



Canada's Leading Urban Residential REIT



minto
Apartment REIT

2019 Annual Report TSX | MLUN

Minto Apartment REIT Profile

Minto Apartment REIT (or the “REIT”) is a growth-oriented real estate investment trust that owns and operates high quality multi-residential rental properties located in primary urban markets in Canada.

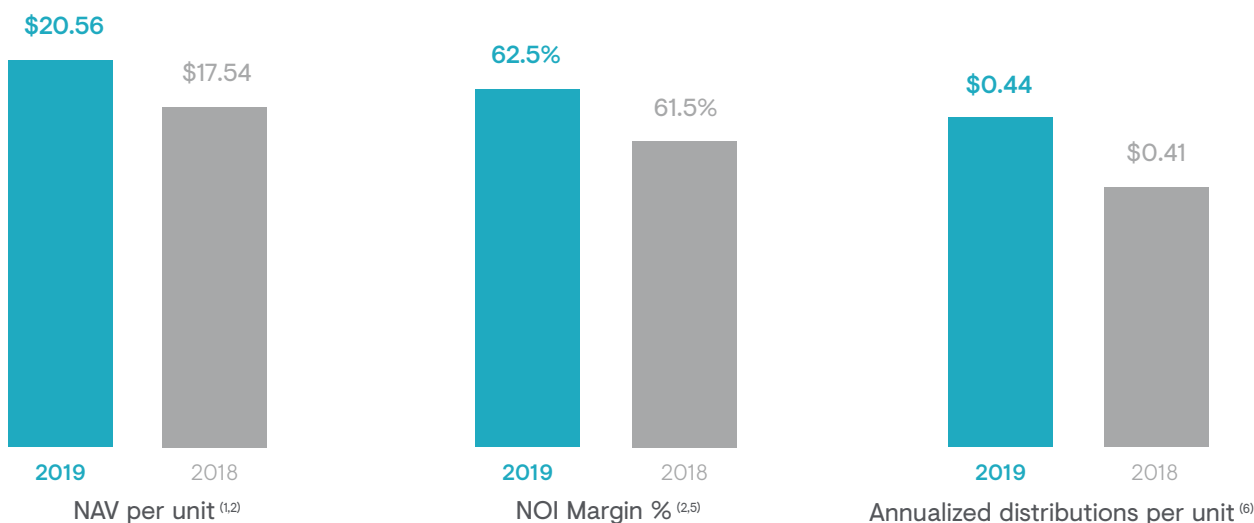
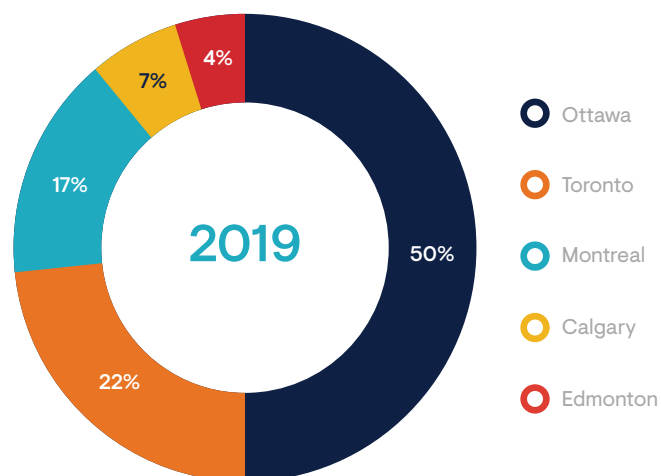
Minto Apartment REIT’s objectives are to:

- Provide Unitholders with the opportunity to invest in high quality income producing multi-residential rental properties strategically located across urban centres in Canada
- Enhance the value of the REIT’s assets and maximize long-term Unitholder value through value enhancing capital investments and active asset and property management of the REIT’s properties
- Provide Unitholders with predictable and sustainable cash distributions
- Expand the REIT’s asset base across Canadian urban centres through acquisitions, intensification programs and development

Summary Information^(1,2)

	2019	2018
Suites	7,243	4,350
Average Rent Per Suite	\$1,579	\$1,402
Occupancy rate ⁽⁴⁾	98.01%	98.76%
Total Assets	\$2.1 Billion	\$1.2 Billion
Debt-to-Gross Book Value ⁽²⁾	39.30%	44.95%
Weighted Average Term to Maturity	5.97 Years	5.86 Years
Weighted Average Interest Rate	3.15%	3.18%

Investment property geographic breakdown⁽³⁾



(1) All amounts are as at December 31, 2019, and December 31, 2018, respectively.

(2) NOI, Debt-to-Gross Book Value, and Net Asset Value (“NAV”) per unit are non-IFRS financial measures. See, “Non-IFRS Measures” in Management’s Discussion and Analysis in this annual report.

(3) Geographic breakdown is based on rental suites as at December 31, 2019.

(4) Excludes furnished suites and suites taken offline for repositioning.

(5) Performance statistics are for the twelve months ended December 31, 2019, and the 183-day period from July 2, 2018 to December 31, 2018.

(6) Distribution rates in place as at December 31.



Letter to Unitholders

Dear Fellow Unitholders,

During its first full year of operation Minto Apartment REIT (or the “REIT”) executed on its strategic plan and delivered strong operating and financial results. We are pleased with the growth the REIT experienced in 2019 which came as a result of a disciplined and focused strategy aimed at geographic diversification, opportunistically taking advantage of the Minto Properties strategic alliance and generating organic growth through suite repositioning programs.

During 2019, the REIT grew its net asset value per unit by 17.2% through the effective deployment of capital in accretive suite repositionings and strategic acquisitions. The REIT also captured some of the embedded rent in its portfolio which, combined with effective cost control, resulting in a 100 basis points improvement in the net operating income margin. As a result of its strong financial performance, in August, the REIT increased its monthly cash distribution by 7.4%.

In 2019, the REIT was extremely effective acquiring interests in six properties and 2,890 suites. These acquisitions enhanced both portfolio quality and geographic diversification and increased suite count by 66% over 2018. Two of the acquisitions, a 40% interest in High Park Village and a 50% interest in Leslie York Mills, in prime urban locations in the City of Toronto, were made possible by the REIT’s strategic alliance with Minto Properties. Both properties have active suite repositioning programs and the potential for site intensification with new development. We also made our debut in Montreal with three acquisitions, which created immediate scale. The REIT purchased a 50% interest in Rockhill and 100% interests in Haddon Hall and Le 4300. The properties are extremely well-located and also have the potential for suite repositioning projects. The final acquisition, The Quarters, is a recently constructed project adjacent to the growing Quarry Business Park in Calgary. It is in close proximity to The Laurier, another REIT property, providing efficiency in operations.

The REIT also continues to execute on its asset management plans for existing properties. Our asset managers continually monitor local market demand and competing product offerings to determine an appropriate strategy for each of our properties. In certain locations there are opportunities to renovate and strategically reposition suites. Improvements to suites and common areas in these properties generate strong growth in rental revenues and produce excellent financial returns on invested capital. Including the acquisitions made in 2019, the REIT has repositioning programs underway at seven properties in the portfolio with 2,110 suites remaining to reposition.

The 2019 performance was achieved against a strong economic backdrop for residential rental properties and the outlook remains positive going forward. Population growth in Canada, supported by rising immigration, is the highest among G7 countries. This combined with the continuing trend towards urbanization has created strong demand for housing in the six major markets that the REIT has targeted for acquisitions (Toronto, Montreal, Ottawa, Calgary, Edmonton and Vancouver). These centres are the preferred choice of new Canadians and population in these markets has grown at faster rates than the balance of the country.

The demand for rental housing is attracting investment in new development but the municipal planning process in major cities is such that new supply cannot be brought to market quickly. Long and uncertain approval timelines mean that it can take several years for a major project to get approvals before breaking ground, let alone completing construction. Demand for rental housing is likely to exceed new supply for the foreseeable future. Affordability challenges in the major metropolitan areas also make renting an increasingly attractive option over home ownership.

The REIT is well positioned to capitalize on these favourable market dynamics in 2020. Capital raising activities in 2019, in both the debt and equity markets, provide the REIT with substantial capacity for investment in existing properties and new acquisitions while at the same time maintaining conservative financial metrics.

In executing its business plan the REIT will maintain its commitment to its tenants, its employees and to the environment. We regularly measure customer satisfaction and employee engagement to ensure that our management policies and practices are achieving desired results. All of the REIT's properties supply data to the Canada Green Building Council's Disclosure Challenge, an initiative designed to reduce emissions and increase energy efficiency through sharing data and ongoing benchmarking. We believe that treating all stakeholders with care and respect is not only the right thing to do, but will also result in improved returns to Unitholders.

The Board of Trustees and management are excited about the opportunities for Minto Apartment REIT in 2020. We believe we will be able to deliver on accretive growth and value creation. We thank our Unitholders for their confidence and support and look forward to another great year ahead.

Roger Greenberg
Chairman

Michael Waters
Chief Executive Officer and President

Table of Contents

Management's Discussion and Analysis	1
Section I – Overview	1
Business Overview	1
Business Strategy and Objectives	1
Declaration of Trust	1
Basis of Presentation	2
Forward-Looking Statements	3
Use of Estimates	3
Non-IFRS Measures	3
Financial and Operating Highlights	5
Outlook	10
Section II – Financial Highlights and Performance	12
Key Performance Indicators	12
Review of Financial Performance	13
Summary of Quarterly Results	19
Summary of Annual Results	20
Section III – Assessment of Financial Position	21
Investment Properties	21
Class B LP Units	23
Class C LP Units	23
Secured Debt	23
Units	24
Distributions	24
Section IV – Liquidity and Capital Commitments	25
Liquidity and Capital Resources	25
Cash Flows	27
Reconciliation of Non-IFRS Measures	28
Section V – Accounting Estimates and Policies, Controls and Procedures and Risk Analysis	30
Critical Judgements in Applying Accounting Policies	30
Critical Accounting Estimates and Assumptions	30
Risks and Uncertainties	31
Financial Risk Management	35
Related Party Transactions	37
Contingencies and Commitments	38
Adoption of Accounting Standards	39
Future Changes in Accounting Standards	39
Disclosure Controls and Internal Controls over Financial Reporting	39
Section VI – Supplemental Information	41
Property Portfolio	41
Consolidated Financial Statements	42
Independent Auditors' Report	42
Consolidated Balance Sheets	44
Consolidated Statements of Net Income and Comprehensive Income	45
Consolidated Statements of Changes in Unitholders' Equity	46
Consolidated Statements of Cash Flows	47
Notes to the Consolidated Financial Statements	48
Unitholder Information	77

Section I - Overview

Business Overview

Minto Apartment Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust dated April 24, 2018, which was amended and restated on June 27, 2018 and further amended by the First Amendment to the Amended and Restated Declaration of Trust on July 10, 2018. The REIT was formed to own and operate a portfolio of income-producing multi-residential rental properties located in Canada.

The REIT's operations commenced on July 2, 2018 when the REIT indirectly acquired a portfolio of 22 multi-residential rental properties (the "Initial Portfolio"), comprising an aggregate of 4,279 suites located in urban centres in Ontario and Alberta.

At December 31, 2019, the REIT's portfolio, referred to herein as the "Total Portfolio", consists of 29 multi-residential rental properties located in Ontario, Quebec and Alberta, comprising an aggregate of 5,080 suites that are wholly-owned by the REIT, 1,413 suites that are 50% co-owned with institutional partners and 750 suites that are 40% co-owned with an institutional partner.

At December 31, 2019, the "Same Property Portfolio" represents the Initial Portfolio comprising 4,283 suites (including four additional suites converted from underutilized space) at 22 properties which makes up approximately 64% of the total fair value of the investment properties. It does not include the Kaleidoscope property in Calgary that was purchased on December 18, 2018 as the 13 days of earnings from this property in 2018 are not material.

The REIT was established under the laws of the Province of Ontario. The principal and registered office of the REIT is 200-180 Kent Street, Ottawa, Ontario.

Business Strategy and Objectives

The REIT's objectives are to:

- provide Unitholders an opportunity to invest in high-quality income-producing multi-residential rental properties strategically located across urban centres in Canada;
- enhance the value of the REIT's assets and maximize long-term Unitholder value through value-enhancing capital investment programs and active asset and property management of the REIT properties;
- provide Unitholders with predictable and sustainable distributions; and
- expand the REIT's asset base across Canadian urban centres through intensification programs, acquisitions and developments.

Management believes it can accomplish these objectives given that it operates a high quality portfolio in an attractive asset class with compelling supply and demand characteristics. Furthermore, the REIT has several strategic avenues for growth and benefits from its strategic alliance with Minto Properties Inc. ("MPI").

Declaration of Trust

The investment policies of the REIT are outlined in the REIT's Amended and Restated Declaration of Trust dated June 27, 2018, as amended by the First Amendment to the Amended and Restated Declaration of Trust dated July 10, 2018 (together, the "DOT"). A copy of these documents is available on SEDAR (www.sedar.com). Some of the principal investment guidelines and operating policies set out in the DOT are set out below.

Investment Guidelines

- (i) The focus of the REIT is to invest in income-producing real estate located in Canada whose revenue stems primarily from multi-residential rental assets and assets ancillary thereto;
- (ii) No investment will be made that would result in the REIT not qualifying as a "mutual fund trust" as defined in the Income Tax Act (Canada);

- (iii) No single asset shall be acquired if the cost of such acquisition (net of the amount of debt assumed or incurred for the acquisition) exceeds 20% of the REIT's "Gross Book Value" (defined as the greater of (1) total assets and (2) the sum of the historical cost of investment properties, cash and cash equivalents, mortgages receivable and the historical cost of other assets);
- (iv) Investments in joint ventures are permitted for the purpose of making another otherwise qualifying investment;
- (v) The REIT is permitted to invest in raw land (which does not include land under development) up to 10% of Gross Book Value;
- (vi) The REIT is permitted to invest in and originate mortgages, mortgage bonds, mezzanine loans and similar instruments that are secured by properties that otherwise would be qualifying REIT investments up to 15% of Gross Book Value; and
- (vii) The REIT may invest an amount up to 15% of Gross Book Value in investments which do not comply with certain investment guidelines including paragraphs (i), (v) and (vi), above.

Operating Policies

- (i) Overall indebtedness of the REIT (including Class C LP Units) shall not exceed 65% of Gross Book Value (or 70% of Gross Book Value including convertible debentures);
- (ii) The REIT cannot guarantee third party debt, except for entities in which the REIT has an interest or joint ventures in which the REIT has an interest, subject to certain stipulated permitted exceptions;
- (iii) The REIT can engage in new construction or development of real property provided that the aggregate investment in construction or development does not exceed 10% of Gross Book Value;
- (iv) The REIT will maintain property insurance coverage; and
- (v) Unless the requirement is waived by the REIT's independent Trustees, the REIT will obtain an appraisal of each real property that it intends to acquire and an engineering survey with respect to the physical condition of the property. The REIT must obtain a Phase I environmental site assessment of the property (or be entitled to rely on a Phase I environmental site assessment that is not more than six months old).

As of March 10, 2020 the REIT was in compliance with its investment guidelines and operating policies.

Basis of Presentation

The following Management's Discussion and Analysis of the REIT's results of operations and financial condition should be read in conjunction with the REIT's consolidated financial statements and accompanying notes for the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The REIT had no operations from April 24, 2018 (date of formation) to July 1, 2018, therefore the comparative information presented in this Management's Discussion and Analysis covers the 183-day period from July 2, 2018, when the REIT commenced operations, to December 31, 2018 and as such, is not comparable to the year ended December 31, 2019. The analysis of the results of operations will focus on the three-month periods ended December 31, 2019 and 2018. All amounts are stated in thousands of Canadian dollars, unless otherwise noted.

The REIT's Board of Trustees approved the content of this Management's Discussion and Analysis on March 10, 2020. Disclosure in this document is current to that date unless otherwise stated. Additional information relating to the REIT can be found on SEDAR at www.sedar.com and also on the REIT's website at www.mintoapartmentreit.com.

Forward-Looking Statements

This Management's Discussion and Analysis may contain forward-looking statements (within the meaning of applicable Canadian securities laws) relating to the business of the REIT. Forward-looking statements are identified by words such as "believe", "anticipate", "project", "expect", "intend", "plan", "will", "may", "estimate" and other similar expressions. These statements are based on the REIT's expectations, estimates, forecasts and projections. They are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under the heading "Risks and Uncertainties". There can be no assurance that forward-looking statements will prove to be accurate as actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, these forward-looking statements are made as of the date of this Management's Discussion and Analysis and, except as expressly required by applicable law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Use of Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements and accompanying note disclosures. Although these estimates are based on Management's knowledge of current events and actions the REIT may undertake in the future, actual results may differ from the estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Non-IFRS Measures

This Management's Discussion and Analysis has been prepared in accordance with IFRS. It also contains certain non-IFRS financial measures including funds from operations ("FFO"), FFO per unit, adjusted funds from operations ("AFFO"), AFFO per unit, AFFO Payout Ratio, net operating income ("NOI"), debt-to-Gross Book Value ratio, debt-to-earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio, debt service coverage ratio, net asset value ("NAV") and NAV per unit, which are measures commonly used by publicly traded entities in the real estate industry. Management believes that these metrics are useful for measuring different aspects of performance and assessing the underlying operating performance on a consistent basis. However, these measures do not have a standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other publicly traded entities. These measures should strictly be considered supplemental in nature and not a substitute for financial information prepared in accordance with IFRS.

In February 2019, the Real Property Association of Canada ("REALPAC") published a white paper titled "White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS". The purpose of the white paper is to provide reporting issuers and investors with greater guidance on the definition of FFO and AFFO and to help promote more consistent disclosure from reporting issuers. The REIT has reviewed the white paper and has implemented its recommended disclosures in this Management's Discussion and Analysis, except as noted below.

FFO is defined as IFRS consolidated net income adjusted for items such as unrealized changes in the fair value of investment properties, effects of puttable instruments classified as financial liabilities and changes in fair value of financial instruments and derivatives. FFO should not be construed as an alternative to net income or cash flows provided by or used in operating activities determined in accordance with IFRS. The REIT's method of calculating FFO is in accordance with REALPAC's recommendations, but may differ from other issuers' methods and, accordingly, may not be comparable to FFO reported by other issuers. The REIT regards FFO as a key measure of operating performance.

AFFO is defined as FFO adjusted for items such as maintenance capital expenditures and straight-line rental revenue differences. AFFO should not be construed as an alternative to net income or cash flows provided by or used in operating activities determined in accordance with IFRS. The REIT's method of calculating AFFO is in accordance with REALPAC's recommendations, except that it adjusts for certain non-cash items (such as adjustments for the amortization of mark-to-market adjustments related to debt and gain on retirement of debt), but may differ from other issuers' methods and, accordingly, may not be comparable to AFFO reported by other issuers. The REIT regards AFFO as a key measure of operating performance. The REIT also uses AFFO in assessing its capacity to make distributions.

NOI is defined as revenue from investment properties less property operating costs, property taxes and utilities prepared in accordance with IFRS. NOI should not be construed as an alternative to net income determined in accordance with IFRS. The REIT's method of calculating NOI may differ from other issuers' methods and, accordingly, may not be comparable to NOI reported by other issuers. The REIT regards NOI as an important measure of the income generated from income-producing properties and is used by Management in evaluating the performance of the REIT's properties. It is also a key input in determining the value of the REIT's properties. NOI margin is defined as NOI divided by revenue.

The following non-IFRS measures are defined as follows:

- "FFO per unit" is calculated as FFO divided by the weighted average number of Units and Class B LP Units outstanding over the period.
- "AFFO per unit" is calculated as AFFO divided by the weighted average number of Units and Class B LP Units outstanding over the period.
- "AFFO Payout Ratio" is the proportion of the total distributions on Units and Class B LP Units to AFFO.
- "Debt-to-Gross Book Value Ratio" is calculated by dividing total interest-bearing debt consisting of mortgages, credit facility and Class C LP Units by total assets and is used as the REIT's primary measure of its leverage.
- "Debt-to-EBITDA Ratio" is calculated by dividing interest-bearing debt (net of cash) by EBITDA. EBITDA is calculated as the trailing twelve-month NOI adjusted for full year of stabilized earnings from recently completed acquisitions, fees and other income and general and administrative expenses, but excluding fair value adjustments.
- "Debt Service Coverage Ratio" is the ratio of NOI to total debt service consisting of interest expense recorded as finance costs and principal payments on mortgages, credit facility and distributions on Class C LP Units.
- "NAV" is calculated as the sum of the value of Unitholders' equity and Class B LP Units as at the balance sheet date.
- "NAV per unit" is calculated by dividing NAV by the number of Units and Class B LP Units outstanding as at the balance sheet date.

Financial and Operating Highlights

The REIT operates in a favourable economic backdrop where supply and demand characteristics are compelling, population growth, that is powered in large part by immigration, continues to climb and affordability challenges in major urban centres have made renting an increasingly attractive option over home ownership. Throughout 2019, the REIT capitalized on these favourable market fundamentals by successfully executing on its strategy to expand its asset base across Canadian urban centers through six property acquisitions, strategically repositioning more than 200 suites and realizing \$2.9 million of embedded rent as tenancies turned over.

Strong Financial Performance

The REIT delivered strong financial performance with growth in its Same Property Portfolio NOI and NOI margin compared to 2018 and NAV per unit growth in excess of 17% year over year. The REIT was able to achieve these results by executing on its stated strategy: (i) through organic growth by monetizing the embedded gap to market rent in the portfolio and increasing earnings, (ii) through value creation by deploying capital to improve suites and capturing incremental revenue potential, and (iii) through external growth by leveraging its strategic alliance with MPI for two acquisitions and completing four third party acquisitions.

Comparisons to 2018 are difficult as the REIT commenced operations midway through that year. Growth in the Same Property Portfolio NOI and NOI through acquisitions was partially offset by a 28.3% increase in the weighted average number of Units and Class B LP Units from the previous year arising from equity issuances completed in 2019.

NAV per unit was \$20.56 as at December 31, 2019, 17.2% higher than the \$17.54 in 2018, in large part due to strategic acquisitions and NOI growth in the Same Property Portfolio due to continued investment in suites, common areas and amenities, partially offset by additional issuances of Units and Class B LP Units to finance the REIT's growth.

Although management prioritizes the growth in AFFO per unit, the REIT is focused on creating long term value for Unitholders by increasing the total NAV per unit. In some instances, the acquisitions and repositioning programs initiated by the REIT result in short term dilution of AFFO per unit but are accretive to the REIT from a NAV perspective. The REIT continuously seeks to balance these two important performance indicators.

External Growth — Acquisitions

The REIT's acquisition strategy focuses on the six core urban Canadian markets, with an emphasis on properties that have a large gap to market in sitting rents and also repositioning or intensification potential. The REIT successfully completed six acquisitions during the year, including two as a result of its strategic alliance with MPI, thereby increasing the REIT's presence in Toronto and Alberta and making a foray into the Montreal market. The acquisitions comprised more than \$700 million in investments and 2,890 suites, including 2,163 suites that are co-owned with institutional partners.

On January 7, 2019, the REIT acquired The Quarters, a two-building, 199-suite multi-residential rental property located in Quarry Park in Calgary for \$63,750. The Quarters is in close proximity to another REIT property, The Laurier, which allows the REIT to generate operating synergies.

On May 1, 2019, the REIT acquired MPI's 50% ownership interest in Leslie York Mills, a three-building, 409-suite multi-residential rental property in Toronto for a purchase price of \$75,050. A major appeal of this property was the repositioning and intensification opportunities it offers. The REIT has repositioned 49 suites since the acquisition, leaving another 360 suites to be repositioned in coming years. Additionally, the site was rezoned to permit the development of 192 new rental terrace homes. Conceptual designs for construction have been developed and site plan approvals are currently in process.

On May 7, 2019, the REIT made its entry into the Montreal market by acquiring a 50% ownership interest in Rockhill, a six-building, 1,004-suite multi-residential rental property for a purchase price of \$134,000. Located in close proximity to downtown Montreal, the property benefits from extensive capital enhancements made by its previous owner to balconies, parking and common areas, leaving the REIT with suite repositioning and amenity upgrade opportunities. The Leslie York Mills and Rockhill acquisitions were funded by the issuance of 8,809,000 Units from treasury for net proceeds of \$165,172.



The Quarters, Calgary



Leslie York Mills, Toronto



Rockhill, Montreal

On August 1, 2019, the REIT again took advantage of its strategic alliance with MPI by acquiring its 40% ownership interest in High Park Village, a three-building, 750-suite multi-residential rental property in Toronto, for a purchase price of \$131,214. The acquisition was funded by the issuance of 2,806,122 Class B LP Units to MPI for \$55,000, the assumption of a \$39,480 mortgage and a draw on the REIT's credit facility. Similar to the Leslie York Mills acquisition, High Park Village provides both repositioning and intensification potential. Following the acquisition, the REIT continued the repositioning program initiated by MPI in 2016 by renovating a further 15 suites. At the end of 2019, another 392 suites remain to be renovated, creating a great opportunity to continue to drive rent growth. The REIT also continues to work its way through the re-zoning process for the potential intensification of the property.

On November 20, 2019, the REIT further diversified by increasing its presence in Montreal through the acquisitions of Le 4300, a 12-storey, 318-suite multi-residential rental property and Haddon Hall, a ten-building, 210-suite multi-residential rental property, for a combined purchase price of \$281,100. Detailed feasibility studies to exploit the repositioning at both properties is currently underway.

In order to fund these two Montreal acquisitions, the REIT completed the issuance of 10,706,280 Units from treasury for net proceeds of \$234,184. The REIT also took the opportunity to increase the limit on its credit facility to \$200,000, providing additional capacity for growth.



High Park Village, Toronto



Haddon Hall, Montreal



Le 4300, Montreal

In addition to the Montreal acquisitions, during the fourth quarter the REIT advanced \$19,727 to an affiliate of MPI to support its redevelopment of a commercial property located at 99 Fifth Avenue, Ottawa, Ontario ("Fifth and Bank") into a mixed-use multi-residential rental property. This 163-suite project is located in the heart of the Glebe, one of Ottawa's most desirable neighbourhoods. The REIT has an option to acquire the property on stabilization after its completion at 95% of its then current fair market value. The loan bears interest at 6% per annum, matures on March 31, 2022 and is subordinate to senior construction financing.

Organic Growth — Gain-to-Lease

The REIT realized on substantial organic growth for the three months ended December 31, 2019 through effective leasing activities and revenue management strategies. As new tenants take occupancy, the REIT is able to move rental rates from older in-place levels to current market rates. During the period, new leases resulted in annualized revenue growth of approximately \$602. A summary of leasing activities and the gains to be realized from new leases signed for the three months ended December 31, 2019 is set out in the table below:

Geographic Node	New Leases Signed ¹	Average Monthly Expiring Rent	Average Monthly New Rent	Percentage Gain (Loss)-on-Turn	Annualized Gain (Loss)-on-Turn ²
Toronto	66	\$2,047	\$2,373	16.0%	\$160
Ottawa	140	1,350	1,628	20.6%	468
Alberta	76	1,349	1,288	(4.5)%	(56)
Montreal	18	1,414	1,677	18.6%	30
Total/Average	300	\$1,458	\$1,647	12.9%	\$602

¹ New leases signed includes 100% of new leases from co-ownerships and excludes new leases of furnished suites.

² For co-owned properties, reflects the REIT's co-ownership interest only.

The REIT was able to realize, on average, an increase of 12.9% on the 300 new leases it signed in the last quarter of the year. Although the increase represents a significant uplift over the average monthly expiring rent, the average monthly new rent is lower than the average monthly new rent realized in Q3 2019 for all regions, with the exception of Toronto, owing to typical seasonality in leasing demand.

In Alberta, the REIT experienced a slight decline in average monthly new rent as it offered incentives to attract new tenants in order to mitigate the impact of unfavorable rental market conditions in the off-peak season for leasing. Management believes the conditions in Alberta are temporary and expects the rental market to improve over the coming quarters resulting in the realization of the embedded gain-to-lease potential in the Alberta market.

The annualized gains to be realized from new leases signed in the last four quarters are as follows:

Fiscal Quarter	New Leases Signed ¹	Average Monthly Expiring Rent	Average Monthly New Rent	Percentage Gain (Loss)-on-Turn	Annualized Gain (Loss)-on-Turn ²
Q1 2019	247	\$1,420	\$1,539	8.4%	\$355
Q2 2019	435	1,417	1,585	11.5%	822
Q3 2019	442	1,486	1,737	16.9%	1,148
Q4 2019	300	1,458	1,647	12.9%	602
Total/Average	1,424	\$1,448	\$1,637	12.9%	\$2,927

¹ New leases signed includes 100% of new leases from co-ownerships and excludes new leases of furnished suites.

² For co-owned properties, reflects the REIT's co-ownership interest only.

The above table highlights the cyclical nature of the business, with the peak leasing season being the second and third quarters of a calendar year while there is typically less leasing activity through the winter period.

A summary of leasing activities and the gains to be realized from new leases signed for the year ended December 31, 2019 is set out below:

Geographic Node	New Leases Signed ¹	Average Monthly Expiring Rent	Average Monthly New Rent	Percentage Gain-on-Turn	Annualized Gain-on-Turn ²
Toronto	236	\$2,084	\$2,418	16.0%	\$682
Ottawa	770	1,360	1,567	15.3%	1,922
Alberta	304	1,324	1,359	2.6%	127
Montreal	114	1,353	1,637	20.9%	196
Total/Average	1,424	\$1,448	\$1,637	12.9%	\$2,927

¹ New leases signed includes 100% of new leases from co-ownerships and excludes new leases of furnished suites.

² For co-owned properties, reflects the REIT's co-ownership interest only.

Management continually reviews market conditions and updates the embedded potential gain-to-lease in the portfolio. Management currently estimates that the portfolio has annualized embedded potential gains-to-lease of approximately \$16,181. The total embedded gain-to-lease has increased by \$10,516 since December 2018, of which approximately 47% is related to acquisitions and approximately 53% is related to increased market rents for the Initial Portfolio.

Market rents strengthened through the year particularly in Ontario which continues to experience strong demand. Given the combined size of the Ottawa and Toronto portfolio, small increases in market rent make a large contribution to the potential gain-to-lease.

The ability of the REIT to realize on this growth is dependent on the rate of turnover in its portfolio and the market conditions remaining strong. Although suite turnover remains steady, the amount of embedded gain-to-lease unlocked is dependent on the suite type and length of tenancy turning over. Management expects that it will be able to realize a significant portion of the gain-to-lease potential over a period of three to five years, given current market conditions.

The gain-to-lease potential on existing rents as at December 31, 2019 is as follows:

Geographic Node	Total Suites ¹	Average Monthly In-Place Rent/Suite	Management's Estimate of Monthly Market Rent	Percentage Gain-to-Lease	Annualized Estimated Gain-to-Lease ²
Toronto	1,799	\$1,806	\$2,075	14.9%	\$3,765
Ottawa	2,899	1,439	1,691	17.5%	8,761
Alberta	620	1,316	1,405	6.8%	664
Montreal	1,480	1,882	2,131	13.3%	2,991
Total/Average	6,798	\$1,579	\$1,816	15.0%	\$16,181

¹ Excludes 257 furnished suites and 140 vacant suites and 48 suites offline for repositioning.

² For co-owned properties, reflects the REIT's co-ownership interest only.

Value Creation — Repositionings

In order to take advantage of market demand for repositioned properties, the REIT's asset management strategy targets improvements to suites, building common areas, and amenities. As part of an asset management plan for each building, Management will renovate various test suites in order to gauge tenants' demand for different improvements or combination of improvements. Test suites also assist Management in mitigating capital risk by refining cost estimates and uncovering potential issues prior to a broader roll out of the program. Once an optimal combination of suite improvements is determined, a repositioning plan is executed for all of the suites in the building. The rate at which Management can complete the repositioning plan depends on the rate of suite turnover. The REIT currently has active repositioning programs at: Minto Yorkville, Leslie York Mills and High Park Village in Toronto; its three Edmonton properties; Castle Hill and Carlisle in Ottawa; and Rockhill in Montreal.

A summary of the repositioning activities for the three months and year ended December 31, 2019 is set out below¹.

Property	REIT Ownership Interest	Suites Repositioned and Leased		Remaining Suites to Reposition	Total Suites eligible to Reposition	Proportion Complete
		Three months ended December 31, 2019	Year ended December 31, 2019			
Minto Yorkville	100%	3	22	53	99	46%
Leslie York Mills	50%	19	49	360	409	12%
High Park Village	40%	9	15	392	407	4%
Edmonton properties	100%	7	50	87	171	49%
Carlisle	100%	13	29	162	191	15%
Castle Hill	100%	7	43	133	176	24%
Rockhill	50%	9	11	923	934	1%
Total		67	219	2,110	2,387	12%

¹ All suite counts, including co-owned properties, are presented at 100% and not at the REIT's ownership share.



Leslie York Mills, Toronto



High Park Village, Toronto



Rockhill, Montreal

Management continues to regulate the pace of repositionings given the need to balance the short-term dilutive impact of repositioning on FFO, while maintaining NAV accretion. Suites undergoing repositioning are unavailable for approximately 30 to 60 days depending on the type of suite and the extent of improvements. The opportunity cost of lost revenue impacts FFO in the short term but the value created from the invested capital creates long term value for Unitholders.

The pace of repositioning at Minto Yorkville has slowed as expected, as the supply of unrenovated suites for repositioning decreases and the number of previously renovated suites turning over increases. After the successful implementation of the test suites, new repositioning programs at Carlisle, Castle Hill and Rockhill commenced during the year. The REIT also continued with the repositioning program at High Park Village established prior to its acquisition.

The following includes a summary of the costs and returns from the repositioning activities for the three months and year ended December 31, 2019:

	Three months ended December 31, 2019		Year ended December 31, 2019	
Suites renovated		67		219
Suites renovated (at the REIT's ownership share)		47		176
Average cost per suite	\$	46	\$	44
Average annual rental increase per suite	\$	6.1	\$	5.6
Average annual un-levered return		13.2%		12.7%

The REIT plans to continue its repositioning programs in 2020 balancing the dilutive impact on FFO with NAV growth. It is estimated that between 300 and 350 suites will be repositioned in 2020, with an emphasis on properties that have a higher number of suites still to be renovated such as Leslie York Mills, High Park Village and Rockhill.

The REIT has also developed repositioning plans for the recently acquired Le 4300 and Haddon Hall properties. Management expects to renovate various test suites in order to gauge tenants' demand for different types of improvements, prior to a broader roll out of the repositioning program by the second quarter of 2020.

Management targets a return in the range of 8 - 15% on suites renovated and leased.

Outlook

Management is focused on growing the REIT in a strategic and disciplined manner. The growth is expected to come from:

- Organic growth opportunities including realization of embedded gain-to-lease on existing rents;
- Value creation from the repositioning of existing assets by investing in in-suite and common area improvements to drive higher revenue;
- Making strategic acquisitions in major urban centres across Canada;
- Development of purpose-built rental properties and intensification on existing sites that have the capacity for added density; and,
- Capitalizing on our strategic alliance with MPI and its affiliates by accessing their pipeline of assets and opportunities.

Organic Growth Opportunities

Residential real estate in large urban markets is poised for further growth as a result of population growth from immigration and employment gains, coupled with a lack of supply and rising home ownership costs, which have created an increased demand for rental suites. Home ownership percentages are also impacted by the changes in mortgage qualification requirements, making it more difficult for home purchasers to obtain mortgage financing, which further supports demand in the rental market.

The REIT is well-positioned to respond to this strong demand. Management expects to grow revenues by realizing the embedded gain-to-lease potential in the REIT's portfolio and maintaining high occupancy levels. Since the majority of the REIT portfolio is not subject to rent control when suites become vacant, Management has the flexibility to move rents to market rates as suites turn over.

Value Creation from Repositioning Existing Assets

The REIT has been able to drive higher revenue by investing in in-suite and common area improvements. Management continuously evaluates the existing properties and the need for repositioning. The REIT completed the repositioning at Minto one80five in 2018 and expanded its repositioning program in 2019 to include five additional properties: Carlisle, Castle Hill, Leslie York Mills, High Park Village and Rockhill. In the fourth quarter of 2019, the REIT acquired two multi-residential rental properties located in Montreal that have significant repositioning potential. Management has developed a repositioning plan for Le 4300 and Haddon Hall and expects to renovate test suites to gauge tenants' demand for different improvements in the second quarter of 2020, prior to a broader roll out of the repositioning program.

Management is targeting between 300 to 350 suites for repositioning in 2020. There are no assurances that we can achieve the number of planned suite repositionings as the rate at which the REIT can renovate and lease suites is highly dependent on the turnover of our tenants and market conditions at the time suite renovations are completed. We will continue to manage our repositioning program prudently to ensure we balance the short-term FFO dilution impact and creation of NAV growth.

Development of Purpose-built Rental Properties and Intensification on Existing Sites

Certain REIT properties have the potential to develop additional rental suites on available excess land. Currently, the REIT is exploring development opportunities at its Richgrove, Leslie York Mills and High Park Village properties. The Leslie York Mills and High Park Village development opportunities remain subject to municipal, Board of Trustee and investment partner approvals.

Management evaluates and prioritizes potential development projects that can generate NAV and long-term earnings growth for its Unitholders. Development and construction entails some risk, however we believe the REIT can effectively mitigate this risk through its strategic alliance with MPI and the Minto Group's extensive experience and track record of successful developments and construction. Management believes that leveraging this relationship provides the REIT with an advantage compared to its multi-residential REIT peers.

Strategic Acquisitions in Major Canadian Urban Centres and Capitalizing on our Relationship with MPI and Affiliates

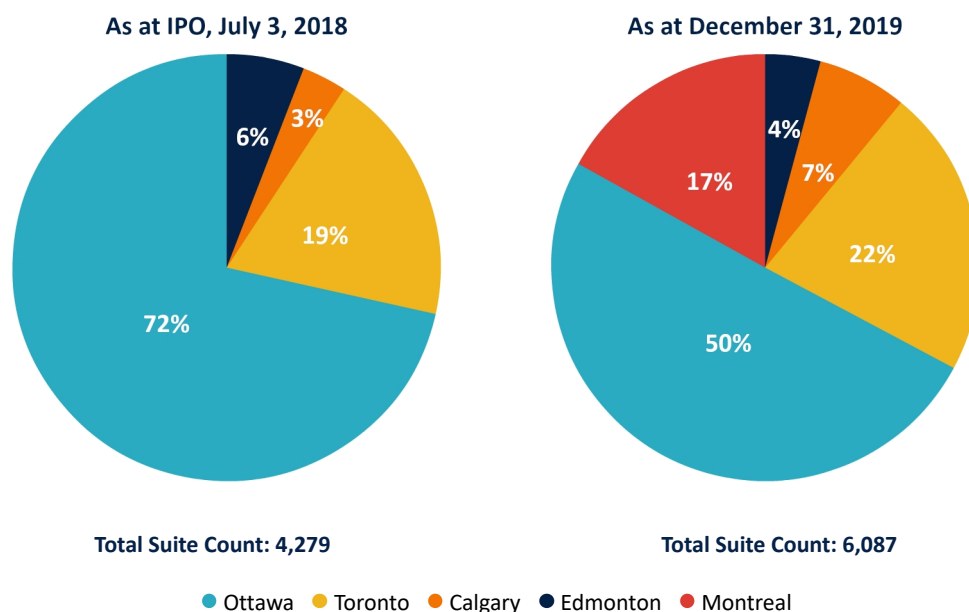
The REIT acquired six multi-residential rental properties in 2019, comprising a total of 2,890 suites, of which 2,163 suites are co-owned with institutional partners. All properties are located in core urban markets with two of the properties located in Toronto, three in Montreal and one in Calgary, further broadening the geographic diversification of the REIT.

The REIT is continuously exploring opportunities to acquire additional properties in the six core urban markets in Canada, with an emphasis on properties that have opportunities for embedded gain-to-lease potential, repositioning, intensification or a combination of them. Although the REIT will pursue any opportunity that fits its strategic mandate, it is devoting time and resources in key markets such as Montreal, Toronto and Vancouver.

In addition to third party acquisitions, the REIT is also focused on capitalizing on its strategic partnership with MPI and its affiliates. MPI hold interests in a variety of investment vehicles with institutional investors, and some of these interests may be candidates for transfer to the REIT over time.

The changes in the geographic distribution of the suites since the REIT's initial public offering on July 3, 2018 (the "IPO") is depicted below:

Suites¹ by Region (%)



¹ For co-owned properties, reflects the REIT's co-ownership interest only.

Section II - Financial Highlights and Performance

Key Performance Indicators

The Total Portfolio of the REIT at December 31, 2019 comprised 29 multi-residential rental properties, comprising an aggregate of 5,080 suites which are wholly-owned by the REIT, 1,413 suites that are 50% co-owned with institutional partners and 750 suites that are 40% co-owned with an institutional partner. 257 of these suites operate as furnished suites. Same Property Portfolio results include revenue, expenses, NOI, NOI margin, average monthly rent per suite and occupancy.

The REIT's operating results are affected by seasonal variations in property expenses and other factors. As a result, the operating performance and metrics in one quarter may not be indicative of future quarters.

The following tables highlight certain information about the REIT for the periods presented:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018 ¹
Operating				
Number of properties	29	23	29	23
Total suites	7,243 ²	4,350	7,243 ²	4,350
Average monthly rent per suite	\$ 1,579	\$ 1,402	\$ 1,579	\$ 1,402
Occupancy	98.01%	98.76%	98.01%	98.76%
Average monthly rent per suite - Same Property Portfolio	\$ 1,486	\$ 1,407	\$ 1,486	\$ 1,407
Occupancy - Same Property Portfolio	97.94%	98.78%	97.94%	98.78%
Financial				
Revenue	\$ 29,868	\$ 21,377	\$ 104,438	\$ 42,475
NOI ³	\$ 18,613	\$ 13,022	\$ 65,297	\$ 26,110
NOI margin ³	62.3%	60.9%	62.5%	61.5%
Net income and comprehensive income	\$ 19,708	\$ 16,217	\$ 19,966	\$ 49,390
Revenue - Same Property Portfolio	\$ 22,083	\$ 21,329	\$ 86,807	\$ 42,427
NOI ³ - Same Property Portfolio	\$ 13,846	\$ 12,984	\$ 53,888	\$ 26,072
NOI margin ³ - Same Property Portfolio	62.7%	60.9%	62.1%	61.5%
FFO ³	\$ 11,737	\$ 8,211	\$ 39,632	\$ 16,197
FFO per unit ³	\$ 0.1997	\$ 0.2236	\$ 0.8414	\$ 0.4411
AFFO ³	\$ 10,212	\$ 6,453	\$ 34,142	\$ 13,235
AFFO per unit ³	\$ 0.1738	\$ 0.1757	\$ 0.7248	\$ 0.3604
AFFO Payout Ratio ³	63.3%	58.3%	58.6%	56.3%
Distribution per unit	\$ 0.11	\$ 0.10	\$ 0.42	\$ 0.20
Distribution yield based on Unit closing price	1.90%	2.22%	1.81%	2.16%
As at				
	December 31, 2019	December 31, 2018		Change
Leverage				
Debt-to-Gross Book Value ratio ³	39.30%	44.95%		565 bps
Debt Service Coverage ratio ³	1.93x	1.97x		(0.04)x
Debt-to-EBITDA ratio ³	10.72x	11.16x		0.44x
Weighted average term to maturity on fixed rate debt	5.97	5.86		0.11 years
Weighted average interest rate on fixed rate debt	3.15%	3.18%		3 bps
Valuation				
NAV ³	\$ 1,213,879	\$ 644,151		\$ 569,728
NAV per unit ³	\$ 20.56	\$ 17.54		\$ 3.02

¹ Based on operations for the 183-day period from July 2, 2018 to December 31, 2018.

² Includes 2,163 suites co-owned with institutional partners.

³ Refer to Section IV, "Reconciliation of Non-IFRS Measures" for a reconciliation of performance indicators not defined by IFRS.

To assist Management and investors in monitoring the REIT's achievement of its objectives, the REIT has defined a number of key performance indicators to measure the success of its operating and financial performance:

Operating

- (i) Average monthly rent per suite - Represents the average monthly rent for occupied unfurnished suites.
- (ii) Occupancy - The ratio of occupied unfurnished suites to the total unfurnished suites in the portfolio that are eligible for rental at the end of the period. The suites eligible for rental exclude suites that are not available due to renovation.

Financial

- (i) FFO, FFO per unit, AFFO, AFFO per unit, AFFO Payout Ratio, NOI, NOI margin, Debt-to-Gross Book Value ratio, Debt Service Coverage ratio, Debt-to-EBITDA ratio, NAV, NAV per unit - See Section I, "Non-IFRS Measures".
- (ii) Weighted average term to maturity on fixed rate debt - Calculated as the weighted average of the term to maturity on the outstanding mortgages and Class C LP Units. The REIT monitors the average term to maturity of its mortgages and Class C LP Units.
- (iii) Weighted average interest rate on fixed rate debt - Calculated as the weighted average of the stated interest rates on the outstanding balances of mortgages and Class C LP Units. The REIT monitors the average cost of its mortgages and Class C LP Units.

Review of Financial Performance

The following tables highlight selected financial information for the REIT's Same Property Portfolio and Total Portfolio for the three months and year ended December 31, 2019 compared to the three months ended December 31, 2018 and the period from April 24, 2018 (date of formation) to December 31, 2018. For the year ended December 31, 2018, the operating results cover the 183-day period from July 2, 2018 to December 31, 2018 and as such, are not comparable to the results for the year ended December 31, 2019. The analysis of the results of operations will focus on the three month periods ended December 31, 2019 and 2018.

Same Property Portfolio

	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018 ¹	% Change
Revenue from investment properties	\$ 22,083	\$ 21,329	3.5 %	\$ 86,807	\$ 42,427	104.6 %
Property operating costs	4,285	4,251	(0.8)%	16,617	8,255	(101.3)%
Property taxes	2,341	2,245	(4.3)%	9,287	4,524	(105.3)%
Utilities	1,611	1,849	12.9 %	7,015	3,576	(96.2)%
Net operating income	\$ 13,846	\$ 12,984	6.6 %	\$ 53,888	\$ 26,072	106.7 %
NOI margin	62.7%	60.9%	180 bps	62.1%	61.5%	60 bps

¹ Based on operations for the 183-day period from July 2, 2018 to December 31, 2018.

Total Portfolio

	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018 ¹	% Change
Revenue from investment properties	\$ 29,868	\$ 21,377	39.7 %	\$ 104,438	\$ 42,475	145.9 %
Property operating costs	5,794	4,253	(36.2)%	19,755	8,257	(139.3)%
Property taxes	3,105	2,249	(38.1)%	11,016	4,528	(143.3)%
Utilities	2,356	1,853	(27.1)%	8,370	3,580	(133.8)%
Net operating income	18,613	13,022	42.9 %	65,297	26,110	150.1 %
NOI margin	62.3%	60.9%	140 bps	62.5%	61.5%	100 bps
General and administrative expenses	1,717	1,212	(41.7)%	5,607	2,267	(147.3)%
Finance costs - operations	8,077	5,736	(40.8)%	30,132	11,875	(153.7)%
Fair value gain on investment properties	(21,885)	(40,048)	(45.4)%	(93,216)	(40,048)	132.8 %
Fair value loss on Class B LP Units	12,068	29,829	59.5 %	104,241	81,713	(27.6)%
Fair value gain on interest rate swap	(729)	—	100.0 %	(879)	—	100.0 %
Fair value loss on Unit-based compensation	71	76	6.6 %	325	76	(327.6)%
Fees and other income	(414)	—	100.0 %	(879)	—	100.0 %
Bargain purchase gain	—	—	— %	—	(79,163)	(100.0)%
Net income and comprehensive income	\$ 19,708	\$ 16,217	21.5 %	\$ 19,966	\$ 49,390	(59.6)%

Net Operating Income

Same Property Portfolio NOI for the three months ended December 31, 2019 increased by 6.6% compared to the same period in 2018 mainly as a result of higher rents achieved including from the realization of gain-to-lease upon suite turnover and higher rents from repositioning.

Total Portfolio NOI for the three months ended December 31, 2019 increased 42.9% compared to the same period in 2018 as a result of higher revenues from the seven acquisitions since the IPO, comprising a total of 2,960 suites (including 2,163 suites co-owned with institutional partners) and higher NOI for the Same Property Portfolio.

Revenue from Investment Properties

Same Property Portfolio

	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018 ¹	% Change
Rental revenue	\$ 21,285	\$ 20,575	3.5%	\$ 83,890	\$ 40,952	104.8%
Other property income	798	754	5.8%	2,917	1,475	97.8%
	\$ 22,083	\$ 21,329	3.5%	\$ 86,807	\$ 42,427	104.6%

Total Portfolio

	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018 ¹	% Change
Rental revenue	\$ 28,962	\$ 20,623	40.4%	\$ 101,230	\$ 41,000	146.9%
Other property income	906	754	20.2%	3,208	1,475	117.5%
	\$ 29,868	\$ 21,377	39.7%	\$ 104,438	\$ 42,475	145.9%

¹ Based on operations for the 183-day period from July 2, 2018 to December 31, 2018.

Revenue from investment properties consists of rental and other property income. Rental revenue consists of rents earned from residential and commercial lease agreements, rents from furnished suites, parking and storage rental revenue. Other property income consists of ancillary revenue from laundry facilities, utility charges and other fee income from tenants.

For the three months ended December 31, 2019, Same Property Portfolio revenue was 3.5% higher than the same period in 2018. Revenue was higher primarily due to increases in market rents achieved on new leases and higher revenue earned from repositioned suites resulting in a total increase of \$788. A total of 199 new leases of unfurnished suites were signed during the quarter relating to the Same Property Portfolio, resulting in an average rent increase of 16.2%, primarily driven by Ontario properties. The increase in revenue from unfurnished suites was partly offset by the decrease in revenue of \$144 from furnished suites mainly from lower occupancy associated with seasonality.

Total Portfolio revenue for the three months ended December 31, 2019 was 39.7% higher as compared to the same period in 2018, primarily due to \$7,737 of additional revenue from acquisitions made during the year. The remaining increase is due to increased revenue from the Same Property Portfolio.

Rental performance metrics as at December 31, 2019 and 2018 are as follows: ¹

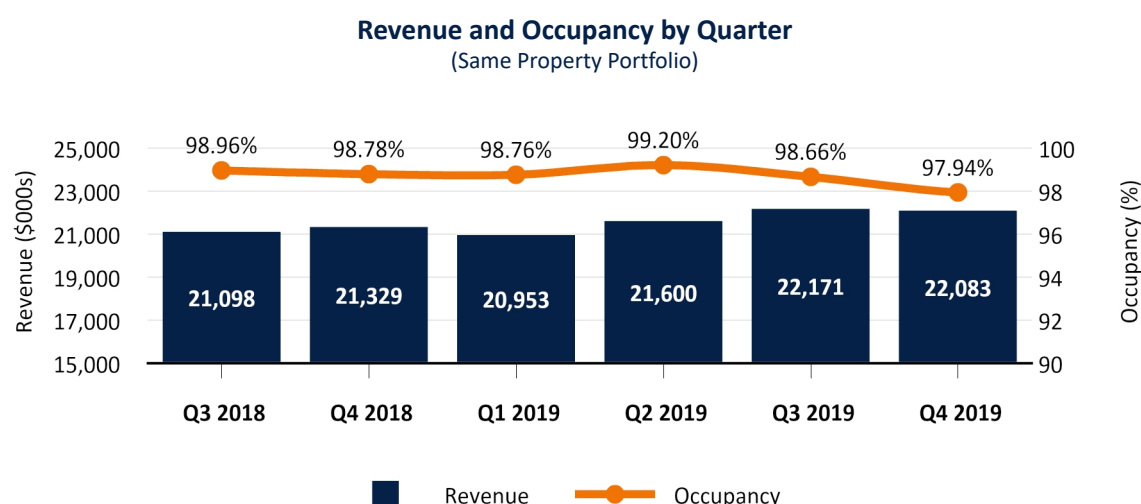
As at December 31,	Same Property Portfolio		Total Portfolio	
	2019	2018	2019	2018
Number of suites	4,283	4,280	7,243¹	4,350
Average monthly rent per suite	\$ 1,486	\$ 1,407	\$ 1,579	\$ 1,402
Occupancy	97.94%	98.78%	98.01%	98.76%

¹ Includes 2,163 suites co-owned with institutional partners.

Same Property Portfolio average monthly rent per suite of \$1,486 as at December 31, 2019 was \$79 per month higher than the previous year primarily due to realized gain-to-lease on suite turnover across all markets, which experienced higher average monthly rents compared to the previous year.

Total Portfolio average monthly rent per suite of \$1,579 as at December 31, 2019 was \$177 per month higher than the previous year primarily due to the increase in Same Property Portfolio rents, along with the acquisition of new properties with higher average rental rates. As at December 31, 2019, the average monthly rent from new acquisitions was \$1,741.

The decrease in occupancy is primarily a result of market conditions affecting the Alberta properties.



Property Operating Costs

Same Property Portfolio

	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018 ¹	% Change
Property operating costs	\$ 4,285	\$ 4,251	(0.8)%	\$ 16,617	\$ 8,255	(101.3)%

Total Portfolio

	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018 ¹	% Change
Property operating costs	\$ 5,794	\$ 4,253	(36.2)%	\$ 19,755	\$ 8,257	(139.3)%

Property operating costs relate to direct costs associated with operating the properties and providing services to tenants including repairs and maintenance, insurance, site staff salaries, cleaning costs, leasing costs, supplies, waste removal and bad debt expense. The REIT maintains cost discipline and tight controls on property operating costs.

For the three months ended December 31, 2019, property operating costs for the Same Property Portfolio were slightly unfavourable compared to the same period in 2018 primarily due to an increase in insurance premiums, partially offset by lower overhead costs incurred to operate the Same Property Portfolio, which are fixed in nature and decrease as the REIT portfolio grows.

For the three months ended December 31, 2019, property operating costs for the Total Portfolio were 36.2% higher than the same period in 2018, primarily due to the acquisitions completed since the IPO.

For the three months ended December 31, 2019, Total Portfolio property operating costs as a percentage of revenue were 19.4%, compared to 19.9% for the same period in 2018.

Property Taxes

Same Property Portfolio

	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018 ¹	% Change
Property taxes	\$ 2,341	\$ 2,245	(4.3)%	\$ 9,287	\$ 4,524	(105.3)%

Total Portfolio

	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018 ¹	% Change
Property taxes	\$ 3,105	\$ 2,249	(38.1)%	\$ 11,016	\$ 4,528	(143.3)%

Property taxes for the Same Property Portfolio of \$2,341 for the three months ended December 31, 2019 were higher as compared to the same period in 2018 as a result of increases in assessed values and changes in tax rates.

For the three months ended December 31, 2019, Total Portfolio property taxes were higher as compared to the same period in 2018 primarily due to the acquisitions. Total Portfolio property taxes as a percentage of revenue were 10.4% for the three months ended December 31, 2019, compared to 10.5% for the same period in 2018.

¹ Based on operations for the 183-day period from July 2, 2018 to December 31, 2018.

Utilities

Same Property Portfolio

	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018 ¹	% Change
Electricity	\$ 579	\$ 748	22.6%	\$ 3,052	\$ 1,633	(86.9)%
Natural gas	477	541	11.8%	1,522	659	(131.0)%
Water	555	560	0.9%	2,441	1,284	(90.1)%
	\$ 1,611	\$ 1,849	12.9%	\$ 7,015	\$ 3,576	(96.2)%

Total Portfolio

	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018 ¹	% Change
Electricity	\$ 758	\$ 750	(1.1)%	\$ 3,476	\$ 1,635	(112.6)%
Natural gas	964	541	(78.2)%	2,211	659	(235.5)%
Water	634	562	(12.8)%	2,683	1,286	(108.6)%
	\$ 2,356	\$ 1,853	(27.1)%	\$ 8,370	\$ 3,580	(133.8)%

Utilities consist of electricity, natural gas and water for the rental properties. Utility costs are seasonal and can be highly variable from one period to the next. Utility cost is dependent upon seasonality-driven usage, as well as utility rates and commodity prices.

Same Property Portfolio utilities for the three months ended December 31, 2019 were \$238 favourable as compared to the same period in 2018, primarily as a result of a one-time electricity refund of \$146 for a Toronto property and lower electricity and natural gas consumption due to the milder winter weather.

Higher utilities expense for the Total Portfolio was primarily as a result of the investment property acquisitions, partially offset by lower utilities consumption for the Same Property Portfolio. Total Portfolio utilities for the three months ended December 31, 2019 represent 7.9% of revenue, compared to 8.7% for the same period in 2018.

General and Administrative Expense

General and administrative expense relates to the administration of the REIT, including: audit fees, legal fees, salaries and benefits for certain dual REIT employees, Trustee fees and costs associated with support services provided under the Administrative Support Agreement ("ASA") between the REIT and MPI. The general and administrative expense of \$1,717 for the three months ended December 31, 2019 was 41.7% higher compared to the same period in 2018. The amount charged under the ASA increased by \$141 and salaries for dual employees increased by approximately \$108 due to the growth of the REIT's portfolio. The REIT also incurred fees of \$124 associated with a short-term back office support agreement for the Rockhill acquisition in Montreal.

¹ Based on operations for the 183-day period from July 2, 2018 to December 31, 2018.

Finance Costs - Operations

	Three months ended December 31,			Year ended December 31,		
	2019	2018	% Change	2019	2018 ¹	% Change
Interest expense on mortgages	3,637	1,987	(83.0)%	12,255	3,881	(215.8)%
Interest expense and standby fees on credit facility	709	400	(77.3)%	2,619	809	(223.7)%
Interest expense on unsecured debt	—	162	100.0 %	—	298	100.0 %
Amortization of financing charges	68	51	(33.3)%	233	92	(153.3)%
Amortization of CMHC premiums	33	4	(725.0)%	83	4	(1,975.0)%
Amortization of mark-to-market adjustments	(195)	(222)	12.2 %	(778)	(463)	(68.0)%
Interest income	(438)	(8)	5,375.0 %	(541)	(8)	6,662.5 %
Gain on retirement of debt	—	(573)	(100.0)%	—	(573)	(100.0)%
Interest expense and other financing charges	3,814	1,801	(111.8)%	13,871	4,040	(243.3)%
Distributions on Class B LP Units	2,504	2,137	(17.2)%	9,195	4,229	(117.4)%
Distributions on Class C LP Units	1,759	1,798	2.2 %	7,066	3,606	(96.0)%
	\$ 8,077	\$ 5,736	(40.8)%	\$ 30,132	\$ 11,875	(153.7)%

Finance costs comprise interest expense on secured and unsecured debt; amortization of financing charges, Canada Mortgage and Housing Corporation ("CMHC") premiums and mark-to-market adjustments on the debt; distributions on Class B LP Units and Class C LP Units; gain on retirement of debt, offset by interest income.

Finance costs for the three months ended December 31, 2019 were higher by \$2,341 compared to the same period in 2018, primarily due to interest expense on new mortgage loans and use of the credit facility in connection with the acquisitions completed during the year, additional distributions arising from both an increase in the distribution rate and issuances of Class B LP Units and gain on the retirement of debt in 2018 pertaining to the early repayment of a mortgage. The increase was partially offset by interest income earned on loan advances made to an affiliate of MPI, and on the temporary investment of the funds received from the issuance of Units in October.

Fair Value Gain on Investment Properties

Fair value of investment properties is determined using the direct capitalization approach, by applying an appropriate capitalization rate which reflects the characteristics, location and market conditions to the estimated 12 month stabilized forecast NOI for each property, reduced by an estimate of future capital expenditures.

The fair value gain on investment properties of \$21,885 for the three months ended December 31, 2019 was primarily due to growth in forecast NOI resulting in a fair value gain of \$26,780, compounded by an increase of \$8,574 from changes in capitalization rates and partially offset by an increase of \$13,469 in the capital expenditures reserve.

The fair value gain on investment properties of \$93,216 for the year ended December 31, 2019 was comprised of a fair value gain of \$113,345 from growth in forecast NOI, plus \$8,686 arising from changes in capitalization rates offset by a \$28,815 increase in the capital expenditures reserve.

The increase from changes in forecast NOI for the year ended December 31, 2019 was primarily due to properties located in Ottawa and Toronto which have generated higher rental rates due to strong markets conditions and repositioned suites. The changes in the capitalization rates are mainly driven by properties in Toronto and low-rise properties in Ottawa for which the market has experienced compression. The increased capital expenditures reserve is primarily due to ongoing capital expenditure requirements and the advancement of repositioning programs.

¹ Based on operations for the 183-day period from July 2, 2018 to December 31, 2018.

Fair Value Loss on Class B LP Units

The Class B LP Units are owned by MPI and a limited partnership wholly-owned by MPI. The Class B LP Units are economically equivalent to Units, in that they receive distributions equal to the distributions paid on Units and are exchangeable into Units at the holder's option. The Class B LP Units are classified as financial liabilities and measured at fair value with any changes in fair value recorded in net income. The fair value gain or loss on Class B LP Units is measured every period by reference to the closing trading price of the Units. An increase in the Unit closing price over the period results in a fair value loss, whereas a decrease in the Unit closing price over the period results in a fair value gain.

For the three months ended December 31, 2019, the increase in Class B LP Units outstanding and the increase in Unit price from \$22.62 to \$23.15 resulted in a fair value loss of \$12,068. For the same period in 2018, the opening Unit price was \$17.07 and closing Unit price was \$18.50, resulting in a fair value loss of \$29,829.

During the year ended December 31, 2019, the REIT issued an additional 2,806,122 Class B LP Units in connection with the High Park Village acquisition and exchanged 896,459 Class B LP Units for Units. For the year ended December 31, 2019, the Unit price increased from \$18.50 to \$23.15, resulting in a fair value loss of \$104,241. For 2018, the opening Unit price on July 3, 2018 was \$14.50 and the closing Unit price was \$18.50, resulting in a fair value loss of \$81,713.

Fair Value Gain on Interest Rate Swap

In connection with the acquisition of High Park Village on August 1, 2019, the REIT assumed an interest rate swap to receive variable interest based on one month bankers' acceptance plus 185 bps and pay fixed interest at 3.38%. For the three months and year ended December 31, 2019, the REIT recognized a fair value gain of \$729 and \$879, respectively.

Fair Value Loss on Unit-Based Compensation

The REIT has issued Deferred Units to its Trustees and executives. The liability is remeasured at each reporting date based on the closing Unit price with changes in the value recorded in net income.

For the three months ended December 31, 2019, the Unit price increased from \$22.62 to \$23.15, which resulted in a fair value loss of \$71. The fair value loss was also impacted by additional Deferred Units granted to the Trustees and executives.

For the year ended December 31, 2019, the Unit price increased from \$18.50 to \$23.15, resulting in a fair value loss of \$325. The fair value loss was also impacted by additional Deferred Units granted to the Trustees and executives, offset by forfeiture of Deferred Units upon the resignation of an executive.

Fees and Other Income

Fees and other income represent revenue from asset, project and property management services provided by the REIT in connection with properties co-owned with institutional partners. The REIT began earning these fees during 2019.

Summary of Quarterly Results

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue from investment properties	\$ 29,868	\$ 27,639	\$ 24,796	\$ 22,135	\$ 21,377	\$ 21,098
NOI ¹	\$ 18,613	\$ 17,588	\$ 15,786	\$ 13,310	\$ 13,022	\$ 13,088
NOI margin ¹	62.3%	63.6%	63.7%	60.1%	60.9%	62.0%
Net income (loss) and comprehensive income (loss)	\$ 19,708	\$ (29,889)	\$ 48,816	\$ (18,699)	\$ 16,217	\$ 33,173
FFO ¹	\$ 11,737	\$ 10,808	\$ 9,769	\$ 7,318	\$ 8,211	\$ 7,986
FFO per unit ¹	\$ 0.1997	\$ 0.2280	\$ 0.2146	\$ 0.1993	\$ 0.2236	\$ 0.2175
AFFO ¹	\$ 10,212	\$ 9,385	\$ 8,445	\$ 6,100	\$ 6,453	\$ 6,782
AFFO per unit ¹	\$ 0.1738	\$ 0.1980	\$ 0.1855	\$ 0.1661	\$ 0.1757	\$ 0.1847
Distributions declared	\$ 6,463	\$ 5,101	\$ 4,665	\$ 3,764	\$ 3,762	\$ 3,683
AFFO Payout Ratio ¹	63.30%	54.35%	55.24%	61.70%	58.30%	54.31%

¹ Refer to Section IV, "Reconciliation of Non-IFRS Measures" for a reconciliation of performance indicators not defined by IFRS.

The increase in property revenue is primarily from acquisitions completed throughout 2019, as well as increase in Same Property Portfolio revenue from favourable rental market conditions and repositionings.

The REIT's operating results are affected by seasonal variations in property expenses and other factors. As a result, the operating performance and metrics in one quarter may not be indicative of future quarters. The winter months typically tend to generate weaker performance due to increased energy consumption and snow removal costs.

FFO per unit and AFFO per unit were lower for the three months ended December 31, 2019, primarily as a result of the issuance of additional Units. The REIT issued 9,850,000 Units from treasury on October 22, 2019 to finance the acquisition of Haddon Hall and Le 4300, which did not close until November 20, 2019, and this timing gap resulted in a dilutive impact on FFO per unit and AFFO per unit. Overall, the acquisitions completed for the year ended December 31, 2019, were accretive to NAV and NAV per unit. The impact of suites taken offline as part of the repositioning program during the three months ended December 31, 2019 also had a dilutive impact on FFO per unit and AFFO per unit.

Summary of Annual Results

As at and for the year ended	December 31, 2019		December 31, 2018 ³	
Total assets	\$	2,050,300	\$	1,206,925
Investment properties	\$	2,016,328	\$	1,197,811
Total liabilities	\$	1,363,525	\$	948,673
Total non-current liabilities	\$	1,306,124	\$	917,317
Revenue from investment properties	\$	104,438	\$	42,475
NOI ¹	\$	65,297	\$	26,110
NOI margin ¹		62.5%		61.5%
Net income and comprehensive income	\$	19,966	\$	49,390
FFO ¹	\$	39,632	\$	16,197
FFO per unit ¹	\$	0.8414	\$	0.4411
AFFO ¹	\$	34,142	\$	13,235
AFFO per unit ¹	\$	0.7248	\$	0.3604
Distributions declared	\$	19,994	\$	7,445
AFFO Payout Ratio ¹		58.56%		56.25%
Annual distribution per unit ²	\$	0.44	\$	0.41
NAV ¹	\$	1,213,879	\$	644,151
NAV per unit ¹	\$	20.56	\$	17.54

¹ Refer to Section IV, "Reconciliation of Non-IFRS Measures" for a reconciliation of performance indicators not defined by IFRS.

² Effective August 1, 2019, the REIT's annual distribution was increased from \$0.41 per unit to \$0.44 per unit.

³ Based on operations for the 183-day period from July 2, 2018 to December 31, 2018.

Section III - Assessment of Financial Position

Investment Properties

The following table summarizes the changes in investment properties:

As at	December 31, 2019	December 31, 2018
Opening balance	\$ 1,197,811	\$ —
Additions		
Acquisition of the Initial Portfolio	—	1,123,000
Acquisitions of investment properties	702,393	20,376
Capital expenditures	22,908	14,387
Fair value gain	93,216	40,048
Closing balance	\$ 2,016,328	\$ 1,197,811

Acquisitions of Investment Properties

The REIT completed the following investment property acquisitions for the year ended December 31, 2019, which were accounted for as asset acquisitions and have contributed to the operating results effective from their respective acquisition date:

Property	Date of acquisition	Suites	Total acquisition cost	Mortgage financing	Interest rate and maturity	Ownership interest
370 & 380 Quarry Way SE, Calgary, AB ("The Quarters")	January 7, 2019	199	\$63,954	\$44,316	3.04% September 1, 2029	100%
740 & 750 York Mills Road and 17 Farmstead Road, Toronto, ON ("Leslie York Mills")	May 1, 2019	409	76,804	23,392	2.82% February 1, 2021	50%
4850-4874 Côte-des-Neiges Road, Montreal, QC ("Rockhill")	May 7, 2019	1,004	137,532	67,500	3.42% July 25, 2029	50%
66 Oakmount Road, 111 Pacific Avenue and 255 Glenlake Avenue, Toronto, ON ("High Park Village")	August 1, 2019	750	136,733	39,480	One month bankers' acceptance plus 185 bps ¹ April 1, 2026	40%
4300 de Maisonneuve Boulevard West, Montreal, QC ("Le 4300")	November 20, 2019	318	196,343	—	—	100%
2150-2174 Sherbrooke Street West, 2211-2255 Lambert Closse Street, 2151-2177 Lincoln Avenue and 2260 Chomedey Street, Montreal, QC ("Haddon Hall")	November 20, 2019	210	91,027	45,000	3.16% December 1, 2030	100%
		2,890	\$702,393	\$219,688		

¹ In connection with the High Park Village acquisition, the REIT assumed an interest rate swap to receive variable interest based on one month bankers' acceptance plus 185 bps and pay fixed interest at 3.38%.

Capital Expenditures

The REIT has established a capital improvement program that is designed to extend the useful life of its investment properties, improve operating efficiency, increase curb appeal, enhance and maintain earnings capacity and meet the expectations of its tenants. The REIT's capital expenditures are classified into two main categories: value-enhancing capital spend and maintenance capital expenditures.

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018 ¹
Total expenditures	\$ 8,853	\$ 6,892	\$ 22,908	\$ 14,387
Value-enhancing capital spend				
Building improvements	5,683	3,455	9,790	6,902
Suite upgrades	1,342	2,387	8,188	5,212
	7,025	5,842	17,978	12,114
Maintenance capital expenditures	1,828	1,050	4,930	2,273
Maintenance capital expenditures per suite	\$ 309	\$ 245	\$ 908	\$ 531

Value-enhancing capital expenditures consist of either building improvements or suite upgrades. Building improvements include common area and amenity space upgrades, energy conservation projects, building envelope enhancements and suite enhancements performed, when necessary, as suites turn over. Suite upgrades represent capital expenditures incurred on larger repositioning programs that are designed to generate incremental returns. The repositioning programs include full-scale suite renovations that strategically target certain properties or certain geographic locations as discussed previously in this MD&A under Section I, "Value Creation - Repositioning" and "Outlook". The REIT's active repositioning programs for the year ended December 31, 2019 included Minto Yorkville, Leslie York Mills, High Park Village, the three Edmonton properties, Castle Hill, Carlisle and Rockhill. Value-enhancing capital expenditures are intended to achieve NAV accretion, long term AFFO accretion and increase tenant satisfaction, however tend to be AFFO dilutive in the short term. These expenditures can vary in timing and can often represent significant economic outlays.

Maintenance capital expenditures include expenditures that are incurred in order to maintain the existing earnings capacity of the REIT's investment properties. The actual maintenance capital expenditures for the year ended December 31, 2019 were \$4,930 or \$908 per suite, which is in line with Management's estimate of maintenance capital expenditure reserve used in the AFFO calculation. The expenses related primarily to maintenance of garage, roofs, fire safety systems, mechanical equipment as well as regular maintenance of building common areas and occupied suites. Much of the maintenance capital expenditure work takes place outside and therefore is highly dependent on favourable weather conditions and as a result expenditures may vary significantly quarter to quarter.

For 2020, Management expects to spend \$900 per suite on average annually on maintenance capital expenditures.

Valuation

Fair value for residential properties is determined using the direct capitalization approach. Estimated stabilized net operating income is based on the respective property's forecasted results, less estimated aggregate future capital expenditures. Capitalization rates reflect the characteristics, location and market of each property. Fair value is determined based on internal valuation models incorporating market data and valuations performed by external appraisers.

¹ Based on operations for the 183-day period from July 2, 2018 to December 31, 2018.

Capitalization rates fluctuate depending on market conditions. The capitalization rates of the portfolio for each of the REIT's residential rental markets were as follows:

As at	December 31, 2019		December 31, 2018	
	Low	High	Low	High
Ottawa, Ontario	4.00%	4.75%	4.00%	5.00%
Toronto, Ontario	3.25%	3.75%	3.38%	3.75%
Edmonton, Alberta	4.25%	4.25%	4.25%	4.25%
Calgary, Alberta	4.15%	4.25%	4.15%	4.42%
Montreal, Quebec	3.43%	3.75%	N/A	N/A
Average capitalization rate		3.92%		4.20%

Class B LP Units

The Class B LP Units of Minto Apartment Limited Partnership (the "Partnership") receive distributions equivalent to the distributions paid on Units and are exchangeable at the holder's option into Units. One Special Voting Unit in the REIT is issued to the holder of Class B LP Units for each Class B LP Unit held. The limited IAS 32 exception for presentation as equity does not extend to Class B LP Units. As a result, the Class B LP Units are classified as financial liabilities.

On August 1, 2019, as partial consideration for the acquisition of High Park Village, 2,806,122 Class B LP Units were issued to MPI. On September 17, 2019, a limited partnership wholly-owned by MPI exchanged 896,459 Class B LP Units for Units.

As at December 31, 2019, there were 22,769,073 (December 31, 2018 - 20,859,410) Class B LP Units outstanding.

Class C LP Units

The Class C LP Units of the Partnership provide for monthly distributions to the holder of such Class C LP Units to be paid in priority to distributions to holders of the Units and Class B LP Units, subject to certain restrictions. Due to the nature of such distributions, the Class C LP Units are classified as financial liabilities. As at December 31, 2019, there were 22,978,700 (2018 - 22,978,700) Class C LP Units outstanding.

The mortgages of investment properties to which the distributions on the Class C LP Units relate bear a weighted average contractual interest rate of 3.16% (December 31, 2018 - 3.16%) and mature at various dates between 2023 and 2030.

Secured Debt

Secured debt includes mortgages and credit facility. The REIT maintains mortgages with both fixed and variable interest rates that are secured by investment properties. The fixed rate mortgages bear interest at a weighted average contractual interest rate of 3.14% (December 31, 2018 - 3.20%) and mature at various dates from 2020 to 2030. The variable rate mortgage bears interest at one month bankers' acceptance rate plus 185 bps and matures on April 1, 2026. The variable interest rate is fixed at 3.38% with the assumption of an interest rate swap.

The REIT has a committed revolving credit facility of \$200,000 (December 31, 2018 - \$150,000) that is secured by several investment properties, matures on July 3, 2021 and is used to fund working capital requirements, acquisitions and for general corporate purposes. As at December 31, 2019, \$108,991 (December 31, 2018 - \$114,075) of this facility is available. The credit facility bears interest at bankers' acceptance rate plus 175 bps or prime plus 75 bps and as at December 31, 2019, the weighted average variable interest rate was 3.72% (December 31, 2018 - 3.94%).

On March 6, 2019, in connection with the acquisition of The Quarters, the REIT obtained a new CMHC-insured mortgage of \$44,316, bearing interest at 3.04% and maturing on September 1, 2029.

On May 1, 2019, the REIT assumed mortgage financing of \$23,392 in connection with the acquisition of Leslie York Mills, bearing interest at 2.82% and maturing on February 1, 2021.

On May 7, 2019, in connection with the acquisition of Rockhill, the REIT secured conventional mortgage financing for \$67,500, bearing interest at 3.42% and maturing on July 25, 2029. On August 19, 2019, CMHC insurance was obtained for the mortgage, with an additional \$1,544 borrowed to finance CMHC premiums. The CMHC-insured mortgage bears interest at 2.91% and matures on October 1, 2029.

On August 1, 2019, in connection with the acquisition of High Park Village, the REIT assumed a \$39,480 variable rate mortgage which bears interest at bankers' acceptance rate plus 185 bps and matures on April 1, 2026. In addition, the REIT also assumed an interest rate swap to receive variable interest based on one month bankers' acceptance rate plus 185 bps and pay fixed interest rate at 3.38%.

On November 18, 2019, the credit facility limit was increased to \$200,000 by adding Le 4300 as additional security. The increase in the credit facility limit provides the REIT with additional liquidity and flexibility as it continues to explore opportunities for growth.

On November 20, 2019, in connection with the acquisition of Haddon Hall, the REIT secured conventional mortgage financing for \$45,000, bearing interest at 3.16% and maturing on December 1, 2030. Management is in the process of arranging CMHC insurance for this mortgage.

Units

The following table presents the change in and outstanding amount of Units for the year ended December 31, 2019:

	Units	\$
Authorized	Unlimited	
Units issued and outstanding:		
Balance, December 31, 2018	15,863,100	\$ 212,078
Issued, April 15, 2019, net	8,809,000	165,172
Issued on exchange for Class B LP Units, September 17, 2019	896,459	20,000
Issued, October 22, 2019, net	9,850,000	215,401
Issued, November 25, 2019, net	856,280	18,783
	20,411,739	419,356
Balance, December 31, 2019	36,274,839	\$ 631,434

On April 15, 2019 the REIT completed the issuance of 8,809,000 Units from treasury at a price of \$19.60 per Unit for net proceeds of \$165,172. The issuance included 1,149,000 Units sold pursuant to the full exercise of an over-allotment option granted to the underwriters. Underwriters' fees and expenses relating to the issuance were \$7,484.

On September 17, 2019, the REIT issued 896,459 Units from treasury in exchange for Class B LP Units at a price of \$22.31 per Unit and valued at \$20,000.

On October 22, 2019, the REIT completed the issuance of 9,850,000 Units from treasury at a price of \$22.85 per Unit for net proceeds of \$215,401. Underwriters' fees and expenses relating to the issuance were \$9,672.

On November 25, 2019, the REIT completed the issuance of an additional 856,280 Units from treasury at a price of \$22.85 for net proceeds of \$18,783 pursuant to the over-allotment option granted to the underwriters in connection with the issuance of Units on October 22, 2019. Underwriters' fees and expenses relating to the issuance were \$783.

Distributions

Distributions are paid monthly to Unitholders of record at the close of business on the last day of a month on or about the 15th day of the following month. Distributions must be approved by the Board of Trustees and are subject to change depending on the general economic outlook and financial performance of the REIT.

On August 1, 2019, the Board of Trustees approved a 7.3% increase to the REIT's annual distribution from \$0.41 per Unit to \$0.44 per Unit. The increase was effective for the REIT's August 2019 cash distribution paid on September 16, 2019.

For the year ended December 31, 2019, distributions to Unitholders of \$10,799 (December 31, 2018 - \$3,216) were declared.

Section IV - Liquidity, Capital Resources and Contractual Commitments

Liquidity and Capital Resources

The REIT's capital structure, shown in the table below, is comprised of mortgages, a credit facility, Class B LP Units, Class C LP Units and Unitholders' equity.

As at	December 31, 2019	December 31, 2018
Liabilities (principal amounts outstanding):		
Class B LP Units	\$ 527,104	\$ 385,899
Class C LP Units	222,702	227,721
Mortgages	487,876	273,574
Credit facility	91,009	35,925
	1,328,691	923,119
Unitholders' equity	686,775	258,252
	\$ 2,015,466	\$ 1,181,371

Class B LP Units are economically equivalent to Units and are exchangeable for Units at the Class B LP unitholder's option. Due to their exchangeable nature, IAS 32 requires Class B LP Units to be accounted for as a financial liability. Class B LP Units are not indebtedness for borrowed money and are not included in the determination of Debt-to-Gross Book Value ratio.

The objective of the REIT's capital strategy is to arrange capital at the lowest possible cost while maintaining diversity in its lending base, balance in its maturity schedule and sufficient liquidity to fund the ongoing operations of the REIT and pay distributions. At December 31, 2019, 64% (December 31, 2018 - 76%) of the REIT's total debt is CMHC-insured and approximately 89% (December 31, 2018 - 93%) is fixed rate.

The REIT uses a prudent amount of debt financing in its capital structure. Pursuant to the REIT's declaration of trust, overall indebtedness, as measured by the Debt-to-Gross Book Value ratio, is not to exceed 65% (or 70% of Gross Book Value including convertible debentures). Notwithstanding this limit, it is Management's current intention to maintain a more conservative Debt-to-Gross Book Value ratio and Management is currently targeting a range of 45%-55%. The REIT's Debt-to-Gross Book Value ratio is calculated as follows:

As at	December 31, 2019	December 31, 2018
Class C LP Units	\$ 225,537	\$ 231,037
Mortgages	489,307	275,601
Credit facility	91,009	35,925
Total debt	805,853	542,563
Total assets	2,050,300	1,206,925
Debt-to-Gross Book Value ratio	39.30%	44.95%

Management measures the Debt-to-EBITDA ratio as a measure of the REIT's financial health and liquidity. Generally, the lower the ratio, the lower the credit risk. The REIT's Debt-to-EBITDA ratio is calculated as follows:

As at	December 31, 2019	December 31, 2018 ¹
NOI	\$ 65,297	\$ 26,110
Fees and other income	879	—
General and administrative expenses	(5,607)	(2,267)
	60,569	23,843
Impact of annualization for December 31, 2018 ¹	—	23,804
Impact on NOI from stabilized earnings from acquisitions during the year	14,410	876
EBITDA	74,979	48,523
Total debt, net of cash	803,925	541,671
Debt-to-EBITDA ratio	10.72x	11.16x

The REIT has staggered the maturities of its debt financings, including distributions payable on the Class C LP Units, to reduce interest rate risk and its risk related to refinancing. As at December 31, 2019, the weighted average term to maturity on the REIT's fixed rate debt was 5.97 (December 31, 2018 - 5.86) years and the weighted average interest rate on fixed rate debt was 3.15% (December 31, 2018 - 3.18%). The contractual payments under the REIT's debt financing is summarized in the table below.

Year	Principal Repayments		Principal at Maturity			Total	% of Total	Interest Rate ²
	Mortgages	Class C LP Units	Mortgages	Credit facility	Class C LP Units			
2020	\$ 9,133	\$ 5,178	\$ 12,094	\$ —	\$ —	\$ 26,405	3.3%	3.59%
2021	9,194	5,341	22,077	91,009	—	127,621	15.9%	3.55%
2022	8,589	5,510	87,161	—	—	101,260	12.6%	3.22%
2023	7,288	5,298	47,620	—	44,936	105,142	13.1%	3.05%
2024	5,644	4,319	48,182	—	46,177	104,322	13.0%	3.04%
2025	5,177	3,067	22,743	—	60,474	91,461	11.4%	3.19%
Thereafter	17,792	4,208	185,182	—	38,194	245,376	30.6%	3.15%
	\$ 62,817	\$ 32,921	\$ 425,059	\$ 91,009	\$ 189,781	\$ 801,587	100%	

As of December 31, 2019, current liabilities of \$57,401 (December 31, 2018 - \$31,532) exceeded current assets of \$8,396 (December 31, 2018 - \$7,289), resulting in a net working capital deficit of \$49,005 (December 31, 2018 - \$24,243). The REIT's immediate liquidity needs are met through cash-on-hand, cash flow from operations, property-level debt and availability on its revolving credit facility. As of December 31, 2019, liquidity was \$110,919 (December 31, 2018 - \$114,967) consisting of cash of \$1,928 (December 31, 2018 - \$892) and \$108,991 (December 31, 2018 - \$114,075) of available borrowing capacity under the revolving credit facility. Management believes that there is sufficient liquidity to meet the REIT's financial obligations for the foreseeable future.

On December 21, 2018, the REIT filed a short form base shelf prospectus, which allows the REIT to issue Units, debt securities and subscription receipts for an amount up to \$750,000 during the 25-month period that the short form base shelf prospectus is effective. The net proceeds from the sale of securities for cash may be used for potential future acquisitions, capital expenditures, to repay indebtedness and general working capital purposes. For the year ended December 31, 2019, the REIT completed two equity issuances and raised gross proceeds of \$417,295. As at December 31, 2019, the amount available to be raised pursuant to the short form base shelf prospectus is \$332,705.

¹ Based on operations for the 183-day period from July 2, 2018 to December 31, 2018. EBITDA for December 31, 2018 was annualized.

² Weighted average interest rates for maturing mortgages, credit facility and Class C LP Units.

Cash Flows

The REIT held a cash balance of \$1,928 as at December 31, 2019. The sources and use of cash flow for the three months and years ended December 31, 2019 and 2018 are as follows:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018 ¹
Operating activities	\$ 25,884	\$ 13,847	\$ 53,830	\$ 29,163
Financing activities	267,747	774	537,958	(10,683)
Investing activities	(294,183)	(15,267)	(590,752)	(17,588)

Cash provided by operating activities and cash distributions

The following table outlines the differences between cash from operating activities, net income and cash distributions in accordance with National Policy 41-201, *Income Trusts and Other Indirect Offerings*:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018 ¹
Net income and comprehensive income	\$ 19,708	\$ 16,217	\$ 19,966	\$ 49,390
Add: distributions on Class B LP Units	2,504	2,137	9,195	4,229
	22,212	18,354	29,161	53,619
Less: distributions paid	(5,970)	(3,762)	(19,084)	(6,190)
Excess of net income and comprehensive income over total distributions paid	\$ 16,242	\$ 14,592	\$ 10,077	\$ 47,429
Cash provided by operating activities	\$ 25,884	\$ 13,847	\$ 53,830	\$ 29,163
Less: interest paid	(5,642)	(4,493)	(20,869)	(7,492)
	20,242	9,354	32,961	21,671
Less: distributions paid	(5,970)	(3,762)	(19,084)	(6,190)
Excess of cash provided by operating activities over total distributions and interest paid	14,272	5,592	13,877	15,481
Distributions declared	\$ 6,464	\$ 3,762	\$ 19,994	\$ 7,445

The REIT has net income and comprehensive income for the year ended December 31, 2019. Net income is not used as a proxy for distributions as it is impacted by several non-cash items, including fair value gains or losses on investment properties, Class B LP Units and an interest rate swap. Amounts retained in excess of distributions declared are used to fund acquisitions and capital expenditure requirements.

While cash flows provided by operating activities are generally sufficient to cover distribution requirements, the timing of expenses and fluctuations in non-cash working capital may result in temporary shortfall. In these cases, some portion of distributions may come from the REIT's capital or financing sources other than cash flows provided by operating activities.

For the three months and year ended December 31, 2019, cash provided by operations exceeded distributions and interest paid.

Cash provided by financing activities

For the three months ended December 31, 2019, cash flows provided by financing activities were \$267,747, representing cash inflows from the issuance of Units, net of issue costs, of \$234,264, draws from the credit facility of \$23,384 and from mortgage financing of \$45,000. These cash inflows were offset by loan advances of \$19,727 made to an affiliate of MPI in connection with the development of Fifth and Bank, payment of CMHC premiums and deferred financing costs of \$101, repayments on mortgages of \$2,189, distributions on various classes of units of \$7,242 and interest paid of \$5,642.

¹ Based on operations for the 183-day period from July 2, 2018 to December 31, 2018.

For the year ended December 31, 2019, cash flows provided by financing activities were \$537,958, representing cash inflows from the issuance of Units, net of issue costs, of \$399,436, from mortgage financing of \$158,360 and draws from the credit facility of \$55,084. These cash inflows were offset by loan advances of \$19,727 made to an affiliate of MPI, payment of CMHC premiums and deferred financing costs of \$3,293, repayments on mortgages of \$6,930, distributions on various classes of units of \$24,103 and interest paid of \$20,869.

Cash used in investing activities

Cash flows used in investing activities for the three months ended December 31, 2019 were \$294,183 and represent the acquisition of investment properties in Montreal for \$286,177 and capital additions to investment properties of \$8,006.

For the year ended December 31, 2019, cash flows used in investing activities were \$590,752 and represent investment property acquisitions in Calgary, Toronto and Montreal for \$571,573 and capital additions to investment properties of \$19,179.

Reconciliation of Non-IFRS Measures

FFO and AFFO

FFO and AFFO are used for evaluating operating performance and are computed as follows¹:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018 ²
Net income and comprehensive income	\$ 19,708	\$ 16,217	\$ 19,966	\$ 49,390
Distributions on Class B LP Units	2,504	2,137	9,195	4,229
Fair value (gain) loss on:				
Investment properties	(21,885)	(40,048)	(93,216)	(40,048)
Class B LP Units	12,068	29,829	104,241	81,713
Interest rate swap	(729)	—	(879)	—
Unit-based compensation	71	76	325	76
Bargain purchase gain	—	—	—	(79,163)
Funds from operations (FFO)	\$ 11,737	\$ 8,211	\$ 39,632	\$ 16,197
Maintenance capital expenditure reserve	(1,330)	(963)	(4,712)	(1,926)
Amortization of mark-to-market adjustments	(195)	(222)	(778)	(463)
Gain on retirement of debt	—	(573)	—	(573)
Adjusted funds from operations (AFFO)	\$ 10,212	\$ 6,453	\$ 34,142	\$ 13,235
Distributions on Class B LP Units	2,504	2,137	9,195	4,229
Distributions on Units	3,960	1,625	10,799	3,216
	6,464	3,762	19,994	7,445
AFFO Payout Ratio	63.30%	58.30%	58.56%	56.25%
Weighted average number of Units and Class B LP Units	58,758,485	36,722,510	47,103,691	36,722,510
FFO per unit	\$ 0.1997	\$ 0.2236	\$ 0.8414	\$ 0.4411
AFFO per unit	\$ 0.1738	\$ 0.1757	\$ 0.7248	\$ 0.3604

FFO was higher for the three months ended December 31, 2019 as compared to 2018, reflecting the positive NOI variance driven by higher rents achieved, acquisitions during 2019 and the realization of gain-to-lease potential. AFFO was higher for the three months ended December 31, 2019 as compared to 2018, primarily as a result of higher FFO, along with an adjustment for the gain on retirement of debt in 2018. This increase was offset by an increase in maintenance capital expenditure reserve caused by the growing portfolio suite count from the acquisitions completed during the year.

¹ See Section I, "Non-IFRS Measures"

² Based on operations for the 183-day period from July 2, 2018 to December 31, 2018.

FFO per unit and AFFO per unit were lower for the three months ended December 31, 2019 as compared to 2018, as a result of a higher weighted average number of Units outstanding. The REIT issued 9,850,000 Units from treasury on October 22, 2019 to finance the acquisition of Haddon Hall and Le 4300 which did not close until November 20, 2019. The timing gap resulted in a dilutive impact on the FFO per Unit and AFFO per Unit. The impact of suites taken offline for renovation for the three months ended December 31, 2019 (67 suites compared to 17 in 2018) also contributed to the dilution described above.

NOI and NOI Margin

Same Property Portfolio

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018 ¹
Revenue from investment properties	\$ 22,083	\$ 21,329	\$ 86,807	\$ 42,427
Property operating expenses	8,237	8,345	32,919	16,355
NOI	\$ 13,846	\$ 12,984	\$ 53,888	\$ 26,072
NOI margin	62.7%	60.9%	62.1%	61.5%

Total Portfolio

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018 ¹
Revenue from investment properties	\$ 29,868	\$ 21,377	\$ 104,438	\$ 42,475
Property operating costs	11,255	8,355	39,141	16,365
NOI	18,613	13,022	65,297	26,110
NOI Margin	62.3%	60.9%	62.5%	61.5%

Debt-to-Gross Book Value Ratio

Refer to Section IV, "Liquidity and Capital Resources" for a reconciliation of Debt-to-Gross Book Value ratio.

Debt Service Coverage

The Debt Service Coverage ratio is calculated as follows:

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018 ¹
NOI	\$ 18,613	\$ 13,022	\$ 65,297	\$ 26,110
Interest expense on mortgages	3,637	1,987	12,255	3,881
Interest expense and standby fees on credit facility	709	400	2,619	809
Interest expense on unsecured promissory note	—	162	—	298
Distributions on Class C LP Units:				
Principal repayments	1,272	1,232	5,019	2,329
Finance costs	1,759	1,798	7,066	3,606
Mortgage repayments	2,189	1,139	6,930	2,206
Unsecured promissory note repayments	—	54	—	105
Total debt service	\$ 9,566	\$ 6,772	\$ 33,889	\$ 13,234
Debt Service Coverage Ratio	1.95x	1.92x	1.93x	1.97x

¹ Based on operations for the 183-day period from July 2, 2018 to December 31, 2018.

Debt-to-EBITDA Ratio

Refer to Section IV, "Liquidity and Capital Resources" for a reconciliation of Debt-to-EBITDA Ratio.

NAV per unit

As at	December 31, 2019	December 31, 2018
Net assets (Unitholders' equity)	\$ 686,775	\$ 258,252
Add: Class B LP Units	527,104	385,899
NAV	1,213,879	644,151
Number of Units and Class B LP Units	59,043,912	36,722,510
NAV per unit	\$ 20.56	\$ 17.54

The NAV per unit increased by 17.2% due to the following reasons: (i) organic growth by monetizing the embedded gap to market rent in the portfolio and increasing earnings, (ii) value creation by deploying capital to improve 219 suites and capture incremental revenue potential, and (iii) external growth by completing six acquisitions.

Section V - Accounting Estimates and Policies, Controls and Procedures and Risk Analysis

Critical Judgments in Applying Accounting Policies

The following are the critical judgments that have been made in applying the REIT's accounting policies:

(i) Investment property acquisitions

The REIT must assess whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, *Business Combinations*. This assessment requires Management to make judgments on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, are capable of being conducted and managed as a business and the REIT obtains control of the business.

(ii) Income taxes

The REIT is a mutual fund trust and a real estate investment trust as defined in the Income Tax Act (Canada). The REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. The REIT is a real estate investment trust if it meets the prescribed conditions under the Income Tax Act (Canada) relating to the Real Estate Investment Trust conditions. The REIT uses judgment in reviewing the Real Estate Investment Trust conditions and assessing its interpretation and application to the REIT's assets and revenue, and it has determined that it qualifies as a real estate investment trust for the current period.

(i) Interest in joint operations

The REIT assesses whether an arrangement should be accounted for as a joint operation or a joint venture under IFRS 11, *Joint Arrangements*. This assessment requires Management to make judgments on whether the REIT's rights and obligations arising from the arrangement constitute a joint operation or a joint venture.

Critical Accounting Estimates and Assumptions

The REIT makes estimates and assumptions that affect the carrying amounts of assets and liabilities and the reported amount of income for the period. Actual results could differ from estimates. The estimates and assumptions that the REIT considers critical include the valuation of investment properties. In applying the REIT's policy with respect to investment properties, estimates and assumptions are required to determine the valuation of the properties under the fair value model.

Risks and Uncertainties

The REIT faces a variety of diverse risks, many of which are inherent in the business conducted by the REIT. They include the following:

Real Estate Industry Risk

Real estate investments are generally subject to varying degrees of risk depending on the nature of the property. These risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations (such as new or revised residential tenant legislation), the attractiveness of the properties to tenants, competition from others with available space and the ability of the owner to provide adequate maintenance at an economic cost. The performance of the economy in each of the areas in which the REIT's properties are located, including the financial results and labour decisions of major local employers, can have an impact on revenues from the properties and their underlying values.

An investment in real estate is relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit the REIT's ability to vary its Portfolio promptly in response to changing economic, investment or other conditions. If it were necessary to accelerate the liquidation of the REIT's real property investments, the proceeds to the REIT might be significantly less than the aggregate carrying or net asset value of its properties. The REIT's exposure to general risks associated with real estate investments is mitigated by its geographic diversification.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to service these expenses. The REIT's properties are subject to mortgages, which require significant debt service payments. If the REIT were unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale.

Many of the REIT's properties were constructed in the 1960's and 1970's and require ongoing capital expenditures, the amount and timing of which is difficult to predict. These expenditures could exceed the REIT's existing reserve estimates which could have a material adverse effect upon distributable income.

The nature of the REIT's business is such that refurbishment and structural repairs are required periodically, in addition to regular on-going maintenance.

Competition for Real Property Investments

The REIT competes for suitable real property investments with a variety of investors (both Canadian and foreign) that are presently seeking, or that may seek in the future, real property investments similar to those desired by the REIT. Many of these investors will have greater financial resources than those of the REIT. An increase in the availability of investment funds, and an increase in interest of real property investments, would tend to increase competition for real property investments, thereby increasing purchase prices and reducing yields therefrom. In addition, the REIT may require additional financing to complete future real property acquisitions, which may not be available on terms acceptable to the REIT.

Property Acquisition Risk

The REIT's business plan includes, among other things, growth through identifying suitable acquisition and/or development opportunities, pursuing such opportunities, consummating acquisitions and leasing acquired properties. The acquisition of properties entails general risks associated with any real estate investment, including the risk that the investments will fail to perform in accordance with expectations, that the properties will not achieve anticipated occupancy levels and that estimates of the costs of improvements to bring an acquired property up to standards established for the intended market position for that property may prove inaccurate. If the REIT is unable to make accretive acquisitions or otherwise manage its growth effectively, it could adversely impact the REIT's financial position and financial performance and decrease the amount of cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis and, as such, there can be no assurance that distributions to Unitholders will increase in the future.

Current Economic Environment

The REIT is subject to risks involving the economy in general, including inflation, deflation or stagflation, unemployment, geopolitical issues and a local, regional, national or international outbreak of a contagious disease, including coronavirus. Poor economic conditions could adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the REIT to maintain occupancy rates which could harm the REIT's financial condition. In weak economic environments, the REIT's tenants may be unable to meet their rental payments and other obligations due to the REIT, which could have a material and adverse effect on the REIT. In addition, fluctuation in interest rates or other financial market volatility may adversely affect the REIT's ability to refinance existing Indebtedness on its maturity or on terms that are as favourable as the terms of the existing Indebtedness, which may impact negatively on AFFO, may restrict the availability of financing for future prospective purchasers of the REIT's investments and could potentially reduce the value of such investments, or may adversely affect the ability of the REIT to complete acquisitions on financially desirable terms. With respect to the coronavirus outbreak, Management is monitoring the situation closely and has proactively raised its level of preparedness planning to adapt more quickly should risk levels rise. Management has developed a business continuity plan and will continue to monitor and adjust its plans as the coronavirus outbreak evolves.

Cyber Security Risks

A cyber incident is any adverse event that threatens the confidentiality, integrity or availability of the REIT's information technology resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. 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 relationships with its vendors and tenants and disclosure of confidential vendor or tenant information. The REIT has implemented processes, procedures and controls to detect and mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Changes in Legislation

The REIT is subject to laws and regulations governing the ownership and leasing of real property, zoning, building standards, landlord/tenant relationships, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, municipal or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the REIT (including with retroactive effect). Any changes in the laws to which the REIT is subject could materially adversely affect the REIT's rights and title to its assets. It is not possible to predict whether there will be any further changes in the regulatory regimes to which the REIT is subject or the effect of any such changes on its investments.

Rent Control Risk

Rent control exists in some provinces in Canada, limiting the percentage of annual rental increases to existing tenants. The REIT is exposed to the risk of the implementation of, or amendments to, existing legislative rent controls in the markets in which it operates, which may have an adverse impact on the REIT's operations. Of the jurisdictions in which the REIT currently operates, Ontario and Quebec have rent controls.

Utility and Property Tax Risk

Utility and property tax risk relates to the potential loss the REIT may experience as a result of higher commodity prices as well as its exposure to significant increases in property taxes. Over the past few years, property taxes have increased as a result of re-valuations of municipal properties and their adherent tax rates. For the REIT, these re-valuations have resulted in significant increases in some property assessments. Utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the REIT cannot pass on to the tenant may have a negative material impact on the REIT.

Renovation and Development Risk

There is a risk that renovations or developments undertaken by the REIT will exceed original cost estimates or will experience unforeseen delays and that renovated or new suites may not lease in the anticipated timeframe or at anticipated rents. During suite renovations, suites are unavailable for occupancy and do not generate income.

Appraisals of Properties

An appraisal is an estimate of market value and caution should be used in evaluating data with respect to appraisals. It is a measure of value based on information gathered in the investigation, appraisal techniques employed and reasoning both quantitative and qualitative, leading to an opinion of value. The analysis, opinions and conclusions in an appraisal are typically developed based on, and in conformity with, or interpretation of the guidelines and recommendations set forth in the Canadian Uniform Standards of Appraisal Practice. Appraisals are based on various assumptions of future expectations of property performance and while the appraiser's internal forecast of net income for the properties appraised are considered to be reasonable at that time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

Environmental Risk

As an owner of real estate, the REIT is subject to federal, provincial and municipal environmental regulations. These regulations may require the REIT to fund the costs of removal and remediation of certain hazardous substances on its properties or releases from its properties. The failure to remediate such properties, if any, could adversely affect the REIT's ability to borrow using the property as collateral or to sell the real estate. The REIT is not aware of any material non-compliance with environmental laws at any of its properties nor is it currently aware of any environmental condition with respect to any properties that it believes would involve material expenditures by the REIT. The REIT has made, and will continue to make, the necessary capital expenditures to comply with environmental laws and regulations. The REIT conducts due diligence on all properties prior to acquisition and this process includes independent expert assessment of environmental risk for each property. It is the REIT's policy to obtain a Phase I environmental site assessment conducted by a qualified environmental consultant as a condition of acquiring any additional property. See "Investment Guidelines and Operating Policies - Operating Policies".

Environmental laws and regulations can change rapidly, and the REIT may be subject to more stringent environmental laws and regulations in the future.

Climate-Related Risk

The REIT's properties may be impacted by climate-related events. Among the most significant of those risks is the risk of flooding, including flash flooding. Depending on the severity, these events could cause significant damage to the REIT's properties, interrupt normal operations and threaten the safety of tenants. The REIT's ability to generate revenue from impacted properties may also be significantly impaired.

Climate-related events also may negatively impact certain costs of operation of the REIT's properties, including the cost of utility consumption due to abnormally hot or cold temperatures and the cost of snow removal. More generally, the increase in catastrophic losses worldwide from climate-related events has resulted in significant payouts by property insurers. This has resulted in a significant increases in property insurance premiums generally, including the property insurance premiums payable by the REIT. There is a risk of insurers being required to make payments on account of future climate-related catastrophic losses, which may result in further increases in the property insurance premiums payable by the REIT.

Joint Venture Risk

The REIT participates in co-ownerships for three of its properties and may participate in other co-ownerships or partnerships in the future. There is a risk that the co-owners or partners may fail to fund their share of capital contributions or have economic or business interests or goals that are different from or inconsistent with those of the REIT. Disputes with the co-owners or partners may negatively affect the operations of and returns from co-owned or partnership properties, or give rise to an obligation to purchase the interest of the co-owner or partner or to sell the REIT's interest to the co-owner or partner at a time or on terms that may adversely impact the REIT's financial position and financial performance.

Increased Supply Risk

Each segment of the real estate business is competitive. Numerous other residential developers and apartment owners compete in seeking tenants. Although the REIT's strategy is to own multi-residential properties in desirable locations in each market in which it operates, some of the properties of the REIT's competitors may be newer, better located or better capitalized. The existence of alternative housing could have a material adverse effect on the REIT's ability to lease space in its properties and on the rents charged or concessions granted, and could adversely affect the REIT's revenues and its ability to meet its obligations.

General Litigation Risks

In the ordinary course of the REIT's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the REIT and as a result, could have a material adverse effect on the REIT's assets, liabilities, business, financial condition and financial performance. Even if the REIT prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the REIT's business operations.

General Uninsured Losses

The REIT carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. The REIT will continue to procure insurance for such risks, subject to certain standard policy limits and deductibles and will continue to carry such insurance if it is economical to do so. There are, however, certain types of risks (generally of a catastrophic nature such as war or environmental contamination), which are either uninsurable or not economically insurable. Should an uninsured or underinsured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, and would continue to be obligated to repay any recourse mortgage indebtedness on such properties. There is a risk that any significant increase in insurance costs will impact negatively upon the profitability of the REIT.

Key Personnel

The REIT's executive and other senior officers have a significant role in the REIT's success and oversee the execution of the REIT's strategy. The REIT's ability to retain its management team or attract suitable replacements should any members of management leave is dependent on, among other things, the competitive nature of the employment market. The REIT has experienced departures of key professionals in the past and may do so in the future, and it cannot predict the impact that any such departures may have on its ability to achieve its objectives. The loss of services from key members of the management team or a limitation on their availability could adversely impact the REIT's financial condition and cash flow. The REIT mitigates key personnel risk through succession planning, but does not maintain key personnel insurance.

Tax-Related Risks

- i) **Mutual Fund Trust Status** - The REIT intends to qualify at all relevant times as a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders.
- ii) **The REIT Exception** - Canadian tax legislation relating to the federal income taxation of Specified Investment Flow Through trusts or partnerships provide that certain distributions from a SIFT will not be deductible in computing the SIFT's taxable income and that the SIFT 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 as return of capital should generally not be subject to tax. Under the SIFT rules, the taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Exception"). The REIT Exception is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of that taxation year. The REIT expects to qualify for the REIT Exception in 2019 and subsequent taxation years, such that it will be exempt from the SIFT rules. However, no assurances can be given that the REIT will satisfy the REIT Exception in any particular year. 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.

- iii) **Non-Resident Ownership** - Under current law, a trust may lose its status under the Tax 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, the DOT provides that 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 also have various powers that can be used for the purpose of monitoring and controlling the extent of Non-Resident ownership of the Units.
- iv) **Tax-Basis of Acquired Properties** - The Partnership has acquired, and may from time to time in the future acquire, certain properties on a fully or partially tax-deferred basis, such that the tax cost of these properties will be less than their fair market value. If one or more of such properties are disposed of, the gain realized by the Partnership for tax purposes (including any income inclusions arising from the recapture of previously claimed CCA on depreciable property) will be in excess of that which it would have realized if it had acquired the properties at a tax cost equal to their fair market values. For the purpose of claiming CCA, the UCC of such properties acquired by the Partnership will be equal to the amounts jointly elected by the Partnership and the transferor on the tax-deferred acquisition of such property. The UCC of such property will be less than the fair market value of such property. As a result, the CCA that the Partnership may claim in respect of such properties will be less than it would have been if such properties had been acquired with a tax cost basis equal to their fair market values.
- v) **Eligibility for Investment** - The Tax Act imposes penalties for the acquisition or holding of investments that are not "qualified investments" within the meaning of the Tax Act by registered retirement savings plans, registered education savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans or tax-free savings accounts (collectively, "Exempt Plans"). Although the REIT will endeavour to ensure that the Units continue to be qualified investments for Exempt Plans, any property distributed to a Unitholder on an in specie redemption of Units may not be qualified investments under the Tax Act.
- vi) **Non-Residents of Canada** - The Tax 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. The tax consequences under the Tax Act to Non-Residents may be more adverse than the consequences to other Unitholders. Non-Resident Unitholders should consult their own tax advisors.
- vii) **General Taxation** - There can be no assurance that Canadian federal or provincial tax laws, the judicial interpretation thereof, or the administrative and assessing practices and policies of the CRA, the Department of Finance (Canada) and any other tax authority or tax policy agency will not be changed in a manner that adversely affects the REIT, its affiliates or Unitholders, or that any such taxing authority will not challenge tax positions adopted by the REIT and its affiliates. Any such change or challenge could increase the amount of tax payable by the REIT or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of such distributions.

Financial Risk Management

The REIT's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other price risk.

(i) Interest rate risk

As the REIT's interest-bearing assets mainly comprise of fixed rate instruments, changes in market interest rates do not have any significant direct effect on the REIT's income.

The majority of the REIT's financial liabilities are fixed rate instruments. The REIT faces interest rate risk on its fixed rate debt due to the expected requirement to refinance such debt in the year of maturity or shortly thereafter. In addition, there is interest rate risk associated with the REIT's variable rate financial liabilities.

The REIT manages interest rate risk by structuring its financings to stagger the maturities of its debt, thereby mitigating its exposure to interest rate and other credit market fluctuations.

For the portion of the REIT's financial liabilities that is floating rate instruments, from time to time the REIT may enter into interest rate swap contracts or other financial instruments to modify the interest rate profile of its outstanding debt without an exchange of the underlying principal amount.

As at December 31, 2019, the REIT has a variable rate credit facility of \$200,000 (December 31, 2018 - \$150,000) with an outstanding balance of \$91,009 (December 31, 2018 - \$35,925). A 1% change in prevailing interest rates would change annualized interest charges incurred by \$910 (December 31, 2018 - \$359).

(ii) Currency risk

The REIT's financial statement presentation currency is Canadian dollars. Operations are located in Canada and the REIT has limited operational transactions in foreign-denominated currencies. As such, the REIT has no significant exposure to currency risk.

(iii) Other price risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

The REIT is exposed to other price risk on its Class B LP Units. A 1% change in prevailing market price of the Units as at December 31, 2019 would have a \$5,271 (December 31, 2018 - \$3,859) change in fair value of the Class B LP Units.

Credit Risk

Credit risk is the risk that tenants and/or debtors may experience financial difficulty and be unable to fulfill their lease commitments or loan repayments. An allowance for impairment is taken for all expected credit losses.

The REIT's risk of credit loss from tenants experiencing financial difficulties is mitigated through diversification. The REIT's residential rental business is carried on in the Toronto, Montreal, Ottawa, Calgary and Edmonton regions. The nature of this business involves a high volume of tenants with individually small monthly rent amounts. The REIT monitors the collection of residential rent receivables on a regular basis with strictly followed procedures designed to minimize credit loss in cases of non-payment.

The REIT is also exposed to credit risk, relating to the loan advanced to an affiliate of MPI for the development of Fifth and Bank, in the event that the borrower defaults on the repayment of amounts owing to the REIT. Management mitigates this risk by ensuring adequate security has been provided.

Liquidity Risk

Liquidity risk is the risk that the REIT will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The REIT mitigates liquidity risk by staggering the maturity dates of its borrowing, maintaining borrowing relationships with various lenders, proactively renegotiating expiring credit agreements well in advance of the maturity date and by maintaining sufficient availability on its credit facility.

The REIT has a committed credit facility for working capital requirements, acquisitions and for general corporate purposes. The committed credit facility consists of the following:

As at	December 31, 2019	December 31, 2018
Committed	\$ 200,000	\$ 150,000
Available	108,991	114,075
Utilized	91,009	35,925

An analysis of the contractual cash flows associated with the REIT's material financial liabilities is set out below:

	2020	2021	2022	2023	2024 and thereafter	Total
Mortgages	\$ 21,227	\$ 31,271	\$ 95,750	\$ 54,908	\$ 284,720	\$ 487,876
Credit facility	—	91,009	—	—	—	91,009
	21,227	122,280	95,750	54,908	284,720	578,885
Class C LP Units	5,178	5,341	5,510	50,234	156,439	222,702
Interest obligation	25,193	22,324	19,261	15,831	46,879	129,488
Tenant rental deposits	8,676	—	—	—	36	8,712
Due to related parties	1,838	—	—	—	—	1,838
Accounts payable and accrued liabilities	19,744	184	82	8	—	20,018
	\$ 81,856	\$ 150,129	\$ 120,603	\$ 120,981	\$ 488,074	\$ 961,643

The contractual cash flows do not include any unamortized mark-to-market adjustments or unamortized deferred financing costs.

Related Party Transactions

In the normal course of operations, the REIT enters into various transactions with related parties. In addition to the related party transactions disclosed elsewhere in this Management's Discussion and Analysis, related party transactions include:

Administrative support agreement

On July 3, 2018, the REIT and MPI entered into a five year renewable agreement that provides the REIT with certain advisory, transaction and support services, including clerical and administrative support, operational support for the administration of day-to-day activities of the REIT and office space (the Administrative Support Agreement). These services are provided on a cost recovery basis, subject to a maximum during the initial five year term, for all general and administrative expenses, excluding public company costs, of 32 bps of the Gross Book Value.

For the year ended December 31, 2019, the REIT incurred \$848 (December 31, 2018 - \$282) for services rendered under the ASA.

Loan receivable from related party

The REIT committed to advance up to \$30,000 to an affiliate of MPI to support its redevelopment of Fifth and Bank. The loan bears interest at 6% per annum, matures on March 31, 2022 and is subordinate to senior construction financing. Both the principal and interest are due on maturity. In connection with this financing, the REIT will have the exclusive option to purchase the property upon stabilization at 95% of the fair market value.

The following table summarizes the activity of the loan receivable:

	\$
Balance, January 1, 2019	\$ —
<i>Cash flows</i>	
Advances	19,727
<i>Non-cash movement</i>	
Accrued interest	195
Balance, December 31, 2019	\$ 19,922

Due to related parties

Amounts due to related parties at December 31, 2019 includes \$732 and \$588 (December 31, 2018 - \$713 and \$602) relating to distributions payable to limited partnerships wholly-owned by MPI on Class B LP Units and Class C LP Units respectively. Additionally, amounts due to MPI include \$288 (December 31, 2018 - \$1,643) for working capital, \$103 (December 31, 2018 - \$nil) for distributions on Class B LP Units, \$33 (December 31, 2018 - \$nil) for distributions on Units, \$nil (December 31, 2018 - \$1,049) to reimburse transaction costs and \$94 (December 31, 2018 - \$282) in connection with the ASA.

Revenue and expenses

- Included in rental revenue for the year ended December 31, 2019 is \$842 (December 31, 2018 - \$229) of revenue from MPI and its affiliates for rent paid for office space, furnished suites, parking and other revenue at certain REIT properties.
- Included in property operating expenses for the year ended December 31, 2019 is \$954 (December 31, 2018 - \$nil) paid to MPI and its affiliates.
- For the year ended December 31, 2019, compensation to key management personnel includes \$768 (December 31, 2018 - \$296) paid to executives, Unit-based compensation expense of \$291 (December 31, 2018 - \$139) for executives and Unit-based compensation expense for the grant of Deferred Units to Trustees in lieu of annual retainer and meeting fees of \$474 (December 31, 2018 - \$306), respectively. Additional compensation to key management personnel for services provided to the REIT was paid by MPI and its affiliate.
- Included in finance costs for the year ended December 31, 2019 are distributions on Class B LP Units of \$9,195 (December 31, 2018 - \$4,229), paid or payable to MPI and a limited partnership wholly-owned by MPI.
- Included in finance costs for the year ended December 31, 2019 are distributions on Class C LP Units of \$7,066 (December 31, 2018 - \$3,606), paid or payable to a limited partnership wholly-owned by MPI.
- For the year ended December 31, 2019 the REIT reimbursed \$312 (December 31, 2018 - \$nil) to MPI for costs paid on behalf of the REIT.

Distributions

- For the year ended December 31, 2019, distributions of \$5,019 (December 31, 2018 - \$2,329) were made to a limited partnership wholly-owned by MPI in order to repay principal on Class C LP Units.
- For the year ended December 31, 2019, distributions on Units to MPI of \$131 (December 31, 2018 - \$nil) were declared and recorded as a reduction to Unitholders' equity.

Property acquisitions

- On May 1, 2019, the REIT acquired MPI's 50% ownership interest in Leslie York Mills in Toronto, Ontario for a purchase price of \$75,050. In connection with the acquisition, the REIT assumed a mortgage of \$23,392.
- On August 1, 2019, the REIT acquired MPI's 40% ownership interest in High Park Village in Toronto, Ontario for a purchase price of \$131,214. In connection with the acquisition, the REIT assumed a mortgage of \$39,480 which bears interest at one month bankers' acceptance plus 185 bps and matures on April 1, 2026. In addition, the REIT assumed an interest rate swap to receive variable interest based on one month bankers' acceptance plus 185 bps and pay fixed interest at 3.38%. The purchase price was partially satisfied by the issuance of 2,806,122 Class B LP Units to MPI for \$55,000.

Contingencies and Commitments

The REIT is subject to claims and legal actions that arise in the ordinary course of business. It is the opinion of Management that any ultimate liability that may arise from such matters would not have a significant adverse effect on the consolidated financial statements of the REIT. The contingencies and commitments of the REIT are set out in Note 18 of the consolidated financial statements for the year ended December 31, 2019.

Adoption of Accounting Standards

The REIT adopted amended standard IFRS 16, *Leases*, effective January 1, 2019 using the modified retrospective approach. The REIT has determined that the adoption of this standard did not have a material impact on the REIT's consolidated financial statements and did not result in changes to opening equity as at January 1, 2019.

Future Changes in Accounting Standards

The following accounting standards under IFRS have been issued or revised, however are not yet effective and as such have not been applied by the REIT:

On October 22, 2018, the IASB issued amendments to IFRS 3, *Business Combinations* that seek to clarify whether a transaction results in an asset acquisition or a business combination. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

The REIT intends to adopt the amendments in its consolidated financial statements beginning on January 1, 2020, when the standard becomes effective. The REIT is assessing the potential impact of the amendments, however, does not expect them to have a material impact on the REIT's consolidated financial statements.

There are no other changes in accounting standards or interpretations under IFRS that have been adopted but are not yet effective that would have a material impact on the REIT's consolidated financial statements.

Disclosure Controls and Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining a system of disclosure controls and procedures ("DC&P") to provide reasonable assurance that all material information relating to the REIT that is required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis and within the time period specified in securities legislation.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS. In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, Management is required to use judgment in evaluating controls and procedures.

In accordance with the provisions of National Instrument 52-109 Certification of Disclosures in Issuers' Annual and Interim Filings, the REIT's Management, including the Chief Executive Officer and the Chief Financial Officer, have limited the scope of their assessment of the REIT's DC&P and ICFR to exclude controls, policies and procedures of three businesses acquired throughout the year: Rockhill acquired on May 7, 2019 and Le 4300 and Haddon Hall acquired on November 20, 2019.

For the year ended and as at December 31, 2019, Rockhill, Le 4300 and Haddon Hall accounts for approximately 6.9% of revenue and 20.7% of investment properties.

The scope limitation is primarily based on the time required to assess the acquired businesses existing DC&P and ICFR effectiveness. The assessment of the acquired businesses' design effectiveness of DC&P and ICFR, and the implementation of any changes determined by Management to be desirable, is expected to be completed by the first quarter of 2020. Further details related to the acquisition are disclosed in Note 5, "Acquisition of Investment Properties", in the REIT's consolidated financial statements for the year ended December 31, 2019.

Without contradiction of the scope limitation of Management's assessment, it is Management's belief, after evaluating the effectiveness of the REIT's DC&P as of December 31, 2019, that the REIT's DC&P were effective to ensure that material information relating to the REIT would have been known to them and that information required to be disclosed by the REIT is recorded, processed, summarized, and reported on a timely basis and within the time period specified in securities legislation. Similarly, without contradiction of the scope limitation of Management's assessment, after evaluating the effectiveness of the REIT's ICFR as of December 31, 2019, it is Management's belief that the REIT's ICFR provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS. There were no significant changes during the period October 1, 2019 to December 31, 2019 to the design of the REIT's ICFR that has materially affected, or is reasonably likely to materially affect, the REIT's ICFR.

Section VI - Supplemental Information

Property Portfolio

Property	Total Suites	REIT Ownership Interest	Effective Ownership Interest (Suites)
Toronto			
1 High Park Village	750	40%	300
2 Leslie York Mills	409	50%	205
3 Richgrove	258	100%	258
4 Martin Grove	237	100%	237
5 Minto Yorkville ¹	181	100%	181
6 Roehampton ¹	148	100%	148
	1,983		1,329
Ottawa			
7 Minto one80five ¹	417	100%	417
8 Parkwood Hills Garden Homes & Townhomes	393	100%	393
9 Aventura	354	100%	354
10 Huron	251	100%	251
11 Seneca	251	100%	251
12 Castlview	241	100%	241
13 Skyline Garden Homes, Maisonettes & Walkups	227 ²	100%	227
14 The Carlisle	191	100%	191
15 Castle Hill	176	100%	176
16 Grenadier	158	100%	158
17 Tanglewood	122	100%	122
18 Eleanor	117	100%	117
19 Frontenac	104	100%	104
20 Stratford	59	100%	59
	3,061		3,061
Montreal			
21 Rockhill ¹	1,004	50%	502
22 Le 4300	318	100%	318
23 Haddon Hall	210	100%	210
	1,532		1,030
Edmonton			
24 The Lancaster House	98	100%	98
25 York House	92	100%	92
26 Hi-Level Place	64	100%	64
	254		254
Calgary			
27 The Quarters	199	100%	199
28 The Laurier ¹	144	100%	144
29 Kaleidoscope	70	100%	70
	413		413
Portfolio Total	7,243		6,087

¹ Suite counts for Minto Yorkville, Roehampton, Minto one80five, Rockhill and The Laurier include furnished suites, representing approximately 14% of the total suites at these properties.

² Excludes 32 Maisonettes damaged by fire in March 2017.

Independent Auditors' Report

To the Unitholders of Minto Apartment Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of Minto Apartment Real Estate Investment Trust (the “Entity”), which comprise:

- the consolidated balance sheets as at December 31, 2019 and December 31, 2018
- the consolidated statements of net income and comprehensive income for the year ended December 31, 2019 and for the period from April 24, 2018 (date of formation) to December 31, 2018
- the consolidated statements of changes in unitholders' equity for the year ended December 31, 2019 and for the period from April 24, 2018 (date of formation) to December 31, 2018
- the consolidated statements of cash flows for the year ended December 31, 2019 and for the period from April 24, 2018 (date of formation) to December 31, 2018
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2019 and for the period from April 24, 2018 (date of formation) to December 31, 2018 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **“Auditors’ Responsibilities for the Audit of the Financial Statements”** section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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.

Other Information

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

- the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions; and
- the information, other than the financial statements and the auditors’ report thereon, included in a document entitled “2019 Annual Report”.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We have obtained the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions and the 2019 Annual Report as of the date of the auditors’ report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors’ report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The logo for KPMG LLP, featuring the letters "KPMG" in a bold, sans-serif font, followed by "LLP" in a smaller, similar font. A horizontal line is drawn underneath the text.

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Thomas Rothfischer.

Toronto, Canada

March 10, 2020

Minto Apartment Real Estate Investment Trust

Consolidated Balance Sheets

(in thousands of Canadian dollars)

	Note	December 31, 2019	December 31, 2018
Assets			
Investment properties	4	\$ 2,016,328	\$ 1,197,811
Loan receivable from related party	12	19,922	—
Prepaid expenses and other assets	7	10,295	7,233
Resident and other receivables	8	1,827	989
Cash		1,928	892
		\$ 2,050,300	\$ 1,206,925
Liabilities and Unitholders' Equity			
Liabilities			
Class B LP Units	9	\$ 527,104	\$ 385,899
Class C LP Units	10	225,537	231,037
Mortgages	11	489,307	275,601
Credit facility	11	91,009	35,925
Tenant rental deposits		8,712	6,594
Due to related parties	12	1,838	4,289
Accounts payable and accrued liabilities	13	20,018	9,328
		\$ 1,363,525	\$ 948,673
Unitholders' equity			
		686,775	258,252
Contingencies and commitments	18		
		\$ 2,050,300	\$ 1,206,925

See accompanying notes to the consolidated financial statements.

Minto Apartment Real Estate Investment Trust

Consolidated Statements of Net Income and Comprehensive Income

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars)

	Note	Year ended December 31, 2019	Period from April 24, 2018 to December 31, 2018 (Note 1)
Revenue from investment properties	16	\$ 104,438	\$ 42,475
Property operating expenses			
Property operating costs		19,755	8,257
Property taxes		11,016	4,528
Utilities		8,370	3,580
		39,141	16,365
Property operating income		65,297	26,110
Other expenses (income)			
General and administrative		5,607	2,267
Finance costs - operations	17	30,132	11,875
Fair value gain on investment properties	4	(93,216)	(40,048)
Fair value loss on Class B LP Units	9, 17	104,241	81,713
Fair value gain on interest rate swap	7, 17	(879)	—
Fair value loss on Unit-based compensation	22	325	76
Fees and other income		(879)	—
Bargain purchase gain	3	—	(79,163)
		45,331	(23,280)
Net income and comprehensive income		\$ 19,966	\$ 49,390

See accompanying notes to the consolidated financial statements.

Minto Apartment Real Estate Investment Trust

Consolidated Statements of Changes in Unitholders' Equity

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars)

	Note	Units	Distributions	Retained earnings	Total
Balance, April 24, 2018	1	\$ —	\$ —	\$ —	—
Units issued, net of issue costs	14	212,078	—	—	212,078
Net income and comprehensive income		—	—	49,390	49,390
Distributions	14	—	(3,216)	—	(3,216)
Balance, December 31, 2018		\$ 212,078	\$ (3,216)	\$ 49,390	\$ 258,252
Units issued, net of issue costs	14	419,356	—	—	419,356
Net income and comprehensive income		—	—	19,966	19,966
Distributions	14	—	(10,799)	—	(10,799)
Balance, December 31, 2019		\$ 631,434	\$ (14,015)	\$ 69,356	\$ 686,775

See accompanying notes to the consolidated financial statements.

Minto Apartment Real Estate Investment Trust

Consolidated Statements of Cash Flows

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars)

	Note	Year ended December 31, 2019	Period from April 24, 2018 to December 31, 2018 (Note 1)
Cash provided by (used in):			
Operating activities			
Net income		\$ 19,966	\$ 49,390
Adjustments for:			
Finance costs - operations	17	30,132	11,875
Fair value gain on investment properties	4	(93,216)	(40,048)
Fair value loss on Class B LP Units	9, 17	104,241	81,713
Fair value gain on interest rate swap	7, 17	(879)	—
Fair value loss on Unit-based compensation	22	325	76
Bargain purchase gain	3	—	(79,163)
Change in non-cash working capital	21	(6,739)	5,320
Cash provided by operating activities		53,830	29,163
Financing activities			
Proceeds from issuance of Units, net of issue costs		399,436	212,877
Net proceeds from mortgage financing	11	158,360	26,024
CMHC premiums paid		(2,971)	(1,566)
Financing costs	11	(322)	(11)
Principal repayments on mortgages	11	(6,930)	(2,206)
Loan advanced to related party	12	(19,727)	—
Net proceeds from credit facility	11	55,084	35,925
Repayment of acquisition note	3	—	(183,288)
Repayment of unsecured promissory notes	3, 12	—	(54,150)
Redemption of Class B LP Units	9	—	(28,277)
Distributions on Class B LP Units		(9,073)	(3,516)
Distributions on Class C LP Units, used to repay principal	10	(5,019)	(2,329)
Distribution on Units		(10,011)	(2,674)
Interest paid		(20,869)	(7,492)
Cash provided by (used in) financing activities		537,958	(10,683)
Investing activities			
Acquisition of investment properties	5	(571,573)	(7,465)
Capital additions to investment properties		(19,179)	(12,223)
Cash balance transferred on acquisition of Initial Portfolio	3	—	2,100
Cash used in investing activities		(590,752)	(17,588)
Change in cash during the period		1,036	892
Cash, beginning of the period		892	—
Cash, end of the period		\$ 1,928	\$ 892

See accompanying notes to the consolidated financial statements.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

1. Description of the entity

Minto Apartment Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust dated April 24, 2018, which was amended and restated on June 27, 2018, and further amended by the First Amendment to the Amended and Restated Declaration of Trust on July 10, 2018. The REIT was formed to own and operate a portfolio of income-producing multi-residential rental properties located in Canada.

The REIT was established under the laws of the Province of Ontario. The principal and registered office of the REIT is 200-180 Kent Street, Ottawa, Ontario.

The REIT's operations commenced on July 2, 2018 when the REIT indirectly acquired a portfolio of 22 multi-residential rental properties (the "Initial Portfolio"). The Initial Portfolio is held by Minto Apartment Limited Partnership (the "Partnership"), which is consolidated by the REIT. The REIT had no operations for the period from April 24, 2018 (date of formation) to July 1, 2018, and as such the comparative results presented for the period from April 24, 2018 (date of formation) to December 31, 2018 consist of the results for the 183-day period from July 2, 2018 to December 31, 2018.

At December 31, 2019, the REIT's portfolio consists of interests in 29 (December 31, 2018 - 23) multi-residential rental properties, including three mixed-use residential apartment and commercial buildings, all of which are held by the Partnership.

2. Significant accounting policies

(a) Basis of presentation and measurement

These consolidated financial statements have been prepared on a historical cost basis, except for investment properties, Class B LP Units, Unit-based compensation and interest rate swap, which have been measured at fair value. The consolidated financial statements have been presented in Canadian dollars, which is the REIT's functional currency.

(b) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

These consolidated financial statements were approved by the Board of Trustees of the REIT and authorized for issuance on March 10, 2020.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the REIT and its subsidiaries, including the Partnership. Subsidiaries are consolidated from the date of acquisition, being the date on which the REIT obtains control, and continue to be consolidated until the date when control is lost. Control exists 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. The accounting policies of subsidiaries have been modified when necessary to align them with the policies adopted by the REIT. All intra-group balances, transactions and unrealized gains and losses are eliminated in full upon consolidation.

(d) Business combinations

At the time of acquisition of property, whether through a controlling share investment or directly, the REIT considers whether the acquisition represents the acquisition of a business. The REIT accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired. If no significant processes, or only insignificant processes, are acquired, the acquisition is treated as an asset acquisition rather than a business combination.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

The cost of a business combination is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. The REIT recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination.

Subsequent changes in the fair value of contingent consideration arrangements are recognized in the consolidated statements of net income and comprehensive income. The difference between the purchase price and the fair value of the acquired identifiable net assets and liabilities is goodwill. On the date of acquisition, positive goodwill is recorded as an asset. A bargain purchase gain is recognized immediately in the consolidated statements of net income and comprehensive income. The REIT expenses transaction costs associated with business combinations in the period incurred.

When an acquisition does not meet the criteria for business combination accounting treatment, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated upon initial recognition to the assets and liabilities acquired based upon their relative fair values.

Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period”, which cannot exceed one year from the acquisition date, about facts and circumstances that existed at the acquisition date. Subsequent changes in fair value of contingent consideration classified as assets or liabilities that do not qualify as measurement period adjustments are recognized as a gain or loss in the consolidated statements of net income and comprehensive income.

(e) Joint arrangements

The REIT has joint arrangements in and joint control of certain investment properties which it manages. The REIT has assessed the nature of its joint arrangements and determined them to be joint operations. The REIT accounts for joint operations by recognizing in relation to its interest its share of revenues, expenses, assets and liabilities, which are included in their respective captions on the consolidated balance sheets and consolidated statements of net income and comprehensive income. All balances and effects of transactions between joint operations and the REIT have been eliminated to the extent of its interest in the joint operations.

(f) Investment properties

The REIT uses the fair value method to account for real estate classified as investment property. Property that is held for long-term rentals or for capital appreciation or both is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property and land held for future development to earn rental income. Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably. All repairs and maintenance costs are expensed as incurred.

The acquisition of investment properties is initially measured at cost including directly attributable acquisition costs, except when acquired through a business combination, where such costs are expensed as incurred. Directly attributable acquisition costs include professional fees, land transfer taxes and other transaction costs.

After initial recognition, investment properties are carried at fair value, which is determined based on available market evidence at each reporting date. Gains or losses arising from changes in fair value are included in the consolidated statements of net income and comprehensive income during the period in which they arise. When an investment property is disposed of, the gain or loss is determined as the difference between the disposal proceeds, net of selling costs and the carrying amount of the property and is recognized in the consolidated statements of net income and comprehensive income in the period of disposal.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

Fair value for residential properties is determined using the direct capitalization approach. Estimated stabilized net operating income is based on the respective property's forecasted results, less estimated aggregate future capital expenditures. Capitalization rates reflect the characteristics, location and market of each property. Fair value is determined based on internal valuation models incorporating market data and valuations performed by external appraisers.

Fair value for commercial properties is determined using the discounted future cash flow approach over a term of ten years plus a terminal value. Capitalization rates reflect the characteristics, location and market of each property. Future cash flows are based on estimated rental revenue from future leases less related estimated future cash outflows. Fair value is determined based on internal valuation models incorporating market data and valuations performed by external appraisers.

Fair value for land held for development is determined by reference to comparable market prices for similar assets.

(g) Financial instruments

Financial instruments are generally measured at fair value on initial recognition. The classification and measurement of financial assets consists of the following categories: (i) measured at amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income ("FVTOCI"). Financial assets classified at amortized cost are measured using the effective interest method. Financial assets classified as FVTPL are measured at fair value with gains and losses recognized in the consolidated statements of net income and comprehensive income. Financial assets classified as FVTOCI are measured at fair value with gains or losses recognized through other comprehensive income, except for gains and losses pertaining to impairment or foreign exchange recognized through the consolidated statements of net income and comprehensive income.

The classification and measurement of financial liabilities consists of the following categories: (i) measured at amortized cost and (ii) FVTPL. Financial liabilities classified at amortized cost are measured using the effective interest method. Financial liabilities classified as FVTPL are measured at fair value with changes in fair value attributable to changes in the credit risk of the liability recognized in other comprehensive income, and the remaining amount of change in fair value recognized in the consolidated statements of net income and comprehensive income.

The REIT has made the following classifications for its financial instruments:

Account	Measurement
Loan receivable from related party	Amortized cost
Restricted cash	Amortized cost
Interest rate swap	FVTPL
Resident and other receivables	Amortized cost
Cash	Amortized cost
Class B LP Units	FVTPL
Class C LP Units	Amortized cost
Mortgages	Amortized cost
Credit facility	Amortized cost
Tenant rental deposits	Amortized cost
Due to related parties	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

The REIT derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The REIT derecognizes a financial liability when, and only when, the REIT's obligations are discharged, canceled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statements of net income and comprehensive income.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

Transaction costs other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method. These costs include interest, amortization of discounts or premiums relating to borrowings, fees and commissions paid to agents, brokers and advisers and transfer taxes and duties.

Units

Units are redeemable at the holder's option and therefore are considered to be a puttable instrument in accordance with IAS 32, *Financial Instruments: Presentation* ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case the puttable instruments may be presented as equity. The Units meet the exemption conditions of IAS 32 and are presented as equity.

Units represent a Unitholder's proportionate undivided beneficial interest in the REIT. No Unit has any preference or priority over another. No Unitholder has or is deemed to have any right of ownership in any of the assets of the REIT. Each Unit confers the right to one vote at any meeting of Unitholders and to participate pro rata in any distributions and, on liquidation, to a pro rata share of the residual net assets remaining after preferential claims thereon of debtholders.

The REIT has elected to not report an earnings per unit calculation, as per IAS 33, *Earnings Per Share*, as the Units meet the definition of a financial liability under IAS 32.

Unitholders have the right to redeem their Units at the lesser of (i) 90% of the market price of the Units and (ii) 100% of the closing market price on the redemption date. The redemption price will be satisfied by cash up to a limit of \$50 for all redemptions in a calendar month, which can be waived at the discretion of the Trustees.

Class B LP Units

The Class B LP Units of the Partnership are economically equivalent to Units, receive distributions equal to the distributions paid on Units and are exchangeable at the holder's option into Units. One Special Voting Unit in the REIT is issued to the holder of Class B LP Units for each Class B LP Unit held, which entitles the holder to one vote per Special Voting Unit at any meeting of the Unitholders. The limited IAS 32 exception for presentation as equity does not extend to the Class B LP Units. As a result, the Class B LP Units have been classified as financial liabilities and are measured at FVTPL. The fair value of the Class B LP Units is measured every period by reference to the traded value of the Units, with changes in measurement recorded in the consolidated statements of net income and comprehensive income. Distributions on the Class B LP Units are recorded as a finance cost in the consolidated statements of net income and comprehensive income in the period in which the distributions become payable.

Class C LP Units

The Class C LP Units of the Partnership provide for monthly distributions from the Partnership to the holder of such Class C LP Units to be paid in priority, subject to certain restrictions, to distributions to holders of the Units and Class B LP Units. Due to the nature of such distributions, the Class C LP Units have been classified as financial liabilities and are carried at amortized cost. Distributions on the Class C LP Units consist of principal repayments and interest expense, with principal repayments reducing the outstanding liability and interest expense recorded in finance costs in the consolidated statements of net income and comprehensive income in the period in which the distributions become payable.

Derivative financial instruments

The REIT uses derivative financial instruments to manage risks from fluctuations in interest rates. All derivative instruments are designated and valued at FVTPL in the consolidated financial statements.

Impairment of financial assets

The REIT has adopted the practical expedient to estimate the expected credit loss ("ECL") on resident and other receivables using a provision matrix based on historical credit loss experience adjusted for current and forecasted future economic conditions. Resident and other receivables are initially measured at fair value and are subsequently measured at amortized cost less a provision for impairment.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

The REIT recognizes loss allowances for ECL on the remaining financial assets measured at amortized cost, unfunded loan commitments and financial guarantee contracts. The REIT applies a three-stage approach to measure allowance for credit losses. The REIT measures loss allowance at an amount equal to 12 months of expected losses for performing loans if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses which are credit impaired (Stage 3).

(h) Fair value measurement

The REIT measures financial instruments, such as Class B LP Units, interest rate swap and Unit-based compensation, and non-financial assets, such as investment properties, at fair value at each balance sheet date. Fair value 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 under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the REIT.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The REIT uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the REIT determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash, restricted cash, resident and other receivables, due to related parties, tenant rental deposits and accounts payable and accrued liabilities are carried at amortized cost, which, due to their short term nature, approximates fair value. Additionally, the credit facility is carried at amortized cost, which, due to its variable rate, approximates fair value.

The REIT estimates the fair value of its mortgages and Class C LP Units based on the rates that could be obtained for similar debt instruments with similar terms and maturities. Their fair value qualifies as level 2 in the fair value hierarchy above.

The fair value of Class B LP Units and Unit-based compensation is measured every period by reference to the traded value of Units and is considered Level 2 in the fair value hierarchy.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

The fair value of the interest rate swap is determined using widely accepted valuation techniques, including discounted cash flow analysis on expected cash flows of the derivatives, using observable market-based inputs including interest rate curves and implied volatilities, and is considered level 2 in the fair value hierarchy.

The fair value of the loan receivable from related party is determined by reference to rates that could be obtained for similar instruments with similar terms and maturities and is considered level 2 in the fair value hierarchy.

There were no transfers of assets between fair value levels during the period presented herein.

(i) Prepaid CMHC premiums

Insurance premiums and fees paid to the Canada Mortgage and Housing Corporation ("CMHC") are presented within prepaid expenses and other assets. The insurance premiums and fees are amortized over the loan amortization period, typically 25 to 40 years, and the amortization expense is included in finance costs in the consolidated statements of net income and comprehensive income.

(j) Restricted cash

Restricted cash consists of tenant security deposits and a capital asset replacement reserve fund held in trust accounts. The capital asset replacement reserve fund was established as a condition of a forgivable loan provided by the City of Toronto to support affordable housing at a certain Toronto property.

(k) Cash

Cash includes cash on hand and cash maintained in bank accounts.

(l) Income taxes

The REIT is a "mutual fund trust" and a "real estate investment trust" as defined in the Income Tax Act (Canada). 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 qualifies as a "real estate investment trust" and intends to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes. Accordingly, no net current tax expenses or current or deferred income tax asset or liability has been recorded in the consolidated financial statements.

(m) Revenue recognition

The REIT retains substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases.

Rental revenue includes base rents earned from tenants under operating lease agreements which is allocated to lease components based on relative stand-alone selling prices. The stand-alone selling prices of the rental component are determined using an adjusted market assessment approach and the stand-alone selling prices of the service components are determined using an expected cost plus a margin approach.

Rental revenue from the rental component is recognized on a straight-line basis over the lease term. When the REIT provides incentives to its tenants, the cost of incentives is recognized over the lease term, on a straight-line basis, as a reduction of revenue.

Revenue from services represents the service component of the REIT's leases and is accounted for in accordance with IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). These services consist primarily of the recovery of utility, property maintenance and amenity costs where the REIT has determined it is acting as a principal and is recognized over time when the services are provided. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are recorded as contract liabilities.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

Management fees are earned from asset, project and property management of jointly controlled properties. Management fees are recorded in fees and other income as the services are provided. Payments for property management fees are due at the beginning of each month, asset management fees are due at the beginning of each quarter and project management fees are due 30 days in arrears.

(n) Expenses

Operating expenses and general and administrative expenses are recognized in the consolidated statements of net income and comprehensive income in the period in which they are incurred.

(o) Finance costs

Finance costs are comprised of interest expense on secured debt and unsecured debt, amortization of mark-to-market adjustments, CMHC premiums and financing charges, distributions on Class B LP Units and Class C LP Units, gain on retirement of debt, and fair value adjustments to Class B LP Units and an interest rate swap. Finance costs associated with financial liabilities presented at amortized cost are presented in the consolidated statements of net income and comprehensive income using the effective interest method. Finance costs also includes interest income which is recognized as earned.

(p) Unit-based compensation

The REIT maintains an Omnibus Equity Incentive Plan (the "Plan") for its Trustees and executives pursuant to which eligible participants may receive Deferred Units, Performance Units, Restricted Units or other similar types of security based compensation. Awards under these plans may be settled by Units issued from treasury or, if so elected by the participant and subject to the approval of the Board of Trustees, cash payable upon settlement. The grant date fair value of the amount payable is recognized as part of general and administrative expenses over the vesting period, with a corresponding increase in liabilities over the service period related to the award. The grant date fair value is calculated using the market price of the Units on the grant date. Market price is defined as the volume weighted average closing price of the Units on the Toronto Stock Exchange for the five trading days immediately preceding such date. The liability is remeasured at each reporting date and settlement date using the market price of the Units as defined in the Plan as of the date of measurement. Any changes in the value of the liability are recognized as fair value adjustments through the consolidated statements of net income and comprehensive income.

(q) Critical judgments in applying accounting policies

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

Investment property acquisitions

The REIT must assess whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, *Business Combinations*. This assessment requires Management to make judgments on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, are capable of being conducted and managed as a business and the REIT obtains control of the business.

Income taxes

The REIT is a mutual fund trust and a real estate investment trust as defined in the Income Tax Act (Canada). The REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. The REIT is a real estate investment trust if it meets the prescribed conditions under the Income Tax Act (Canada) relating to the Real Estate Investment Trust conditions. The REIT uses judgment in reviewing the Real Estate Investment Trust conditions and assessing its interpretation and application to the REIT's assets and revenue, and it has determined that it qualifies as a real estate investment trust for the current period.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

Interest in joint operations

The REIT assesses whether an arrangement should be accounted for as a joint operation or a joint venture under IFRS 11, *Joint Arrangements*. This assessment requires Management to make judgments on whether the REIT's rights and obligations arising from the arrangement constitute a joint operation or a joint venture.

(r) Critical accounting estimates and assumptions

The REIT makes estimates and assumptions that affect the carrying amounts of assets and liabilities and the reported amount of income for the period. Actual results could differ from estimates. The estimates and assumptions that the REIT considers critical include:

Investment properties valuation

In applying the REIT's policy with respect to investment properties, estimates and assumptions are required to determine the valuation of the properties under the fair value model.

(s) Adoption of new standards, amendments and interpretations

IFRS 16, Leases

The REIT adopted amended standard IFRS 16, *Leases*, effective January 1, 2019 using the modified retrospective approach. The REIT has determined that the adoption of this standard did not have a material impact on the REIT's consolidated financial statements and did not result in changes to opening equity as at January 1, 2019.

(t) Future changes in accounting standards

Definition of a business (Amendments to IFRS 3, Business Combinations)

On October 22, 2018, the IASB issued amendments to IFRS 3, *Business Combinations* that seek to clarify whether a transaction results in an asset acquisition or a business combination. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

The REIT intends to adopt the amendments in its consolidated financial statements beginning on January 1, 2020, when the standard becomes effective. The REIT is assessing the potential impact of the amendments, however, does not expect them to have a material impact on the REIT's consolidated financial statements.

There are no other changes in accounting standards or interpretations under IFRS that have been adopted but are not yet effective that would have a material impact on the REIT's consolidated financial statements.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

3. Business combination

On July 2, 2018, the REIT completed the indirect acquisition of the Initial Portfolio from Minto Properties Inc. ("MPI"). The acquisition of the Initial Portfolio was accounted for as a business combination using the purchase method of accounting, with the allocation to the fair value of identifiable net assets acquired as follows:

		July 2, 2018
Investment properties	\$	1,123,000
Prepaid expenses and other assets		4,677
Resident and other receivables		87
Cash		2,100
Mortgages, including mark-to-market adjustment of \$2,742		(239,754)
Tenant rental deposits		(5,234)
Due to related parties		(1,049)
Accounts payable and accrued liabilities		(1,067)
		882,760
Excess fair value of net assets acquired over consideration paid - bargain purchase gain		(79,163)
Total consideration for acquisition	\$	803,597

Consideration given by the REIT consists of the following:

Issuance of Class B LP Units	\$	(332,463)
Issuance of Class C LP Units, including mark-to-market adjustment of \$3,558		(233,608)
Unsecured promissory note issued to MPI, including mark-to-market adjustment of \$88		(25,780)
Unsecured promissory note issued to MPI		(28,458)
Acquisition note issued to MPI		(183,288)
Total consideration for acquisition	\$	(803,597)

The unsecured promissory note of \$28,458 and the acquisition note of \$183,288 were paid on July 3, 2018.

The unsecured promissory note of \$25,780 was repaid on November 23, 2018.

4. Investment properties

	December 31, 2019	December 31, 2018
Opening balance	\$ 1,197,811	\$ —
Additions		
Acquisition of the Initial Portfolio (Note 3)	—	1,123,000
Acquisitions of investment properties (Note 5)	702,393	20,376
Capital expenditures	22,908	14,387
Fair value gain	93,216	40,048
Closing balance	\$ 2,016,328	\$ 1,197,811

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

The following is a breakdown of the REIT's investment properties by type:

	December 31, 2019	December 31, 2018
Residential properties	\$ 1,979,657	\$ 1,175,915
Commercial properties	22,840	21,896
Land held for development	13,831	—
	\$ 2,016,328	\$ 1,197,811

The fair value methodology for the REIT's investment properties is considered level 3, as significant unobservable inputs are required to determine fair value. The fair value of investment properties is based on internal valuations and as at December 31, 2019, the entire portfolio was internally valued. The REIT's internal valuation team consists of qualified individuals who hold recognized relevant professional qualifications and have recent experience in the location and category of the respective properties.

The REIT also engaged leading independent national real estate appraisal firms with representation and expertise across Canada, and specifically in the markets in which the REIT operates, in order to ensure that every REIT property is externally appraised at least once every three years. These external appraisals were used by Management to assist in the validation of the market assumptions and market data used as part of its internal valuation model. For the year ended December 31, 2019, the REIT obtained external property appraisals representing approximately 42.0% (December 31, 2018 - 100.0%) of the REIT's investment properties.

The following table summarizes the key unobservable inputs in determining fair value:

	Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Residential properties	Direct capitalization approach	Capitalization rates	There is an inverse relationship between the capitalization rates and the fair value; in other words, the higher the capitalization rates, the lower the estimated fair value.
Commercial properties	Discounted future cash flow approach	Discount and terminal capitalization rates	There is an inverse relationship between the discount and capitalization rates and the fair value; in other words, the higher the discount and/or capitalization rates, the lower the estimated fair value.

The following table summarizes the key valuation metrics of the REIT's residential properties:

	December 31, 2019			December 31, 2018		
	Min	Max	Weighted average	Min	Max	Weighted average
Capitalization rate	3.25%	4.75%	3.92%	3.38%	5.00%	4.20%

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

The following table summarizes the sensitivity of the fair value of residential properties to changes in capitalization rates as at December 31, 2019 and 2018:

Rate sensitivity	December 31, 2019			December 31, 2018		
	Fair value	Change in fair value		Fair value	Change in fair value	
+75 basis points	\$ 1,645,299	\$ (334,358)	\$	989,758	\$ (186,157)	
+50 basis points	1,743,749	(235,908)		1,045,000	(130,915)	
+25 basis points	1,854,384	(125,273)		1,106,651	(69,264)	
Base rate	1,979,657	—		1,175,915	—	
-25 basis points	2,122,739	143,082		1,254,324	78,409	
-50 basis points	2,287,814	308,157		1,343,864	167,949	
-75 basis points	2,480,513	500,856		1,447,155	271,240	

The following table summarizes the key valuation metrics of the REIT's commercial properties:

	December 31, 2019			December 31, 2018		
	Min	Max	Weighted average	Min	Max	Weighted average
Discount rate	5.75%	6.75%	6.00%	5.75%	6.75%	6.07%
Terminal capitalization rate	5.25%	6.25%	5.50%	5.25%	6.25%	5.54%
Number of discount years			10.00			10.00

The following table summarizes the sensitivity of the fair value of commercial properties to changes in capitalization and discount rates at December 31, 2019 and 2018:

Rate sensitivity	December 31, 2019			December 31, 2018		
	Fair value	Change in fair value		Fair value	Change in fair value	
+75 basis points	\$ 19,650	\$ (3,190)	\$	18,738	\$ (3,158)	
+50 basis points	20,650	(2,190)		19,703	(2,193)	
+25 basis points	21,690	(1,150)		20,755	(1,141)	
Base rate	22,840	—		21,896	—	
-25 basis points	24,130	1,290		23,166	1,270	
-50 basis points	25,540	2,700		24,558	2,662	
-75 basis points	27,020	4,180		26,099	4,203	

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

5. Acquisitions of investment properties

The REIT completed the following investment property acquisitions, which were accounted for as asset acquisitions and have contributed to the operating results effective from the acquisition date.

For the year ended December 31, 2019:

Property	Date of acquisition	Total acquisition cost	Assumed mortgage financing	Subsequent mortgage financing	Interest rate and maturity	Ownership interest
370 & 380 Quarry Way SE, Calgary, AB ("The Quarters")	January 7, 2019	\$ 63,954	\$ —	\$ 44,316	3.04% September 1, 2029	100%
740 & 750 York Mills Road and 17 Farmstead Road, Toronto, ON ("Leslie York Mills")	May 1, 2019	76,804	23,392	—	2.82% February 1, 2021	50%
4850-4874 Côte-des-Neiges Road, Montreal, QC ("Rockhill")	May 7, 2019	137,532	—	67,500	3.42% July 25, 2029	50%
66 Oakmount Road, 111 Pacific Avenue and 255 Glenlake Avenue, Toronto, ON ("High Park Village")	August 1, 2019	136,733	39,480	—	One month bankers' acceptance plus 185 bps ¹ April 1, 2026	40%
4300 de Maisonneuve Boulevard West, Montreal, QC ("Le 4300")	November 20, 2019	196,343	—	—	—	100%
2150-2174 Sherbrooke Street West, 2211-2255 Lambert Closse Street, 2151-2177 Lincoln Avenue and 2260 Chomedey Street, Montreal, QC ("Haddon Hall")	November 20, 2019	91,027	—	45,000	3.16% December 1, 2030	100%
		\$ 702,393	\$ 62,872	\$ 156,816		

¹ In connection with this acquisition, the REIT assumed an interest rate swap to receive variable interest based on one month bankers' acceptance plus 185 bps and pay fixed interest at 3.38%.

For the period from April 24, 2018 to December 31, 2018:

Property	Date of acquisition	Total acquisition cost	Assumed mortgage financing	Subsequent mortgage financing	Interest rate and maturity	Ownership interest
2505 24 Street NW, Calgary, AB ("Kaleidoscope")	December 18, 2018	\$ 20,376	\$ 12,744	\$ —	3.59% June 1, 2020	100%

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

Cash used in acquisitions of investment properties is as follows:

	December 31, 2019	December 31, 2018
Total acquisition cost	\$ (702,393)	\$ (20,376)
Mortgages assumed	62,872	12,744
Interest rate swap acquired	(232)	—
Issuance of Class B LP Units (Note 9)	56,964	—
Deposits applied on acquisition	3,000	—
Transaction costs payable	6,052	—
Working capital assumed	2,164	167
Cash consideration paid on close	\$ (571,573)	\$ (7,465)

6. Joint operations

The REIT jointly owns and operates three investment properties. The REIT has determined them to be joint operations. Accordingly, the consolidated financial statements of the REIT include its share of revenues, expenses, assets and liabilities. The REIT's ownership interests in the joint operations as at December 31, 2019 are as follows:

Property	Date of acquisition	Ownership interest
Leslie York Mills	May 1, 2019	50%
Rockhill	May 7, 2019	50%
High Park Village	August 1, 2019	40%

7. Prepaid expenses and other assets

	December 31, 2019	December 31, 2018
Prepaid expenses	\$ 1,314	\$ 1,145
Prepaid CMHC premiums	4,506	1,618
Restricted cash	1,012	792
Deposits	2,352	3,678
Interest rate swap	1,111	—
	\$ 10,295	\$ 7,233
Current	4,641	5,408
Non-current	5,654	1,825
	\$ 10,295	\$ 7,233

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

In connection with the acquisition of High Park Village on August 1, 2019, the REIT assumed an interest rate swap to receive variable interest based on one month bankers' acceptance plus 185 bps and pay fixed interest at 3.38%.

The following table is a summary of the REIT's interest rate swap and its respective fair value as at December 31, 2019:

Instrument	Maturity	Fixed rate	Original notional amount	Notional amount	Fair value
Interest rate swap ¹	April 2026	3.38%	\$42,360	\$39,173	\$1,111

¹ The REIT has a 40% ownership interest in this contract through the ownership of a joint operation.

The fair value of the interest rate swap is determined using widely accepted valuation techniques, including discounted cash flow analysis on expected cash flows of the derivatives, using observable market-based inputs including interest rate curves and implied volatilities, and is considered level 2 in the fair value hierarchy.

The following table summarizes the beginning and ending fair value of the swap for the period presented:

	December 31, 2019
Balance, January 1, 2019	\$ —
<i>Non-cash movement</i>	
Acquired, August 1, 2019	232
Fair value gain	879
Balance, December 31, 2019	\$ 1,111

8. Resident and other receivables

	December 31, 2019	December 31, 2018
Current		
Resident receivables	\$ 384	\$ 478
Other receivables	1,526	589
Less: Allowance for credit losses	(83)	(78)
	\$ 1,827	\$ 989

There is no significant concentration of credit risk with respect to resident receivables as the REIT has a high volume of tenants with individually small monthly rent amounts.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

9. Class B LP Units

The following table reconciles the changes in cash flows and outstanding units for the Class B LP Units:

	Units	\$
Balance, April 24, 2018	—	\$ —
<i>Cash flows</i>		
Redeemed, July 10, 2018	(2,069,100)	(28,277)
<i>Non-cash movement</i>		
Issued, July 3, 2018	22,928,510	332,463
Fair value loss	—	81,713
	22,928,510	414,176
Balance, December 31, 2018	20,859,410	\$ 385,899
<i>Non-cash movement</i>		
Issued, August 1, 2019 (Note 5)	2,806,122	56,964
Exchanged for Units, September 17, 2019 (Note 14)	(896,459)	(20,000)
Fair value loss	—	104,241
	1,909,663	141,205
Balance, December 31, 2019	22,769,073	\$ 527,104

For the year ended December 31, 2019, distributions of \$9,195 (December 31, 2018 - \$4,229) to Class B LP Unitholders were declared.

The fair value methodology for the Class B LP Units is considered level 2 within the fair value hierarchy.

10. Class C LP Units

	December 31, 2019	December 31, 2018
Class C LP Units	\$ 222,702	\$ 227,721
Unamortized mark-to-market adjustments	2,835	3,316
	\$ 225,537	\$ 231,037
Current	5,653	5,499
Non-current	219,884	225,538
	\$ 225,537	\$ 231,037

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

The following table reconciles the changes in cash flows and outstanding units for the Class C LP Units:

	Units	\$
Balance, April 24, 2018	—	\$ —
<i>Cash flows</i>		
Distributions used to repay principal	—	(2,329)
<i>Non-cash movement</i>		
Class C LP Units issued	22,978,700	230,050
Mark-to-market adjustment	—	3,558
Amortization of mark-to-market adjustments	—	(242)
	22,978,700	233,366
Balance, December 31, 2018	22,978,700	\$ 231,037
<i>Cash flows</i>		
Distributions used to repay principal	—	(5,019)
<i>Non-cash movement</i>		
Amortization of mark-to-market adjustments	—	(481)
Balance, December 31, 2019	22,978,700	\$ 225,537

For the year ended December 31, 2019, the REIT made distributions of \$7,066 (December 31, 2018 - \$3,606) to the Class C LP Unitholder that were accounted for as finance costs.

The mortgages of investment properties to which the distributions on the Class C LP Units relate bear a weighted average contractual interest rate of 3.16% (December 31, 2018 - 3.16%) and mature at various dates between 2023 and 2030 (December 31, 2018 - 2023 and 2030).

Distributions on Class C LP Units as at December 31, 2019, excluding unamortized mark-to-market adjustments, are due as follows:

2020	\$	5,178
2021		5,341
2022		5,510
2023		50,234
2024 and thereafter		156,439

Fair value for the Class C LP Units is calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at December 31, 2019, the current market rates plus risk-adjusted spreads ranged from 2.60% to 3.40% (December 31, 2018 - 2.81% to 3.64%) and the fair value of the Class C LP Units was \$227,507 (December 31, 2018 - \$230,210) and is considered level 2 within the fair value hierarchy.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

11. Secured Debt

	December 31, 2019	December 31, 2018
Mortgages - fixed rate ¹	\$ 487,876	\$ 273,574
Unamortized mark-to-market adjustment	1,741	2,038
Unamortized deferred financing costs	(310)	(11)
Total mortgages	489,307	275,601
Credit facility ²	91,009	35,925
	\$ 580,316	\$ 311,526
Current	21,490	5,822
Non-current	558,826	305,704
	\$ 580,316	\$ 311,526

¹ Fixed rate mortgages are secured by investment properties, bear interest at a weighted average contractual interest rate of 3.14% (December 31, 2018 - 3.20%) and mature at various dates from 2020 through 2030 (December 31, 2018 - 2020 through 2030). The fixed rate mortgages include a \$39,174 (December 31, 2018 - \$nil) variable interest mortgage fixed through an interest rate swap.

² The REIT has a committed credit facility of \$200,000 (December 31, 2018 - \$150,000) that is secured by several investment properties, matures on July 3, 2021 and is used to fund working capital requirements, acquisitions and for general corporate purposes. At December 31, 2019, \$108,991 (December 31, 2018 - \$114,075) of this facility was available in accordance with its terms and conditions and \$91,009 (December 31, 2018 - \$35,925) was utilized. The credit facility bears interest at one month bankers' acceptance plus 175 bps or prime plus 75 bps and as at December 31, 2019, the weighted average variable interest rate was 3.72% (December 31, 2018 - 3.94%).

The secured debt balances at December 31, 2019, excluding unamortized mark-to-market adjustments and unamortized deferred financing costs, are due as follows:

2020	\$ 21,227
2021	122,280
2022	95,750
2023	54,908
2024 and thereafter	284,720

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

The following tables reconcile the changes in cash flows for secured debt:

	Mortgages	Unamortized mark-to-market adjustments	Unamortized deferred financing costs	Credit facility	Total
Balance, April 24, 2018	\$ —	\$ —	\$ —	\$ —	\$ —
<i>Cash flows</i>					
Issued	26,024	—	(11)	41,383	67,396
Repayments	(2,206)	—	—	(5,458)	(7,664)
	23,818	—	(11)	35,925	59,732
<i>Non-cash movement</i>					
Assumed upon business combination	237,012	2,742	—	—	239,754
Assumed on asset acquisition	12,744	—	—	—	12,744
Gain on retirement of mortgage	—	(519)	—	—	(519)
Amortization of mark-to-market adjustment	—	(185)	—	—	(185)
	249,756	2,038	—	—	251,794
Balance, December 31, 2018	\$ 273,574	\$ 2,038	\$ (11)	\$ 35,925	\$ 311,526
<i>Cash flows</i>					
Issued	158,360	—	(322)	257,084	415,122
Repayments	(6,930)	—	—	(202,000)	(208,930)
	151,430	—	(322)	55,084	206,192
<i>Non-cash movement</i>					
Assumed on asset acquisition	62,872	—	—	—	62,872
Deferred financing amortization	—	—	23	—	23
Amortization of mark-to-market adjustment	—	(297)	—	—	(297)
	62,872	(297)	23	—	62,598
Balance, December 31, 2019	\$ 487,876	\$ 1,741	\$ (310)	\$ 91,009	\$ 580,316

The following table summarizes new financings for the year ended December 31, 2019:

Issue date	Mortgage financing	Secured by	Interest rate	Maturity date
March 6, 2019	\$44,316	The Quarters	3.04%	September 1, 2029
May 1, 2019	23,392	Leslie York Mills	2.82%	February 1, 2021
August 1, 2019	39,480	High Park Village	One month bankers' acceptance plus 185 bps ¹	April 1, 2026
August 19, 2019 ²	69,044	Rockhill	2.91%	October 1, 2029
November 20, 2019	45,000	Haddon Hall	3.16%	December 1, 2030

¹ In connection with this mortgage assumption, the REIT also assumed an interest rate swap to receive variable interest based on one month bankers' acceptance plus 185 bps and pay fixed interest at 3.38%.

² On May 7, 2019, in connection with the acquisition of Rockhill, the REIT acquired a \$67,500 conventional mortgage, with an interest rate of 3.42% and maturing on July 25, 2029. On August 19, 2019, CMHC insurance was obtained for this mortgage, with an additional \$1,544 borrowed to finance the CMHC premiums. The CMHC insured mortgage bears interest at 2.91% and matures on October 1, 2029.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

The following table summarizes new financings for the period from April 24, 2018 to December 31, 2018:

Issue date	Mortgage financing	Secured by	Interest rate	Maturity date
November 23, 2018 ¹	\$49,831	Richgrove	3.25%	December 1, 2022
December 18, 2018	\$12,744	Kaleidoscope	3.59%	June 1, 2020

¹ The REIT used a portion of this financing to repay an existing mortgage of \$23,807 associated with the property located at 7 & 21 Richgrove Drive, Toronto, ON ("Richgrove") and the outstanding balance of an unsecured promissory note of \$25,587 due to MPI.

As at December 31, 2019, the REIT was in compliance with all financial covenants relating to its debt obligations.

Fair value for mortgages is calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at December 31, 2019, the current market rates plus risk-adjusted spreads ranged from 2.60% to 3.90% (December 31, 2018 - 2.81% to 3.38%) and the fair value of the mortgages was \$494,589 (December 31, 2018 - \$276,954) and is considered level 2 within the fair value hierarchy. Given the variable nature of the credit facility, its carrying value approximates its fair value.

12. Related-party transactions

In the normal course of operations, the REIT enters into various transactions with related parties. In addition to the related party transactions disclosed elsewhere in these consolidated financial statements, related party transactions include:

(a) Administrative support agreement

On July 3, 2018, the REIT and MPI entered into a five year renewable Administrative Support Agreement ("ASA"). The ASA provides the REIT with certain advisory, transaction and support services, including clerical and administrative support, operational support for the administration of day-to-day activities of the REIT and office space. These services are provided on a cost recovery basis, subject to a maximum for all general and administrative expenses, excluding public company costs, of 32 bps of the gross book value of the REIT's assets.

For the year ended December 31, 2019, the REIT incurred \$848 (December 31, 2018 - \$282) for services rendered under the ASA.

(b) Unsecured promissory notes

On closing of the Initial Public Offering ("IPO"), the REIT issued an unsecured promissory note to MPI with a principal amount of \$25,692 and mark-to-market adjustment of \$88, bearing interest at 2.84%, with interest and principal amounts due monthly in arrears and a maturity date of July 1, 2019. On November 23, 2018, the REIT fully repaid the promissory note to MPI.

On July 3, 2018, the REIT fully repaid an unsecured promissory note issued to MPI in the amount of \$28,458.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

(c) Loan receivable from related party

The REIT committed to advance up to \$30,000 to an affiliate of MPI to support its redevelopment of a commercial property located at 99 Fifth Avenue, Ottawa, Ontario ("Fifth and Bank"). The loan bears interest at 6% per annum and matures on March 31, 2022. The loan is secured by a second priority charge in favor of the lender and a guarantee by MPI. Both the principal and interest are due on maturity. In connection with this financing, the REIT will have the exclusive option to purchase the property upon stabilization at 95% of the fair market value as determined by independent and qualified third-party appraisers.

The following table summarizes the activity of the loan receivable:

		\$
Balance, January 1, 2019	\$	—
<i>Cash flows</i>		
Advances		19,727
<i>Non-cash movement</i>		
Accrued interest		195
Balance, December 31, 2019	\$	19,922

The fair value of the loan receivable from related party is determined by reference to current market rates that could be obtained for similar instruments with similar terms and maturities. As at December 31, 2019, the carrying value of the loan approximates its fair value and is considered level 2 within the fair value hierarchy.

(d) Due to related parties

Amounts due to related parties at December 31, 2019 include \$732 and \$588 (December 31, 2018 - \$713 and \$602) relating to distributions payable to limited partnerships wholly-owned by MPI on Class B LP Units and Class C LP Units respectively. Additionally, amounts due to MPI include \$288 (December 31, 2018 - \$1,643) for working capital, \$103 (December 31, 2018 - \$nil) for distributions on Class B LP Units, \$33 (December 31, 2018 - \$nil) for distributions on Units, \$nil (December 31, 2018 - \$1,049) to reimburse transaction costs and \$94 (December 31, 2018 - \$282) in connection with the ASA.

(e) Revenue and expenses

- Included in rental revenue for the year ended December 31, 2019 is \$842 (December 31, 2018 - \$229) of revenue from MPI and its affiliates as rent for office space, furnished suites, parking and other revenue at certain REIT properties.
- Included in property operating expenses for the year ended December 31, 2019 is \$954 (December 31, 2018 - \$nil) paid to MPI and its affiliates.
- For the year ended December 31, 2019, compensation to key management personnel includes \$768 (December 31, 2018 - \$296) paid to executives, Unit-based compensation expense of \$291 (December 31, 2018 - \$139) for executives and Unit-based compensation expense for the grant of Deferred Units to Trustees in lieu of annual retainer and meeting fees of \$474 (December 31, 2018 - \$306), respectively. Additional compensation to key management personnel for services provided to the REIT was paid by MPI and its affiliate.
- Included in finance costs for the year ended December 31, 2019 are distributions on Class B LP Units of \$9,195 (December 31, 2018 - \$4,229), paid or payable to MPI and a limited partnership wholly-owned by MPI.
- Included in finance costs for the year ended December 31, 2019 are distributions on Class C LP Units of \$7,066 (December 31, 2018 - \$3,606), paid or payable to a limited partnership wholly-owned by MPI.
- For the year ended December 31, 2019 the REIT reimbursed \$312 (December 31, 2018 - \$nil) to MPI for costs paid on behalf of the REIT.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

(f) Distributions

- For the year ended December 31, 2019, distributions of \$5,019 (December 31, 2018 - \$2,329) were made to a limited partnership wholly-owned by MPI in order to repay principal on Class C LP Units.
- For the year ended December 31, 2019, distributions on Units to MPI of \$131 (December 31, 2018 - \$nil) were declared and recorded as a reduction to Unitholders' equity.

(g) Property acquisitions

- On May 1, 2019, the REIT acquired MPI's 50% ownership interest in Leslie York Mills in Toronto, Ontario for a purchase price of \$75,050. In connection with the acquisition, the REIT assumed a mortgage of \$23,392.
- On August 1, 2019, the REIT acquired MPI's 40% ownership interest in High Park Village in Toronto, Ontario for a purchase price of \$131,214. In connection with the acquisition, the REIT assumed a mortgage of \$39,480 which bears interest at one month bankers' acceptance plus 185 bps and matures on April 1, 2026. In addition, the REIT assumed an interest rate swap to receive variable interest based on one month bankers' acceptance plus 185 bps and pay fixed interest at 3.38%. The purchase price was partially satisfied by the issuance of 2,806,122 Class B LP Units to MPI for \$55,000.

13. Accounts payable and accrued liabilities

	December 31, 2019		December 31, 2018	
Accounts payable	\$	5,571	\$	4,843
Accrued liabilities		11,539		3,422
Distributions payable		1,297		542
Unit-based compensation (Note 22)		1,611		521
	\$	20,018	\$	9,328
Current		19,744		9,152
Non-current		274		176
	\$	20,018	\$	9,328

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

14. Units

The following table presents the change in and outstanding amount of Units:

	Units	\$
Authorized	Unlimited	
Units issued and outstanding:		
Balance, April 24, 2018	—	\$ —
On date of formation, April 24, 2018	2	—
Issued on IPO closing, July 3, 2018, net	13,794,000	183,813
Redeemed, July 3, 2018	(2)	—
Issued, July 10, 2018, net	2,069,100	28,265
	15,863,100	212,078
Balance, December 31, 2018	15,863,100	\$ 212,078
Issued, April 15, 2019, net	8,809,000	165,172
Issued on exchange for Class B LP Units, September 17, 2019 (Note 9)	896,459	20,000
Issued, October 22, 2019, net	9,850,000	215,401
Issued, November 25, 2019, net	856,280	18,783
	20,411,739	419,356
Balance, December 31, 2019	36,274,839	\$ 631,434

On July 3, 2018, the REIT completed the IPO of 13,794,000 Units from treasury at a price of \$14.50 per Unit for net proceeds of \$183,813. Underwriters' fees and expenses relating to the IPO were \$16,200.

On July 10, 2018, the REIT completed the issuance of an additional 2,069,100 Units from treasury at a price of \$14.50 per Unit for net proceeds of \$28,265 pursuant to the over-allotment option granted to the underwriters in connection with the issuance of Units on July 3, 2018. Underwriters' fees and expenses relating to the over-allotment were \$1,737.

On April 15, 2019 the REIT completed the issuance of 8,809,000 Units from treasury at a price of \$19.60 per Unit for net proceeds of \$165,172. The issuance included 1,149,000 Units sold pursuant to the full exercise of an over-allotment option granted to the underwriters. Underwriters' fees and expenses relating to the issuance were \$7,484.

On September 17, 2019, the REIT issued 896,459 Units from treasury in exchange for Class B LP Units at a price of \$22.31 per Unit and valued at \$20,000.

On October 22, 2019, the REIT completed the issuance of 9,850,000 Units from treasury at a price of \$22.85 per Unit for net proceeds of \$215,401. Underwriters' fees and expenses relating to the issuance were \$9,672.

On November 25, 2019, the REIT completed the issuance of an additional 856,280 Units from treasury at a price of \$22.85 for net proceeds of \$18,783 pursuant to the over-allotment option granted to the underwriters in connection with the issuance of Units on October 22, 2019. Underwriters' fees and expenses relating to the issuance were \$783.

For the year ended December 31, 2019, distributions to Unitholders of \$10,799 (December 31, 2018 - \$3,216) were declared. This represents monthly distributions of \$0.03416 per Unit for the months of January to July 2019 and \$0.03667 per Unit for the months of August to December 2019 (December 31, 2018 - monthly distribution of \$0.03196 per Unit for the months of July 2018 and \$0.03416 per Unit for August to December 2018).

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

15. Segment reporting

The REIT owns, manages and operates multi-residential rental properties located in Canada, including three mixed-use residential apartment and commercial buildings. Management, when measuring the REIT's performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the REIT has a single reportable segment for disclosure purposes in accordance with IFRS.

16. Revenue from investment properties

The components of revenue from investment properties are as follows:

	Year ended December 31, 2019	Period from April 24, 2018 to December 31, 2018
Rental revenue	\$ 85,588	\$ 34,072
Revenue from services	18,850	8,403
	\$ 104,438	\$ 42,475

17. Finance costs

Finance costs are comprised of the following:

	Year ended December 31, 2019	Period from April 24, 2018 to December 31, 2018
Interest expense on mortgages	\$ 12,255	\$ 3,881
Interest expense & standby fees on credit facility	2,619	809
Interest expense on unsecured debt	—	298
Amortization of financing charges	233	92
Amortization of CMHC premiums	83	4
Amortization of mark-to-market adjustments	(778)	(463)
Interest income	(541)	(8)
Gain on retirement of debt	—	(573)
Interest expense & other financing charges	13,871	4,040
Distributions on Class B LP Units	9,195	4,229
Distributions on Class C LP Units	7,066	3,606
Finance costs - operations	\$ 30,132	\$ 11,875
Fair value loss on Class B LP Units	104,241	81,713
Fair value gain on interest rate swap	(879)	—
Finance costs	\$ 133,494	\$ 93,588

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

18. Contingencies and commitments

The REIT is subject to claims and legal actions that arise in the ordinary course of business. It is the opinion of Management that any ultimate liability that may arise from such matters would not have a significant adverse effect on the consolidated financial statements of the REIT.

The REIT has committed to pay MPI for a certain investment property currently under reconstruction due to a fire. The purchase price for this investment property is expected to be at fair value and is payable once the construction at the investment property is complete and the investment property is stabilized. The maximum purchase price is \$8,356.

The REIT has an off-balance sheet arrangement at one of its properties in the Toronto area pursuant to which the City of Toronto provided a forgivable loan to support affordable housing at this property. Provided that certain conditions are met, the REIT will not need to make repayments under this arrangement. As of December 31, 2019, the remaining unforgiven balance of the loan which has not been recorded by the REIT is \$17,136 (December 31, 2018 - \$18,360). To date, the REIT has met all conditions related to this forgivable loan and management intends to continue to meet these requirements.

The REIT has an off-balance sheet arrangement at one of its properties in the Calgary area pursuant to which the Province of Alberta provided a forgivable loan to support affordable housing at this property. Provided that certain conditions are met, the REIT will not need to make repayments under the arrangement. As of December 31, 2019, the remaining unforgiven balance of the loan which has not been recorded by the REIT is \$4,368 (December 31, 2018 - \$4,704). To date, the REIT has met all conditions related to this forgivable loan and management intends to continue to meet these requirements.

As at December 31, 2019, the REIT has committed to advance up to an additional \$10,078 to an affiliate of MPI to support its redevelopment of Fifth and Bank.

The REIT is a guarantor on a joint and several basis for mortgage debt held through one of its joint operations. As at December 31, 2019, the maximum potential obligation resulting from these guarantees is \$13,711 (December 31, 2018 - \$nil).

19. Risk management

The REIT's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other price risk.

(a) Interest rate risk

As the REIT's interest-bearing assets mainly comprise of fixed rate instruments, changes in market interest rates do not have any significant direct effect on the REIT's income.

The majority of the REIT's financial liabilities are fixed rate instruments. The REIT faces interest rate risk on its fixed rate debt due to the expected requirement to refinance such debt in the year of maturity or shortly thereafter. In addition, there is interest rate risk associated with the REIT's variable rate financial liabilities.

The REIT manages interest rate risk by structuring its financings to stagger the maturities of its debt, thereby mitigating its exposure to interest rate and other credit market fluctuations.

For the portion of the REIT's financial liabilities that is floating rate instruments, from time to time the REIT may enter into interest rate swap contracts or other financial instruments to modify the interest rate profile of its outstanding debt without an exchange of the underlying principal amount.

As at December 31, 2019, the REIT has a variable rate credit facility of \$200,000 (December 31, 2018 - \$150,000) with an outstanding balance of \$91,009 (December 31, 2018 - \$35,925). A 1% change in prevailing interest rates would change annualized interest charges incurred by \$910 (December 31, 2018 - \$359).

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

(b) Currency risk

The REIT's financial statement presentation currency is Canadian dollars. Operations are located in Canada and the REIT has limited operational transactions in foreign-denominated currencies. As such, the REIT has no significant exposure to currency risk.

(c) Other price risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

The REIT is exposed to other price risk on its Class B LP Units. A 1% change in prevailing market price of the Units as at December 31, 2019 would have a \$5,271 (December 31, 2018 - \$3,859) change in fair value of the Class B LP Units.

Credit Risk

Credit risk is the risk that tenants and/or debtors may experience financial difficulty and be unable to fulfill their lease commitments or loan repayments. An allowance for impairment is taken for all expected credit losses.

The REIT's risk of credit loss from tenants experiencing financial difficulties is mitigated through diversification. The REIT's residential rental business is carried on in the Toronto, Montreal, Ottawa, Calgary and Edmonton regions. The nature of this business involves a high volume of tenants with individually small monthly rent amounts. The REIT monitors the collection of residential rent receivables on a regular basis with strictly followed procedures designed to minimize credit loss in cases of non-payment.

The REIT is also exposed to credit risk, relating to the loan advanced to an affiliate of MPI for the development of Fifth and Bank, in the event that the borrower defaults on the repayment of amounts owing to the REIT. Management mitigates this risk by ensuring adequate security has been provided.

Liquidity risk

Liquidity risk is the risk that the REIT will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The REIT mitigates liquidity risk by staggering the maturity dates of its borrowing, maintaining borrowing relationships with various lenders, proactively renegotiating expiring credit agreements well in advance of the maturity date and by maintaining sufficient availability on its credit facility.

As of December 31, 2019, current liabilities of \$57,401 (December 31, 2018 - \$31,532) exceeded current assets of \$8,396 (December 31, 2018 - \$7,289), resulting in a net working capital deficit of \$49,005 (December 31, 2018 - \$24,243). The REIT's immediate liquidity needs are met through cash-on-hand, cash flow from operations, property-level debt and availability on its credit facility. As of December 31, 2019, liquidity was \$110,919 (December 31, 2018 - \$114,967) consisting of cash of \$1,928 (December 31, 2018 - \$892) and \$108,991 (December 31, 2018 - \$114,075) of available borrowing capacity under the credit facility. Management believes that there is sufficient liquidity to meet the REIT's financial obligations for the foreseeable future.

The REIT has a committed credit facility for working capital requirements, acquisitions and for general corporate purposes. The committed credit facility consists of the following:

	December 31, 2019	December 31, 2018
Committed	\$ 200,000	\$ 150,000
Available	108,991	114,075
Utilized	91,009	35,925

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

An analysis of the contractual cash flows associated with the REIT's material financial liabilities is set out below:

	2020	2021	2022	2023	2024 and thereafter	Total
Mortgages	\$ 21,227	\$ 31,271	\$ 95,750	\$ 54,908	\$ 284,720	\$ 487,876
Credit facility	—	91,009	—	—	—	91,009
	21,227	122,280	95,750	54,908	284,720	578,885
Class C LP Units	5,178	5,341	5,510	50,234	156,439	222,702
Interest obligation	25,193	22,324	19,261	15,831	46,879	129,488
Tenant rental deposits	8,676	—	—	—	36	8,712
Due to related parties	1,838	—	—	—	—	1,838
Accounts payable and accrued liabilities	19,744	184	82	8	—	20,018
	\$ 81,856	\$ 150,129	\$ 120,603	\$ 120,981	\$ 488,074	\$ 961,643

The contractual cash flows do not include any unamortized mark-to-market adjustments or unamortized deferred financing costs.

20. Capital risk management

The REIT's capital consists of Class B LP Units, Class C LP Units, mortgages, a credit facility and Unitholders' equity. The REIT invests its capital to achieve its business objectives and to generate an acceptable long-term return to the REIT's Unitholders. Primary uses of capital include property acquisitions, development activities, capital improvements and debt principal repayments.

The REIT's principal objective with respect to debt financing is to minimize its overall borrowing costs while maintaining balance in its maturity schedule, diversity in its lender base and having sufficient liquidity and flexibility to meet current obligations and to pursue new projects. The REIT is subject to certain financial covenants and is in compliance with these covenants.

The actual level and type of future financings to fund the REIT's capital obligations will be determined based on prevailing interest rates, various costs of debt and/or equity capital, capital market conditions and management's general view of the appropriate leverage in the business.

The components of the REIT's capital are set out in the table below:

As at	December 31, 2019	December 31, 2018
Liabilities (principal amounts outstanding):		
Class B LP Units	\$ 527,104	\$ 385,899
Class C LP Units	222,702	227,721
Mortgages	487,876	273,574
Credit facility	91,009	35,925
	1,328,691	923,119
Unitholders' equity	686,775	258,252
	\$ 2,015,466	\$ 1,181,371

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

21. Supplemental cash flow disclosures

Change in non-cash working capital comprises the following:

	Year ended December 31, 2019	Period from April 24, 2018 to December 31, 2018
Prepaid expenses and other assets	\$ (1,461)	\$ (462)
Resident and other receivables	(838)	(902)
Tenant rental deposits	758	1,270
Due to related parties	(2,696)	1,241
Accounts payable and accrued liabilities	(2,502)	4,173
	\$ (6,739)	\$ 5,320

22. Unit-based compensation

Executives

Deferred Units granted to executives generally vest on the second, third or fourth anniversaries of the grant date and are settled by Units issued from treasury equivalent to the number of Deferred Units credited, including any distributions paid by the REIT on the Units that have accrued in the form of Deferred Units or, if so elected by the participant and subject to the approval of the Plan Administrator, cash payable upon the participant's separation from service with the REIT. The Board of Trustees has the discretion to vary the manner in which the Deferred Units vest for any participant.

A summary of the deferred unit plan activity and the value of Unit-based compensation expense for the executives is presented below:

	\$
Balance, April 24, 2018	\$ —
Unit-based compensation expense	139
Fair value loss	37
Balance, December 31, 2018	\$ 176
Unit-based compensation expense	291
Fair value loss	188
Balance, December 31, 2019	\$ 655

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

The details of movement in Deferred Units for the executives is as follows:

	Units
Balance, April 24, 2018	—
Granted	48,274
Distribution equivalents	468
Balance, December 31, 2018	48,742
Granted	64,000
Forfeited	(5,288)
Distribution equivalents	967
Balance, December 31, 2019	108,421

Trustees

Trustees have the option to elect to receive up to 100% of all fees that are otherwise payable in cash (i.e. annual board retainer fee, meeting fees and additional retainers) in the form of Deferred Units. Effective November 12, 2019, the REIT matched 45% of the total value of annual board retainer fees and board and committee meeting fees that a trustee elected to receive in the form of Deferred Units. Prior to November 12, 2019, the REIT matched up to 50% of the total value of the annual board retainer fee that a Trustee elected to receive in the form of Deferred Units. Deferred Units granted in respect of a participant's election to receive Deferred Units in lieu of cash compensation vest immediately upon grant. Deferred Units granted further to any match by the REIT also vest immediately. The Board of Trustees has the discretion to vary the manner in which the Deferred Units vest for any participant. The Deferred Units are settled by Units issued from treasury equivalent to the number of Deferred Units credited, including any distributions paid by the REIT on the Units that have accrued in the form of Deferred Units or, if so elected by the participant and subject to the approval of the Plan Administrator, cash payable upon the participant's separation from service with the REIT.

A summary of the Deferred Units granted and the value of Unit-based compensation expense recorded for the Trustees is presented below.

	Units	\$
Balance, April 24, 2018	—	\$ —
Granted and vested	18,545	304
Distribution equivalents	107	2
Fair value loss	—	39
Balance, December 31, 2018	18,652	\$ 345
Granted and vested	22,111	462
Distribution equivalents	559	12
Fair value loss	—	137
Balance, December 31, 2019	41,322	\$ 956

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019 and the period from April 24, 2018 (date of formation) to December 31, 2018

(in thousands of Canadian dollars, except Unit and per Unit amounts)

23. Operating leases

The REIT has entered into lease agreements on its investment properties. The residential leases typically have lease terms of 1 to 12 months. The commercial leases have lease terms between 1 to 9 years. There were no residents that accounted for more than 10% of the REIT's total rental revenue for the year ended December 31, 2019 and the period from April 24, 2018 to December 31, 2018. The total future contractual minimum rent lease payments expected to be received under residential and commercial leases are as follows:

	December 31, 2019		December 31, 2018	
Less than 1 year	\$	30,855	\$	17,714
Between 1 to 5 years		3,156		3,559
5 years and thereafter		405		109
	\$	34,416	\$	21,382

Unitholder Information

Board of Trustees

Michael Waters

CEO and President of Minto Apartment REIT and CEO of The Minto Group

Roger Greenberg

Chairman of Minto Apartment REIT, The Minto Group and Ottawa Sports and Entertainment Group

Allan Kimberley^(1,3)

Lead Trustee, Director of Orlando Corporation

Philip Orsino

President and CEO of Brightwaters Strategic Solutions Inc. and Director of Bank of Montreal and The Minto Group

Simon Nyilassy^(1,2,3)

Chair of the Audit Committee, CEO of Marigold & Associates Inc., President, CEO and Director of CHC Student Housing Corp.

Jacqueline Moss^(2,3)

Chair of the Compensation, Governance and Nominating Committee, Director of Investment Management Corporation Ontario and Health Ontario

Heather Kirk^(1,2,3)

Executive Vice President and Chief Financial Officer of Cominar REIT

Officers

Michael Waters

Chief Executive Officer and President

Julie Morin

Chief Financial Officer

George Van Noten

Chief Operating Officer

Glen MacMullin

Chief Investment Officer

John Moss

General Counsel and Corporate Secretary

Ben Mullen

Vice President, Asset Management

Edward Fu

Vice President, Finance

Martin Tovey

Vice President, Investments

Paul Baron

Vice President, Asset Management

Head Office

Minto Apartment REIT
180 Kent Street, Suite 200
Ottawa, Ontario K1P 0B6
T: 613-230-7051

Investor Information

www.mintoapartmentreit.com
info@mintoapartmentreit.com
T: 613-230-7051

Auditor

KPMG LLP

Legal Counsel

Goodmans LLP

Transfer Agent

AST Trust Company (Canada)
1 Toronto Street, Suite 1200
Toronto, Ontario M5V 2V6

Unit Listing

TSX: MI.UN

Unit Distributions

January 2019 – July 2019
\$0.03416 per Unit

August 2019 – December 2019
\$0.03667 per Unit

Annual Meeting

The Annual General Meeting of Unitholders will be held on Wednesday, May 27, 2020 at 11 am at 150 Elgin Street, Suite 1800, Ottawa, Ontario K2P 2P8.

(1) Member of the Audit Committee

(2) Member of the Compensation, Governance and Nominating Committee

(3) Independent

Minto Strategic Alliance

On May 1, 2019, Minto Apartment REIT acquired a 50% interest in Toronto's Leslie York Mills property, a three building, 409 rental suite residential property. On August 1, 2019, the REIT acquired a 40% interest in High Park Village, a residential property consisting of three buildings and 750 rental suites located in a desirable Toronto neighbourhood.

Both acquisitions were sourced through the strategic alliance with Minto Properties Inc.



Montreal Acquisitions

In 2019, Minto Apartment REIT entered the Montreal market with the acquisition of three high quality properties. On May 7, 2019, the REIT acquired a 50% interest in Rockhill, a 1,004 suite residential rental property. On November 20, 2019, the REIT acquired two properties, Haddon Hall and Le 4300, comprising a combined 528 rental suites.



Haddon Hall



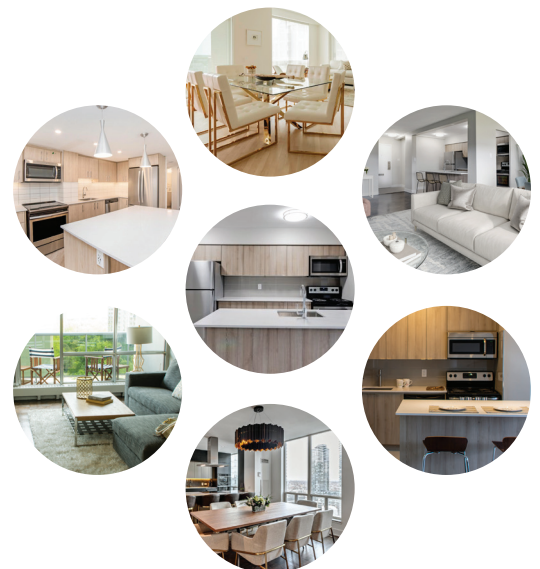
Rockhill



Le 4300

Repositioning Program

Minto Apartment REIT continually monitors local market demand and competing product offerings to determine an appropriate strategy for each of our properties. In certain locations there are opportunities to renovate and strategically reposition suites. Improvements to suites and common areas in these properties generate strong growth in rental revenues and produce accretive financial returns on invested capital. In 2019 the REIT repositioned 219 suites.





Canada's Leading Urban Residential REIT

1-613-230-7051
info@mintoapartmentreit.com

Minto Apartment REIT
200-180 Kent Street
Ottawa, ON, K1P 0B6



www.mintoapartmentreit.com