Real Estate Potential. Realized.

MORGUARD NORTH AMERICAN RESIDENTIAL REAL ESTATE INVESTMENT TRUST

MARCH 31, 2023

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	March 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Real estate properties	3	**$4,000,793**	$3,626,853
Equity-accounted investments	4	**54,641**	105,462
		4,055,434	3,732,315
Current assets			
Morguard Facility	8	**—**	80,695
Amounts receivable		**7,283**	11,402
Prepaid expenses		**12,233**	6,373
Restricted cash		**6,632**	88,996
Cash		**24,216**	14,636
		50,364	202,102
		$4,105,798	$3,934,417
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	5	**$1,327,088**	$1,247,355
Convertible debentures	6	**53,118**	—
Class B LP Units	7	**299,682**	279,014
Deferred income tax liabilities	16	**273,744**	262,760
Lease liabilities	9	**16,214**	16,235
		1,969,846	1,805,364
Current liabilities			
Mortgages payable	5	**135,155**	134,819
Convertible debentures	6	**—**	85,126
Morguard Facility	8	**49,252**	—
Accounts payable and accrued liabilities	10	**73,584**	53,719
		257,991	273,664
Total liabilities		**2,227,837**	2,079,028
EQUITY			
Unitholders' equity		**1,771,768**	1,753,475
Non-controlling interest		**106,193**	101,914
Total equity		**1,877,961**	1,855,389
		$4,105,798	$3,934,417

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF INCOME

In thousands of Canadian dollars

For the three months ended March 31	Note	2023	2022
Revenue from real estate properties	12	**$79,648**	$65,257
Property operating expenses			
Property operating costs		**(21,507)**	(17,176)
Realty taxes		**(32,795)**	(25,408)
Utilities		**(6,038)**	(5,249)
Net operating income		**19,308**	17,424
Other expenses (income)			
Interest expense	13	**18,149**	17,701
Trust expenses	14	**5,177**	4,181
Equity income from investments	4	**(2,754)**	(1,648)
Foreign exchange loss		**1**	15
Other income	8	**(719)**	(409)
Loss before fair value changes and income taxes		**(546)**	(2,416)
Fair value gain on real estate properties, net	3	**66,688**	246,729
Fair value loss on Class B LP Units	7	**(20,668)**	(32,724)
Income before income taxes		**45,474**	211,589
Provision for income taxes			
Current		**34**	32
Deferred		**11,191**	40,415
		11,225	40,447
Net income for the period		**$34,249**	$171,142
Net income attributable to:			
Unitholders		**$29,495**	$162,430
Non-controlling interest		**4,754**	8,712
		$34,249	$171,142

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

In thousands of Canadian dollars

For the three months ended March 31	2023	2022
Net income for the period	**$34,249**	$171,142
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified subsequently to net income:		
Unrealized foreign currency translation loss	**(986)**	(15,298)
Total comprehensive income for the period	**$33,263**	$155,844
Total comprehensive income attributable to:		
Unitholders	**$28,580**	$148,285
Non-controlling interest	**4,683**	7,559
	$33,263	$155,844

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

In thousands of Canadian dollars

	Note	Units	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Unitholders' Equity	Non-controlling Interest	Total Equity
Unitholders' equity, December 31, 2021		$469,959	$48,762	$897,597	$68,420	$1,484,738	$76,647	$1,561,385
Changes during the period:								
Net income		—	—	162,430	—	162,430	8,712	171,142
Other comprehensive loss		—	—	—	(14,145)	(14,145)	(1,153)	(15,298)
Issue of Units - DRIP		201	—	(201)	—	—	—	—
Distributions		—	—	(6,633)	—	(6,633)	—	(6,633)
Unitholders' equity, March 31, 2022		$470,160	$48,762	$1,053,193	$54,275	$1,626,390	$84,206	$1,710,596
Changes during the period:								
Net income		—	—	56,852	—	56,852	11,569	68,421
Other comprehensive income		—	—	—	90,265	90,265	7,323	97,588
Issue of Units - DRIP		614	—	(614)	—	—	—	—
Distributions		—	—	(20,032)	—	(20,032)	(1,184)	(21,216)
Unitholders' equity, December 31, 2022		$470,774	$48,762	$1,089,399	$144,540	$1,753,475	$101,914	$1,855,389
Changes during the period:								
Net income		**—**	**—**	**29,495**	**—**	**29,495**	**4,754**	**34,249**
Other comprehensive loss		**—**	**—**	**—**	**(915)**	**(915)**	**(71)**	**(986)**
Repurchase of Units	11(b)	**(3,478)**	**—**	**—**	**—**	**(3,478)**	**—**	**(3,478)**
Issue of Units - DRIP	11(d)	**227**	**—**	**(227)**	**—**	**—**	**—**	**—**
Distributions	11(d)	**—**	**—**	**(6,809)**	**—**	**(6,809)**	**(404)**	**(7,213)**
Unitholders' equity, March 31, 2023		**$467,523**	**$48,762**	**$1,111,858**	**$143,625**	**$1,771,768**	**$106,193**	**$1,877,961**

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

For the three months ended March 31	Note	2023	2022
OPERATING ACTIVITIES			
Net income		**$34,249**	$171,142
Add (deduct) items not affecting cash	17(a)	**(13,967)**	(154,427)
Additions to tenant incentives		**(176)**	(216)
Distributions from equity-accounted investments	4	**684**	97
Net change in non-cash operating assets and liabilities	17(b)	**(2,893)**	(4,071)
Cash provided by operating activities		**17,897**	12,525
INVESTING ACTIVITIES			
Acquisition of income producing properties	3	**(164,710)**	—
Additions to real estate properties	3	**(4,970)**	(3,879)
Cash used in investing activities		**(169,680)**	(3,879)
FINANCING ACTIVITIES			
Repayment of mortgages			
Principal instalment repayments		**(8,628)**	(8,230)
Principal payment of lease liabilities	9	**(8)**	—
Proceeds from issuance of convertible debentures, net of costs	6	**53,590**	—
Redemption of convertible debentures	6	**(85,500)**	—
Proceeds from Morguard Facility		**182,011**	25,000
Advances on and repayments of Morguard Facility		**(52,316)**	(15,000)
Units repurchased for cancellation	11(b)	**(3,478)**	—
Distributions to Unitholders		**(6,812)**	(6,632)
Distributions to non-controlling interest		**(404)**	—
Decrease in restricted cash		**82,291**	1,049
Cash provided by (used in) financing activities		**160,746**	(3,813)
Net increase in cash during the period		**8,963**	4,833
Net effect of foreign currency translation on cash balance		**617**	(182)
Cash, beginning of period		**14,636**	26,562
Cash, end of period		**$24,216**	$31,213

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three months ended March 31, 2023 and 2022
In thousands of Canadian dollars, except Unit and per Unit amounts and where otherwise noted

NOTE 1

NATURE AND FORMATION OF TRUST

Morguard North American Residential Real Estate Investment Trust (the "REIT") is an unincorporated open-ended real estate investment trust established pursuant to a Declaration of Trust dated March 1, 2012, and as most recently amended and restated on February 16, 2021 (the "Declaration of Trust"), under and governed by the laws of the Province of Ontario. The trust units of the REIT ("Units") trade on the Toronto Stock Exchange ("TSX") under the symbol "MRG.UN." The REIT invests in multi-suite residential rental properties in Canada and the United States. The REIT's head office is located at 55 City Centre Drive, Suite 1000, Mississauga, Ontario, L5B 1M3.

The REIT holds its investments in its real estate properties through its ownership in Morguard NAR Canada Limited Partnership (the "Partnership"). As at March 31, 2023, Morguard Corporation ("Morguard"), the parent company of the REIT, holds an indirect 44.8% (December 31, 2022 - 44.7%) interest through its ownership of 7,944,166 Units and 17,223,090 Class B LP Units.

NOTE 2

STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

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

The condensed consolidated financial statements were approved and authorized for issue by the Board of Trustees on April 25, 2023.

These condensed consolidated financial statements use the same accounting policies and methods of their application as the most recent annual audited consolidated financial statements and should be read in conjunction with the most recent annual audited consolidated financial statements, which include the significant accounting policies most affected by estimates and judgments.

Foreign Exchange

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

	2023	2022
Canadian dollar to United States dollar exchange rates:		
- As at March 31	**$0.7389**	$0.8003
- As at December 31	—	0.7383
- Average for the three months ended March 31	**0.7394**	0.7898
United States dollar to Canadian dollar exchange rates:		
- As at March 31	**1.3533**	1.2496
- As at December 31	—	1.3544
- Average for the three months ended March 31	**1.3525**	1.2662

NOTE 3
REAL ESTATE PROPERTIES

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

As at	March 31, 2023	December 31, 2022
Balance, beginning of period	**$3,626,853**	$3,256,158
Additions:		
Acquisition of income producing properties	**207,658**	221,096
Capital expenditures	**4,970**	40,819
Right-of-use assets	**—**	6,643
Transfer from equity-accounted investments (Note 4)	**96,840**	—
Dispositions	**—**	(250,857)
Fair value gain, net	**66,703**	208,253
Foreign currency translation	**(2,248)**	145,077
Other	**17**	(336)
Balance, end of period	**$4,000,793**	$3,626,853

Transactions completed during the three months ended March 31, 2023

Acquisitions

On January 5, 2023, the REIT acquired from Morguard the remaining 50% interest in Fenestra at Rockville Town Square (Note 4), comprising 492 residential suites, for a purchase price of $96,902 (US$71,545), including closing costs, and assumed mortgages payable of $45,997 (US$33,961). In addition, a mark-to-market adjustment of $3,049 (US$2,251) was recorded to mortgages payable.

On March 29, 2023, the REIT acquired a multi-suite residential property comprising 240 suites located in Chicago, Illinois ("Xavier Apartments"), for a purchase price of $113,805 (US$83,829), including closing costs.

The REIT pursued a tax deferred exchange under Internal Revenue Code Section 1031 ("1031 Exchange") in connection with its U.S. property dispositions. Under a 1031 Exchange, the REIT was able to defer tax payable upon the acquisition of its replacement property.

Transactions completed during the year ended December 31, 2022

Acquisitions

On August 8, 2022, the REIT acquired a multi-suite residential property comprising 350 suites located in Chicago, Illinois ("Echelon Chicago"), for a purchase price of $174,345 (US$135,603), including closing costs, and was partially funded by a mortgage in the amount of $96,008 (US$74,674) at an interest rate of 4.71% for a term of seven years.

On September 26, 2022, the REIT acquired a retail property ("Rockville Town Square") comprising 186,712 square feet of commercial area located in Rockville, Maryland, for a purchase price of $46,751 (US$34,085), including closing costs. The retail property is part of a mixed-use complex where the REIT owns the residential property ("Fenestra at Rockville Town Square").

Dispositions

On June 6, 2022, the REIT sold a multi-suite residential property located in Atlanta, Georgia, comprising 292 suites, for net proceeds of $93,165 (US$74,152), including closing costs, and repaid the mortgage payable secured by the property in the amount of $27,048 (US$21,528).

On August 24, 2022, the REIT sold a multi-suite residential property located in Slidell, Louisiana, comprising 144 suites, for net proceeds of $32,778 (US$25,247), including closing costs, and repaid the mortgage payable secured by the property in the amount of $9,972 (US$7,681).

On October 6, 2022, the REIT sold a multi-suite residential property located in Coconut Creek, Florida, comprising 340 suites, for net proceeds of $124,914 (US$91,052), including closing costs, and repaid the mortgage payable secured by the property in the amount of $28,055 (US$20,450).

As at March 31, 2023, and December 31, 2022, the REIT had its portfolio appraised by Morguard's appraisal division. In addition, the REIT's U.S. portfolio is appraised by independent U.S. real estate appraisal firms on a three-year cycle.

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

As at March 31, 2023, using the direct capitalization income approach, the properties were valued using capitalization rates in the range of 3.8% to 6.0% (December 31, 2022 - 3.8% to 6.0%), resulting in an overall weighted average capitalization rate of 4.5% (December 31, 2022 - 4.4%).

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

	March 31, 2023 Capitalization Rates			December 31, 2022 Capitalization Rates		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
Canada						
Alberta	**5.3%**	**5.3%**	**5.3%**	5.3 %	5.3 %	5.3 %
Ontario	**4.3%**	**3.8%**	**3.9%**	4.3 %	3.8 %	3.9 %
United States						
Colorado	**4.8%**	**4.8%**	**4.8%**	4.8 %	4.8 %	4.8 %
Texas	**4.8%**	**4.8%**	**4.8%**	4.8 %	4.5 %	4.7 %
Louisiana	**5.5%**	**5.5%**	**5.5%**	5.5 %	5.5 %	5.5 %
Illinois	**5.0%**	**4.8%**	**4.8%**	4.8 %	4.8 %	4.8 %
Georgia	**5.3%**	**4.8%**	**5.0%**	5.3 %	4.8 %	5.0 %
Florida	**6.0%**	**4.5%**	**5.1%**	6.0 %	4.5 %	5.1 %
North Carolina	**5.0%**	**4.8%**	**4.9%**	5.0 %	4.8 %	4.9 %
Virginia	**4.5%**	**4.5%**	**4.5%**	4.5 %	4.5 %	4.5 %
Maryland	**4.5%**	**4.5%**	**4.5%**	— %	— %	— %

Fair values are most sensitive to changes in capitalization rates and stabilized net operating income. Generally, an increase in stabilized net operating income will result in an increase in the fair value of the real estate properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in stabilized net operating income, with a lower capitalization rate resulting in a greater impact on the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rate were to increase or decrease by 25 basis points (assuming no change to stabilized net operating income), the value of the real estate properties as at March 31, 2023 would decrease by $207,121 or increase by $231,858, respectively.

NOTE 4
EQUITY-ACCOUNTED INVESTMENTS

The following are the REIT's equity-accounted investments as at March 31, 2023, and December 31, 2022:

Property	Principal Place of Business	Type	REIT's Ownership March 31, 2023	REIT's Ownership December 31, 2022	Carrying Value March 31, 2023	Carrying Value December 31, 2022
Fenestra[1]	Rockville, MD	Joint Venture	**—%**	50%	**$—**	$52,857
Marquee at Block 37	Chicago, IL	Joint Venture	**50%**	50%	**54,641**	52,605
					$54,641	$105,462

[1] The REIT acquired the 50% interest not already owned in Fenestra at Rockville Town Square on January 5, 2023 (Note 3).

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

As at	March 31, 2023	December 31, 2022
Balance, beginning of period	**$105,462**	$96,376
Transfer [1]	**(52,857)**	—
Distributions received	**(684)**	(1,796)
Share of net income	**2,754**	3,822
Foreign exchange gain (loss)	**(34)**	7,060
Balance, end of period	**$54,641**	$105,462

[1] On January 5, 2023, the REIT acquired from Morguard the remaining 50% interest in Fenestra at Rockville Town Square, at which point the carrying value of the 50% interest was transferred to each respective balance sheet line item including income producing properties in the amount of $96,840 (Note 3) and mortgages payable in the amount of $45,997.

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

As at	March 31, 2023	December 31, 2022
Non-current assets	**$329,140**	$515,080
Current assets	**3,148**	10,600
Total assets	**$332,288**	$525,680
Non-current liabilities	**$207,704**	$298,836
Current liabilities	**15,302**	15,920
Total liabilities	**$223,006**	$314,756
Net assets	**$109,282**	$210,924
Equity-accounted investments	**$54,641**	$105,462

For the three months ended March 31	2023	2022
Revenue	**$7,544**	$9,409
Expenses	**(10,032)**	(13,608)
Fair value gain on income producing properties	**7,996**	7,495
Net income for the period	**$5,508**	$3,296
Income in equity-accounted investments	**$2,754**	$1,648

NOTE 5
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	March 31, 2023	December 31, 2022
Principal balance of mortgages	**$1,477,026**	$1,394,444
Deferred financing costs	**(11,941)**	(12,270)
Mark-to-market adjustment	**(2,842)**	—
	$1,462,243	$1,382,174
Current	**$135,155**	$134,819
Non-current	**1,327,088**	1,247,355
	$1,462,243	$1,382,174
Range of interest rates	**2.03−6.59%**	2.03−5.79%
Weighted average interest rate	**3.52%**	3.50%
Weighted average term to maturity (years)	**4.7**	4.9
Fair value of mortgages	**$1,393,939**	$1,291,966

The REIT's first mortgages are registered against specific real estate assets, and substantially all of the REIT's rental properties and related rental revenue have been pledged as collateral for the mortgages payable.

The aggregate principal repayments and balances maturing of the mortgages payable as at March 31, 2023, together with the weighted average contractual interest rate on debt maturing in the next five years and thereafter, are as follows:

	Principal Instalment Repayments	Balances Maturing	Total	Weighted Average Contractual Rate
2023 (remainder of the year)	$23,837	$106,719	$130,556	3.36%
2024	29,931	140,446	170,377	3.28%
2025	22,661	183,169	205,830	3.27%
2026	17,000	168,308	185,308	3.24%
2027	14,827	172,783	187,610	4.25%
Thereafter	39,639	557,706	597,345	3.55%
	$147,895	$1,329,131	$1,477,026	3.52%

NOTE 6
CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at	March 31, 2023	December 31, 2022
4.50% convertible unsecured subordinated debentures	**$—**	$85,223
6.00% convertible unsecured subordinated debentures	**51,582**	—
Fair value of conversion option	**3,946**	94
Unamortized financing costs	**(2,410)**	(191)
	$53,118	$85,126
Current	**$—**	$85,126
Non-current	**53,118**	—
	$53,118	$85,126

For the three months ended March 31, 2023, interest on the convertible debentures amounting to $1,068 (2022 - $943) is included in interest expense (Note 13). As at March 31, 2023, $204 (December 31, 2022 - $980) is included in accounts payable and accrued liabilities.

4.50% Convertible Unsecured Subordinated Debentures

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

On March 24, 2023, the REIT redeemed the 2018 Debentures in advance of their March 31, 2023 maturity date.

6.00% Convertible Unsecured Subordinated Debentures

On March 9, 2023, the REIT issued $50,000 principal amount of 6.00% convertible unsecured subordinated debentures (the "2023 Debentures") maturing on March 31, 2028 (the "Maturity Date"). On March 17, 2023, an additional principal amount of $6,000 was issued pursuant to the exercise of the over-allotment option. Interest is payable semi-annually, not in advance, on March 31 and September 30 of each year, commencing on September 30, 2023. The underwriters' commissions, legal and other issue costs attributable to the 2023 Debentures in the amount of $2,410 have been capitalized and are being amortized over their term to maturity. Morguard and Paros Enterprises Limited (ultimate parent of Morguard), related parties, own $5,000 and $2,000 aggregate principal amount of the 2023 Debentures, respectively.

As at March 31, 2023, $56,000 of the face value of the 2023 Debentures were outstanding.

Each of the 2023 Debentures can be converted into fully paid, non-assessable and freely tradable Units at the option of the holder at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by the REIT for redemption of the 2023 Debentures, at a conversion price of $24.15 per Unit, being a ratio of approximately 41.4079 Units per $1,000 principal amount of the 2023 Debentures.

From April 1, 2026 to March 31, 2027, the 2023 Debentures will be redeemable, in whole at any time, or in part from time to time, at the option of the REIT on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption, provided that the volume weighted average trading price per Unit on the TSX (or such other exchange if the Units are not listed on the TSX) for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given (the "Current Market Price") is not less than 125% of the conversion price. From April 1, 2027, and prior to the Maturity Date, the 2023 Debentures will be redeemable, in whole at any time, or in part from time to time, at the option of the REIT on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption. Subject to regulatory approval and other conditions, the REIT may, at its option, elect to satisfy its obligation to pay, in whole or in part, the principal amount of the 2023 Debentures that are to be redeemed or that have matured by issuing and delivering that number of freely tradable Units to the debentureholders obtained by dividing the principal amount of the 2023 Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable.

NOTE 7
CLASS B LP UNITS

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

As at March 31, 2023, the REIT valued the Class B LP Units based on the closing price of the TSX-listed Units, which resulted in a fair value liability of $299,682 (December 31, 2022 - $279,014) and a corresponding fair value loss for the three months ended March 31, 2023 of $20,668 (2022 - $32,724).

For the three months ended March 31, 2023, distributions on Class B LP Units amounting to $3,100 (2022 - $3,012) are included in interest expense (Note 13).

As at March 31, 2023, and December 31, 2022, there were 17,223,090 Class B LP Units issued and outstanding.

NOTE 8

MORGUARD FACILITY

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

As at March 31, 2023, the total amount payable under the Morguard Facility was $49,252. As at December 31, 2022, the amount receivable under the Morguard Facility was $80,695.

During the three months ended March 31, 2023, the REIT recorded net interest income of $301 (2022 - $362) on the Morguard Facility.

NOTE 9

LEASE LIABILITIES

The following table presents the change in the balance of lease liabilities:

As at	March 31, 2023	December 31, 2022
Balance, beginning of period	**$16,235**	$9,065
Interest on lease liabilities (Note 13)	**235**	565
Payments	**(243)**	(573)
Additions	**—**	6,643
Foreign exchange loss (gain)	**(13)**	535
	$16,214	$16,235

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

As at	March 31, 2023	December 31, 2022
Within 12 months	**$972**	$972
2 to 5 years	**4,140**	4,125
Over 5 years	**27,505**	27,915
Total minimum lease payments	**32,617**	33,012
Less: Future interest costs	**(16,403)**	(16,777)
Present value of minimum lease payments	**$16,214**	$16,235

NOTE 10

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	March 31, 2023	December 31, 2022
Accounts payable and accrued liabilities	**$64,685**	$44,982
Tenant deposits	**8,899**	8,737
	$73,584	$53,719

NOTE 11
UNITHOLDERS' EQUITY
(a) Units
The REIT is authorized to issue an unlimited number of Units. Each Unit confers the right to one vote at any meeting of Unitholders and to participate *pro rata* in the distributions by the REIT and, in the event of termination or winding-up of the REIT, in the net assets of the REIT. The Unitholders have the right to require the REIT to redeem their Units on demand subject to certain conditions. The Units have no par value. Upon receipt of the redemption notice by the REIT, all rights to and under the Units tendered for redemption will cease and the holder thereof will be entitled to receive a price per Unit ("Redemption Price") as determined by a formula outlined in the Declaration of Trust. The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

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

(b) Normal Course Issuer Bids
On January 8, 2022, the REIT had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 1,478,869 Units and $4,024 principal amount of the 2018 Debentures. The program expired on January 7, 2023. On January 6, 2023, the REIT obtained the approval of the TSX under its NCIB, commencing January 10, 2023, to purchase up to 1,474,371 Units, being approximately 5% of the public float of outstanding Units; the program expires on January 9, 2024. The daily repurchase restriction for the Units is 8,461.

During the three months ended March 31, 2023, 195,120 Units were repurchased for cash consideration of $3,478 at a weighted average price of $17.82 per Unit.

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

(d) Units Outstanding
The following table summarizes the changes in Units for the period from December 31, 2021, to March 31, 2023:

Issued and Fully Paid Units	Units	Amount
Balance, December 31, 2021	39,064,265	$469,959
Units issued under the DRIP	47,528	815
Balance, December 31, 2022	39,111,793	470,774
Units issued under the DRIP	**12,652**	**227**
Units repurchased through the REIT's NCIB plan	**(195,120)**	**(3,478)**
Balance, March 31, 2023	**38,929,325**	**$467,523**

Total distributions declared during the three months ended March 31, 2023, amounted to $7,036, or $0.18 per Unit (2022 - $6,834, or $0.1749 per Unit), including distributions payable of $2,344 that were declared on March 15, 2023, and paid on April 14, 2023. On April 14, 2023, the REIT declared a distribution of $0.06 per Unit payable on May 15, 2023.

(e) Distribution Reinvestment Plan
Under the REIT's Distribution Reinvestment Plan ("DRIP"), Unitholders can elect to reinvest cash distributions into additional Units at a weighted average closing price of the Units on the TSX for the five trading days immediately preceding the applicable date of distribution. During the three months ended March 31, 2023, the REIT issued 12,652 Units under the DRIP (year ended December 31, 2022 - 47,528 Units).

NOTE 12
RENTAL INCOME

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

For the three months ended March 31	2023	2022
Rental income	**$38,979**	$32,842
Property management and ancillary income	**28,299**	22,743
Property tax and insurance	**12,370**	9,672
	$79,648	$65,257

NOTE 13
INTEREST EXPENSE

The components of interest expense are as follows:

For the three months ended March 31	2023	2022
Interest on mortgages	**$12,925**	$10,643
Interest on convertible debentures (Note 6)	**1,068**	943
Interest on lease liability (Note 9)	**235**	108
Amortization of mark-to-market adjustment on mortgages	**206**	—
Amortization of deferred financing costs	**713**	664
Amortization of deferred financing costs on the convertible debentures (Note 6)	**191**	181
Fair value loss (gain) on conversion option on the convertible debentures (Note 6)	**(289)**	2,150
	15,049	14,689
Distributions on Class B LP Units (Note 7)	**3,100**	3,012
	$18,149	$17,701

NOTE 14
TRUST EXPENSES

The components of trust expenses are as follows:

For the three months ended March 31	2023	2022
Asset management fees and distributions	**$4,524**	$3,548
Professional fees	**314**	281
Public company expenses	**200**	193
Other	**139**	159
	$5,177	$4,181

NOTE 15
RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Notes 3, 6, 7 and 8, related party transactions also include the following:

Agreements with Morguard Affiliates

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

Property Management

Pursuant to the Agreements, Morguard's affiliates administer the day-to-day operations of the Canadian and U.S. income producing properties, for which Morguard's affiliates receive partnership fees and distributions equal to 3.5% of gross property revenue of the income producing properties, payable monthly. For the three months ended March 31, 2023, fees and distributions amounted to $2,846 (2022 - $2,389) and are included in property operating costs and equity income from investments. As at March 31, 2023, $830 (December 31, 2022 - $737) is included in accounts payable and accrued liabilities.

Asset Management
Pursuant to the Agreements, Morguard's affiliates have certain duties and responsibilities for the strategic management and administration of the Partnership and its subsidiaries, for which they receive partnership fees and distributions equal to 0.25% of the Partnership's gross book value defined as acquisition cost of the REIT's assets plus: (i) fair value adjustments; and (ii) accumulated amortization on property, plant and equipment. In addition, an annual fee and distribution is calculated in arrears, determined by multiplying 15% of the Partnership's funds from operations in excess of $0.66 per Unit. For the three months ended March 31, 2023, fees and distributions amounted to $4,624 (2022 - $3,699) and are included in trust expenses and equity income from investments. As at March 31, 2023, $715 (December 31, 2022 - $3,210) is included in accounts payable and accrued liabilities.

Acquisition
Pursuant to the Agreements, Morguard's affiliates are entitled to receive partnership fees with respect to properties acquired, directly or indirectly, by the REIT from third parties, and the fees are to be paid upon the closing of the purchase of each such property. The fees range from 0% of the purchase price paid for properties acquired directly or indirectly from Morguard, including entities controlled by Morguard, up to 0.75% of the purchase price paid for properties acquired from third parties. For the three months ended March 31, 2023, fees relating to acquisition services amounted to $825 (2022 - $nil) and have been capitalized to income producing properties.

Financing
Pursuant to the Agreements, with respect to arranging for financing services, Morguard's affiliates are entitled to receive partnership fees equal to 0.15% of the principal amount and associated costs (excluding mortgage premiums) of any debt financing or refinancing. There were no fees relating to financing services for the three months ended March 31, 2023 and 2022.

Other Services
As at March 31, 2023, the REIT had its portfolio appraised by Morguard's appraisal division. For the three months ended March 31, 2023, fees relating to appraisal services amounted to $52 (2022 - $53) and are included in trust expenses.

NOTE 16
INCOME TAXES
(a) Canadian Status
The REIT is a "mutual fund trust" pursuant to the *Income Tax Act* (Canada) (the "Act"). Under current tax legislation, a mutual fund trust that is not a Specified Investment Flow-Through ("SIFT") trust pursuant to the Act is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes, provided that its taxable income is fully distributed to Unitholders. The REIT intends to continue to qualify as a mutual fund trust that is not a SIFT trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

(b) U.S. Status
Certain of the REIT's operations or a portion thereof are conducted through its taxable U.S. subsidiaries, which are subject to U.S. federal and state corporate income taxes.

As at March 31, 2023, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$38,942 (December 31, 2022 - US$44,622) of which deferred tax assets were recognized comprising US$11,316 (December 31, 2022 - US$16,996) that will expire in various years commencing in 2032 and US$27,626 (December 31, 2022 - US$27,626) that can be carried forward indefinitely.

As at March 31, 2023, the REIT's U.S. subsidiaries have a total of US$21,793 (December 31, 2022 - US$20,929) of unutilized interest expense deductions on which deferred tax assets were recognized.

NOTE 17
CONSOLIDATED STATEMENTS OF CASH FLOWS
(a) Items Not Affecting Cash

For the three months ended March 31	2023	2022
Fair value gain on real estate properties, net	**($44,052)**	($229,327)
Fair value loss on Class B LP Units	**20,668**	32,724
Fair value loss (gain) on conversion option on the convertible debentures	**(289)**	2,150
Equity income from investments	**(2,754)**	(1,648)
Amortization of deferred financing - mortgages	**713**	664
Amortization of deferred financing - convertible debentures	**191**	181
Amortization of mark-to-market adjustment on mortgages	**206**	—
Amortization of tenant incentives	**159**	414
Deferred income taxes	**11,191**	40,415
	($13,967)	($154,427)

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

For the three months ended March 31	2023	2022
Amounts receivable	**$5,218**	$1,016
Prepaid expenses	**(4,248)**	(3,929)
Accounts payable and accrued liabilities	**(3,863)**	(1,158)
	($2,893)	($4,071)

(c) Supplemental Cash Flow Information

For the three months ended March 31	2023	2022
Interest paid	**$14,304**	$12,013

(d) Reconciliation of Liabilities Arising from Financing Activities
The following provides a reconciliation of liabilities arising from financing activities:

As at March 31, 2023	Mortgages Payable	Convertible Debentures	Morguard Facility	Lease Liability	Total
Balance, beginning of period	**$1,382,174**	**$85,126**	**($80,695)**	**$16,235**	**$1,402,840**
Repayments	**(8,628)**	**(85,500)**	**(52,316)**	**(8)**	**(146,452)**
New financing, net of financing costs	**—**	**53,590**	**182,011**	**—**	**235,601**
Non-cash changes	**89,483**	**(98)**	**—**	**—**	**89,385**
Foreign exchange	**(786)**	**—**	**252**	**(13)**	**(547)**
Balance, end of period	**$1,462,243**	**$53,118**	**$49,252**	**$16,214**	**$1,580,827**

NOTE 18
MANAGEMENT OF CAPITAL

Refer to the REIT's audited consolidated financial statements as at and for the year ended December 31, 2022 for an explanation of the REIT's capital management policy.

The total managed capital for the REIT as at March 31, 2023, and December 31, 2022, is summarized below:

As at	March 31, 2023	December 31, 2022
Mortgages payable, principal balance	**$1,477,026**	$1,394,444
Convertible debentures, face value	**56,000**	85,500
Morguard Facility	**49,252**	—
Lease liabilities	**16,214**	16,235
Class B LP Units	**299,682**	279,014
Unitholders' equity	**1,771,768**	1,753,475
	$3,669,942	$3,528,668

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

As at	Borrowing Limits	March 31, 2023	December 31, 2022
Total debt to gross book value	70%	**38.9%**	38.0%
Floating-rate debt to gross book value	20%	**2.1%**	0.9%

NOTE 19
FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer to the REIT's audited consolidated financial statements as at and for the year ended December 31, 2022 for an explanation of the REIT's risk management policy as it relates to financial instruments.

Fair Value of Financial Assets and Liabilities

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

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

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using March 31, 2023 market rates for debts of similar terms (Level 2). Based on these assumptions, as at March 31, 2023, the fair value of the mortgages payable before deferred financing costs and mark-to-market adjustment is estimated at $1,393,939 (December 31, 2022 - $1,291,966). The fair value of the mortgages payable varies from the carrying value due to fluctuations in market interest rates since their issue.

The fair value of the convertible debentures is based on their market trading price (Level 1). As at March 31, 2023, the fair value of the convertible debentures before deferred financing costs has been estimated at $55,916 (December 31, 2022 - $85,081), compared with the carrying value of $51,582 (December 31, 2022 - $85,223).

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

The REIT's convertible debentures have no restrictive covenants.

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

	March 31, 2023			December 31, 2022		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$4,000,793**	$—	$—	$3,626,853
Financial liabilities:						
Class B LP Units	**299,682**	**—**	**—**	279,014	—	—
Conversion option of the convertible debentures	**—**	**3,946**	**—**	—	94	—

NOTE 20

SEGMENTED INFORMATION

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

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

	March 31, 2023			March 31, 2022		
For the three months ended	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Revenue from real estate properties	**$26,144**	**$53,504**	**$79,648**	$24,017	$41,240	$65,257
Property operating expenses	**(12,175)**	**(48,165)**	**(60,340)**	(11,629)	(36,204)	(47,833)
Net operating income	**$13,969**	**$5,339**	**$19,308**	$12,388	$5,036	$17,424

	March 31, 2023			December 31, 2022		
As at	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Real estate properties	**$1,467,960**	**$2,532,833**	**$4,000,793**	$1,452,230	$2,174,623	$3,626,853
Mortgages payable	**$503,080**	**$959,163**	**$1,462,243**	$507,757	$874,417	$1,382,174

	March 31, 2023			March 31, 2022		
For the three months ended	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Additions to real estate properties	**$1,986**	**$307,482**	**$309,468**	$605	$3,274	$3,879
Fair value gain on real estate properties	**$13,846**	**$52,842**	**$66,688**	$30,678	$216,051	$246,729

NOTE 21

SUBSEQUENT EVENTS

The REIT entered into a binding agreement for the CMHC-financing of a multi-suite residential property located in Toronto, Ontario, in the amount of $61,137 at an interest rate of 4.18% and for a term of 10 years. The maturing mortgage amounts to $24,553 and has an interest rate of 2.96%. The REIT expects the refinancing to close at the maturing mortgage's scheduled maturity on May 1, 2023.

The REIT entered into binding agreements for the refinancing of two multi-suite residential properties located in Atlanta, Georgia, and Cary, North Carolina, for an aggregate amount of $82,653 (US$61,075) at an interest rate of 5.06% and for terms of 10 years. The maturing mortgages amount to $61,036 (US$45,102) and have a weighted average interest rate of 3.51%. The REIT expects the refinancings to close at the maturing mortgage's scheduled maturity on May 1, 2023.