



Real Estate Potential. **Realized.**

**MORGUARD NORTH AMERICAN
RESIDENTIAL REAL ESTATE
INVESTMENT TRUST**

MARCH 31, 2020

**CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(UNAUDITED)**



BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	March 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Real estate properties	3	\$3,039,139	\$2,872,658
Equity-accounted investments	4	115,418	106,521
		3,154,557	2,979,179
Current assets			
Morguard Facility	8	1,553	19,972
Amounts receivable		4,386	3,332
Prepaid expenses		6,207	4,106
Restricted cash		10,151	9,090
Cash		20,753	17,748
		43,050	54,248
		\$3,197,607	\$3,033,427
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable and Class C LP Units	5	\$1,267,972	\$1,200,587
Convertible debentures	6	83,422	86,398
Class B LP Units	7	230,617	318,455
Deferred income tax liabilities		128,214	114,763
Accounts payable and accrued liabilities	9	10,144	9,286
		1,720,369	1,729,489
Current liabilities			
Mortgages payable and Class C LP Units	5	30,416	29,718
Accounts payable and accrued liabilities	9	58,657	48,427
		89,073	78,145
Total liabilities		1,809,442	1,807,634
EQUITY			
Unitholders' equity		1,290,952	1,136,363
Non-controlling interest		97,213	89,430
Total equity		1,388,165	1,225,793
		\$3,197,607	\$3,033,427

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF INCOME

In thousands of Canadian dollars

For the three months ended March 31	Note	2020	2019
Revenue from real estate properties	11	\$62,297	\$62,258
Property operating expenses			
Property operating costs		(15,777)	(15,531)
Realty taxes		(24,764)	(24,831)
Utilities		(4,466)	(5,059)
Net operating income		17,290	16,837
Other expenses (income)			
Interest expense	12	12,866	18,043
Trust expenses	13	3,868	3,466
Equity loss (income) from investments	4	896	(553)
Foreign exchange loss (gain)		(1,793)	330
Other income		(155)	(14)
Income (loss) before fair value changes and income taxes		1,608	(4,435)
Fair value gain on real estate properties, net	3	10,457	27,833
Fair value gain (loss) on Class B LP Units	7	87,838	(20,668)
Income before income taxes		99,903	2,730
Provision for (recovery of) income taxes			
Current		34	33
Deferred		2,709	(1,029)
		2,743	(996)
Net income for the period		\$97,160	\$3,726
Net income attributable to:			
Unitholders		\$96,442	\$3,470
Non-controlling interest		718	256
		\$97,160	\$3,726

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

In thousands of Canadian dollars

For the three months ended March 31	2020	2019
Net income for the period	\$97,160	\$3,726
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that may be reclassified subsequently to net income:		
Unrealized foreign currency translation gain (loss)	72,675	(16,228)
Total comprehensive income (loss) for the period	\$169,835	(\$12,502)
Total comprehensive income (loss) attributable to:		
Unitholders	\$161,246	(\$10,910)
Non-controlling interest	8,589	(1,592)
	\$169,835	(\$12,502)

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

In thousands of Canadian dollars

	Note	Units	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Unitholders' Equity	Non-controlling Interest	Total Equity
Unitholders' equity, December 31, 2018		\$368,431	\$48,762	\$482,605	\$118,625	\$1,018,423	\$109,438	\$1,127,861
Changes during the period:								
Net income		—	—	3,470	—	3,470	256	3,726
Other comprehensive loss		—	—	—	(14,380)	(14,380)	(1,848)	(16,228)
Issue of Units - DRIP		128	—	(128)	—	—	—	—
Distributions		—	—	(5,599)	—	(5,599)	(892)	(6,491)
Unitholders' equity, March 31, 2019		\$368,559	\$48,762	\$480,348	\$104,245	\$1,001,914	\$106,954	\$1,108,868
Changes during the period:								
Net income		—	—	73,345	—	73,345	3,057	76,402
Other comprehensive loss		—	—	—	(20,122)	(20,122)	(2,449)	(22,571)
Increase in subsidiary ownership interest		—	—	—	—	—	(15,497)	(15,497)
Issue of Units		99,591	—	—	—	99,591	—	99,591
Issue of Units - DRIP		435	—	(435)	—	—	—	—
Distributions		—	—	(18,365)	—	(18,365)	(2,635)	(21,000)
Unitholders' equity, December 31, 2019		\$468,585	\$48,762	\$534,893	\$84,123	\$1,136,363	\$89,430	\$1,225,793
Changes during the period:								
Net income		—	—	96,442	—	96,442	718	97,160
Other comprehensive income		—	—	—	64,804	64,804	7,871	72,675
Issue of Units - DRIP	10(d)	162	—	(162)	—	—	—	—
Distributions	10(d)	—	—	(6,657)	—	(6,657)	(806)	(7,463)
Unitholders' equity, March 31, 2020		\$468,747	\$48,762	\$624,516	\$148,927	\$1,290,952	\$97,213	\$1,388,165

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

For the three months ended March 31	Note	2020	2019
OPERATING ACTIVITIES			
Net income		\$97,160	\$3,726
Add (deduct) items not affecting cash	16(a)	(79,562)	11,049
Additions to tenant incentives		(180)	(133)
Net change in non-cash operating assets and liabilities	16(b)	(12,416)	(6,238)
Cash provided by operating activities		5,002	8,404
INVESTING ACTIVITIES			
Additions to income producing properties	3	(6,132)	(4,850)
Additions to property under development	3	(1,660)	(436)
Proceeds from sale of income producing properties, net		—	37,050
Cash provided by (used in) investing activities		(7,792)	31,764
FINANCING ACTIVITIES			
Repayment of mortgages and Class C LP Units			
Repayment due to mortgage extinguishment		—	(11,331)
Principal instalment repayments		(6,082)	(5,696)
Repayment of Morguard Facility		—	(27,686)
Proceeds from Morguard Facility		19,700	16,000
Distributions to Unitholders		(6,657)	(5,599)
Distributions to non-controlling interest		(806)	(892)
Decrease (increase) in restricted cash		(234)	843
Cash provided by (used in) financing activities		5,921	(34,361)
Net increase in cash during the period		3,131	5,807
Net effect of foreign currency translation on cash balance		(126)	99
Cash, beginning of period		17,748	16,786
Cash, end of period		\$20,753	\$22,692

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three months ended March 31, 2020 and 2019

In thousands of Canadian dollars, except Unit and per Unit amounts and where otherwise noted

NOTE 1

NATURE AND FORMATION OF TRUST

Morguard North American Residential Real Estate Investment Trust (the "REIT") is an unincorporated open-ended real estate investment trust established pursuant to a Declaration of Trust dated March 1, 2012, and as amended and restated on April 18, 2012 (the "Declaration of Trust"), under and governed by the laws of the Province of Ontario. The trust units of the REIT ("Units") trade on the Toronto Stock Exchange ("TSX") under the symbol "MRG.UN." The REIT invests in multi-suite residential rental properties in Canada and the United States. The REIT's head office is located at 55 City Centre Drive, Suite 1000, Mississauga, Ontario, L5B 1M3.

The REIT holds its investments in its real estate properties through its ownership in Morguard NAR Canada Limited Partnership (the "Partnership"). As at March 31, 2020, Morguard Corporation ("Morguard"), the parent company of the REIT, holds an indirect 44.8% interest through its ownership of 7,944,166 Units and 17,223,090 Class B LP Units.

NOTE 2

STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and thus do not contain all the disclosures applicable to the annual audited consolidated financial statements.

The condensed consolidated financial statements were approved and authorized for issue by the Board of Trustees on April 28, 2020.

These condensed consolidated financial statements use the same accounting policies and methods of their application as the most recent annual audited consolidated financial statements and should be read in conjunction with the most recent annual audited consolidated financial statements.

Foreign Exchange

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

	2020	2019
Canadian dollar to United States dollar exchange rates:		
- As at March 31	\$0.7049	\$0.7483
- As at December 31	—	0.7699
- Average for the three months ended March 31	0.7435	0.7522
United States dollar to Canadian dollar exchange rates:		
- As at March 31	1.4187	1.3363
- As at December 31	—	1.2988
- Average for the three months ended March 31	1.3449	1.3295

NOTE 3

REAL ESTATE PROPERTIES

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

As at	March 31, 2020			December 31, 2019
	Income Producing Properties	Property Under Development	Total	Total
Balance, beginning of period	\$2,849,895	\$22,763	\$2,872,658	\$2,932,835
Additions:				
Capital expenditures	6,132	—	6,132	30,628
Development expenditures	—	1,660	1,660	6,995
Dispositions	—	—	—	(63,809)
Fair value gain, net	10,457	—	10,457	55,569
Foreign currency translation	146,134	2,192	148,326	(81,608)
Other	(94)	—	(94)	(7,952)
Balance, end of period	\$3,012,524	\$26,615	\$3,039,139	\$2,872,658

As at March 31, 2020, and December 31, 2019, the REIT had its portfolio appraised by Morguard's appraisal division. In addition, the REIT's U.S. portfolio is appraised by independent U.S. real estate appraisal firms on a three-year cycle.

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

As at March 31, 2020, using the direct capitalization income approach, the properties were valued using capitalization rates in the range of 4.0% to 6.8% (December 31, 2019 - 4.0% to 6.8%), resulting in an overall weighted average capitalization rate of 4.7% (December 31, 2019 - 4.7%).

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

	March 31, 2020 Capitalization Rates			December 31, 2019 Capitalization Rates		
	Maximum	Minimum	Weighted Average	Maximum	Minimum	Weighted Average
Canada						
Alberta	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Ontario	4.5%	4.0%	4.2%	4.5%	4.0%	4.2%
United States						
Colorado	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Texas	5.3%	5.0%	5.0%	5.3%	5.0%	5.0%
Louisiana	6.8%	5.5%	6.0%	6.8%	5.5%	6.0%
Illinois	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Georgia	5.5%	5.0%	5.4%	5.5%	5.0%	5.4%
Florida	6.5%	4.8%	5.5%	6.5%	4.8%	5.5%
North Carolina	5.3%	5.0%	5.1%	5.3%	5.0%	5.1%
Virginia	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%

Fair values are most sensitive to changes in capitalization rates and stabilized net operating income. Generally, an increase in stabilized net operating income will result in an increase in the fair value of the real estate properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in stabilized net operating income, with a lower capitalization rate resulting in a greater impact on the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rate were to increase or decrease by 25 basis points (assuming no change to stabilized net operating income), the value of the real estate properties as at March 31, 2020 would decrease by \$151,506 or increase by \$168,763, respectively.

NOTE 4

EQUITY-ACCOUNTED INVESTMENTS

The following is the REIT's equity-accounted investments as at March 31, 2020, and December 31, 2019:

Property	Principal Place of Business	Investment Type	REIT's Ownership		Carrying Value	
			March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
The Fenestra	Rockville, MD	Joint Venture	50%	50%	\$45,380	\$41,147
Marquee at Block 37	Chicago, IL	Joint Venture	50%	50%	70,038	65,374
					\$115,418	\$106,521

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

As at	March 31, 2020	December 31, 2019
Balance, beginning of period	\$106,521	\$40,859
Additions	—	68,834
Share of net income (loss)	(896)	97
Foreign exchange gain (loss)	9,793	(3,269)
Balance, end of period	\$115,418	\$106,521

On December 9, 2019, the REIT acquired a 50% interest in a property comprising 690 suites located in Chicago, Illinois, ("Marquee at Block 37") for \$68,834 (US\$52,009). The REIT has joint control of the investment and accounts for its investment using the equity method. The purchase price of the property (on a 100% basis) was \$355,465 (US\$268,580), including closing costs and was partially funded by a mortgage in the amount of \$218,378 (US\$165,000) at an interest rate of 3.27% for a term of 10 years.

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

As at	March 31, 2020	December 31, 2019
Non-current assets	\$568,264	\$515,235
Current assets	8,193	5,501
Total assets	\$576,457	\$520,736
Non-current liabilities	\$332,921	\$304,725
Current liabilities	12,701	2,970
Total liabilities	\$345,622	\$307,695
Net assets	\$230,835	\$213,041
Equity-accounted investments	\$115,418	\$106,521

For the three months ended March 31	2020	2019
Revenue	\$10,594	\$3,413
Expenses	(12,721)	(4,752)
Fair value gain on income producing property	335	2,444
Net income (loss) for the period	(\$1,792)	\$1,105
Income (loss) in equity-accounted investments	(\$896)	\$553

NOTE 5

MORTGAGES PAYABLE AND CLASS C LP UNITS

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

As at	March 31, 2020			December 31, 2019
	Mortgages Payable	Class C LP Units	Total	Mortgages Payable and Class C LP Units
Principal balance of mortgages	\$1,223,813	\$77,714	\$1,301,527	\$1,233,548
Deferred financing costs	(11,660)	(410)	(12,070)	(12,138)
Present value of tax payment on Class C LP Units	—	8,931	8,931	8,895
	\$1,212,153	\$86,235	\$1,298,388	\$1,230,305
Current	\$27,187	\$3,229	\$30,416	\$29,718
Non-current	1,184,966	83,006	1,267,972	1,200,587
	\$1,212,153	\$86,235	\$1,298,388	\$1,230,305
Range of interest rates	2.25–4.25%	3.97%	2.25–4.25%	2.25–4.25%
Weighted average interest rate	3.46%	3.97%	3.49%	3.48%
Weighted average term to maturity (years)	5.7	1.3	5.4	5.6
Fair value of mortgages and Class C LP Units	\$1,260,630	\$78,979	\$1,339,609	\$1,261,120

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

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

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

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

The aggregate principal repayments and balances maturing of the mortgages payable and the Class C LP Units as at March 31, 2020, 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
2020 (remainder of the year)	\$18,012	\$8,825	\$26,837	4.25%
2021	25,513	75,280	100,793	3.97%
2022	27,832	74,905	102,737	3.76%
2023	24,773	159,387	184,160	3.48%
2024	21,788	140,446	162,234	3.29%
Thereafter	35,997	688,769	724,766	3.46%
	\$153,915	\$1,147,612	\$1,301,527	3.49%

NOTE 6

CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at	March 31, 2020	December 31, 2019
4.50% convertible unsecured subordinated debentures	\$85,223	\$85,223
Fair value of conversion option	345	3,472
Unamortized financing costs	(2,146)	(2,297)
	\$83,422	\$86,398

For the three months ended March 31, 2020, interest on the convertible debentures amounting to \$954 (2019 - \$954) is included in interest expense (Note 12). As at March 31, 2020, \$11 (December 31, 2019 - \$980) is included in accounts payable and accrued liabilities.

4.50% Convertible Unsecured Subordinated Debentures

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

As at March 31, 2020, and December 31, 2019, \$85,500 of the face value of the 2018 Debentures were outstanding.

Each of the 2018 Debentures can be converted into fully paid, non-assessable and freely tradable Units at the option of the holder at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by the REIT for redemption of the 2018 Debentures, at a conversion price of \$20.20 per Unit, being a ratio of approximately 49.5050 Units per \$1,000 principal amount of 2018 Debentures.

From April 1, 2021 to March 31, 2022, the 2018 Debentures will be redeemable, in whole at any time or in part from time to time, at the option of the REIT on not more than 60 days' and not less than 30 days' prior written notice at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption, provided that the volume-weighted average trading price of the Units on the TSX (if the Units are then listed on the TSX) for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given (the "Current Market Price") is not less than 125% of the conversion price. From April 1, 2022, and prior to the Maturity Date, the 2018 Debentures shall be redeemable, in whole at any time or in part from time to time, at the option of the REIT on not more than 60 days' and not less than 30 days' prior written notice at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to

the date fixed for redemption. Subject to regulatory approval and other conditions, the REIT may, at its option, elect to satisfy its obligation to pay, in whole or in part, the principal amount of the 2018 Debentures that are to be redeemed or that have matured by issuing and delivering that number of freely tradable Units to the debentureholders obtained by dividing the principal amount of the 2018 Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable.

NOTE 7

CLASS B LP UNITS

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

As at March 31, 2020, 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 \$230,617 (December 31, 2019 - \$318,455) and a corresponding fair value gain for the three months ended March 31, 2020 of \$87,838 (2019 - loss of \$20,668).

For the three months ended March 31, 2020, distributions on Class B LP Units amounting to \$3,012 (2019 - \$2,924) are included in interest expense (Note 12).

As at March 31, 2020, and December 31, 2019, there were 17,223,090 Class B LP Units issued and outstanding.

NOTE 8

MORGUARD FACILITY

The REIT has an unsecured revolving credit facility with Morguard (the "Morguard Facility") that provides for borrowings or advances that can be drawn or advanced either in Canadian dollars or an equivalent amount in United States dollars subject to the availability of sufficient funds. If in Canadian dollars, interest will be calculated either at the Canadian prime lending rate or at the bankers' acceptance rate plus 1.8%. If the borrowing or advance is in United States dollars, interest will be calculated either at the United States prime lending rate or at the United States dollar London Interbank Offered Rate (LIBOR) plus 1.7%. The maximum allowable to be borrowed or advanced under the Morguard Facility is \$100,000.

As at March 31, 2020, the net amount receivable under the Morguard Facility was \$1,553, comprising an amount receivable of US\$10,681 and a payable of \$13,600. As at December 31, 2019, the amount receivable under the Morguard Facility was \$19,972, comprising an amount receivable of US\$10,681 and a receivable of \$6,100.

During the three months ended March 31, 2020, the REIT earned net interest income \$131 (2019 - net interest expense of \$2) on the Morguard Facility.

NOTE 9

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	March 31, 2020	December 31, 2019
Accounts payable and accrued liabilities	\$46,828	\$37,164
Tenant deposits	11,829	11,263
Lease liability	10,144	9,286
	\$68,801	\$57,713
Current	\$58,657	\$48,427
Non-current	10,144	9,286
	\$68,801	\$57,713

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

As at	March 31, 2020	December 31, 2019
Within 12 months	\$365	\$444
2 to 5 years	1,959	1,793
Over 5 years	12,812	11,729
Total minimum lease payments	15,136	13,966
Less: Future interest costs	(4,992)	(4,680)
Present value of minimum lease payments	\$10,144	\$9,286

NOTE 10

UNITHOLDERS' EQUITY

(a) Units

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

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

(b) Normal Course Issuer Bids

On December 18, 2019, the REIT obtained the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 2,953,852 Units, being approximately 10% of the public float of outstanding Units; the program expires on December 20, 2020. The daily repurchase restriction for the Units is 17,964. Additionally, the REIT may purchase up to \$8,050 principal amount of the 2018 Debentures, being 10% of the public float of outstanding 2018 Debentures. The daily repurchase restriction for the 2018 Debentures is \$11. The price that the REIT would pay for any such Units or 2018 Debentures would be the market price at the time of acquisition.

There were no repurchases of Units under the REIT's NCIB plan for the three months ended March 31, 2020 and 2019.

(c) Special Voting Units

The REIT is authorized to issue an unlimited number of Special Voting Units. The Declaration of Trust and the exchange agreement provide for the issuance of the Special Voting Units, which have no economic entitlement in the REIT or in the distribution or assets of the REIT, but are used to provide voting rights proportionate to the votes of the Units to holders of securities exchangeable into Units, including the Class B LP Units. Each Special Voting Unit is not transferable separately from the Class B LP Unit to which it is attached and will be automatically redeemed and cancelled upon exchange of the attached Class B LP Unit into a Unit.

(d) Units Outstanding

The following table summarizes the changes in Units for the period from December 31, 2018, to March 31, 2020:

Issued and Fully Paid Units	Units	Amount
Balance, December 31, 2018	33,722,880	\$368,431
Issuance of Units for cash, net of costs	5,226,200	99,591
Units issued under the DRIP	30,622	563
Balance, December 31, 2019	38,979,702	468,585
Units issued under the DRIP	8,711	162
Balance, March 31, 2020	38,988,413	\$468,747

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

Total distributions declared during the three months ended March 31, 2020, amounted to \$6,819, or \$0.1749 per Unit (2019 - \$5,727, or \$0.1698 per Unit), including distributions payable of \$2,273 that were declared on March 13, 2020, and paid on April 15, 2020. On April 15, 2020, the REIT declared a distribution of \$0.0583 per Unit payable on May 15, 2020.

(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 three months ended March 31, 2020, the REIT issued 8,711 Units under the DRIP (December 31, 2019 - 30,622 Units).

(f) Accumulated Other Comprehensive Income

The accumulated other comprehensive income consists of the following amounts:

As at	March 31, 2020	December 31, 2019
Unrealized foreign currency translation gain	\$148,927	\$84,123
Balance, end of period	\$148,927	\$84,123

NOTE 11

RENTAL INCOME

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

For the three months ended March 31	2020	2019
Rental income	\$30,104	\$29,626
Property management and ancillary income	23,062	23,417
Property tax and insurance	9,131	9,215
	\$62,297	\$62,258

NOTE 12

INTEREST EXPENSE

The components of interest expense are as follows:

For the three months ended March 31	2020	2019
Interest on mortgages	\$10,175	\$10,401
Interest and tax payment on Class C LP Units	922	933
Interest on the convertible debentures (Note 6)	954	954
Interest on lease liability	116	100
Amortization of deferred financing costs	663	733
Amortization of deferred financing costs on the convertible debentures	151	155
Fair value loss (gain) on conversion option on the convertible debentures	(3,127)	1,352
Loss on extinguishment of mortgages payable	—	491
	9,854	15,119
Distributions on Class B LP Units (Note 7)	3,012	2,924
	\$12,866	\$18,043

NOTE 13

TRUST EXPENSES

The components of trust expenses are as follows:

For the three months ended March 31	2020	2019
Asset management fees and distributions	\$3,267	\$2,873
Professional fees	272	280
Public company expenses	185	180
Other	144	133
	\$3,868	\$3,466

NOTE 14

RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Notes 5, 6, 7, 8 and 10(d), related party transactions also include the following:

Agreements with Morguard Affiliates

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

Property Management

Pursuant to the Agreements, Morguard's affiliates administer the day-to-day operations of the Canadian and U.S. income producing properties, for which Morguard's affiliates receive partnership fees and distributions equal to 3.5% of gross property revenue of the income producing properties, payable monthly. For the three months ended March 31, 2020, fees and distributions amounting to \$2,298 (2019 - \$2,186) are included in property operating costs and equity income (loss) from investments. As at March 31, 2020, \$671 (December 31, 2019 - \$595) is included in accounts payable and accrued liabilities.

Asset Management

Pursuant to the Agreements, Morguard's affiliates have certain duties and responsibilities for the strategic management and administration of the Partnership and its subsidiaries, for which they receive partnership fees and distributions equal to 0.25% of the Partnership's gross book value defined as acquisition cost of the REIT's assets plus: (i) fair value adjustments; and (ii) accumulated amortization on property, plant and equipment. In addition, an annual fee and distribution is calculated in arrears, determined by multiplying 15% of the Partnership's funds from operations in excess of \$0.66 per Unit. For the three months ended March 31, 2020, fees and distributions amounting to \$3,433 (2019 - \$2,927) and are included in trust expenses and equity income (loss) from investments. As at March 31, 2020, \$2,088 (December 31, 2019 - \$5,711) is included in accounts payable and accrued liabilities.

Acquisition

Pursuant to the Agreements, Morguard's affiliates are entitled to receive partnership fees with respect to properties acquired, directly or indirectly, by the REIT from third parties, and the fees are to be paid upon the closing of the purchase of each such property. The fees range from 0% of the purchase price paid for properties acquired directly or indirectly from Morguard, including entities controlled by Morguard, up to 0.75% of the purchase price paid for properties acquired from third parties. There were no fees relating to acquisition services for the three months ended March 31, 2020 and 2019.

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. There were no fees relating to financing services for the three months ended March 31, 2020 and 2019.

Development

Pursuant to the Agreements, Morguard's affiliates are entitled to receive partnership fees equal to 1.00% of development costs, where such costs exceed \$1,000 and are incurred in connection with: (i) the construction, enlargement or reconstruction of any building, erection, plant, equipment or improvement on a property; or (ii) any refurbishing, additions, upgrading or restoration of or renovations to existing buildings, erections, plant, equipment or improvements, including redevelopments, other than repair and maintenance in the ordinary course of business. For the three months ended March 31, 2020, fees relating to development services amounting to \$15 (2019 - \$12) are included in property under development. As at March 31, 2020, \$10 (December 31, 2019 - \$22) is included in accounts payable and accrued liabilities.

Other Services

As at March 31, 2020, the REIT had its portfolio appraised by Morguard's appraisal division. For the three months ended March 31, 2020, fees relating to appraisal services amounted to \$53 (2019 - \$58) and are included in trust expenses.

NOTE 15

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.

As at March 31, 2020, the U.S. subsidiaries of the REIT have total net operating losses of approximately US\$30,343 (December 31, 2019 - US\$29,234) of which no deferred tax assets were recognized as it is not probable that taxable profit will be available against such losses of which the deductible temporary difference can be utilized. The net operating losses expire in various years commencing in 2032.

As at March 31, 2020, the U.S. subsidiaries of the REIT have total net operating losses of approximately US\$10,382 (December 31, 2019 - US\$5,782) of which deferred tax assets were recognized. The net operating losses can be carried forward indefinitely.

As at March 31, 2020, the REIT’s U.S. subsidiaries have a total of US\$1,652 (December 31, 2019 - US\$9,206) of unutilized interest expense deductions on which deferred tax assets were recognized.

NOTE 16

CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Items Not Affecting Cash

For the three months ended March 31	2020	2019
Fair value loss (gain) on real estate properties, net	\$6,567	(\$11,189)
Fair value loss (gain) on Class B LP Units	(87,838)	20,668
Fair value loss (gain) on conversion option on the convertible debentures	(3,127)	1,352
Equity loss (income) from investment	896	(553)
Amortization of deferred financing - mortgages	588	658
Amortization of deferred financing - Class C LP Units	75	75
Amortization of deferred financing - convertible debentures	151	155
Present value adjustment of tax liability on Class C LP Units	143	140
Loss on extinguishment of mortgages payable	—	491
Amortization of tenant incentives	274	281
Deferred income taxes	2,709	(1,029)
	(\$79,562)	\$11,049

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

For the three months ended March 31	2020	2019
Amounts receivable	(\$825)	\$321
Prepaid expenses	(1,756)	(3,731)
Accounts payable and accrued liabilities	(9,835)	(2,828)
	(\$12,416)	(\$6,238)

(c) Supplemental Cash Flow Information

For the three months ended March 31	2020	2019
Interest paid	\$12,667	\$13,289

(d) Reconciliation of Liabilities Arising from Financing Activities

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

As at March 31, 2020	Mortgages Payable and Class C LP Units	Convertible Debentures	Lease Liability	Total
Balance, beginning of period	\$1,230,305	\$86,398	\$9,286	\$1,325,989
Repayments	(6,082)	—	—	(6,082)
Non-cash changes	806	(2,976)	—	(2,170)
Foreign exchange	73,359	—	858	74,217
Balance, end of period	\$1,298,388	\$83,422	\$10,144	\$1,391,954

NOTE 17

MANAGEMENT OF CAPITAL

Refer to the REIT's audited consolidated financial statements as at and for the year ended December 31, 2019 for an explanation of the REIT's capital management policy.

The total managed capital for the REIT as at March 31, 2020, and December 31, 2019, is summarized below:

As at	March 31, 2020	December 31, 2019
Mortgages payable, principal balance	\$1,223,813	\$1,154,960
Class C LP Units and present value of tax payment, principal balance	86,645	87,483
Convertible debentures, face value	85,500	85,500
Lease liability	10,144	9,286
Class B LP Units	230,617	318,455
Unitholders' equity	1,290,952	1,136,363
	\$2,927,671	\$2,792,047

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

As at	Borrowing Limits	March 31, 2020	December 31, 2019
Total debt to gross book value	70%	44.0%	44.1%
Floating-rate debt to gross book value	20%	—%	—%

NOTE 18

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer to the REIT's audited consolidated financial statements as at and for the year ended December 31, 2019 for an explanation of the REIT's risk management policy as it relates to financial instruments.

Fair Value of Financial Assets and Liabilities

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

Mortgages payable and Class C LP Units, lease liability and the convertible debentures are carried at amortized cost using the effective interest method of amortization. The estimated fair values of long-term borrowings have been determined based on market information, where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the REIT.

The fair values of the mortgages payable and Class C LP Units have been determined by discounting the cash flows of these financial obligations using March 31, 2020, market rates for debts of similar terms (Level 2). Based on these assumptions, as at March 31, 2020, the fair values of the mortgages payable and Class C LP Units before deferred financing costs and present value of tax payment are estimated at \$1,260,630 and \$78,979, (December 31, 2019 - \$1,181,206 and \$79,914), respectively. The fair values of the mortgages payable and Class C LP Units vary from their carrying values due to fluctuations in market interest rates since their issue.

The fair value of the convertible debentures are based on their market trading price (Level 1). As at March 31, 2020, the fair value of the convertible debentures before deferred financing costs has been estimated at \$77,805 (December 31, 2019 - \$91,400), compared with the carrying value of \$85,223 (December 31, 2019 - \$85,223).

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

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

	March 31, 2020			December 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Real estate properties	\$—	\$—	\$3,039,139	\$—	\$—	\$2,872,658
Financial liabilities:						
Class B LP Units	230,617	—	—	318,455	—	—
Conversion option of the convertible debentures	—	345	—	—	3,472	—

The REIT's convertible debentures have no restrictive covenants.

NOTE 19

SEGMENTED INFORMATION

All of the REIT's assets and liabilities are in, and their revenue is derived from, the Canadian and U.S. multi-suite residential real estate segments. The Canadian properties are located in the provinces of Alberta and Ontario, and the U.S. properties are located in the states of Colorado, Texas, Louisiana, Illinois, Georgia, Florida, North Carolina and Virginia. No single tenant accounts for 10% or more of the REIT's total revenue. The REIT is separated into two reportable segments, Canada and the United States. The REIT has applied judgment by aggregating its operating segments according to the nature of the property operations. Such judgment considers the nature of operations, types of customers and an expectation that operating segments within a reportable segment have similar long-term economic characteristics.

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

For the years ended	March 31, 2020			March 31, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Revenue from real estate properties	\$23,710	\$38,587	\$62,297	\$23,033	\$39,225	\$62,258
Property operating expenses	(9,849)	(35,158)	(45,007)	(10,275)	(35,146)	(45,421)
Net operating income	\$13,861	\$3,429	\$17,290	\$12,758	\$4,079	\$16,837

As at	March 31, 2020			December 31, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Real estate properties	\$1,276,620	\$1,762,519	\$3,039,139	\$1,276,620	\$1,596,038	\$2,872,658
Mortgages payable and Class C LP Units	\$430,999	\$867,389	\$1,298,388	\$434,746	\$795,559	\$1,230,305

For the years ended	March 31, 2020			March 31, 2019		
	Canada	U.S.	Total	Canada	U.S.	Total
Additions to real estate properties	\$2,634	\$5,158	\$7,792	\$1,304	\$3,982	\$5,286
Fair value gain (loss) on real estate properties	(\$2,617)	\$13,074	\$10,457	\$17,995	\$9,838	\$27,833

NOTE 20

SUBSEQUENT EVENT

Beginning March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, self-isolation, physical and social distancing and restrictions or closures of non-essential businesses, have caused material

disruption to businesses in North America and globally which has resulted in an uncertain and challenging economic environment that could negatively impact the REIT's operations and financial results in future periods. Given the unprecedented and pervasive impact of changing circumstances surrounding the COVID-19 pandemic, there is inherently more uncertainty associated with our future operating assumptions and expectations as compared to prior periods. As such, it is not possible to estimate the impacts COVID19 will have on the REIT's financial position or results of operations in future periods.

At this time, the duration and impact of the COVID-19 pandemic is unknown, as is the effectiveness of the government and central bank interventions. Any estimate of the length and severity of these measures are therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect the REIT's operations, financial results and condition in future periods are also subject to significant uncertainty.

Subsequent to March 31, 2020, the REIT collected approximately 94.8% (95.0% in Canada / 94.7% in the U.S.) of April rental revenue which is materially in line with historical collection rates. The REIT has implemented a rent deferral program for our residential tenants who are financially constrained due to the impact of the COVID-19. The REIT is actively working with tenants on a case-by-case basis on rent deferral arrangements and commencing with April's rental payment, the REIT has waived the collection of recent rental increases and late fees and will suspend collection of further rental increases during this period of crisis. Currently less than 4% of tenants have requested deferred payment plans.

These condensed consolidated financial statements use the same accounting policies and methods of their application as the most recent annual audited consolidated financial statements which include the significant accounting policies most affected by estimates and judgments. Management believes it is currently not possible to estimate the impacts COVID-19 will have in determining estimates of fair market value for the REIT's income producing properties and the valuation of financial instruments.