



minto
Apartment REIT

2020 Annual Report TSX | M.UN



Minto Apartment REIT

(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.

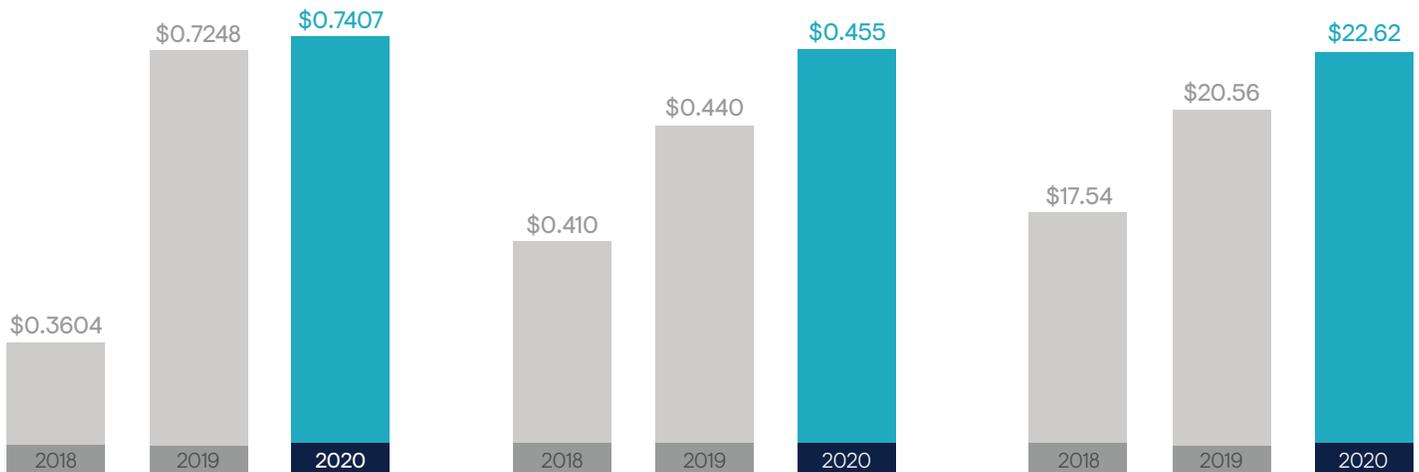
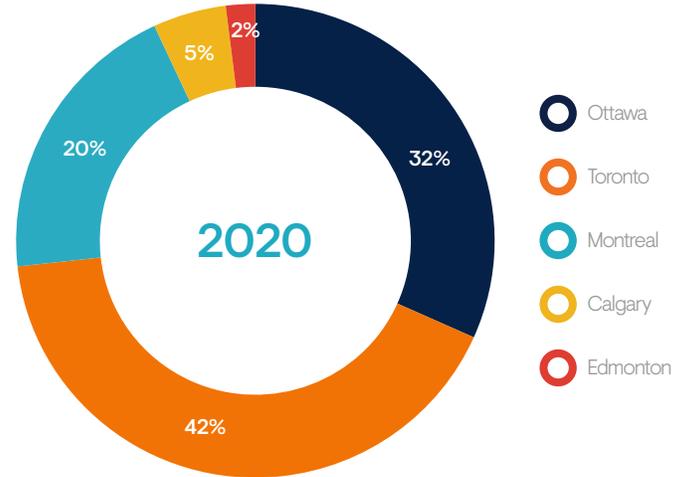
The REIT’s Objectives

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

Summary Information⁽¹⁾

	2020	2019
Suites	7,245	7,243
Average Rent per Suite	\$1,623	\$1,579
Occupancy Rate ⁽⁴⁾	95.57%	98.01%
Total Assets	\$2.2 Billion	\$2.1 Billion
Debt-to-Gross Book Value ⁽²⁾	38.57%	39.30%
Weighted Average Term to Maturity ⁽⁵⁾	5.81 Years	5.97 Years
Weighted Average Interest Rate ⁽⁵⁾	2.94%	3.15%

Geographic Distribution of Investment Property Value⁽³⁾



(1) All amounts are as at December 31, 2020 and December 31, 2019, respectively.

(2) Debt-to-Gross Book Value, Adjusted Funds from Operations (“AFFO”) per unit 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 share of the fair value of investment properties as at December 31, 2020.

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

(5) Weighted average term to maturity and weighted average interest rate are for fixed rate debt only.

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



Letter to Unitholders

Dear Fellow Unitholders,

The COVID-19 pandemic made 2020 a challenging year. The virus sadly caused upheaval for many and our thoughts are with those affected by loss, sickness or financial hardship. In an effort to contain the spread of the virus, governments at every level have taken unprecedented measures including the implementation of travel bans, self-imposed quarantine periods and other mandated closures. This has materially disrupted economic activity. Through it all, essential and front-line workers kept our economy running. We offer our continued thanks and support to these everyday heroes.

Minto Apartment REIT (the “REIT”) demonstrated operational and financial resilience throughout the pandemic. In March 2020, Management initiated its infectious disease plan and adapted operational procedures and processes to prioritize health and to limit the spread of COVID-19. The REIT’s staff demonstrated commitment and dedication in providing essential services that ensured our residents continued to have safe and healthy homes.

In one of the worst economic years on record, the REIT delivered solid financial results. In 2020, the REIT’s adjusted funds from operations per unit¹ increased 2.2% compared to 2019. This increase allowed the REIT to increase its monthly cash distributions by 3.4%, while still maintaining one of the most conservative payout ratios in the Canadian REIT sector. Over the course of the year, the REIT reduced its financial leverage and finished the year with a strong liquidity position. Finally, the REIT’s net asset value increased by 8.3% to \$22.56 per unit.¹

Despite the business challenges presented by COVID-19, the REIT continued to make progress on strategic initiatives in 2020. The REIT renovated 239 suites (157 at the REIT’s proportionate share) through its repositioning program. This program, which makes targeted renovations to suites and common areas in several of the REIT’s properties, represents the best risk-adjusted return on capital of all the REIT’s investment opportunities. At the end of 2020, the REIT had nine properties in its repositioning program with 2,323 suites remaining to reposition.

¹ Funds from operations per unit and net asset value per unit are non-IFRS financial measures. Refer to “Non-IFRS Measures” and “Reconciliation of Non-IFRS Measures” in the Management’s Discussion and Analysis included in this Annual Report.

During the year, the REIT made its first investment in the Greater Vancouver market and fulfilled its strategic mandate to build a presence in all of Canada's six largest urban markets. On December 1, 2020, the REIT advanced an investment loan to a joint venture developing Phase I of Lonsdale Square, a new residential rental project in North Vancouver. The REIT has the option to purchase the completed project upon stabilization at 95% of its then appraised fair market value. By participating as a lender to the development, the REIT generates accretive earnings during the construction period without any exposure to construction risk.

Progress was also made on other REIT development initiatives. The REIT has an option to purchase a property called Fifth and Bank in Ottawa, which is a mixed-use property currently under redevelopment. This project is on schedule and completion is expected in early 2022. Certain other REIT properties support additional rental development and zoning, municipal and other required approvals are being pursued for more than 1,000 new rental suites.

Government policies and restrictions implemented to limit the spread of COVID-19 created considerable disruption to the residential rental market in Canada but the outlook for 2021 is positive. Immigration, a key driver of population growth and housing demand in Canada, slowed when the Federal Government implemented border restrictions in 2020. Management views this as a short-term disruption as the Federal Government has reiterated its commitment to immigration and has increased its targets for New Canadians in 2021 and onward to catch up on immigration targets that were missed in 2020. The favourable supply and demand dynamic for rental housing observed prior to COVID-19 will continue as Canadians are vaccinated and people go back to their workplaces, business travel and in person post-secondary instruction resumes and as immigration levels return. The REIT is well positioned to capitalize on these dynamics.

Sustainability and social responsibility have always been an important part of the Minto Group's culture and values and this extends to the REIT. In 2020, the REIT's steering committee on environmental, social and governance issues ("ESG") recommended updates to its ESG framework incorporating new and expanded initiatives and benchmarks. The updated ESG framework was approved by the REIT's Board of Trustees and its implementation is underway. We plan to initiate reporting on the REIT's performance against ESG targets and key performance indicators in the third quarter of 2021.

The Board of Trustees and Management are proud of how the staff of the REIT has responded and performed during the pandemic. We will continue to prioritize the health of our residents and staff as we execute our business plan. We believe that we will be able to deliver on growth and value creation in 2021. We thank our Unitholders for their confidence and support.

Roger Greenberg
Chairman

Michael Waters
Chief Executive Officer and President

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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 has been further amended from time to time. The REIT owns and operates a portfolio of income-producing multi-residential rental properties located in Canada.

The REIT's portfolio, referred to herein as the "Total Portfolio", consists of 29 (December 31, 2019 - 29) multi-residential rental properties located in Ontario, Quebec and Alberta, comprising an aggregate of 5,082 (December 31, 2019 - 5,080) suites that are wholly-owned by the REIT, 1,413 (December 31, 2019 - 1,413) suites that are 50% co-owned with institutional partners and 750 (December 31, 2019 - 750) suites that are 40% co-owned with an institutional partner.

The "Same Property Portfolio" consists of 24 multi-residential rental properties comprising an aggregate of 4,554 suites that are wholly-owned by the REIT for comparable periods in 2020 and 2019. The Same Property Portfolio includes The Quarters in Calgary acquired on January 7, 2019, as the exclusion of the impact of the first six days in January is not considered material. As at December 31, 2020, the Same Property Portfolio makes up approximately 68% of the total fair value of the investment properties.

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").

Commitment to Environmental, Social and Governance Issues ("ESG")

Sustainability and social responsibility has been an important part of the Minto Group's culture and values for many years. The Minto Group issued its first public report on its environmental performance and initiatives in 2009, expanded that report to include health and safety performance in 2013 and further expanded the report in 2018 to include ESG generally. As a result of that heritage, the REIT already addresses many ESG elements, including the following:

(i) Environmental

- programs to reduce carbon emissions, energy use, water use and solid waste
- programs to improve air quality
- programs to support natural systems
- third party certification and verification
- partnering with research laboratories and investing in new building automation

(ii) Social

- talent attraction and retention
- competitive total rewards value offering for employees
- employee relations, conditions of work
- employee engagement, well-being
- health and safety
- tenant satisfaction and engagement
- community engagement
- community impact, corporate giving
- partner engagement, supply chain management

(iii) Governance

- organizational structure with clear roles and accountabilities
- business strategy
- commitments and policies
- objectives and targets
- resources, including human resources and specialized skills, organizational infrastructure, technology and financial resources
- business systems, processes, programs
- monitoring and disclosure activities
- management oversight/review
- highly qualified Board of Trustees

In 2020, the REIT's ESG steering committee engaged a third-party consultant and key business leaders to analyze gaps in the existing ESG strategic framework and to evaluate and recommend new and expanded initiatives, priorities, benchmarks, key performance indicators and target audiences to include in an updated ESG strategic framework. The process included a detailed materiality assessment that reviewed and evaluated ESG impacts relevant to the REIT's business, as well as a gap analysis to identify opportunities to strengthen the ESG strategic framework. The analysis captured the perspective of residents, employees, suppliers, investors and community stakeholders. The updated ESG strategic framework was approved by the Board of Trustees of the REIT on December 14, 2020. It is anticipated that annual reporting on the REIT's performance against ESG targets and key performance indicators will begin in Q3 2021.

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 from time to time (collectively, the "DOT"). A copy of the DOT 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 20% 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 20% 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 11, 2021, 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 years ended December 31, 2020 and 2019, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The REIT's Board of Trustees approved the content of this Management's Discussion and Analysis on March 11, 2021. 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

The REIT's financial statements are prepared in accordance with IFRS. Management's Discussion and Analysis 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), 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 (collectively referred to as "property operating expenses") 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 other non-IFRS measures are defined as follows:

- "FFO per unit" is calculated as FFO divided by the weighted average number of Units of the REIT and Class B LP Units ("Class B LP Units") of Minto Apartment Limited Partnership (the "Partnership") 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 of the Partnership ("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 a full year of stabilized earnings, fees and other income and general and administrative expenses from recently completed acquisitions, 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.

Operating and Financial Measures

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 for unfurnished suites - Represents the average monthly rent for occupied unfurnished suites at the end of the period.
- (ii) Occupancy for unfurnished suites - 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.
- (iii) Average monthly rent per suite for furnished suites - Represents the average daily rent for furnished suites for the period multiplied by 30.
- (iv) Occupancy for furnished suites - The ratio of occupied furnished suites to the total furnished suites in the portfolio for the period.

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 and 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 fixed rate mortgages, a variable rate mortgage fixed through an interest rate swap 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 fixed rate mortgages, a variable rate mortgage fixed through an interest rate swap and Class C LP Units. The REIT monitors the average cost of its mortgages and Class C LP Units.

COVID-19 Response and Impact on the REIT

Measures implemented to slow the spread of COVID-19, including border and business closures, have negatively impacted the REIT's operating results, particularly in its furnished suite segment. Notwithstanding these challenges, in 2020, the REIT delivered increases in both total portfolio revenue and NOI, which contributed to a 2.2% increase in AFFO per unit compared to 2019. This growth enabled the REIT to increase its monthly cash distribution by 3.4% and maintain a conservative payout ratio. Notwithstanding near-term challenges relating to COVID-19, Management maintains strong conviction in its business model, long term strategy and outlook for the REIT.

Management believes that COVID-19 is a short-term event and not a fundamental change in market demand. The favourable fundamentals that existed pre-COVID-19 will return once vaccines are more fully rolled out. These include:

- The benefits of urban living, such as shorter commutes, easy access to entertainment and transit
- The housing crisis in Canada's major urban centres that existed prior to COVID will re-assert itself, particularly as immigration picks up, post-secondary institutions return to on-campus learning, borders are re-opened and workers return to the office (at least part-time)
- The housing affordability gap continues to grow and will ultimately benefit the multi-residential rental sector

Management reiterates the following key principles:

- Our focus on institutional quality properties in urban settings
- Real estate is a long term business, where investments are measured over the long-term, and hence maintaining a focus on the longer term view by protecting rental rate, even at the expense of short term vacancy and dilution, and investing value add capital in our portfolio
- Creating value through sustained NOI and NAV growth over the medium and long-term while simultaneously allowing for a steady and sustainable increase in the REIT's distribution capacity

Although Management believes that COVID-19 related challenges will remain throughout the first half of 2021, these short term difficulties will pass quickly as we expect a gradual resumption of key drivers of demand for urban rental properties in the second half of the year.

Operations

Toward the end of 2020, the number of COVID-19 cases surged across Canada, surpassing levels of daily new cases seen during the onset of the pandemic. With the spike in COVID-19 cases, governments reintroduced or imposed stricter restrictions in an attempt to limit further spread of the virus. The impacts of COVID-19 are continually evolving and the REIT continues to learn and adapt to the new realities brought on by the global pandemic. The REIT's first and foremost priority continues to be the health and safety of its residents, employees, partners and communities. The REIT continues to take the necessary steps and precautions in order to lessen the spread of COVID-19 and to prioritize good health. To that end, through continued hard work and dedication, the REIT team continues to provide essential services so that its residents have safe and healthy homes.

In order to prioritize the health and safety of all, as well as preserve long term Unitholder value, the REIT has implemented its infectious disease protocol and adapted certain operational processes and procedures to respond to the particular circumstances created by COVID-19. These changes are summarized in this section, along with a business update on the pandemic's impact on the REIT's operations and strategy since our last update in November 2020.

The REIT implemented a number of initiatives to prioritize the health and well-being of its residents, employees and the communities it operates in, including:

- Operating with limited on-site personnel and adhering to Health Canada guidelines on personal hygiene and social distancing;
- Closure of all fitness facilities;
- Enhanced sanitization of shared surfaces and areas, including doors, railings, foyers and elevators;
- Limiting leasing activities by appointment only, with the use of online tools prioritized;

- Handling resident service requests for repairs and maintenance online or by phone;
- Closure of the REIT's corporate offices to outside visitors, with most staff working remotely; and
- Ensuring that all critical vendors have business continuity plans in place and are following property guidelines for personal protective equipment and social distancing.

The REIT experienced an increase in cleaning costs and expects this will continue while COVID-19 precautions are maintained. The enhanced cleaning program, which focuses on high-touch areas and surfaces, requires vigilance but only adds modestly to total property operating costs. This increase in cleaning costs for some areas is partially offset by reduced cleaning costs for fitness facilities that remain closed.

The REIT has experienced a mix of partially offsetting changes in utility expenses and expects this trend to continue. As a result of residents spending more time at home, usage has risen, which has been partially offset by the relaxation of peak pricing policies by most utility providers. Over 90% of the REIT's suites are sub-metered for electricity and close to 80% of its residents pay their own electricity cost, which limits the REIT's exposure to fluctuating electricity costs.

Overall, the REIT is not expecting any material changes to its NOI margin as the business continues to navigate through the pandemic.

Lease Payments and Collections

Management continues to see the resiliency of the multi-residential rental business during this pandemic. Rental collections have largely been consistent with pre-pandemic collection patterns.

A number of factors contribute to this result. The REIT's focus on high quality urban locations in major markets attracts a higher proportion of residents that are salaried workers and professionals. The job market also enjoyed steady monthly improvements from April to November offset by a small drop in employment in December due to new stricter COVID-19 measures. Notwithstanding the setback in December, Canada has gained back approximately three-quarters of the jobs lost in the early stages of the pandemic. Government support programs have helped people and businesses who have been and continue to be negatively impacted by lockdowns. These programs include the Canada Recovery Benefit, the Canada Wage Subsidy and enhanced Employment Insurance benefits. These measures have contributed to steady rent collection.

Notwithstanding its strong collections, the REIT recognizes the continued burden placed on many of its residents related to the decline in economic activity across Canada and this will likely continue to be the case given the active second wave of COVID-19. At the outset of the pandemic, the REIT implemented a number of measures to help its residents cope with the sudden economic shock.

First, the REIT offered payment plans for residents whose incomes were impacted by the pandemic where they could elect to defer up to 50% of their rent for up to a three month period (April, May and June of 2020), with the deferred rent being paid back over periods ranging from three to nine months. Only a small number of residents entered into deferral plans and the REIT stopped offering them broadly in Q2 2020 due to limited demand. As at December 31, 2020, approximately 1.4% of the REIT's residents were on deferral plans and the vast majority of these residents are current on their payments. The REIT will continue to work with residents experiencing payment challenges on a case-by-case basis.

Second, the REIT suspended provincially regulated guideline rent increases and above guideline rent increases that were scheduled to come into effect in April, May, June and July of 2020. This helped to mitigate the economic shock resulting from the substantial government restrictions at the outset of the pandemic. Commencing August 1, 2020, as employment levels began recovering from their lows in April, the REIT resumed regularly scheduled rental increases in accordance with applicable rent control legislation in Ontario and Quebec.

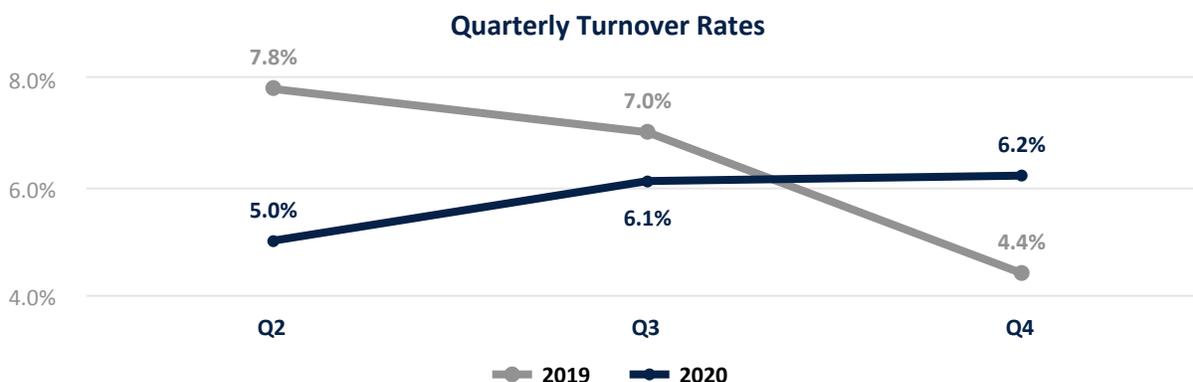
However, the ability to apply guideline increases in Ontario will be further limited in 2021. The Province of Ontario enacted the *Helping Tenants and Small Businesses Act* on October 1, 2020, freezing the residential rents for existing tenants for the 2021 calendar year. This temporary freeze on sitting rents will not impact the REIT's ability to negotiate market rents on new leases for suites with tenant turnover or to apply above guideline increases for eligible capital expenses.

On January 12, 2021, the Government of Ontario, in connection with a new stay-at-home order to limit the spread of COVID-19, announced changes to the rules for eviction. Landlords will still be able to make applications to the Landlord and Tenant Board and hold hearings to proceed, but they will not be able to enforce eviction notices until further notice.

The REIT has a strong record of working with its residents on collections. Its bad debt expense averaged only 0.25% of revenues prior to the pandemic. Although rental collections have been consistent with pre-pandemic collection patterns, the REIT's bad debt expense has increased since the onset of the pandemic. Bad debt expense in Q4 2020 was 1.01% of revenue compared to 0.57% of revenue in Q3 2020. Although bad debt expense has increased, the absolute dollars are still very low. Bad debt expense for the 12 months ended December 31, 2020 was 0.51% compared to 0.25% for the previous year. Despite strong government income supports, workers in food service, hospitality and travel have been hit hard by COVID-19 related lockdowns and restrictions. It is possible that the REIT's bad debt expense may increase in future quarters due to the continued economic impact of COVID-19; however, Management does not expect this change to materially impact the REIT's financial results.

Leasing Activities and Turnover

The onset of the pandemic has altered the typical annual turnover pattern for the REIT's suites. In a typical year, the REIT experiences higher turnover in Q2 and Q3 and lower turnover in Q1 and Q4. The REIT's experience in 2020, following the onset of the pandemic, has not followed typical patterns. The REIT saw lower than expected levels of turnover in Q2 and Q3 and higher than expected level of turnover in Q4. The graph below sets out the REIT's quarterly turnover rate for the past three quarters with prior year comparative amounts.



There are a number of factors contributing to the change in turnover pattern. First, at the onset of the pandemic tenants were naturally reluctant to make a move. Lockdowns and COVID-19 protocols also made leasing and move-in/move-out activities more challenging. Over time, tenants became both more accustomed to and comfortable living under pandemic rules and tenants who had deferred their moves in Q2 and Q3 undertook their moves later in the year. Second, many businesses extended work-from-home policies indefinitely late in the summer prompting some tenants to consider making a change in their living accommodations. Third, as the duration of the pandemic lengthens, so does the financial hardship for certain tenants. Despite government income supports, some tenants are forced to move for financial reasons. Finally, some tenants are responding to incentives offered in the market and are moving to take advantage of deals being offered by other landlords for new leases.

There was an unseasonably high level of move-outs in Q4 2020 compared to the same period last year, which resulted in very high levels of leasing activity. The REIT entered into 406 new leases in Q4 2020, which was a 35% increase in leasing activity compared to 300 new leases in Q4 2019. This level of new leasing activity was a significant accomplishment given that tenants generally prefer not to move during winter months and over the holidays. The average rental rate achieved in Q4 2020 was 2.1% higher than the expiring rental rate, compared to an average increase of 12.9% in Q4 2019. Despite the unprecedented high level of move-outs in Q4 2020, the REIT achieved occupancy of 95.57% at December 31, 2020, down from 97.01% in Q3 2020. The REIT's objective was to maintain a balance between lease rate and occupancy without eroding long term value.

Management expects higher than normal turnover to continue into the first quarter of 2021, but it also expects that it will continue realizing gains in rental rates on new leases compared to sitting rental rates, albeit at a lower rate than in pre-pandemic quarters (see Section I, "Financial and Operating Highlights - Organic Growth — Gain-to-Lease" for further analysis of organic growth potential). The REIT also expects to maintain slightly lower occupancy going into Q2 in order to capture what is expected to be a stronger leasing season.

The REIT generates incremental income by leasing approximately 3.2% of its suites on a furnished basis (232 suites out of 7,245 suites as at December 31, 2020). The demand for furnished suites has been impacted significantly by the COVID-19 crisis due to reductions on business travel, corporate relocations, general restrictions on non-essential travel and the closing of the Canadian border. Additionally, the REIT's furnished suites are also popular with the film and entertainment industries, both of which have been negatively impacted by travel and border restrictions.

Management has responded firstly by adjusting furnished rental rates to capture the current demand in the market. In response to a drop in demand from the corporate users due to COVID-19 restrictions, the REIT has increased its mix of government and transient users. Both of these user groups are more price sensitive and Management has balanced rate and occupancy to maximize revenue. Secondly, Management will continue to adjust its furnished suite inventory over time depending on demand and changing market conditions. The REIT uses furnished suites as a tool to maximize yield at certain properties and these suites can be easily moved in and out of the furnished suite program. The REIT will be transitioning its 43 furnished suites at its Roehampton property into a repositioning program and will be releasing these units as unfurnished suites upon completion. Test suites were to be completed in Q4 2020, but this was delayed as the design work took longer than expected. Demolition and construction work has been tendered and the rate of completion of the work will depend on the ongoing level of government restrictions. The REIT plans to deliver repositioned suites to the market in the typically stronger Q2/Q3 2021 leasing market, depending on availability of suites and any further delays caused by provincial restrictions. The REIT will also transition suites in Calgary from furnished to unfurnished as leases expire. After completing these transitions, the REIT's furnished suite offering will be comprised of approximately 180 suites at Minto Yorkville and Minto one80five, which have historically been the REIT's strongest properties for furnished suites.

Furnished suite operations saw improvements in both occupancy and rate in Q4 2020. Furnished suite occupancy was 77.29% in Q4 2020, which was up sequentially from 75.08% in Q3 2020 but lower on a year-over-year basis from 84.06% in Q4 2019. Average monthly rent was \$3,571 in Q4 2020, which increased sequentially from \$3,460 in Q3 2020. Average monthly rent was down from the \$4,200 achieved in Q4 2019 reflecting the change in business mix noted above.

Furnished Suites Operating Metrics

As at	Q4 2020	Q3 2020	Q2 2020	Q4 2019
Furnished suites inventory	232	233	239	257
Average monthly rent	\$ 3,571	\$ 3,460	\$ 3,956	\$ 4,200
Occupancy	77.29 %	75.08 %	65.00 %	84.06 %

Liquidity

The REIT has sufficient liquidity and is well positioned to weather the current crisis. As at December 31, 2020, the REIT had total cash and availability on its credit facility of \$170,659 which provides sufficient liquidity to fund its obligations for the foreseeable future. The REIT's liquidity ratio (total liquidity as a percentage of total debt) was 20.08% at December 31, 2020. The REIT continues to maintain a conservative overall leverage position with a Debt-to-Gross Book Value ratio of 38.57% at December 31, 2020 (39.63% at Q3 2020).

Capital Expenditures, Repositioning and Development

Since the lifting of government restrictions on construction activities in Ontario and Quebec in Q2 2020, the REIT has continued repositioning renovation work, new value-enhancing capital expenditures and capital improvements and repairs that are critical to the health and safety of its residents and essential to the maintenance and operation of the buildings. The REIT requires all health and safety regulations to be respected during the performance of this work, which is scheduled to limit interaction between trades and to allow workers to stay two meters apart at all times. Repositioning activities that are underway are progressing at a slower pace in order to respect all required health measures on site. Looking forward to 2021, the REIT will take advantage of the higher number of vacant suites available to increase repositioning activity but that the pace and length of time it takes to do these may be longer than usual as a result of COVID-19 restrictions.

The REIT participates in the redevelopment of a property located at 99 Fifth Avenue, Ottawa, Ontario ("Fifth and Bank") by way of a \$30,000 investment loan. The loan bears interest at 6% per annum and provides the REIT with the option to purchase the property upon stabilization at a 5% discount to its then appraised fair market value. Upon completion, the development will comprise 163 residential rental suites along with 15,600 square feet of street front retail. The development schedule for this project has not been impacted by COVID-19 restrictions and stabilization is expected in Q1 2022.

On December 1, 2020, the REIT advanced an \$11,915 investment loan to a 50-50 joint venture between MPI and a subsidiary of Darwin Properties Ltd. ("DPL"), a Vancouver area developer. The loan will assist in funding the development of a new mixed-use multi-residential rental property, Phase 1 at Lonsdale Square, in the City of North Vancouver ("Lonsdale Square"). The financing bears interest at 7%, which will accrue and be payable in full on the maturity of the loan. On stabilization of the property, which is expected in the second half of 2023, the REIT will have the exclusive option to purchase the building at 95% of its then appraised fair market value. The new development will comprise 113 rental suites across six stories set above 7,800 square feet of retail-at-grade. Pursuant to the REIT's strategic alliance agreement with MPI, the REIT will have the opportunity to participate in future multi-residential phases of the Lonsdale Square project, currently estimated to be an additional 700 suites.

The REIT is in the final stages of obtaining development approvals to permit the construction of a new 225 suite multi-residential rental property on surplus land at its Richgrove property. During Q4 2020, the REIT completed a contribution agreement with the City of Toronto whereby the City will contribute funds towards the construction of 100 affordable rental suites included in the new building and will also provide relief from development charges and certain other fees. The REIT anticipates construction commencement in the second half of 2021, subject to receiving all required approvals to start construction.

The REIT currently has two other ongoing intensification projects in Toronto in the pre-development stage. The REIT is working through the site plan agreement with the City of Toronto for the intensification of its Leslie York Mills property, with 192 new residential rental suites. The REIT has received a favourable ruling from the Local Planning Appeal Tribunal for the rezoning of its property at High Park Village to allow for the addition of approximately 650 new residential rental suites. Management is in the process of satisfying the City's approval conditions. Construction is not expected to begin before late 2022. The REIT continues to pursue approvals on these projects, but may experience delays in dealing with municipal planning authorities as a result of the pandemic. The REIT will provide further guidance on the status of these projects when municipal approval timelines become more certain. The decision to proceed with construction of an intensification opportunity is also subject to partner or co-owner approval, as applicable.

Valuation

Transaction activity in the multi-residential sector increased in the last two quarters of 2020 and provided market support for higher valuations. Although COVID-19 introduces more uncertainty into the valuation of real estate, multi-residential rental assets in Canada have proven to be resilient and are highly sought after. Several large multi-residential properties traded in the second half of the year and these transactions were characterized by a large number of bidders and strong pricing. Furthermore, the continuing availability of CMHC insured debt financing at historically low interest rates continues to support valuation of multi-residential assets.

Fair value of residential properties is determined using the direct capitalization approach. Stabilized net operating income for each property is capitalized at an appropriate capitalization rate and then a deduction is made for certain capital expenditures that each property may require (which includes (i) any major maintenance capital expenditures, and (ii) capital expenditures relating to a suite repositioning if the increased revenue from that suite repositioning is included in the stabilized net operating income).

For the purpose of valuation, stabilized net operating income for each property is estimated by forecasting results for the following 12-month period. Based on its experience operating during the pandemic, Management has made adjustments to the turnover assumptions in its forecast.

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. As at December 31, 2020, external appraisals were obtained for properties representing approximately 54% of the REIT's total carrying value for investment property. Capitalization rates for many of the REIT's properties, especially those located in Ottawa, were adjusted downward based on information in these appraisal reports and on capitalization rates observed in the market. The weighted-average capitalization rate used at December 31, 2020 was 3.81% compared to 3.92% at both September 30, 2020 and December 31, 2019.

Fair value for the commercial components of the REIT's portfolio is determined using the discounted cash flow method. No adjustments were made to forecasted cash flows or discount rates as a result of COVID-19.

In addition to any adjustments set out above, a reserve for potential COVID-19 impacts was taken at the portfolio level. This reserve conservatively accounts for short-term potential effects of the pandemic, including, but not limited to, increased bad debt expense, higher vacancy and promotion costs and disruptions in furnished suite operations. The amount of the reserve taken as at December 31, 2020 is \$2,681 compared to \$3,837 at September 30, 2020 and \$nil at December 31, 2019.

The REIT's investment properties are recorded at a fair value of \$2,138,101 at December 31, 2020, compared to \$2,016,328 at December 31, 2019.

Financial and Operating Highlights

Financial Performance

With the economy still in the midst of a pandemic, including a new surge in COVID-19 cases towards the end of 2020, the financial performance of the REIT's portfolio has remained resilient. Collections remained strong and average rents have continued to climb. Management offered rental deferral agreements to all residents in Q2 2020 and only a limited number of residents participated. The majority of the residents that did participate are current on their payment plans. Targeted marketing efforts and initiatives, including incentives and focused leasing promotions, helped maintain occupancy in the face of rising turnover in the last quarter of the year. Notwithstanding these challenges, the REIT continues to generate rental revenue gains on suite turnovers and new leases are set at market rates, albeit at a slower pace than before the pandemic.

Revenue, NOI, FFO and AFFO for the Total Portfolio were all higher for the three months and year ended December 31, 2020 compared to the same periods in 2019. This was primarily due to contributions from new property acquisitions and improved performance of the REIT's unfurnished rentals. Average monthly rent per suite as at December 31, 2020 for the Same Property Portfolio and the Total Portfolio increased by 2.9% and 2.8% respectively compared to 2019. The NOI margin for the Total Portfolio increased to 62.9% for the year ended December 31, 2020, from 62.5% in 2019.

Revenue, NOI and NOI margin for the Same Property Portfolio for the three months and year ended December 31, 2020 decreased compared to 2019. These reductions are primarily a result of the declining contributions from the REIT's furnished suite operations and lower occupancy in the unfurnished suite portfolio. Furnished suites have historically enhanced yield and property returns, but continue to be negatively impacted by reduced corporate demand and travel caused by COVID-19 restrictions.

The REIT continued to execute its strategy to create organic growth by realizing on embedded rent in the portfolio and by repositioning suites in properties where there is demand for renovated units. The REIT was able to realize, on average, an increase of 8.1% on the 1,501 new leases it signed for the year, which represents annualized revenue growth of approximately \$1,912. The REIT also repositioned 239 suites during 2020, representing an average annual un-levered return of 9.4%. The REIT also repositioned 56 suites during Q4 2020, representing an average annual un-levered return of 9.0%.

The REIT entered into 406 new leases in Q4 2020, compared to 300 new leases in Q4 2019 and achieved an average rental rate that was 2.1% higher than the expiring rental rate. The REIT was unable to increase the rents significantly in all markets due to the unseasonably high number of move-outs in Q4 2020 and promotions offered at competing properties.

NAV per unit was \$22.26 as at December 31, 2020, 8.3% higher than the \$20.56 recorded at December 31, 2019. This increase was due to a combination of a slight decline in capitalization rates, mainly on Ottawa properties, and higher projected NOI.

In the REIT's continued effort to create value, two additional suites were created in Q4 2020 from excess common area space at the Carlisle in Ottawa.

On July 21, 2020, the Minto one80five property was refinanced with a \$94,797 CMHC-insured mortgage bearing interest at 2% and a \$23,928 conventional second mortgage bearing interest at 2.55%, both maturing on August 1, 2030. The proceeds were used to repay the property's existing variable interest rate mortgage that was otherwise due to mature on September 30, 2020.

On December 8, 2020, the REIT filed a short form base shelf prospectus which allows for the issuance of securities for an aggregate amount of up to \$800,000. 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. This short form base shelf prospectus replaces the short form base shelf prospectus filed on December 21, 2018, which expired in January 2021.

On November 30, 2020, the REIT advanced \$11,915 to a limited partnership jointly owned by MPI and a subsidiary of DPL to develop Lonsdale Square in North Vancouver, British Columbia. The loan bears interest at 7% and matures on May 30, 2024. Interest accrues and is payable in full on maturity. In connection with this financing, the REIT will have the exclusive option to purchase the property upon stabilization at a 95% of its then appraised fair market value as determined by independent and qualified third-party appraisers.

Organic Growth — Gain-to-Lease

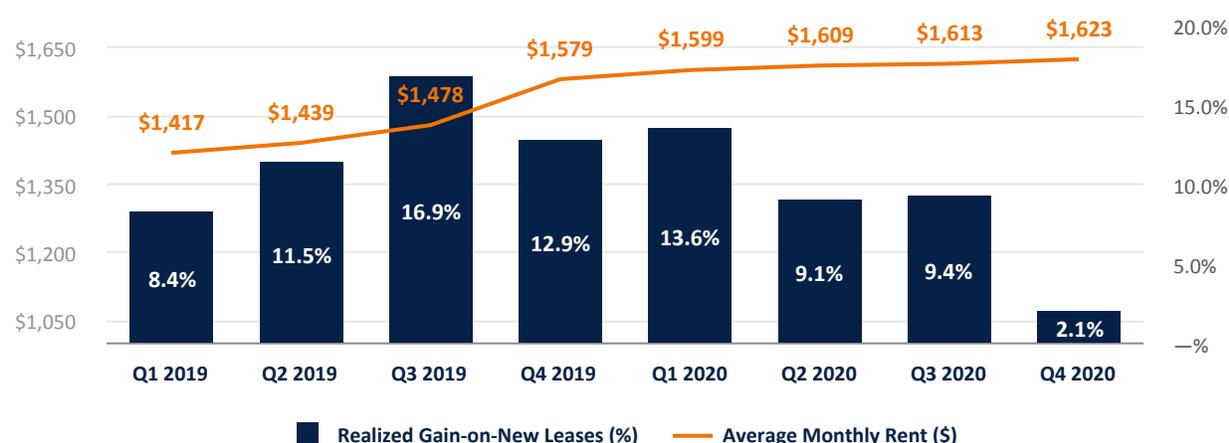
Despite the impacts of COVID-19, the REIT realized on organic growth for the three months ended December 31, 2020 through effective leasing activities and revenue management strategies. As new tenants take occupancy, the REIT is able to move rental rates from older in-place levels to current market rates. During the period, new leases resulted in annualized revenue growth of approximately \$188. A summary of leasing activities and the gains to be realized from new leases signed for the three months ended December 31, 2020 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	79	\$1,867	\$2,020	8.2%	\$93
Ottawa	181	1,578	1,641	4.0%	136
Alberta	87	1,319	1,214	(8.0)%	(58)
Montreal	59	1,526	1,576	3.3%	17
Total/Average	406	\$1,551	\$1,584	2.1%	\$188

The REIT was able to realize an average gain-on-turn of 2.1% on the 406 new leases it signed in the fourth quarter of the year. The REIT realized gains in all markets, with the exception of Alberta, with the majority of the contributions stemming from the Toronto and Ottawa markets. In Alberta, where incentives continue to be widely used, 87 new leases were signed for an average loss-on-turn of 8.0%.

The REIT typically experiences its peak leasing season during Q2 and Q3 and leasing activity generally slows during the late fall and winter months. However, typical suite turnover patterns were impacted by COVID-19 and leasing activity in Q2 2020 and Q3 2020 was lower than normal while leasing activity in Q4 2020 was much higher than normal to address a sharp increase in tenants moving out during the quarter (for more details see Section I, "COVID-19 Response and Impact on the REIT - Leasing Activities and Turnover"). Management adjusted asking rents slightly in Q4 2020 to maintain a balance between rental growth and occupancy. This adjustment resulted in a lower overall gain-to-lease than was realized in previous quarters.

Realized Leasing Gains and Average Monthly Rent



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.

Below is a summary of leasing activities and the gains realized from new leases signed for the year ended December 31, 2020:

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	309	\$1,931	\$2,154	11.6%	\$522
Ottawa	691	1,469	1,642	11.8%	1,435
Alberta	292	1,273	1,217	(4.4)%	(197)
Montreal	209	1,673	1,780	6.4%	152
Total/Average	1,501	\$1,513	\$1,636	8.1%	\$1,912

The annualized gains 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-on-Turn	Annualized Gain-on-Turn ²
Q1 2020	353	\$1,551	\$1,762	13.6%	\$780
Q2 2020	339	1,469	1,602	9.1%	467
Q3 2020	403	1,489	1,630	9.4%	477
Q4 2020	406	1,551	1,584	2.1%	188
Total/Average	1,501	\$1,513	\$1,636	8.1%	\$1,912

Management continually reviews market conditions and updates its estimates of market rent for the properties in its portfolio. In response to unseasonably high move-outs and leasing challenges brought on by COVID-19 in Q4 2020, Management reduced its estimates of average market rent in all markets except Alberta. These reductions are a result of the near term challenges brought on by COVID-19, which include government-imposed lockdowns of businesses, border restrictions (which affect the flow of immigration and foreign students) and the physical challenges of showing suites and executing transactions while maintaining health measures established to limit the spread of the virus. Management believes that these disruptions and challenges are temporary and that there will be a recovery in market rents in the second half of 2021 (see Section I, "Outlook"). We anticipate that the rollout of vaccines, anti-viral medications and improved testing in 2021 will materially reduce the economic and physical disruptions caused by COVID-19.

Management also monitors market conditions for competing product types, principally new condominium suites being offered as rentals in the City of Toronto, and considers this information when setting its estimate of monthly market rent. The availability of condo rentals increased in Q4 2020 and their average rental rates declined on a year-over-year basis. Notwithstanding the improving affordability of condo rentals, the REIT's suites continue to compare favourably on a size and rental rate basis. The average size of the REIT's Toronto suites is 800 square feet compared to 703 square feet for the average condo rental and the rental rate for the REIT's Toronto suites is \$2.32 per square foot compared to \$2.95 per square foot for the average condo rental.³

Factoring in the new estimates of market rent, the estimated gain-to-lease potential on existing tenancies for the REIT's portfolio as at December 31, 2020 is as follows:

Geographic Node	Total Suites ⁴	Average Monthly In-Place Rent/Suite	Management's Estimate of Monthly Market Rent	Percentage Gain-to-Lease	Annualized Estimated Gain-to-Lease ²
Toronto	1,736	\$1,858	\$2,001	7.7%	\$1,927
Ottawa	2,777	1,511	1,621	7.3%	3,684
Alberta	618	1,235	1,270	2.8%	258
Montreal	1,436	1,923	2,114	9.9%	2,180
Total/Average	6,567	\$1,623	\$1,745	7.6%	\$8,049

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.

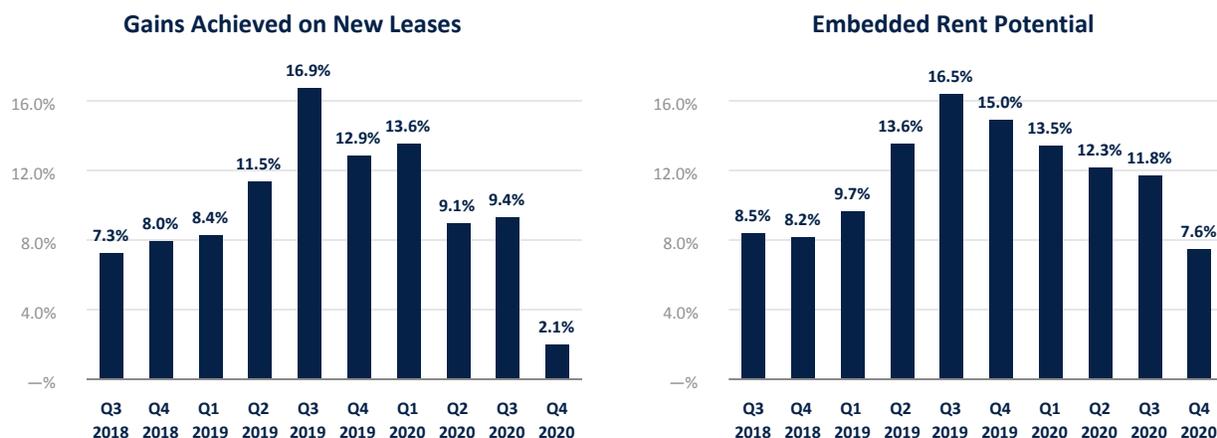
³ Data for condo rentals is from Urbanation Q4 2020 Condo Rental Report.

⁴ Excludes 232 furnished suites, 306 vacant suites, 109 suites offline for repositioning and 31 units offline for enhanced turns.

Management currently estimates that the portfolio has annualized embedded potential gain-to-lease of approximately \$8,049, compared to \$12,678 at Q3 2020 and \$16,181 in Q4 2019. Regardless of this decline, Management continues to realize on gain-to-lease opportunities as suites turnover and expects to continue doing so going forward. As noted above (and more fully in Section I, "Outlook"), Management expects market rents to increase in the second half of 2021 and that the total gain-to-lease potential will increase.

The ability of the REIT to realize the embedded rent is dependent on the number of residents that move-out in its portfolio and overall market conditions. 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.

The REIT has a good track record realizing on the embedded rent in its portfolio. The following charts summarize the gains the REIT has realized each quarter since its IPO, as well as Management's estimate of the embedded rent potential remaining in the portfolio.



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 test suites in order to gauge market demand for different improvements or combination of improvements. Test suites also assist Management in mitigating capital risk by confirming and refining cost estimates, value engineering 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 as suites turn over. The rate at which Management can complete the repositioning plan depends on the rate of suite turnover. Additionally, the government restrictions in effect with regard to the pandemic are also impacting the pace at which the REIT's repositionings can be performed.

The REIT has active repositioning programs at: Minto Yorkville, Leslie York Mills and High Park Village in Toronto; Castle Hill and Carlisle in Ottawa; and Rockhill, Le 4300 and Haddon Hall in Montreal. The REIT temporarily halted repositioning of suites at its Edmonton properties in Q2 2020 as lower rental rates are negatively impacting returns on repositioning activities. The one suite repositioned in Edmonton represents a suite renovation commenced prior to freezing the program and leased in Q4 2020.

A summary of the repositioning activities for the three months and year ended December 31, 2020 is set out below¹.

Property	Ownership Interest	Suites Repositioned and Leased		Remaining Suites to Reposition	Total Suites in the Program	Proportion Complete
		Three months ended December 31, 2020	Year ended December 31, 2020			
Minto Yorkville	100%	3	8	45	99	55%
Leslie York Mills	50%	19	62	298	409	27%
High Park Village	40%	10	34	358	407	12%
Edmonton properties ²	100%	1	13	74	171	57%
Carlisle	100%	13	33	129	191	32%
Castle Hill	100%	3	26	107	176	39%
Rockhill	50%	7	61	862	934	8%
Le 4300	100%	—	2	259	261	1%
Haddon Hall	100%	—	—	191	191	—%
Total		56	239	2,323	2,839	18%



Rockhill, Montreal



Haddon Hall, Montreal



Le 4300, Montreal

While COVID-19 has created delays to the construction schedules, the repositionings at both Haddon Hall and Le 4300 are progressing and pre-leasing is underway for suites to be delivered in the first quarter of 2021. Eight suites have been leased at rental rates slightly higher than underwritten pro-forma rental rates.

The following includes a summary of the costs and returns from the repositioning activities for the periods presented:

	Three months ended December 31, 2020	Year ended December 31, 2020
Suites renovated	56	239
Suites renovated (at the REIT's ownership share)	37	157
Average cost per suite	\$ 38,988	\$ 37,189
Average annual rental increase per suite	\$ 3,512	\$ 3,496
Average annual un-levered return	9.0 %	9.4 %

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

The REIT is exploring repositioning opportunities at four other wholly-owned properties in the portfolio, with a combined count of nearly 600 suites with repositioning potential.

¹ All suite counts, including co-owned properties, are presented at 100% rather than the REIT's ownership share.

² Edmonton repositioning program is currently on hold due to market conditions.

The reduction in demand for furnished suites due to COVID-19 presented an opportunity to accelerate repositioning at the Roehampton property in Toronto by converting its furnished suites to unfurnished as suites turnover. Test suites were to be completed in Q4 2020, but this was delayed as the design work took longer than expected. Repositioning work has subsequently been delayed due to provincial restrictions on construction activities relating to COVID-19. The construction of test suites is now expected to commence in Q1 2021. The REIT plans to deliver repositioned suites to the market in the typically stronger Q2/Q3 2021 leasing market, depending on availability of suites and any further delays caused by provincial restrictions.

The REIT's repositioning program presents the best risk-to-return profile of all investment opportunities, generating NAV growth at the expense of modest, near-term earnings dilution. Repositioning programs are flexible, with relatively small, discrete capital commitments and short project durations that are easily accelerated or slowed as market conditions dictate. The REIT's high volume of repositioning programs generates a number of efficiencies through volume purchasing, repeatable design concepts and material selection, and transferable lessons learned from other projects.

Enhanced Turns

In addition to its repositioning program, the REIT took advantage of vacancies at certain properties to make improvements to suites on turnover in excess of the typical work completed on a regular turnover (defined as an enhanced turn). An enhanced turn involves replacing carpets with modern flooring, as well as improvements to trim and fixtures and new appliances in some instances. The scope of work is narrower than in the repositioning program but early results are showing unlevered returns consistent with the REIT's repositioning program. The timing to complete the enhanced turn depends on the condition of the suite and the specific work being performed, but typically ranges from two to four weeks. In Q4 2020, 20 suites were leased after going through enhanced turns and the annualized rental rate increases generated returns in excess of 8% on cost. Another 31 suites in buildings located in the Parkwood Hills area of Ottawa (Frontenac, Stratford, Grenadier, Huron and Seneca) were undergoing enhanced turns at December 31, 2020.

New Development

A block of 32 suites at the Skyline property, destroyed by fire in March 2017, were rebuilt by MPI and delivered to the REIT in Q3 2020. The suites are undergoing lease-up, with 22 suites leased and occupied at the end of 2020. For the disclosures made in this Management's Discussion and Analysis, all 32 suites are excluded from the suite count. Full lease-up is expected in Q1 2021 at which time the due payment will be made by the REIT to MPI.

Outlook

In the current operating environment, Management is focused on the health and safety of its residents, employees and business partners and on limiting the spread of COVID-19. Notwithstanding the challenges resulting from COVID-19, Management has been able to operate safely while continuing to realize on growth 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; and
- Capitalizing on our strategic alliance with MPI and its affiliates by accessing its pipeline of assets and deal flow.

In 2021, growth is also expected to come from:

- 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

Management believes the operating environment and tenant demand will improve over the course of 2021. The development of effective COVID-19 vaccines, along with various anti-viral medications and new rapid testing tools will accelerate the transition back to normalcy in day-to-day living and business operations. The transition will progress in phases as the vaccine rollout proceeds. The Federal Government expects that all Canadians that wish to be vaccinated will have the opportunity by September 2021.

Management expects that government imposed restrictions will begin to ease with employment improving, immigration volumes picking up and on-campus or hybrid instruction resuming at post-secondary institutions for the fall term. Economists are forecasting economic growth to recover as service industries, which were the hardest hit by restrictions, can come back online quickly as restrictions are eased.

The roll out of vaccines and improved testing will reignite demand for housing from students and new immigrants, which are two important groups driving demand for rental housing. Students have shown a preference for in-person learning and strong demand from students in post-secondary programs is expected to return over the course of the year. The Federal Government has reiterated its commitment to immigration and has increased its targets for new permanent residents over the next three years in order to catch up on the immigration that was delayed in 2020 due to border closures. The Federal Government's new targets, along with natural growth, should push net population growth to a rate of over 500,000 people per year for the next three years, returning to historically high population growth last reached in 2019 before the onset of the pandemic.

The favourable supply and demand fundamentals that existed prior to the pandemic have not gone away. The affordability gap between rental housing and home ownership has in fact gotten wider in most Canadian cities. The supply of new housing remains constrained and inelastic to housing demand and population growth. As population growth resumes in 2021, rental housing demand is expected to strengthen and Management expects occupancy rates and market rents for its portfolio will increase.

Organic Growth Opportunities

The REIT expects to continue to see organic growth on turnover of suites in the near term in all markets. Management expects to realize on the gap between market rent and average sitting rent on new leases as suites turnover and rent is adjusted to current market rates. The average gain-to-lease opportunity for the portfolio is 7.6% (as set out in the detailed gain-to-lease table in the previous section).

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 has an extensive repositioning program with more than 2,300 suites eligible for repositioning. The REIT's ability to execute its repositioning program is highly dependent on the turnover of our tenants and market conditions at the time suite renovations are completed. Government restrictions with regard to the pandemic impacted the pace of the REIT's renovation program. Subject to the availability of suites through turnover and potential provincial restrictions, the REIT expects to reposition approximately 250 to 300 suites in 2021.

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 in Toronto. During the quarter, the REIT executed a contribution agreement with the City of Toronto to build affordable housing on surplus land at its Richgrove property and is in the process of obtaining rental construction financing from CMHC.

All three development opportunities remain subject to municipal and investment partner approvals (as applicable). The REIT continues to pursue these opportunities but may experience additional delays as it deals with local municipalities and faces limitations with the facilitation of public meetings during the COVID-19 crisis.

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 Management believes 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.

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

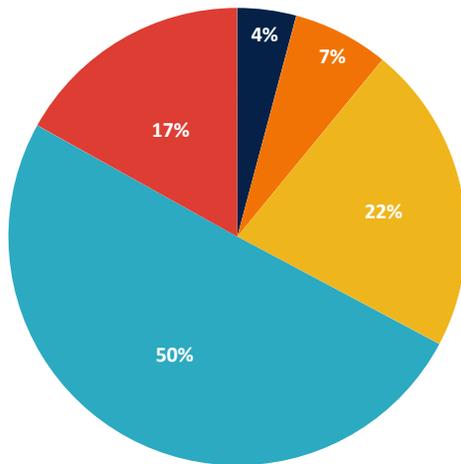
The REIT is continuously exploring opportunities to acquire additional properties or to dispose of existing properties if the proceeds can be deployed more productively in other investments. Acquisition efforts are focused on major urban markets in Canada, with an emphasis on properties that present opportunities with embedded gain-to-lease potential, repositioning, intensification or a combination of all these opportunities. 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, Ottawa 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.

During Q4 2020, the REIT entered into an agreement to advance an investment loan to a 50-50 joint venture between MPI and a subsidiary of DPL to assist in funding the development Lonsdale Square in North Vancouver. The REIT has the option to purchase the property upon stabilization, which is expected in the latter half of 2023, at 95% of its then appraised fair market value. Pursuant to the REIT's strategic alliance agreement with MPI, the REIT will have the opportunity to participate in future multi-residential phases of the Lonsdale Square project, currently estimated to be an additional 700 suites.

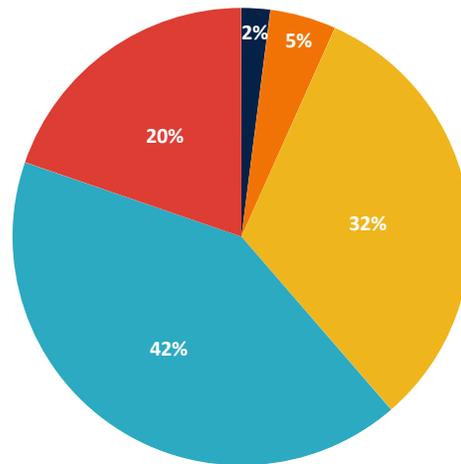
The changes in the geographic distribution of the suites within the REIT's portfolio and geographic breakdown of the investment properties valuation are depicted below:

Suites by Region (%)¹
As at December 31, 2020



Total Suite Count: 6,089

Valuation of Investment Properties by Region
As at December 31, 2020



Total Fair Market Value: \$2,138,101

● Ottawa ● Toronto ● Calgary ● Edmonton ● Montreal

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

Section II - Financial Highlights and Performance

Key Performance Indicators

The REIT's operating results are affected by seasonal variations and other factors, including the impacts of COVID-19. 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 for the Total Portfolio, Same Property Portfolio and Same Property Portfolio - excluding furnished suites. The information in the table below and throughout this Management's Discussion and Analysis is on a Total Portfolio basis, except where specifically stated otherwise:

	Three months ended December 31,			Year ended December 31,		
	2020	2019	Change	2020	2019	Change
Operating						
Number of properties	29	29	—	29	29	—
Total suites ¹	7,245	7,243	2	7,245	7,243	2
Average monthly rent per suite	\$ 1,623	\$ 1,579	2.8 %	\$ 1,623	\$ 1,579	2.8 %
Occupancy	95.57 %	98.01 %	(244) bps	95.57 %	98.01 %	(244) bps
Average monthly rent per suite - Same Property Portfolio	\$ 1,523	\$ 1,480	2.9 %	\$ 1,523	\$ 1,480	2.9 %
Occupancy - Same Property Portfolio	95.06 %	97.76 %	(270) bps	95.06 %	97.76 %	(270) bps
Financial						
Revenue	\$ 30,930	\$ 29,868	3.6 %	\$ 124,929	\$ 104,438	19.6 %
NOI ²	\$ 18,946	\$ 18,613	1.8 %	\$ 78,620	\$ 65,297	20.4 %
NOI margin ²	61.3 %	62.3 %	(100) bps	62.9 %	62.5 %	40 bps
Net income and comprehensive income	\$ 23,010	\$ 19,708	16.8 %	\$ 179,638	\$ 19,966	799.7 %
Revenue - Same Property Portfolio	\$ 22,242	\$ 23,191	(4.1)%	\$ 90,218	\$ 91,505	(1.4)%
NOI ² - Same Property Portfolio	\$ 13,671	\$ 14,529	(5.9)%	\$ 56,021	\$ 57,187	(2.0)%
NOI margin ² - Same Property Portfolio	61.5 %	62.6 %	(110) bps	62.1 %	62.5 %	(40) bps
Revenue - Same Property Portfolio - excluding furnished suites	\$ 20,281	\$ 20,604	(1.6)%	\$ 82,578	\$ 80,928	2.0 %
NOI ² - Same Property Portfolio - excluding furnished suites	\$ 12,735	\$ 12,899	(1.3)%	\$ 51,939	\$ 50,320	3.2 %
NOI margin ² - Same Property Portfolio - excluding furnished suites	62.8 %	62.6 %	20 bps	62.9 %	62.2 %	70 bps
FFO ²	\$ 12,022	\$ 11,737	2.4 %	\$ 49,981	\$ 39,632	26.1 %
FFO per unit ²	\$ 0.2036	\$ 0.1997	2.0 %	\$ 0.8465	\$ 0.8414	0.6 %
AFFO ²	\$ 10,459	\$ 10,212	2.4 %	\$ 43,733	\$ 34,142	28.1 %
AFFO per unit ²	\$ 0.1771	\$ 0.1738	1.9 %	\$ 0.7407	\$ 0.7248	2.2 %
AFFO Payout Ratio ²	64.23 %	63.30 %	90 bps	60.25 %	58.56 %	169 bps
Distribution per unit	\$ 0.1138	\$ 0.1100	3.5 %	\$ 0.4463	\$ 0.4225	5.6 %
Distribution yield based on Unit closing price	2.23 %	1.90 %	33 bps	2.19 %	1.81 %	38 bps

¹ Includes 2,163 (December 31, 2019 - 2,163) suites co-owned with institutional partners.

² Refer to Section IV, "Reconciliation of Non-IFRS Measures" for a reconciliation of performance indicators not defined by IFRS.

As at	December 31, 2020	December 31, 2019	Change
Leverage			
Debt-to-Gross Book Value ratio ¹	38.57 %	39.30 %	73 bps
Debt Service Coverage ratio ¹	1.91x	1.93x	(0.02)x
Debt-to-EBITDA ratio ¹	11.51x	10.72x	(0.79)x
Weighted average term to maturity on fixed rate debt	5.81	5.97	(0.16) years
Weighted average interest rate on fixed rate debt	2.94 %	3.15 %	21 bps
Valuation			
NAV ¹	\$ 1,314,030	\$ 1,213,879	8.3 %
NAV per unit ¹	\$ 22.26	\$ 20.56	\$ 1.70

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 years ended December 31, 2020 and 2019:

Same Property Portfolio

	Three months ended December 31,			Year ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Revenue from investment properties	\$ 22,242	\$ 23,191	(4.1)%	\$ 90,218	\$ 91,505	(1.4)%
Property operating costs	4,311	4,519	4.6 %	16,856	17,271	2.4 %
Property taxes	2,283	2,441	6.5 %	9,825	9,686	(1.4)%
Utilities	1,977	1,702	(16.2)%	7,516	7,361	(2.1)%
NOI ¹	\$ 13,671	\$ 14,529	(5.9)%	\$ 56,021	\$ 57,187	(2.0)%
NOI margin ¹	61.5 %	62.6 %	(110) bps	62.1 %	62.5 %	(40) bps

Same Property Portfolio - Excluding Furnished Suites

	Three months ended December 31,			Year ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Revenue from investment properties ²	\$ 20,281	\$ 20,604	(1.6)%	\$ 82,578	\$ 80,928	2.0 %
Property operating costs	3,585	3,792	5.5 %	14,320	14,574	1.7 %
Property taxes	2,108	2,270	7.1 %	9,216	9,088	(1.4)%
Utilities	1,853	1,643	(12.8)%	7,103	6,946	(2.3)%
NOI ¹	\$ 12,735	\$ 12,899	(1.3)%	\$ 51,939	\$ 50,320	3.2 %
NOI margin ¹	62.8 %	62.6 %	20 bps	62.9 %	62.2 %	70 bps

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

² Includes rental revenue from the lease of unfurnished suites, commercial space, parking revenue and other property income.

Total Portfolio

	Three months ended December 31,			Year ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Revenue from investment properties	\$ 30,930	\$ 29,868	3.6 %	\$ 124,929	\$ 104,438	19.6 %
Property operating costs	6,142	5,794	(6.0)%	23,221	19,755	(17.5)%
Property taxes	3,162	3,105	(1.8)%	13,346	11,016	(21.2)%
Utilities	2,680	2,356	(13.8)%	9,742	8,370	(16.4)%
NOI ³	18,946	18,613	1.8 %	78,620	65,297	20.4 %
NOI margin ³	61.3 %	62.3 %	(100) bps	62.9 %	62.5 %	40 bps
General and administrative expenses	1,598	1,717	6.9 %	6,634	5,607	(18.3)%
Finance costs - operations	8,330	8,077	(3.1)%	33,767	30,132	(12.1)%
Fair value loss (gain) on:						
Investment properties	(61,231)	(21,885)	(179.8)%	(78,701)	(93,216)	15.6 %
Class B LP Units	47,587	12,068	(294.3)%	(63,298)	104,241	160.7 %
Interest rate swap	(174)	(729)	76.1 %	2,429	(879)	376.3 %
Unit-based compensation	239	71	(236.6)%	(249)	325	176.6 %
Fees and other income	(413)	(414)	(0.2)%	(1,600)	(879)	82.0 %
Net income and comprehensive income	\$ 23,010	\$ 19,708	16.8 %	\$ 179,638	\$ 19,966	799.7 %

Net Operating Income

Same Property Portfolio NOI excluding furnished suites was 1.3% lower and 3.2% higher for the three months and year ended December 31, 2020 respectively compared to the same period in 2019, with revenue being the main driver of the change.

For the three months ended December 31, 2020, Same Property Portfolio revenue excluding furnished suites was 1.6% lower compared to the same period in 2019. The decline in revenue for the quarter was a result of lower occupancy and Management opting to preserve rents by leveraging promotions.

The revenue for the Same Property Portfolio excluding furnished suites was 2.0% higher for the year ended December 31, 2020 compared to the same period in 2019 as a result of realizing gain-to-lease and achieving higher revenue from repositioned suites. This was partially offset by reduced revenues as a result of higher move-outs and lower occupancy. Same Property Portfolio NOI excluding furnished suites was also higher due to a decrease in property operating expenses as a result of reduced salaries and benefits and lower repairs and maintenance expenses partially offset by an increase in insurance premiums. On an annual basis, the unfurnished suites have performed well despite the impacts of COVID-19.

Same Property Portfolio NOI for the three months ended December 31, 2020 was 5.9% lower compared to the same period in 2019. Three properties, Minto Yorkville, Minto one80five and 150 Roehampton, comprise most of the unfavourable variance in the REIT's Same Property Portfolio NOI. The vast majority of the REIT's furnished suites are located in these three core urban properties, which have been hit hardest by COVID-19 related border closures, business lockdowns and work-from-home requirements. The REIT's Same Property Portfolio NOI, excluding these three properties, increased 1.4% in Q4 2020 compared to Q4 2019. Same Property Portfolio NOI for the year ended December 31, 2020 was 2.0% lower compared to the previous year primarily due to lower occupancy.

Total Portfolio NOI for the three months and year ended December 31, 2020 increased 1.8% and 20.4%, compared to the previous year mainly as a result of higher revenues from the five investment property acquisitions completed after March 31, 2019, comprising a total of 2,691 suites (including 2,163 suites co-owned with institutional partners), partly offset by lower revenue from furnished suites.

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

Revenue from Investment Properties

Same Property Portfolio

	Three months ended December 31,			Year ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Rental revenue						
Unfurnished suites	18,194	18,370	(1.0)%	74,130	72,456	2.3 %
Furnished suites	1,961	2,587	(24.2)%	7,640	10,577	(27.8)%
Commercial leases	557	535	4.1 %	2,165	2,110	2.6 %
Parking revenue	788	788	— %	3,146	3,021	4.1 %
Other property income	742	911	(18.6)%	3,137	3,341	(6.1)%
	\$ 22,242	\$ 23,191	(4.1)%	\$ 90,218	\$ 91,505	(1.4)%

Total Portfolio

	Three months ended December 31,			Year ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Rental revenue						
Unfurnished suites	26,379	24,714	6.7 %	106,925	84,670	26.3 %
Furnished suites	1,975	2,614	(24.4)%	7,746	10,657	(27.3)%
Commercial leases	557	535	4.1 %	2,165	2,110	2.6 %
Parking revenue	1,064	968	9.9 %	4,253	3,370	26.2 %
Other property income	955	1,037	(7.9)%	3,840	3,631	5.8 %
	\$ 30,930	\$ 29,868	3.6 %	\$ 124,929	\$ 104,438	19.6 %

Revenue from investment properties consists of rental revenue from residential lease agreements relating to unfurnished suites and furnished suites, commercial lease agreements, parking revenue and other property income. Other property income consists of ancillary revenue from laundry facilities, telecommunication commission revenue, membership fee revenue, other fee income from tenants and recoveries of utility charges, operating costs and property taxes.

Rental Revenue from Unfurnished Suites

Same Property Portfolio rental revenue from unfurnished suites for the three months ended December 31 was 1.0% lower than the same period in 2019, primarily as a result of reduced occupancy and increased promotions, partially offset by an increase in average rents. For the year ended December 31, 2020, revenue from unfurnished suites was 2.3% higher than the previous year primarily due to increases in rents on new leases and repositioned suites partially offset by lower occupancy, turnover and increased promotions. A total of 296 and 1,089 new leases of unfurnished suites in the Same Property Portfolio were signed for the three months and year ended December 31, 2020, respectively, resulting in an average annualized rent increase of 1.7% and 8.1%, respectively. A sharp increase in tenants moving out in Q4 2020 and weak demand for urban locations stemming from the pandemic resulted in a lower average annualized rent increase in Q4 2020.

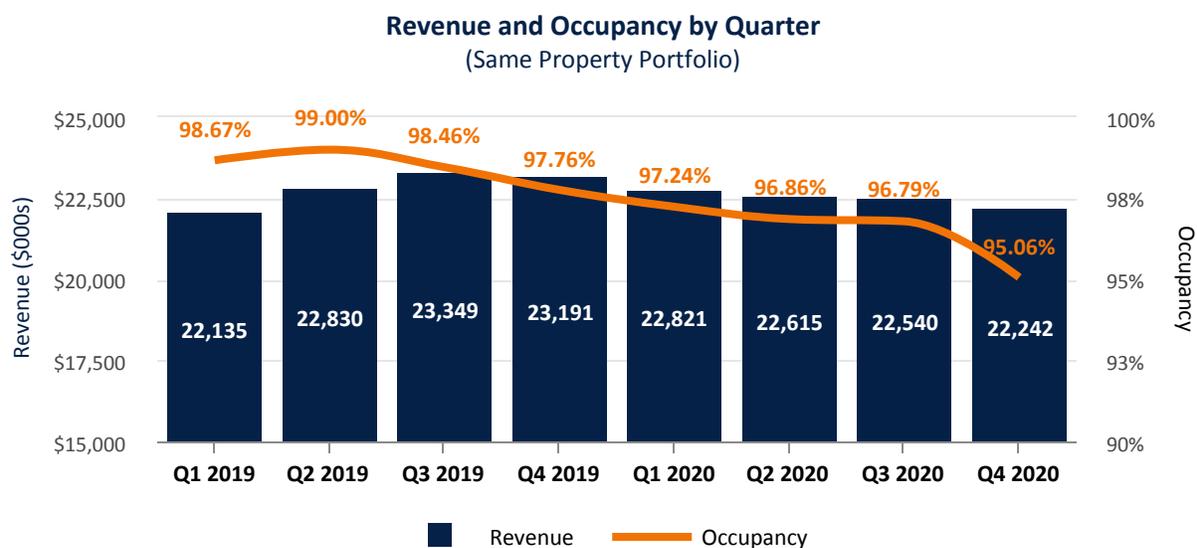
Total Portfolio rental revenue from unfurnished suites for the three months and year ended December 31, 2020 was 6.7% and 26.3% higher than the previous year primarily due to additional revenues from investment property acquisitions completed subsequent to March 31, 2019. A total of 406 and 1,501 new leases of unfurnished suites in the Total Portfolio were signed for the three months and year ended December 31, 2020, respectively, resulting in an average annualized rent increase of 2.1% and 8.1%, respectively, driven mainly by the Ontario properties.

Rental performance metrics as at December 31, 2020 and 2019 are as follows:

As at December 31,	Same Property Portfolio		Total Portfolio	
	2020	2019	2020	2019
Number of suites ¹	4,554	4,552	7,245	7,243
Average monthly rent per suite	\$ 1,523	\$ 1,480	\$ 1,623	\$ 1,579
Occupancy	95.06 %	97.76 %	95.57 %	98.01 %

Same Property Portfolio average monthly rent per suite of \$1,523 as at December 31, 2020 was \$43 per month higher than the previous year, primarily due to realized gain-to-lease on suite turnover across Ontario.

Total Portfolio average monthly rent per suite of \$1,623 as at December 31, 2020 was \$44 per month higher than the previous year, primarily due to the increase in Same Property Portfolio rents, along with the acquisition of two investment properties in Montreal with higher average rental rates. As at December 31, 2020, the average monthly rent from these acquisitions was \$2,411.



Notwithstanding the fact that 406 leases were signed during the quarter (35% higher than Q4 2019), occupancy decreased on unseasonably high move-outs. Occupancy trended down mainly due to the economic uncertainties and lower rental demand caused by the pandemic. With Canada being an economy that depends heavily on immigration for productivity and growth, the restrictions on immigration have impacted the demand and supply for rental suites in all markets. To add to that, work from home conditions and affordability have caused tenants to move from urban centres into suburban areas. The Alberta market, already suffering from weaker leasing markets as a result of the decline in oil and gas commodity prices, was further impacted by the pandemic-related market conditions. Management opted to preserve value by holding rents and leveraging promotions and spot pricing to manage conversion and occupancy during the quarter.

Rental Revenue from Furnished Suites

For the three months and year ended December 31, 2020, Same Property Portfolio rental revenue from furnished suites was 24.2% and 27.8% lower than the previous year. For the three months and year ended December 31, 2020, Total Portfolio rental revenue from furnished suites was 24.4% and 27.3% lower than the previous year due to lower occupancy and average monthly rent for furnished suites as a result of the pandemic. Occupancy was lower year-over-year mainly due to the significant impact on demand for furnished suites by reductions in business travel and corporate relocations and general restrictions on non-essential travel triggered by the COVID-19 crisis. The REIT's furnished suites are also popular with the film and entertainment industries which suspended filming during the pandemic as a result of the on-going government restrictions.

¹ Total Portfolio suites includes 2,163 (December 31, 2019 - 2,163) suites co-owned with institutional partners.

Management has responded to these challenges by adjusting furnished rental rates to capture the current demand in the market. In response to a drop in demand from the corporate users due to COVID-19 restrictions, the REIT has increased its mix of government and transient users. Both of these user groups are more price sensitive and Management has balanced rate and occupancy to maximize revenue. Notwithstanding the year-over-year decline in furnished suite revenue, there has been sequential improvement in occupancy in the second half of 2020 and an increase in average monthly rent in Q4 2020.

The table below outlines select performance metrics for the furnished suites:

	Q4 2020	Q3 2020	Q2 2020
Suites	232	233	239
Average monthly rent	3,571	3,460	3,956
Occupancy	77.29 %	75.08 %	64.50 %

Rental Revenue from Commercial Leases

For the three months and year ended December 31, 2020, Same Property Portfolio and Total Portfolio rental revenue from commercial leases were 4.1% and 2.6% higher than the previous year, mainly due to higher operating cost recoveries which include property taxes, insurance, landscaping, snow removal and other costs.

Parking Revenue

For the three months ended December 31, 2020, parking revenue was consistent with previous year. For the year ended December 31, 2020, parking revenue for the Same Property Portfolio increased by 4.1%, primarily as a result of parking rate increases compared to the previous year, as well as new revenues from paid visitor parking.

For the three months and year ended December 31, 2020, Total Portfolio parking revenue increased by 9.9% and 26.2% primarily due to additional revenue of \$273 and \$1,104 from investment property acquisitions completed subsequent to March 31, 2019.

Other Property Income

For the three months and year ended December 31, 2020, the decrease of 18.6% and 6.1% in Same Property Portfolio other property income was mainly as a result of lower fitness membership fee revenue due to the closure of the fitness center at one property and lower party room rentals due to COVID-19. This was partially offset by an increase in utility recovery revenue due to sub-metering and an increase in telecommunication commission revenue.

For the three months ended December 31, 2020, the Total Portfolio other property income decreased by 7.9% mainly as a result of lower revenue from fitness center, guest suites and party room rentals. For the year ended December 31, 2020, the decrease in revenue from the above noted items was offset by an increase in operating cost recoveries, telecommunication revenue, laundry and storage revenue.

Property Operating Costs

Same Property Portfolio

	Three months ended December 31,			Year ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Property operating costs	\$ 4,311	\$ 4,519	4.6 %	\$ 16,856	\$ 17,271	2.4 %

Total Portfolio

	Three months ended December 31,			Year ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Property operating costs	\$ 6,142	\$ 5,794	(6.0)%	\$ 23,221	\$ 19,755	(17.5)%

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 and year ended December 31, 2020, property operating costs for the Same Property Portfolio were favourable compared to the previous year primarily due to lower repairs and maintenance, lower furnished suites expenses as a result of reduced occupancy and lower salaries and wages, partly offset by an increase in insurance premiums and higher bad debt expense.

For the three months and year ended December 31, 2020, property operating costs for the Total Portfolio were 6.0% and 17.5% higher than the previous year, primarily due to the additional costs incurred relating to the investment properties acquired subsequent to March 31, 2019. For the three months and year ended December 31, 2020, Total Portfolio property operating costs were 19.9% and 18.6% of revenue, compared to 19.4% and 18.9% for the previous year.

Property Taxes

Same Property Portfolio

	Three months ended December 31,			Year ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Property taxes	\$ 2,283	\$ 2,441	6.5 %	\$ 9,825	\$ 9,686	(1.4)%

Total Portfolio

	Three months ended December 31,			Year ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Property taxes	\$ 3,162	\$ 3,105	(1.8)%	\$ 13,346	\$ 11,016	(21.2)%

Property taxes for the Same Property Portfolio of \$2,283 for the three months ended December 31, 2020 were lower as compared to the same period in 2019, mainly as a result of refunds received from successful property tax assessment appeals for certain properties in Ottawa, partially offset by a notable increase in property taxes for properties located in Calgary.

Property taxes for the Same Property Portfolio of \$9,825 for the year ended December 31, 2020 were higher as compared to the previous year mainly as a result of changes in assessed values and changes in tax rates, with a notable increase in taxes for properties located in Calgary, partially offset by refunds received from successful property tax assessment appeals for certain properties in Ottawa.

For the three months and year ended December 31, 2020, Total Portfolio property taxes were higher as compared to the previous year primarily due to the investment property acquisitions completed subsequent to March 31, 2019. Total Portfolio property taxes were 10.2% and 10.7% of revenue for the three months and year ended December 31, 2020, compared to 10.4% and 10.5% for the previous year.

Utilities

Same Property Portfolio

	Three months ended December 31,			Year ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Electricity	\$ 797	\$ 607	(31.3)%	\$ 3,277	\$ 3,177	(3.1)%
Natural gas	580	519	(11.8)%	1,656	1,654	(0.1)%
Water	600	576	(4.2)%	2,583	2,530	(2.1)%
	\$ 1,977	\$ 1,702	(16.2)%	\$ 7,516	\$ 7,361	(2.1)%

Total Portfolio

	Three months ended December 31,			Year ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Electricity	\$ 976	\$ 758	(28.8)%	\$ 3,958	\$ 3,476	(13.9)%
Natural gas	1,021	964	(5.9)%	2,866	2,211	(29.6)%
Water	683	634	(7.7)%	2,918	2,683	(8.8)%
	\$ 2,680	\$ 2,356	(13.8)%	\$ 9,742	\$ 8,370	(16.4)%

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 costs are dependent upon seasonality-driven usage, as well as utility rates and commodity prices.

Same Property Portfolio utilities for the three months and year ended December 31, 2020 were \$275 and \$155 unfavourable compared to the same periods in 2019 primarily due to an increase in electricity and water consumption and rates as well as an increase in natural gas rates from higher carbon taxes, partially offset by savings from the implementation of building automation systems and green initiatives at certain properties. There was also a one-time electricity refund of \$146 for a Toronto property received in Q4 2019.

Higher utilities for the Total Portfolio were primarily as a result of the investment property acquisitions and changes in Same Property Portfolio utilities mentioned above. Total Portfolio utilities for the three months and year ended December 31, 2020 represent 8.7% and 7.8% of revenue, compared to 7.9% and 8.0% for the previous year.

General and Administrative Expenses

General and administrative expenses relate 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 expenses of \$1,598 for the three months ended December 31, 2020 were 6.9% lower compared to the previous year, primarily due to lower travel expenses, professional service costs and lower back-office expenses resulting from the expiration of Rockhill's temporary third party management contract. This was partially offset by the increase in amount charged under the ASA by \$141 due to growth in the REIT's portfolio and the \$179 increase in Unit-based compensation for executives from additional Deferred Units granted subsequent to Q3 2019.

The general and administrative expenses of \$6,634 for the year ended December 31, 2020 were 18.3% higher compared to the previous year mainly due to an increase of \$848 in the amount charged under the ASA and an increase of \$869 in Unit-based compensation for executives from additional Deferred Units granted subsequent to Q3 2019. This was partially offset by lower acquisition research costs, travel expenses, professional services costs and lower back-office expenses incurred in connection with Rockhill, as noted above.

Finance Costs - Operations

	Three months ended December 31,			Year ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Interest expense on mortgages	4,281	3,637	(17.7)%	16,735	12,255	(36.6)%
Interest expense and standby fees on credit facility	288	709	59.4 %	1,838	2,619	29.8 %
Amortization of financing charges	165	101	(63.4)%	548	316	(73.4)%
Amortization of mark-to-market adjustments	(194)	(195)	0.5 %	(770)	(778)	1.0 %
Interest income	(520)	(438)	18.7 %	(1,653)	(541)	205.5 %
Interest expense and other financing charges	4,020	3,814	(5.4)%	16,698	13,871	(20.4)%
Distributions on Class B LP Units	2,591	2,504	(3.5)%	10,162	9,195	(10.5)%
Distributions on Class C LP Units	1,719	1,759	2.3 %	6,907	7,066	2.3 %
	\$ 8,330	\$ 8,077	(3.1)%	\$ 33,767	\$ 30,132	(12.1)%

Finance costs comprise interest expense on secured debt; interest expense and standby fees on the revolving credit facility; amortization of financing charges and mark-to-market adjustments on the debt; and distributions on Class B LP Units and Class C LP Units; offset by interest income.

Finance costs for the three months and year ended December 31, 2020 were higher by \$253 and \$3,635 compared to the previous year, primarily due to additional interest expense and higher amortization of financing charges from new mortgage financings secured by Minto one80five and Haddon Hall, as well as additional distributions arising from both increases in the distribution rate on and the issuance of Class B LP Units. The increase in finance costs was partially offset by interest income earned on loan advances to related parties for construction of Fifth and Bank in Ottawa and the development of Lonsdale Square in North Vancouver and lower interest expense on the credit facility in 2020 compared to 2019.

Fair Value Gain on Investment Properties

Fair value of residential 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 forecasted NOI for each property, reduced by an estimate of future capital expenditures. It is not possible to forecast with certainty the duration or full scope of the economic impact of COVID-19 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.

As a result of COVID-19 measures, as at December 31, 2020, stabilized forecasted net operating income for each property was adjusted to reflect slightly reduced annual turnover and lower incremental earnings from suite repositionings. In addition, a valuation reserve was taken for potential near-term income impacts from the pandemic including changes in bad debt expense, vacancy, promotion costs and furnished suite operations. The stabilized capitalization rates were updated to reflect current investment property market conditions and were supported by external appraisals.

The fair value gain on investment properties was a result of movement in the following:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Forecast NOI	\$ 10,400	\$ 26,780	\$ 51,697	\$ 113,345
Capitalization rates	62,771	8,574	59,442	8,686
Capital expenditure reserve	(13,096)	(13,469)	(29,757)	(28,815)
COVID-19 reserve	1,156	—	(2,681)	—
	\$ 61,231	\$ 21,885	\$ 78,701	\$ 93,216

The increase in forecast NOI for the year ended December 31, 2020 was primarily driven by properties located in Ottawa, which have generated higher rental rates on turnover, partially offset by margin erosion in Alberta driven by the continued economic impact of the pandemic and oil crisis, compounded by increased property taxes for multi-residential assets. Changes in the capitalization rates for the year ended December 31, 2020 are predominantly driven by compression in the Ottawa market as a result of comparable investment property market activity in the three months ended December 31, 2020. The increased capital expenditures reserve is primarily due to ongoing capital expenditure requirements and the advancement of various repositioning programs.

Fair Value Loss (Gain) on Class B LP Units

The Class B LP Units are owned by 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, 2020, the Unit price increased from \$18.28 to \$20.37, resulting in a fair value loss of \$47,587. For the same period in 2019, the Unit price increased from \$22.62 to \$23.15, resulting in a fair value loss of \$12,068.

For the year ended December 31, 2020, the Unit price decreased from \$23.15 to \$20.37, resulting in a fair value gain of \$63,298. For the previous year, the opening Unit price was \$18.50 and the closing Unit price was \$23.15, resulting in a fair value loss of \$104,241.

Fair Value Loss (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%. The swap is remeasured at each reporting date using discounted cash flow analysis.

For the three months and year ended December 31, 2020, the REIT recognized a fair value gain of \$174 and a fair value loss of \$2,429 respectively. For the same periods in 2019, the REIT recognized a fair value gain of \$729 and \$879. The fair value gain or loss is a result of changes in variable interest rate from period to period.

Fair Value Loss (Gain) 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.

During the quarter, the REIT experienced a fair value loss of \$239 resulting from changes in the Unit price for Deferred Units outstanding at December 31, 2020 and Deferred Units issued during quarter. For the three months ended December 31, 2020, the Unit price increased from \$18.28 to \$20.37. For the same period in 2019, the Unit price increased from \$22.62 to \$23.15, resulting in a fair value loss of \$71.

For the year ended December 31, 2020, the Unit price decreased from \$23.15 to \$20.37 resulting in a fair value gain of \$249. For the previous year, the Unit price increased from \$18.50 to \$23.15, resulting in a fair value loss of \$325.

Fees and Other Income

Fees and other income represent revenue from asset, project and property management services provided by the REIT in connection with three properties co-owned with institutional partners.

For the three months and year ended December 31, 2020, the REIT earned \$413 and \$1,600 in management service fees compared to \$414 and \$879 for the previous year. The increase in management service fee for the year is mainly due to the timing of the acquisitions of these co-owned properties. Two properties were acquired in May 2019 and the third property was acquired in August 2019.

Summary of Quarterly Results

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Total assets	\$ 2,203,284	\$ 2,123,708	\$ 2,085,271	\$ 2,166,295	\$ 2,050,300	\$ 1,714,194	\$ 1,526,199	\$ 1,289,194
Investment properties	\$ 2,138,101	\$ 2,063,520	\$ 2,036,213	\$ 2,020,748	\$ 2,016,328	\$ 1,698,218	\$ 1,508,469	\$ 1,278,415
Total liabilities	\$ 1,353,060	\$ 1,292,367	\$ 1,306,479	\$ 1,396,196	\$ 1,363,525	\$ 1,277,351	\$ 1,076,782	\$ 1,051,237
Total non-current liabilities	\$ 1,243,761	\$ 1,202,911	\$ 1,141,192	\$ 1,219,829	\$ 1,306,124	\$ 1,229,491	\$ 1,028,543	\$ 1,022,940
Revenue from investment properties	\$ 30,930	\$ 31,155	\$ 31,319	\$ 31,525	\$ 29,868	\$ 27,639	\$ 24,796	\$ 22,135
NOI ¹	\$ 18,946	\$ 20,161	\$ 20,024	\$ 19,489	\$ 18,613	\$ 17,588	\$ 15,786	\$ 13,310
NOI margin ¹	61.3%	64.7%	63.9%	61.8%	62.3%	63.6%	63.7%	60.1%
Net income (loss) and comprehensive income (loss)	\$ 23,010	\$ 56,630	\$ 12,054	\$ 87,944	\$ 19,708	\$ (29,889)	\$ 48,816	\$ (18,699)
FFO ¹	\$ 12,022	\$ 13,183	\$ 12,659	\$ 12,117	\$ 11,737	\$ 10,808	\$ 9,769	\$ 7,318
FFO per unit ¹	\$ 0.2036	\$ 0.2233	\$ 0.2144	\$ 0.2052	\$ 0.1997	\$ 0.2280	\$ 0.2146	\$ 0.1993
AFFO ¹	\$ 10,459	\$ 11,619	\$ 11,097	\$ 10,558	\$ 10,212	\$ 9,385	\$ 8,445	\$ 6,100
AFFO per unit ¹	\$ 0.1771	\$ 0.1968	\$ 0.1879	\$ 0.1788	\$ 0.1738	\$ 0.1980	\$ 0.1855	\$ 0.1661
Distributions declared	\$ 6,718	\$ 6,642	\$ 6,496	\$ 6,495	\$ 6,464	\$ 5,101	\$ 4,665	\$ 3,764
AFFO Payout Ratio ¹	64.23%	57.16%	58.54%	61.52%	63.30%	54.35%	55.24%	61.70%
Distribution per unit	\$ 0.1138	\$ 0.1125	\$ 0.1100	\$ 0.1100	\$ 0.1100	\$ 0.1075	\$ 0.1025	\$ 0.1025

The REIT's operating results are affected by seasonal variations and other factors, including the impacts of the pandemic. 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. The best performing quarters in any given year are typically the second and third quarters, where stronger leasing demand and higher turnovers provide an opportunity to realize the gain-to-lease potential.

The improvement in quarterly performance for 2019 was primarily the result of acquisitions, as well as increases in Same Property Portfolio revenue due to higher average monthly rent and repositionings. From the end of Q1 2020 and throughout the year, performance was impacted by the government restrictions and uncertain market and economic conditions arising from the COVID-19 outbreak. In addition to the reduced occupancy for the Total Portfolio, furnished suites which have historically enhanced yield and property returns were negatively impacted by business and travel restrictions and contributed to the decrease in revenue.

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

Summary of Annual Results

As at and for the year ended	December 31, 2020	December 31, 2019	December 31, 2018 ²
Total assets	\$ 2,203,284	\$ 2,050,300	\$ 1,206,925
Investment properties	\$ 2,138,101	\$ 2,016,328	\$ 1,197,811
Total liabilities	\$ 1,353,060	\$ 1,363,525	\$ 948,673
Total non-current liabilities	\$ 1,243,761	\$ 1,306,124	\$ 917,317
Revenue from investment properties	\$ 124,929	\$ 104,438	\$ 42,475
NOI ¹	\$ 78,620	\$ 65,297	\$ 26,110
NOI margin ¹	62.9 %	62.5 %	61.5 %
Net income and comprehensive income	\$ 179,638	\$ 19,966	\$ 49,390
FFO ¹	\$ 49,981	\$ 39,632	\$ 16,197
FFO per unit ¹	\$ 0.8465	\$ 0.8414	\$ 0.4411
AFFO ¹	\$ 43,733	\$ 34,142	\$ 13,235
AFFO per unit ¹	\$ 0.7407	\$ 0.7248	\$ 0.3604
Distributions declared	\$ 26,351	\$ 19,994	\$ 7,445
AFFO Payout Ratio ¹	60.25 %	58.56 %	56.25 %
Distribution per unit	\$ 0.4463	\$ 0.4225	\$ 0.2028
NAV ¹	\$ 1,314,030	\$ 1,213,879	\$ 644,151
NAV per unit ¹	\$ 22.26	\$ 20.56	\$ 17.54

The REIT's operations commenced on July 2, 2018 when the REIT acquired a portfolio of 22 multi-residential rental properties with a valuation of \$1,123,000, comprising 4,279 suites across Ottawa, Toronto, Calgary and Edmonton. By the end of 2018, the REIT had added another property comprising 70 suites to its portfolio and recognized organic growth through suite repositioning and gain realized on new leases. Acquisitions continued in 2019 with six new properties added to the portfolio: two in Toronto, three in Montreal and one in Calgary. Repositioning and gain-to-lease continued to be realized providing significant organic growth to the REIT. Despite the challenges presented in 2020 with the onset of the pandemic, the REIT continues to generate rental revenue gains on suite turnovers and new leases are set at market rates, albeit at a slower pace than before the pandemic.

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

² 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:

	December 31, 2020		December 31, 2019	
Opening balance	\$	2,016,328	\$	1,197,811
Additions				
Acquisitions of investment properties		—		702,393
Capital expenditures		41,467		22,908
Fair value gain		78,701		93,216
Other		1,605		—
Closing balance	\$	2,138,101	\$	2,016,328

Capital Expenditures

The REIT has a capital improvement program in place 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 three main categories: development expenditures, value-enhancing capital expenditures and maintenance capital expenditures.

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Total expenditures	\$ 13,350	\$ 8,853	\$ 41,467	\$ 22,908
Development expenditures	1,417	—	12,087	—
Value-enhancing capital expenditures				
Building improvements	6,647	5,683	15,775	9,790
Suite upgrades	3,314	1,342	8,442	8,188
	9,961	7,025	24,217	17,978
Maintenance capital expenditures	1,972	1,828	5,163	4,930
Maintenance capital expenditures per suite	\$ 324	\$ 309	\$ 848	\$ 908

Development and value-enhancing renovations are intended to generate NAV accretion, long term AFFO accretion and increase tenant satisfaction, however value-enhancing capital expenditures tend to be AFFO dilutive in the short term, owing to vacancy during renovation.

Development expenditures are a component of the REIT's growth and value-creation strategy. These include projects which add to the existing suite count of the REIT through intensification or redevelopment of existing assets in order to deliver strong NAV growth to Unitholders. Prior to its initial public offering in 2018, the REIT acquired the Skyline Maisonettes property in Ottawa. This property was damaged by a fire in March 2017, which destroyed 32 suites. The re-construction of this block was substantially completed in the third quarter of 2020 and the building is going through its lease-up period. The REIT's operating results will continue to be positively impacted as the lease-up is completed.

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 Management's Discussion and Analysis under Section I, "Financial and Operating Highlights - Value Creation - Repositioning" and Section I, "Outlook". The REIT's active repositioning programs for the year ended December 31, 2020 included Minto Yorkville, Leslie York Mills and High Park Village in Toronto, the Edmonton Properties, Castle Hill and Carlisle in Ottawa, and Rockhill, Le 4300 and Haddon Hall in Montreal. The REIT temporarily halted repositioning of suites at its Edmonton properties as lower rental rates are negatively impacting returns on repositioning activities as a result of the pandemic.

Maintenance capital expenditures include expenditures that are incurred in order to maintain the existing earning capacity of the REIT's investment properties. Any exterior work is highly dependent on favourable weather conditions and as a result, a significant portion of the exterior work is performed between the months of May and September and therefore actual maintenance capital expenditures in a given quarter may not be indicative of future quarters.

The actual maintenance capital expenditures for the three months and year ended December 31, 2020 were \$1,972 and \$5,163, or \$324 and \$848 per suite, primarily related to maintenance of roofs and building exterior and mechanical, plumbing and electrical work at various buildings, including common areas. This was lower than the planned expenditure of \$900 per suite as projects were impacted by restrictions imposed by government regulations and the scheduling and availability of trades owing to COVID-19.

For 2021, Management expects to spend \$900 per suite annually on average on maintenance. Restrictions imposed towards the end of 2020 as a result of the spike in COVID-19 cases started easing in February 2021. The REIT will continue to monitor changes in government regulations and adapt its plans accordingly. Re-imposition of restrictions might affect the REIT's ability to carry out certain capital projects and meet its targets in 2021.

Valuation

Fair value for residential properties is determined using the direct capitalization approach. Estimated 12 month stabilized forecasted 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.

As at December 31, 2020, the REIT adjusted its internal valuation model to incorporate the uncertainties associated with COVID-19, which includes the addition of a portfolio-level reserve meant to account for the near-term income losses resulting from the global pandemic.

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, 2020		December 31, 2019	
	Low	High	Low	High
Ottawa, Ontario	4.00%	4.25%	4.00%	4.75%
Toronto, Ontario	3.25%	3.75%	3.25%	3.75%
Edmonton, Alberta	4.25%	4.25%	4.25%	4.25%
Calgary, Alberta	4.15%	4.25%	4.15%	4.25%
Montreal, Quebec	3.50%	3.75%	3.43%	3.75%
Weighted-average capitalization rate		3.81%		3.92%

Class B LP Units

The Class B LP Units 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.

As at December 31, 2020, there were 22,769,073 (December 31, 2019 - 22,769,073) Class B LP Units outstanding.

Class C LP Units

The Class C LP Units 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. Due to the nature of such distributions, the Class C LP Units are classified as financial liabilities.

As at December 31, 2020, there were 22,978,700 (December 31, 2019 - 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, 2019 - 3.16%) and mature at various dates between 2023 and 2030.

Secured Debt

Secured debt includes mortgages and the REIT's revolving 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 2.85% (December 31, 2019 - 3.14%) and mature at various dates between 2021 to 2030. Included within the fixed rate mortgages is a variable rate mortgage that is fixed at 3.38% through an interest rate swap.

On March 31, 2020, the REIT obtained a \$100,000 variable interest mortgage secured by Minto one80five, with an interest rate of bankers' acceptance plus 25 bps maturing on September 30, 2020. On July 21, 2020, this mortgage was fully repaid with proceeds from a CMHC insured mortgage of \$94,797 bearing interest of 2.00% and maturing on August 1, 2030, and a conventional mortgage of \$23,928 bearing interest of 2.55% with the same maturity. Proceeds of \$11,928 from the conventional financing were held in escrow until certain conditions are satisfied. On December 4, 2020, \$3,370 of the funds held in escrow were released.

On November 20, 2019, in connection with the acquisition of Haddon Hall, the REIT secured conventional mortgage financing of \$45,000, bearing interest at 3.16% and maturing on December 1, 2030. On April 24, 2020, CMHC insurance was obtained for the mortgage, with an additional \$1,151 borrowed to finance CMHC premiums. The CMHC insured mortgage bears interest at 2.67% and matures on December 1, 2030.

The conventional mortgage assumed on the acquisition of Kaleidoscope was fully repaid on June 1, 2020 and subsequently replaced on June 29, 2020 with a CMHC insured mortgage of \$14,258, bearing interest at 1.56% and maturing on July 15, 2030.

The REIT has a committed revolving credit facility of \$200,000 (December 31, 2019 - \$200,000) 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, 2020, \$31,948 was utilized (December 31, 2019 - \$91,009) and the remaining amount of \$168,052 (December 31, 2019 - \$108,991) was available in accordance with its terms and conditions. The credit facility bears interest at bankers' acceptance rate plus 175 bps or prime plus 75 bps and as at December 31, 2020, the weighted average variable interest rate was 2.25% (December 31, 2019 - 3.72%).

Units

The REIT's DOT authorizes the issue of an unlimited number of Units. As at December 31, 2020 and 2019, there were 36,274,839 Units outstanding with a carrying value of \$631,434.

Distributions

On August 11, 2020, the Board of Trustees approved a 3.4% increase to the REIT's annual distribution from \$0.4400 per Unit to \$0.4550 per Unit. The increase was effective for the REIT's August 2020 cash distribution paid on September 15, 2020.

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.

For the year ended December 31, 2020, distributions to Unitholders of \$16,189 (December 31, 2019 - \$10,799) were declared based on approved monthly distributions of \$0.03667 per Unit for the months of January to July and \$0.03792 per Unit for the months of August to December (December 31, 2019 - \$0.03416 per Unit for the months of January to July and \$0.03667 per Unit for the months of August to December).

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, 2020	December 31, 2019
Liabilities (principal amounts outstanding):		
Class B LP Units	\$ 463,806	\$ 527,104
Class C LP Units	217,524	222,702
Mortgages ¹	599,413	487,876
Credit facility	31,948	91,009
	1,312,691	1,328,691
Unitholders' equity	850,224	686,775
	\$ 2,162,915	\$ 2,015,466

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, 2020, 77% (December 31, 2019 - 64%) of the REIT's total debt is CMHC insured and approximately 96% (December 31, 2019 - 89%) is fixed rate including variable rate debt fixed through an interest rate swap.

The REIT uses a prudent amount of debt financing in its capital structure. Pursuant to the REIT's DOT, 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 and liquidity as a percentage of total debt are calculated as follows:

As at	December 31, 2020	December 31, 2019
Class C LP Units	\$ 219,885	\$ 225,537
Mortgages ¹	598,079	489,307
Credit facility	31,948	91,009
Total debt	849,912	805,853
Total assets	2,203,284	2,050,300
Debt-to-Gross Book Value ratio	38.57 %	39.30 %
Total liquidity	170,659	110,919
Liquidity as a percentage of total debt	20.08 %	13.76 %

The REIT continues to maintain a conservative overall leverage position with a Debt-to-Gross Book Value ratio of 38.57% at December 31, 2020.

¹ Includes funds held in trust in connection with Minto one80five financing.

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, 2020		December 31, 2019	
NOI	\$	78,620	\$	65,297
General and administrative expenses		(6,634)		(5,607)
Fees and other income		1,600		879
		73,586		60,569
Impact on NOI of stabilized earnings from acquisitions		—		14,410
EBITDA		73,586		74,979
Total debt, net of cash		847,305		803,925
Debt-to-EBITDA ratio		11.51 x		10.72 x

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, 2020, the weighted average term to maturity on the REIT's fixed rate debt was 5.81 (December 31, 2019 - 5.97) years and the weighted average interest rate on fixed rate debt was 2.94% (December 31, 2019 - 3.15%). 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			
2021	\$ 12,134	\$ 5,341		\$ 22,075	\$ 31,948	\$ —	\$ 71,498	8.4 %	2.48 %
2022	11,584	5,510		87,164	—	—	104,258	12.3 %	3.22 %
2023	10,344	5,298		47,620	—	44,936	108,198	12.7 %	3.05 %
2024	8,759	4,319		48,186	—	46,180	107,444	12.7 %	3.04 %
2025	8,354	3,067		22,743	—	60,474	94,638	11.1 %	3.19 %
2026	7,536	1,283		32,651	—	—	41,470	4.9 %	3.38 %
Thereafter	25,919	2,925		254,344	—	38,191	321,379	37.9 %	2.71 %
	\$ 84,630	\$ 27,743		\$ 514,783	\$ 31,948	\$ 189,781	\$ 848,885	100 %	

As of December 31, 2020, current liabilities of \$109,299 (December 31, 2019 - \$57,401) exceeded current assets of \$15,854 (December 31, 2019 - \$8,396), resulting in a net working capital deficit of \$93,445 (December 31, 2019 - \$49,005). Current liabilities as of December 31, 2020 include \$31,948 payable for the credit facility which matures on July 3, 2021 at which point the REIT intends to refinance it. 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, 2020, liquidity was \$170,659 (December 31, 2019 - \$110,919) consisting of cash of \$2,607 (December 31, 2019 - \$1,928) and \$168,052 (December 31, 2019 - \$108,991) 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.

On December 8, 2020, the REIT filed a short form base shelf prospectus, allowing for the issuance, from time to time, of Units, debt securities and subscription receipts, or any combination thereof, for an aggregate amount of up to \$800,000. This prospectus is effective for a 25-month period from the date of issuance. 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. This short form base shelf prospectus replaces the short form base shelf prospectus filed on December 21, 2018, which expired in January 2021.

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

Cash Flows

The REIT held a cash balance of \$2,607 as at December 31, 2020 (December 31, 2019 - \$1,928). The sources and use of cash flow for the three months and years ended December 31, 2020 and 2019 are as follows:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Operating activities	\$ 24,652	\$ 25,884	\$ 69,857	\$ 53,830
Financing activities	983	287,474	(17,939)	557,685
Investing activities	(26,033)	(313,910)	(51,239)	(610,479)

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,	
	2020	2019	2020	2019
Net income and comprehensive income	\$ 23,010	\$ 19,708	\$ 179,638	\$ 19,966
Add: distributions on Class B LP Units	2,591	2,504	10,162	9,195
	25,601	22,212	189,800	29,161
Less: distributions paid	(6,717)	(5,970)	(26,277)	(19,084)
Excess of net income and comprehensive income over total distributions paid	\$ 18,884	\$ 16,242	\$ 163,523	\$ 10,077
Cash provided by operating activities	\$ 24,652	\$ 25,884	\$ 69,857	\$ 53,830
Add: interest received	578	—	1,775	—
Less: interest paid	(6,291)	(5,642)	(25,286)	(20,869)
	18,939	20,242	46,346	32,961
Less: distributions paid	(6,717)	(5,970)	(26,277)	(19,084)
Excess of cash provided by operating activities over total distributions and interest paid	12,222	14,272	20,069	13,877
Distributions declared	\$ 6,718	\$ 6,464	\$ 26,351	\$ 19,994

The REIT has net income and comprehensive income in excess of distributions paid for the three months and year ended December 31, 2020. 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, Unit-based compensation and an interest rate swap.

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, 2020, cash provided by operating activities was in excess of distributions and interest paid.

Cash provided by (used in) financing activities

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Proceeds from mortgage financing	\$ 3,370	\$ 45,000	\$ 225,576	\$ 158,360
Net (repayments) proceeds on credit facility	15,112	23,384	(59,061)	55,084
Proceeds from issuance of Units, net of issue costs	—	234,264	—	399,436
CMHC premiums and deferred financing costs paid	(30)	(101)	(5,117)	(3,293)
Principal repayments on mortgages	(3,150)	(2,189)	(122,597)	(6,930)
Distributions paid on various classes of Units	(8,028)	(7,242)	(31,454)	(24,103)
Interest paid	(6,291)	(5,642)	(25,286)	(20,869)
	\$ 983	\$ 287,474	\$ (17,939)	\$ 557,685

Key transactions affecting cash flow from financing activities for the three months and year ended December 31, 2020 included:

- On June 1, 2020, the REIT paid off its mortgage associated with the Kaleidoscope property in Calgary. On June 29, 2020, the REIT obtained a new CMHC insured mortgage secured by Kaleidoscope of \$14,258, bearing interest at 1.56% and maturing on July 15, 2030.
- Two new mortgage financings were obtained on July 21, 2020, secured by Minto one80five: a CMHC-insured mortgage of \$94,797 bearing interest of 2.00% and maturing on August 1, 2030; and a conventional mortgage of \$23,928 bearing interest of 2.55% with the same maturity. Proceeds from these mortgages were used to repay the existing \$100,000 variable rate mortgage on the property obtained on March 31, 2020.
- The 3.4% increase in distributions on Units and Class B LP Units effective from August 2020.

Cash used in investing activities

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Capital additions to investment properties	\$ (11,999)	\$ (8,006)	\$ (30,826)	\$ (19,179)
Loan advances to related parties	(14,612)	(19,727)	(22,188)	(19,727)
Interest received	578	—	1,775	—
Acquisition of investment properties	—	(286,177)	—	(571,573)
	\$ (26,033)	\$ (313,910)	\$ (51,239)	\$ (610,479)

Included in cash flows from investing activities for the three months and year ended December 31, 2020 are capital expenditures on investment properties and advances of funds to related parties for the construction of Fifth and Bank in Ottawa and the development of Lonsdale Square in North Vancouver, partially offset by interest received on the loan advances made to related parties.

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,	
	2020	2019	2020	2019
Net income and comprehensive income	\$ 23,010	\$ 19,708	\$ 179,638	\$ 19,966
Distributions on Class B LP Units	2,591	2,504	10,162	9,195
Fair value loss (gain) on:				
Investment properties	(61,231)	(21,885)	(78,701)	(93,216)
Class B LP Units	47,587	12,068	(63,298)	104,241
Interest rate swap	(174)	(729)	2,429	(879)
Unit-based compensation	239	71	(249)	325
Funds from operations (FFO)	\$ 12,022	\$ 11,737	\$ 49,981	\$ 39,632
Maintenance capital expenditure reserve	(1,369)	(1,330)	(5,478)	(4,712)
Amortization of mark-to-market adjustments	(194)	(195)	(770)	(778)
Adjusted funds from operations (AFFO)	\$ 10,459	\$ 10,212	\$ 43,733	\$ 34,142
Distributions on Class B LP Units	2,591	2,504	10,162	9,195
Distributions on Units	4,127	3,960	16,189	10,799
	6,718	6,464	26,351	19,994
AFFO Payout Ratio	64.23 %	63.30 %	60.25 %	58.56 %
Weighted average number of Units and Class B LP Units issued and outstanding	59,043,912	58,758,485	59,043,912	47,103,691
FFO per unit	\$ 0.2036	\$ 0.1997	\$ 0.8465	\$ 0.8414
AFFO per unit	\$ 0.1771	\$ 0.1738	\$ 0.7407	\$ 0.7248

FFO was higher for the three months and year ended December 31, 2020 as compared to the previous year, reflecting the positive NOI variance driven by higher rents achieved for the Same Property Portfolio, contributions from acquisitions and the realization of gain-to-lease potential on suite turnover. AFFO was higher for the three months and year ended December 31, 2020 as compared to the previous year, primarily as a result of higher FFO. This increase was offset by an increase in the maintenance capital expenditure reserve due to the growth in portfolio suite count based on an estimated spend of \$900 per suite.

A historical average of the actual maintenance capital expenditure since IPO equals \$878 per suite which is largely in line with the reserve of \$900 per suite included in the AFFO calculation.

¹ See Section I, "Non-IFRS Measures"

NOI and NOI Margin

Same Property Portfolio

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Revenue from investment properties	\$ 22,242	\$ 23,191	\$ 90,218	\$ 91,505
Property operating expenses	8,571	8,662	34,197	34,318
NOI	\$ 13,671	\$ 14,529	\$ 56,021	\$ 57,187
NOI margin	61.5 %	62.6 %	62.1 %	62.5 %

Same Property Portfolio - Excluding Furnished Suites

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Revenue from investment properties	\$ 20,281	\$ 20,604	\$ 82,578	\$ 80,928
Property operating costs	7,546	7,705	30,639	30,608
NOI	12,735	12,899	\$ 51,939	\$ 50,320
NOI margin	62.8 %	62.6 %	62.9 %	62.2 %

Total Portfolio

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Revenue from investment properties	\$ 30,930	\$ 29,868	\$ 124,929	\$ 104,438
Property operating costs	11,984	11,255	46,309	39,141
NOI	18,946	18,613	\$ 78,620	\$ 65,297
NOI margin	61.3 %	62.3 %	62.9 %	62.5 %

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 Ratio

The Debt Service Coverage ratio is calculated as follows:

Year ended	December 31, 2020	December 31, 2019
NOI	\$ 78,620	\$ 65,297
Interest expense and standby fees on credit facility	1,838	2,619
Distributions on Class C LP Units:		
Principal repayments	5,177	5,019
Finance costs	6,907	7,066
Mortgages:		
Principal repayments	10,503	6,930
Finance costs	16,735	12,255
Total debt service	\$ 41,160	\$ 33,889
Debt Service Coverage ratio	1.91 x	1.93 x

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, 2020	December 31, 2019
Net assets (Unitholders' equity)	\$ 850,224	\$ 686,775
Add: Class B LP Units	463,806	527,104
NAV	\$ 1,314,030	\$ 1,213,879
Number of Units and Class B LP Units	59,043,912	59,043,912
NAV per unit	\$ 22.26	\$ 20.56

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:

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. 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 nature of its assets and revenue. The REIT uses judgment in reviewing the real estate investment trust conditions and assessing their 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.

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 residential 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.

The REIT has used the best information available as at December 31, 2020, in determining the potential impact of the COVID-19 outbreak on the carrying amounts of assets and liabilities, earnings for the period and risks disclosed in the consolidated financial statements for the years ended December 31, 2020 and 2019. The estimates 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 may differ from those estimates.

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:

COVID-19 - Contagious Disease Risk

COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020. It or a similar contagious disease outbreak at a local, regional or national level may have a material adverse effect on the business, financial condition and results of operations of the REIT. In particular, a contagious disease outbreak like COVID-19 may result in a general or acute decline in economic activity in the regions in which the REIT operates, increased unemployment, decreased immigration, decreased in-person post-secondary school attendance, reduced tenant traffic and turnover, reduced rents and/or increased tenant incentives, supply shortages and other supply chain disruptions, labour disruptions, staff shortages, increased government regulation, mobility restrictions and other quarantine measures. These and similar consequences of a contagious disease outbreak like COVID-19 may adversely impact tenants' ability to pay rent and the REIT's ability to capture gains-to-lease, reposition suites and pursue construction and development activities. Increased government regulation may also restrict the REIT's ability to enforce material provisions under its leases, including in respect of the collection of rent or other payment obligations. The quarantine or contamination of one or more of the REIT's properties or suites may negatively impact the REIT's occupancy or reputation.

Management implemented a business continuity plan in early 2020, continues to monitor the situation and proactively adjust its plans as the COVID-19 pandemic evolves.

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 or regulations affecting the availability and cost of CMHC mortgage insurance), 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. While management has implemented comprehensive property maintenance programs and monitors property conditions constantly, annual maintenance 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.

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.

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to fund its growth strategy and certain capital expenditures from time to time. There can be no assurances that the REIT will have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Market conditions and unexpected volatility or illiquidity in financial markets may inhibit the REIT's access to financing in the Canadian capital markets. As a result, it is possible that financing which the REIT may require in order to grow and expand its operations, upon the expiry of the term of financing, upon refinancing any particular property owned by the REIT or otherwise, may not be available or, if it is available, may not be available on favourable terms to the REIT. Failure by the REIT to access required capital could have a material adverse effect on the REIT's business, cash flows, financial condition and financial performance and ability to make distributions to Unitholders.

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 equity and/or debt 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.

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, construction, employment standards, environmental matters, taxes and other matters, including laws and regulations imposing restrictions to limit the spread of the COVID-19 pandemic and laws and regulations limiting rent increases and imposing a moratorium on the ability of landlords to evict tenants for the non-payment of rent a result of the economic disruption caused by the COVID-19 pandemic. 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 or its ability to carry on its business in the ordinary course.

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. For 2021, Ontario has frozen the residential rents of existing tenants, but this temporary freeze on rents will not impact the REIT's ability to negotiate market rents on new leases for suites as tenants turnover and the REIT is still entitled to collect certain qualifying above-guideline increases in rents from existing tenants notwithstanding the freeze.

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. In addition, the desirability of property locations may change over time. 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.

Risks Associated with the Administrative Support Agreement

The REIT relies upon Minto with respect to the provision of certain services as described under "*Arrangements with Minto - Administrative Support Agreement*". If the REIT were to lose the services provided by Minto, or if Minto fails to perform its obligations under the Administrative Support Agreement, the REIT may experience an adverse impact on its business operations. The REIT may be unable to duplicate the quality and depth or the cost of the services available to it by handling such services internally or by retaining another service provider.

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.

Utility and Property Tax Risk

Utility and property tax risk relates to the potential additional costs 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 higher property assessments of municipal properties and property tax rates. 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. The REIT mitigates part of this risk by submetering many of its suites to measure the consumption of electricity and passing on the cost to tenants. Currently, approximately 90% of the suites in the Portfolio are submetered for electricity and approximately 79% of tenants pay the cost of electricity consumed in their suites. The REIT will seek to pass on the cost of electricity for those suites that are submetered but where the tenants do not currently pay for electricity, as the suites' tenancies turn over.

Rental Income Risks

The short-term nature of residential tenant leases exposes the REIT to the effects of a declining market rent, which could materially adversely affect the REIT's results from operations and ability to make distributions to Unitholders. Most of the REIT's residential tenant leases will be for a term of one year or less. Because the REIT's residential tenant leases generally permit residents to leave at the end of their lease term without any penalty, the REIT's rental revenue may be materially adversely affected by declines in market rents more quickly than if such leases were for longer terms. Further, the operating costs of a suite or property may increase at a faster rate than the rental rate for such suite, which could negatively impact the financial condition of 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.

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 their economic or business interests or goals may change in a manner to differ from or become 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.

Potential Conflicts of Interest with Minto

Minto's continuing businesses may lead to conflicts of interest between Minto and the REIT. The REIT may not be able to resolve such conflicts, and, even if it does, the resolution may be less favourable to the REIT than if it were dealing with a party that was not a holder of a significant interest in the REIT. In addition, the ongoing relationships between Minto and each of Roger Greenberg, Philip Orsino and Michael Waters may lead to conflicts of interest between such persons and the REIT. In order to mitigate part of the risk associated with conflicts of interest, all related party transactions with Minto are reviewed and approved on behalf of the REIT by the REIT's independent trustees only.

Expanding Social Media Vehicles

The use of social media could cause the REIT to suffer brand damage or information leakage. Negative posts or comments about the REIT or its properties on any social networking website could damage the REIT's reputation. In addition, employees or others might disclose non-public sensitive information relating to the REIT's business through external media channels. The continuing evolution of social media will present the REIT with new challenges and risks.

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 an estimate 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. Appraisals are not guarantees of present or future value and there is no assurance that an appraised value actually reflects an amount that would be realized upon a current or future sale of any of the properties or that any projections included in the appraisal will be attainable. In addition, as prices in the real estate market fluctuate over time in response to numerous factors, the value of a property as shown in an appraisal may be an unreliable indication of its current market value.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by appraisals.

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 be 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 2020 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 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 December 31, 2020, the REIT has a committed variable rate credit facility of \$200,000 (December 31, 2019 - \$200,000) with an outstanding balance of \$31,948 (December 31, 2019 - \$91,009). A 1% change in prevailing interest rates would change annualized interest charges incurred by \$319 (December 31, 2019 - \$910).

(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 the prevailing market price of the Units as at December 31, 2020 would have a \$4,638 (December 31, 2019 - \$5,271) 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.

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 recent 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.

The REIT has a committed credit facility for working capital requirements, acquisitions and for general corporate purposes. Access to this capital is dependent on the successful renewal of the REIT's credit facility when it comes due on July 3, 2021. Although the REIT expects to renew the credit facility, there can be no assurance that it will otherwise have access to sufficient capital or access to capital on favourable terms. Failure by the REIT to access required capital could have a material adverse effect on its financial conditions or results of operations and its ability to make distributions to Unitholders. The committed credit facility consists of the following:

As at	December 31, 2020	December 31, 2019
Committed	\$ 200,000	\$ 200,000
Available	168,052	108,991
Utilized	31,948	91,009

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 & thereafter	Total
Mortgages	\$ 34,209	\$ 98,748	\$ 57,964	\$ 56,945	\$ 31,097	\$ 320,450	\$ 599,413
Credit facility	31,948	—	—	—	—	—	31,948
	66,157	98,748	57,964	56,945	31,097	320,450	631,361
Class C LP Units	5,341	5,510	50,234	50,499	63,541	42,399	217,524
Interest obligation	23,448	21,667	18,180	13,917	11,646	35,306	124,164
Tenant rental deposits	8,929	—	—	26	—	10	8,965
Due to related parties	10,039	—	—	—	—	—	10,039
Accounts payable and accrued liabilities	18,410	413	151	46	—	1,318	20,338
	\$ 132,324	\$ 126,338	\$ 126,529	\$ 121,433	\$ 106,284	\$ 399,483	\$ 1,012,391

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. 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 Gross Book Value of the REIT's assets.

For the year ended December 31, 2020, the REIT incurred \$1,695 (December 31, 2019 - \$848) for services rendered under the ASA.

The REIT monitors the administrative support fee, ensuring adherence with the requirements established under the ASA. For the year ended December 31, 2020, annualized general and administrative expenses, excluding public company costs, represent 21 bps of Gross Book Value (December 31, 2019 - 18 bps).

Loans Receivable from Related Parties

The REIT committed to advance up to \$30,000 to an affiliate of MPI to support its redevelopment of Fifth and Bank from a commercial property to a multi-residential property. 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. At the option of the borrower, the interest is payable monthly or deemed an advance subject to the limit of \$30,000 on advances. 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 year ended December 31, 2020, the REIT advanced \$10,273 (December 31, 2019 - \$19,727), earned interest income of \$1,544 (December 31, 2019 - \$195) and received interest of \$1,739 (December 31, 2019 - \$nil). As at December 31, 2020, amount receivable under the loan was \$30,000 (December 31, 2019 - \$19,922).

On November 30, 2020, the REIT committed to advance up to \$11,915 to a limited partnership jointly owned by MPI and a subsidiary of DPL to develop Lonsdale Square in North Vancouver, British Columbia and an additional \$2,085 for interest costs. The loan bears interest at 7% and matures on May 30, 2024. The loan is secured by a second priority charge in favor of the lender and guaranteed by MPI and DPL. At the option of the borrower, the interest is payable monthly or deemed an advance. 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 year ended December 31, 2020, the REIT advanced \$11,915 and earned interest income of \$73. As at December 31, 2020, the amount receivable under the loan was \$11,988.

Due to Related Parties

Amounts due to related parties at December 31, 2020 include \$863 and \$575 (December 31, 2019 - \$732 and \$588) 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 \$34 (December 31, 2019 - \$33) for distributions on Units, \$nil (December 31, 2019 - \$94) in connection with the ASA, \$nil (December 31, 2019 - \$103) for distributions on Class B LP Units and \$211 (December 31, 2019 - \$288) for working capital.

Amounts due to related parties also include \$8,356 (December 31, 2019 - \$nil) payable to MPI for the block of 32 suites of the Skyline Maisonettes property in Ottawa which was reconstructed following a fire and transferred to the REIT in 2020. The payable will settle once the investment property is stabilized.

Revenue and Expense

- Included in rental revenue for the year ended December 31, 2020 is \$723 (December 31, 2019 - \$842) 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, 2020 is \$713 (December 31, 2019 - \$954) paid to MPI and its affiliates for repairs and maintenance and other expenses at certain REIT properties.

- For the year ended December 31, 2020, compensation to key management personnel includes \$642 (December 31, 2019 - \$768) paid to executives, Unit-based compensation expense of \$1,160 (December 31, 2019 - \$291) for executives and Unit-based compensation expense for the grant of Deferred Units to Trustees in lieu of annual retainer and meeting fees of \$513 (December 31, 2019 - \$474). 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, 2020 are distributions on Class B LP Units of \$10,162 (December 31, 2019 - \$9,195), paid or payable to MPI and a limited partnership wholly-owned by MPI.
- Included in finance costs for the year ended December 31, 2020 are distributions on Class C LP Units of \$6,907 (December 31, 2019 - \$7,066), paid or payable to a limited partnership wholly-owned by MPI.
- Included in finance costs for the year ended December 31, 2020 is interest income of \$1,617 (December 31, 2019 - \$195) earned from the loans advanced to related parties.
- For the year ended December 31, 2020, the REIT reimbursed \$nil (December 31, 2019 - \$312) to MPI for costs paid on behalf of the REIT.

Distributions

- For the year ended December 31, 2020, distributions of \$5,177 (December 31, 2019 - \$5,019) 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, 2020, distributions on Units to MPI of \$401 (December 31, 2019 - \$131) were declared and recorded as a reduction to Unitholders' equity.

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 17 of the consolidated financial statements for the years ended December 31, 2020 and 2019.

Adoption of Accounting Standards

The REIT adopted the amendments to IFRS 3, Business Combinations, that clarify whether a transaction results in an asset acquisition or a business combination. The REIT adopted the amendments in its consolidated financial statements beginning on January 1, 2020. These amendments did not have an impact on the REIT's consolidated financial statements.

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:

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1, *Presentation of Financial Statements*)

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 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.

The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused an evaluation under their direct supervision of, the design of disclosure controls and procedures and internal controls over financial reporting (as defined in National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*) as at December 31, 2020.

After evaluating the effectiveness of the REIT's DC&P as of December 31, 2020, it is Management's belief 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, after evaluating the effectiveness of the REIT's ICFR as of December 31, 2020, 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, 2020 to December 31, 2020 to the design of the REIT's ICFR that has materially affected, or is reasonably likely to materially affect, the REIT's ICFR.

Management has also considered the impact of COVID-19 on its ICFR and DC&P and noted that while a significant portion of the workforce has shifted to working remotely, controls continue to operate as designed. The REIT has not significantly reduced its workforce nor reduced the number of working hours as a result of the pandemic and control owners continue to perform their ordinary control activities. Similarly, the REIT has not experienced significant challenges or delays in completing its accounting and financial reporting processes while working remotely. In response to the increase in tele-working, Management has put forth incremental effort to ensure material information flows throughout the organization effectively and has significantly increased the frequency of meetings aimed at disseminating and soliciting key information.

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 Castlevue	241	100%	241
13 Skyline Garden Homes, Maisonettes & Walkups ²	227	100%	227
14 The Carlisle	193	100%	193
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
	3,063		3,063
Montreal			
21 Rockhill	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 Total³	7,245		6,089

¹ Suite counts for Minto Yorkville, Roehampton, Minto one80five and The Laurier include furnished suites, representing approximately 26% of the total suites at these properties.

² Excludes 32 Maisonettes rebuilt after being destroyed by fire in March 2017 and are under a lease up period.

³ Same Property Portfolio comprises the properties listed in the table above, with the exception of properties 1, 2, 21, 22, 23.

Average Rent Per Square Foot

Geographic Node		Average monthly rent	Average sq. ft. per suite		Average rent per sq. ft
Toronto	\$	1,858	800	\$	2.32
Ottawa		1,511	836		1.81
Alberta		1,235	725		1.70
Montreal		1,923	1,007		1.91
Average	\$	1,623	846	\$	1.92

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, 2020 and December 31, 2019;
- the consolidated statements of net income and comprehensive income for the years then ended;
- the consolidated statements of changes in unitholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; 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, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “*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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of the fair value of residential investment properties

Description of the matter

We draw attention to Note 2(f), Note 2(r) and Note 3 of the financial statements. The Entity uses the fair value method to account for real estate classified as investment property. The Entity has recorded residential investment properties for an amount of \$2,098,052 thousand, representing the most significant portion of investment properties. Significant assumptions in determining the fair value of residential properties include:

- estimated 12 month stabilized forecasted net operating income for each property; and
- capitalization rates.

Why the matter is a key audit matter

We identified the evaluation of the fair value of residential investment properties as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of residential investment properties and the high degree of estimation uncertainty in determining the fair value of residential investment properties. Additionally, significant auditor judgment and involvement of those with specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the fair value of residential investment properties to minor changes in significant assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

For a selection of residential investment properties, we assessed the Entity's ability to forecast by comparing the Entity's estimated 12 month stabilized forecasted net operating income used in the prior year's estimate of the fair value of residential investment properties to actual results.

For a selection of residential investment properties, we compared the estimated 12 month stabilized forecasted net operating income for each selected property to the actual historical net operating income by:

- Taking into account the changes in conditions and events affecting the residential investment properties; and
- Considering the adjustments, or lack of adjustments, made by the Entity in arriving at the estimated 12 month stabilized forecasted net operating income.

For a selection of residential investment properties, we involved valuations professionals with specialized skills and knowledge, who assisted in evaluating the capitalization rates used in determining the fair value of those residential investment properties. These rates were compared to published reports of real estate industry commentators taking into consideration the characteristics of the specific residential property.

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 "2020 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 obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the 2020 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; and
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The logo for KPMG LLP, featuring the letters 'KPMG' in a bold, sans-serif font, followed by 'LLP' in a smaller font, all in black. 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 11, 2021

Minto Apartment Real Estate Investment Trust

Consolidated Balance Sheets

(in thousands of Canadian dollars)

	Note	December 31, 2020	December 31, 2019
Assets			
Investment properties	3	\$ 2,138,101	\$ 2,016,328
Loans receivable from related parties	11	41,988	19,922
Prepaid expenses and other assets	6	18,538	10,295
Resident and other receivables	7	2,050	1,827
Cash		2,607	1,928
		\$ 2,203,284	\$ 2,050,300
Liabilities and Unitholders' Equity			
Liabilities			
Class B LP Units	8	\$ 463,806	\$ 527,104
Class C LP Units	9	219,885	225,537
Mortgages	10	598,079	489,307
Credit facility	10	31,948	91,009
Tenant rental deposits		8,965	8,712
Due to related parties	11	10,039	1,838
Accounts payable and accrued liabilities	12	20,338	20,018
		\$ 1,353,060	\$ 1,363,525
Unitholders' equity			
Contingencies and commitments	17	850,224	686,775
		\$ 2,203,284	\$ 2,050,300

See accompanying notes to the consolidated financial statements.

Minto Apartment Real Estate Investment Trust

Consolidated Statements of Net Income and Comprehensive Income

For the years ended December 31, 2020 and 2019

(in thousands of Canadian dollars)

	Note	December 31, 2020	December 31, 2019
Revenue from investment properties	15	\$ 124,929	\$ 104,438
Property operating expenses			
Property operating costs		23,221	19,755
Property taxes		13,346	11,016
Utilities		9,742	8,370
		46,309	39,141
Property operating income		78,620	65,297
Other expenses (income)			
General and administrative		6,634	5,607
Finance costs - operations	16	33,767	30,132
Fair value loss (gain) on:			
Investment properties	3	(78,701)	(93,216)
Class B LP Units	8, 16	(63,298)	104,241
Interest rate swap	12, 16	2,429	(879)
Unit-based compensation	21	(249)	325
Fees and other income		(1,600)	(879)
		(101,018)	45,331
Net income and comprehensive income		\$ 179,638	\$ 19,966

See accompanying notes to the consolidated financial statements.

Minto Apartment Real Estate Investment Trust

Consolidated Statements of Changes in Unitholders' Equity

For the years ended December 31, 2020 and 2019

(in thousands of Canadian dollars)

	Note	Units	Distributions	Retained earnings	Total
Balance, December 31, 2018	\$	212,078	\$ (3,216)	\$ 49,390	\$ 258,252
Units issued, net of issue costs		419,356	—	—	419,356
Net income and comprehensive income		—	—	19,966	19,966
Distributions	13	—	(10,799)	—	(10,799)
Balance, December 31, 2019	\$	631,434	\$ (14,015)	\$ 69,356	\$ 686,775
Net income and comprehensive income		—	—	179,638	179,638
Distributions	13	—	(16,189)	—	(16,189)
Balance, December 31, 2020	\$	631,434	\$ (30,204)	\$ 248,994	\$ 850,224

See accompanying notes to the consolidated financial statements.

Minto Apartment Real Estate Investment Trust

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(in thousands of Canadian dollars)

	Note	December 31, 2020	December 31, 2019
Cash provided by (used in):			
Operating activities			
Net income		\$ 179,638	\$ 19,966
Adjustments for:			
Finance costs - operations	16	33,767	30,132
Fair value loss (gain) on:			
Investment properties	3	(78,701)	(93,216)
Class B LP Units	8, 16	(63,298)	104,241
Interest rate swap	12, 16	2,429	(879)
Unit-based compensation	21	(249)	325
Change in non-cash working capital	20	(3,729)	(6,739)
Cash provided by operating activities		69,857	53,830
Financing activities			
Proceeds from issuance of Units, net of issue costs		—	399,436
Proceeds from mortgage financing	10	225,576	158,360
CMHC premiums paid		(3,360)	(2,971)
Financing costs	10	(1,757)	(322)
Principal repayments on mortgages	10	(122,597)	(6,930)
Net (repayments) proceeds on credit facility	10	(59,061)	55,084
Distributions on Class B LP Units		(10,133)	(9,073)
Distributions on Class C LP Units, used to repay principal	9	(5,177)	(5,019)
Distribution on Units		(16,144)	(10,011)
Interest paid		(25,286)	(20,869)
Cash (used in) provided by financing activities		(17,939)	557,685
Investing activities			
Capital additions to investment properties		(30,826)	(19,179)
Loans advanced to related parties	11	(22,188)	(19,727)
Interest received		1,775	—
Acquisition of investment properties	4	—	(571,573)
Cash used in investing activities		(51,239)	(610,479)
Change in cash during the year		679	1,036
Cash, beginning of the year		1,928	892
Cash, end of the year		\$ 2,607	\$ 1,928

See accompanying notes to the consolidated financial statements.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(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 is amended from time to time. The REIT owns 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 December 31, 2020, 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

(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.

The COVID-19 outbreak has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures include the implementation of travel bans, self-imposed quarantine periods and social distancing, and has caused material disruption to businesses globally, resulting in an economic slowdown. As of December 31, 2020, a couple of vaccine candidates were authorized for use by Health Canada while others were in the approval process. With the limited supply of vaccines available, Health Canada has adopted a phased approach to vaccine delivery with seniors and health care workers being the priority. Until extensive immunization is achieved, public health measures will continue to be essential to minimize the outbreak. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the REIT are unknown. The REIT continues to monitor and assess the impact that COVID-19 will have on its business activities and financial results that could potentially be impacted, including: cash collections from tenants, rental income, occupancy, turnover, future demand and market rents, all of which impact the valuation of investment properties.

The REIT has used all information available as at December 31, 2020 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 consolidated financial statements for the years ended December 31, 2020 and 2019. 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 18) include disclosures of the potential impacts of COVID-19 on fair value of investment properties and liquidity risk.

(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 11, 2021.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

(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 a transaction results in an asset acquisition or a business combination. The amendments to IFRS 3, *Business Combinations* ("IFRS 3"), adopted on January 1, 2020, 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 the REIT chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. If no substantive processes are acquired, the acquisition is treated as an asset acquisition rather than a business combination.

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 the REIT's interest in the joint operations.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

(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, including capitalization rates that reflect the characteristics, location and market of each property. 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.

Fair value for residential properties is determined using the direct capitalization approach by applying an appropriate capitalization rate which reflects the characteristics, location and market of each property to the estimated 12 month stabilized forecasted net operating income for each property, and deducting estimated aggregate future capital expenditures. Estimated 12 month stabilized forecasted net operating income is based on the respective property's forecasted results, adjusted to reflect market occupancy rates and expenditure levels. Fair value is determined based on internal valuation models.

Fair value for commercial properties is determined using the discounted future cash flow approach over a term of ten years plus a terminal value. Discount rates and terminal 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.

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

As part of the internal valuation process, the REIT considers external valuations performed by independent national real estate valuation firms for a cross-section of properties that represent different geographical locations across the REIT's portfolio. On a quarterly basis, Management reviews and updates, as deemed necessary, the valuation models to reflect current market data.

(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 which are 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.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

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

Amount	Measurement
Loans receivable from related parties	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.

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, transfer taxes and duties, and a portion of Canada Mortgage and Housing Corporation ("CMHC") insurance premiums related to current mortgages.

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 does 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.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

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 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.

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.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

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.

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 loans receivable from related parties 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 or liabilities between fair value levels during the period presented herein.

(i) CMHC premiums

CMHC mortgage insurance premiums provide coverage over the loan amortization period, typically 25 to 40 years. The portion related to the term of currently outstanding mortgages are accounted for as a financing charge and amortized over the life of respective mortgages using the effective interest method. The remaining portion of the CMHC mortgage insurance premiums are classified as prepaid expenses.

(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.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

(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.

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 and financing charges, distributions on Class B LP Units and Class C LP Units, fair value loss (gain) on Class B LP Units and fair value loss (gain) on 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.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

(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 the Plan 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 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 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) Significant judgments in applying accounting policies

The following are the significant 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. 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 nature of its assets and revenue. The REIT uses judgment in reviewing the real estate investment trust conditions and assessing their 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.

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) Significant 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 have the most significant effect on the reported amounts in the consolidated financial statements include:

Residential Investment properties valuation

In applying the REIT's policy with respect to investment properties, significant accounting estimates and assumptions are required to determine the valuation of the residential properties under the fair value model. Significant accounting estimates and assumptions used in the REIT's internal valuation model include the estimated 12 month stabilized forecasted net operating income for each property and the capitalization rates that reflect the characteristics, location and market for each property.

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(s) Adoption of new standards, amendments and interpretations

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

The amendments to IFRS 3 clarify whether a transaction results in an asset acquisition or a business combination. 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 adopted the amendments to IFRS 3 on January 1, 2020. The adoption of these amendments did not have any impact on the REIT's consolidated financial statements.

(t) Future changes in accounting standards

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1, Presentation of Financial Statements)

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.

3. Investment properties

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

	December 31, 2020	December 31, 2019
Residential properties	\$ 2,098,052	\$ 1,979,657
Commercial properties	22,490	22,840
Land held for development	17,559	13,831
	\$ 2,138,101	\$ 2,016,328

The following table presents the change in investment properties:

	December 31, 2020	December 31, 2019
Opening balance	\$ 2,016,328	\$ 1,197,811
Additions		
Acquisitions of investment properties (Note 4)	—	702,393
Capital expenditures	41,467	22,908
Fair value gain	78,701	93,216
Other	1,605	—
Closing balance	\$ 2,138,101	\$ 2,016,328

Capital expenditures include costs relating to an investment property which was reconstructed following a fire.

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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, 2020, 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, 2020, the REIT obtained external property appraisals representing approximately 54% (December 31, 2019 - 42%) of the REIT's investment properties.

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(a)). 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 December 31, 2020. 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.

The following table summarizes the significant unobservable inputs of the REIT's residential properties:

	December 31, 2020			December 31, 2019		
	Min	Max	Weighted average	Min	Max	Weighted average
Capitalization rate	3.25%	4.25%	3.81%	3.25%	4.75%	3.92%

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%
Capitalization rate					
-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

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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, 2019:

December 31, 2019	-3%	-1%	NOI	+1%	+3%
Capitalization rate					
-50 basis points	\$ 2,208,876	\$ 2,255,893	\$ 2,279,401	\$ 2,302,909	\$ 2,349,926
-25 basis points	2,053,600	2,097,415	2,119,323	2,141,231	2,185,046
Base rate	1,918,123	1,959,145	1,979,657	2,000,167	2,041,189
+25 basis points	1,798,885	1,837,448	1,856,730	1,876,012	1,914,575
+50 basis points	1,693,131	1,729,514	1,747,705	1,765,897	1,802,280

4. Acquisitions of investment properties

During the year ended December 31, 2020, there was no change in the number 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 the acquisition date.

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%.

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Cash used in acquisitions of investment properties was as follows:

		December 31, 2019
Total acquisition cost	\$	(702,393)
Mortgages assumed		62,872
Interest rate swap acquired		(232)
Issuance of Class B LP Units (Note 8)		56,964
Deposits applied on acquisition		3,000
Transaction costs payable		6,052
Working capital assumed		2,164
Cash consideration paid on close	\$	(571,573)

5. 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 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%

6. Prepaid expenses and other assets

		December 31, 2020		December 31, 2019
Prepaid expenses	\$	1,467	\$	1,314
Prepaid CMHC premiums		6,940		4,506
Restricted cash		1,180		1,012
Funds held in escrow (Note 10)		8,558		—
Deposits and other prepayments		393		2,352
Interest rate swap (Note 12)		—		1,111
	\$	18,538	\$	10,295
Current		11,197		4,641
Non-current		7,341		5,654
	\$	18,538	\$	10,295

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7. Resident and other receivables

	December 31, 2020	December 31, 2019
Current		
Resident receivables	\$ 1,240	\$ 384
Other receivables	1,422	1,526
Less: Allowance for credit losses	(612)	(83)
	\$ 2,050	\$ 1,827

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.

8. Class B LP Units

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

	Units	\$
Balance, December 31, 2018	20,859,410	\$ 385,899
<i>Non-cash movement</i>		
Issued, August 1, 2019 (Note 4)	2,806,122	56,964
Exchanged for Units, September 17, 2019 (Note 13)	(896,459)	(20,000)
Fair value loss	—	104,241
	1,909,663	141,205
Balance, December 31, 2019	22,769,073	\$ 527,104
<i>Non-cash movement</i>		
Fair value gain	—	(63,298)
Balance, December 31, 2020	22,769,073	\$ 463,806

For the year ended December 31, 2020, distributions of \$10,162 (December 31, 2019 - \$9,195) 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.

9. Class C LP Units

	December 31, 2020	December 31, 2019
Class C LP Units	\$ 217,524	\$ 222,702
Unamortized mark-to-market adjustments	2,361	2,835
	\$ 219,885	\$ 225,537
Current	5,816	5,653
Non-current	214,069	219,884
	\$ 219,885	\$ 225,537

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

	Units	\$
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)
	—	(5,500)
Balance, December 31, 2019	22,978,700	\$ 225,537
<i>Cash flows</i>		
Distributions used to repay principal	—	(5,177)
<i>Non-cash movement</i>		
Amortization of mark-to-market adjustments	—	(475)
	—	(5,652)
Balance, December 31, 2020	22,978,700	\$ 219,885

For the year ended December 31, 2020, the REIT made distributions of \$6,907 (December 31, 2019 - \$7,066) 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, 2019 - 3.16%) and mature at various dates between 2023 and 2030 (December 31, 2019 - 2023 and 2030).

Distributions on Class C LP Units as at December 31, 2020, excluding unamortized mark-to-market adjustments, are due as follows:

2021	\$	5,341
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 December 31, 2020, the current market rates plus risk-adjusted spreads ranged from 1.06% to 2.49% (December 31, 2019 - 2.60% to 3.40%) and the fair value of the Class C LP Units was \$232,188 (December 31, 2019 - \$227,507) and is considered level 2 within the fair value hierarchy.

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10. Secured Debt

	December 31, 2020	December 31, 2019
Mortgages - fixed rate ¹	\$ 599,413	487,876
Unamortized mark-to-market adjustment	1,446	1,741
Unamortized deferred financing costs	(2,780)	(310)
Total mortgages	598,079	489,307
Credit facility ²	31,948	91,009
	\$ 630,027	\$ 580,316
Current	66,105	21,490
Non-current	563,922	558,826
	\$ 630,027	\$ 580,316

¹ Fixed rate mortgages are secured by investment properties, bear interest at a weighted average contractual interest rate of 2.85% (December 31, 2019 - 3.14%) and mature at various dates from 2021 through 2030 (December 31, 2019 - 2020 through 2030). The fixed rate mortgages include a \$38,234 (December 31, 2019 - \$39,174) variable interest mortgage fixed through an interest rate swap.

² The REIT has a committed credit facility of \$200,000 (December 31, 2019 - \$200,000) 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, 2020, \$31,948 (December 31, 2019 - \$91,009) was utilized and the remaining amount of \$168,052 (December 31, 2019 - \$108,991) 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 December 31, 2020, the weighted average variable interest rate was 2.25% (December 31, 2019 - 3.72%).

The secured debt balances at December 31, 2020, excluding unamortized mark-to-market adjustments and unamortized deferred financing costs, are due as follows:

2021	\$	66,157
2022		98,748
2023		57,964
2024		56,945
2025		31,097
2026 and thereafter		320,450

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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, 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
<i>Cash flows</i>					
Issued	225,576	—	(1,757)	56,939	280,758
Repayments	(122,597)	—	—	(116,000)	(238,597)
	102,979	—	(1,757)	(59,061)	42,161
<i>Non-cash movement</i>					
Funds held in escrow ¹	8,558	—	—	—	8,558
Financing costs	—	—	(968)	—	(968)
Deferred financing amortization	—	—	255	—	255
Amortization of mark-to-market adjustment	—	(295)	—	—	(295)
	8,558	(295)	(713)	—	7,550
Balance, December 31, 2020	\$ 599,413	\$ 1,446	\$ (2,780)	\$ 31,948	\$ 630,027

¹ Proceeds of \$11,928 from a conventional mortgage obtained during the year were held in escrow subject to certain conditions. \$3,370 of the funds held in escrow were released in December 2020.

As at December 31, 2020 and December 31, 2019, 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 December 31, 2020, the current market rates plus risk-adjusted spreads ranged from 0.95% to 2.81% (December 31, 2019 - 2.60% to 3.90%) and the fair value of fixed rate mortgages was \$629,898 (December 31, 2019 - \$494,589) 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.

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11. 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 Minto Properties Inc. ("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, 2020, the REIT incurred \$1,695 (December 31, 2019 - \$848) for services rendered by MPI and its affiliates under the ASA.

(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 ("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. At the option of the borrower, the interest is payable monthly or deemed an advance. 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 year ended December 31, 2020, the REIT advanced \$10,273 (December 31, 2019 - \$19,727), earned interest income of \$1,544 (December 31, 2019 - \$195) and received interest of \$1,739 (December 31, 2019 - \$nil). As at December 31, 2020, amount receivable under the loan was \$30,000 (December 31, 2019 - \$19,922).

On November 30, 2020, the REIT committed to advance \$11,915 to a limited partnership jointly owned by MPI and a subsidiary of Darwin Properties Limited ("DPL") to develop Phase I of Lonsdale Square ("Lonsdale Square") in North Vancouver, British Columbia and an additional \$2,085 to fund interest costs. The loan bears interest at 7% and matures on May 30, 2024. The loan is secured by a second priority charge in favor of the lender and guaranteed by MPI and DPL. At the option of the borrower, the interest is payable monthly or deemed an advance. 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 year ended December 31, 2020, the REIT advanced \$11,915 and earned interest income of \$73. As at December 31, 2020, the amount receivable under the loan was \$11,988.

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 December 31, 2020 and December 31, 2019, 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 December 31, 2020 include \$863 and \$575 (December 31, 2019 - \$732 and \$588) 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 \$34 (December 31, 2019 - \$33) for distributions on Units, \$nil (December 31, 2019 - \$94) in connection with the ASA, \$nil (December 31, 2019 - \$103) for distributions on Class B LP Units and \$211 (December 31, 2019 - \$288) for working capital.

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Prior to its initial public offering in 2018, the REIT acquired the Skyline Maisonettes property in Ottawa, Ontario. This property was damaged by a fire in March 2017, which destroyed 32 suites. The re-construction of this block was substantially completed and transferred to the REIT in 2020. Amounts due to related parties include \$8,356 (December 31, 2019 - \$nil) payable to MPI for the reconstructed Skyline Maisonettes. The payable will settle once the investment property is stabilized.

(d) Revenue and expenses

- Included in rental revenue for the year ended December 31, 2020 is \$723 (December 31, 2019 - \$842) 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, 2020 is \$713 (December 31, 2019 - \$954) paid to MPI and its affiliates for repairs and maintenance and other expenses at certain REIT properties.
- For the year ended December 31, 2020, compensation to key management personnel includes \$642 (December 31, 2019 - \$768) paid to executives, Unit-based compensation expense of \$1,160 (December 31, 2019 - \$291) for executives and Unit-based compensation expense for the grant of Deferred Units to Trustees in lieu of annual retainer and meeting fees of \$513 (December 31, 2019 - \$474), 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, 2020 are distributions on Class B LP Units of \$10,162 (December 31, 2019 - \$9,195), paid or payable to MPI and a limited partnership wholly-owned by MPI.
- Included in finance costs for the year ended December 31, 2020 are distributions on Class C LP Units of \$6,907 (December 31, 2019 - \$7,066), paid or payable to a limited partnership wholly-owned by MPI.
- Included in finance costs for the year ended December 31, 2020 is interest income of \$1,617 (December 31, 2019 - \$195) earned from the loans advanced to related parties.
- For the year ended December 31, 2020, the REIT reimbursed \$nil (December 31, 2019 - \$312) to MPI for costs paid on behalf of the REIT.

(e) Distributions

- For the year ended December 31, 2020, distributions of \$5,177 (December 31, 2019 - \$5,019) 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, 2020, distributions on Units to MPI of \$401 (December 31, 2019 - \$131) were declared and recorded as a reduction to Unitholders' equity.

(f) 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.

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12. Accounts payable and accrued liabilities

		December 31, 2020		December 31, 2019
Accounts payable	\$	8,348	\$	5,571
Accrued liabilities		6,295		11,539
Distributions payable		1,342		1,297
Unit-based compensation (Note 21)		3,035		1,611
Interest rate swap		1,318		—
	\$	20,338	\$	20,018
Current		18,410		19,744
Non-current		1,928		274
	\$	20,338	\$	20,018

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

Instrument	Maturity	Fixed rate	Original notional amount	Notional amount	December 31, 2020	December 31, 2019
Interest rate swap ¹	April 2026	3.38%	\$42,360	\$38,234	\$ 1,318	\$ (1,111)

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:

		December 31, 2020		December 31, 2019
Opening balance	\$	(1,111)	\$	—
<i>Non-cash movement</i>				
Acquired ²		—		(232)
Fair value loss (gain)		2,429		(879)
Closing balance	\$	1,318	\$	(1,111)

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

² The REIT acquired the interest rate swap on August 1, 2019 in connection with its acquisition of High Park Village.

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13. Units

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

	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 (Note 8)	896,459	20,000
Issued, October 22, 2019, net	9,850,000	215,401
Issued, November 25, 2019, net	856,280	18,783
Balance, December 31, 2019	36,274,839	\$ 631,434
Balance, December 31, 2020	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 per Unit 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, 2020, distributions to Unitholders of \$16,189 (December 31, 2019 - \$10,799) were declared. This represents monthly distributions of \$0.03667 per Unit for the months of January to July 2020 and \$0.03792 per Unit for the months of August to December (December 31, 2019 - monthly distributions of \$0.03416 per Unit for the months of January to July and \$0.03667 per Unit for the months of August to December).

14. 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.

Minto Apartment Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

15. Revenue from investment properties

The components of revenue from investment properties are as follows:

	December 31, 2020		December 31, 2019	
Rental revenue	\$	102,268	\$	85,588
Revenue from services		22,661		18,850
	\$	124,929	\$	104,438

16. Finance costs

Finance costs are comprised of the following:

	December 31, 2020		December 31, 2019	
Interest expense on mortgages	\$	16,735	\$	12,255
Interest expense & standby fees on credit facility		1,838		2,619
Amortization of financing charges		548		316
Amortization of mark-to-market adjustments		(770)		(778)
Interest income		(1,653)		(541)
Interest expense & other financing charges		16,698		13,871
Distributions on Class B LP Units (Note 8)		10,162		9,195
Distributions on Class C LP Units (Note 9)		6,907		7,066
Finance costs - operations	\$	33,767	\$	30,132
Fair value loss (gain) on Class B LP Units		(63,298)		104,241
Fair value loss (gain) on interest rate swap		2,429		(879)
Finance costs	\$	(27,102)	\$	133,494

17. 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 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, 2020, the remaining unforgiven balance of the loan which has not been recorded by the REIT is \$15,912 (December 31, 2019 - \$17,136). 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, 2020, the remaining unforgiven balance of the loan which has not been recorded by the REIT is \$4,032 (December 31, 2019 - \$4,368). 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, 2020, the REIT has advanced the full commitment of \$30,000 (December 31, 2019 - \$19,922, committed to advance an additional \$10,078) to an affiliate of MPI to support its redevelopment of Fifth and Bank in Ottawa.

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

Minto Apartment Real Estate Investment Trust

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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, 2020, the maximum potential obligation resulting from this guarantee is \$13,382 (December 31, 2019 - \$13,711).

18. 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 December 31, 2020, the REIT has a variable rate credit facility of \$200,000 (December 31, 2019 - \$200,000) with an outstanding balance of \$31,948 (December 31, 2019 - \$91,009). A 1% change in prevailing interest rates would change annualized interest charges incurred by \$319 (December 31, 2019 - \$910).

(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 December 31, 2020 would have a \$4,638 (December 31, 2019 - \$5,271) 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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For the years ended December 31, 2020 and 2019

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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 recent 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 December 31, 2020, current liabilities of \$109,299 (December 31, 2019 - \$57,401) exceeded current assets of \$15,854 (December 31, 2019 - \$8,396), resulting in a net working capital deficit of \$93,445 (December 31, 2019 - \$49,005). Current liabilities as of December 31, 2020 include \$31,948 payable for the credit facility which matures on July 3, 2021 at which point the REIT intends to refinance it. 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, 2020, liquidity was \$170,659 (December 31, 2019 - \$110,919) consisting of cash of \$2,607 (December 31, 2019 - \$1,928) and \$168,052 (December 31, 2019 - \$108,991) 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. Access to this capital is dependent on the successful renewal of the REIT's credit facility when it comes due on July 3, 2021. Although the REIT expects to renew the credit facility, there can be no assurance that it will otherwise have access to sufficient capital or access to capital on favourable terms. Failure by the REIT to access required capital could have a material adverse effect on its financial conditions or results of operations and its ability to make distributions to Unitholders. The committed credit facility consists of the following:

	December 31, 2020	December 31, 2019
Committed	\$ 200,000	\$ 200,000
Available	168,052	108,991
Utilized	31,948	91,009

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 & thereafter	Total
Mortgages	\$ 34,209	\$ 98,748	\$ 57,964	\$ 56,945	\$ 31,097	\$ 320,450	\$ 599,413
Credit facility	31,948	—	—	—	—	—	31,948
	66,157	98,748	57,964	56,945	31,097	320,450	631,361
Class C LP Units	5,341	5,510	50,234	50,499	63,541	42,399	217,524
Interest obligation	23,448	21,667	18,180	13,917	11,646	35,306	124,164
Tenant rental deposits	8,929	—	—	26	—	10	8,965
Due to related parties	10,039	—	—	—	—	—	10,039
Accounts payable and accrued liabilities	18,410	413	151	46	—	1,318	20,338
	\$ 132,324	\$ 126,338	\$ 126,529	\$ 121,433	\$ 106,284	\$ 399,483	\$ 1,012,391

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

Minto Apartment Real Estate Investment Trust

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19. 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 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:

	December 31, 2020	December 31, 2019
Liabilities (principal amounts outstanding):		
Class B LP Units	\$ 463,806	\$ 527,104
Class C LP Units	217,524	222,702
Mortgages ¹	599,413	487,876
Credit facility	31,948	91,009
	1,312,691	1,328,691
Unitholders' equity	850,224	686,775
	\$ 2,162,915	\$ 2,015,466

¹ Includes funds held in escrow in connection with Minto one80five financing (Note 10).

20. Supplemental cash flow disclosures

Change in non-cash working capital comprises the following:

Year ended	December 31, 2020	December 31, 2019
Prepaid expenses and other assets	\$ 811	\$ (1,461)
Resident and other receivables	(223)	(838)
Tenant rental deposits	252	758
Due to related parties	(170)	(2,696)
Accounts payable and accrued liabilities	(4,399)	(2,502)
	\$ (3,729)	\$ (6,739)

Minto Apartment Real Estate Investment Trust

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21. 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:

	December 31, 2020		December 31, 2019	
Opening balance	\$	655	\$	176
Unit-based compensation expense		1,160		291
Fair value (gain) loss		(155)		188
Closing balance	\$	1,660	\$	655

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

	December 31, 2020		December 31, 2019	
Opening balance		108,421		48,742
Granted		49,500		64,000
Distribution equivalents		3,170		967
Forfeited		—		(5,288)
Closing balance		161,091		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.

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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, 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
Granted and vested	25,048	490
Distribution equivalents	1,139	23
Fair value gain	—	(94)
Balance, December 31, 2020	67,509	\$ 1,375

22. 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 15 years. There were no residents that accounted for more than 10% of the REIT's total rental revenue for the year ended December 31, 2020 and 2019. The total future contractual minimum rent lease payments expected to be received under residential and commercial leases are as follows:

	December 31, 2020	December 31, 2019
Less than 1 year	\$ 25,913	\$ 30,855
Between 1 to 5 years	4,623	3,156
5 years and thereafter	637	405
	\$ 31,173	\$ 34,416

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 The Minto Group

Simon Nyilassy^(1,2,3)

Chair of the Audit Committee, CEO of Marigold & Associates Inc.

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)

Senior Vice President and Chief Financial Officer of Selection Group

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

Martin Tovey

Senior Vice President, Investments

Paul Baron

Vice President, Asset Management

Edward Fu

Vice President, Finance

Ben Mullen

Vice President, Asset Management

Head Office

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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 2020 – July 2020
\$0.03667 per Unit per month

August 2020 – December 2020
\$0.03792 per Unit per month

Annual Meeting

The Annual Meeting of Unitholders will be held virtually on Thursday, May 27, 2021 at 11:00am.

(1) Member of the Audit Committee

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

(3) Independent



Lonsdale Square Financing and Purchase Option

The REIT has agreed to provide an \$11.9 million investment loan to assist in funding the development of a new residential rental property in North Vancouver. This property represents the first phase of the Lonsdale Square development and consists of 113 residential suites and approximately 7,800 square feet of retail at grade. The loan is the REIT's first investment in the Greater Vancouver market and fulfills its strategic mandate to build a presence in all six of Canada's major urban markets. The REIT has the option to purchase the property at 95% of its appraised fair market value upon completion. By participating as a lender to the development, the REIT generates accretive earnings during the construction period without any exposure to construction risk.



Repositioning Program

The 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. Given the predictable costs and revenue associated with suite repositioning and the ability to meter out capital in small increments, our repositioning program offers the best risk-adjusted return on capital of all of the REIT's investment opportunities.





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