.0%). The increase in operating costs is primarily due to an increase in insurance expense (higher premiums), payroll costs (hiring for new and vacant positions as well as wage and benefit increases) and repairs and maintenance (higher contract expenses), partially offset by a reclassification of utility service fees previously recorded under operating costs to utilities. The increase in realty taxes is mainly due to an increase in assessed market value at certain properties, including properties located in Chicago that entered a new triennial property tax assessment cycle during 2024 as well as a favorable realty tax outcome recorded during 2023, compared to 2024 on final tax bills received amounting to US$377. The increase in utilities is mainly due to an increase in hydro and water rates and an increase in water consumption, as well as the reclassification of utility service fees from operating costs as noted above.

For the year ended December 31, 2024, Proportionate NOI from the U.S. properties decreased by $1,997 (or 1.7%) to $115,342, compared to $117,339 in 2023. The decrease in Proportionate NOI is due to a decrease in Same Property Proportionate NOI of US$3,390 (or 4.0%), higher Proportionate NOI of US$640 from the acquisition of Xavier during the first quarter of 2023, and the change in foreign exchange rate, which increased Proportionate NOI by $753. The Same Property Proportionate NOI decrease is due to an increase in operating expenses of US$4,263 (or 5.6%), partially offset by an increase in revenue of US$873 (or 0.5%) from higher gross rental revenue (2.6%) resulting from an increase in AMR, net of higher vacancy and a decrease in

ancillary revenue (from higher commercial vacancy). The increase in operating expenses is due to higher operating costs of US$1,578 (3.2%), an increase in realty taxes of US$2,184 (10.8%) and an increase in utilities of US$501 (7.9%), for the same reasons described above.

The REIT's U.S. NOI margin and Proportionate NOI margin were 49.6% and 50.1%, respectively, for the year ended December 31, 2024, compared to 52.7% and 52.5%, respectively, for the year ended December 31, 2023. The NOI margin and Proportionate NOI margin were both impacted by the increase in Same Property operating expenses, relative to the increase in Same Property revenue and the impact on NOI margin from the acquisition of Xavier.

## INTEREST EXPENSE

Interest expense consists of the following:

| For the years ended December 31<br>(In thousands of dollars) | 2024 | 2023 |
|---|---|---|
| Interest on mortgages | **$61,356** | $55,449 |
| Interest on convertible debentures | **3,360** | 3,608 |
| Interest on lease liabilities | **987** | 943 |
| Amortization of mark-to-market adjustment on mortgages | **683** | 731 |
| Amortization of deferred financing costs | **3,005** | 2,940 |
| Amortization of deferred financing costs on convertible debentures | **440** | 501 |
| Accretion on convertible debentures | **884** | 663 |
| Fair value gain on conversion option on convertible debentures | **(770)** | (2,104) |
| Prepayment fee on mortgage extinguishment | **257** | — |
| Interest expense before distributions on Class B LP Units | **70,202** | 62,731 |
| Distributions on Class B LP Units | **12,802** | 12,458 |
| | **$83,004** | $75,189 |

Interest expense increased by $7,815 during the year ended December 31, 2024 to $83,004, compared to $75,189 in 2023. The increase is predominantly due to an increase in interest on mortgages of $5,907, a decrease in non-cash fair value gain on conversion option on convertible debentures of $1,334 and an increase in distribution on Class B LP Units of $344. The increase in interest on mortgages is largely attributable to the REIT's refinancings at higher interest rates and additional net mortgage proceeds. The change in foreign exchange rate increased interest expense on U.S. mortgages by $968.

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.

## TRUST EXPENSES

Trust expenses consist of the following:

| For the years ended December 31<br>(In thousands of dollars) | 2024 | 2023 |
|---|---|---|
| Asset management fees and distributions | **$19,518** | $19,340 |
| Professional fees | **1,284** | 1,150 |
| Public company expenses | **806** | 815 |
| Other | **571** | 672 |
| | **$22,179** | $21,977 |

Trust expenses increased by $202 during the year ended December 31, 2024 to $22,179, compared to $21,977 in 2023. The increase during the year ended December 31, 2024 is predominantly due to an increase in asset management fees and distributions, mainly resulting from an increase in gross book value (see Part VI, "Related Party Transactions").

## EQUITY INCOME FROM INVESTMENTS

The REIT has a 50% interest in one property comprising 690 suites located in Chicago, Illinois, in which the REIT has joint control of the investment.

Equity income from investments for the year ended December 31, 2024 was $15,116 and included a non-cash fair value gain on real estate properties of $10,158. For the year ended December 31, 2023, equity income from investments was $5,376 and included a non-cash fair value gain on real estate properties of $232. NOI from the REIT’s equity investment decreased by $203, predominantly due to higher vacancy and realty taxes, net of an increase in AMR.

## FOREIGN EXCHANGE LOSS

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 recognized in the consolidated statements of income. The REIT’s foreign exchange loss for the year ended December 31, 2024, amounted to $565 (2023 - $22), which is mainly the result of the fluctuation of the Canadian dollar against the United States dollar as at December 31, 2024, compared to December 31, 2023.

## 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 expense (income). For the year ended December 31, 2024, other income amounted to $2,511 (2023 - $360). The increase in other income for the year ended December 31, 2024 was predominantly due to an increase in interest income earned from excess cash held from additional net refinancing proceeds and higher net interest income earned on the Morguard Facility, partially offset by lower interest earned on restricted cash of $565 held as part of a 1031 Exchange.

## 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, 2024, the REIT recognized a net fair value gain of $60,372 (2023 - $79,947). The net fair value gain comprises a $96,553 fair value gain at the Canadian properties, partially offset by a $36,181 fair value loss at the REIT’s U.S. properties. The net fair value gain was due to an increase in stabilized NOI across most of the properties in the REIT’s portfolio, partly offset by a 25 basis point increase in capitalization rates at six U.S. properties.

## 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, 2024, 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 $295,376 (2023 - $254,385) and for the year ended December 31, 2024, a corresponding fair value loss of $40,991 (2023 - gain of $24,629). The fair value gain/loss for the years ended December 31, 2024 and 2023, was due to a decrease/increase 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, 2024, the REIT recorded current tax expense of $1,487 (2023 - $1,209). The increase in current tax expense for the year ended December 31, 2024 was due to a U.S. federal and state tax limitation of the utilization of net operating losses.

For the year ended December 31, 2024, the REIT has recorded deferred income tax associated with the U.S. subsidiaries of $11,797 (2023 - $6,874), primarily due to a fair value loss recorded under IFRS on U.S. properties.

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

| For the years ended December 31<br>(In thousands of dollars) | 2024 | 2023 |
|---|---|---|
| Current | **$1,487** | $1,209 |
| Deferred | **11,797** | 6,874 |
| Provision for income taxes | **$13,284** | $8,083 |

As at December 31, 2024, the REIT's U.S. subsidiaries have total net operating losses of approximately US$22,731 (2023 - US$27,333) of which deferred income tax assets were recognized as it is probable that taxable income will be available against such losses and can be carried forward indefinitely. Included in the net operating losses is the REIT's portion of net operating losses of a subsidiary where the REIT owns a 51% effective interest in a limited partnership of US$8,747 (2023 - US$9,253).

As at December 31, 2024, the REIT's U.S. subsidiaries have a total of US$57,092 (2023 - US$36,171) of unutilized interest expense deductions on which deferred income tax assets were recognized and can be carried forward indefinitely.

**EIFEL Rules**

On May 28, 2024, amended Canadian Bill C-59, *Fall Economic Statement Implementation Act, 2023*, became substantively enacted for financial reporting purposes. Bill C-59 implements the majority of the remaining income tax measures from the 2023 federal budget, as well as certain measures from the 2023 fall economic statement. Most notably, Bill C-59 contains the excessive interest and financing expenses limitation rules ("EIFEL Rules").

The EIFEL Rules, which became effective for the 2024 fiscal year, limit the amount of net interest and financing expenses that a trust may deduct in computing taxable income to a fixed ratio (currently set at 30% of EBITDA as calculated for tax purposes) or, where certain conditions are met and a consolidated group elects, a higher group ratio. Based on an assessment of EBITDA for the year ended December 31, 2024, the impact of the REIT's limitation of interest expense deductibility amounts to $3,036, which will increase taxable income allocated by the REIT to Unitholders in the current fiscal year.

On August 12, 2024, the Department of Finance released revised draft legislation that includes previously announced business tax measures, among others, related to an EIFEL exemption for purpose-build rental housing providers and certain regulated utility providers. On January 6, 2025, it was announced that Parliament will be prorogued until March 24, 2025. The REIT will continue to monitor developments in the measures to assess the full implications of the EIFEL Rules.

**International Tax Reform: Pillar Two Model Rules**

The REIT is within the scope of Pillar Two legislation being part of a multinational enterprises ("MNE") group that includes Morguard Corporation, with revenue that may exceed the EUR 750 million threshold per their consolidated financial statements.

On June 19, 2024, Canadian Bill C-69, *Budget Implementation Act, 2024, No. 1*, became substantively enacted for financial reporting purposes. Among other measures, Bill C-69 includes Canada's *Global Minimum Tax Act* ("GMTA"). The GMTA implements into Canadian domestic law the global minimum tax under Pillar Two as developed by the Organisation for Economic Co-operation and Development ("OECD") / G20 Inclusive Framework on Base Erosion and Profit Shifting. More specifically, the GMTA implements the top-up tax, income inclusion rule and the domestic minimum top-up tax rules that form part of the Model Rules for the Global Minimum Tax (GloBE Rules) that were released by the OECD on December 20, 2021.

To date, the U.S. has not indicated its commitment to enact Pillar Two legislation. The REIT and its subsidiaries continue to review the relevant legislation and available guidance to assess the full implications of the Pillar Two Model Rules.

## 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 a substitute 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 in 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)** | **2024** | 2023 | **2024** | 2023 |
| **Net income for the period attributable to Unitholders** | **$48,602** | $25,123 | **$101,858** | $176,336 |
| Add/(deduct): | | | | |
| Realty taxes accounted for under IFRIC 21[1] | **(8,460)** | (7,860) | **—** | (1,049) |
| Fair value gain on conversion option on convertible debentures | **(1,649)** | (24) | **(770)** | (2,104) |
| Distributions on Class B LP Units recorded as interest expense[2] | **3,244** | 3,158 | **12,802** | 12,458 |
| Foreign exchange loss | **7** | 8 | **565** | 22 |
| Fair value loss (gain) on real estate properties, net[3] | **28,093** | 18,535 | **(70,530)** | (80,179) |
| Non-controlling interests' share of fair value gain (loss) on real estate properties | **(7,650)** | (2,627) | **(6,854)** | 4,213 |
| Fair value loss (gain) on Class B LP Units | **(36,513)** | (1,378) | **40,991** | (24,629) |
| Deferred income tax expense (recovery) | **(2,886)** | (10,594) | **11,797** | 6,874 |
| **FFO - basic** | **$22,788** | $24,341 | **$89,859** | $91,942 |
| Interest expense on convertible debentures | **840** | 847 | **3,360** | 3,608 |
| **FFO - diluted** | **$23,628** | $25,188 | **$93,219** | $95,550 |
| FFO per Unit - basic | **$0.42** | $0.44 | **$1.65** | $1.65 |
| FFO per Unit - diluted | **$0.42** | $0.44 | **$1.64** | $1.63 |
| Weighted average number of Units outstanding (in thousands): | | | | |
| Basic[4] | **53,649** | 54,991 | **54,387** | 55,662 |
| Diluted[4] [5] | **55,968** | 57,310 | **56,706** | 58,501 |

(1) Realty taxes accounted for under IFRIC 21 (including equity-accounted investments) and excluding 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 convertible debentures.

Basic FFO for the three months ended December 31, 2024 decreased by $1,553 (or 6.4%) to $22,788 ($0.42 per Unit), compared to $24,341 ($0.44 per Unit) in 2023. The decrease is mainly due to lower Proportionate NOI of $2,121 and an increase in interest expense of $1,308 (calculated on a Proportionate Basis and excluding distributions on Class B LP Units and fair value adjustments on the conversion option on convertible debentures), partially offset by a decrease in trust expense of $105 (calculated on a Proportionate Basis), an increase in other income of $788 and a decrease in current tax of $983 (calculated on a Proportionate Basis).

Basic FFO per Unit for the three months ended December 31, 2024 decreased by $0.02 to $0.42 per Unit, compared to $0.44 per Unit in 2023 due to the following factors:

i) on a Same Property Proportionate Basis, in local currency, an increase in interest expense and a decrease in NOI due to higher operating expenses and higher vacancy, net of an increase in AMR and ancillary revenue, partially offset by an increase in interest income, had a $0.04 per Unit negative impact. In addition, a change in foreign exchange rate had a $0.01 per Unit negative impact, primarily from a decrease in FFO generated from U.S. properties, partially offset by an increase in the average foreign exchange rate;

ii) a decrease in current tax expense at the REIT's U.S. subsidiaries had a $0.02 per Unit positive impact; and
iii) the impact from Units repurchased under the REIT's NCIB had a $0.01 per Unit positive impact.

Basic FFO for the year ended December 31, 2024 decreased by $2,083 (or 2.3%) to $89,859 ($1.65 per Unit), compared to $91,942 ($1.65 per Unit) in 2023. The decrease is mainly due to an increase in interest expense of $6,042 (calculated on a Proportionate Basis and excluding distributions on Class B LP Units and fair value adjustments on the conversion option on convertible debentures), an increase in trust expense of $231 (calculated on a Proportionate Basis) and an increase in current tax of $408 (calculated on a Proportionate Basis), partially offset by higher Proportionate NOI of $2,455 and an increase in other income of $2,143.

Basic FFO per Unit for the year ended December 31, 2024 was unchanged at $1.65 per Unit, compared to $1.65 per Unit in 2023 due to the following factors:

i) on a Same Property Proportionate Basis, in local currency, an increase in interest expense, partially offset by an increase in interest income and an increase in NOI from higher AMR and ancillary revenue, net of higher vacancy and an increase in operating expenses, had a $0.03 per Unit negative impact. In addition, a change in foreign exchange rate had a $0.01 per Unit negative impact, primarily from a decrease in FFO generated from U.S. properties, partially offset by an increase in the average foreign exchange rate;
ii) the impact of the acquisition of Xavier in the first quarter of 2023 had a $0.02 per Unit positive impact;
iii) a decrease in other income primarily from lower interest earned on restricted cash held as part of a 1031 Exchange had a $0.01 per Unit negative impact; and
iv) the impact from Units repurchased under the REIT's NCIB had a $0.03 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 a substitute for related financial information prepared in accordance with IFRS. Additional information on this non-GAAP financial measure can be found in Part I, "Specified Financial Measures."

On October 29, 2024, the REIT announced that its Board of Trustees had approved an increase to its annual cash distributions by $0.02 per Unit (2.70%) to $0.76 per Unit on an annualized basis from $0.74 per Unit. The increase was effective for the November 2024 distribution paid on December 15, 2024.

The Trustees have discretion with respect to the timing and amounts of distributions. For the year ended December 31, 2024, total distributions (including Class B LP Units) amounted to $40,473 (2023 - $40,301).

| For the years ended December 31 (In thousands of dollars) | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Units | Class B LP Units | Total | Units | Class B LP Units | Total |
| Distributions paid and declared | **$26,788** | **$12,802** | **$39,590** | $26,934 | $12,458 | $39,392 |
| Distributions – DRIP | **883** | **—** | **883** | 909 | — | 909 |
| **Total** | **$27,671** | **$12,802** | **$40,473** | $27,843 | $12,458 | $40,301 |

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) | 2024 | 2023 | 2022 |
|---|---|---|---|
| Net income | **$99,396** | $185,281 | $239,563 |
| Cash provided by operating activities | **97,503** | 88,966 | 75,173 |
| Distributions - Units[1] | **$27,671** | $27,843 | $27,480 |
| Excess of net income over distributions | **$71,725** | $157,438 | $212,083 |
| Excess of cash provided by operating activities over distributions | **$69,832** | $61,123 | $47,693 |

(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, 2024 includes $22,700 of non-cash components relating to a fair value gain on real estate properties, fair value loss on Class B LP Units, equity income from investments and deferred income 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<br>(In thousands of Canadian dollars, unless otherwise stated) | 2024 | 2023 |
|---|---|---|
| **Canadian Properties** | | |
| Alberta | **$54,700** | $50,000 |
| Ontario | **1,659,240** | 1,539,740 |
| **Total Canadian Properties** | **1,713,940** | 1,589,740 |
| **U.S. Properties (in U.S. dollars)** | | |
| Colorado | **125,800** | 118,900 |
| Texas | **203,300** | 206,400 |
| Louisiana | **46,400** | 49,300 |
| Illinois | **401,200** | 406,000 |
| Georgia | **104,600** | 110,700 |
| Florida | **503,700** | 506,699 |
| North Carolina | **189,100** | 193,400 |
| Virginia | **50,100** | 50,200 |
| Maryland | **196,034** | 180,374 |
| **Total U.S. Properties (in U.S. dollars)** | **1,820,234** | 1,821,973 |
| Exchange amount to Canadian dollars | **798,901** | 587,768 |
| **Total U.S. Properties (in Canadian dollars)** | **2,619,135** | 2,409,741 |
| **Total real estate properties** | **$4,333,075** | $3,999,481 |

The value of real estate properties increased by $333,594 as at December 31, 2024 to $4,333,075, compared to $3,999,481 at December 31, 2023. The increase is mainly the result of the following:

- Capitalization of property enhancements of $59,402;
- A net fair value gain on real estate properties of $60,372; and
- An increase of $212,473 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 members must adhere to AIC's Canadian Uniform Standards of Professional Appraisal Practice 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 (primarily influenced by revenue growth, vacancy rates, inflation rates and operating costs), which 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, 2024, and 2023, 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, 2024, using the direct capitalization income approach, the properties were valued using capitalization rates in the range of 3.8% to 6.3% (2023 - 3.8% to 6.3%) applied to a stabilized net operating income of $196,327 (2023 - $180,813), resulting in an overall weighted average capitalization rate of 4.5% (2023 - 4.5%).

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

| | **December 31, 2024** | | | | | December 31, 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Occupancy** | | **Capitalization Rates** | | | Occupancy | | Capitalization Rates | | |
| | **Max.** | **Min.** | **Max.** | **Min.** | **Weighted Average** | Max. | Min. | Max. | Min. | Weighted Average |
| **Canada** | | | | | | | | | | |
| Alberta | **96.2%** | **96.2%** | **5.3%** | **5.3%** | **5.3%** | 96.0% | 96.0% | 5.3% | 5.3% | 5.3% |
| Ontario | **97.3%** | **96.5%** | **4.5%** | **3.8%** | **3.9%** | 97.5% | 96.5% | 4.3% | 3.8% | 3.9% |
| **United States** | | | | | | | | | | |
| Colorado | **95.0%** | **95.0%** | **5.0%** | **5.0%** | **5.0%** | 95.0% | 95.0% | 5.0% | 5.0% | 5.0% |
| Texas | **95.0%** | **95.0%** | **5.0%** | **5.0%** | **5.0%** | 95.0% | 95.0% | 5.0% | 5.0% | 5.0% |
| Louisiana | **95.0%** | **95.0%** | **5.5%** | **5.5%** | **5.5%** | 95.0% | 95.0% | 5.5% | 5.5% | 5.5% |
| Illinois[(1)] | **95.0%** | **94.0%** | **5.3%** | **5.0%** | **5.1%** | 95.0% | 94.0% | 5.3% | 5.0% | 5.1% |
| Georgia | **95.0%** | **95.0%** | **5.3%** | **5.0%** | **5.2%** | 96.0% | 95.0% | 5.3% | 4.8% | 5.1% |
| Florida | **96.0%** | **93.7%** | **6.3%** | **4.8%** | **5.3%** | 96.0% | 93.6% | 6.3% | 4.5% | 5.2% |
| North Carolina | **94.0%** | **94.0%** | **5.0%** | **5.0%** | **5.0%** | 94.0% | 94.0% | 5.0% | 4.8% | 4.9% |
| Virginia | **95.0%** | **95.0%** | **4.8%** | **4.8%** | **4.8%** | 95.0% | 95.0% | 4.8% | 4.8% | 4.8% |
| Maryland | **95.0%** | **95.0%** | **4.8%** | **4.8%** | **4.8%** | 94.0% | 94.0% | 4.8% | 4.8% | 4.8% |

(1) Includes equity-accounted investment.

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 in stabilized net operating income), the fair value of the real estate properties as at December 31, 2024 would decrease by $222,089 or increase by $248,270, 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 life of the asset.

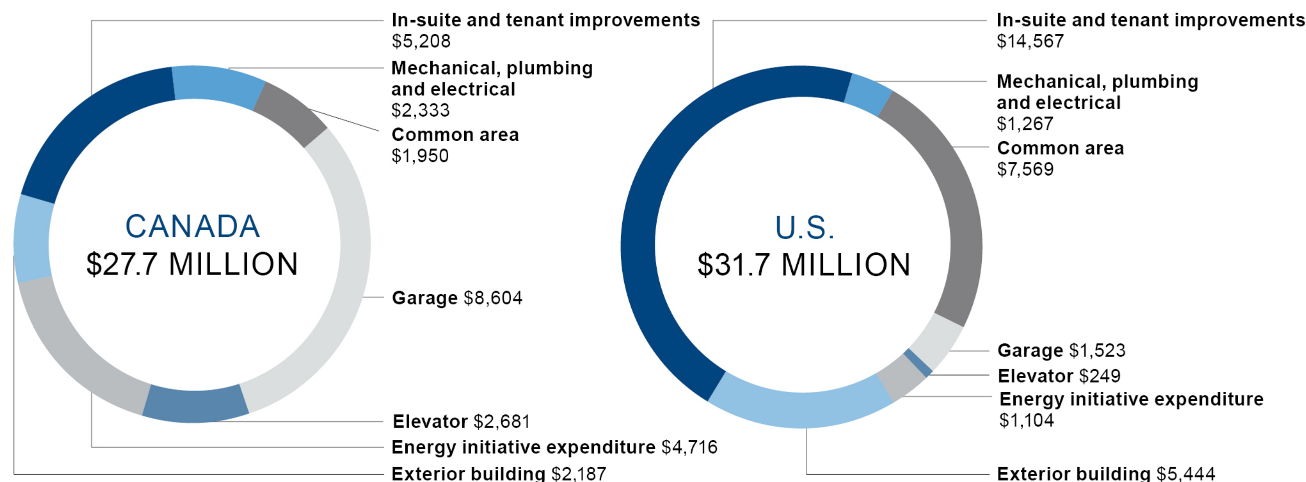
The following table provides additional details on total capital expenditures over the past three years:

| For the years ended December 31 (In thousands of dollars) | 2024 | 2023 | 2022 |
|---|---|---|---|
| Common area | **$9,519** | $9,683 | $6,583 |
| Mechanical, plumbing and electrical | **3,600** | 2,912 | 3,670 |
| Exterior building | **7,631** | 7,209 | 12,484 |
| Garage | **10,127** | 5,041 | 1,100 |
| Elevator | **2,930** | 138 | 263 |
| Energy initiative expenditure | **5,820** | 6,263 | 3,819 |
| In-suite and tenant improvements | **19,775** | 13,053 | 12,900 |
| **Total capital expenditures** | **$59,402** | $44,299 | $40,819 |

## Capital Expenditures by Country

The following details total capital expenditures by country:

**For the year ended December 31, 2024**
**(In thousands of dollars)**




During the year ended December 31, 2024, the REIT’s total capital expenditures amounted to $59,402 (or $4,802 per suite), compared to $44,299 (or $3,599 per suite) during 2023. 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 were concentrated 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 2024 in-suite improvements included upgrades such as new carpet, installation of more durable plank flooring, wall painting, kitchen sink and faucet fittings and upgrades to energy efficient appliances.

The REIT continued capital expenditures on energy efficiency initiatives across the portfolio, which included boiler replacements and building automation systems, water and lighting retrofits and window replacements. Common area capital expenditures included enhancing amenity areas such as courtyards and other outdoor/indoor amenity spaces, as well as stairwells, hallways and corridors completed at several properties. Sustaining capital included several projects such as balconies, garages, roofing, elevators, fencing, sidewalks and driveways, as well as landscaping upgrades completed across multiple properties.

## EQUITY-ACCOUNTED INVESTMENTS

The following are the REIT's equity-accounted investments as at December 31, 2024, and 2023:

| | | | REIT's Ownership | | Carrying Value | |
|---|---|---|---|---|---|---|
| Property | Place of Business | Investment Type | **December 31, 2024** | December 31, 2023 | **December 31, 2024** | December 31, 2023 |
| Marquee at Block 37 | Chicago, IL | Joint Venture | **50%** | 50% | **$70,874** | $53,282 |

Marquee at Block 37 is a 38-storey apartment building located in the heart of downtown Chicago which 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<br>(In thousands of Canadian dollars) | **2024** | 2023 |
|---|---|---|
| Balance, beginning of year | **$53,282** | $105,462 |
| Transfer[1] | **—** | (52,857) |
| Distributions received | **(2,734)** | (3,385) |
| Share of net income | **15,116** | 5,376 |
| Foreign exchange gain (loss) | **5,210** | (1,314) |
| **Balance, end of year** | **$70,874** | $53,282 |

(1) On January 5, 2023, the REIT acquired from Morguard the remaining 50% interest in Fenestra at Rockville Town Square, at which point the carrying value of the 50% interest was transferred to each respective balance sheet line item including income producing properties in the amount of $96,840 and mortgage payable in the amount of $45,997.

# PART V

## LIQUIDITY AND CAPITAL RESOURCES

### LIQUIDITY

The REIT has liquidity of $241,500, comprised of approximately $51,500 in cash and $190,000 in available credit under its revolving credit facility with Morguard Corporation. In addition, the REIT has approximately $48,500 of additional net mortgage financing proceeds expected to close during the first quarter of 2025, and $208,500 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 anticipates meeting all future obligations and has no off-balance sheet financing arrangements. Short-term fluctuations in working capital are funded through the Morguard Facility, and 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 years:

| For the years ended December 31<br>(In thousands of dollars) | 2024 | 2023 |
|---|---|---|
| Cash provided by operating activities | **$97,503** | $88,966 |
| Cash used in investing activities | **(59,402)** | (209,009) |
| Cash provided by (used in) financing activities | **(6,743)** | 120,837 |
| Net increase in cash during the year | **31,358** | 794 |
| Net effect of foreign currency translation on cash balance | **2,075** | 2,395 |
| Cash, beginning of year | **17,825** | 14,636 |
| **Cash, end of year** | **$51,258** | $17,825 |

#### Cash Provided by Operating Activities

Cash provided by operating activities during the year ended December 31, 2024 was $97,503, compared to $88,966 in 2023. The change during the year mainly relates to an increase in NOI (excluding IFRIC 21 adjustment) of $2,229, an increase in other income of $2,151 and a net increase in non-cash operating assets and liabilities of $13,001, partially offset by an increase in interest expense of $6,304, an increase in trust expenses of $202, an increase in current income taxes of $278, an increase in additions to tenant incentives of $834, a decrease in distributions from equity-accounted investments of $651 and an increase in foreign exchange loss of $543.

#### Cash Used in Investing Activities

Cash used in investing activities during the year ended December 31, 2024 totalled $59,402, compared to $209,009 during the same period in 2023. Cash used in investing activities during the year consists of the capitalization of property enhancements of $59,402.

#### Cash Provided by (Used in) Financing Activities

Cash used in financing activities during the year ended December 31, 2024 totalled $6,743, compared to cash provided by financing activities of $120,837 during the same period in 2023. Cash used in financing activities during the year was largely due to the repayment of mortgages due to mortgage extinguishment of $91,411, repayment of mortgages on maturity of $49,539, mortgage principal instalment repayments of $31,851, net

repayments on the Morguard Facility of $87,652, distributions paid to Unitholders of $26,813, the repurchase of Units for cancellation of $26,288 and distributions to non-controlling interest of $2,651, partially offset by the net proceeds from new mortgages of $309,928.

## 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 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<br>(In thousands of dollars) | 2024 | 2023 |
|---|---|---|
| Mortgages payable, principal balance | **$1,742,986** | $1,511,252 |
| Convertible debentures, face value | **56,000** | 56,000 |
| Lease liabilities | **17,612** | 16,059 |
| Class B LP Units | **295,376** | 254,385 |
| Unitholders' equity | **2,001,337** | 1,852,778 |
| **Total capitalization** | **$4,113,311** | $3,690,474 |

### DEBT PROFILE

As at December 31, 2024, the overall leverage, as represented by the ratio of total indebtedness to gross book value, was 39.7%. 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, lease liability, convertible debentures and the Morguard Facility.

The following table summarizes the key debt metrics:

| As at December 31 | 2024 | 2023 |
|---|---|---|
| Total indebtedness to gross book value(1) | **39.7%** | 38.7% |
| Weighted average mortgage interest rate(2) | **3.88%** | 3.72% |
| Weighted average term to maturity on mortgages payable (years) | **5.2** | 4.9 |

(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 in Part IX, "Reconciliation of Non-GAAP Financial Measures."

(2) Represents the contractual interest rates on mortgages payable.

| For the years ended December 31 | 2024 | 2023 |
|---|---|---|
| Interest coverage ratio(1) | **2.33** | 2.48 |
| Indebtedness coverage ratio(2) | **1.60** | 1.64 |

(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 in 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 in Part IX, "Reconciliation of Non-GAAP Financial Measures."

## MORTGAGES PAYABLE

Mortgages payable consist of the following:

| As at December 31<br>(In thousands of dollars) | 2024 | 2023 |
|---|---|---|
| Principal balance of mortgages | **$1,742,986** | $1,511,252 |
| Deferred financing costs | **(20,162)** | (13,628) |
| Mark-to-market adjustment | **(1,744)** | (2,262) |
| | **$1,721,080** | $1,495,362 |

| | 2024 | 2023 |
|---|---|---|
| Range of interest rates | **2.03−6.73%** | 2.03−7.39% |
| Weighted average interest rate | **3.88%** | 3.72% |
| Weighted average term to maturity (years) | **5.2** | 4.9 |
| Fair value of mortgages | **$1,689,869** | $1,438,179 |

As at December 31, 2024, the principal balance on the mortgages payable totalled $1,742,986 (2023 - $1,511,252), the deferred financing costs associated with the mortgages amounted to $20,162 (2023 - $13,628) and the mark-to-market adjustment amounted to $1,744 (2023 - $2,262).

Mortgages payable increased by $225,718 as at December 31, 2024 to $1,721,080, compared to $1,495,362 at December 31, 2023. The increase is mainly due to the following:

- The repayment of mortgages totalling $140,950 on five multi-suite residential properties located in Mississauga, Ontario, which were refinanced for an amount totalling $318,971;
- Financing costs of $9,043;
- Scheduled principal repayments of $31,851;
- An increase of $84,903 due to the change in the U.S. dollar foreign exchange rate; and
- Amortization of deferred financing costs and mark-to-market adjustment on mortgages totalling $3,688.

During the year ended December 31, 2024, the REIT completed the refinancing of five Canadian properties located in Mississauga, Ontario, providing gross mortgage proceeds of $318,971 at a weighted average interest rate of 4.34% and for a weighted average term of 9.7 years. The maturing mortgages associated with the refinanced properties had a balance at maturity of $140,950 at a weighted average interest rate of 3.29%, resulting in net proceeds of $178,021 before financing costs.

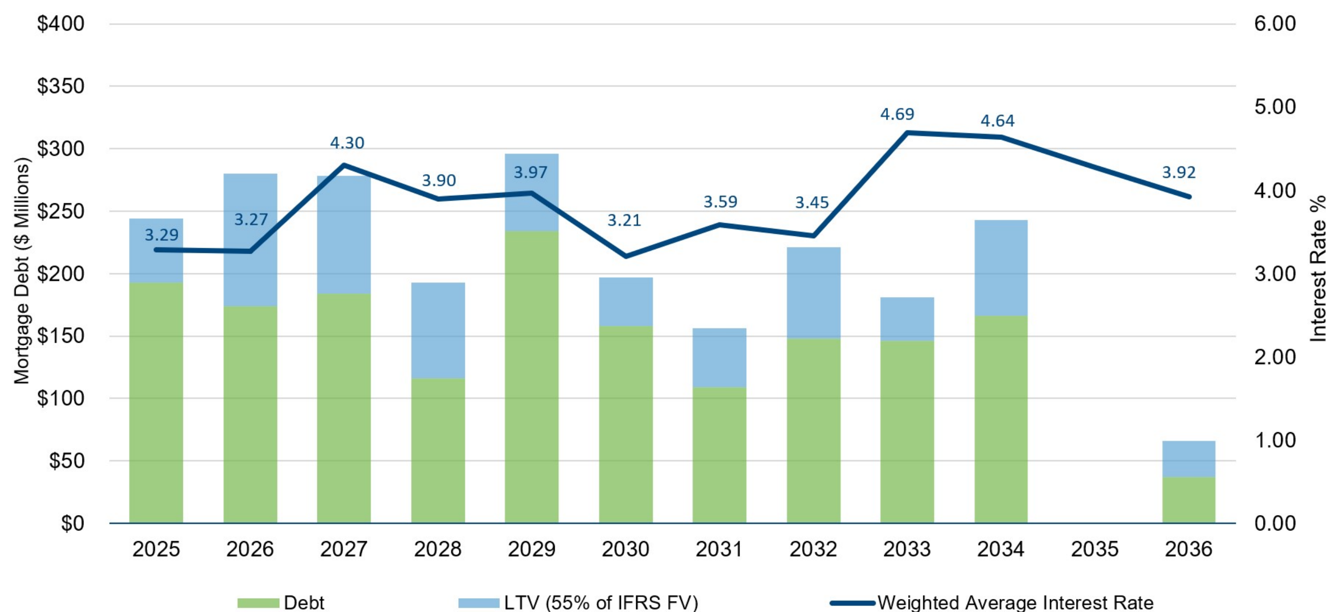
As at December 31, 2024, the REIT's first mortgages are registered against specific real estate assets, and approximately 95% of the REIT's real estate properties, and related rental revenue, have been pledged as collateral for the mortgages payable.

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

| | 2025 | | | | 2026 | | | |
|---|---|---|---|---|---|---|---|---|
| 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 | $30,832 | 2.25% | 19.0% | 3 | $77,432 | 2.88% | 29.0% |
| U.S. | 1 | 161,973 | 3.49% | 54.0% | 4 | 96,625 | 3.58% | 39.9% |
| | **2** | **$192,805** | **3.29%** | **41.8%** | **7** | **$174,057** | **3.27%** | **34.2%** |

As at December 31, 2024, the following table illustrates the REIT's mortgage balance at maturity (including equity-accounted investment at the REIT's interest), along with the IFRS fair value (at a loan-to-value ratio of 55%) secured against the mortgages by year of maturity:

**As at December 31, 2024**




## CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

| As at December 31<br>(In thousands of dollars) | 2024 | 2023 |
|---|---|---|
| 6.00% convertible unsecured subordinated debentures | **$53,129** | $52,245 |
| Fair value of conversion option | **1,361** | 2,131 |
| Unamortized financing costs | **(1,660)** | (2,100) |
| | **$52,830** | $52,276 |

For the year ended December 31, 2024, interest on convertible debentures amounting to $3,360 (2023 - $3,608) is included in interest expense.

### 6.00% Convertible Unsecured Subordinated Debentures

On March 9, 2023, the REIT issued $50,000 principal amount of 6.00% convertible unsecured subordinated debentures (the “2023 Debentures”) maturing on March 31, 2028 (the “Maturity Date”). On March 17, 2023, an additional principal amount of $6,000 was issued pursuant to the exercise of the over-allotment option. Interest is payable semi-annually, not in advance, on March 31 and September 30 of each year, commencing on September 30, 2023. The underwriters' commission, legal and other issue costs attributable to the 2023 Debentures in the amount of $2,410 have been capitalized and are being amortized over their term to maturity. Morguard and Paros Enterprises Limited, related parties, own $5,000 and $2,000 aggregate principal amount of the 2023 Debentures, respectively.

As at December 31, 2024, $56,000 of the face value of the 2023 Debentures was outstanding.

Each of the 2023 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 2023 Debentures, at a conversion price of $24.15 per Unit, being a ratio of approximately 41.4079 Units per $1,000 principal amount of the 2023 Debentures.

From April 1, 2026 to March 31, 2027, the 2023 Debentures will be redeemable, in whole at any time, or in part from time to time, at the option of the REIT on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption, provided that the volume weighted average trading price per Unit on the TSX (or such other exchange if the Units are not listed on the TSX) for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given (the "Current Market Price") is not less than 125% of the conversion price. From April 1, 2027 and prior to the Maturity Date, the 2023 Debentures will be redeemable, in whole at any time, or in part from time to time, at the option of the REIT on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption. 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 2023 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 2023 Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable.

On March 24, 2023, the REIT redeemed the outstanding $85,500 principal amount of 4.50% convertible unsecured subordinated debentures in advance of their March 31, 2023 maturity date.

## 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 at the entity's borrowing cost, subject to the availability of sufficient funds. 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, 2024, the net amount receivable under the Morguard Facility was $90,000 (2023 - $2,627).

During the year ended December 31, 2024, the REIT recorded net interest income of $441 (2023 - net interest expense of $4) on the Morguard Facility to other income in the consolidated statements of income.

## 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 US$399, expiring on September 1, 2061.

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

| As at December 31<br>(In thousands of Canadian dollars) | 2024 | 2023 |
|---|---|---|
| Within 12 months | **$1,144** | $985 |
| 2 to 5 years | **14,722** | 4,155 |
| Over 5 years | **18,235** | 26,716 |
| Total minimum lease payments | **34,101** | 31,856 |
| Less: Future interest costs | **(16,489)** | (15,797) |
| **Present value of minimum lease payments** | **$17,612** | $16,059 |

### CONTRACTUAL MATURITIES

The contractual maturities and repayment obligations of the REIT's financial liabilities for upcoming periods as at December 31, 2024 are as follows:

| As at December 31, 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Mortgages payable | **$222,931** | **$198,892** | **$206,582** | **$135,271** | **$253,073** | **$726,237** | **$1,742,986** |
| Mortgage interest | **64,847** | **57,235** | **51,718** | **41,806** | **37,561** | **98,193** | **351,360** |
| Convertible debentures | **—** | **—** | **—** | **56,000** | **—** | **—** | **56,000** |
| Convertible debentures' interest | **3,360** | **3,360** | **3,360** | **828** | **—** | **—** | **10,908** |
| Accounts payable and accrued liabilities | **73,614** | **—** | **—** | **—** | **—** | **—** | **73,614** |
| Lease liabilities | **1,144** | **3,680** | **3,680** | **3,680** | **3,682** | **18,235** | **34,101** |
| | **$365,896** | **$263,167** | **$265,340** | **$237,585** | **$294,316** | **$842,665** | **$2,268,969** |

## 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, 2022, to December 31, 2024:

| Issued and Fully Paid Units (In thousands, except Unit amounts) | Units | Amount |
|---|---|---|
| Balance, December 31, 2022 | 39,111,793 | $470,774 |
| Units issued under DRIP | 56,150 | 909 |
| Units repurchased through the REIT's NCIB plan | (1,431,984) | (23,533) |
| Balance, December 31, 2023 | 37,735,959 | 448,150 |
| **Units issued under DRIP** | **53,757** | **883** |
| **Units repurchased through the REIT's NCIB plan** | **(1,505,535)** | **(26,288)** |
| **Balance, December 31, 2024** | **36,284,181** | **$422,745** |

### NORMAL COURSE ISSUER BIDS

On January 10, 2024, the REIT had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 2,795,028 Units and $4,900 principal amount of the 2023 Debentures. The program expired on January 11, 2025. On January 8, 2025, the REIT obtained the approval of the TSX under its NCIB, commencing January 12, 2025, to purchase up to 2,648,573 Units, being approximately 10% of the public float of outstanding Units; the program expires on January 11, 2026. The daily repurchase restriction for the Units is 5,522. Additionally, the REIT may purchase up to $4,900 principal amount of the 2023 Debentures, being 10% of the public float of outstanding 2023 Debentures. The daily repurchase restriction for the 2023 Debentures is $8. The price that the REIT would pay for any such Units or 2023 Debentures would be the market price at the time of acquisition.

During the year ended December 31, 2024, 1,505,535 Units were repurchased for cash consideration of $26,288 at a weighted average price of $17.46 per Unit. During the year ended December 31, 2023, 1,431,984 Units were repurchased for cash consideration of $23,533 at a weighted average price of $16.43 per Unit.

### 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, 2024, the REIT issued 53,757 Units under the DRIP (2023 - 56,150 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, 2024, 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 $295,376 (2023 - $254,385) and for the year ended December 31, 2024, a corresponding fair value loss of $40,991 (2023 - gain of $24,629). For the year ended December 31, 2024, distributions on Class B LP Units amounting to $12,802 (2023 - $12,458) are included in interest expense.

As at December 31, 2024, Morguard owned a 47.4% effective interest in the REIT through its ownership of 8,120,666 Units and 17,223,090 Class B LP Units.

As at December 31, 2024, there were 36,284,181 Units and 17,223,090 exchangeable Class B LP Units issued and outstanding.

As at February 11, 2025, there were 36,214,907 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 found to be material are subject to review and approval by a committee of independent Trustees.

### 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, 2024, fees and distributions amounted to $12,293 (2023 - $11,855) 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 are 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, 2024, fees and distributions amounted to $19,932 (2023 - $19,744) 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, 2024, fees relating to acquisition services amounted to $nil (2023 - $825) 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, 2024, fees relating to financing services amounted to $480 (2023 - $285) and have been capitalized to deferred financing costs.

#### Other Services

As at December 31, 2024, and 2023, the REIT had its portfolio appraised by Morguard's appraisal division. Fees relating to appraisal services for the year ended December 31, 2024 amounted to $208 (2023 - $208) 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 MATERIAL ACCOUNTING POLICIES AND ESTIMATES

The REIT's consolidated financial statements for the years ended December 31, 2024 and 2023, have been prepared in accordance with IFRS. A summary of the material accounting policies is included in Note 2 to the audited consolidated financial statements for the year ended December 31, 2024.

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.

## MATERIAL ACCOUNTING POLICIES AND ESTIMATES

The REIT’s material 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 2024 valued approximately $14 billion of real estate properties in Canada and the U.S. for institutional and corporate clients.

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.

## 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 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 convertible debentures are carried at amortized cost using the effective interest rate 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, 2024 market rates for debt of similar terms. Based on these assumptions, as at December 31, 2024 the fair value of mortgages payable before deferred financing costs and mark-to-market adjustments is estimated at $1,689,869 (2023 - $1,438,179), compared to the carrying value of $1,742,986 (2023 - $1,511,252). The fair values of mortgages payable vary from their carrying values due to fluctuations in market interest rates since their issue.

The fair value of convertible debentures is based on their market trading price. As at December 31, 2024, the fair value of convertible debentures before deferred financing costs has been estimated at $58,464 (2023 - $54,880), compared to the carrying value of $53,129 (2023 - $52,245).

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.

## 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, 2024, dated February 11, 2025, 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.

### 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.

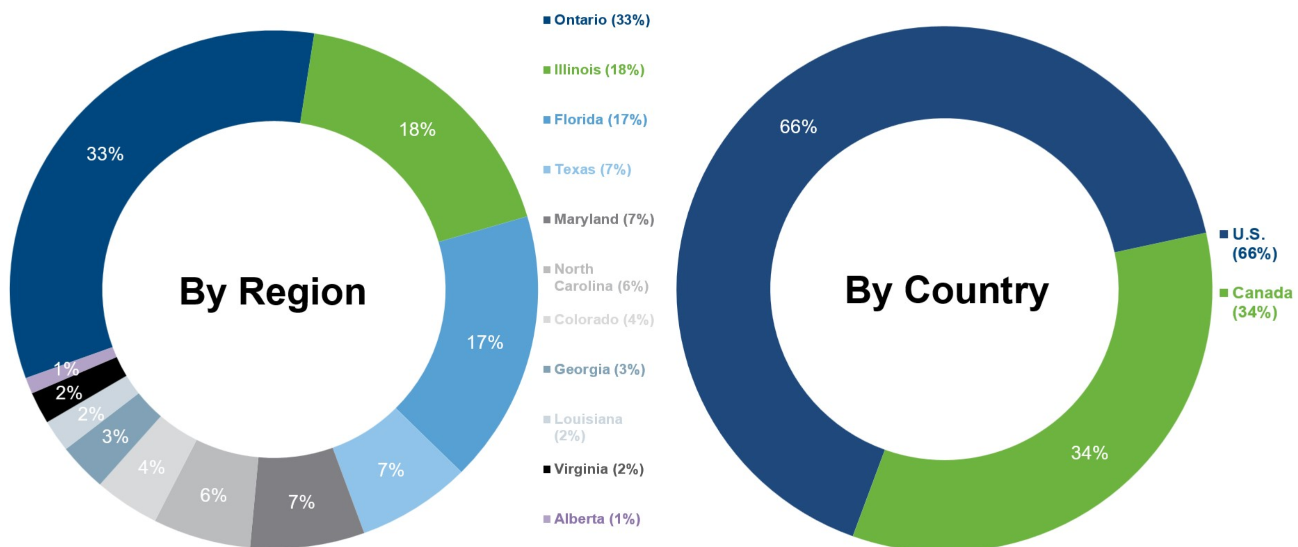
Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee’s exercise of its rights of foreclosure or 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, 2024, the REIT’s portfolio diversification (inclusive of equity-accounted investments) as a percentage of net operating income is as follows:




## PANDEMIC OR EPIDEMIC RISKS

Pandemic or epidemic risks may at various times lead 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 may lead to a general shutdown of economic activity and may disrupt 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 pandemic or epidemic closures are unknown, as is the efficacy of any 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 to make distributions to Unitholders.

Other outbreaks of pandemics and epidemics may have similar impacts on our business, operations, financial condition 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 its 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, maintain its properties, fund its growth strategy and certain other capital expenditures from time to time, and 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, maintaining a well-diversified debt maturity profile and 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.

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### 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. 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, 2024, the majority of the REIT's mortgages are insured in Canada under the *National Housing Act* ("NHA") and administered by the Canada Mortgage and Housing Corporation 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.

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, 2024. 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, 2024.

### 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, 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. 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 47.4% effective interest in the REIT through ownership of, or control or direction over, Units and Class B LP Units. As 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 calendar year 2024, the Government of Ontario passed legislation setting the rental guideline amount at 2.5% (2.5% for 2023). This adjustment is meant to take into account the income of the building and municipal and school taxes, insurance bills, 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.

## 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 2024 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 2025 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 EIFEL Rules, which became effective for the 2024 fiscal year, limit the amount of net interest and financing expenses that a trust may deduct in computing taxable income to a fixed ratio (currently set at 30% of EBITDA as calculated for tax purposes) or, where certain conditions are met and a consolidated group elects, a higher group ratio. As a result, the EIFEL Rules are expected to increase taxable income allocated by the REIT to Unitholders in current and subsequent fiscal years. Although, the EIFEL Rules are not expected to have an adverse impact on the REIT or its Unitholders, there can be no assurances in this regard, as the impact may adversely affect the marketability of the Units, the amount of cash available for distributions and the after-tax return to investors.

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.

### 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.

### 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 that seeks 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 of 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 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, 2024. 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, 2024.

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<br>(In thousands of dollars) | 2024 | 2023 | 2022 |
|---|---|---|---|
| Revenue from real estate properties | **$344,188** | $331,620 | $278,491 |
| NOI | **181,420** | 180,240 | 151,215 |
| Net income attributable to Unitholders | **101,858** | 176,336 | 219,282 |
| Net income attributable to Unitholders per Unit(1) | | | |
| - basic | **1.87** | 3.17 | 3.89 |
| - diluted | **1.86** | 3.08 | 3.68 |
| FFO | | | |
| - basic | **89,859** | 91,942 | 82,803 |
| - diluted | **93,219** | 95,550 | 86,651 |
| FFO per Unit(1) | | | |
| - basic | **1.65** | 1.65 | 1.47 |
| - diluted | **1.64** | 1.63 | 1.43 |
| Total distributions (including Class B LP Units) | **40,473** | 40,301 | 39,588 |
| Distributions per Unit (annualized) | **0.74336** | 0.72334 | 0.70300 |
| Total assets | **4,571,631** | 4,095,931 | 3,934,417 |
| Non-current portion of financial liabilities | | | |
| Mortgages payable | **1,502,163** | 1,327,738 | 1,247,355 |
| Convertible debentures | **52,830** | 52,276 | — |
| Class B LP Units | **295,376** | 254,385 | 279,014 |
| Lease liabilities | **17,612** | 16,059 | 16,235 |
| Number of suites | **13,089** | 13,089 | 12,849 |

(1) For the purpose of calculating 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 | Proportionate NOI | FFO | Net Income (Loss) Attributable to Unitholders | Net Income (Loss) Attributable to Unitholders per Unit | |
|---|---|---|---|---|---|---|---|
| | | | | | | Basic | Diluted(1) |
| **December 31, 2024** | **$87,888** | **$54,153** | **$45,554** | **$22,788** | **$48,602** | **$0.90** | **$0.89** |
| September 30, 2024 | 85,788 | 52,031 | 44,353 | 21,852 | (20,791) | (0.38) | (0.35) |
| June 30, 2024 | 85,756 | 54,649 | 46,401 | 22,685 | 48,316 | 0.88 | 0.86 |
| March 31, 2024 | 84,756 | 20,587 | 44,903 | 22,534 | 25,731 | 0.47 | 0.46 |
| December 31, 2023 | 85,000 | 55,020 | 47,675 | 24,341 | 25,123 | 0.47 | 0.47 |
| September 30, 2023 | 83,646 | 52,418 | 44,179 | 21,936 | 40,491 | 0.73 | 0.71 |
| June 30, 2023 | 83,326 | 53,494 | 45,238 | 23,711 | 81,227 | 1.45 | 1.40 |
| March 31, 2023 | 79,648 | 19,308 | 41,664 | 21,954 | 29,495 | 0.52 | 0.50 |

(1) Includes the dilutive impact of 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 income taxes.

During the first quarter of 2023, the REIT acquired a property comprising 240 suites and the remaining 50% interest in a property comprising 492 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 2024, the Ontario guideline increase amount was established at 2.5% (2.5% for 2023). 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.

As at December 31, 2024, Same Property occupancy in Canada was 97.2%, reflecting stable demand predominantly in Ontario. 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, 2024, Same Property occupancy in the U.S. was 93.8% as the REIT's overall U.S. occupancy maintained optimum levels.

The REIT has seen steady revenue growth resulting from an increase in Same Property revenue due to AMR growth as well as the REIT's acquisition and disposition activity.

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 acquisition activity 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.

In addition, the REIT incurred higher interest expense mainly due to the increase in mortgages from refinancing activities.

### 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 as described below:

- The REIT valued the Class B LP Units based on the closing price of the TSX-listed Units from period to period, resulting in a fair value gain/loss on Class B LP Units due to volatility in the trading price of the REIT's Units;
- The REIT recognized a fair value gain on real estate properties for the years ended December 31, 2024 and 2023 mainly due to an increase in stabilized NOI across the REIT's portfolio, partially offset by a 25 basis point increase in capitalization rates at several U.S. and Canadian properties. In addition, the equity-accounted investment includes non-cash fair value changes on real estate properties; and
- The REIT has recorded deferred tax expense/recovery coinciding with the fair value gains/loss of the REIT's U.S. real estate properties.

### Fourth Quarter Results

| For the three months ended December 31<br>(In thousands of dollars) | 2024 | 2023 |
|---|---|---|
| Revenue from real estate properties | **$87,888** | $85,000 |
| Property operating expenses | | |
| Property operating costs | **(25,862)** | (23,946) |
| Realty taxes | **(2,602)** | (692) |
| Utilities | **(5,271)** | (5,342) |
| **Net operating income** | **54,153** | 55,020 |
| Other expenses (income) | | |
| Interest expense | **20,221** | 20,451 |
| Trust expenses | **5,488** | 5,625 |
| Equity income from investments | **(7,008)** | (4,359) |
| Foreign exchange loss | **7** | 8 |
| Other income | **(886)** | (90) |
| **Income before fair value changes and income taxes** | **36,331** | 33,385 |
| Fair value loss on real estate properties, net | **(33,185)** | (20,172) |
| Fair value gain on Class B LP Units | **36,513** | 1,378 |
| **Income before income taxes** | **39,659** | 14,591 |
| Provision for (recovery of) income taxes | | |
| Current | **(333)** | 819 |
| Deferred | **(2,886)** | (10,594) |
| | **(3,219)** | (9,775) |
| **Net income for the period** | **$42,878** | $24,366 |
| **Net income (loss) attributable to:** | | |
| Unitholders | **$48,602** | $25,123 |
| Non-controlling interest | **(5,724)** | (757) |
| | **$42,878** | $24,366 |

The REIT's net income attributable to Unitholders for the three months ended December 31, 2024, amounted to $48,602, compared to $25,123 for the three months ended December 31, 2023. Non-controlling interest share of net loss during the three months ended December 31, 2024 amounted to $5,724, compared to $757 for the three months ended December 31, 2023.

The increase in net income was primarily due to the following:

- An increase in fair value gain on Class B LP Units of $35,135 due to a decrease in trading price of the Units during the fourth quarter of 2024 compared to the same period in 2023;
- An increase in equity income from investments of $2,649, mainly resulting from a higher fair value gain on real estate properties during the fourth quarter of 2024, compared to the same period in 2023; and
- A decrease in current tax of $1,152.

These items were partially offset by the following:

- An increase in fair value loss on real estate properties of $13,013 from a higher fair value loss of $33,185 recorded during the fourth quarter of 2024, compared to a fair value loss of $20,172 recorded in 2023;
- A decrease in recovery of deferred income tax of $7,708; and
- A decrease in NOI of $867, mostly from U.S. properties, largely attributable to higher operating costs, partially offset by an increase in revenue.

## SUBSEQUENT EVENT

The REIT entered into a binding commitment letter for the CMHC-insured refinancing of a multi-suite residential property located in Kitchener, Ontario, providing gross proceeds of up to $79,413 for a term of 10 years. The maturing mortgage amounts to $30,832 and has an interest rate of 2.25%. The REIT expects to close the refinancing during the first quarter of 2025.

# 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, 2024 | IFRS | NCI Share | Equity Interest | Proportionate Basis (Non-GAAP) |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Real estate properties | $4,333,075 | ($217,740) | $182,382 | $4,297,717 |
| Equity-accounted investments | 70,874 | — | (70,874) | — |
| | 4,403,949 | (217,740) | 111,508 | 4,297,717 |
| **Current assets** | | | | |
| Morguard Facility | 90,000 | — | — | 90,000 |
| Amounts receivable | 12,584 | (618) | 465 | 12,431 |
| Prepaid expenses | 8,983 | (329) | 195 | 8,849 |
| Restricted cash | 4,857 | (1,005) | — | 3,852 |
| Cash | 51,258 | (3,212) | 708 | 48,754 |
| | 167,682 | (5,164) | 1,368 | 163,886 |
| | $4,571,631 | ($222,904) | $112,876 | $4,461,603 |
| **LIABILITIES AND EQUITY** | | | | |
| **Non-current liabilities** | | | | |
| Mortgages payable | $1,502,163 | ($23,726) | $105,864 | $1,584,301 |
| Convertible debentures | 52,830 | — | — | 52,830 |
| Class B LP Units | 295,376 | — | — | 295,376 |
| Deferred income tax liabilities | 299,129 | — | — | 299,129 |
| Lease liabilities | 17,612 | — | — | 17,612 |
| | 2,167,110 | (23,726) | 105,864 | 2,249,248 |
| **Current liabilities** | | | | |
| Mortgages payable | 218,917 | (80,368) | 2,631 | 141,180 |
| Accounts payable and accrued liabilities | 73,614 | (8,157) | 4,381 | 69,838 |
| | 292,531 | (88,525) | 7,012 | 211,018 |
| **Total liabilities** | 2,459,641 | (112,251) | 112,876 | 2,460,266 |
| **EQUITY** | | | | |
| Unitholders' equity | 2,001,337 | — | — | 2,001,337 |
| Non-controlling interest | 110,653 | (110,653) | — | — |
| **Total equity** | 2,111,990 | (110,653) | — | 2,001,337 |
| | $4,571,631 | ($222,904) | $112,876 | $4,461,603 |

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, 2024 | IFRS | NCI Share | Equity Interest | Proportionate Basis (Non-GAAP) |
| **Total Assets / Gross book value**[(1)] | $4,571,631 | ($222,904) | $112,876 | $4,461,603 |
| Mortgage payable | $1,721,080 | ($104,094) | $108,495 | $1,725,481 |
| Add: Deferred financing costs | 20,162 | (311) | 257 | 20,108 |
| Mark-to-market adjustment | 1,744 | — | — | 1,744 |
| | 1,742,986 | (104,405) | 108,752 | 1,747,333 |
| Convertible debentures, face value | 56,000 | — | — | 56,000 |
| Lease liabilities | 17,612 | — | — | 17,612 |
| **Indebtedness** | $1,816,598 | ($104,405) | $108,752 | $1,820,945 |
| **Indebtedness / Gross book value** | 39.7% | | | 40.8% |

(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) | 2024 IFRS | 2024 Non-GAAP Adjustments NCI Share | 2024 Non-GAAP Adjustments Equity Interest | 2024 Non-GAAP Adjustments IFRIC 21 | 2024 Proportionate Basis (Non-GAAP) | 2023 IFRS | 2023 Non-GAAP Adjustments NCI Share | 2023 Non-GAAP Adjustments Equity Interest | 2023 Non-GAAP Adjustments IFRIC 21 | 2023 Proportionate Basis (Non-GAAP) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue from properties** | | | | | | | | | | |
| Gross rental revenue | **$84,367** | **($4,534)** | **$4,218** | **$—** | **$84,051** | $80,420 | ($4,277) | $3,953 | $— | $80,096 |
| Vacancy | **(5,514)** | **302** | **(385)** | **—** | **(5,597)** | (4,161) | 213 | (146) | — | (4,094) |
| Ancillary | **9,035** | **(501)** | **252** | **—** | **8,786** | 8,741 | (389) | 238 | — | 8,590 |
| Total revenue from properties | **87,888** | **(4,733)** | **4,085** | **—** | **87,240** | 85,000 | (4,453) | 4,045 | — | 84,592 |
| **Property operating expenses** | | | | | | | | | | |
| Operating costs | **25,862** | **(1,357)** | **996** | **—** | **25,501** | 23,946 | (1,240) | 887 | — | 23,593 |
| Realty taxes | **2,602** | **(145)** | **52** | **8,460** | **10,969** | 692 | 143 | (684) | 7,860 | 8,011 |
| Utilities | **5,271** | **(178)** | **123** | **—** | **5,216** | 5,342 | (169) | 140 | — | 5,313 |
| Total property operating expenses | **33,735** | **(1,680)** | **1,171** | **8,460** | **41,686** | 29,980 | (1,266) | 343 | 7,860 | 36,917 |
| **NOI**[1] | **54,153** | **(3,053)** | **2,914** | **(8,460)** | **45,554** | 55,020 | (3,187) | 3,702 | (7,860) | 47,675 |
| Other expense (income) | | | | | | | | | | |
| Interest expense | **20,221** | **(1,069)** | **881** | **—** | **20,033** | 20,451 | (1,065) | 878 | — | 20,264 |
| Trust expenses | **5,488** | **(84)** | **117** | **—** | **5,521** | 5,625 | (101) | 102 | — | 5,626 |
| Equity income from investments | **(7,008)** | **—** | **7,008** | **—** | **—** | (4,359) | — | 4,359 | — | — |
| Foreign exchange loss | **7** | **—** | **—** | **—** | **7** | 8 | — | — | — | 8 |
| Other income | **(886)** | **—** | **—** | **—** | **(886)** | (90) | (8) | — | — | (98) |
| **Income before fair value changes and income taxes** | **36,331** | **(1,900)** | **(5,092)** | **(8,460)** | **20,879** | 33,385 | (2,013) | (1,637) | (7,860) | 21,875 |
| Fair value loss on real estate properties, net | **(33,185)** | **7,650** | **5,092** | **8,460** | **(11,983)** | (20,172) | 2,627 | 1,637 | 7,860 | (8,048) |
| Fair value gain on Class B LP Units | **36,513** | **—** | **—** | **—** | **36,513** | 1,378 | — | — | — | 1,378 |
| **Income before income taxes** | **39,659** | **5,750** | **—** | **—** | **45,409** | 14,591 | 614 | — | — | 15,205 |
| Provision for (recovery of) income taxes | | | | | | | | | | |
| Current | **(333)** | **26** | **—** | **—** | **(307)** | 819 | (143) | — | — | 676 |
| Deferred | **(2,886)** | **—** | **—** | **—** | **(2,886)** | (10,594) | — | — | — | (10,594) |
| | **(3,219)** | **26** | **—** | **—** | **(3,193)** | (9,775) | (143) | — | — | (9,918) |
| **Net income for the period** | **$42,878** | **$5,724** | **$—** | **$—** | **$48,602** | $24,366 | $757 | $— | $— | $25,123 |
| [1] IFRIC 21 included in NOI | **($8,448)** | **$799** | **($811)** | **$8,460** | **$—** | ($7,786) | $685 | ($759) | $7,860 | $— |

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) | 2024 IFRS | 2024 Non-GAAP Adjustments NCI Share | 2024 Non-GAAP Adjustments Equity Interest | 2024 Non-GAAP Adjustments IFRIC 21 | 2024 Proportionate Basis (Non-GAAP) | 2023 IFRS | 2023 Non-GAAP Adjustments NCI Share | 2023 Non-GAAP Adjustments Equity Interest | 2023 Non-GAAP Adjustments IFRIC 21 | 2023 Proportionate Basis (Non-GAAP) |
|---|---|---|---|---|---|---|---|---|---|---|
| NOI | **$54,153** | **($3,053)** | **$2,914** | **($8,460)** | **$45,554** | $55,020 | ($3,187) | $3,702 | ($7,860) | $47,675 |
| IFRIC 21 adjustment | **(8,448)** | **799** | **(811)** | **8,460** | **—** | (7,786) | 685 | (759) | 7,860 | — |
| Trust expenses | **(5,488)** | **84** | **(117)** | **—** | **(5,521)** | (5,625) | 101 | (102) | — | (5,626) |
| Other income | **886** | **—** | **—** | **—** | **886** | 90 | 8 | — | — | 98 |
| | **$41,103** | **($2,170)** | **$1,986** | **$—** | **$40,919** | $41,699 | ($2,393) | $2,841 | $— | $42,147 |
| Interest expense | **$20,221** | **($1,069)** | **$881** | **$—** | **$20,033** | $20,451 | ($1,065) | $878 | $— | $20,264 |
| Amortization of mark-to-market adjustment on mortgages | **(164)** | **—** | **—** | **—** | **(164)** | (169) | — | — | — | (169) |
| Accretion on convertible debentures | **(221)** | **—** | **—** | **—** | **(221)** | (663) | — | — | — | (663) |
| Fair value gain on conversion option on convertible debentures | **1,649** | **—** | **—** | **—** | **1,649** | 24 | — | — | — | 24 |
| Distributions on Class B LP Units | **(3,244)** | **—** | **—** | **—** | **(3,244)** | (3,158) | — | — | — | (3,158) |
| | **$18,241** | **($1,069)** | **$881** | **$—** | **$18,053** | $16,485 | ($1,065) | $878 | $— | $16,298 |
| **Interest coverage ratio** | **2.25** | | | | **2.27** | 2.53 | | | | 2.59 |
| **Indebtedness coverage ratio** | **1.56** | | | | **1.56** | 1.70 | | | | 1.71 |

## STATEMENTS OF INCOME (CONTINUED)

| | 2024 | | | | 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Non-GAAP Adjustments | | | | Non-GAAP Adjustments | | | |
| **For the year ended December 31 (In thousands of dollars)** | **IFRS** | **NCI Share** | **Equity Interest** | **Proportionate Basis (Non-GAAP)** | IFRS | NCI Share | Equity Interest | IFRIC 21 | Proportionate Basis (Non-GAAP) |
| **Revenue from properties** | | | | | | | | | |
| Same Property | | | | | | | | | |
| Gross rental revenue | **$320,147** | **($17,524)** | **$16,200** | **$318,823** | $305,686 | ($16,548) | $15,311 | $— | $304,449 |
| Vacancy | **(19,642)** | **1,174** | **(1,199)** | **(19,667)** | (14,485) | 764 | (680) | — | (14,401) |
| Ancillary | **33,909** | **(1,792)** | **928** | **33,045** | 33,206 | (1,577) | 920 | — | 32,549 |
| Same Property | **334,414** | **(18,142)** | **15,929** | **332,201** | 324,407 | (17,361) | 15,551 | — | 322,597 |
| Acquisition | **9,774** | **—** | **—** | **9,774** | 7,213 | — | — | — | 7,213 |
| Total revenue from properties | **344,188** | **(18,142)** | **15,929** | **341,975** | 331,620 | (17,361) | 15,551 | — | 329,810 |
| **Property operating expenses** | | | | | | | | | |
| Same Property | | | | | | | | | |
| Operating costs | **93,889** | **(4,919)** | **3,686** | **92,656** | 89,639 | (4,573) | 3,594 | — | 88,660 |
| Realty taxes | **42,569** | **(3,380)** | **2,941** | **42,130** | 38,525 | (2,643) | 2,318 | — | 38,200 |
| Utilities | **20,895** | **(768)** | **436** | **20,563** | 20,481 | (641) | 570 | — | 20,410 |
| Same Property | **157,353** | **(9,067)** | **7,063** | **155,349** | 148,645 | (7,857) | 6,482 | — | 147,270 |
| Acquisition | **5,415** | **—** | **—** | **5,415** | 2,735 | — | — | 1,049 | 3,784 |
| Total property operating expenses | **162,768** | **(9,067)** | **7,063** | **160,764** | 151,380 | (7,857) | 6,482 | 1,049 | 151,054 |
| **NOI** | | | | | | | | | |
| Same Property | **177,061** | **(9,075)** | **8,866** | **176,852** | 175,762 | (9,504) | 9,069 | — | 175,327 |
| Acquisition | **4,359** | **—** | **—** | **4,359** | 4,478 | — | — | (1,049) | 3,429 |
| **Total NOI[1]** | **181,420** | **(9,075)** | **8,866** | **181,211** | 180,240 | (9,504) | 9,069 | (1,049) | 178,756 |
| Other expense (income) | | | | | | | | | |
| Interest expense | **83,004** | **(4,262)** | **3,481** | **82,223** | 75,189 | (4,197) | 3,511 | — | 74,503 |
| Trust expenses | **22,179** | **(358)** | **427** | **22,248** | 21,977 | (374) | 414 | — | 22,017 |
| Equity income from investments | **(15,116)** | **—** | **15,116** | **—** | (5,376) | — | 5,376 | — | — |
| Foreign exchange loss | **565** | **—** | **—** | **565** | 22 | — | — | — | 22 |
| Other income | **(2,511)** | **—** | **—** | **(2,511)** | (360) | (8) | — | — | (368) |
| **Income before fair value changes and income taxes** | **93,299** | **(4,455)** | **(10,158)** | **78,686** | 88,788 | (4,925) | (232) | (1,049) | 82,582 |
| Fair value gain on real estate properties, net | **60,372** | **6,854** | **10,158** | **77,384** | 79,947 | (4,213) | 232 | 1,049 | 77,015 |
| Fair value gain (loss) on Class B LP Units | **(40,991)** | **—** | **—** | **(40,991)** | 24,629 | — | — | — | 24,629 |
| **Income before income taxes** | **112,680** | **2,399** | **—** | **115,079** | 193,364 | (9,138) | — | — | 184,226 |
| Provision for income taxes | | | | | | | | | |
| Current | **1,487** | **(63)** | **—** | **1,424** | 1,209 | (193) | — | — | 1,016 |
| Deferred | **11,797** | **—** | **—** | **11,797** | 6,874 | — | — | — | 6,874 |
| | **13,284** | **(63)** | **—** | **13,221** | 8,083 | (193) | — | — | 7,890 |
| **Net income for the year** | **$99,396** | **$2,462** | **$—** | **$101,858** | $185,281 | ($8,945) | $— | $— | $176,336 |
| [1] IFRIC 21 included in NOI | **$—** | **$—** | **$—** | **$—** | ($1,049) | $— | $— | $1,049 | $— |

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

| | 2024 | | | | 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Non-GAAP Adjustments | | | | Non-GAAP Adjustments | | | |
| **For the year ended December 31 (In thousands of dollars)** | **IFRS** | **NCI Share** | **Equity Interest** | **Proportionate Basis (Non-GAAP)** | IFRS | NCI Share | Equity Interest | IFRIC 21 | Proportionate Basis (Non-GAAP) |
| NOI | **$181,420** | **($9,075)** | **$8,866** | **$181,211** | $180,240 | ($9,504) | $9,069 | ($1,049) | $178,756 |
| IFRIC 21 adjustment | **—** | **—** | **—** | **—** | (1,049) | — | — | 1,049 | — |
| Trust expenses | **(22,179)** | **358** | **(427)** | **(22,248)** | (21,977) | 374 | (414) | — | (22,017) |
| Other income | **2,511** | **—** | **—** | **2,511** | 360 | 8 | — | — | 368 |
| | **$161,752** | **($8,717)** | **$8,439** | **$161,474** | $157,574 | ($9,122) | $8,655 | $— | $157,107 |
| Interest expense | **$83,004** | **($4,262)** | **$3,481** | **$82,223** | $75,189 | ($4,197) | $3,511 | $— | $74,503 |
| Amortization of mark-to-market adjustment on mortgages | **(683)** | **—** | **—** | **(683)** | (731) | — | — | — | (731) |
| Accretion on convertible debentures | **(884)** | **—** | **—** | **(884)** | (663) | — | — | — | (663) |
| Fair value gain on conversion option on convertible debentures | **770** | **—** | **—** | **770** | 2,104 | — | — | — | 2,104 |
| Distributions on Class B LP Units | **(12,802)** | **—** | **—** | **(12,802)** | (12,458) | — | — | — | (12,458) |
| | **$69,405** | **($4,262)** | **$3,481** | **$68,624** | $63,441 | ($4,197) | $3,511 | $— | $62,755 |
| **Interest coverage ratio** | **2.33** | | | **2.35** | 2.48 | | | | 2.50 |
| **Indebtedness coverage ratio** | **1.60** | | | **1.60** | 1.64 | | | | 1.63 |

# PART X

## OUTLOOK

The Canadian multi-suite residential rental market recovery moderated in 2024, having peaked over the past few years. The national vacancy rate rose to 2.2% as of October 2024, up from 1.5% a year earlier, as reported in the Canada Mortgage and Housing Corporation's Rental Market Report. New supply deliveries drove vacancy higher in some markets, although rental market conditions remained tight across the country. Rent growth eased somewhat in 2024, due largely to rising vacancy levels in both the purpose-built and rental condominium markets and slightly weaker rental demand. The slightly weaker rental demand trend was indicative of the Canadian multi-suite residential rental market recovery moderation of the past year.

Canada's multi-suite residential rental market is expected to remain stable and healthy over the near term, continuing the recent trend. Vacancy will edge higher with the ongoing delivery of new supply. In addition, owners and managers of purpose-built rental property will face increased competition due to the greater supply of rental condominiums on the market. Despite the rising vacancy trend, rental market conditions will remain tight. Therefore, rents are expected to continue to rise at a modest rate compared to the most recent market peak. Owners and managers will continue to raise rents more significantly when suites are vacated, which is consistent with the trend over the past few years. Demand patterns will remain stable and healthy, despite the implementation of lower federal immigration targets. Job growth and still high mortgage rates will force many families to continue to rent. In addition, some renters will choose rental accommodation rather than home ownership during a period of heightened economic and labour market uncertainty. In summary, Canada's multi-suite residential rental market will continue to exhibit largely stable and healthy performance characteristics over the near term.

Stabilization is expected to be the theme of the U.S. multi-suite residential rental market over the near term following the softening trend of the past few years. The forecast stabilization is based on a combination of increased rental demand and a slowdown in new supply deliveries. Demand for rental accommodation will continue to rebound in 2025 after strengthening in the second half of 2024. Economic and population growth is expected to continue to support positive demand patterns. The volume of renter households moving into the ownership market will remain relatively low. New supply deliveries are projected to continue to decline in 2025. Construction starts slowed over the past year due largely to the high cost of construction financing, materials and labour, and weaker rental market fundamentals. A more balanced demand/supply rental market dynamic is forecasted for 2025. The national multi-suite residential rental market vacancy rate is expected to gradually decline with absorption of new supply. As market conditions tighten, rents will stabilize and subsequently rise. Costar predicted the average U.S. monthly rent will increase by 3.0% in 2025, which is markedly stronger than the rent growth trend of the past two years. This moderately stronger rent growth trend is expected during a period when rental market conditions are expected to stabilize.

# 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, 2024 and 2023, 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 material accounting policy information.

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, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs").

### 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 $4.3 billion which represents 95% of total assets as at December 31, 2024.<br><br>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 | 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:<br>• 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. |

| | |
|---|---|
| characteristics and locations similar to the REIT's assets are also considered when developing the valuations.<br><br>Note 2 of the consolidated financial statements describes the accounting policy for real estate properties, including the valuation method and valuation inputs.<br><br>Note 3 of the consolidated financial statements discloses the sensitivity of the fair value of real estate properties to a change in capitalization rates.<br><br>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. | • 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.<br>• We evaluated the REIT's critical accounting policies and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRSs. |

**Other information**

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

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

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is

necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units with the Trust as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes 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 Adam Steele.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 11, 2025

# BALANCE SHEETS

In thousands of Canadian dollars

| As at December 31 | Note | 2024 | 2023 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Real estate properties | 3 | **$4,333,075** | $3,999,481 |
| Equity-accounted investments | 5 | **70,874** | 53,282 |
| | | **4,403,949** | 4,052,763 |
| **Current assets** | | | |
| Morguard Facility | 9 | **90,000** | 2,627 |
| Amounts receivable | | **12,584** | 9,571 |
| Prepaid expenses | | **8,983** | 9,070 |
| Restricted cash | | **4,857** | 4,075 |
| Cash | | **51,258** | 17,825 |
| | | **167,682** | 43,168 |
| | | **$4,571,631** | $4,095,931 |
| **LIABILITIES AND EQUITY** | | | |
| **Non-current liabilities** | | | |
| Mortgages payable | 6 | **$1,502,163** | $1,327,738 |
| Convertible debentures | 7 | **52,830** | 52,276 |
| Class B LP Units | 8 | **295,376** | 254,385 |
| Deferred income tax liabilities | 17 | **299,129** | 263,424 |
| Lease liabilities | 10 | **17,612** | 16,059 |
| | | **2,167,110** | 1,913,882 |
| **Current liabilities** | | | |
| Mortgages payable | 6 | **218,917** | 167,624 |
| Accounts payable and accrued liabilities | 11 | **73,614** | 54,774 |
| | | **292,531** | 222,398 |
| **Total liabilities** | | **2,459,641** | 2,136,280 |
| **EQUITY** | | | |
| Unitholders' equity | | **2,001,337** | 1,852,778 |
| Non-controlling interest | | **110,653** | 106,873 |
| **Total equity** | | **2,111,990** | 1,959,651 |
| | | **$4,571,631** | $4,095,931 |

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 | 2024 | 2023 |
|---|---|---|---|
| Revenue from real estate properties | 13 | **$344,188** | $331,620 |
| Property operating expenses | | | |
| Property operating costs | | **(97,116)** | (92,110) |
| Realty taxes | | **(44,308)** | (38,531) |
| Utilities | | **(21,344)** | (20,739) |
| **Net operating income** | | **181,420** | 180,240 |
| Other expense (income) | | | |
| Interest expense | 14 | **83,004** | 75,189 |
| Trust expenses | 15 | **22,179** | 21,977 |
| Equity income from investments | 5 | **(15,116)** | (5,376) |
| Foreign exchange loss | | **565** | 22 |
| Other income | | **(2,511)** | (360) |
| **Income before fair value changes and income taxes** | | **93,299** | 88,788 |
| Fair value gain on real estate properties, net | 3 | **60,372** | 79,947 |
| Fair value gain (loss) on Class B LP Units | 8 | **(40,991)** | 24,629 |
| **Income before income taxes** | | **112,680** | 193,364 |
| Provision for income taxes | 17 | | |
| Current | | **1,487** | 1,209 |
| Deferred | | **11,797** | 6,874 |
| | | **13,284** | 8,083 |
| **Net income for the year** | | **$99,396** | $185,281 |
| **Net income (loss) attributable to:** | | | |
| Unitholders | | **$101,858** | $176,336 |
| Non-controlling interest | | **(2,462)** | 8,945 |
| | | **$99,396** | $185,281 |

*See accompanying notes to the consolidated financial statements.*

# STATEMENTS OF COMPREHENSIVE INCOME

In thousands of Canadian dollars

| For the years ended December 31 | 2024 | 2023 |
|---|---|---|
| **Net income for the year** | **$99,396** | $185,281 |
| **OTHER COMPREHENSIVE INCOME** | | |
| **Item that may be reclassified subsequently to net income:** | | |
| Unrealized foreign currency translation gain (loss) | **108,670** | (28,967) |
| **Total comprehensive income for the year** | **$208,066** | $156,314 |
| **Total comprehensive income attributable to:** | | |
| Unitholders | **$201,635** | $149,770 |
| Non-controlling interest | **6,431** | 6,544 |
| | **$208,066** | $156,314 |

*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, 2022 | | $470,774 | $48,762 | $1,089,399 | $144,540 | $1,753,475 | $101,914 | $1,855,389 |
| Changes during the year: | | | | | | | | |
| Net income | | — | — | 176,336 | — | 176,336 | 8,945 | 185,281 |
| Other comprehensive loss | | — | — | — | (26,566) | (26,566) | (2,401) | (28,967) |
| Repurchase of Units | | (23,533) | — | — | — | (23,533) | — | (23,533) |
| Issue of Units - DRIP | | 909 | — | (909) | — | — | — | — |
| Distributions | | — | — | (26,934) | — | (26,934) | (1,585) | (28,519) |
| **Unitholders' equity, December 31, 2023** | | $448,150 | $48,762 | $1,237,892 | $117,974 | $1,852,778 | $106,873 | $1,959,651 |
| **Changes during the year:** | | | | | | | | |
| **Net income (loss)** | | **—** | **—** | **101,858** | **—** | **101,858** | **(2,462)** | **99,396** |
| **Other comprehensive income** | | **—** | **—** | **—** | **99,777** | **99,777** | **8,893** | **108,670** |
| **Repurchase of Units** | 12(b) | **(26,288)** | **—** | **—** | **—** | **(26,288)** | **—** | **(26,288)** |
| **Issue of Units - DRIP** | 12(d) | **883** | **—** | **(883)** | **—** | **—** | **—** | **—** |
| **Distributions** | 12(d) | **—** | **—** | **(26,788)** | **—** | **(26,788)** | **(2,651)** | **(29,439)** |
| **Unitholders' equity, December 31, 2024** | | **$422,745** | **$48,762** | **$1,312,079** | **$217,751** | **$2,001,337** | **$110,653** | **$2,111,990** |

*See accompanying notes to the consolidated financial statements.*

# STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

| For the years ended December 31 | Note | 2024 | 2023 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Net income | | **$99,396** | $185,281 |
| Add (deduct) items not affecting cash | 18(a) | **(17,953)** | (100,859) |
| Additions to tenant incentives | | **(1,682)** | (848) |
| Distributions from equity-accounted investments | 5 | **2,734** | 3,385 |
| Net change in non-cash operating assets and liabilities | 18(b) | **15,008** | 2,007 |
| **Cash provided by operating activities** | | **97,503** | 88,966 |
| **INVESTING ACTIVITIES** | | | |
| Acquisition of income producing properties | 3 | **—** | (164,710) |
| Additions to real estate properties | 3 | **(59,402)** | (44,299) |
| **Cash used in investing activities** | | **(59,402)** | (209,009) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from new mortgages | 6 | **318,971** | 187,310 |
| Financing cost on new mortgages | | **(9,043)** | (4,048) |
| Repayment of mortgages | | | |
| Principal instalment repayments | | **(31,851)** | (32,817) |
| Repayment on maturity | 6 | **(49,539)** | (106,449) |
| Repayment due to mortgage extinguishment | 6 | **(91,411)** | — |
| Principal payment of lease liabilities | 10 | **(38)** | (33) |
| Proceeds from issuance of convertible debentures, net of costs | 7 | **—** | 53,590 |
| Redemption of convertible debentures | 7 | **—** | (85,500) |
| Proceeds from Morguard Facility | | **33,250** | 258,660 |
| Repayments/advances on Morguard Facility | | **(120,902)** | (180,638) |
| Units repurchased for cancellation | 12(b) | **(26,288)** | (23,533) |
| Distributions to Unitholders | | **(26,813)** | (26,953) |
| Distributions to non-controlling interest | | **(2,651)** | (1,585) |
| Decrease (increase) in restricted cash | | **(428)** | 82,833 |
| **Cash provided by (used in) financing activities** | | **(6,743)** | 120,837 |
| **Net increase in cash during the year** | | **31,358** | 794 |
| Net effect of foreign currency translation on cash balance | | **2,075** | 2,395 |
| Cash, beginning of year | | **17,825** | 14,636 |
| **Cash, end of year** | | **$51,258** | $17,825 |

*See accompanying notes to the consolidated financial statements.*

# NOTES

For the years ended December 31, 2024 and 2023
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, 2024, Morguard Corporation ("Morguard"), the parent company of the REIT, holds an indirect 47.4% (2023 - 46.1%) interest through its ownership of 8,120,666 Units and 17,223,090 Class B LP Units.

## NOTE 2

### STATEMENT OF COMPLIANCE AND MATERIAL 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 11, 2025.

#### 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 material 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 upon consolidation.

#### Non-controlling Interest

Non-controlling interest represents equity interest in subsidiaries that is 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 for 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 investments 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 liabilities | 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 of 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 rate 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. Convertible debentures are convertible

into Units at the holder's option. As a result of this obligation, 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 is 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 term. 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:

| | 2024 | 2023 |
|---|---|---|
| Canadian dollar to United States dollar exchange rates: | | |
| - As at December 31 | **$0.6950** | $0.7561 |
| - Average for the year ended December 31 | **0.7301** | 0.7409 |
| United States dollar to Canadian dollar exchange rates: | | |
| - As at December 31 | **1.4389** | 1.3226 |
| - Average for the year ended December 31 | **1.3696** | 1.3497 |

### 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.

### Operating Segments

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 Material Accounting Policies

The following are the critical judgments that have been made in applying the REIT's material 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 provide 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 Material 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 as at the date of the consolidated financial statements, and the 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. Material estimates and assumptions 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.

## Current Material Accounting Policy Changes
**Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current**
On January 1, 2024, the REIT adopted the amendments to 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 did not have a material impact on the REIT's consolidated financial statements.

**Amendments to IAS 1 - Non-Current Liabilities with Covenants**
On January 1, 2024, the REIT adopted the amendments to IAS 1. 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 did not have a material impact on the REIT's consolidated financial statements.

### Future Material Accounting Policy Changes

**IFRS 18 - Presentation and Disclosure in Financial Statements ("IFRS 18")**

On April 9, 2024, the IASB issued IFRS 18 that will replace IAS 1 - Presentation of Financial Statements. The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

IFRS 18 introduces the following:

- Defined subtotals and categories in the statement of profit or loss.
- Requirements to improve aggregation and disaggregation.
- Disclosures about management-defined performance measures in the notes to the financial statements.
- Targeted improvements to the statement of cash flows by amending IAS 7 - Statement of Cash Flows.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. The standard is applied retrospectively, with specific transition provisions, and early adoption is permitted. The REIT is currently assessing the impact this new standard will have on its 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 | 2024 | 2023 |
|---|---|---|
| Balance, beginning of year | **$3,999,481** | $3,626,853 |
| Additions: | | |
| Acquisition of income producing properties | **—** | 207,658 |
| Capital expenditures | **59,402** | 44,299 |
| Right-of-use assets | **170** | 241 |
| Transfer from equity-accounted investments (Note 5) | **—** | 96,840 |
| Fair value gain, net | **60,372** | 80,996 |
| Foreign currency translation | **212,473** | (57,717) |
| Other | **1,177** | 311 |
| **Balance, end of year** | **$4,333,075** | $3,999,481 |

### Transactions completed during the year ended December 31, 2023

**Acquisitions**

On January 5, 2023, 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 $96,902 (US$71,545), including closing costs, and assumed mortgages payable of $45,997 (US$33,961) at a contractual interest rate of 3.55%, maturing on September 1, 2027. In addition, a mark-to-market adjustment of $3,049 (US$2,251) was recorded to mortgages payable at an effective interest rate of 5.26%.

On March 29, 2023, the REIT acquired a multi-suite residential property comprising 240 suites located in Chicago, Illinois ("Xavier"), for a purchase price of $113,805 (US$83,829), including closing costs.

The REIT pursued a tax deferred exchange under Internal Revenue Code Section 1031 ("1031 Exchange") in connection with its U.S. property dispositions. Under a 1031 Exchange, the REIT was able to defer tax payable upon the acquisition of its replacement property.

As at December 31, 2024, and 2023, 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 members must adhere to AIC's Canadian Uniform Standards of Professional Appraisal Practice 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 (primarily influenced by revenue growth, vacancy rates, inflation rates and operating costs), which 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, 2024, using the direct capitalization income approach, the properties were valued using capitalization rates in the range of 3.8% to 6.3% (2023 - 3.8% to 6.3%) applied to a stabilized net operating income of $196,327 (2023 - $180,813), resulting in an overall weighted average capitalization rate of 4.5% (2023 - 4.5%).

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

| | **December 31, 2024** | | | | | December 31, 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Occupancy Rates** | | **Capitalization Rates** | | | Occupancy Rates | | Capitalization Rates | | |
| | **Max.** | **Min.** | **Max.** | **Min.** | **Weighted Average** | Max. | Min. | Max. | Min. | Weighted Average |
| **Canada** | | | | | | | | | | |
| Alberta | **96.2%** | **96.2%** | **5.3%** | **5.3%** | **5.3%** | 96.0% | 96.0% | 5.3% | 5.3% | 5.3% |
| Ontario | **97.3%** | **96.5%** | **4.5%** | **3.8%** | **3.9%** | 97.5% | 96.5% | 4.3% | 3.8% | 3.9% |
| **United States** | | | | | | | | | | |
| Colorado | **95.0%** | **95.0%** | **5.0%** | **5.0%** | **5.0%** | 95.0% | 95.0% | 5.0% | 5.0% | 5.0% |
| Texas | **95.0%** | **95.0%** | **5.0%** | **5.0%** | **5.0%** | 95.0% | 95.0% | 5.0% | 5.0% | 5.0% |
| Louisiana | **95.0%** | **95.0%** | **5.5%** | **5.5%** | **5.5%** | 95.0% | 95.0% | 5.5% | 5.5% | 5.5% |
| Illinois | **95.0%** | **94.0%** | **5.3%** | **5.0%** | **5.1%** | 95.0% | 95.0% | 5.3% | 5.0% | 5.1% |
| Georgia | **95.0%** | **95.0%** | **5.3%** | **5.0%** | **5.2%** | 96.0% | 95.0% | 5.3% | 4.8% | 5.1% |
| Florida | **96.0%** | **93.7%** | **6.3%** | **4.8%** | **5.3%** | 96.0% | 93.6% | 6.3% | 4.5% | 5.2% |
| North Carolina | **94.0%** | **94.0%** | **5.0%** | **5.0%** | **5.0%** | 94.0% | 94.0% | 5.0% | 4.8% | 4.9% |
| Virginia | **95.0%** | **95.0%** | **4.8%** | **4.8%** | **4.8%** | 95.0% | 95.0% | 4.8% | 4.8% | 4.8% |
| Maryland | **95.0%** | **95.0%** | **4.8%** | **4.8%** | **4.8%** | 94.0% | 94.0% | 4.8% | 4.8% | 4.8% |

Fair values are most sensitive to changes in capitalization rates and stabilized net operating income. Generally, an increase in stabilized net operating income will result in an increase in the fair value of the real estate properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in stabilized net operating income, with a lower capitalization rate resulting in a greater impact on the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rate were to increase or decrease by 25 basis points (assuming no change to stabilized net operating income), the fair value of the real estate properties as at December 31, 2024 would decrease by $222,089 or increase by $248,270, respectively.

## NOTE 4
### SUBSIDIARIES WITH NON-CONTROLLING INTEREST

As at December 31, 2024, and 2023, 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 | 2024 | 2023 |
|---|---|---|
| Non-current assets | **$423,900** | $398,499 |
| Current assets | **8,645** | 5,975 |
| **Total assets** | **$432,545** | $404,474 |
| Non-current liabilities | **$39,364** | $186,920 |
| Current liabilities | **174,880** | 9,081 |
| **Total liabilities** | **$214,244** | $196,001 |
| **Equity** | **$218,301** | $208,473 |
| **Non-controlling interest** | **$106,967** | $102,152 |

| For the years ended December 31 | 2024 | 2023 |
|---|---|---|
| Revenue from income producing properties | **$35,780** | $34,231 |
| Expenses | **(27,398)** | (25,113) |
| Fair value gain (loss) on income producing properties | **(14,497)** | 7,334 |
| **Net income (loss) for the year** | **($6,115)** | $16,452 |
| **Non-controlling interest** | **($2,996)** | $8,061 |

| For the years ended December 31 | 2024 | 2023 |
|---|---|---|
| Cash provided by operating activities | **$12,484** | $9,215 |
| Cash used in investing activities | **(5,197)** | (1,639) |
| Cash used in financing activities | **(6,940)** | (6,718) |
| **Net increase in cash during the year** | **$347** | $858 |

## NOTE 5
### EQUITY-ACCOUNTED INVESTMENTS

The following are the REIT's equity-accounted investments as at December 31, 2024, and 2023:

| | | | REIT's Ownership | | Carrying Value | |
|---|---|---|---|---|---|---|
| Property | Principal Place of Business | Type | December 31, 2024 | December 31, 2023 | December 31, 2024 | December 31, 2023 |
| Marquee at Block 37 | Chicago, IL | Joint Venture | **50%** | 50% | **$70,874** | $53,282 |

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

| As at December 31 | 2024 | 2023 |
|---|---|---|
| Balance, beginning of year | **$53,282** | $105,462 |
| Transfer [(1)] | **—** | (52,857) |
| Distributions received | **(2,734)** | (3,385) |
| Share of net income | **15,116** | 5,376 |
| Foreign exchange gain (loss) | **5,210** | (1,314) |
| **Balance, end of year** | **$70,874** | $53,282 |

[(1)] On January 5, 2023, the REIT acquired from Morguard the remaining 50% interest in Fenestra at Rockville Town Square, at which point the carrying value of the 50% interest was transferred to each respective balance sheet line item including income producing properties in the amount of $96,840 (Note 3) and mortgages payable in the amount of $45,997.

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

| As at December 31 | 2024 | 2023 |
|---|---|---|
| Non-current assets | **$364,764** | $314,780 |
| Current assets | **2,736** | 2,532 |
| **Total assets** | **$367,500** | $317,312 |
| Non-current liabilities | **$211,728** | $199,464 |
| Current liabilities | **14,024** | 11,284 |
| **Total liabilities** | **$225,752** | $210,748 |
| **Net assets** | **$141,748** | $106,564 |
| **Equity-accounted investments** | **$70,874** | $53,282 |

| For the years ended December 31 | 2024 | 2023 |
|---|---|---|
| Revenue | **$31,858** | $31,102 |
| Expenses | **(21,942)** | (20,814) |
| Fair value gain on income producing properties | **20,316** | 464 |
| **Net income for the year** | **$30,232** | $10,752 |
| **Income in equity-accounted investments** | **$15,116** | $5,376 |

## NOTE 6
### MORTGAGES PAYABLE

Mortgages payable consist of the following:

| As at December 31 | 2024 | 2023 |
|---|---|---|
| Principal balance of mortgages | **$1,742,986** | $1,511,252 |
| Deferred financing costs | **(20,162)** | (13,628) |
| Mark-to-market adjustment | **(1,744)** | (2,262) |
| | **$1,721,080** | $1,495,362 |
| Current | **$218,917** | $167,624 |
| Non-current | **1,502,163** | 1,327,738 |
| | **$1,721,080** | $1,495,362 |
| Range of interest rates | **2.03−6.73%** | 2.03−7.39% |
| Weighted average interest rate | **3.88%** | 3.72% |
| Weighted average term to maturity (years) | **5.2** | 4.9 |
| Fair value of mortgages | **$1,689,869** | $1,438,179 |

As at December 31, 2024, the REIT's first mortgages are registered against specific real estate assets and approximately 95% of the REIT's real estate properties, and related rental revenue, have been pledged as collateral for the mortgages payable.

During the three months ended June 30, 2024, the REIT completed the Canada Mortgage and Housing Corporation ("CMHC") insured financing of three multi-suite residential properties located in Mississauga, Ontario, for an aggregate amount of $209,632 at a weighted average interest rate of 4.64% and for terms of 10.5 years. The maturing mortgages amounted to $91,411, had a weighted average interest rate of 3.36% and were refinanced before their scheduled maturities, resulting in a prepayment fee on mortgage extinguishment of $257 recorded to interest expense (Note 14).

On December 19, 2024, the REIT completed the CMHC-insured financing of two multi-suite residential properties located in Mississauga, Ontario, for an aggregate amount of $109,339 at a weighted average interest rate of 3.74% and for a weighted average term of eight years. The maturing mortgages amounted to $49,539 and had a weighted average interest rate of 3.15%.

The aggregate principal repayments and balances maturing of the mortgages payable as at December 31, 2024, 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 |
|---|---|---|---|---|
| 2025 | $30,126 | $192,805 | $222,931 | 3.29% |
| 2026 | 24,835 | 174,057 | 198,892 | 3.27% |
| 2027 | 22,870 | 183,712 | 206,582 | 4.30% |
| 2028 | 19,671 | 115,600 | 135,271 | 3.90% |
| 2029 | 18,668 | 234,405 | 253,073 | 3.97% |
| Thereafter | 56,204 | 670,033 | 726,237 | 4.02% |
| | $172,374 | $1,570,612 | $1,742,986 | 3.88% |

## NOTE 7
## CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

| As at December 31 | 2024 | 2023 |
|---|---|---|
| 6.00% convertible unsecured subordinated debentures | **$53,129** | $52,245 |
| Fair value of conversion option | **1,361** | 2,131 |
| Unamortized financing costs | **(1,660)** | (2,100) |
| | **$52,830** | $52,276 |

For the year ended December 31, 2024, interest on convertible debentures amounting to $3,360 (2023 - $3,608) is included in interest expense (Note 14). As at December 31, 2024, $840 (2023 - $856) is included in accounts payable and accrued liabilities.

### 6.00% Convertible Unsecured Subordinated Debentures

On March 9, 2023, the REIT issued $50,000 principal amount of 6.00% convertible unsecured subordinated debentures (the “2023 Debentures”) maturing on March 31, 2028 (the “Maturity Date”). On March 17, 2023, an additional principal amount of $6,000 was issued pursuant to the exercise of the over-allotment option. Interest is payable semi-annually, not in advance, on March 31 and September 30 of each year, commencing on September 30, 2023. The underwriters’ commission, legal and other issue costs attributable to the 2023 Debentures in the amount of $2,410 have been capitalized and are being amortized over their term to maturity. Morguard and Paros Enterprises Limited, related parties, own $5,000 and $2,000 aggregate principal amount of the 2023 Debentures, respectively.

As at December 31, 2024, $56,000 of the face value of the 2023 Debentures was outstanding.

Each of the 2023 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 2023 Debentures, at a conversion price of $24.15 per Unit, being a ratio of approximately 41.4079 Units per $1,000 principal amount of the 2023 Debentures.

From April 1, 2026 to March 31, 2027, the 2023 Debentures will be redeemable, in whole at any time, or in part from time to time, at the option of the REIT on not more than 60 days’ and not less than 30 days’ prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption, provided that the volume weighted average trading price per Unit on the TSX (or such other exchange if the Units are not listed on the TSX) for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given (the “Current Market Price”) is not less than 125% of the conversion price. From April 1, 2027, and prior to the Maturity Date, the 2023 Debentures will be redeemable, in whole at any time, or in part from time to time, at the option of the REIT on not more than 60 days’ and not less than 30 days’ prior written notice, at a redemption price equal to the principal amount thereof plus accrued and

unpaid interest up to the date fixed for redemption. 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 2023 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 2023 Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable.

On March 24, 2023, the REIT redeemed the outstanding $85,500 principal amount of 4.50% convertible unsecured subordinated debentures in advance of their March 31, 2023 maturity date.

## NOTE 8

### CLASS B LP UNITS

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

As at December 31, 2024, 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 $295,376 (2023 - $254,385) and for the year ended December 31, 2024, a corresponding fair value loss of $40,991 (2023 - gain of $24,629).

For the year ended December 31, 2024, distributions on Class B LP Units amounting to $12,802 (2023 - $12,458) are included in interest expense (Note 14).

As at December 31, 2024, and 2023, 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 at the entity’s borrowing cost, subject to the availability of sufficient funds. 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, 2024, the net amount receivable under the Morguard Facility was $90,000 (2023 - $2,627).

During the year ended December 31, 2024, the REIT recorded net interest income of $441 (2023 - net interest expense of $4) on the Morguard Facility to other income in the consolidated statements of income.

## NOTE 10

### LEASE LIABILITIES

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

| As at December 31 | 2024 | 2023 |
|---|---|---|
| Balance, beginning of year | **$16,059** | $16,235 |
| Interest on lease liabilities (Note 14) | **987** | 943 |
| Payments | **(1,025)** | (976) |
| Additions | **170** | 241 |
| Foreign exchange loss (gain) | **1,421** | (384) |
| **Balance, end of year** | **$17,612** | $16,059 |

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

| As at December 31 | 2024 | 2023 |
|---|---|---|
| Within 12 months | **$1,144** | $985 |
| 2 to 5 years | **14,722** | 4,155 |
| Over 5 years | **18,235** | 26,716 |
| Total minimum lease payments | **34,101** | 31,856 |
| Less: Future interest costs | **(16,489)** | (15,797) |
| **Present value of minimum lease payments** | **$17,612** | $16,059 |

## NOTE 11
### ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

| As at December 31 | 2024 | 2023 |
|---|---|---|
| Accounts payable and accrued liabilities | **$64,056** | $45,620 |
| Tenant deposits | **9,558** | 9,154 |
| | **$73,614** | $54,774 |

## 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 10, 2024, the REIT had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 2,795,028 Units and $4,900 principal amount of the 2023 Debentures. The program expired on January 11, 2025. On January 8, 2025, the REIT obtained the approval of the TSX under its NCIB, commencing January 12, 2025, to purchase up to 2,648,573 Units, being approximately 10% of the public float of outstanding Units; the program expires on January 11, 2026. The daily repurchase restriction for the Units is 5,522. Additionally, the REIT may purchase up to $4,900 principal amount of the 2023 Debentures, being 10% of the public float of outstanding 2023 Debentures. The daily repurchase restriction for the 2023 Debentures is $8. The price that the REIT would pay for any such Units or 2023 Debentures would be the market price at the time of acquisition.

During the year ended December 31, 2024, 1,505,535 Units were repurchased for cash consideration of $26,288 at a weighted average price of $17.46 per Unit. During the year ended December 31, 2023, 1,431,984 Units were repurchased for cash consideration of $23,533 at a weighted average price of $16.43 per Unit.

#### (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, 2022, to December 31, 2024:

| Issued and Fully Paid Units | Units | Amount |
|---|---|---|
| Balance, December 31, 2022 | 39,111,793 | $470,774 |
| Units issued under the DRIP | 56,150 | 909 |
| Units repurchased through the NCIB plan | (1,431,984) | (23,533) |
| Balance, December 31, 2023 | 37,735,959 | 448,150 |
| **Units issued under the DRIP** | **53,757** | **883** |
| **Units repurchased through the REIT's NCIB plan** | **(1,505,535)** | **(26,288)** |
| **Balance, December 31, 2024** | **36,284,181** | **$422,745** |

Total distributions declared during the year ended December 31, 2024, amounted to $27,671, or $0.74336 per Unit (2023 - $27,843, or $0.72334 per Unit), including distributions payable of $2,304 that were declared on December 16, 2024, and paid on January 15, 2025. On January 15, 2025, the REIT declared a distribution of $0.06333 per Unit payable on February 14, 2025.

### (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, 2024, the REIT issued 53,757 Units under the DRIP (2023 - 56,150 Units).

## NOTE 13
### RENTAL INCOME

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

| For the years ended December 31 | 2024 | 2023 |
|---|---|---|
| Rental income | **$170,109** | $166,389 |
| Property management and ancillary income | **119,953** | 115,435 |
| Property tax and insurance | **54,126** | 49,796 |
| | **$344,188** | $331,620 |

## NOTE 14
### INTEREST EXPENSE

The components of interest expense are as follows:

| For the years ended December 31 | 2024 | 2023 |
|---|---|---|
| Interest on mortgages | **$61,356** | $55,449 |
| Interest on convertible debentures (Note 7) | **3,360** | 3,608 |
| Interest on lease liabilities (Note 10) | **987** | 943 |
| Amortization of mark-to-market adjustment on mortgages | **683** | 731 |
| Amortization of deferred financing costs | **3,005** | 2,940 |
| Amortization of deferred financing costs on convertible debentures (Note 7) | **440** | 501 |
| Accretion on convertible debentures (Note 7) | **884** | 663 |
| Fair value gain on conversion option on convertible debentures (Note 7) | **(770)** | (2,104) |
| Prepayment fee on mortgage extinguishment (Note 6) | **257** | — |
| | **70,202** | 62,731 |
| Distributions on Class B LP Units (Note 8) | **12,802** | 12,458 |
| | **$83,004** | $75,189 |

## NOTE 15
### TRUST EXPENSES

The components of trust expenses are as follows:

| For the years ended December 31 | 2024 | 2023 |
|---|---|---|
| Asset management fees and distributions | **$19,518** | $19,340 |
| Professional fees | **1,284** | 1,150 |
| Public company expenses | **806** | 815 |
| Other | **571** | 672 |
| | **$22,179** | $21,977 |

## NOTE 16
### RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Notes 3, 7, 8 and 9, related party transactions also include the following:

#### Agreements with Morguard Affiliates

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

**Property Management**

Pursuant to the Agreements, Morguard's affiliates administer the day-to-day operations of the Canadian and U.S. income producing properties, for which Morguard's affiliates receive partnership fees and distributions equal to 3.5% of gross property revenue of the income producing properties, payable monthly. For the year ended December 31, 2024, fees and distributions amounted to $12,293 (2023 - $11,855) and are included in property operating costs and equity income from investments. As at December 31, 2024, $925 (2023 - $868) 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 are 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, 2024, fees and distributions amounted to $19,932 (2023 - $19,744) and are included in trust expenses and equity income from investments. As at December 31, 2024, $3,280 (2023 - $3,555) 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, 2024, fees relating to acquisition services amounted to $nil (2023 - $825) 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, 2024, fees relating to financing services amounted to $480 (2023 - $285) and have been capitalized to deferred financing costs.

**Other Services**

As at December 31, 2024, and 2023, the REIT had its portfolio appraised by Morguard's appraisal division. For the year ended December 31, 2024, fees relating to appraisal services amounted to $208 (2023 - $208) 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 | 2024 | 2023 |
|---|---|---|
| **Current income taxes** | **$1,487** | $1,209 |
| **Deferred income taxes** | | |
| Impact of foreign tax rates | **$10,863** | $7,589 |
| Impact of change in foreign tax rate | **556** | (403) |
| Recognition of the benefit of tax losses | **—** | (162) |
| Other | **378** | (150) |
| | **$11,797** | $6,874 |
| **Provision for income taxes** | **$13,284** | $8,083 |

### (d) Major Components of Deferred Income Tax Liabilities

| As at December 31 | 2024 | 2023 |
|---|---|---|
| Real estate properties | **$328,365** | $283,973 |
| Net operating losses | **(8,301)** | (9,123) |
| Interest expense limitation | **(20,462)** | (11,940) |
| Other | **(473)** | 514 |
| **Total net deferred income tax liabilities** | **$299,129** | $263,424 |

### (e) Tax Losses

As at December 31, 2024, the REIT's U.S. subsidiaries have total net operating losses of approximately US$22,731 (2023 - US$27,333) of which deferred income tax assets were recognized as it is probable that taxable income will be available against such losses and can be carried forward indefinitely. Included in the net operating losses is the REIT's portion of net operating losses of the LP (Note 4) of US$8,747 (2023 - US$9,253).

As at December 31, 2024, the REIT's U.S. subsidiaries have a total of US$57,092 (2023 - US$36,171) of unutilized interest expense deductions on which deferred income tax assets were recognized and can be carried forward indefinitely.

### (f) EIFEL Rules

On May 28, 2024, amended Canadian Bill C-59, *Fall Economic Statement Implementation Act, 2023*, became substantively enacted for financial reporting purposes. Bill C-59 implements the majority of the remaining income tax measures from the 2023 federal budget, as well as certain measures from the 2023 fall economic statement. Most notably, Bill C-59 contains the excessive interest and financing expenses limitation rules ("EIFEL Rules").

The EIFEL Rules, which became effective for the 2024 fiscal year, limit the amount of net interest and financing expenses that a trust may deduct in computing taxable income to a fixed ratio (currently set at 30% of EBITDA as calculated for tax purposes) or, where certain conditions are met and a consolidated group elects, a higher group ratio. Based on an assessment of EBITDA for the year ended December 31, 2024, the impact of the REIT's limitation of interest expense deductibility amounts to $3,036, which will increase taxable income allocated by the REIT to Unitholders in the current fiscal year.

On August 12, 2024, the Department of Finance released revised draft legislation that includes previously announced business tax measures, among others, related to an EIFEL exemption for purpose-build rental housing providers and certain regulated utility providers. On January 6, 2025, it was announced that Parliament will be prorogued until March 24, 2025. The REIT will continue to monitor developments in the measures to assess the full implications of the EIFEL Rules.

### (g) International Tax Reform: Pillar Two Model Rules

The REIT is within the scope of Pillar Two legislation being part of a multinational enterprises ("MNE") group that includes Morguard Corporation, with revenue that may exceed the EUR 750 million threshold per their consolidated financial statements.

On June 19, 2024, Canadian Bill C-69, *Budget Implementation Act, 2024, No. 1*, became substantively enacted for financial reporting purposes. Among other measures, Bill C-69 includes Canada's *Global Minimum Tax Act* ("GMTA"). The GMTA implements into Canadian domestic law the global minimum tax under Pillar Two as developed by the Organisation for Economic Co-operation and Development ("OECD") / G20 Inclusive Framework on Base Erosion and Profit Shifting. More specifically, the GMTA implements the top-up tax, income inclusion rule and the domestic minimum top-up tax rules that form part of the Model Rules for the Global Minimum Tax (GloBE Rules) that were released by the OECD on December 20, 2021.

To date, the U.S. has not indicated its commitment to enact Pillar Two legislation. The REIT and its subsidiaries continue to review the relevant legislation and available guidance to assess the full implications of the Pillar Two Model Rules.

## NOTE 18

## CONSOLIDATED STATEMENTS OF CASH FLOWS

### (a) Items Not Affecting Cash

| For the years ended December 31 | 2024 | 2023 |
|---|---|---|
| Fair value gain on real estate properties, net | **($60,372)** | ($80,996) |
| Fair value loss (gain) on Class B LP Units | **40,991** | (24,629) |
| Fair value gain on conversion option on convertible debentures | **(770)** | (2,104) |
| Equity income from investments | **(15,116)** | (5,376) |
| Amortization of deferred financing - mortgages | **3,005** | 2,940 |
| Amortization of deferred financing - convertible debentures | **440** | 501 |
| Amortization of mark-to-market adjustment on mortgages | **683** | 731 |
| Accretion on convertible debentures | **884** | 663 |
| Amortization of tenant incentives | **505** | 537 |
| Deferred income taxes | **11,797** | 6,874 |
| | **($17,953)** | ($100,859) |

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

| For the years ended December 31 | 2024 | 2023 |
|---|---|---|
| Amounts receivable | **($2,490)** | $2,685 |
| Prepaid expenses | **776** | (1,240) |
| Accounts payable and accrued liabilities | **16,722** | 562 |
| | **$15,008** | $2,007 |

### (c) Supplemental Cash Flow Information

| For the years ended December 31 | 2024 | 2023 |
|---|---|---|
| Interest paid | **$64,244** | $58,361 |

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

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

| As at December 31, 2024 | Mortgages Payable | Convertible Debentures | Lease Liabilities | Total |
|---|---|---|---|---|
| Balance, beginning of year | **$1,495,362** | **$52,276** | **$16,059** | **$1,563,697** |
| Repayments | **(31,851)** | **—** | **(38)** | **(31,889)** |
| New financing, net of financing costs | **309,928** | **—** | **170** | **310,098** |
| Lump-sum repayments | **(140,950)** | **—** | **—** | **(140,950)** |
| Non-cash changes | **3,688** | **554** | **—** | **4,242** |
| Foreign exchange | **84,903** | **—** | **1,421** | **86,324** |
| **Balance, end of year** | **$1,721,080** | **$52,830** | **$17,612** | **$1,791,522** |

## 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 liabilities. 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, 2024, and 2023, is summarized below:

| As at December 31 | 2024 | 2023 |
|---|---|---|
| Mortgages payable, principal balance | **$1,742,986** | $1,511,252 |
| Convertible debentures, face value | **56,000** | 56,000 |
| Lease liabilities | **17,612** | 16,059 |
| Class B LP Units | **295,376** | 254,385 |
| Unitholders' equity | **2,001,337** | 1,852,778 |
| | **$4,113,311** | $3,690,474 |

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 | 2024 | 2023 |
|---|---|---|---|
| Total debt to gross book value | 70% | **39.7%** | 38.7% |
| Floating-rate debt to gross book value | 20% | **0.9%** | 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 convertible debentures are carried at amortized cost using the effective interest rate 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, 2024 market rates for debt of similar terms (Level 2). Based on these assumptions, as at December 31, 2024 the fair value of mortgages payable before deferred financing costs and mark-to-market adjustment is estimated at $1,689,869 (2023 - $1,438,179), compared to the carrying value of $1,742,986 (2023 - $1,511,252). The fair value of mortgages payable varies from the carrying value due to fluctuations in market interest rates since their issue.

The fair value of convertible debentures is based on their market trading price (Level 1). As at December 31, 2024, the fair value of convertible debentures before deferred financing costs has been estimated at $58,464 (2023 - $54,880), compared to the carrying value of $53,129 (2023 - $52,245).

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, 2024 | | | December 31, 2023 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Assets:** | | | | | | |
| Real estate properties | **$—** | **$—** | **$4,333,075** | $— | $— | $3,999,481 |
| **Financial liabilities:** | | | | | | |
| Class B LP Units | **295,376** | **—** | **—** | 254,385 | — | — |
| Conversion option of convertible debentures | **—** | **1,361** | **—** | — | 2,131 | — |

#### 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, set appropriate risk limits and controls, and 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, 2024, the increase or decrease in annual net income for each 1% change in interest rates on floating-rate debt would amount to $396.

The REIT's objective when managing interest rate risk is to minimize the volatility of the REIT's income. As at December 31, 2024, interest rate risk is 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 the Canadian and United States dollar. Changes in the exchange rate may result in a reduction or an increase of reported earnings and OCI. For the year ended December 31, 2024, a $0.05 change in the United States to Canadian dollar exchange rate would result in a change to net income or loss of $1,187 and a change to OCI of $47,523.

The REIT's objective when managing foreign exchange risk is to mitigate the exposure to fluctuations in the exchange rate by maintaining U.S. dollar-denominated debt against its U.S. assets, which amount to US$732,023 as at December 31, 2024 (2023 - US$741,172). 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, Financial Instruments ("IFRS 9"), which requires the REIT to recognize a lifetime expected credit loss allowance on all receivables at each reporting date, 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 | 2024 | 2023 |
|---|---|---|
| Trade receivables | **$5,453** | $4,682 |
| Less: Allowance for doubtful accounts | **(2,715)** | (2,280) |
| **Total trade receivables, net** | **$2,738** | $2,402 |

**(c) Liquidity Risk**
Liquidity risk is the risk that 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, 2024, the REIT holds cash of $51,258 and had no amount drawn on the $100,000 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:

| | |
|---|---|
| 2025 | US$795 |
| 2026 | 795 |
| 2027 | 795 |
| 2028 | 795 |
| 2029 | 795 |
| Thereafter | 98,878 |

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, 2024 to September 30, 2029 | US$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 that expires on September 1, 2061.

| Ground Lease #2 | Annual rental expense |
|---|---|
| From September 1, 2024 to August 31, 2025 | US$399 |
| 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 2024, the rental guideline increase was 2.5% (2023 - 2.5%).

## NOTE 22

### SEGMENTED INFORMATION

Substantially 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, 2024** | | | December 31, 2023 | | |
|---|---|---|---|---|---|---|
| **For the years ended** | **Canada** | **U.S.** | **Total** | Canada | U.S. | Total |
| Revenue from real estate properties | **$112,167** | **$232,021** | **$344,188** | $107,004 | $224,616 | $331,620 |
| Property operating expenses | **(45,921)** | **(116,847)** | **(162,768)** | (45,230) | (106,150) | (151,380) |
| **Net operating income** | **$66,246** | **$115,174** | **$181,420** | $61,774 | $118,466 | $180,240 |

| | **December 31, 2024** | | | December 31, 2023 | | |
|---|---|---|---|---|---|---|
| **As at** | **Canada** | **U.S.** | **Total** | Canada | U.S. | Total |
| Real estate properties | **$1,713,940** | **$2,619,135** | **$4,333,075** | $1,589,740 | $2,409,741 | $3,999,481 |
| Mortgages payable | **$675,069** | **$1,046,011** | **$1,721,080** | $523,795 | $971,567 | $1,495,362 |

| | **December 31, 2024** | | | December 31, 2023 | | |
|---|---|---|---|---|---|---|
| **For the years ended** | **Canada** | **U.S.** | **Total** | Canada | U.S. | Total |
| Additions to real estate properties | **$27,679** | **$31,723** | **$59,402** | $22,430 | $326,367 | $348,797 |
| Fair value gain (loss) on real estate properties | **$96,553** | **(36,181)** | **$60,372** | $115,259 | (35,312) | $79,947 |

## NOTE 23

### SUBSEQUENT EVENT

The REIT entered into a binding commitment letter for the CMHC-insured refinancing of a multi-suite residential property located in Kitchener, Ontario, providing gross proceeds of up to $79,413 for a term of 10 years. The maturing mortgage amounts to $30,832 and has an interest rate of 2.25%. The REIT expects to close the refinancing during the first quarter of 2025.