

Minto Apartment REIT
First Quarter 2021 Financial Results

May 7, 2021 — 10:00 a.m. E.T.

Length: 78 minutes

"While Cision has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. Cision will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Cision ait fait des efforts commercialement raisonnables afin de produire cette transcription, la société ne peut affirmer ou garantir qu'elle ne contient aucune erreur. Cision ne peut être tenue responsable pour toute perte de profits ou autres dommages ou responsabilité causé par ou découlant directement, indirectement, accessoirement ou spécialement de toute erreur liée à l'utilisation de ce texte ou à toute erreur qu'il contiendrait. »

CORPORATE PARTICIPANTS

Michael Waters

Minto Apartment REIT — Chief Executive Officer

Julie Moran

Minto Apartment REIT — Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Jonathan Kelcher

TD Securities — Analyst

Mike Markidis

Desjardins Capital Markets — Analyst

Brad Sturges

Raymond James — Analyst

Matt Logan

RBC Capital Markets — Analyst

Matt Kornack

National Bank Financial — Analyst

Joanne Chen

BMO Capital Markets — Analyst

Brendon Abrams

Canaccord Genuity — Analyst

PRESENTATION

Operator

Good morning. My name is Sylvie and I will be your conference coordinator today. At this time I would like to welcome everyone to the Minto Apartment REIT First Quarter 2021 Results Conference Call. Note that all participant lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad. And if you would like to withdraw your question, please press star followed by two.

Before we begin, I want to remind listeners that certain statements about future events made on this conference call are forward-looking in nature. Any such information is subject to risks, uncertainties, and assumptions that could cause actual results to differ materially. Please refer to the cautionary statements on forward-looking information in the REIT's news release and MD&A dated May 6, 2021 for more information.

During the call management will also reference certain non-IFRS financial measures. Although the REIT believes these measures provide useful supplemental information about its financial performance, they are not recognized measures and do not have standardized meanings under IFRS. Please see the REIT's MD&A for additional information regarding non-IFRS financial measures, including reconciliations to the nearest IFRS measures. Thank you.

Mr. Waters, you may begin.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Great. Thank you, Sylvie, and good morning, everyone. I'm Michael Waters, Chief Executive Officer of Minto Apartment REIT, and I'm joined this morning by my colleague Julie Morin, our Chief Financial Officer. I'll begin the call by discussing highlights from the first quarter, Julie will review our financial and operating results in detail, and then I'll discuss our business outlook. After that, we'll be pleased to answer any questions.

On our last conference call in March, I discussed how the pandemic is impacting demand for urban rental housing in the short term. We're in a period of extended lockdowns in which shops, restaurants, museums, and libraries are closed to visitors and work and education are mostly being conducted remotely. The benefits of urban living are temporary on hold, and that will change soon.

We're starting to see COVID-19 vaccinations ramp up rapidly across Canada. As cases come down and the economy gradually returns to normal during the second half of 2021, we're confident that demand for urban apartments will rebound. But in the short term, the challenging and unusual market conditions are impacting our financial performance. We saw it in the fourth quarter of 2020 and, as foreshadowed during our March earnings call, again in the first quarter of 2021.

With demand lower than normal, we've made the decision to hold firm on asking rental rates in order to protect long-term average monthly rent, NOI growth potential, and growth in net asset value. We believe this strategy is important to maximizing the REIT's long-term AFFO and NAV; however, in the short run it's resulting in lower than normal occupancy and NOI. Average occupancy over the reporting period declined to 91.1% in the first quarter compared to 96.6% in Q1 of last year.

But the strategy is showing some results. I'm pleased to say that we generated a gain-to-lease of 7.6% in the first quarter while completing an unusually large volume of leasing. That was significantly stronger than the 2.1% gain-to-lease we recorded in the fourth quarter of 2020. We also generated gains upon suite turnover in all of our markets, including Alberta, where we'd not achieved gain-to-lease since 2019. Average monthly rent reached a new high of \$1,630 at the end of March compared to \$1,599 a year ago. NOI declined in the quarter, as expected, reflecting the lower average occupancy; however, I'd note that more than half of the decline is attributable to just three properties located in core urban centres that contain the majority of our furnished suites, 185 Lyon, Minto Yorkville, and 150 Roehampton.

Furnished suite demand continues to be impacted by lockdowns and stay-at-home orders but, as Julie will discuss shortly, we're adjusting our pricing in furnished suite inventory to adapt to current market conditions. Meanwhile, we continue to execute on our other organic growth initiatives. During the first quarter we completed the repositioning of 46 suites, improving asset quality, reducing future repair cost, driving strong growth in rental revenue. We also continued to advance our development intensification projects that are expected to maturely grow our suite count. Importantly, we did all this while maintaining a very strong balance sheet. We ended the first quarter with total liquidity of approximately \$159 million, representing a liquidity ratio of 19%. We're well positioned to pursue further growth opportunities while maintaining financial flexibility throughout this period of economic uncertainty.

Finally, I want to mention an exciting transaction we just announced last week. We agreed to advance an investment loan of up to \$51.4 million to a subsidiary of Minto Properties for the

development of a mixed-use multi-residential property on Beechwood Avenue in Ottawa with an expected 229 rental suites. The terms of the loan make it accretive to AFFO during the development period and we have the option to purchase the property at a 5% discount to appraised value upon stabilization. This transaction is attractive and highlights the ongoing benefits of our strategic alliance with the Minto Group.

My key message today is that we're in a very strong competitive position. We're responding effectively and appropriately to the short-term challenges brought on by the pandemic, we're generating solid gain-to-lease, capitalizing on growth opportunities, and maintaining a strong balance sheet. And our portfolio is well positioned for growth in occupancy and rental rates as the pandemic subsides.

I'll now invite Julie to discuss our first quarter financial and operating performance in greater detail. Julie?

Julie Morin — Chief Financial Officer, Minto Apartment REIT

Thank you, Michael.

Turning to slide four, I'll start with an overview of the operating results. Note that we do not have separate same property results to report this quarter as we owned all of our properties throughout the comparable periods in 2020 and 2021, so all of these Q1 results are for the total portfolio.

We reported revenue excluding furnished suites of \$28.5 million in Q1 2021 compared to \$29.4 million last year, a decline of 3.3%. The decline was mainly due to lower occupancy, as Michael

mentioned, partially offset by higher rents. Total revenue including furnished suites was \$30 million in the quarter, a decline of 4.8% from \$31.5 million in Q1 2020. This reflected lower occupancy and rents for furnished suites in addition to the factors I just mentioned.

NOI excluding furnished suites was \$17.3 million or 60.8% of revenue in the first quarter, a decline of 6.1% from \$18.4 million or 62.6% of revenue in Q1 2020. Total NOI including furnished suites declined 8.2% year over year to \$17.9 million or 59.6% of revenue from \$19.5 million or 61.8% of revenue in Q1 last year. Lower NOI in Q1 2021 reflected the reduction in revenue as well as higher property taxes.

FFO was \$10.9 million in Q1 2021 compared to \$12.1 million in Q1 last year, a decline of 10.1%. This mainly reflected the negative NOI variance and higher G&A.

AFFO declined 11.7% year over year to \$9.3 million from \$10.6 million in Q1 2021. This result reflected the lower FFO adjusted for the amortization of mark-to-market adjustments. AFFO per unit was \$0.158 compared to \$0.179 in Q1 a year ago.

We declared cash distributions in the first quarter of \$0.1138 per unit, resulting in an AFFO payout ratio of 72%. Cash distributions were \$0.11 per unit in Q1 last year, resulting in an AFFO payout ratio of 61.5%. As a reminder, and for comparative purposes, we increased our cash distributions by 3.4% during 2020. The increase took effect beginning with the August distribution.

As at March 31, 2021, our portfolio consisted of 7,277 suites with an average monthly rent of \$1,630 per occupied unfurnished suite. Average monthly rent increased by \$31 or 1.9% compared to

\$1,599 at the end of Q1 last year. The average occupancy over the reporting period in Q1 2021 was 91.1% compared to 96.6% in Q1 2020.

On slide five we have provided our updated revenue analysis. We break down gain-to-lease activity for Q1 2021 in the upper chart and our estimate of the gain-to-lease potential of the portfolio in the lower one.

Beginning with the upper chart, leasing activity was very high for the second quarter in a row and we signed 470 new leases in the first quarter. Typically we see stronger leasing during the warmer weather in the second and third quarters and slower activity in the first and fourth quarters; however, the impact of COVID-19 has disrupted typical turnover patterns. Our leasing team performed extremely well by completing a high volume of leases while generating a solid realized gain on new leases. The average rent on new leases increased by 7.6%, from \$1,618 to \$1,741. We were pleased to realize gains in all of our markets. We had double-digit rent growth in Ottawa and Montreal and we generated positive gain-to-lease in Alberta for the first time since 2019. As we previously stated, the Alberta rental market has been very challenging due to the combination of the pandemic and a struggling energy sector. We were pleased to see some recovery during Q1.

The lower chart shows the gain-to-lease potential that we estimate in our portfolio as at March 31, 2021. We believe we can generate approximately \$8.7 million of annualized incremental revenue growth by bringing rents in 6,511 suites to market levels. While the embedded potential revenue opportunity was down from \$14.7 million as at March 31st of last year, it increased from \$8 million at the end of 2020. We expect the total gain-to-lease potential will increase in the second half of 2021 as the

Canadian economy emerges from the pandemic and market rents gain momentum. We also expect to realize a significant portion of this potential over the next three to five years.

Turning to slide six, the upper chart highlights our long-term leasing gains and growth in average monthly rent. You can see that quarterly gain-to-lease has been lower since the second quarter of 2020, which reflects the negative impact of COVID-19; however, the trend of realizing gain-to-lease each quarter has remained highly positive and average monthly rent has continued to reach new highs every quarter as we have held firm on rental rates, though rate growth has slowed since the start of the pandemic.

Turning to slide seven, I'd like to provide an update on our furnished suites. We are continuing to reduce our inventory of furnished suites and lease the suites out on an unfurnished basis. During the first quarter we reduced our furnished suite count by 16. We will continue to adjust it to meet demand and changing market conditions.

On the lower chart you can see average rent and occupancy for our furnished suites over time. The first quarter is generally a slower quarter for furnished suites and occupancy in Q1 2021 was 62.5%, down from 64.2% in Q1 2020. Average monthly rent was \$3,540 per suite, reflecting the decline in demand from corporate users due to tightened COVID-19 restrictions. As a result, we have increased our mix of government and other short-term users. We believe the furnished suite performance will recover as COVID restrictions are lifted and normal economic activity resumes.

Moving to slide eight, we have provided a summary of our repositioning activities. We renovated a total of 46 suites in Q1 2021, or 34 at the REIT's proportionate ownership share. The average cost per

renovation was approximately \$52,000 per suite. The average annual rental increase following repositioning was \$4,531 per suite, generating an average annual unlevered return of 8.7%, which is in line with our target for repositioning. In total, we have over 2,400 remaining suites to reposition. That includes 148 suites at the Roehampton property where we identified an opportunity to accelerate repositioning by converting furnished suites to unfurnished and leasing them out on that basis. Overall, we expect to reposition approximately 250 to 300 suites in 2021, or 200 to 250 at the REIT's proportionate share. This is in line with the guidance we provided last quarter.

Turning to slide nine, I would now like to review our investment financing for the property development on Beechwood Avenue in Ottawa that we announced last week and talk a little bit more about the proposed building. As Michael noted, we agreed to advance an investment loan of up to \$51.4 million to a subsidiary of Minto Properties to fund development of this mixed-use building. The loan includes \$43.7 million of direct advances and a \$7.7 million interest reserve. The development is expected to comprise 229 rental suites over nine storeys and approximately 6,000 square feet of retail at grade, subject to final zoning approval. The rendering images demonstrate that this will be a very attractive rental property. On April 29th we provided an initial advance of \$9.1 million under the credit facility. The remainder will be advanced as construction progresses. We expect construction to begin in early 2022 with stabilization in late 2024. The financing we are providing bears interest at 6%, which will accrue and be payable in full upon maturity in December 2025. We will have an option to purchase this property at a 5% discount to its appraised value upon stabilization.

On slide 10 we provided an overview of the location. The property is located in the highly-attractive New Edinburgh neighbourhood. It is within close walking distance of the Rideau River and

numerous shops, parks, and amenities. The location is well served by transit and is located only three kilometres from Parliament Hill and Ottawa's central business district.

Turning to slide 11, I'd like to review our other intensification and development initiatives. Construction of the Fifth + Bank redevelopment project in Ottawa's Glebe neighbourhood remains on schedule with project completion expected in early 2022. Formwork is complete and, as you can see in the lower photo on the left, work is moving ahead on the building envelope. At Lonsdale Square in North Vancouver we expect construction to begin in the current quarter.

With regards to intensification, we are working towards final development approvals for new construction at Richgrove and Leslie York Mills while rezoning is in process for two new proposed towers at High Park Village. We expect construction at Richgrove and Leslie York Mills to begin in the third quarter of this year with High Park Village following in 2023. Overall, these projects could add more than 1,500 suites to the REIT's portfolio. For more information on the anticipated timing of these projects, please view our Q1 MD&A.

Finally I'd like to review our debt financing and liquidity on slide 12. We continue to have a conservative leverage ratio and a highly balanced maturity schedule. As of March 31, 2021, the weighted average term to maturity on our fixed-rate debt was 5.67 years with a weighted average interest rate of 2.9%. Approximately 95% of our debt is fixed rate and 76% is CMHC insured. Our total liquidity was \$158.9 million at quarter end and debt-to-gross book value was 38.7%.

I'll now turn it back over to Michael.

Thanks, Julie.

I'd like to conclude with our business outlook on slide 13. The first two points on this slide are extremely important. Historically, high-quality multi-residential housing in desirable urban areas has generated superior risk-adjusted returns. This has been driven by strong underlying fundamentals, including population growth, inelastic supply, and the high cost of home ownership. The COVID-19 pandemic has impacted demand in the short term, but the long-term demand picture has not changed. We fully expect our portfolio will outperform in the years ahead.

We're still enduring the economic impact of the pandemic now, but better times aren't far away. The pace of vaccinations is expected to continue to gain momentum in the weeks ahead and life will start to get back to normal. Before long, we expect that border restrictions will be loosened, population growth will resume at more typical levels, and increased immigration and more permanent residents will enter Canada, driving demand for federal housing.

Based on the federal government's targets, as well as natural growth, we expect net population growth of more than half a million people per year for the next three years. Meanwhile, we expect that workers will begin to return to their office, albeit possibly on a part-time basis initially, and students will begin to return to campuses for in-person learning this fall. Restaurants and retail stores will welcome customers inside again and, in short, the many appeals of urban living will reassert themselves. We're confident that many people who temporarily left downtown neighbourhoods during the pandemic will be keen to move back.

And then there's the issue of affordability. Canada had a very significant affordability gap between renting and owning prior to the pandemic. That gap got much, much wider in most cities over the past year as housing prices have soared higher. Renting is now an increasingly attractive option for millions of Canadians. We expect the recovery in rental market demand to build steadily throughout the year as the vaccine rollout proceeds and restrictions are loosened. As it does, we're well positioned to generate growth in rents and occupancies.

We're confident that Minto Apartment REIT has the right assets and strategy for long-term success. We're actively capitalizing on organic growth through gain-to-lease, we're creating value from suite repositioning, we're maintaining a strong liquidity position, enabling us to explore attractive external growth opportunities, and we continue to capitalize on our relationship with the Minto Group, most recently with the exciting Beechwood Avenue development opportunity in Ottawa. As we execute on our strategy, we expect to deliver further value for unitholders through growth in NOI, NAV, and cash distributions.

That concludes our formal presentation this morning. Julie and I would now be pleased to answer any questions you may have. Sylvie, please open the line for questions.

Q & A

Operator

Thank you, Mr. Waters. Ladies and gentlemen, if you do have any questions at this time, please press star followed by one on your touchtone phone. You will then hear a three-tone prompt acknowledging your request. And should you decide to withdraw your question, you will need to press

star followed by two. And if you are using a speakerphone, we do ask that you please lift the handset before pressing any keys. Please go ahead and press star one now if you do have any questions.

And your first question will be from Jonathan Kelcher at TD Securities. Please go ahead.

Jonathan Kelcher — Analyst, TD Securities

Thanks. Good morning.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Good morning, Jonathan.

Jonathan Kelcher — Analyst, TD Securities

First question, I guess you had a strong leasing quarter in Q1, it looks like it was more back-end weighted. Did that include the three urban properties that have caused so much of your same property NOI issues?

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Yeah, it did, Jonathan. And you're right, the trend through the quarter strengthened, you know, February was stronger than January, March was stronger than February, and so we did see decent leasing activity in our Toronto assets. High Park, 61 Yorkville, they all shared in that strong leasing activity.

Jonathan Kelcher — Analyst, TD Securities

Okay. And then I guess, assuming the vaccine rollouts continue and we get back to a more, hopefully, normal environment in the fall, how long do you think it'll take you to get your occupancy back to sort of that 95%, 96%, 97% range?

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Well, so let's go back. I mean this quarter was the first quarter, Q1, where leases outstripped move-outs. The first time that has happened since Q1 of last year, which was pre-pandemic. So, subsequent to the declaration of the pandemic in March of 2020, we saw basically three quarters where we had move-outs vastly outstrip leases. And so Q1 certainly was favourable in that leases were stronger than move-outs for the first time in that one-year gap, but we have to basically make up for that vacancy loss. And leases don't generate revenue until they actually move in and so the strong leasing that we had in March will not materialize in our revenues until Q2. But even with that, Jonathan, we're going to need several quarters of strong leasing to continue to build occupancy.

We expect occupancy to continue to build through the year, but I'll just reiterate, and I know you know this, we are not in the, you know, our philosophy is not about filling the buildings. It's not an occupancy-driven yield management strategy. Our strategy is all about NAV growth. And for us what that means is really protecting rate and gain-to-lease. And so that will mean that we will be judicious in our use of discounts and promotions and incentives, because we want to build for the long term. We're all about growing NAV for the long term. And so the beauty of multi-res, of course, is there's very short lease negotiation process. There's no fixturing on part of the tenant. We could fill the buildings next

quarter if we wanted, very quickly, by just adjusting rates, and we would generate fantastic SPNOI for that one quarter, but of course we've got our eyes looking at much longer time horizons.

So I would say, looking at the balance of 2021, I think we'll start to see that occupancy edge back towards the mid-90s, but I suspect that, you know, it's really going to be, the pace at which we can re-attain sort of 96% will really be dependent to some great extent on the pace by which the vaccine rollout proceeds and we begin to see some of those other drivers, which are immigration, which we talked about. And certainly the data that we saw that was released by the government for January and February of this year was very encouraging in that the number of permanent resident arrivals this January, this February were quite a bit higher than what we saw in the last nine months of 2020 and really were at levels that were comparable with pre-pandemic levels in early 2020. So that's encouraging sign number one.

We are starting, we think, to see some universities, McGill and UBC foremost, talk about on-campus instruction in the fall term, so that will be critical. And of course return to the workplace for workers who are working remotely. That is the second factor. And we think all of those are driven by the pace of vaccine rollouts and the loosening of restrictions as case counts start to come down.

So it's a long way of basically answering the trend line is up on occupancy. When we look at our April leasing results, they were very encouraging, continuing the trends that we saw in March, but the timing of this is a little bit imprecise because we're waiting to see how quickly the vaccine rollout will impact these drivers. Certainly it seems the news that we get almost on a daily basis from the federal government and provincial health authorities on vaccine supply, vaccine rollout, is very good.

So I would say we are really thinking 2022 before we start to see numbers that bring us back to kind of pre-pandemic levels, doing it on our terms. That is to say preserving rate, driving NAV. We could do it much sooner if we were prepared to mortgage our future.

Jonathan Kelcher — Analyst, TD Securities

Okay. That's very helpful, thanks. I'll turn it back.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Thanks, Jonathan.

Operator

Thank you. Next question will be from Mike Markidis at Desjardins. Please go ahead.

Mike Markidis — Analyst, Desjardins Capital Markets

Thanks. Good morning. Just on—

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Operator, I think we've lost Mike.

Mike Markidis — Analyst, Desjardins Capital Markets

I'm here, if anyone can hear me.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Yes. Sorry, we lost the second part of your question. Sorry, we heard—

Mike Markidis — Analyst, Desjardins Capital Markets

No problem. No problem. Okay. So, back to the move-ins, you mentioned that the pace of move-ins has remained strong, or the leasing activity actually so far in Q2, which is positive. What about the move-outs? Has that remained above what would be typical for a second quarter or has it renormalized at this juncture?

Michael Waters — Chief Executive Officer, Minto Apartment REIT

So, the first quarter certainly remained quite high. If you think about 2019, we would have been low 300s kind of move-outs, and Q1 of 2021 we were kind of low 400s. So it remains elevated. We saw that in Q4 of last year. We saw very elevated move-outs after Q2, Q3 where turnover was muted. I think the pattern that we saw in Q4 continued into Q1 from a move-out perspective. Like Q4, we saw strong leasing, in fact leasing that was even stronger in Q1 than what we saw in Q4, and that was really the difference, when the lines between leases, new leases and move-outs crossed for the first time in Q1, first time since we'd seen that since Q1 of 2020.

Mike Markidis — Analyst, Desjardins Capital Markets

Okay. And then just so far the early indication, I guess, for April, have the move-outs slowed down or have the remained above average, I guess, just due to that pent-up decline in (inaudible)?

Michael Waters — Chief Executive Officer, Minto Apartment REIT

So, what we saw in terms of move-out activity was roughly consistent with what we'd seen the same month of the year before. So April of 2020, now this was immediately after the outbreak of the pandemic and in fact we didn't see huge numbers of move-outs in April of 2020, and what we saw in April of 2021 was actually very consistent with that, Mike. So that is to say it seems like move-outs have come down. And so interpreting through the data, and I don't want to overreach, because one month is encouraging but it's, you know, I think we need to see more data before we can confirm a trend, but it's possible that we saw the bottom in our unfurnished move-outs and leasing trend in February and obviously look to see that trend continue through the rest of Q2.

But the impact of the stay-at-home order really needs to be understood as well. And I think right now, in Ontario, where the bulk of our portfolio is, that's going to run to end of, you know, last week of May, May 20th, I believe. So I think we're all waiting to see if that is extended another couple weeks or how that will play out. But certainly the early signs are very encouraging.

Mike Markidis — Analyst, Desjardins Capital Markets

Okay. Now I think if we just look at Toronto and Ottawa, your estimates on market rent have come down by 5% to 7% in those two markets pre-pandemic. Do expect that that will continue to build or that market rents will continue to build higher gradually as you bring on more occupancy or is it something that might just be a bit delayed until you get occupancy up to that stabilized level?

Michael Waters — Chief Executive Officer, Minto Apartment REIT

So, we moved up our estimates from the end of last quarter. So there's certainly an element of seasonality in that and there is an element as well, Mike, just of what is in our inventory of what's been leased. So we look at it on a suite-by-suite, building-by-building basis. But our expectation is we'll continue to see growth in the estimate of average monthly rent. So that margin of potential percentage gain-to-lease, we would expect to see it widen a little bit further.

Mike Markidis — Analyst, Desjardins Capital Markets

Okay. And last (inaudible), technical thing, on your spreads that you realized during the quarter, when it shows the new rent versus expiring, is that on a suite-by-suite, like (inaudible) new leases versus the move-outs that you'd experienced and therefore could be impacted by different (inaudible)...

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Your question got a little garbled, but I think what you're asking is are the gains to lease that we reported realized in Q1, was it calculated on a suite-by-suite basis, and the answer is yes. So we look at every single suite and compare the expiring rent to the new rent and that's how we calculate that gain-to-lease. And that's why there's a little bit of volatility in those numbers quarter to quarter, simply because you're really measuring on the new leases, and so it's very much dependent on what suite leased. Was it the one in the southwest corner on the third floor or was it the same one-bedroom one floor below and what was the rent that was expiring? So it's done on a suite-by-suite basis. But that 7.6% is, obviously, the weighted average that we realized in the quarter.

Mike Markidis — Analyst, Desjardins Capital Markets

Right. Right. Okay. That's it for me. Thanks very much.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Thanks, Mike.

Operator

Thank you. Next question will be from Brad Sturges at Raymond James. Please go ahead.

Brad Sturges — Analyst, Raymond James

Hi. Good morning.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Hey, Brad.

Brad Sturges — Analyst, Raymond James

I guess just from the furnished suite portfolio, curious to get your thoughts on what you would guide towards in terms of seasonality of that business. And then, in relation to the commentary for the potential recovery on the unfurnished suites portfolio, how would that compare to what your expectations would be from a recovery on the furnished suite side?

So, I mean furnished suites and unfurnished react very differently and what we saw after the outbreak of the pandemic was that the furnished suites adjusted very much more quickly. One, they're shorter tenancies, they're short stays, as short as 30 days but obviously trending several months longer than that. So what we saw was, as the border closures impacted, as business travel halted, the furnished suite business really bottomed very quickly. We saw that hit that bottom in June of 2020. And then what we saw in Q3 and Q4 is sort of a strengthening both in occupancy in rate as that market sort of settled into that kind of new equilibrium, which was a much lower corporate business mix and a much higher mix of government transient. So we expect that the furnished suite business is much more highly sensitive to changes in demand and it will both adjust or correct first and it will recovery more quickly as we see business travel in particular, which is the least price-sensitive segment in that furnished suite mix.

The unfurnished, in contrast, is much, much slower to adjust, so after the declaration of the pandemic in March we didn't see our occupancy really adjust through Q2 and Q3 in any meaningful way. It wasn't until Q4 that we saw that really unseasonably high flood of move-outs where we began to see material degradation in that occupancy, now obviously offsetting that with leasing. Q1 was a little more muted in terms of move-outs. It's still unseasonably high. And, as we talked about with Jonathan's question, is it will recover, but it will, just sheer volume of it and the behaviour of unfurnished tenants is such that that recovery will take a little bit more time to gather steam and momentum under our yield management philosophy. So it's slower to adjust or correct down and it's a little slower to recover, but it will follow sort of a similar pattern, just not as quick.

Brad Sturges — Analyst, Raymond James

Okay. That's great. In terms of the renovation program, the suites that you've renovated so far, you're still generating returns on investment at the lower end of the target range. Do you see that return profile improving as the market strengthens and could you get back into the mid to higher end of the range for returns if you're getting better rent growth?

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Yeah, for sure. I mean that target is 8 to 15 and it's somewhat volatile quarter by quarter based on what suites were repositioned, you know, suite sizes, and what properties they're at. And obviously, as the rental market for renovated suites continues to gather steam, I would expect to see some expansion. Now countering that is pricing pressures that we could see for renovation costs. It's not the same as new construction, there's a much lower element of commodities like lumber, OSB, steel, and concrete in your typical renovation, but you are competing for labour and some components like millwork. But there is a little bit of inflationary pressure on the cost side. But I would say on balance we would start to see stronger growth as that rental market recovers and that we'll start to see ROIs climbing as opposed to staying flat.

Brad Sturges — Analyst, Raymond James

My last question would be on the acquisition market. By all accounts, there's plenty of product for sale today. I guess what comment can you make in terms of the opportunities you're seeing for the REIT in terms of what could fit in from an investment criteria perspective?

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Well, I think overall deal flow, I don't think we've seen it stronger since the REIT had gone public in June of 2018. So it is a very high deal flow. Now of course it's only a subset of those deals that would sort of fall within our kind of, I'll say, you know, bucket of matching criteria. We continue to see very strong demand. I mean the market demand for private transactions remains very high and we've seen some really large portfolios, some of which have been talked about in the press but others that have not hit the press, and so we know there's both enhanced deal flow but also very strong demand.

I would say that, from our perspective, areas like the Greater Vancouver Area, the GTA, Montreal, there is certainly lots of deal flow, lots of, in particular, development opportunities. And if we were to compare it to last May, last May was essentially dead, so the year-over-year comparisons aren't great, but even if you went back to, say, 2019, I'd say there's relatively more opportunities, substantially more than we saw pre-COVID.

Brad Sturges — Analyst, Raymond James

And in terms of the REIT perhaps executing on a third-party acquisition, do you put a higher probability on that at this point?

Michael Waters — Chief Executive Officer, Minto Apartment REIT

We'll continue to be very cautious, as we always have, on acquisitions, and really thoughtful. We are, at any point in time, have a deal pipeline of acquisition opportunities that we're tracking and underwriting that would be, you know, many, many opportunities at any given time. We would underwrite ten

deals and we might bid on three. Of those three, we want to be competitive. And obviously we're looking for a particular subset of deals. We're looking for assets where there is the potential to deploy value-add capital or intensify the site. And we are seeing those opportunities and those are ones where, particularly in core markets where we have that development skill set and we've got existing market knowledge, I would say our chances are very solid. We're not going to overpay just to get a deal done. We want to make sure that we're doing the right deal.

So I'd say our chances are good. I think you're trying to say what's your acquisition target for this year. We don't have a formal target, Brad. I don't get bonused on doing deals. We don't get paid an acquisition fee or anything of that nature. I'm hopeful and optimistic that we'll see more deals in the balance of 2021, but it's hard to say and predict with accuracy because there is just a lot of competition for investment-grade multi-res right now.

Brad Sturges — Analyst, Raymond James

Okay, great. I'll turn it back. Thanks.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Thanks, Brad.

Operator

Thank you. Next question will be from Matt Logan at RBC Capital Markets. Please go ahead.

Matt Logan — Analyst, RBC Capital Markets

Thank you and good morning. When we put Minto Yorkville, 185, and Roehampton aside for a minute, can you talk about where you're seeing the weakness in the portfolio in Q1 in terms of your move-outs? And maybe just some colour on that aspect of your portfolio.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Well, I think that certainly those urban markets would be very impactful in terms of vacancy lost, but the other ones that we would highlight would be two other properties that do have a meaningful or relatively meaningful student element and/or would be more impacted by immigration volumes. So there's two, one in Ottawa, well, two in Ottawa that are very close to Algonquin College that have some element of student to it. So, those two would obviously contribute to it as well.

Matt Logan — Analyst, RBC Capital Markets

And if we turn to your leasing spreads for the portfolio, can you talk a little bit about your respective markets? It looks like there's some good strength in Ottawa and Montreal but still relatively tepid demand in Toronto and Alberta based on the spreads in Q1.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Yeah and, again, I would focus probably more on the potential, the bottom table on slide five, Matt, simply because what happens in a quarter from a realized perspective is very much skewed by which suites are re-leased. Because that measure is done on a matched pair basis. So vacating suite

expiring rent compared to the new rent on the exact same suite. And so what could skew that would be changes in the length of stay. So as length of stay, average length of stay in a property drops, you would tend to see that gap narrow.

I think the better measure of potential is that second table at the bottom, which really sort of says, you know, as at the end of the quarter, for the suites that are in that portfolio, we would look at it market by market, and you can see that we're kind of, in Toronto, saying 7.8%, almost 8% is our guesstimate. And we've been pretty good about benchmarking our potential to what we achieve on aggregate quarter by quarter. What we (inaudible), realized 7.6% in Q1, was dead-on what we had estimated the potential to be at the end of 2020. So you could see that we were pretty darn close. And the lines are highly correlated.

So I think that I would focus on the second point, which was really that percentage gain to lease, which is closer to 8% in Toronto. And certainly looking at these for the first time we're seeing Alberta, we saw positive gain to lease realized, and so some little signs of encouragement there. Of course, Edmonton and Calgary, a tiny, tiny proportion of the portfolio, so I don't want to over-rotate on that. I mean the focus should be on the other markets where the bulk of the portfolio sits.

Matt Logan — Analyst, RBC Capital Markets

Good colour. And maybe just one last one for me in terms of your Beechwood financing. Can you give us a little bit of colour on the underlying submarket and what you're seeing in terms of vacancy and rent growth potential there?

Michael Waters — Chief Executive Officer, Minto Apartment REIT

So, of course, you know, buildings delivered after 2018, or November 2018 to be precise, in Ontario are not subject to the rent control regime, 2021 excluded of course, so this property we would expect, when it is stabilized, would have more potential for growth than a comparable pre-2019 building.

But that market, and we've been choosy about the new purpose-built projects that we're doing in terms of location, Ottawa overall very strong market, but looking at submarket to submarket, that particular location, very much like Fifth + Bank in many ways, there's very little competition. And we have a high degree of sort of familiarity having built a condo almost right across the street. And in that building what we're seeing, and other buildings nearby, very strong rents in the secondary rental market and there's very little competition in the purpose-built. So we look at that, and given its size, you know, 229 suites is what we expect to achieve through the rezoning, it's a very manageable number, much like Fifth + Bank, from a lease-up perspective, which gives us a lot more pricing power in a typical revenue management sort of approach.

So I think that it's a highly kind of urban location. As Julie pointed out, it's just minutes from downtown, Parliament Hill, the canal, many, many amenities. That Beechwood strip is a very attractive sort of node. So we think that this one positions us really well and we're super excited about the potential of this Beechwood project.

Matt Logan — Analyst, RBC Capital Markets

Thanks, Michael. Appreciate the commentary. I'll turn the call back.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Thanks, Matt.

Operator

Thank you. A reminder to please press star one if you do have any questions.

And next will be Matt Kornack at National Bank Financial.

Matt Kornack — Analyst, National Bank Financial

Hi, guys.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Hey, Matt.

Matt Kornack — Analyst, National Bank Financial

With regards to move-outs, the elevated levels, would you characterize the people moving as, are they price shoppers, moving to home ownership? I'd assume we're a bit late for people to be moving in with their parents, but you never know. Any sense as to what the driver is of those move-outs?

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Well, we look at the demographic mix of leases to move-outs and sort of roughly half of the move-outs and leases are what we'd say professionals, work-from-home types. They're actually fairly balanced, which would lead us to think that it's not people moving out to move to the suburbs or buy, though I'm certain that happens, but I think what people are doing is they're moving out, staying in the same neighbourhood, but they're just moving and going to a competing building where they're able to get a free month's rent, for example. So that's our suspicion.

I mean, obviously, housing affordability, even with low interest rates, historically low rates, though they've popped up a bit since their lows of 2020 but they're still very low, but housing prices, whether it's resale or new home, in most of these markets have just, you know, they've scaled new heights. I think they're probably putting home purchase out of the reach for many people. So our sense is it's mainly people moving within a submarket just to scoop a deal in a competing building where maybe they're getting a free month's rent.

Matt Kornack — Analyst, National Bank Financial

Okay. That makes sense. On the lending program, in terms of outlay of funds, will that, I think it's, sorry, I can't remember the number off the top of my head, but will it be put out immediately or is it going to be put out over time?

Julie Morin — Chief Financial Officer, Minto Apartment REIT

So, it's going to be put out over time. So we made an advance of about \$9 million at the end of April. We probably expect another \$11 million or so in the rest of 2021 with the balance being advanced in 2022.

Matt Kornack — Analyst, National Bank Financial

Okay. Perfect. And then on the same token, Richgrove and LYM, Q3 2021 start. How should we think of the deployment of capital? I mean you provided the total amount you expect to be spent but it's over a number of years. Is it front-end weighted in terms of construction or back-end weighted or sort of equal throughout the quarters?

Michael Waters — Chief Executive Officer, Minto Apartment REIT

So I would say it's probably more back-ended. So Richgrove, we've got the first round of permits for the enabling works on that site, which are basically beginning the process of demolishing some of the low structures and building temporary access and parking and other works. That will start imminently. And so it will gradually ramp up but I would expect that it's really going to be fairly low for the balance of 2021. It really will gather steam when we begin the below-grade works late this year or early next.

And what's happening there, Matt, at Richgrove, we've got to demolish a portion of the existing parking structure and begin to replace that. So that's when we'll start to spend money in a meaningful way. Now we do have a financing commitment with CMHC for construction financing, so I think the

actual equity outlay overall is going to be quite low on that one, because the terms of that CMHC financing, it's under there, our CFI program are so favourable.

Leslie York Mills is similar, but it's probably lagging by a quarter or two. Same issue. There are some existing parking structures, access and temporary parking, some tree removal, some of that kind of enabling works that need to happen first before below-grade works, which include the demolition of some portion of the existing parking structures and then replacing that can really begin. And we are still working, we're in the final stages of getting the site plan agreement in place with the city of Toronto, but even before that to get what's called a NOAC, Notice of Approval Conditions, which would basically free us up to begin getting those permits rolling. And so I'd say we're probably lagging by a quarter from Richgrove on that one.

Those would be the two most imminent ones.

Matt Kornack — Analyst, National Bank Financial

That's very helpful. Last one for me, Montreal, is the outperformance there, at least in terms of the forward-looking rent spreads, is that due to the demographics of the properties you've acquired and the locations they're in or is that a general sort of citywide outperformance in the Montreal market?

Michael Waters — Chief Executive Officer, Minto Apartment REIT

I think we've seen strong performance in Montreal overall. I would say the repositioning program that we're doing, remember, all three of those assets had significant repositioning potential, and what we've seen certainly in Q1 was the Haddon Hall and Le 4300 programs really begin to gather steam. So I

think that's, not just the in suite but also some of the investment in some of the common areas and amenities, and I would say something like Rockhill, where the gym and outdoor spaces that we inherited when we acquired the asset were significantly below kind of the standard for that market. And so that work is continuing to progress and I think even while some of those amenities are restricted due to COVID, I think that tenants coming in see those amenities, and the outdoor amenities have, obviously, less restriction, so I think those, I wouldn't want to discount the value of some of those common area and outdoor amenities, some of the investment we're making in that as well.

So I would say, again, remember, when we bought Rockhill (inaudible), less than 10% had been repositioned. So 900 suites were there and we're just really getting going on that one. And Haddon Hall and Le 4300 both had significant repositioning potential. I mean we had something like kind of 450 suites to reposition there. And I think there, given the demographic for those two buildings, I think some of the common area stuff has even bigger bang for the buck potential. And certainly what we're seeing in the early days of those repositioning programs is very encouraging.

So all of those factors, I think, in addition to sort of Montreal strength overall, is probably what's fuelling some of that estimated potential there.

Matt Kornack — Analyst, National Bank Financial

Okay. Thanks for the distinctions.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Thanks, Matt.

Operator

Thank you. Next question will be from Joanne Chen at BMO Capital Markets. Please go ahead.

Joanne Chen — Analyst, BMO Capital Markets

Good morning. Just a quick one for me just with respect to the gain-to-lease potential by market. Could you comment on, like it seems like there was a pretty big jump in terms of your expectations for Toronto, as well as for Alberta. Could you maybe just comment on what's giving you the confidence with respect to those markets?

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Good morning, Joanne. So, again, those estimates are somewhat volatile quarter to quarter, because we evaluate it almost on a suite-by-suite basis building by building. And so it's really a function of what's available to lease there. And when we looked at those markets, certainly Alberta, a little bit of strength there, as we'd mentioned. We'd realized, in the quarter, for the first time in some time, since 2019 in fact, we saw positive realization. We've seen some stronger job growth in Calgary, for example, some of those things. And I will say just anecdotally, on the private side, Minto has seen, on the for-sale new home side, and resale as well, that the market there was surprisingly strong in Q1.

So, I think some of those things are, you know, assets like The Laurier, we saw really solid gain to lease, something almost 8% there, which was nice to see. So, I guess, encouraging signs, Joanne. I mean, again, I just want to highlight that Alberta is a tiny part of the portfolio. It's something like 9%. So I

wouldn't want to get too, too excited about Alberta, because it's just not a big part. Montreal, as I mentioned, obviously very strong.

Now you had asked specifically about Toronto. I think you're comparing our estimate of the gain to lease at the end of quarter with what we realized in the quarter. Is that fair?

Joanne Chen — Analyst, BMO Capital Markets

Yes. Yes.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Okay. So, as I mentioned, I would spend more time focusing on the bottom chart, which is the estimate, because what's realized in the quarter is quite volatile and can be very much skewed based on the actual suites that turn, because we go—it's a matched pair. So we take, like let's take Minto Yorkville. A one-bedroom suite that had an eight-year length of stay went vacant and we released it and we realized a 10% gain to lease. The exact same suite on the floor that had a two-year length of stay, the gain to lease could be tiny. So it really depends on what turned in that quarter.

I mean, obviously, we're pleased to see 7.6% and actually it was dead-on with our estimate at the end of Q4 for what we thought the potential would be, so I think that speaks to the validity of our estimation process, but when you're looking forward I would key on the 8.2% and the 7.8% specifically for Toronto that's in the bottom chart.

Joanne Chen — Analyst, BMO Capital Markets

Okay, no, that's good colour. And maybe just one last thing on the furnished suites. I appreciate that you guys have a lot of flexibility with respect to converting them to unfurnished and whatnot and, you know, life will eventually get back to normal, but just wondering, in terms of for this year, where would you like to see the number of furnished suites kind of get to? Do you guys have a target in mind or is it really depending on, I guess everything is right now, with the vaccine rollout and whatnot?

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Yeah, great question. I think back in Q3 we had talked about bringing that number down into the 180 to 190 suite range. Obviously, in Q1 you've seen us continue to bring that down. It is somewhat opportunistic. It's very much driven by what we're seeing from a market demand perspective. And to some extent what we're seeing there as well is the pace of the repositioning program at Roehampton, which, if you recall, was sort of 40-ish suites that were furnished in that building that we were going to take through a renovation program. And if we'd taken all 40 off line to renovate at once at the beginning of Q1, we would have come down to roughly 180, 190 furnished suites inventory. As it turned out, we saw some continuing furnished suite demand in there, so we're not going to take those off line prematurely if there's still cash flowing with furnished suites if we've got vacant, un-renovated, unfurnished suites that we can renovate simultaneously.

As you'd pointed out there, very quick for us to adjust those, furnished to unfurnished, or the other way, if market demand dictates. Now the plan right now is for those renovated, what are currently furnished suites to come on line as un-renovated. The thought being we would get to something like

potentially 180, 190. Barring some changed in furnished suite demand. So, if we see business travel ramp up, if we see the movie business in Toronto ramp up, it's possible that we could go back, add incrementally to that furnished suite inventory if it made sense, if there was demand drivers for it. It's such an effective tool in a stable or rising market from a yield management perspective because the leases are so short, which means you can reset the market very, very quickly. And the increment over the unfurnished rental, even with higher vacancy, you know, typically a good quarter for furnished suites you might be at 80%, 85% would be a really strong quarter, and that's typically you only see that Q2, Q3 kind of thing, but still, that increment over unfurnished rent is so high that we want to be judicious, but there's a potential that we could be opportunistic about bringing some of that back.

Joanne Chen — Analyst, BMO Capital Markets

Sure. It's good to have that flexibility. Most of my other questions have been answered, so I'll turn it back. Thanks very much.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Thanks, Joanne.

Operator

Thank you. Next question will be from Brendon Abrams at Canaccord Genuity. Please go ahead.

Brendon Abrams — Analyst, Canaccord Genuity

Good morning, everyone.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Hey, Brendon.

Brendon Abrams — Analyst, Canaccord Genuity

Maybe just a follow up on the gain to lease, if you could characterize incentive use during the quarter, correct me if I'm wrong, I don't think the 7.6% includes incentives. I could be wrong on that. But if you were to factor those in, would the number look materially different or would it be pretty close to what the slide shows?

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Yeah, so that top slide, the realized, I think is the table you're referencing there, right?

Brendon Abrams — Analyst, Canaccord Genuity

Yeah, the top one.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Yeah. So Alberta we've shown on a net basis, simply because that's been more of a long-term trend in Alberta's incentives, just the way that market dynamic works, incentives are sort of, I'll say, endemic. If I'm going to use the pandemic theme, they're endemic. In every other market we think that, and just to follow on my pun, and I apologize if it's in bad taste, it's pandemic. We don't think it's a long-term trend. And so we continue to show those on a gross basis.

Now gross of incentives and promotions, but not gross of discounts. So where we have discounted, those are reflected in the gain on new leases. We have used incentives and promotions and targeted marketing very strategically and that's what you're seeing in that high number of leases and the conversion rate, which has been very high, which I think lead volumes that, in Q1, were sort of 30% off of what we would have seen in Q1 of 2020. So the team has been effective.

But the incentives and promotions have varied substantially. We don't offer them at every property. We don't offer them for every suite type. Even within a suite type it varies by the view for sure. So I think that certainly they would have some impact in those realized figures. Would not be unusual to see where we offer an incentive of a month's free rent, for example. But again, it's not across the board, Brendon.

Brendon Abrams — Analyst, Canaccord Genuity

Right. Okay. No, that makes sense and that's helpful.

Maybe just on the development loan advances, Beechwood, which I guess would be the third such loan for the REIT, just wondering, you know, there's clearly significant benefits in terms of access to new product that's well located. You get a discount on the purchase price. How should we think about the flip side in terms of risks to the REIT or, rather, how do you think about risks to the REIT through these loan advancements? Can you give any colour in terms of where, I guess, the REIT would rank on the capital structure or typical, let's say, loan to cost that you would be funding?

Michael Waters — Chief Executive Officer, Minto Apartment REIT

First off, these were structured, those three deals, Lonsdale, Fifth + Bank, Beechwood, all following essentially the same structure. They were structured in a way to insulate the REIT entirely from schedule, construction cost overruns, lease-up risk. All of those risks are to the account of the developer. So the REIT doesn't have any of those risks. Its risk is solely as a mezzanine lender. So it would rank below the senior ranking construction lender but above the developer equity. And so it would not, I would say just very generically for these three deals, if you were to look at it, somewhere between 65% to 70% of the capital stack and kind of 90% to 95%, if that makes sense. So it's a typical kind of mezzanine kind of positioning within the capital stack. The coupons are between 6% and 7%. What's unusual, of course, is the value of the discount on the exercise of the option, which, if you add that in and calculate on an effective interest rate basis, would bring the REIT's return from its, I'll call it mezzanine finance, to something in the 12% to 14% kind of return, if that makes sense.

Now all of these loans are guaranteed by MPI. So that may be another difference from a typical mezzanine loan which might only be secured by the property.

Brendon Abrams — Analyst, Canaccord Genuity

Yeah, that's an important differentiator. And then I know we're kind of long in the tooth here on the call, but just a last question for me. On the regulatory front, I guess two things that would impact Ontario, where the majority of Minto's portfolio is, one, I think the provincial government recently asked the federal government to suspend the entry of international students for September. I'm wondering if you have a comment or an expectation around that and how that may impact things.

And then the second, you know, I know we're only in May here, but it's a question that I think is topical for a lot of multifamily investors. You know, clearly there was a rent freeze in the province for 2021. Given your kind of industry contacts and associations, is there any expectation for 2022 yet or is that still pretty far away?

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Maybe I'll tackle the first question, which is really, you know, the province of Ontario has called on the federal government for many things, including, I think, at one point in time, to shut Pearson Airport and other things. The federal government has responded either to the negative or, you know, making some sort of vague and loosely supportive comments in response. I really don't know if those calls from the Ford government to the federal government will lead to a change in immigration policy. I would be a little bit surprised if they did. In fact, what you've seen is the federal government has, early in 2021, actually made some changes to, ah, continuing what they did in the fall of 2020 to loosen immigration policy, in this case trying to convert what were non-permanent to permanent permits.

Now many of those are folks who were probably already in Canada, so I don't know if that would be exactly on point, but I think we'd have to wait to see what the federal government does. And what they have been loath to do, whether it's flights from India or other things, they've typically been fairly reluctant to close the borders. And so, obviously, the border restrictions with the US have been there certainly in name since last year, but of course we do see significant movement across the border, because I think the federal government is very mindful of the economic impact of some of these things and the knock-on effect. I mean I don't have specific insight into the mind of where the federal

government is going on immigration policy other than what they publish and what you read, you know, you read the same as I, but that's my view. So take that for what it's worth.

Your second question about rent regulation in Ontario specifically, and what I think you're asking is will they extent the freeze on renewals for a second year into 2022, and certainly what we saw in 2021 was unprecedented. When that was announced in the fall, I guess September of 2020, was the first time since the onset of rent control in the mid-70s in Ontario that we'd ever seen a zero-rated guideline increase. In good times and bad, what we have always seen in Ontario was that the guideline increase, now it's flexed up and down with the rate of inflation, but it was always a non-zero guideline increase. So 2021 was really unprecedented and this from a government that I would say, broadly speaking, had been very constructive towards the housing industry and adding more supply, whether that was planning decisions, whether it was other elements of growth policy.

So my instinct is to say, particularly, I think, if we see strong vaccine rollout, we see a reopening of the economy, we start to see improvements in employment growth, and obviously a stay-at-home order is not helpful, I think we're going to see April job numbers that are probably not good, and obviously a lot of that will be service sector jobs impacted by the stay-at-home order in Ontario. But let's follow our hypothesis of the vaccine rollout accelerating, you know, lifting of the stay-at-home order, gradual relaxation of some of the restrictions on economic activity, we think that job growth would follow, economic growth would follow, and so my suspicion would be that the Ford government would have the air cover then to sort of revert to their traditional kind of policy, and really the policy of governments of every political stripe since 1975, which would be to have a non-zero guideline increase in 2022.

Now we won't know that of course. We won't get the first inklings of this until August or possibly September when the ministry begins to do that work. And last year, I think it was fair to say, was a political decision responding, I think, sensitive to the plight of Ontarians who were in the service sector who could not work from home and were impacted. I think we'll have to look to see are those conditions ameliorated in July, August of 2021 and I, for one, am optimistic. So that's my view.

I think inflation has typically been the driver of guideline increases and I think there are signs across the economy, certainly asset inflation, but in other aspects of inflation, particularly inputs for construction and fuel and other things, I suspect that—I'd say as an operator we've seen huge increases in some aspects, insurance, property taxes, other things. So I think that the Ford government will recognize that rental housing providers are subject to, you know, just because they declared a zero or a freeze on guideline increases for renewals doesn't mean that rental housing providers weren't seeing an increase in pressure for wages, insurance in particular, and other costs for repairs and maintenance, that they will put pressure on housing providers to keep communities, rental communities at a high standard of maintenance, security, and other things. So I'm hopeful.

I don't know, Brendon. I don't have special insights into the premier's office or the minister's office, but I'm looking at those factors and thinking, on balance, I do not believe they will extend it into 2022. But, again, that's my opinion, for what it's worth.

Brendon Abrams — Analyst, Canaccord Genuity

Right. And obviously no one has a crystal ball but, yeah, that's very helpful. Thank you. I'll turn it over.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

Thanks, Brendon.

Operator

Thank you. And at this time, sir, we have no further questions registered. Please proceed.

Michael Waters — Chief Executive Officer, Minto Apartment REIT

That's great. Thank you, everyone. We appreciate your interest in Minto Apartment REIT and look forward to chatting with you all next quarter and we'll talk to you all soon. Cheers.

Operator

Thank you. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending, and at this time we do ask that you please disconnect your lines.