



# Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020  
Unaudited



**minto**  
Apartment REIT

# Minto Apartment Real Estate Investment Trust

## Condensed Consolidated Interim Balance Sheets

Unaudited

(in thousands of Canadian dollars)

	Note	September 30, 2021	December 31, 2020
<b>Assets</b>			
Investment properties	3	\$ 2,252,643	\$ 2,138,101
Loans receivable from related parties	10	52,092	41,988
Prepaid expenses and other assets	5	15,644	18,538
Resident and other receivables	6	3,049	2,050
Cash		3,087	2,607
		\$ 2,326,515	\$ 2,203,284
<b>Liabilities and Unitholders' Equity</b>			
<b>Liabilities</b>			
Class B LP Units	7	\$ 509,116	\$ 463,806
Class C LP Units	8	215,541	219,885
Mortgages	9	588,487	598,079
Credit facility	9	77,000	31,948
Tenant rental deposits		8,987	8,965
Due to related parties	10	1,416	10,039
Accounts payable and accrued liabilities	11	18,896	20,338
		\$ 1,419,443	\$ 1,353,060
<b>Unitholders' equity</b>			
Contingencies and commitments	16	907,072	850,224
Subsequent events	21		
		\$ 2,326,515	\$ 2,203,284

See accompanying notes to the unaudited condensed consolidated interim financial statements.

# Minto Apartment Real Estate Investment Trust

## Condensed Consolidated Interim Statements of Net Income and Comprehensive Income

For the three and nine months ended September 30, 2021 and 2020

Unaudited

(in thousands of Canadian dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
<b>Revenue from investment properties</b>	14	\$ 31,234	\$ 31,155	\$ 91,118	\$ 93,999
<b>Property operating expenses</b>					
Property operating costs		6,228	5,582	17,791	17,079
Property taxes		3,436	3,299	9,814	10,184
Utilities		2,165	2,113	7,206	7,062
		11,829	10,994	34,811	34,325
Property operating income		19,405	20,161	56,307	59,674
<b>Other expenses (income)</b>					
General and administrative		1,887	1,555	5,753	5,036
Finance costs - operations	15	8,082	8,401	24,262	25,437
Fair value loss (gain) on:					
Investment properties	3	(34,663)	(8,831)	(86,055)	(17,470)
Class B LP Units	7, 15	(35,976)	(36,886)	45,310	(110,885)
Interest rate swap	11, 15	(145)	(57)	(1,204)	2,603
Unit-based compensation	20	(282)	(234)	235	(488)
Fees and other income		(426)	(417)	(1,222)	(1,187)
		(61,523)	(36,469)	(12,921)	(96,954)
<b>Net income and comprehensive income</b>		\$ 80,928	\$ 56,630	\$ 69,228	\$ 156,628

See accompanying notes to the unaudited condensed consolidated interim financial statements.

# Minto Apartment Real Estate Investment Trust

## Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

For the nine months ended September 30, 2021 and 2020

Unaudited

(in thousands of Canadian dollars)

	Note	Units	Distributions	Retained earnings	Total
Balance, December 31, 2019	\$	631,434	\$ (14,015)	\$ 69,356	\$ 686,775
Net income and comprehensive income		—	—	156,628	156,628
Distributions	12	—	(12,062)	—	(12,062)
Balance, September 30, 2020	\$	631,434	\$ (26,077)	\$ 225,984	\$ 831,341
Balance, December 31, 2020	\$	631,434	\$ (30,204)	\$ 248,994	\$ 850,224
Net income and comprehensive income		—	—	69,228	69,228
Distributions	12	—	(12,380)	—	(12,380)
Balance, September 30, 2021	\$	631,434	\$ (42,584)	\$ 318,222	\$ 907,072

See accompanying notes to the unaudited condensed consolidated interim financial statements.

# Minto Apartment Real Estate Investment Trust

## Condensed Consolidated Interim Statements of Cash Flows

For the nine months ended September 30, 2021 and 2020

Unaudited

(in thousands of Canadian dollars)

	Note	September 30, 2021	September 30, 2020
<b>Cash provided by (used in):</b>			
<b>Operating activities</b>			
Net income		\$ 69,228	\$ 156,628
Adjustments for:			
Finance costs - operations	15	24,262	25,437
Fair value loss (gain) on:			
Investment properties	3	(86,055)	(17,470)
Class B LP Units	7, 15	45,310	(110,885)
Interest rate swap	11, 15	(1,204)	2,603
Unit-based compensation	20	235	(488)
Change in non-cash working capital	19	(6,952)	(10,620)
Cash provided by operating activities		44,824	45,205
<b>Financing activities</b>			
Proceeds from mortgage financing	9	8,558	222,206
CMHC premiums paid		—	(4,755)
Financing costs	9	(23)	(332)
Principal repayments on mortgages	9	(9,614)	(119,447)
Net proceeds (repayments) from credit facility	9	45,052	(74,173)
Distributions on Class B LP Units	7, 15	(7,771)	(7,543)
Distributions on Class C LP Units, used to repay principal	8	(3,988)	(3,866)
Distribution on Units		(12,380)	(12,017)
Interest paid		(18,997)	(18,995)
Cash provided by (used in) financing activities		837	(18,922)
<b>Investing activities</b>			
Capital additions to investment properties		(37,327)	(18,827)
Loans advanced to related parties	10	(9,080)	(7,576)
Interest received		1,226	1,197
Cash used in investing activities		(45,181)	(25,206)
Change in cash during the period		480	1,077
Cash, beginning of the period		2,607	1,928
Cash, end of the period		\$ 3,087	\$ 3,005

See accompanying notes to the unaudited condensed consolidated interim financial statements.

# Minto Apartment Real Estate Investment Trust

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

Unaudited

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

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### 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 is amended from time to time. The REIT owns, develops and operates 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.

At September 30, 2021, the REIT's portfolio consists of interests in 29 multi-residential rental properties, including three mixed-use residential apartment and commercial buildings, all of which are held by Minto Apartment Limited Partnership (the "Partnership"), which is consolidated by the REIT.

### 2. Significant accounting policies

#### Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

The unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the REIT's audited consolidated financial statements for the years ended December 31, 2020 and 2019 (the "Annual 2020 Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

These unaudited condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT and authorized for issuance on November 9, 2021.

#### Basis of presentation and measurement

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

The COVID-19 outbreak has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures have included the implementation of travel bans, self-imposed quarantine periods and social distancing, and have caused material disruption to businesses globally, resulting in an economic slowdown. With the vast majority of the Canadian population vaccinated, businesses, offices and post-secondary institutions have slowly resumed operations, albeit at a lower-than-normal pace. Government agencies continue to monitor COVID-19 case counts and for the presence of variants which could pose significant risks to the public and require the imposition of new restrictions to minimize the outbreak. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy remains unknown. The REIT continues to monitor and assess the impact that COVID-19 will have on its business activities and financial results, including: rental income, occupancy, turnover, cash collections from tenants, future demand and market rents, all of which impact the valuation of investment properties.

The REIT has used all information available as at September 30, 2021 that it considers relevant in determining the potential impact of the COVID-19 pandemic on the carrying amounts of assets and liabilities, earnings for the year and risks disclosed in the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2021 and 2020. The estimates and judgements that could be most significantly impacted by COVID-19 include those underlying the valuation of investment properties and the estimated credit losses on accounts receivable. Actual results could differ from those estimates. Investment properties (Note 3) and risk management (Note 17) include disclosures of the potential impacts of COVID-19 on the fair value of investment properties and liquidity risk.

# Minto Apartment Real Estate Investment Trust

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

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The operating results for the nine months ended September 30, 2021 are not necessarily indicative of results that may be expected for the year ending December 31, 2021 due to seasonal variations in property expenses and other factors, including the impacts of COVID-19.

The REIT's significant accounting policies were presented in Note 2 of the Annual 2020 Financial Statements and have been consistently applied in the preparation of these unaudited condensed consolidated interim financial statements.

### Future changes in accounting standards

#### ***Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)***

On January 23, 2020, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, providing a more general approach to the classification of liabilities based on the contractual agreements in place at the reporting date. The amendments apply to annual reporting periods beginning on or after January 1, 2023. Earlier adoption is permitted.

The amendments to IAS 1 affect only the presentation of liabilities in the balance sheet and seek to clarify that the classification of liabilities as current or non-current should be based on the rights that are in existence at the end of the reporting period. Further, the amendments make clear that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and that the settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The REIT intends to adopt the amendments in its consolidated financial statements beginning on January 1, 2023, when the amendments become 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.

#### ***Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)***

On February 12, 2021, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, to assist entities in determining which accounting policies to disclose in the financial statements. The amendments apply to annual reporting periods beginning on or after January 1, 2023. Earlier adoption is permitted.

The amendments to IAS 1 require that an entity disclose its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.

The REIT intends to adopt the amendments in its consolidated financial statements beginning on January 1, 2023, when the amendments become 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.

#### ***Definition of Accounting Estimates (Amendments to IAS 8)***

On February 12, 2021, the IASB issued amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, to assist entities to distinguish between accounting policies and accounting estimates. The amendments apply to annual periods beginning on or after January 1, 2023. Earlier adoption is permitted.

The amendments to IAS 8 replace the definition of a "change in accounting estimates" with a definition of "accounting estimates". Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments confirm that a change in an accounting estimate that results from new information or new developments is not the correction of an error.

The REIT intends to adopt the amendments in its consolidated financial statements beginning on January 1, 2023, when the amendments become 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.

# Minto Apartment Real Estate Investment Trust

## Notes to the Condensed Consolidated Interim Financial Statements

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### 3. Investment properties

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

	September 30, 2021	December 31, 2020
Residential properties	\$ 2,211,255	\$ 2,098,052
Commercial properties	18,940	22,490
Land under development	22,448	17,559
	\$ 2,252,643	\$ 2,138,101

The following table presents the change in investment properties:

	\$
Balance, December 31, 2020	\$ 2,138,101
Additions	
Capital expenditures	28,487
Fair value gain	86,055
Balance, September 30, 2021	\$ 2,252,643

For the three and nine months ended September 30, 2021, the REIT capitalized \$26 in interest costs associated with the REIT's general borrowings to the respective developments using the REIT's weighted average borrowing rate of 2.18%.

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 September 30, 2021, 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 conducts external appraisals of a third of its portfolio annually to ensure that every property is externally appraised at least once every three years. These external appraisals are used by Management to assist in the validation of the market assumptions and data used as part of the internal valuation model.

The REIT continues to review market capitalization, discount and terminal capitalization rates, as well as its future cash flow projections and their impact on the valuation of its properties in light of the COVID-19 pandemic (Note 2). The carrying value of the REIT's investment properties reflects Management's best estimate of fair value in terms of the assessed highest and best use as at September 30, 2021. It is not possible to forecast with certainty the duration or full scope of the economic impact COVID-19 will have on the REIT's business and operations, both in the short and long term. Any long-term effects on market rents, occupancy, turnover and future demand would ultimately impact the underlying valuation of investment properties and such impact may be material.

The following table summarizes the significant unobservable inputs in determining fair value of residential properties:

Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
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.
Estimated 12 month stabilized forecasted net operating income ("NOI")	There is a direct relationship between the estimated 12 month stabilized forecasted NOI and the fair value; in other words, the higher the estimated 12 month stabilized forecasted NOI, the higher the estimated fair value.

# Minto Apartment Real Estate Investment Trust

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The following table summarizes the capitalization rates used in determining the fair value of the REIT's residential properties:

	September 30, 2021			December 31, 2020		
	Min	Max	Weighted average	Min	Max	Weighted average
Capitalization rate	3.13%	4.25%	3.62%	3.25%	4.25%	3.81%

The following table summarizes the sensitivity of the fair value of residential properties to changes in capitalization rates and estimated 12 month stabilized forecasted NOI as at September 30, 2021:

September 30, 2021	-3%	-1%	NOI	+1%	+3%
<b>Capitalization rate</b>					
-50 basis points	\$ 2,498,685	\$ 2,551,897	\$ 2,578,503	\$ 2,605,109	2,658,321
-25 basis points	2,307,366	2,356,633	2,381,267	2,405,900	2,455,168
Base rate	2,142,454	2,188,321	2,211,255	2,234,189	2,280,056
+25 basis points	1,998,837	2,041,743	2,063,196	2,084,648	2,127,554
+50 basis points	1,872,638	1,912,942	1,933,094	1,953,246	1,993,550

The following table summarizes the sensitivity of the fair value of residential properties to changes in capitalization rates and estimated 12 month stabilized forecasted NOI as at December 31, 2020:

December 31, 2020	-3%	-1%	NOI	+1%	+3%
<b>Capitalization rate</b>					
-50 basis points	\$ 2,350,915	\$ 2,400,916	\$ 2,425,917	\$ 2,450,918	2,500,920
-25 basis points	2,180,741	2,227,234	2,250,481	2,273,727	2,320,221
Base rate	2,032,885	2,076,329	2,098,052	2,119,774	2,163,218
+25 basis points	1,903,225	1,943,997	1,964,382	1,984,768	2,025,539
+50 basis points	1,788,598	1,827,006	1,846,210	1,865,414	1,903,821

## 4. Joint operations

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

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

# Minto Apartment Real Estate Investment Trust

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

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

### 5. Prepaid expenses and other assets

	September 30, 2021	December 31, 2020
Prepaid expenses	\$ 6,390	\$ 1,467
Prepaid CMHC premiums	6,940	6,940
Restricted cash	1,200	1,180
Funds held in escrow (Note 9)	—	8,558
Deposits and other prepayments	1,114	393
	\$ 15,644	\$ 18,538
Current	8,008	11,197
Non-current	7,636	7,341
	\$ 15,644	\$ 18,538

### 6. Resident and other receivables

	September 30, 2021	December 31, 2020
<b>Current</b>		
Resident receivables	\$ 1,272	\$ 1,240
Other receivables	2,413	1,422
Less: Allowance for credit losses	(636)	(612)
	\$ 3,049	\$ 2,050

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.

### 7. Class B LP Units

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

	Units	\$
Balance, December 31, 2020	22,769,073	\$ 463,806
<i>Non-cash movement</i>		
Fair value loss	—	45,310
Balance, September 30, 2021	22,769,073	\$ 509,116

For the three and nine months ended September 30, 2021, distributions of \$2,591 and \$7,771 (September 30, 2020 - \$2,561 and \$7,571) 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.

# Minto Apartment Real Estate Investment Trust

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

Unaudited

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

### 8. Class C LP Units

	September 30, 2021	December 31, 2020
Class C LP Units	\$ 213,536	\$ 217,524
Unamortized mark-to-market adjustments	2,005	2,361
	\$ 215,541	\$ 219,885
Current	5,940	5,816
Non-current	209,601	214,069
	\$ 215,541	\$ 219,885

The following table reconciles the changes in cash flows for the Class C LP Units of the Partnership:

	Units	\$
Balance, December 31, 2020	22,978,700	\$ 219,885
<i>Cash flows</i>		
Distributions used to repay principal	—	(3,988)
<i>Non-cash movement</i>		
Amortization of mark-to-market adjustments	—	(356)
	—	(4,344)
Balance, September 30, 2021	22,978,700	\$ 215,541

For the three and nine months ended September 30, 2021, the REIT made distributions of \$1,687 and \$5,066 (September 30, 2020 - \$1,728 and \$5,188) 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, 2020 - 3.16%) and mature at various dates between 2023 and 2030 (December 31, 2020 - 2023 and 2030).

Distributions on Class C LP Units as at September 30, 2021, excluding unamortized mark-to-market adjustments, are due as follows:

2021	\$ 1,353
2022	5,510
2023	50,234
2024	50,499
2025	63,541
2026 and thereafter	42,399

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 September 30, 2021, the current market rates plus risk-adjusted spreads ranged from 1.33% to 3.03% (December 31, 2020 - 1.06% to 2.49%) and the fair value of the Class C LP Units was \$221,436 (December 31, 2020 - \$232,188) and is considered level 2 within the fair value hierarchy.

# Minto Apartment Real Estate Investment Trust

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

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

### 9. Secured Debt

	September 30, 2021	December 31, 2020
Mortgages - fixed rate <sup>1</sup>	\$ 589,799	\$ 599,413
Unamortized mark-to-market adjustment	1,225	1,446
Unamortized deferred financing costs	(2,537)	(2,780)
Total mortgages	588,487	598,079
Credit facility <sup>2</sup>	77,000	31,948
	\$ 665,487	\$ 630,027
Current	53,153	66,105
Non-current	612,334	563,922
	\$ 665,487	\$ 630,027

<sup>1</sup> Fixed rate mortgages are secured by investment properties, bear interest at a weighted average contractual interest rate of 2.81% (December 31, 2020 - 2.85%) and mature at various dates from 2022 through 2030 (December 31, 2020 - 2021 through 2030). The fixed rate mortgages include a \$37,508 (December 31, 2020 - \$38,234) variable interest mortgage fixed through an interest rate swap.

<sup>2</sup> The REIT has a committed revolving credit facility of \$200,000 (December 31, 2020 - \$200,000) that is secured by several investment properties, matures on July 3, 2024 and is used to fund working capital requirements, acquisitions, letters of credit and for general corporate purposes. At September 30, 2021, \$77,442 (December 31, 2020 - \$31,948) was utilized and the remaining amount of \$122,558 (December 31, 2020 - \$168,052) of this facility was available in accordance with its terms and conditions. The credit facility bears interest at one month bankers' acceptance plus 175 bps or prime plus 75 bps and as at September 30, 2021, the weighted average variable interest rate was 2.21% (December 31, 2020 - 2.25%).

The secured debt balances at September 30, 2021, excluding unamortized mark-to-market adjustments and unamortized deferred financing costs, are due as follows:

2021	\$ 3,265
2022	99,647
2023	58,882
2024	134,871
2025	49,684
2026 and thereafter	320,450

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## Notes to the Condensed Consolidated Interim Financial Statements

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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, December 31, 2020	\$ 599,413	\$ 1,446	\$ (2,780)	\$ 31,948	\$ 630,027
<i>Cash flows</i>					
Issued <sup>1</sup>	8,558	—	(23)	45,052	53,587
Repayments	(9,614)	—	—	—	(9,614)
	(1,056)	—	(23)	45,052	43,973
<i>Non-cash movement</i>					
Funds held in escrow <sup>1</sup>	(8,558)	—	—	—	(8,558)
Deferred financing amortization	—	—	266	—	266
Amortization of mark-to-market adjustment	—	(221)	—	—	(221)
	(8,558)	(221)	266	—	(8,513)
Balance, September 30, 2021	\$ 589,799	\$ 1,225	\$ (2,537)	\$ 77,000	\$ 665,487

As at September 30, 2021 and December 31, 2020, the REIT was in compliance with all financial covenants relating to its debt obligations.

Fair value of fixed rate mortgages is calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at September 30, 2021, the current market rates plus risk-adjusted spreads ranged from 0.97% to 3.52% (December 31, 2020 - 0.95% to 2.81%) and the fair value of fixed rate mortgages was \$596,546 (December 31, 2020 - \$629,898) 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.

## 10. 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 unaudited condensed consolidated interim financial statements, related party transactions include:

### (a) Administrative Support Agreement

For the three and nine months ended September 30, 2021, the REIT incurred \$565 and \$1,695 (September 30, 2020 - \$424 and \$1,272) for services rendered by Minto Properties Inc. ("MPI") and its affiliates under the Administrative Support Agreement.

### (b) Loans receivable from related parties

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. The loan bears interest at 6% per annum and matures on March 31, 2022. In connection with this financing, the REIT will have the exclusive option to purchase the property upon stabilization at 95% of its then fair market value as determined by independent and qualified third-party appraisers. For the nine months ended September 30, 2021, the REIT advanced \$nil (September 30, 2020 - \$7,576), earned interest income of \$1,346 (September 30, 2020 - \$1,107) and received interest of \$1,198 (September 30, 2020 - \$1,171). As at September 30, 2021, the amount receivable under the loan was \$30,148 (December 31, 2020 - \$30,000).

<sup>1</sup> Proceeds of \$8,558 from a fixed rate mortgage that were held in escrow since July 2020 were released in September 2021.

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

The REIT committed to advance \$11,915 to a limited partnership jointly owned by MPI and a subsidiary of Darwin Properties Limited to develop Phase I of Lonsdale Square, a mixed-use multi-residential rental property located at Lonsdale Avenue ("Lonsdale Square") in North Vancouver, British Columbia and an additional \$2,085 to fund interest costs. The loan bears interest at 7% per annum and matures on May 30, 2024. In connection with this financing, the REIT will have the exclusive option to purchase the property upon stabilization at 95% of its then fair market value as determined by independent and qualified third-party appraisers. For the nine months ended September 30, 2021, the REIT earned interest income of \$642 (September 30, 2020 - \$nil). As at September 30, 2021, the amount receivable under the loan was \$12,630 (December 31, 2020 - \$11,988).

The REIT committed to advance up to \$43,700 to an affiliate of MPI for the development of a mixed-use multi-residential and commercial rental property located at Beechwood Avenue ("Beechwood") in Ottawa, Ontario and an additional \$7,700 to fund interest costs. The loan bears interest at 6% per annum and matures on December 31, 2025. In connection with this financing, the REIT will have the exclusive option to purchase the property upon stabilization at 95% of its then fair market value as determined by independent and qualified third-party appraisers. For the nine months ended September 30, 2021, the REIT advanced \$9,080 and earned interest income of \$234. As at September 30, 2021, the amount receivable under the loan was \$9,314.

The fair value of the loans receivable from related parties is determined by reference to current market rates that could be obtained for similar instruments with similar terms and maturities. As at September 30, 2021 and December 31, 2020, the carrying value of the loans approximates their fair value and is considered level 2 within the fair value hierarchy.

### (c) Due to related parties

Amounts due to related parties at September 30, 2021 include \$863 and \$555 (December 31, 2020 - \$863 and \$575) 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 a payable of \$34 (December 31, 2020 - \$34) for distributions on Units and a receivable of \$36 (December 31, 2020 - payable of \$211) for working capital.

At December 31, 2020, amounts due to related parties included \$8,356 payable to MPI for the reconstructed Skyline Maisonettes. The amount was repaid on April 22, 2021.

### (d) Revenue and expenses

- Included in rental revenue for the three and nine months ended September 30, 2021 is \$113 and \$319 (September 30, 2020 - \$171 and \$451) 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 three and nine months ended September 30, 2021 is \$186 and \$535 (September 30, 2020 - \$165 and \$530) paid to MPI and its affiliates for repairs and maintenance and other expenses at certain REIT properties.
- For the three and nine months ended September 30, 2021, compensation to key management personnel includes \$127 and \$537 (September 30, 2020 - \$125 and \$496) paid to executives, Unit-based compensation expense of \$369 and \$956 (September 30, 2020 - \$291 and \$867) for executives and Unit-based compensation expense for the grant of Deferred Units to Trustees in lieu of annual retainer and meeting fees of \$139 and \$418 (September 30, 2020 - \$120 and \$375), 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 three and nine months ended September 30, 2021 are distributions on Class B LP Units of \$2,591 and \$7,771 paid or payable to a limited partnership wholly-owned by MPI. For the three and nine months ended September 30, 2020, distributions on Class B LP Units of \$2,561 and \$7,571 were paid or payable to MPI and a limited partnership wholly-owned by MPI.
- Included in finance costs for the three and nine months ended September 30, 2021 are distributions on Class C LP Units of \$1,687 and \$5,066 (September 30, 2020 - \$1,728 and \$5,188), paid or payable to a limited partnership wholly-owned by MPI.

# Minto Apartment Real Estate Investment Trust

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- Included in finance costs for the three and nine months ended September 30, 2021 is interest income of \$812 and \$2,222 (September 30, 2020 - \$404 and \$1,107) earned from the loans advanced to related parties.

### (e) Distributions

- For the three and nine months ended September 30, 2021, distributions of \$1,333 and \$3,988 (September 30, 2020 - \$1,293 and \$3,866) were made to a limited partnership wholly-owned by MPI in order to repay principal on Class C LP Units.
- For the three and nine months ended September 30, 2021, distributions on Units to MPI of \$102 and \$306 (September 30, 2020 - \$101 and \$299) were declared and recorded as a reduction to Unitholders' equity.

## 11. Accounts payable and accrued liabilities

	September 30, 2021	December 31, 2020
Accounts payable	\$ 8,130	\$ 8,348
Accrued liabilities	4,786	6,295
Distributions payable	1,342	1,342
Unit-based compensation	4,524	3,035
Interest rate swap	114	1,318
	\$ 18,896	\$ 20,338
Current	17,993	18,410
Non-current	903	1,928
	\$ 18,896	\$ 20,338

The following table is a summary of the REIT's interest rate swap and the respective fair value of the liability:

Instrument	Maturity	Fixed rate	Original notional amount	Notional amount	September 30, 2021	December 31, 2020
Interest rate swap <sup>1</sup>	April 2026	3.38%	\$42,360	\$37,508	\$ 114	\$ 1,318

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 periods presented:

	\$
Balance, December 31, 2020	\$ 1,318
<i>Non-cash movement</i>	
Fair value gain	(1,204)
Balance, September 30, 2021	\$ 114

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

# Minto Apartment Real Estate Investment Trust

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### 12. Units

The Declaration of Trust authorizes the issue of an unlimited number of Units. As of September 30, 2021, there were 36,274,839 (December 31, 2020 - 36,274,839) Units issued and outstanding, with a carrying value of \$631,434 (December 31, 2020 - \$631,434).

For the three and nine months ended September 30, 2021, distributions to Unitholders of \$4,127 and \$12,380 (September 30, 2020 - \$4,081 and \$12,062) were declared. This represents monthly distributions of \$0.03792 per Unit for the months of January to September 2021 (September 30, 2020 - monthly distributions of \$0.03667 per Unit for the months of January to July 2020 and monthly distributions of \$0.03792 for the months of August and September 2020).

### 13. Segment reporting

The REIT owns, manages and operates 29 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.

### 14. Revenue from investment properties

The components of revenue from investment properties are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Rental revenue	\$ 25,519	\$ 25,764	\$ 74,475	\$ 77,536
Revenue from services	5,715	5,391	16,643	16,463
	\$ 31,234	\$ 31,155	\$ 91,118	\$ 93,999

# Minto Apartment Real Estate Investment Trust

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### 15. Finance costs

Finance costs are comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Interest expense on mortgages	\$ 4,150	\$ 4,314	\$ 12,444	\$ 12,454
Interest expense & standby fees on credit facility	563	250	1,340	1,550
Amortization of financing charges	144	146	495	383
Amortization of mark-to-market adjustments	(193)	(194)	(577)	(576)
Interest income	(833)	(404)	(2,250)	(1,133)
Capitalized interest	(27)	—	(27)	—
Interest expense & other financing charges	3,804	4,112	11,425	12,678
Distributions on Class B LP Units (Note 7)	2,591	2,561	7,771	7,571
Distributions on Class C LP Units (Note 8)	1,687	1,728	5,066	5,188
Finance costs - operations	\$ 8,082	\$ 8,401	\$ 24,262	\$ 25,437
Fair value loss (gain) on Class B LP Units (Note 7)	(35,976)	(36,886)	45,310	(110,885)
Fair value loss (gain) on interest rate swap (Note 11)	(145)	(57)	(1,204)	2,603
Finance costs	\$ (28,039)	\$ (28,542)	\$ 68,368	\$ (82,845)

### 16. 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 unaudited condensed consolidated interim financial statements of the REIT.

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 September 30, 2021, the remaining unforgiven balance of the loan which has not been recorded by the REIT is \$14,688 (December 31, 2020 - \$15,912). 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 September 30, 2021, the remaining unforgiven balance of the loan which has not been recorded by the REIT is \$3,696 (December 31, 2020 - \$4,032). To date, the REIT has met all conditions related to this forgivable loan and Management intends to continue to meet these requirements.

As at September 30, 2021, the REIT has committed to fund interest costs as a deemed advance up to an additional \$1,370 (December 31, 2020 - \$2,012) to a limited partnership 50% owned by MPI to support its development of Lonsdale Square in North Vancouver.

As at September 30, 2021, the REIT has committed to advance up to an additional \$34,620 to an affiliate of MPI for the development of Beechwood in Ottawa and up to an additional \$7,466 to fund interest costs.

The REIT is a guarantor on a joint and several basis for mortgage debt held through one of its joint operations. As at September 30, 2021, the maximum potential obligation resulting from this guarantee is \$13,128 (December 31, 2020 - \$13,382).

# Minto Apartment Real Estate Investment Trust

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### 17. 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 fixed rate instruments, changes in market interest rates do not have any significant direct effect on the REIT's income.

The REIT's financial liabilities comprise both fixed rate and variable 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. 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 comprise variable 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 September 30, 2021, the REIT has a committed variable rate credit facility of \$200,000 (December 31, 2020 - \$200,000) with an outstanding balance of \$77,000 (December 31, 2020 - \$31,948). A 1% change in prevailing interest rates would change annualized interest charges incurred by \$770 (December 31, 2020 - \$319).

##### (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 the prevailing market price of the Units as at September 30, 2021 would have a \$5,091 (December 31, 2020 - \$4,638) change in the 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 in relation to the loans advanced to related parties, in the event that the borrowers default on the repayment of amounts owing to the REIT. Management mitigates this risk by ensuring adequate security has been provided.

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### 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's liquidity is subject to macroeconomic, financial, competitive and other factors that are beyond the REIT's control including the ongoing COVID-19 disruption.

Liquidity risk is managed through cash flow forecasting. Management monitors forecasts of the REIT's liquidity requirements to ensure it has sufficient cash to meet operational needs through maintaining sufficient cash and/or availability on the undrawn credit facility and ensuring that it meets its financial covenants related to debt agreements. Such forecasting takes into consideration the current and projected macroeconomic conditions, the REIT's cash collection efforts, debt financing plans and covenant compliance required under the terms of debt agreements. There is a risk that such liquidity forecasts may not be achieved and that currently available debt financing may no longer be available to the REIT at terms and conditions that are favorable to the REIT, or at all.

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 September 30, 2021, current liabilities of \$87,453 (December 31, 2020 - \$109,299) exceeded current assets of \$14,144 (December 31, 2020 - \$15,854), resulting in a net working capital deficit of \$73,309 (December 31, 2020 - \$93,445). The REIT's immediate liquidity needs are met through cash-on-hand, cash flow from operations and availability on its credit facility. As of September 30, 2021, liquidity was \$125,645 (December 31, 2020 - \$170,659) consisting of cash of \$3,087 (December 31, 2020 - \$2,607) and \$122,558 (December 31, 2020 - \$168,052) 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, letters of credit and for general corporate purposes. The committed credit facility consists of the following:

	September 30, 2021	December 31, 2020
Committed	\$ 200,000	\$ 200,000
Utilized		
Amounts drawn	77,000	31,948
Letter of credit	442	—
Amount available	\$ 122,558	\$ 168,052

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

	2021	2022	2023	2024	2025	2026 and thereafter	Total
Mortgages	\$ 3,265	\$ 99,647	\$ 58,882	\$ 57,871	\$ 49,684	\$ 320,450	\$ 589,799
Credit facility	—	—	—	77,000	—	—	77,000
	3,265	99,647	58,882	134,871	49,684	320,450	666,799
Class C LP Units	1,353	5,510	50,234	50,499	63,541	42,399	213,536
Interest obligation	6,209	23,721	20,220	15,098	11,745	35,305	112,298
Tenant rental deposits	8,951	—	—	26	—	10	8,987
Due to related parties	1,416	—	—	—	—	—	1,416
Accounts payable and accrued liabilities	17,446	758	403	137	38	114	18,896
	\$ 38,640	\$ 129,636	\$ 129,739	\$ 200,631	\$ 125,008	\$ 398,278	\$ 1,021,932

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

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### 18. 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, debt principal repayments and convertible development loans.

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 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 REIT closely monitors its capital position. The REIT is also subject to certain financial covenants and is in compliance with these covenants. Management has performed stress testing on the REIT's covenants to ensure that the REIT continues to meet its covenant obligations in the long term.

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

	September 30, 2021	December 31, 2020
Liabilities (principal amounts outstanding):		
Class B LP Units	\$ 509,116	\$ 463,806
Class C LP Units	213,536	217,524
Mortgages	589,799	599,413
Credit facility	77,000	31,948
	1,389,451	1,312,691
Unitholders' equity	907,072	850,224
	\$ 2,296,523	\$ 2,162,915

### 19. Supplemental cash flow disclosures

Change in non-cash working capital comprises the following:

Nine months ended	September 30, 2021	September 30, 2020
Prepaid expenses and other assets	\$ (5,896)	\$ (2,829)
Resident and other receivables	(998)	(68)
Tenant rental deposits	22	(18)
Due to related parties	(247)	(385)
Accounts payable and accrued liabilities	167	(7,320)
	\$ (6,952)	\$ (10,620)

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### 20. Unit-based compensation

#### Executives

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

		\$
Balance, December 31, 2020	\$	1,660
Unit-based compensation expense		956
Settlement		(121)
Fair value loss		105
Balance, September 30, 2021	\$	2,600

For the three and nine months ended September 30, 2021, the REIT recognized Unit-based compensation expense of \$369 and \$956 (September 30, 2020 - \$291 and \$867) and fair value (gain) loss of (\$155) and \$105 (September 30, 2020 - fair value gain of \$148 and \$267), respectively.

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

	Units
Balance, December 31, 2020	161,091
Granted	56,000
Redeemed	(5,499)
Forfeited	(5,499)
Distribution equivalents	2,981
Balance, September 30, 2021	209,074

#### Trustees

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

	Units	\$
Balance, December 31, 2020	67,509	\$ 1,375
Granted and vested	17,335	393
Distribution equivalents	1,147	25
Fair value loss	—	130
Balance, September 30, 2021	85,991	\$ 1,923

For the three and nine months ended September 30, 2021, the REIT recognized Unit-based compensation expense of \$139 and \$418 (September 30, 2020 - \$120 and \$375) and fair value (gain) loss of (\$127) and \$130 (September 30, 2020 - fair value gain of \$86 and \$221).

### 21. Subsequent events

On October 15, 2021, the REIT entered into an agreement to acquire a multi-residential rental property located in Montreal, Quebec for a purchase price of \$80,100.

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On October 29, 2021, the REIT completed the sale of 3,795,000 Units from treasury at a price of \$22.85 per Unit for gross proceeds of \$86,716 (the "Offering"). The Offering included 495,000 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 approximately \$4,100.

On November 9, 2021, the Board of Trustees approved a 4.4% increase to the REIT's annual distribution from \$0.4550 per Unit to \$0.4750 per Unit. The monthly distribution will be \$0.03958 per Unit, up from \$0.03792 per Unit. The increase will be effective for the REIT's November 2021 cash distribution, to be paid on December 15, 2021.