2022 SECOND QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS
AND CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

MORGUARD NORTH AMERICAN RESIDENTIAL REIT

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Morguard

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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PART I

Morguard North American Residential Real Estate Investment Trust (“Morguard Residential REIT” or the “REIT”) is pleased to provide this review of operations and update on our financial performance for the three and six months ended June 30, 2022. Unless otherwise noted, dollar amounts are stated in thousands of Canadian dollars, except per suite and REIT trust unit (“Unit”) amounts.

The following Management’s Discussion and Analysis (“MD&A”) sets out the REIT’s strategies and provides an analysis of the financial performance for the three and six months ended June 30, 2022, and significant risks facing the business. Historical results, including trends that might appear, should not be taken as indicative of future operations or results.

This MD&A should be read in conjunction with the REIT’s unaudited condensed consolidated financial statements and accompanying notes for the three and six months ended June 30, 2022 and 2021. This MD&A is based on financial information prepared in accordance with International Financial Reporting Standards (“IFRS”) IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and is dated July 26, 2022. Disclosure contained in this document is current to that date unless otherwise noted.

Additional information relating to Morguard Residential REIT, including the REIT’s Annual Information Form, can be found at www.sedar.com and www.morguard.com.

FORWARD-LOOKING STATEMENTS DISCLAIMER

Statements contained herein that are not based on historical or current fact, including without limitation, statements containing the words “anticipates”, “believes”, “may”, “continue”, “estimate”, “expects” and “will” and words of similar expression, constitute “forward-looking statements”. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, both nationally and in the regions in which the REIT operates; changes in business strategy or development/acquisition plans; environmental exposures; financing risk; existing governmental regulations and changes in, or the failure to comply with, governmental regulations; liability and other claims asserted against the REIT; risk and uncertainties relating to the outbreak of the novel strain of the coronavirus identified as COVID-19 and other factors referred to in the REIT’s filings with Canadian securities regulators. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Morguard Residential REIT does not assume the obligation to update or revise any forward-looking statements.

Given the impact of the changing circumstances surrounding the COVID-19 pandemic and the related response from the REIT, governments (federal, state, provincial and municipal), regulatory authorities, businesses and customers, there is inherently more uncertainty associated with the REIT’s assumptions as compared to prior periods. These assumptions and related risks, include but are not limited to management’s expectations with respect to the factors above as well as general economic conditions, such as the impact on the economy and financial markets of the COVID-19 pandemic and other health risks.

SPECIFIED FINANCIAL MEASURES

Morguard Residential REIT reports its financial results in accordance with IFRS. However, this MD&A also uses specified financial measures that are not defined by IFRS, which follow the disclosure requirements established by National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure*. Specified financial measures are categorized as non-GAAP financial measures, non-GAAP ratios, and other financial measures, which are capital management measures, supplementary financial measures, and total of segments measures.

NON-GAAP FINANCIAL MEASURES

Non-GAAP financial measures do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. These measures should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. The REIT’s management uses these measures to aid in assessing the REIT’s underlying core performance and provides these additional measures so that investors may do the same. Management believes that the non-GAAP financial measures described below, which supplement the IFRS measures, provide readers with a more comprehensive understanding of management’s perspective on the REIT’s operating results and performance.

The following discussion describes the non-GAAP financial measures the REIT uses in evaluating its operating results:

PROPORTIONATE SHARE BASIS

The REIT's balance sheet and statements of income prepared in accordance with IFRS have been adjusted (as described below) to derive the REIT's proportionately owned financial results ("Proportionate Basis"). The Proportionate Basis adjustment excludes the impact of realty taxes accounted for under IFRIC 21 (described below) and records realty taxes for all properties on a *pro rata* basis over the entire fiscal year. Management believes that the Proportionate Basis non-GAAP financial measures, which supplement the IFRS measures, provide readers with a more comprehensive understanding of management's perspective on the REIT's operating results and performance.

Non-Controlling Interest Share ("NCI Share")

NCI Share adjusts for three Canadian properties and two U.S. properties whereby the REIT controls but does not own a 100% interest in the subsidiary and, as a result, the REIT fully consolidates their financial results within its consolidated financial statements. The adjustment removes the non-controlling interest portion that is consolidated under IFRS. The presentation of *pro rata* assets, liabilities, revenue and expenses represents a non-GAAP financial measure and may not accurately depict the legal and economic implications of the REIT's interest in the joint ventures.

Equity-Accounted Investments ("Equity Interest")

Equity Interest adjusts interests in joint arrangements that are accounted for using the equity method of accounting. The financial results of two U.S. properties under IFRS are presented on a single line within the consolidated balance sheet and statements of income and have been adjusted on a proportionately owned basis to each respective financial statement line presented within the balance sheet and statements of income. The presentation of *pro rata* assets, liabilities, revenue and expenses represents a non-GAAP financial measure and may not accurately depict the legal and economic implications of the REIT's interest in the joint venture.

IFRIC 21

Net operating income ("NOI") includes the impact of realty taxes accounted for under the International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 21, Levies ("IFRIC 21"). IFRIC 21 states that an entity recognizes a levy liability in accordance with the relevant legislation. The obligating event for realty taxes for the U.S. municipalities in which the REIT operates is ownership of the property on January 1 of each year for which the tax is imposed and, as a result, the REIT records the entire annual realty tax expense for its U.S. properties on January 1, except for U.S. properties acquired during the year in which the realty taxes are not recorded in the year of acquisition.

A reconciliation of the REIT's proportionately owned financial results from the IFRS financial statement presentation is presented under the section Part IX, "Reconciliation of Non-GAAP Financial Measures."

PROPORTIONATE SHARE NOI ("PROPORTIONATE NOI")

NOI and Proportionate NOI are important measures in evaluating the operating performance of the REIT's real estate properties and are a key input in determining the fair value of the REIT's properties. Proportionate NOI represents NOI (an IFRS measure) adjusted for the following: i) to exclude the impact of realty taxes accounted for under IFRIC 21 as noted above. Proportionate NOI records realty taxes for all properties on a *pro rata* basis over the entire fiscal year; ii) to exclude the non-controlling interest share of NOI for those properties that are consolidated under IFRS; and iii) to include equity-accounted investments NOI at the REIT's ownership interest.

In addition, included in Proportionate Share NOI is the composition of revenue from real estate properties (an IFRS measure) in three categories: i) gross rental revenue (before vacancy and ancillary revenue); ii) vacancy; and iii) ancillary revenue. The presentation of revenue from real estate properties in these three categories (on a Proportionate Share Basis) represents a non-GAAP financial measure and is presented in this MD&A because management considers this non-GAAP financial measure to be an important measure of the REIT's operating performance that provides a more comprehensive understanding of revenue from real estate properties.

A reconciliation of Proportionate NOI from the IFRS financial statement presentation of NOI (revenue from real estate properties (and the composition of revenue), property operating costs, realty taxes and utilities) is presented under the section Part IX, "Reconciliation of Non-GAAP Financial Measures."

SAME PROPERTY PROPORTIONATE NOI

Same Property Proportionate NOI is presented in this MD&A because management considers this non-GAAP financial measure to be an important measure of the REIT's operating performance for properties owned by the REIT continuously for the current and comparable reporting period and does not take into account the impact of the operating performance of property acquisitions and dispositions as well as development properties until reaching stabilized occupancy. In addition, Same Property Proportionate NOI is presented in local currency and by country, isolating any impact of foreign exchange fluctuations. A reconciliation of the components of Same Property Proportionate NOI is presented under the section Part III, "Review of Operational Results."

A reconciliation of Same Property Proportionate NOI from the IFRS financial statement presentation of NOI (revenue from real estate properties (and the composition of revenue), property operating costs, realty taxes and utilities) is presented under the section Part IX, "Reconciliation of Non-GAAP Financial Measures."

FUNDS FROM OPERATIONS ("FFO")

FFO (and FFO per Unit) is a non-GAAP financial measure widely used as a real estate industry standard that supplements net income and evaluates operating performance but is not indicative of funds available to meet the REIT's cash requirements. FFO can assist with comparisons of the operating performance of the REIT's real estate between periods and relative to other real estate entities. FFO is computed by the REIT in accordance with the current definition of the Real Property Association of Canada ("REALPAC") and is defined as net income attributable to Unitholders adjusted for fair value adjustments, distributions on the Class B LP Units, realty taxes accounted for under IFRIC 21, deferred income taxes (on the REIT's U.S. properties), gains/losses on the sale of real estate properties (including income taxes on the sale of real estate properties) and other non-cash items. The REIT considers FFO to be a useful measure for reviewing its comparative operating and financial performance. FFO per Unit is calculated as FFO divided by the weighted average number of Units outstanding (including Class B LP Units) during the period.

A reconciliation of net income attributable to Unitholders (an IFRS measure) to FFO is presented under the section Part III, "Funds From Operations."

INDEBTEDNESS

Indebtedness (as defined in the Declaration of Trust) is a measure of the amount of debt financing utilized by the REIT. Indebtedness is presented in this MD&A because management considers this non-GAAP financial measure to be an important measure of the REIT's financial position.

A reconciliation of indebtedness from the IFRS financial statement presentation is presented under the section Part IX, "Reconciliation of Non-GAAP Financial Measures."

GROSS BOOK VALUE

Gross book value (as defined in the Declaration of Trust) is a measure of the value of the REIT's assets. Gross book value is presented in this MD&A because management considers this non-GAAP financial measure to be an important measure of the REIT's asset base and financial position.

A reconciliation of gross book value from the IFRS financial statement presentation is presented under the section Part IX, "Reconciliation of Non-GAAP Financial Measures."

TOTAL DISTRIBUTIONS (INCLUDING CLASS B LP UNITS)

Total distributions (including Class B LP Units) is a non-GAAP financial measure calculated by combining distributions to Unitholders and distributions on the Class B LP Units that originate from different IFRS financial statement line items. Under IFRS, the Class B LP Units are classified as financial liabilities, and the corresponding distributions paid to the unitholders are classified as interest expense. Total distributions (including Class B LP Units) is presented in this MD&A because management believes these distribution payments do not represent financing charges because these amounts are payable only if the REIT declares distributions and only for the amount of any distributions declared, both of which are at the discretion of the Board of Trustees as outlined in the Declaration of Trust (defined below).

A reconciliation of the IFRS financial statement presentation of Unitholders distribution plus distributions on the Class B LP Units is presented under the section Part III, "Distributions."

NON-GAAP RATIOS

Non-GAAP ratios do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. These measures should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. The REIT's management uses these measures to aid in assessing the REIT's underlying core performance and provides these additional measures so that investors may do the same. Management believes that the non-GAAP ratios described below, provide readers with a more comprehensive understanding of management's perspective on the REIT's operating results and performance.

The following discussion describes the non-GAAP ratios the REIT uses in evaluating its operating results.

PROPORTIONATE NOI MARGIN

Proportionate NOI margin is calculated as Proportionate NOI divided by revenue (on a Proportionate Basis) and is an important measure in evaluating the operating performance (including the level of operating expenses) of the REIT's real estate properties. Proportionate NOI margin is presented in this MD&A because management considers this non-GAAP ratio to be an important measure of the REIT's operating performance and financial position.

FFO PAYOUT RATIO

FFO payout ratio compares distributions (including Class B LP Units) to FFO. Distributions (including Class B LP Units) is calculated based on the monthly distribution per Unit multiplied by the weighted average number of Units outstanding (including Class B LP Units) during the period and is an important metric in assessing the sustainability of retained cash flow to fund capital expenditures and distributions. FFO payout ratio is presented in this MD&A because management considers this non-GAAP ratio to be an important measure of the REIT's operating performance and financial position.

INDEBTEDNESS TO GROSS BOOK VALUE RATIO

Indebtedness to gross book value ratio is a compliance measure in the Declaration of Trust and establishes the limit for financial leverage of the REIT. Indebtedness to gross book value ratio is presented in this MD&A because management considers this non-GAAP ratio to be an important measure of the REIT's financial position.

INTEREST COVERAGE RATIO

Interest coverage ratio measures the amount of cash flow available to meet annual interest payments on the REIT's indebtedness. Generally, the higher the interest coverage ratio, the lower the credit risk. Interest coverage ratio is presented in this MD&A because management considers this non-GAAP ratio to be an important measure of the REIT's operating performance and financial position.

INDEBTEDNESS COVERAGE RATIO

Indebtedness coverage ratio measures the amount of cash flow available to meet annual principal and interest payments on the REIT's indebtedness. Generally, the higher the indebtedness coverage ratio, the higher the capacity for additional debt. Indebtedness coverage ratio is presented in this MD&A because management considers this non-GAAP ratio to be an important measure of the REIT's operating performance and financial position.

SUPPLEMENTARY FINANCIAL MEASURES

Supplementary financial measures represent a component of a financial statement line item (including ratios that are not non-GAAP ratios) that are presented in a more granular way outside the financial statements, calculated in accordance with the accounting policies used to prepare the line item presented in the financial statements.

The following discussion describes the supplementary financial measures the REIT uses in evaluating its operating results:

SAME PROPERTY NOI

Same Property NOI is presented in this MD&A because management considers this supplementary financial measure to be an important measure of the REIT's operating performance, representing NOI for properties owned by the REIT continuously for the current and comparable reporting period and does not take into account the impact of the operating performance of property acquisitions and dispositions as well as development properties until reaching stabilized occupancy. In addition, Same Property NOI is presented in local currency and by country, isolating any impact of foreign exchange fluctuations. A summary of the components of Same Property NOI is presented under the section Part III, "Review of Operational Results."

Included in Same Property NOI is the composition of revenue from real estate properties (an IFRS measure) in three categories: i) gross rental revenue (before vacancy and ancillary revenue); ii) vacancy; and iii) ancillary revenue. The presentation of revenue from real estate properties in these three categories represent a supplementary financial measure and is presented in this MD&A because management considers this measure to be an important measure of the REIT's operating performance that provides a more comprehensive understanding of revenue from real estate properties.

NOI MARGIN

NOI margin is calculated as NOI divided by revenue and is an important measure in evaluating the operating performance (including the level of operating expenses) of the REIT's real estate properties. NOI margin is presented in this MD&A because management considers this supplementary financial measure to be an important measure of the REIT's operating performance and financial position.

REAL ESTATE PROPERTIES BY REGION

The composition of the REIT's real estate properties by region is presented in this MD&A because management considers this supplementary financial measure to be an important measure of the REIT's asset base and financial position. A summary of the components of real estate properties by region is presented under the section Part IV, "Balance Sheet Analysis."

CAPITAL EXPENDITURES BY COUNTRY

The composition of the REIT's capital expenditures by country is presented in this MD&A because management considers this supplementary financial measure to be an important measure of the REIT's capital expenditures by its Canadian and U.S. portfolios. The REIT is committed to improving its operating performance by incurring appropriate capital expenditures in order to replace and maintain the productive capacity of its property portfolio so as to sustain its rental income generating potential over the portfolio's useful life. A summary of the components of capital expenditures by country is presented under the section Part IV, "Balance Sheet Analysis."

LOAN-TO-VALUE ("LTV")

LTV is calculated by multiplying a rate of leverage by the real estate properties fair value and is presented in this MD&A by year and is plotted against the maturity profile of the REIT's mortgages payable. Included in the analysis are equity-accounted investments at the REIT's interest. The presentation of LTV against its corresponding mortgage maturity profile represents a supplementary financial measure and is presented in this MD&A because management considers this measure to be an important measure of the REIT's financial position. A table illustrating the LTV by year, plotted against the REIT's mortgage maturity profile is presented under the section Part V, "Capital Structure and Debt Profile."

CAPITAL MANAGEMENT MEASURES

The REIT's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions pursuant to the Declaration of Trust, as well as existing debt covenants, while continuing to build long-term Unitholder value and maintaining sufficient capital contingencies.

The following discussion describes the REIT capital management measures.

TOTAL CAPITALIZATION

Total capitalization as disclosed in the notes to the REIT's unaudited condensed consolidated financial statements for the three and six months ended June 30, 2022 and 2021 is calculated as the sum of the principal amount of the REIT's total debt (including mortgages payable, convertible debentures, lease liabilities and amounts drawn under its revolving credit facility with Morguard Corporation), Unitholders' equity and Class B LP Units liability, and is presented in this MD&A because management considers this capital management measure to be an important measure of the REIT's financial position.

LIQUIDITY

Liquidity is calculated as the sum of cash, amounts available under its revolving credit facility with Morguard and any committed net additional mortgage financing proceeds and is presented in this MD&A because management considers this capital management measure to be an important measure of the REIT's financial position as well as determining the annual level of distributions to Unitholders.

PART II

BUSINESS OVERVIEW AND STRATEGY

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 Units of the REIT trade on the Toronto Stock Exchange ("TSX") under the symbol "MRG.UN."

The REIT has been formed to own multi-suite residential rental properties across Canada and the United States. The objectives of the REIT are to: i) generate stable and growing cash distributions on a tax-efficient basis; ii) enhance the value of the REIT's assets and maximize the long-term value of the Units through active asset and property management; and iii) expand the asset base of the REIT primarily through acquisitions and improvement of its properties through targeted and strategically deployed capital expenditures.

The REIT's internal growth strategy will focus on maximizing cash flow from its portfolio. The REIT intends to increase cash flows by maximizing occupancy and average monthly rent ("AMR"), taking into account local conditions in each of its regional markets, managing its operating expenses as a percentage of revenues and strengthening its asset base through its building infrastructure improvement and capital expenditure programs.

The REIT's external growth strategy is focused on opportunities to acquire additional multi-suite residential properties located in urban centres and major suburban regions in Canada and the United States that satisfy the REIT's investment criteria, as well as generating greater cash flow from acquired properties. The REIT will seek to leverage its relationship with Morguard Corporation ("Morguard") to access acquisition opportunities that satisfy the REIT's investment criteria. Additionally, subject to limited exceptions, the REIT has the right of first opportunity to acquire the existing interests in Morguard's multi-suite residential properties prior to any disposition by Morguard to a third party.

COVID-19 PANDEMIC

Since March 2020, the outbreak of the novel strain of coronavirus ("COVID-19") has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Government has reacted with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the REIT in future periods.

The REIT recognizes the impact COVID-19 has on many of its tenants in North America and its stakeholders, and is committed to taking measures to protect the health of its employees, tenants and communities. At the onset of the COVID-19 pandemic, Morguard initiated its crisis management plan with a team mandated to maintain a safe environment for our residents, employees and stakeholders, coordinating efforts across our portfolio, standardizing communications and responding as circumstances demand.

With the guidance of public health authorities, and at the direction of various levels of government, Morguard continues to implement measures to help reduce the spread of COVID-19. We are actively monitoring the ongoing developments with regards to COVID-19 and are committed to ensuring a healthy and safe environment, adjusting our service model as necessary.

Currently, in the absence of concerning trends in public health and health care indicators, and following a cautious and phased approach, the province of Ontario lifted most public health measures. The Chief Medical Officer of Health and other health experts will continue to monitor data to determine when it is safe to exit the Roadmap and lift the majority of public health and workplace safety measures currently in place.

SIGNIFICANT EVENT

DISPOSITIONS / ASSETS HELD FOR SALE

On June 6, 2022, the REIT sold a property constructed in 1988, comprising 292 suites located in Atlanta, Georgia, 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).

The REIT entered into a binding agreement to sell a multi-suite residential property located in Slidell, Louisiana, comprising 144 suites, for gross proceeds of $32,924 (US$25,550), excluding closing costs. The REIT expects to close the sale of the property during the third quarter, at which time the mortgage payable secured by the property in the amount of $9,936 (US$7,711) will be repaid.

The REIT entered into a conditional agreement to sell a multi-suite residential property located in Coconut Creek, Florida, comprising 340 suites, for gross proceeds of $118,551 (US$92,000), excluding closing costs. The REIT expects to close the sale of the property during the third quarter, at which time the mortgage payable secured by the property in the amount of $26,635 (US$20,670) will be repaid.

The dispositions are consistent with management's strategy to dispose of certain assets where values are benefiting from strong market demand and to focus on opportunities to acquire properties located in urban centres and major suburban markets in Canada and United States.

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

The REIT entered into a binding agreement to acquire a multi-suite residential property comprising 350 suites located in Chicago, Illinois, for a purchase price of $171,384 (US$133,000), excluding closing costs. The acquisition is expected to close during the third quarter of 2022.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

As at (In thousands of dollars, except as noted otherwise)	June 30, 2022	December 31, 2021	June 30, 2021
Operational Information			
Number of properties	**42**	43	43
Total suites	**12,983**	13,275	13,275
Occupancy percentage - Canada	**95.2%**	93.6%	91.8%
Occupancy percentage - U.S.	**96.4%**	96.3%	95.9%
AMR - Canada (in actual dollars)	**$1,565**	$1,535	$1,520
AMR - U.S. (in actual U.S. dollars)	**US$1,636**	US$1,525	US$1,438
Summary of Financial Information			
Gross book value(1)	**$3,856,408**	$3,473,287	$3,101,841
Indebtedness(1)	**$1,371,845**	$1,395,438	$1,283,230
Indebtedness to gross book value ratio(1)	**35.6%**	40.2%	41.4%
Weighted average mortgage interest rate(2)	**3.31%**	3.31%	3.45%
Weighted average term to maturity on mortgages payable (years)	**4.6**	5.0	4.3
Exchange rates - United States dollar to Canadian dollar	**$1.29**	$1.27	$1.24
Exchange rates - Canadian dollar to United States dollar	**$0.78**	$0.79	$0.81

(1) Represents a non-GAAP financial measure/ratio that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. This measure should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. Additional information on this non-GAAP financial measure/ratio can be found under the section Part I, "Specified Financial Measures."

(2) Represents the contractual interest rates on mortgages payable and the Retained Debt (defined below).

	Three months ended June 30		Six months ended June 30	
(In thousands of dollars, except per Unit amounts)	2022	2021	2022	2021
Summary of Financial Information				
Interest coverage ratio(1)	**2.58**	2.33	**2.53**	2.32
Indebtedness coverage ratio(1)	**1.57**	1.54	**1.54**	1.54
Revenue from real estate properties	**$67,392**	$59,814	**$132,649**	$120,136
NOI	**$42,456**	$37,373	**$59,880**	$52,557
Proportionate NOI(1)	**$37,101**	$32,399	**$72,228**	$64,217
Same Property Proportionate NOI(1)	**$36,344**	$31,757	**$70,355**	$62,960
NOI margin - IFRS	**63.0%**	62.5%	**45.1%**	43.7%
NOI margin - Proportionate(1)	**54.1%**	53.3%	**53.5%**	52.7%
Net income	**$166,550**	$20,269	**$337,692**	$47,664
FFO - basic(1)	**$19,833**	$16,128	**$38,140**	$31,747
FFO - diluted(1)	**$20,792**	$17,087	**$40,042**	$33,649
FFO per Unit - basic(1)	**$0.35**	$0.29	**$0.68**	$0.56
FFO per Unit - diluted(1)	**$0.34**	$0.28	**$0.66**	$0.56
Distributions per Unit	**$0.1749**	$0.1749	**$0.3498**	$0.3498
FFO payout ratio(1)	**49.7%**	61.0%	**51.6%**	62.0%
Weighted average number of Units outstanding (in thousands):				
Basic(2)	**56,304**	56,260	**56,298**	56,254
Diluted(2) (3)	**60,537**	60,493	**60,531**	60,487
Average exchange rates - United States dollar to Canadian dollar	**$1.28**	$1.23	**$1.27**	$1.25
Average exchange rates - Canadian dollar to United States dollar	**$0.78**	$0.81	**$0.79**	$0.80

(1) Represents a non-GAAP financial measure/ratio that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. This measure should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. Additional information on this non-GAAP financial measure/ratio can be found under the section Part I, "Specified Financial Measures."

(2) For purposes of calculating FFO per Unit, Class B LP Units are included as Units outstanding on both a basic and diluted basis.

(3) Includes the dilutive impact of the convertible debentures.

REAL ESTATE PROPERTIES

As at June 30, 2022, the REIT's multi-suite residential property portfolio consists of 16 Canadian properties and 26 U.S. properties, having a total of 12,983 residential suites. The properties are primarily located in urban centres and major suburban regions in Alberta, Ontario, Colorado, Texas, Louisiana, Illinois, Georgia, Florida, North Carolina, Virginia and Maryland.

As at June 30, 2022, the REIT classified its two properties located in Florida and Louisiana as held for sale. Real estate properties held for sale are assets the REIT intends to sell rather than hold on a long-term basis and meet the criteria established in IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations" for separate classification.

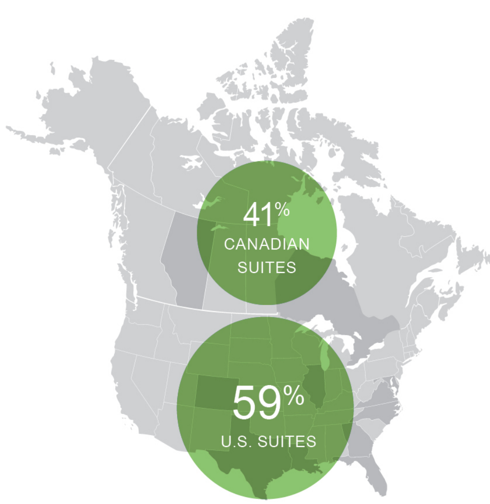
The following table details the regional distribution of the REIT's portfolio as at June 30, 2022:

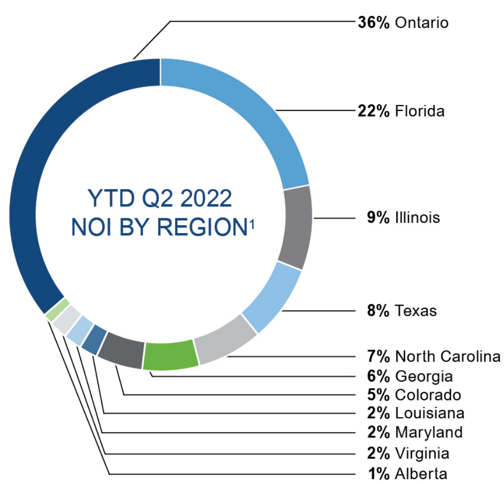
Region (In thousands of dollars, except as otherwise noted)	Number of Properties	Total Suites(1)	% of the Portfolio (based on suites)	Fair Value of Real Estate Properties(1)
Canadian Properties				
Alberta	1	277	2.1%	$56,000
Ontario				
Mississauga	7	2,219	17.1%	798,500
Toronto	6	1,997	15.4%	456,510
Other(2)	2	842	6.5%	231,300
	16	**5,335**	**41.1%**	**$1,542,310**
U.S. Properties				
Colorado	2	454	3.5%	$160,946
Texas	3	1,021	7.9%	269,060
Louisiana	2	249	1.9%	64,688
Illinois	2	1,205	9.3%	565,439
Georgia	2	522	4.0%	144,323
Florida	9	2,253	17.3%	657,959
North Carolina	2	864	6.7%	236,329
Virginia	1	104	0.8%	70,100
Maryland	1	492	3.8%	188,780
	24	**7,164**	**55.2%**	**$2,357,624**
Impact of realty taxes accounted for under IFRIC 21				15,383
Total real estate properties	**40**	**12,499**	**96.3%**	**$3,915,317**
Assets held for sale(3)	2	484	3.7%	150,251
Total including properties held for sale	**42**	**12,983**	**100.0%**	**$4,065,568**

(1) Total suites and fair value of real estate properties include non-controlling interest; the REIT, on a proportionate basis, has ownership of 11,963 suites. Fair value of real estate properties represents the sum of real estate properties ($3,409,805), real estate properties held for sale ($150,251) and equity-accounted investment properties ($505,512) inclusive of non-controlling interest share.

(2) Other Ontario includes one property in each of Kitchener, Ontario and Ottawa, Ontario.

(3) Includes two properties located in Florida and Louisiana.





1 Includes equity-accounted investments at ownership share and excludes the impact of realty taxes under IFRIC 21.

Approximately 79% of suites in Canada are located in Toronto and Mississauga, which form part of the Greater Toronto Area ("GTA"). The GTA is Canada's most significant economic cluster and contains the largest concentration of people. The regional distribution of the remaining suites serves to add stability to the REIT's cash flows because it reduces the REIT's vulnerability to economic fluctuations affecting any particular region.

AVERAGE MONTHLY RENT AND OCCUPANCY BY REGION

The following table details AMR (in actual dollars), stated in local currency, and occupancy of the REIT's portfolio for the following periods and is calculated on a proportionate ownership basis:

Region	AMR/Suite at June 30, 2022	AMR/Suite at June 30, 2021	% Change	Occupancy at June 30, 2022	Occupancy at June 30, 2021
Canadian Properties (in Canadian dollars)					
Alberta	**$1,396**	$1,416	**(1.4%)**	**70.4%**	63.2%
Ontario					
Mississauga(1)	**1,759**	1,698	**3.6%**	**98.5%**	94.3%
Toronto	**1,402**	1,361	**3.0%**	**96.7%**	94.5%
Other(2)	**1,502**	1,454	**3.3%**	**91.0%**	87.6%
Total Ontario	**1,575**	1,525	**3.3%**	**96.6%**	93.3%
Total Canada (in Canadian dollars)	**$1,565**	$1,520	**3.0%**	**95.2%**	91.8%
U.S. Properties (in U.S. dollars)					
Colorado	**$1,632**	$1,455	**12.2%**	**96.2%**	96.7%
Texas	**1,525**	1,334	**14.3%**	**97.4%**	93.5%
Louisiana	**1,390**	1,247	**11.5%**	**95.3%**	96.7%
Illinois	**2,530**	2,288	**10.6%**	**97.7%**	97.8%
Georgia	**1,480**	1,341	**10.4%**	**96.1%**	97.3%
Florida	**1,578**	1,357	**16.3%**	**95.7%**	97.6%
North Carolina	**1,291**	1,141	**13.1%**	**97.7%**	97.6%
Virginia	**2,248**	2,077	**8.2%**	**95.1%**	95.2%
Maryland	**1,923**	1,872	**2.7%**	**95.5%**	95.7%
U.S. Same Property	**1,631**	1,443	**13.0%**	**96.5%**	96.8%
Disposition/Redevelopment(3)	**1,871**	1,422	**31.6%**	**93.8%**	82.1%
Total U.S. (in U.S. dollars)	**$1,636**	$1,438	**13.8%**	**96.4%**	95.9%
Total (in local currencies)	**$1,604**	$1,473	**8.9%**	**95.9%**	94.2%

(1) Excludes 36 suites impacted by a fire at a property during the second quarter of 2022.
(2) Other Ontario includes one property in each of Kitchener, Ontario and Ottawa, Ontario.
(3) U.S. disposition includes a property located in Atlanta, Georgia that was sold in June 2022. Redevelopment includes a property located in New Orleans, Louisiana, reaching stabilized occupancy during October 2021.

CANADIAN PROPERTIES

As at June 30, 2022, AMR per suite in Canada increased by 3.0% compared to June 30, 2021. Sequentially, AMR in Canada of $1,565 as at June 30, 2022, increased by 0.6% compared to $1,556 as at March 31, 2022. Effective January 1, 2022, the Ontario guideline rental rate increase in 2022 is 1.2% (2021 - 0.0%), which has contributed to a higher rental rate growth than in previous years. The REIT also experienced rental rate growth from above guideline increases at several properties upon the completion of capital projects, and rental rate increases on suite turnover. Further, a large portion of the REIT's tenants did not receive a rent increase during 2021 due to the Ontario guideline rental rate in 2021 being 0.0%, which effectively permitted the REIT to increase rents on January 1, 2022. In order to reduce the burden on our tenants from increasing rents all at once, the REIT selectively staggered rent increases across its Ontario portfolio between the months of January to June, approximately 62% of the portfolio received a rent increase during this time frame.

In addition, the REIT can apply for an above-guideline increase ("AGI") relating to eligible capital repairs and security services. The REIT still has the ability to increase rents on turnover and through above-guideline applications and has filed one application for an above-guideline increase during the year, with two additional AGI applications expected to be filed during the fourth quarter of 2022.

As at June 30, 2022, AMR at the REIT's single property in Edmonton, Alberta, decreased by 1.4% compared to June 30, 2021 and decreased slightly compared to March 31, 2022. The AMR decrease compared to June 30, 2021, is due to the lower rents achieved on turnover which is a result of the continued softening rental market in downtown Edmonton. There are no restrictions regarding annual rental increases in Alberta which will provide the flexibility to increase rents to pre-pandemic levels once the market improves.

The REIT continued to experience steady demand, particularly towards the end of last year and into the first half of 2022 as Ontario's economy reopened, which allowed the REIT to increase rents from below market rates as suites turned over. During the six months ended June 30, 2022, the REIT's Canadian portfolio turned over 445 suites, or 8.3% of total suites located in Canada and achieved AMR growth of 15.1% on suite turnover. Overall, Canadian turnover is higher compared to 5.2% achieved during the six months ended June 30, 2021.

As at June 30, 2022, occupancy in Canada increased to 95.2%, compared to 91.8% at June 30, 2021 and sequentially, occupancy in Canada increased from 93.8% at March 31, 2022. Overall, occupancy has increased across the portfolio, and it is anticipated it will continue to improve to the end of the year. Leasing activity significantly increased as COVID restrictions were lifted, economic conditions improved, and as people returned to their normal routine.

As at June 30, 2022, occupancy at the REIT's single property located in Edmonton, Alberta, of 70.4% increased from 63.2% at June 30, 2021, due to the high proportion of tenants who attend nearby universities that have resumed in-class learning. Occupancy decreased slightly from 75.5% at March 31, 2022, as additional move outs and slower leasing activity contributed to the decrease in occupancy during the second quarter of 2022. In addition, Other Ontario occupancy increased from 87.6% at June 30, 2021 to 91.0% at June 30, 2022, although slightly improving, occupancy still remains low predominantly due to the REIT's property located in Ottawa, Ontario, which was also impacted by the closure of universities. As Ontario continues its path to reopening, leasing activity has picked up at both locations, and occupancy is anticipated to stabilize towards the end of the year as universities reopen and offer a combination of in-class and online learning options.

U.S. PROPERTIES

As at June 30, 2022, Same Property AMR per suite in the U.S. increased by 13.0% compared to June 30, 2021 as the REIT had AMR growth in all U.S. regions. The REIT had double digit percentage AMR growth at seven U.S. regions, led by Florida, Texas, North Carolina, Colorado, Louisiana, Illinois and Georgia, showing signs of continued strong market fundamentals in these regions. As at June 30, 2022, AMR at the REIT's properties located in Chicago's Loop increased by 10.6% compared to June 30, 2021 due to stabilized occupancy and raising rents from the pandemic related lows experienced during the prior year. In addition, management's focus has shifted to finding the optimal balance of occupancy and market rent growth in the REIT's Chicago market. Market rents are expected to continue to be strong through the busy summer leasing season, as occupancies have remained strong due to a limited supply of new construction compared to previous years.

The REIT continues to utilize revenue management tools aimed at balancing rent growth, traffic and renewal exposure. That balance has been maintained as management continues to adapt to evolving pandemic constraints, matching expiring leases with new move-ins, using multiple technologies, including virtual leasing, contactless apartment tours and improved access. The REIT has also maintained Same Property AMR growth during the second quarter within all of its submarkets while enjoying strong occupancies. Though management believes some supply challenges will continue in a few markets, demand continues to be strong and we expect this trend of AMR growth to continue, especially in the Florida and Colorado markets, where demand is outweighing supply.

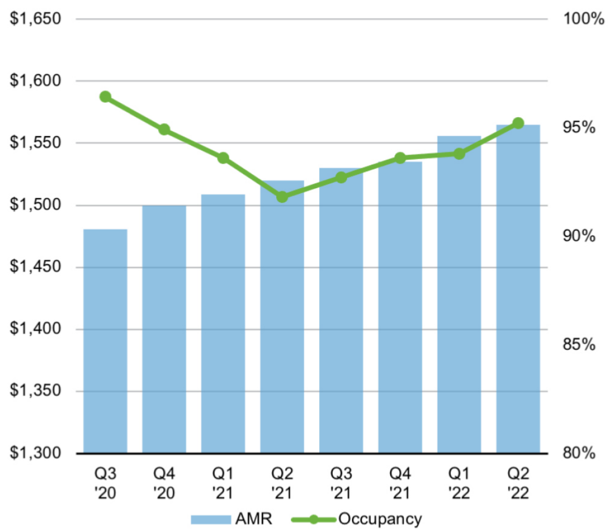
As at June 30, 2022, Same Property occupancy in the U.S. was 96.5% compared to 96.8% at June 30, 2021, continuing the positive momentum experienced last year. Management's active leasing and renewal strategies continues to be successful as it continually monitors rents, lease term and exposure, enabling the portfolio to maintain strong rent growth and occupancies. Resident retention remains a major driver of occupancy as management focuses on providing value through excellent customer service while increasing rents at strong but reasonable rates. Management is pleased to report that occupancies within most of the REIT's U.S. residential assets are outperforming pre-pandemic levels. Management expects the leasing activity to keep occupancy levels stable as we move through the busy summer leasing season. Management will continue to closely monitor public health measures within the REIT's U.S. markets and remain flexible to make any adjustments necessary.

Sequentially, Same Property occupancy in the U.S. at 96.5% increased slightly compared to 96.3% as at March 31, 2022. Stable and optimum occupancy levels were achieved in part by higher demand and lower suite turnover, creating reduced supply and higher demand for the available suites. In addition, and across multiple regions, a lack of supply and high demand for single family homes attracted former homeowners to sell their properties and move to rentals. This trend has continued through several interest rate hikes by the Federal Reserve but is expected to begin to slow into the fall and winter months.

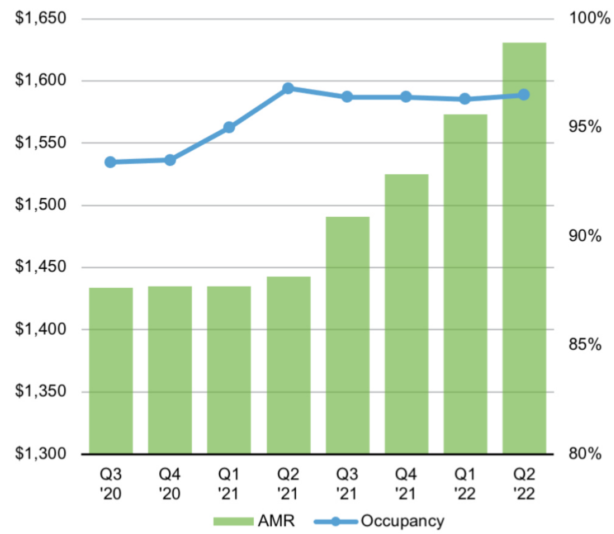
For the six months ended June 30, 2022, the REIT's rental incentives amounted to $476 (2021 - $772), mainly at properties that were impacted by new supply and increased vacancy in urban markets. Incentives were used on an as-needed basis in those limited submarkets to compete with new inventory.

The following table details AMR (in actual dollars), stated in local currency, and occupancy of the REIT's Same Property portfolio at each quarter end since September 30, 2020:

CANADA



U.S.



The REIT's collection of rental income during the six months ended June 30, 2022 is materially in line with historical collection rates. Management will monitor rent collections and compassionately follow up with those accounts in arrears as the impact of the pandemic, inflation and rising gas prices continue to weigh on the North American economy, potentially for the remainder of the year.

PART III

REVIEW OF OPERATIONAL RESULTS

The REIT's operational results are summarized below:

(In thousands of dollars)	Three months ended June 30 2022	Three months ended June 30 2021	Six months ended June 30 2022	Six months ended June 30 2021
Revenue from real estate properties	**$67,392**	$59,814	**$132,649**	$120,136
Property operating expenses				
Property operating costs	**(17,818)**	(15,847)	**(34,994)**	(31,273)
Realty taxes	**(2,600)**	(2,390)	**(28,008)**	(27,149)
Utilities	**(4,518)**	(4,204)	**(9,767)**	(9,157)
Net operating income	**42,456**	37,373	**59,880**	52,557
Other expenses (income)				
Interest expense	**12,629**	15,756	**30,330**	30,661
Trust expenses	**4,595**	3,599	**8,776**	6,938
Equity income from investments	**(4,512)**	(1,559)	**(6,160)**	(1,487)
Foreign exchange loss (gain)	**(32)**	15	**(17)**	38
Other expenses (income)	**(748)**	45	**(1,157)**	67
Income before fair value changes and income taxes	**30,524**	19,517	**28,108**	16,340
Fair value gain on real estate properties, net	**109,077**	32,006	**355,806**	59,457
Fair value gain (loss) on Class B LP Units	**55,631**	(21,184)	**22,907**	(14,640)
Income before income taxes	**195,232**	30,339	**406,821**	61,157
Provision for income taxes				
Current	**40**	31	**72**	63
Deferred	**28,642**	10,039	**69,057**	13,430
	28,682	10,070	**69,129**	13,493
Net income for the period	**$166,550**	$20,269	**$337,692**	$47,664
Net income attributable to:				
Unitholders	**$162,601**	$18,765	**$325,031**	$45,774
Non-controlling interest	**3,949**	1,504	**12,661**	1,890
	$166,550	$20,269	**$337,692**	$47,664

REVENUE FROM REAL ESTATE PROPERTIES

Higher rental revenue for the three and six months ended June 30, 2022, is mainly due to rental rate increases, lower vacancy and foreign exchange fluctuations.

NET OPERATING INCOME

The following tables provide the NOI and Proportionate NOI for the REIT's consolidated Canadian and U.S. operations and present the following non-GAAP financial measures/ratios: Proportionate NOI, Same Property Proportionate NOI and Proportionate NOI margin. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. These measures should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. Additional information on these non-GAAP financial measures/ratios can be found under the section Part I, "Specified Financial Measures."

Same Property results for the three and six months ended June 30, 2022, measures the operating performance for properties owned and have reached stabilization by the REIT continuously since April 1, 2021 and January 1, 2021, respectively, and excludes the following properties: i) 1643 Josephine, New Orleans, Louisiana, a redevelopment property acquired on April 5, 2018, which reached stabilized occupancy in October 2021; and ii) Briarhill Apartments in Atlanta, Georgia, sold during the second quarter of 2022.

Same Property and Same Property Proportionate results for the three and six months ended June 30, 2022 both represent 11,687 and 11,849 residential suites, respectively.

Net Operating Income - Three months ended June 30, 2022

The following table provides the consolidated net operating income for the REIT's Canadian and U.S. properties:

For the three months ended June 30 (In thousands of dollars)	2022 NOI	2022 Proportionate NOI	2021 NOI	2021 Proportionate NOI
Revenue from properties				
Same Property				
Gross rental revenue (before vacancy and ancillary revenue)	**$63,949**	**$65,473**	$57,428	$58,920
Vacancy	**(3,384)**	**(3,537)**	(3,548)	(3,889)
Ancillary	**5,002**	**4,815**	4,227	4,044
Same Property	**65,567**	**66,751**	58,107	59,075
Disposition/Development	**1,825**	**1,825**	1,707	1,707
Total revenue from properties	**67,392**	**68,576**	59,814	60,782
Property operating expenses				
Same Property				
Operating costs	**17,001**	**17,425**	15,138	15,435
Realty taxes	**2,601**	**8,405**	2,381	7,770
Utilities	**4,456**	**4,577**	4,107	4,113
Same Property	**24,058**	**30,407**	21,626	27,318
Disposition/Development	**878**	**1,068**	815	1,065
Total property operating expenses	**24,936**	**31,475**	22,441	28,383
NOI				
Same Property	**41,509**	**36,344**	36,481	31,757
Disposition/Development	**947**	**757**	892	642
Total NOI	**$42,456**	**$37,101**	$37,373	$32,399
NOI margin	**63.0%**	**54.1%**	62.5%	53.3%

For the three months ended June 30, 2022, NOI from the REIT's properties increased by $5,083 (or 13.6%) to $42,456, compared to $37,373 in 2021. The increase in NOI is due to an increase in Same Property NOI of $5,028 (or 13.8%) and an increase in NOI of $498 from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021, partially offset by a decrease in NOI of $443 from the disposition of a property located in Georgia. The Same Property increase of $5,028 is due to an increase in Canada of $683 (or 5.3%), an increase in the U.S. of US$2,679 (or 13.9%) and the change in foreign exchange rate which increased NOI by $1,666.

For the three months ended June 30, 2022, Proportionate NOI from the REIT's properties increased by $4,702 (or 14.5%) to $37,101, compared to $32,399 in 2021. The increase in Proportionate NOI is due to an increase in Same Property Proportionate NOI of $4,587 (or 14.4%) and an increase in NOI of $499 from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021, partially offset by a decrease in NOI of $384 from the disposition of a property located in Georgia. The Same Property increase of $4,587 is due to an increase in Canada of $682 (or 5.4%), an increase in the U.S. of US$2,476 (or 16.0%) and the change in foreign exchange rate which increased Proportionate NOI by $1,429.

The following table provides the consolidated net operating income for the REIT's Canadian and U.S. properties in local currency:

For the three months ended June 30 (In thousands of dollars)	2022 NOI	2022 Proportionate NOI	2021 NOI	2021 Proportionate NOI
Same Property NOI - Canada (local currency)	**$13,509**	**$13,429**	$12,826	$12,747
Same Property NOI - U.S. (local currency)	**21,939**	**17,954**	19,260	15,478
Disposition/Development (local currency)	**742**	**593**	729	526
Exchange amount to Canadian dollars	**6,266**	**5,125**	4,558	3,648
Total NOI	**$42,456**	**$37,101**	$37,373	$32,399

The following table provides the NOI and Proportionate NOI for the REIT’s Canadian properties:

For the three months ended June 30 (In thousands of dollars)	2022 NOI	2022 Proportionate NOI	2021 NOI	2021 Proportionate NOI
Revenue from properties				
Gross rental revenue (before vacancy and ancillary revenue)	**$24,888**	**$24,753**	$24,138	$24,008
Vacancy	**(1,407)**	**(1,403)**	(2,205)	(2,196)
Ancillary(1)	**1,037**	**1,031**	1,099	1,092
Revenue from properties	**24,518**	**24,381**	23,032	22,904
Property operating expenses				
Operating costs	**5,339**	**5,312**	4,937	4,913
Realty taxes	**2,661**	**2,644**	2,536	2,521
Utilities	**3,009**	**2,996**	2,733	2,723
Total property operating expenses	**11,009**	**10,952**	10,206	10,157
NOI	**$13,509**	**$13,429**	$12,826	$12,747
NOI margin	**55.1%**	**55.1%**	55.7%	55.7%

(1) Ancillary revenue mainly comprises parking, laundry and cable income; amortized rent concessions and storage fees. Ancillary revenue also includes commercial revenue, net of vacancy.

For the three months ended June 30, 2022, NOI from the Canadian properties increased by $683 (or 5.3%) to $13,509, compared to $12,826 in 2021. The increase in NOI is primarily due to an increase in revenue of $1,486 (or 6.5%) from higher gross rental revenue (3.1%) resulting from an increase in AMR (mainly from Ontario guideline rental rate increases implemented throughout the first half of 2022 as well as increases from suite turnover) and lower vacancy due to improved leasing activity, partially offset by an increase in operating expenses of $803 (or 7.9%). The increase in operating expenses was due to higher operating costs of $402, higher utilities of $276 and an increase in realty taxes of $125. The increase in operating costs was primarily due to due to an increase in repairs and maintenance and payroll costs. The increase in utilities was mainly due to an increase in gas rates, partially offset by lower consumption, as well as an increase in hydro rates and reduced rebates under Ontario Electricity Rebate program. The increase in realty taxes was due to higher assessed market values at certain properties.

For the three months ended June 30, 2022, Proportionate NOI from the Canadian properties increased by $682 (or 5.4%) to $13,429, compared to $12,747 in 2021. The increase in Proportionate NOI is due to an increase in revenue of $1,477 (or 6.4%) from higher gross rental revenue (3.1%) resulting from an increase in AMR and lower vacancy, partially offset by an increase in operating expenses of $795 (or 7.8%) for the same reasons described above. The increase in operating expenses was due to higher operating costs of $399, higher utilities of $273 and an increase in realty taxes of $123 for the same reasons described above.

The REIT’s Canadian NOI margin and Proportionate NOI margin were 55.1% and 55.1%, respectively, for the three months ended June 30, 2022, compared to 55.7% and 55.7%, respectively, for the three months ended June 30, 2021. Overall, as noted above, the increase in operating expenses, relative to the increase in revenue, contributed to the decrease in NOI margin.

The following table provides the NOI and Proportionate NOI for the U.S. properties:

For the three months ended June 30 (In thousands of U.S. dollars, unless otherwise stated)	2022 NOI	2022 Proportionate NOI	2021 NOI	2021 Proportionate NOI
Revenue from properties				
Same Property				
Gross rental revenue (before vacancy and ancillary revenue)	**$30,597**	**$31,898**	$27,108	$28,429
Vacancy	**(1,550)**	**(1,672)**	(1,090)	(1,374)
Ancillary(1)	**3,114**	**2,968**	2,541	2,399
Same Property	**32,161**	**33,194**	28,559	29,454
Disposition/Development	**1,431**	**1,431**	1,392	1,392
Total revenue from properties	**33,592**	**34,625**	29,951	30,846
Property operating expenses				
Same Property				
Operating costs	**9,134**	**9,489**	8,304	8,565
Realty taxes	**(45)**	**4,514**	(126)	4,275
Utilities	**1,133**	**1,237**	1,121	1,136
Same Property	**10,222**	**15,240**	9,299	13,976
Disposition/Development	**689**	**838**	663	866
Total property operating expenses	**10,911**	**16,078**	9,962	14,842
NOI in US dollars				
Same Property	**21,939**	**17,954**	19,260	15,478
Disposition/Development	**742**	**593**	729	526
Total NOI (in US dollars)	**22,681**	**18,547**	19,989	16,004
Exchange amount to Canadian dollars	**6,266**	**5,125**	4,558	3,648
NOI (in Canadian dollars)	**$28,947**	**$23,672**	$24,547	$19,652
NOI margin (in US dollars)	**67.5%**	**53.6%**	66.7%	51.9%

(1) Ancillary revenue mainly comprises parking, laundry and cable income; amortized rent concessions; storage fees; utility chargebacks and other fee income associated with moving in or out (such as application fees and cleaning fees), late rental payment fees from residents under the terms of the lease arrangements. Ancillary revenue also includes commercial revenue, net of vacancy.

For the three months ended June 30, 2022, NOI from the U.S. properties increased by $4,400 (or 17.9%) to $28,947, compared to $24,547 in 2021. The increase in NOI is primarily due to an increase in Same Property NOI of US$2,679 (or 13.9%) and an increase in NOI of US$389 from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021, partially offset by a decrease in NOI of US$376 from the disposition of a property located in Georgia. The change in foreign exchange rate also increased NOI by $1,708. The Same Property NOI increase was due to an increase in revenue of US$3,602 (or 12.6%) from higher gross rental revenue (12.9%) resulting from an increase in AMR, net of higher vacancy and an increase in ancillary revenue, partially offset by an increase in operating expenses of US$923 (or 9.9%). The increase in operating expenses was due to higher operating costs of US$830, higher realty taxes of US$81 and an increase in utilities of US$12. The increase in operating costs was primarily due to an increase in repairs and maintenance, payroll costs, insurance expense (higher premiums), as well as higher property management fees. The increase in repairs and maintenance was mainly due to higher make-ready expenses, as well as higher common area, landscaping and other contract costs. The increase in realty taxes was impacted by the IFRIC 21 adjustment and an increase in the assessed market value at certain properties.

For the three months ended June 30, 2022, Proportionate NOI from the U.S. properties increased by US$4,020 (or 20.5%) to $23,672, compared to $19,652 in 2021. The increase in Proportionate NOI is due to an increase in Same Property Proportionate NOI of US$2,476 (or 16.0%) and an increase in Proportionate NOI of US$391 from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021, partially offset by a decrease in NOI of US$324 from the disposition of a property located in Georgia. The change in foreign exchange rate also increased NOI by $1,477. The Same Property Proportionate NOI increase was due to an increase in revenue of US$3,740 (or 12.7%) from higher gross rental revenue (12.2%) resulting from an increase in AMR, net of higher vacancy and an increase in ancillary revenue, partially offset by an increase in operating expenses of US$1,264 (or 9.0%). The increase in operating expenses was due to higher operating costs of US$924, higher realty taxes of US$239 and an increase in utilities of US$101 for the same reasons described above.

The REIT's U.S. NOI margin and Proportionate NOI margin were 67.5% and 53.6%, respectively, for the three months ended June 30, 2022, compared to 66.7% and 51.9%, respectively, for the three months ended June 30, 2021. The NOI margin and Proportionate NOI margin were both impacted by an increase in Same Property revenue and the positive impact of NOI from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021. In addition, the NOI margin was impacted by accounting for realty taxes under IFRIC 21.

Net Operating Income

The following table provides the consolidated net operating income for the REIT's Canadian and U.S. properties:

For the six months ended June 30 (In thousands of dollars)	2022 NOI	2022 Proportionate NOI	2021 NOI	2021 Proportionate NOI
Revenue from properties				
Same Property				
Gross rental revenue (before vacancy and ancillary revenue)	**$125,995**	**$129,002**	$115,447	$118,737
Vacancy	**(7,000)**	**(7,221)**	(7,122)	(8,572)
Ancillary	**9,481**	**9,129**	8,561	8,360
Same Property	**128,476**	**130,910**	116,886	118,525
Disposition/Development	**4,173**	**4,173**	3,250	3,250
Total revenue from properties	**132,649**	**135,083**	120,136	121,775
Property operating expenses				
Same Property				
Operating costs	**33,276**	**34,053**	29,791	30,428
Realty taxes	**27,005**	**16,619**	26,300	15,998
Utilities	**9,626**	**9,883**	8,972	9,139
Same Property	**69,907**	**60,555**	65,063	55,565
Disposition/Development	**2,862**	**2,300**	2,516	1,993
Total property operating expenses	**72,769**	**62,855**	67,579	57,558
NOI				
Total Same Property	**58,569**	**70,355**	51,823	62,960
Disposition/Development	**1,311**	**1,873**	734	1,257
Total NOI	**$59,880**	**$72,228**	$52,557	$64,217
NOI margin	**45.1%**	**53.5%**	43.7%	52.7%

For the six months ended June 30, 2022, NOI from the REIT's properties increased by $7,323 (or 13.9%) to $59,880, compared to $52,557 in 2021. The increase in NOI is due to an increase in Same Property NOI of $6,746 (or 13.0%) and an increase in NOI of $1,155 from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021, partially offset by a decrease in NOI of $578 from the disposition of a property located in Georgia. The Same Property increase of $6,746 is due to an increase in Canada of $267 (or 1.0%), an increase in the U.S. of US$4,364 (or 20.5%), and the change in foreign exchange rate which increased NOI by $2,115.

For the six months ended June 30, 2022, Proportionate NOI from the REIT's properties increased by $8,011 (or 12.5%) to $72,228, compared to $64,217 in 2021. The increase in Proportionate NOI is due to an increase in Same Property Proportionate NOI of $7,395 (or 11.7%) and an increase in NOI of $1,148 from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021, partially offset by a decrease in NOI of $532 from the disposition of a property located in Georgia. The Same Property increase of $7,395 is due to an increase in Canada of $265 (or 1.0%), an increase in the U.S. of US$5,021 (or 16.7%), and the change in foreign exchange rate which increased Proportionate NOI by $2,109.

The following table provides the consolidated net operating income for the REIT's Canadian and U.S. properties in local currency:

For the six months ended June 30 (In thousands of dollars)	2022 NOI	2022 Proportionate NOI	2021 NOI	2021 Proportionate NOI
Same Property NOI - Canada (local currency)	**$25,897**	**$25,740**	$25,630	$25,475
Same Property NOI - U.S. (local currency)	**25,625**	**35,089**	21,261	30,068
Disposition/Development (local currency)	**1,030**	**1,475**	604	1,011
Exchange amount to Canadian dollars	**7,328**	**9,924**	5,062	7,663
Total NOI	**$59,880**	**$72,228**	$52,557	$64,217

The following table provides the NOI and Proportionate NOI for the REIT's Canadian properties:

For the six months ended June 30 (In thousands of dollars)	2022 NOI	2022 Proportionate NOI	2021 NOI	2021 Proportionate NOI
Revenue from properties				
Gross rental revenue (before vacancy and ancillary revenue)	**$49,573**	**$49,304**	$48,148	$47,888
Vacancy	**(3,102)**	**(3,092)**	(4,041)	(4,024)
Ancillary(1)	**2,064**	**2,054**	2,283	2,271
Revenue from properties	**48,535**	**48,266**	46,390	46,135
Property operating expenses				
Operating costs	**10,671**	**10,619**	9,691	9,644
Realty taxes	**5,306**	**5,273**	5,138	5,107
Utilities	**6,661**	**6,634**	5,931	5,909
Total property operating expenses	**22,638**	**22,526**	20,760	20,660
NOI	**$25,897**	**$25,740**	$25,630	$25,475
NOI margin	**53.4%**	**53.3%**	55.2%	55.2%

(1) Ancillary revenue mainly comprises parking, laundry and cable income, amortized rent concessions and storage fees. Ancillary revenue also includes commercial revenue, net of vacancy.

For the six months ended June 30, 2022, NOI from the Canadian properties increased by $267 (or 1.0%) to $25,897, compared to $25,630 in 2021. The increase in NOI is primarily due to an increase in revenue of $2,145 (or 4.6%) from higher gross rental revenue (3.0%) resulting from an increase in AMR (mainly from Ontario guideline rental rate increases implemented throughout the first half of 2022 as well as increases from suite turnover) and lower vacancy due to improved leasing activity, partially offset by an increase in operating expenses of $1,878 (or 9.0%). The increase in operating expenses was due to higher operating costs of $980, higher utilities of $730 and an increase in realty taxes of $168. The increase in operating costs was primarily due to an increase in repairs and maintenance and payroll costs. The increase in utilities was mainly due to an increase in gas and water rates as well as higher consumption. In addition, hydro expense increased due to an increase in hydro rates and reduced rebates under Ontario's Electricity Rebate program as well as an increase in consumption. The increase in realty taxes was due to higher assessed market values at certain properties.

For the six months ended June 30, 2022, Proportionate NOI from the Canadian properties increased by $265 (or 1.0%) to $25,740, compared to $25,475 in 2021. The increase in Proportionate NOI is due to an increase in revenue of $2,131 (or 4.6%), from higher gross rental revenue (3.0%) resulting from an increase in AMR and lower vacancy, partially offset by an increase in operating expenses of $1,866 (or 9.0%) for the same reasons described above. The increase in operating expenses was due to higher operating costs of $975, higher utilities of $725 and an increase in realty taxes of $166 for the same reasons described above.

The REIT's Canadian NOI margin and Proportionate NOI margin were 53.4% and 53.3%, respectively, for the six months ended June 30, 2022, compared to 55.2% and 55.2%, respectively, for the six months ended June 30, 2021. Overall, as noted above, the increase in operating expenses, relative to the increase in revenue, contributed to the decrease in NOI margin.

The following table provides the NOI and Proportionate NOI for the U.S. properties:

For the six months ended June 30 (In thousands of U.S. dollars, unless otherwise noted)	2022 NOI	2022 Proportionate NOI	2021 NOI	2021 Proportionate NOI
Revenue from properties				
Same Property				
Gross rental revenue (before vacancy and ancillary revenue)	**$60,098**	**$62,675**	$53,956	$56,800
Vacancy	**(3,067)**	**(3,249)**	(2,464)	(3,630)
Ancillary(1)	**5,842**	**5,572**	5,034	4,881
Same Property	**62,873**	**64,998**	56,526	58,051
Disposition/Development	**3,286**	**3,286**	2,610	2,610
Total revenue from properties	**66,159**	**68,284**	59,136	60,661
Property operating expenses				
Same Property				
Operating costs	**17,777**	**18,429**	16,119	16,667
Realty taxes	**17,140**	**8,926**	16,709	8,728
Utilities	**2,331**	**2,554**	2,437	2,588
Same Property	**37,248**	**29,909**	35,265	27,983
Disposition/Development	**2,256**	**1,811**	2,006	1,599
Total property operating expenses	**39,504**	**31,720**	37,271	29,582
NOI (in U.S. dollars)				
Same Property	**25,625**	**35,089**	21,261	30,068
Disposition/Development	**1,030**	**1,475**	604	1,011
Total NOI (in U.S. dollars)	**26,655**	**36,564**	21,865	31,079
Exchange amount to Canadian dollars	**7,328**	**9,924**	5,062	7,663
NOI (in Canadian dollars)	**$33,983**	**$46,488**	$26,927	$38,742
NOI margin (in U.S. dollars)	**40.3%**	**53.5%**	37.0%	51.2%

(1) Ancillary revenue mainly comprises parking, laundry and cable income; amortized rent concessions; storage fees; utility chargebacks and other fee income associated with moving in or out (such as application fees and cleaning fees), late rental payment fees from residents under the terms of the lease arrangements. Ancillary revenue also includes commercial revenue, net of vacancy.

For the six months ended June 30, 2022, NOI from the U.S. properties increased by $7,056 (or 26.2%) to $33,983, compared to $26,927 in 2021. The increase in NOI is primarily due to an increase in Same Property NOI of US$4,364 (or 20.5%) and an increase in NOI of US$908 from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021, partially offset by a decrease in NOI of US$482 from the disposition of a property located in Georgia. The change in foreign exchange rate also increased NOI by $2,266. The Same Property NOI increase was due to an increase in revenue of US$6,347 (or 11.2%) from higher gross rental revenue (11.4%) resulting from an increase in AMR, net of higher vacancy and an increase in ancillary revenue, partially offset by an increase in operating expenses of US$1,983 (or 5.6%). The increase in operating expenses was due to higher operating costs of US$1,658 and higher realty taxes of US$431, partially offset by a decrease in utilities of US$106. The increase in operating costs was primarily due to an increase in repairs and maintenance, payroll costs, insurance expense (higher premiums), as well as higher property management fees. The increase in repairs and maintenance was mainly due to higher make-ready expenses, as well as higher common area, landscaping and other contract costs. The increase in realty taxes was impacted by the IFRIC 21 adjustment and an increase in the assessed market value at certain properties, partially offset by a higher tax rebate received during 2022 compared to 2021. The decrease in utilities was mainly due to lower water consumption resulting from a broken irrigation line at a property during the first half of 2021.

For the six months ended June 30, 2022, Proportionate NOI from the U.S. properties increased by $7,746 (or 20.0%) to $46,488, compared to $38,742 in 2021. The increase in Proportionate NOI is due to an increase in Same Property Proportionate NOI of US$5,021 (or 16.7%) and an increase in Proportionate NOI of US$904 from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021, partially offset by a decrease in NOI of US$440 from the disposition of a property located in Georgia. The change in foreign exchange rate also increased NOI by $2,261. The Same Property Proportionate NOI increase was due to an increase in revenue of US$6,947 (or 12.0%) from higher gross rental revenue (10.3%) resulting from an increase in AMR, lower vacancy (mainly from the REIT's two equity-accounted investments) and an increase in ancillary revenue, partially offset by an increase in operating expenses of US$1,926 (or 6.9%). The increase in operating expenses was due to higher operating costs of US$1,762 and higher realty taxes of US$198, partially offset by a decrease in utilities of US$34 for the same reasons described above.

The REIT's U.S. NOI margin and Proportionate NOI margin were 40.3% and 53.5%, respectively, for the six months ended June 30, 2022, compared to 37.0% and 51.2%, respectively, for the six months ended June 30, 2021. The NOI margin and Proportionate NOI margin were both impacted by an increase in Same Property revenue and the positive impact of NOI from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021. In addition, the NOI margin was impacted by accounting for realty taxes under IFRIC 21. The REIT's Proportionate NOI margin, in addition to the reasons noted above, was also impacted by an increase in revenue from lower vacancy at the REIT's two equity-accounted properties.

INTEREST EXPENSE

Interest expense consists of the following:

	Three months ended June 30		Six months ended June 30	
(In thousands of dollars)	**2022**	2021	**2022**	2021
Interest on mortgages	**$10,801**	$9,380	**$21,444**	$18,941
Distributions on Class C LP Units - interest	**—**	753	**—**	1,498
Interest on mortgages and Retained Debt	**10,801**	10,133	**21,444**	20,439
Distributions on Class C LP Units - tax payment	**—**	146	**—**	291
Interest on convertible debentures	**959**	959	**1,902**	1,902
Interest on lease liability	**109**	105	**217**	213
Amortization of deferred financing costs	**681**	610	**1,345**	1,252
Amortization of deferred financing costs on convertible debentures	**182**	172	**363**	344
Fair value loss (gain) on conversion option on the convertible debentures	**(3,297)**	618	**(1,147)**	195
Loss on extinguishment of mortgages payable	**181**	—	**181**	—
Interest expense before distributions on Class B LP Units	**9,616**	12,743	**24,305**	24,636
Distributions on Class B LP Units	**3,013**	3,013	**6,025**	6,025
	$12,629	$15,756	**$30,330**	$30,661

Total interest expense decreased by $3,127 during the three months ended June 30, 2022, to $12,629, compared to $15,756 in 2021. The decrease is predominantly due to a higher non-cash fair value gain on the convertible debentures' conversion option of $3,915, partially offset by an increase in interest on mortgages and Retained Debt of $668, mainly resulting from additional net mortgage proceeds on the completion of the REIT's refinancing during the fourth quarter of 2021 (described below) and a loss on extinguishment of mortgages payable of $181 in connection with the repayment of mortgages payable on the disposition of a property. The weakening of the Canadian dollar increased interest expense on U.S. mortgages by $262.

Total interest expense decreased by $331 during the six months ended June 30, 2022, to $30,330, compared to $30,661 in 2021. The decrease is predominantly due to a higher non-cash fair value gain on the convertible debentures' conversion option of $1,342, partially offset by an increase in interest on mortgages and Retained Debt of $1,005 and a loss on extinguishment of mortgages payable of $181 for the same reasons described above. The weakening of the Canadian dollar increased interest expense on U.S. mortgages by $239.

Under IFRS, the Class B LP Units are classified as financial liabilities, and the corresponding distributions paid to the Unitholders are classified as interest expense. The REIT believes these distribution payments do not represent financing charges because these amounts are payable only if the REIT declares distributions and only for the amount of any distributions declared, both of which are at the discretion of the Board of Trustees as outlined in the Declaration of Trust. The total distributions paid and accrued to Class B LP Unitholders for the three and six months ended June 30, 2022 amounted to $3,013 (2021 - $3,013) and $6,025 (2021 - $6,025), respectively.

Morguard retained the mortgages and deferred financing costs (the "Retained Debt"), on four Canadian properties that were sold to the REIT. Morguard remained responsible for the interest and principal payments on the Retained Debt, and the Retained Debt was secured by a charge on the properties. In consideration of the Retained Debt, Morguard received Class C LP Units on which distribution payments were made in an amount expected to be sufficient to permit Morguard to satisfy amounts payable with respect to: i) the principal and interest of the Retained Debt; and ii) the amount of tax that is due and payable that is reasonably attributable to any distributions on the Class C LP Units. The portion of the distributions that represent the interest and tax components associated with the Retained Debt that had been classified as interest expense for the three and six months ended June 30, 2021, amounted to $899 and $1,789, respectively. During the fourth quarter of 2021, the REIT redeemed its Class C LP Units in connection with the Retained Debt and settled the associated tax obligation on Class C LP Units payable to Morguard after completing the refinancing of the four properties.

TRUST EXPENSES

Trust expenses consist of the following:

	Three months ended June 30		Six months ended June 30	
(In thousands of dollars)	**2022**	2021	**2022**	2021
Asset management fees and distributions	**$3,951**	$2,941	**$7,499**	$5,801
Professional fees	**255**	265	**536**	397
Public company expenses	**196**	187	**389**	381
Other	**193**	206	**352**	359
	$4,595	$3,599	**$8,776**	$6,938

Trust expenses increased by $996 during the three months ended June 30, 2022, to $4,595, compared to $3,599 in 2021, and increased by $1,838 during the six months ended June 30, 2022, to $8,776, compared to $6,938 in 2021. The increase during the three and six months ended June 30, 2022 is predominantly due to higher asset management fees and distributions, resulting from a increase in incentive distributions from higher FFO as well as increase in gross book value (see Part VI, “Related Party Transactions”).

EQUITY INCOME FROM INVESTMENTS

The REIT has a 50% interest in two properties comprising 1,182 suites located in Rockville, Maryland, and in Chicago, Illinois, in which the REIT has joint control of the investments.

Equity income from investment for the three months ended June 30, 2022, was $4,512 and included a non-cash fair value gain of $2,578 and an IFRIC 21 adjustment of $962. For the three months ended June 30, 2021, equity income from investment was $1,559 and included a non-cash fair value loss of $186 and an IFRIC 21 adjustment of $1,037. Excluding the impact of IFRIC 21, NOI increased by $289, predominantly due to an increase in revenue from higher AMR and lower vacancy, as well as the impact of foreign exchange, partially offset by higher property taxes.

Equity income from investment for the six months ended June 30, 2022, was $6,160 and included a non-cash fair value gain of $6,326 and an IFRIC 21 expense adjustment of $1,951. For the six months ended June 30, 2021, equity income from investment was $1,487 and included a non-cash fair value gain of $2,476 and an IFRIC 21 expense adjustment of $1,790. Excluding the impact of IFRIC 21, NOI increased by $988, predominantly due to an increase in revenue from higher AMR and lower vacancy, as well as the impact of foreign exchange, partially offset by higher property taxes.

FOREIGN EXCHANGE LOSS (GAIN)

IFRS requires monetary assets and liabilities denominated in foreign currencies to be translated into Canadian dollars at the exchange rate in effect at the reporting date, and any gain or loss is recognized in the consolidated statements of income. For the three months ended June 30, 2022, the REIT’s foreign exchange gain amounted to $32 (2021 - loss of $15) and for the six months ended June 30, 2022, the REIT’s foreign exchange gain amounted to $17 (2021 - loss of $38), which is mainly the result of the fluctuation of the Canadian dollar against the United States dollar as at June 30, 2022, when compared to December 31, 2021.

OTHER EXPENSE (INCOME)

Other expense (income) mainly represents interest income earned or expense incurred on the Morguard Facility for advances made to/from Morguard and other expenses (income). For the three months ended June 30, 2022, other income amounted to $748 (2021 - expense of $45) and for the six months ended June 30, 2022, other income amounted to $1,157 (2021 - expense of $67). The increase in other income for the three and six months ended June 30, 2022 was predominantly due to higher interest income on the Morguard Facility resulting from a higher receivable balance during the first half of 2022 compared to a payable balance during the same period of 2021.

FAIR VALUE GAIN ON REAL ESTATE PROPERTIES, NET

The REIT elected to adopt the fair value model to account for its real estate properties, and changes in fair value each period have been recognized as fair value gain or loss in the consolidated statements of income. Fair value adjustments are determined based on the movement of various valuation parameters on a quarterly basis, including stabilized NOI and capitalization rates.

For the three months ended June 30, 2022, the REIT recognized a net fair value gain of $109,077 (2021 - $32,006). The fair value gain comprises $6,897 at the REIT's Canadian properties and $102,180 at the U.S. properties as a result of an increase in stabilized NOI, net of a $5,762 adjustment on realty taxes accounted for under IFRIC 21.

For the six months ended June 30, 2022, the REIT recognized a net fair value gain of $355,806 (2021 - $59,457). The fair value gain comprises $37,575 at the REIT's Canadian properties and $318,231 at the U.S. properties. The fair value gain during the six months ended June 30, 2022 was due to a 25 basis point decrease in capitalization rates at most U.S. properties and an increase in stabilized NOI across most of the properties in the REIT's portfolio. In addition, the U.S. fair value gain included a $11,640 adjustment or realty taxes accounted for under IFRIC 21.

FAIR VALUE LOSS ON CLASS B LP UNITS

The Class B LP Units are classified as financial liabilities in accordance with IFRS and, as a result, are recorded at their fair value at each reporting date. As at June 30, 2022, 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 $282,114 (December 31, 2021 - $305,021) (see Part V, "Capital Structure and Debt Profile").

The REIT recognized a fair value gain for the three and six months ended June 30, 2022 of $55,631 (2021 - loss of $21,184) and $22,907 (2021 - loss of $14,640), respectively. The fair value gain for the three and six months ended June 30, 2022 was due to a decrease in the price of the REIT's Units.

INCOME TAXES

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.

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.

For the three and six months ended June 30, 2022, the REIT recorded current tax expense of $40 (2021 - $31) and $72 (2021 - $63), respectively.

For the three and six months ended June 30, 2022, the REIT recorded deferred tax expense for U.S. federal and state taxes associated with the U.S. subsidiaries of $28,642 (2021 - $10,039) and $69,057 (2021 - $13,430), respectively. The deferred tax expense is attributable to a fair value increase recorded under IFRS on U.S. properties.

The REIT's income tax provision consists of the following:

	Three months ended June 30		Six months ended June 30	
(In thousands of dollars)	**2022**	2021	**2022**	2021
Current	**$40**	$31	**$72**	$63
Deferred	**28,642**	10,039	**69,057**	13,430
Provision for income taxes	**$28,682**	$10,070	**$69,129**	$13,493

As at June 30, 2022, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$953 (December 31, 2021 - US$34,067) of which no deferred tax assets were recognized as it is not probable that taxable profit will be available against such losses of which the deductible temporary difference can be utilized. The net operating losses expire in various years commencing in 2032. The recognition of previously unrecognized tax losses relates to the sale of a real estate property as it is probable that taxable income will be available against which the losses will be utilized until the REIT is able to identify and close on a property acquisition utilizing a 1031 Exchange.

As at June 30, 2022, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$16,167 (December 31, 2021 - US$27,780) of which deferred tax assets were recognized that can be carried forward indefinitely.

As at June 30, 2022, the REIT's U.S. subsidiaries have a total of US$5,892 (December 31, 2021 - US$6,827) of unutilized interest expense deductions on which deferred tax assets were recognized.

FUNDS FROM OPERATIONS

FFO is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. This measure should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. FFO is computed by the REIT in accordance with the current definition of the Real Property Association of Canada ("REALPAC") and is widely used as a real estate industry standard that supplements net income and evaluates operating performance but is not indicative of funds available to meet the REIT's cash requirements. Additional information on this non-GAAP financial measure can be found under the section Part I, "Specified Financial Measures."

The following table provides a reconciliation of FFO to its closely related financial statement measurement for the following periods:

	Three months ended June 30		Six months ended June 30	
(In thousands of dollars, except per Unit amounts)	2022	2021	2022	2021
Net income for the period attributable to Unitholders	**$162,601**	$18,765	**$325,031**	$45,774
Add/(deduct):				
Realty taxes accounted for under IFRIC 21(1)	**(6,055)**	(5,916)	**12,233**	11,804
Fair value loss (gain) on conversion option on the convertible debentures	**(3,297)**	618	**(1,147)**	195
Distributions on Class B LP Units recorded as interest expense(2)	**3,013**	3,013	**6,025**	6,025
Foreign exchange loss (gain)	**(32)**	15	**(17)**	38
Fair value gain on real estate properties, net(3)	**(111,655)**	(31,820)	**(362,132)**	(61,933)
Non-controlling interests' share of fair value gain on real estate properties	**2,247**	230	**11,997**	1,774
Fair value loss (gain) on Class B LP Units	**(55,631)**	21,184	**(22,907)**	14,640
Deferred income tax expense	**28,642**	10,039	**69,057**	13,430
FFO - basic	**$19,833**	$16,128	**$38,140**	$31,747
Interest expense on the convertible debentures	**959**	959	**1,902**	1,902
FFO - diluted	**$20,792**	$17,087	**$40,042**	$33,649
FFO per Unit - basic	**$0.35**	$0.29	**$0.68**	$0.56
FFO per Unit - diluted	**$0.34**	$0.28	**$0.66**	$0.56
Weighted average number of Units outstanding (in thousands):				
Basic(4)	**56,304**	56,260	**56,298**	56,254
Diluted(4) (5)	**60,537**	60,493	**60,531**	60,487

(1) Realty taxes accounted for under IFRIC 21 (including equity-accounted investments) and excludes non-controlling interests' share.
(2) Under IFRS, the Class B LP Units are considered financial liabilities and, as a result of this classification, their corresponding distribution amounts are considered interest expense. The REIT believes these distribution payments do not truly represent financing charges because these amounts are payable only if the REIT declares distributions and only for the amount of any distributions declared, both of which are at the discretion of the Board of Trustees as outlined in the Declaration of Trust. Therefore, these distributions are excluded from the calculation of FFO.
(3) Includes fair value adjustment on real estate properties for equity-accounted investments.
(4) For purposes of calculating FFO per Unit, Class B LP Units are included as Units outstanding on both a basic and diluted basis.
(5) Includes the dilutive impact of the convertible debentures.

Basic FFO for the three months ended June 30, 2022, increased by $3,705 (or 23.0%) to $19,833 ($0.35 per Unit), compared to $16,128 ($0.29 per Unit) in 2021. The increase is mainly due to higher Proportionate NOI of $4,702 and an increase in other income of $793, primarily from an increase in interest income on the Morguard Facility, partially offset by an increase in interest expense of $797 (calculated on a Proportionate Basis and excludes distributions on Class B LP Units and fair value adjustments on the conversion option on the convertible debentures) and an increase in trust expense of $984 (calculated on a Proportionate Basis).

Basic FFO per Unit for the three months ended June 30, 2022, was $0.35 per Unit, compared to $0.29 per Unit in 2021 due to the following factors:

i) on a Same Property Proportionate Basis, in local currency, an increase in NOI from higher AMR and lower vacancy, partly offset by an increase in interest expense and trust expenses had a $0.03 per Unit positive impact, and a change in the foreign exchange rate had a $0.02 per Unit positive impact, primarily resulting from an increase in FFO generated from U.S. properties;

ii) an increase from the contribution of the REIT's development property, which reached stabilized occupancy in October 2021, had a $0.01 per Unit positive impact;
iii) the disposal of a property had a $0.01 per Unit negative impact;
iv) an increase in other income primarily from an increase in interest income on the Morguard Facility, had a $0.01 per Unit positive impact.

Basic FFO for the six months ended June 30, 2022, increased by $6,393 (or 20.1%) to $38,140 ($0.68 per Unit), compared to $31,747 ($0.56 per Unit) in 2021. The increase is mainly due to higher Proportionate NOI of $8,011 and an increase in other income of $1,224, primarily from an increase in interest income on the Morguard Facility, partially offset by an increase in interest expense of $1,001 (calculated on a Proportionate Basis and excludes distributions on Class B LP Units and fair value adjustments on the conversion option on the convertible debentures) and an increase in trust expenses of $1,832 (calculated on a Proportionate Basis).

Basic FFO per Unit for the six months ended June 30, 2022, increased by $0.12 to $0.68 per Unit, compared to $0.56 per Unit in 2021 due to the following factors:

i) on a Same Property Proportionate Basis, in local currency, an increase in NOI from higher AMR and lower vacancy, partly offset by an increase in interest expense and trust expenses had a $0.06 per Unit positive impact, and a change in the foreign exchange rate had a $0.03 per Unit positive impact, primarily resulting from an increase in FFO generated from U.S. properties;
ii) an increase from the contribution of the REIT's development property, which reached stabilized occupancy in October 2021, had a $0.02 per Unit positive impact;
iii) the disposal of a property had a $0.01 per Unit negative impact; and
iv) an increase in other income primarily from an increase in interest income on the Morguard Facility, had a $0.02 per Unit positive impact.

DISTRIBUTIONS

Total distributions (including Class B LP Units) is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. This measure should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. Additional information on this non-GAAP financial measure can be found under the section Part I, "Specified Financial Measures."

The Trustees have discretion with respect to the timing and amounts of distributions. For the three and six months ended June 30, 2022, total distributions amounted to $9,848 (2021 - $9,841) and $19,694 (2021 - $19,679), respectively.

			2022			2021
Three months ended June 30 (In thousands of dollars)	**Units**	**Class B LP Units**	**Total**	Units	Class B LP Units	Total
Distributions paid and declared	**$6,633**	**$3,013**	**$9,646**	$6,649	$3,013	$9,662
Distributions – DRIP	**202**	**—**	**202**	179	—	179
Total	**$6,835**	**$3,013**	**$9,848**	$6,828	$3,013	$9,841

			2022			2021
Six months ended June 30 (In thousands of dollars)	**Units**	**Class B LP Units**	**Total**	Units	Class B LP Units	Total
Distributions paid and declared	**$13,266**	**$6,025**	**$19,291**	$13,303	$6,025	$19,328
Distributions – DRIP	**403**	**—**	**403**	351	—	351
Total	**$13,669**	**$6,025**	**$19,694**	$13,654	$6,025	$19,679

The following table summarizes distributions paid to holders of Units in relation to net income and cash provided by operating activities:

(In thousands of dollars)	Three months ended June 30, 2022	Six months ended June 30, 2022	Year ended December 31, 2021	Year ended December 31, 2020
Net income	**$166,550**	**$337,692**	$244,974	$166,805
Cash provided by operating activities	**22,082**	**34,607**	63,696	50,128
Distributions - Units(1)	**$6,835**	**$13,669**	$27,315	$27,285
Excess of net income over distributions	**$159,715**	**$324,023**	$217,659	$139,520
Excess of cash provided by operating activities over distributions	**$15,247**	**$20,938**	$36,381	$22,843

(1) Excludes distributions on Class B LP Units since these were recorded as interest expense and, therefore, were deducted in calculating net income and cash provided by operating activities.

Net income for the three and six months ended June 30, 2022, includes net income of $146,340 and $304,176, respectively, of non-cash components relating to a fair value gain on real estate properties, fair value gain on Class B LP Units, equity income from investments, an IFRIC 21 adjustment to realty taxes and deferred taxes. Net income exceeded distributions when removing the impact of these non-cash items.

In determining the annual level of distributions to Unitholders, the REIT looks at forward-looking cash flow information, including forecasts and budgets, and the future prospects of the REIT. Furthermore, the REIT does not consider periodic cash flow fluctuations resulting from items such as the timing of property operating costs, property tax instalments or semi-annual debenture interest payments in determining the level of distributions to Unitholders in any particular quarter. Additionally, in establishing the level of distributions to the Unitholders, the REIT considers the impact of, among other items, the future growth in the income producing properties, the impact of future acquisitions and capital expenditures related to the income producing properties.

PART IV

BALANCE SHEET ANALYSIS

REAL ESTATE PROPERTIES

The REIT accounts for its real estate properties using the fair value model. The following table provides the regional allocation of real estate properties for the following periods:

As at (In thousands of Canadian dollars, unless otherwise stated)	June 30, 2022	December 31, 2021
Canadian Properties		
Alberta	**$56,000**	$57,200
Ontario	**1,486,310**	1,444,450
Total Canadian Properties	**1,542,310**	1,501,650
U.S. Properties (in US dollars)		
Colorado	**124,900**	107,400
Texas	**208,800**	173,300
Louisiana	**50,200**	58,900
Illinois	**196,100**	196,000
Georgia	**112,000**	149,100
Florida	**510,600**	489,900
North Carolina	**183,400**	157,600
Virginia	**54,400**	51,700
	1,440,400	1,383,900
Assets held for sale(1) (in U.S. dollars)	**116,600**	—
Impact of realty taxes accounted for under IFRIC 21	**8,844**	—
Total U.S. Properties (in US dollars)	**1,565,844**	1,383,900
Exchange amount to Canadian dollars	**451,902**	370,608
Total U.S. Properties (in Canadian dollars)	**2,017,746**	1,754,508
Total real estate properties	**$3,560,056**	$3,256,158

(1) Real estate properties include two properties in Florida and Louisiana, separately classified as held for sale as at June 30, 2022.

The value of real estate properties increased by $303,898 as at June 30, 2022, to $3,560,056, compared to $3,256,158 at December 31, 2021. The increase is mainly the result of the following:

- A net fair value gain on real estate properties of $355,314;
- Capitalization of property enhancements of $10,785;
- An increase of $31,255 due to the change in U.S. dollar foreign exchange rate; and
- A decrease due to the disposition of a U.S. property located in Georgia amounting to $93,165.

APPRAISAL CAPITALIZATION RATES

Morguard's appraisal division consists of Appraisal Institute of Canada ("AIC") designated Accredited Appraiser Canadian Institute ("AACI") members who are qualified to offer valuation and consulting services and expertise for all types of real property, all of whom are knowledgeable and have recent experience in the fair value techniques for investment properties. AACI designated members must adhere to AIC's Canadian Uniform Standards of Professional Appraisal Practice ("CUSPAP") and undertake ongoing professional development. Morguard's appraisal division is responsible for determining the fair value of investment properties every quarter. The team reports to a senior executive, and the internal valuation team's valuation processes and results are reviewed by senior management at least once every quarter, in line with the REIT's quarterly reporting dates.

Due to the COVID-19 pandemic and the ongoing impact on the economy, there is added risk in management's use of judgment relating to the valuation of the REIT's income producing properties. Key assumptions used in determining the valuation of income producing properties include estimates of capitalization rates and stabilized net operating income (which is primarily influenced by revenue growth, vacancy rates, inflation rates and operating costs), pertain to forward-looking assumptions and market evidence, and accordingly could materially and adversely impact the underlying valuation of the REIT's income producing properties.

As at June 30, 2022, and December 31, 2021, the REIT had all 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 determine the fair value of its income producing properties. 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 June 30, 2022, using the direct capitalization income approach, the properties were valued using capitalization rates in the range of 3.5% to 5.8% (December 31, 2021 - 3.5% to 6.5%), resulting in an overall weighted average capitalization rate of 4.2% (December 31, 2021 - 4.3%).

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

	June 30, 2022 Capitalization Rates			December 31, 2021 Capitalization Rates		
As at	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Weighted Average
Canada						
Alberta	**5.0%**	**5.0%**	**5.0%**	5.0%	5.0%	5.0%
Ontario	**4.3%**	**3.5%**	**3.7%**	4.3%	3.5%	3.7%
United States						
Colorado	**4.5%**	**4.5%**	**4.5%**	4.8%	4.8%	4.8%
Texas	**4.5%**	**4.5%**	**4.5%**	4.8%	4.8%	4.8%
Louisiana(1)	**5.3%**	**5.3%**	**5.3%**	6.5%	5.5%	5.7%
Illinois(2)	**4.8%**	**4.5%**	**4.6%**	4.8%	4.5%	4.6%
Georgia	**5.0%**	**4.5%**	**4.8%**	5.3%	4.8%	5.1%
Florida(1)	**5.8%**	**4.3%**	**4.9%**	6.0%	4.5%	5.1%
North Carolina	**4.8%**	**4.5%**	**4.6%**	5.0%	4.8%	4.9%
Virginia	**4.3%**	**4.3%**	**4.3%**	4.5%	4.5%	4.5%
Maryland(2)	**4.3%**	**4.3%**	**4.3%**	4.3%	4.3%	4.3%

(1) Excludes properties classified as held for sale.
(2) Includes equity-accounted investments.

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 in stabilized net operating income), the value of the income producing properties as at June 30, 2022, would decrease by $191,473 or increase by $216,166, respectively.

PROPERTY CAPITAL INVESTMENTS

The REIT has a continual capital improvement program with respect to its investment properties. The program is designed to maintain and improve the operating performance of the properties and has enhanced the value of the properties by allowing the REIT to charge higher rents or by enabling it to lower operating expenses. The capital investments have also increased resident retention by ensuring that the properties retain their attractiveness to both existing and prospective tenants.

The REIT is committed to improving its operating performance by incurring appropriate capital expenditures in order to replace and maintain the productive capacity of its property portfolio so as to sustain its rental income generating potential over the portfolio's useful life. In accordance with IFRS, the REIT capitalizes all capital improvement expenditures on its properties which enhance the service potential of the property and extend the useful lives of the asset.

Since March 2020, property capital improvements were impacted by the COVID-19 pandemic due to physical distancing restrictions limiting access to the building and tenant suites. Following appropriate physical distancing protocol, the REIT limited capital expenditures to exterior work and prioritized work to maintain the structural and overall safety of the properties.

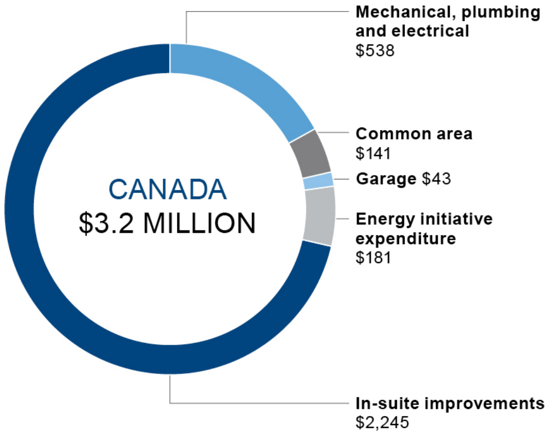
The following table provides additional details on total capital expenditures over the following periods:

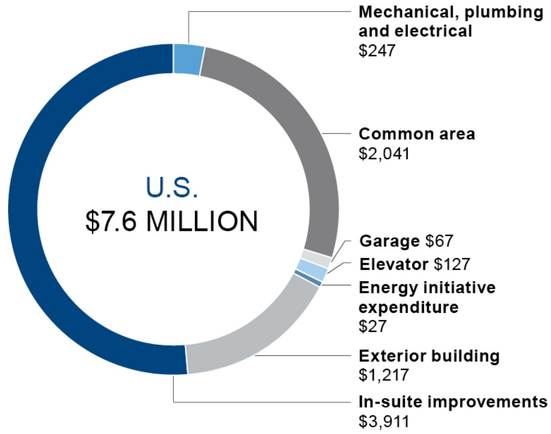
(In thousands of dollars)	Six months ended June 30 2022	2021	Year ended December 31 2021	2020
Common area	**$2,182**	$1,118	$3,848	$2,878
Mechanical, plumbing and electrical	**785**	458	1,759	1,674
Exterior building	**1,217**	5,937	12,341	6,806
Garage	**110**	21	106	360
Elevator	**127**	24	201	961
Energy initiative expenditure	**208**	181	428	1,569
In-suite improvements	**6,156**	4,189	11,329	7,865
Total capital expenditures	**$10,785**	$11,928	$30,012	$22,113

Capital Expenditures by Region

The following details total capital expenditures by region:

For the six months ended June 30, 2022
(In thousands of dollars)





EQUITY-ACCOUNTED INVESTMENTS

The following are the REIT's equity-accounted investments as at June 30, 2022, and December 31, 2021:

Property	Place of Business	Investment Type	REIT's Ownership June 30, 2022	REIT's Ownership December 31, 2021	Carrying Value June 30, 2022	Carrying Value December 31, 2021
The Fenestra	Rockville, MD	Joint Venture	**50%**	50%	**$52,161**	$46,721
Marquee at Block 37	Chicago, IL	Joint Venture	**50%**	50%	**51,642**	49,655
					$103,803	$96,376

The Fenestra at Rockville Town Square ("The Fenestra") was constructed in 2008 and comprises 492 suites across three six-storey buildings, featuring condo-quality amenities located in an urban growth market within commuting distance of Washington, D.C.

The Marquee at Block 37 is a newly constructed 38-storey apartment building located in the heart of downtown Chicago and features 690 suites and extensive best-in-class amenities.

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

As at (In thousands of Canadian dollars)	June 30, 2022	December 31, 2021
Balance, beginning of period	**$96,376**	$93,005
Additions	**—**	1,288
Distributions received	**(380)**	(283)
Share of net income	**6,160**	2,691
Foreign exchange gain (loss)	**1,647**	(325)
Balance, end of period	**$103,803**	$96,376

PART V

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The REIT has liquidity of $297,000, comprised of approximately $107,500 in cash (including restricted cash held by a qualified intermediary), a $60,000 receivable under its revolving credit facility with Morguard Corporation, an additional $100,000 of availability under the credit facility and $29,500 of additional net mortgage financing proceeds under commitment, and has approximately $56,000 of unencumbered assets. The REIT has also narrowed down the scope of its capital expenditure program to ensure the availability of resources, allocating an amount that enables the REIT to maintain the structural and overall safety of the properties.

Net cash flows from operating activities represent the primary source of liquidity to fund distributions and maintenance capital expenditures. The REIT's net cash flows from operating activities depend on the occupancy level of its rental properties, rental rates on its leases, collectability of rent from its tenants, level of operating expenses and other factors. Material changes in these factors may adversely affect the REIT's cash flows from operating activities and liquidity (see Part VII, "Risks and Uncertainties").

The REIT expects to be able to meet all of its obligations, including distributions to Unitholders, maintenance and property capital expenditure commitments as they become due, and to provide for the future growth of the business. The REIT expects to have sufficient liquidity as a result of cash flows from operating activities and financing available through the Morguard Facility. Accordingly, the REIT does not intend to repay maturing debt from cash flow but rather with proceeds from refinancing such debt, subject to certain conditions (see Part V, "Capital Structure and Debt Profile").

CASH FLOWS

The following table details the changes in cash for the following periods:

	Three months ended June 30		Six months ended June 30	
(In thousands of dollars)	**2022**	2021	**2022**	2021
Cash provided by operating activities	**$22,082**	$20,199	**$34,607**	$34,924
Cash provided by (used in) investing activities	**86,259**	(6,510)	**82,380**	(12,172)
Cash used in financing activities	**(100,909)**	(15,187)	**(104,722)**	(31,816)
Net increase (decrease) in cash during the period	**7,432**	(1,498)	**12,265**	(9,064)
Net effect of foreign currency translation on cash balance	**2,232**	(231)	**2,050**	(170)
Cash, beginning of the period	**31,213**	19,799	**26,562**	27,304
Cash, end of period	**$40,877**	$18,070	**$40,877**	$18,070

Three months ended June 30, 2022 and 2021

Cash Provided by Operating Activities

Cash provided by operating activities during the three months ended June 30, 2022, was $22,082, compared to $20,199 in 2021. The change during the period mainly relates to an increase in NOI (excluding IFRIC 21 adjustment) of $4,801 and an increase in other income of $793, partially offset by a decrease in non-cash operating assets and liabilities of $2,685, an increase in trust expense of $996 and an increase in interest expense of $672.

Cash Provided by (Used in) Investing Activities

Cash provided by investing activities during the three months ended June 30, 2022, totalled $86,259, compared to cash used in investing activities of $6,510 during the same period in 2021. Cash provided by investing activities during the period consists of net proceeds from the sale of a property located in Georgia of $93,165, partially offset by the capitalization of property enhancements of $6,906.

Cash Used in Financing Activities

Cash used in financing activities during the three months ended June 30, 2022, was $100,909, compared to $15,187 during the same period in 2021. The cash used in financing activities during the period was largely due to an increase in restricted cash of $66,512 representing the net sale proceeds held by a qualified intermediary pursuant to the REIT utilizing a 1031 Exchange, the repayment of mortgage payable due to a mortgage extinguishment in connection with the disposal of a property of $27,048, mortgage principal instalment repayments totalling $8,125, and distributions paid to Unitholders of $6,632, partially offset by net proceeds from new mortgages of $19,104.

Six months ended June 30, 2022 and 2021

Cash Provided by Operating Activities

Cash provided by operating activities during the six months ended June 30, 2022, was $34,607, compared to $34,924 in 2021. The change during the period mainly relates to a net decrease in non-cash operating assets and liabilities of $7,280, an increase in trust expenses of $1,838, an increase in interest expense of $1,009, partially offset by an increase in NOI (excluding IFRIC 21 adjustment) of $7,690 and an increase in other income of $1,224.

Cash Provided by (Used in) Investing Activities

Cash provided by investing activities during the six months ended June 30, 2022, totalled $82,380, compared to cash used in investing activities of $12,172 during the same period in 2021. The cash provided by investing activities during the period consists of net proceeds from the sale of a property located in Georgia of $93,165, partially offset by the capitalization of property enhancements of $10,785.

Cash Used in Financing Activities

Cash used in financing activities during the six months ended June 30, 2022, totalled $104,722, compared to $31,816 during the same period in 2021. The cash used in financing activities during the period was largely due to an increase in restricted cash of $65,463 representing the net sale proceeds held by a qualified intermediary pursuant to the REIT utilizing a 1031 Exchange, the repayment of mortgage payable due to a mortgage extinguishment in connection with the disposal of a property of $27,048, mortgage principal instalment repayments totalling $16,355, and distributions paid to Unitholders of $13,264, partially offset by net proceeds from new mortgages of $19,104 and net proceeds from Morguard Facility of $10,000.

CAPITAL STRUCTURE AND DEBT PROFILE

The REIT's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions pursuant to the Declaration of Trust, as well as existing debt covenants, while continuing to build long-term Unitholder value and maintaining sufficient capital contingencies. Total capitalization as disclosed in the notes to the REIT's consolidated financial statements for the six months ended June 30, 2022, and 2021 is calculated as the sum of the principal amount of the REIT's total debt (including mortgages payable, convertible debentures, lease liabilities and amounts drawn under its revolving credit facility with Morguard), Unitholders' equity and Class B LP Units liability.

The total managed capital of the REIT is summarized below:

As at (In thousands of dollars)	June 30, 2022	December 31, 2021
Mortgages payable, principal balance	**$1,277,132**	$1,300,873
Convertible debentures, face value	**85,500**	85,500
Lease liability	**9,213**	9,065
Class B LP Units	**282,114**	305,021
Unitholders' equity	**1,813,989**	1,484,738
Total capitalization	**$3,467,948**	$3,185,197

DEBT PROFILE

As at June 30, 2022, the overall leverage, as represented by the ratio of total indebtedness to gross book value was 35.6%. The requirements of the REIT's operating policies as outlined in the Declaration of Trust include the requirement that the REIT will not incur or assume indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of the REIT would be more than 70% of the gross book value.

The interest coverage ratio and the indebtedness coverage ratio are calculated based on obligations associated with mortgages payable and Class C LP Units, lease liability, the convertible debentures and the Morguard Facility.

The following tables summarize the key liquidity metrics:

As at	June 30, 2022	December 31, 2021
Total indebtedness to gross book value[(1)]	**35.6%**	40.2%
Weighted average mortgage interest rate[(2)]	**3.31%**	3.31%
Weighted average term to maturity on mortgages payable (years)	**4.6**	5.0

(1) A calculation of indebtedness to gross book value (a non-GAAP ratio) and a reconciliation of the ratio's non-GAAP financial measure components from the IFRS financial statement presentation is presented under the section Part IX, "Reconciliation of Non-GAAP Financial Measures."
(2) Represents the contractual interest rates on mortgages payable.

	Three months ended June 30		Six months ended June 30	
	2022	2021	**2022**	2021
Interest coverage ratio [(1)]	**2.58**	2.33	**2.53**	2.32
Indebtedness coverage ratio [(2)]	**1.57**	1.54	**1.54**	1.54

(1) A calculation of interest coverage ratio (a non-GAAP ratio) and a reconciliation of the ratio's non-GAAP financial measure components from the IFRS financial statement presentation is presented under the section Part IX, "Reconciliation of Non-GAAP Financial Measures."
(2) A calculation of indebtedness coverage ratio (a non-GAAP ratio) and a reconciliation of the ratio's non-GAAP financial measure components from the IFRS financial statement presentation is presented under the section Part IX, "Reconciliation of Non-GAAP Financial Measures."

MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at (In thousands of dollars)	June 30, 2022	December 31, 2021
Principal balance of mortgages	**$1,277,132**	$1,300,873
Deferred financing costs	**(11,240)**	(12,318)
	$1,265,892	$1,288,555
Range of interest rates	**2.03−4.11%**	2.03−4.11%
Weighted average interest rate	**3.31%**	3.31%
Weighted average term to maturity (years)	**4.6**	5.0
Fair value of mortgages	**$1,215,849**	$1,335,670

As at June 30, 2022, the principal balance on the mortgages payable totalled $1,277,132 (December 31, 2021 - $1,300,873), and the deferred financing costs associated with the mortgages amounted to $11,240 (December 31, 2021 - $12,318).

Mortgages payable decreased by $22,663 as at June 30, 2022, to $1,265,892, compared to $1,288,555 at December 31, 2021. The decrease is mainly due to the following:

- The repayment of mortgages of $27,048 (US$21,528) from the disposition of a multi-suite residential property located in Georgia;
- The repayment of mortgages of $11,687 (US$9,136) on a multi-suite residential property located in Florida, which was refinanced for an amount of $19,492 (US$15,238);
- Financing cost of $388;
- Scheduled principal repayments of $16,355;
- An increase of $11,797 due to the change in U.S. dollar foreign exchange rate; and
- Amortization of deferred financing cost and a loss on extinguishment of mortgages payable totalling $1,526.

On April 29, 2022, the REIT completed the refinancing of a multi-suite residential property located in West Palm Beach, Florida, in the amount of $19,492 (US$15,238) at an interest rate of 3.89% and for a term of 10 years. The maturing mortgage amounts to $11,687 (US$9,136), was open and prepayable at no penalty before its scheduled maturity on August 1, 2022, and had an interest rate of 3.96%.

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.

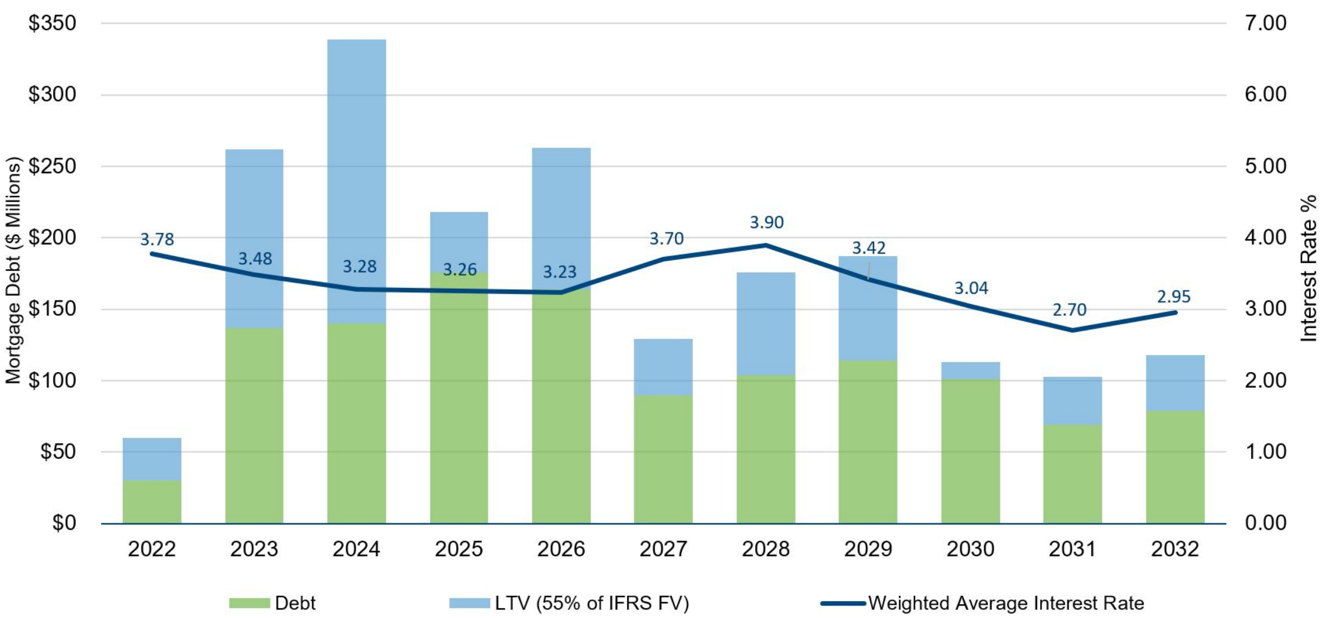
Short-term fluctuations in working capital are funded through the Morguard Facility. The REIT anticipates meeting all future obligations and has no off balance sheet financing arrangements.

The following table details the REIT's mortgages (excluding mortgages payable on real estate properties held for sale) that are scheduled to mature in the next two years.

	2022				2023			
Asset Type	Number of Properties	Principal Maturing	Weighted Average Interest Rate	Maturing Loan-to-Value Ratio	Number of Properties	Principal Maturing	Weighted Average Interest Rate	Maturing Loan-to-Value Ratio
Canada	—	$—	—%	—%	1	$24,553	2.96%	22.3%
U.S.	1	30,242	3.78%	24.3%	5	112,823	3.54%	30.9%
	1	**$30,242**	**3.78%**	**24.3%**	**6**	**$137,376**	**3.48%**	**28.9%**

As at June 30, 2022, the following table illustrates the REIT's mortgages (including equity-accounted investments at the REIT's interest and excluding mortgages payable on real estate properties held for sale), along with the IFRS fair value (at a loan-to-value of 55%) secured against the mortgages by year of maturity:

As at June 30, 2022



CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

(In thousands of dollars)	June 30, 2022	December 31, 2021
4.50% convertible unsecured subordinated debentures	**$85,223**	$85,223
Fair value of conversion option	**881**	2,028
Unamortized financing costs	**(569)**	(932)
	$85,535	$86,319

For the three and six months ended June 30, 2022, interest on the convertible debentures amounting to $959 (2021 - $959) and $1,902 (2021 - $1,902), respectively, is included in interest expense.

4.50% Convertible Unsecured Subordinated Debentures

On February 13, 2018, the REIT issued $75,000 principal amount of 4.50% convertible unsecured subordinated debentures maturing on March 31, 2023 (the “Maturity Date”). On February 21, 2018, an additional principal amount of $10,500 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. The underwriters’ commissions, legal and other issue costs attributable to the 2018 Debentures in the amount of $3,375 have been capitalized and are being amortized over their term to maturity. Morguard owns $5,000 aggregate principal amount of the 2018 Debentures.

As at June 30, 2022, and December 31, 2021, $85,500 of the face value of the 2018 Debentures were outstanding.

Each of the 2018 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 2018 Debentures, at a conversion price of $20.20 per Unit being a ratio of approximately 49.5050 Units per $1,000 principal amount of 2018 Debentures.

From April 1, 2022, and prior to the Maturity Date, the 2018 Debentures shall 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 2018 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 2018 Debentures being repaid by 95% of the Current Market Price (the volume-weighted average trading price of the Units on the TSX (if the Units are then 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) on the date of redemption or maturity, as applicable.

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 either at the United States prime lending rate. The maximum allowable to be borrowed or advanced under the Morguard Facility is $100,000.

As at June 30, 2022, the total amount receivable under the Morguard Facility was $60,000 (December 31, 2021 - $70,000).

During the three and six months ended June 30, 2022, the REIT recorded net interest income of $491 (2021 - net interest expense of $51) and $853 (2021 - net interest expense of $93), respectively, on the Morguard Facility.

UNITHOLDERS’ EQUITY, SPECIAL VOTING UNITS AND CLASS B LP UNITS

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.

The following table summarizes the changes in Units for the period from December 31, 2020, to June 30, 2022:

Issued and Fully Paid Units (In thousands, except Unit amounts)	Units	Amount
Balance, December 31, 2020	39,019,827	$469,210
Units issued under DRIP	44,438	749
Balance, December 31, 2021	39,064,265	469,959
Units issued under DRIP	**22,156**	**403**
Balance, June 30, 2022	**39,086,421**	**$470,362**

NORMAL COURSE ISSUER BIDS

On January 5, 2021, the REIT had the approval of the TSX under its normal course issuer bid (“NCIB”) to purchase up to 2,955,913 Units and $8,048 principal amount of the Debentures. The program expired on January 7, 2022. On January 8, 2022, the REIT obtained the approval of the TSX under its NCIB to purchase up to 1,478,869 Units, being approximately 5% of the public float of outstanding Units; the program expires on January 7, 2023. The daily repurchase restriction for the Units is 7,877. Additionally, the REIT may purchase up to $4,024 principal amount of the 2018 Debentures, being 5% of the public float of outstanding 2018 Debentures. The daily repurchase restriction for the 2018 Debentures is $8. The price that the REIT would pay for any such Units or 2018 Debentures would be the market price at the time of acquisition.

There were no repurchases of Units under the REIT’s NCIB plan for the six months ended June 30, 2022 and 2021.

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 six months ended June 30, 2022, the REIT issued 22,156 Units under the DRIP (year ended December 31, 2021 - 44,438 Units).

SPECIAL VOTING UNITS AND CLASS B LP 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.

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 that 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 June 30, 2022, 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 $282,114 (December 31, 2021 - $305,021) and a corresponding fair value gain for the three and six months ended June 30, 2022 of $55,631 (2021 - loss of $21,184) and $22,907 (2021 - loss of $14,640), respectively. For the three and six months ended June 30, 2022, distributions on Class B LP Units amounting to $3,013 (2021 - $3,013) and $6,025 (2021 - $6,025), respectively, are included in interest expense.

As at June 30, 2022, Morguard owned a 44.7% effective interest in the REIT through its ownership of 7,944,166 Units and 17,223,090 Class B LP Units.

As at June 30, 2022, there were 39,086,421 Units and 17,223,090 exchangeable Class B LP Units issued and outstanding.

As at July 26, 2022, there were 39,090,527 Units and 17,223,090 exchangeable Class B LP Units issued and outstanding.

PART VI

RELATED PARTY TRANSACTIONS

Related party transactions that are in the normal course of operations are subject to the same processes and controls as other transactions; that is, they are subject to standard approval procedures and management oversight but are also considered by management for reasonability against fair value. Related party transactions that are found to be material are subject to review and approval by the REIT's Audit Committee, which consists of independent directors.

AGREEMENTS WITH MORGUARD AFFILIATES

The REIT, Morguard NAR Canada Limited Partnership (the "Partnership") and its subsidiaries entered into a series of agreements ("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. Fees and distributions for the three and six months ended June 30, 2022 amounted to $2,467 (2021 - $2,186) and $4,856 (2021 - $4,379), respectively, and are included in property operating costs and equity income from investments.

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. Fees and distributions for the three and six months ended June 30, 2022 amounted to $4,104 (2021 - $3,088) and $7,803 (2021 - $6,098), respectively, and are included in trust expenses and equity income from investments.

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. There were no fees relating to acquisition services for the three and six months ended June 30, 2022 and 2021.

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. Fees relating to financing services for the three and six months ended June 30, 2022 amounted to $30 (2021 - $nil) and $30 (2021 - $nil), respectively, have been capitalized to deferred financing costs.

Other Services

As at June 30, 2022, the REIT had its portfolio appraised by Morguard's appraisal division. Fees relating to appraisal services for the three and six months ended June 30, 2022, amounted to $53 (2021 - $53) and $106 (2021 - $106), respectively, and are included in trust expenses.

All the Agreements have an initial term of 10 years and are renewable for further terms of five years each, subject to certain notice provisions or upon the occurrence of an event of default as stipulated in the provisions of the Agreements.

PART VII

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The REIT's condensed consolidated financial statements for the three and six months ended June 30, 2022 and 2021, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the IASB. The condensed consolidated financial statements use the same accounting policies and methods of their application as the most recent annual audited consolidated financial statements and accompanying notes for the year ended December 31, 2021, which include the significant accounting policies most affected by estimates and judgments, and should be read in conjunction with the most recent annual audited consolidated financial statements.

The MD&A for the year ended December 31, 2021, contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the consolidated financial statements, being the accounting estimates of fair values of income producing properties and valuation of financial instruments. Management determined that as at June 30, 2022, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in the MD&A for the year ended December 31, 2021.

FINANCIAL INSTRUMENTS

The following describes the REIT’s recognized and unrecognized financial instruments.

The REIT’s financial assets and liabilities comprise cash, restricted cash, amounts receivable, the Morguard Facility, accounts payable and accrued liabilities, mortgages payable, Class B LP Units, lease liability and the convertible debentures.

Financial assets must be classified and measured on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets subsequent to initial recognition are classified and measured based on three categories: amortized cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit or loss (“FVTPL”). Financial liabilities are classified and measured based on two categories: amortized cost and FVTPL. Fair values of financial assets and liabilities are presented as follows:

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 those instruments.

Mortgages payable, lease liability 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 June 30, 2022, market rates for debts of similar terms. Based on these assumptions, as at June 30, 2022, the fair value of the mortgages payable before deferred financing costs and present value of tax payment is estimated at $1,215,849 (December 31, 2021 - $1,335,670). The fair value of the mortgages payable varies from their carrying value due to fluctuations in market interest rates since their issue.

The fair values of the convertible debentures are based on their market trading price. As at June 30, 2022, the fair value of the convertible debentures before deferred financing costs has been estimated at $87,210 (December 31, 2021 - $86,868), compared with the carrying value of $85,223 (December 31, 2021 - $85,223).

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

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units and activities of the REIT that investors should carefully consider before investing in securities of the REIT. Risks and uncertainties are disclosed in the REIT's MD&A for the year ended December 31, 2021 and in the Risks and Uncertainties section of the latest Annual Information Form dated, February 15, 2022.

Developments since March 2020 regarding the COVID-19 pandemic have resulted in a substantive shift in management's focus towards ensuring the continued health and safety of our employees and service partners, compliance with guidelines and requirements issued by various health authorities and government organizations, and continuity of other critical business operations. We remain focused on delivering our key business operations.

Other outbreaks of pandemics and epidemics may have similar impacts on our business, operations, financial condition and ability to make distributions to Unitholders.

MORGUARD RESIDENTIAL REIT TAXATION

On February 4, 2022, the Department of Finance (Canada) released draft legislation to implement, among other things, some of the tax measures included in the 2021 Federal Budget (the "Proposals"). Included in the Proposals are rules that may limit the amount of interest that certain taxpayers may be able to deduct for tax purposes (the "Interest Rules") which are expected to be effective for the 2023 fiscal year. The Interest Rules are proposed to address base erosion and profit shifting issues arising from taxpayers deducting interest, principally in the context of multinational enterprises and cross-border investments. The Department of Finance (Canada) is reviewing the comments received during the consultation period. Management is reviewing the Interest Rules to assess the impact, if any, on the REIT.

CONTROLS AND PROCEDURES CONCERNING FINANCIAL INFORMATION

The financial certification process project team has documented and assessed the design of the internal controls in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. This undertaking has enabled the Chief Executive Officer and Chief Financial Officer to attest that the design of the internal controls with regard to financial information are effective using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control - Integrated Framework (2013). In order to ensure that the consolidated financial statements and MD&A present fairly, in all material respects, the financial position of the REIT and the results of its operations, management is responsible for establishing and maintaining disclosure controls and procedures, as well as internal control over financial reporting.

The REIT's management has evaluated the effectiveness of the REIT's disclosure controls and procedures and, based on such evaluation, has concluded that their design is adequate and effective as of and for the six months ended June 30, 2022. The REIT's management has also evaluated the effectiveness of the internal controls over financial reporting and has concluded that their design is effective as of and for the six months ended June 30, 2022.

An information disclosure policy constitutes the framework for the information disclosure process with regard to the annual and interim filings, as well as to other reports filed or submitted under securities legislation. This policy aims in particular at identifying material information and validating the related reporting. Morguard's Disclosure Committee, established in 2005, is responsible for ensuring compliance with this policy for both Morguard and the REIT. Morguard's senior management acts as the Disclosure Committee, ensuring compliance with this policy and reviewing main documents to be filed with regulatory authorities to ensure that all significant information regarding operations is communicated in a timely manner.

PART VIII

SUMMARY OF QUARTERLY INFORMATION

The following table provides a summary of operating results for the last eight quarters.

(In thousands of dollars, except per Unit amounts)	Revenue	NOI	FFO	Net Income Attributable to Unitholders	Net Income Attributable to Unitholders per Unit	
					Basic	Diluted(1)
June 30, 2022	**$67,392**	**$42,456**	**$19,833**	**$162,601**	**$2.89**	**$2.70**
March 31, 2022	65,257	17,424	18,307	162,430	2.89	2.70
December 31, 2021	63,475	39,796	16,870	112,610	2.00	1.87
September 30, 2021	61,955	37,142	16,153	83,704	1.49	1.40
June 30, 2021	59,814	37,373	16,128	18,765	0.33	0.33
March 31, 2021	60,322	15,184	15,619	27,009	0.48	0.46
December 31, 2020	61,025	38,192	15,429	7,237	0.13	0.13
September 30, 2020	62,159	38,796	16,085	51,908	0.92	0.88

(1) Includes the dilutive impact of the convertible debentures.

SUMMARY OF QUARTERLY RESULTS

A significant portion of the REIT's real estate properties are located in the United States. As a result, the REIT is exposed to foreign currency exchange rate fluctuations with respect to its quarterly results derived from its properties located in the U.S.

Quarterly results fluctuate due to acquisitions and dispositions, the impact of foreign exchange rate fluctuations and mortgage refinancing. In addition, net income (loss) includes a number of non-cash components, such as, fair value gain (loss) on Class B LP Units, fair value gain (loss) on real estate properties, an IFRIC 21 adjustment to realty taxes, equity income (loss) from investments and deferred taxes.

During the second quarter of 2022, the REIT disposed of a property comprising 292 suites.

Revenue and Net Operating Income

The regional distribution of the REIT's suites serves to add stability to the REIT's cash flows because it reduces the REIT's vulnerability to economic fluctuations affecting any particular region. However, tenant retention and leasing vacant suites are critical to maintaining occupancy levels.

In Canada, certain provinces and territories have enacted residential tenancy legislation that, among other things, imposes rent control guidelines that limit the REIT's ability to raise rental rates at its properties. For the calendar year 2022, the Ontario guideline increase amount was established at 1.2% (0.0% for 2021 and 2.2% for 2020). In addition, overbuilding in the multi-suite residential sector, particularly in the United States, may increase the supply of multi-suite residential properties, further increasing the level of competition in certain markets. Such competition may reduce occupancy rates and rental revenues of the REIT and, consequently, revenue and operating results.

Since the first quarter of 2020, the onset of COVID-19 and stay-at-home orders disrupted normal traffic patterns throughout the Canadian and U.S. portfolios, but remained stable overall with the exception of a few properties directly impacted by university and local business closures.

The REIT has seen steady revenue growth leading up to the third quarter of 2020 resulting from an increase in Same Property revenue, subsequent to the third quarter of 2020 increased vacancy has contributed to lower revenue. The increase in revenue since the third quarter of 2021 is due to improvements in U.S. occupancy as well as the REIT's development property which reached stabilized occupancy during October 2021.

As at June 30, 2022, Same Property occupancy in Canada was 95.2% and, although occupancy has declined since the third quarter of 2020 due to continued lower leasing traffic resulting from social distancing restrictions and current economic conditions, it has now been consistently rising since the third quarter of 2021 as leasing traffic starts to normalize after the pandemic. Approximately 79% of the suites in Canada are located in the GTA. The GTA is Canada's most significant economic cluster and contains the largest concentration of people.

As at June 30, 2022, Same Property occupancy in the U.S. was 96.5% as the REIT's overall U.S. occupancy maintained optimum levels, continuing its positive momentum from 2020 and during 2021.

Similar to revenue, NOI has profiled steady growth over the last eight quarters resulting from an increase in revenue and the REIT's ability to control expenses as a percentage of revenue. As noted above, the decline in NOI during the third quarter of 2020 is primarily a result of increased vacancy, primarily in Canada. The impact of foreign exchange rates and the REIT's development property which reached stabilized occupancy during the fourth quarter of 2021 also factored into the variance from quarter to quarter. Furthermore, the first quarter results (three months ended March 31) are impacted by IFRIC 21, whereby the REIT records the entire annual realty tax expense for its U.S. properties on January 1, except for U.S. properties acquired during the year in which the realty taxes are not recorded in the year of acquisition. As a result, the second, third and fourth quarters typically have no realty tax expense, which results in higher NOI and NOI margins.

Net Income Attributable to Unitholders

Taking into account the above factors for revenue and NOI variations, the change in net income is predominantly due to a change in non-cash components described below:

- The REIT valued the Class B LP Units based on the closing price of the TSX-listed Units. The volatility of the stock market from the impact of the global health crisis resulted in a significant decline in the REIT's Unit price as at March 31, 2020 resulting in a fair value gain on the Class B LP Units. Subsequent to the first quarter of 2020, there has generally been an upward trend in the trading price of the REIT's Units resulting in a fair value loss on Class B LP Units;
- The REIT has recorded a fair value gain on real estate properties for the three months ended June 30, 2022 and 2021, due to an increase in stabilized NOI and compression in capitalization rates at certain properties. In addition, equity-accounted investments include non-cash fair value changes on real estate properties;
- The REIT has recorded deferred tax expense coinciding with the fair value gains of the REIT's U.S. real estate properties.

SUBSEQUENT EVENTS

On July 1, 2022, the REIT completed the refinancing of a multi-suite residential property located in Palm Beach County, Florida, in the amount of $59,939 (US$46,515) at an interest rate of 4.19% and for a term of 10 years. The maturing mortgage amounts to $30,242 (US$23,469), was open and prepayable at no penalty before its scheduled maturity on October 1, 2022, and had an interest rate of 3.78%.

The REIT entered into a binding agreement to acquire a multi-suite residential property comprising 350 suites located in Chicago, Illinois, for a purchase price of $171,384 (US$133,000), excluding closing costs. The acquisition is expected to close during the third quarter of 2022.

PART IX

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The REIT's proportionate consolidated financial statements are as follows:

BALANCE SHEETS

		Non-GAAP Adjustments			
As at June 30, 2022	IFRS	NCI Share	Equity Interest	IFRIC 21	Proportionate Basis (Non-GAAP)
ASSETS					
Non-current assets					
Real estate properties	$3,409,805	($189,469)	$252,756	($13,389)	$3,459,703
Equity-accounted investments	103,803	—	(103,803)	—	—
	3,513,608	(189,469)	148,953	(13,389)	3,459,703
Current assets					
Morguard Facility	60,000	—	—	—	60,000
Amounts receivable	6,252	(446)	399	—	6,205
Prepaid expenses	7,964	(46)	91	—	8,009
Restricted cash	77,456	(141)	1,488	—	78,803
Cash	40,877	(3,088)	2,781	—	40,570
	192,549	(3,721)	4,759	—	193,587
Real estate properties held for sale	150,251	—	—	—	150,251
	$3,856,408	($193,190)	$153,712	($13,389)	$3,803,541
LIABILITIES AND EQUITY					
Non-current liabilities					
Mortgages payable	$1,053,072	($95,872)	$143,708	$—	$1,100,908
Class B LP Units	282,114	—	—	—	282,114
Deferred income tax liabilities	248,141	—	—	—	248,141
Accounts payable and accrued liabilities	9,213	—	—	—	9,213
	1,592,540	(95,872)	143,708	—	1,640,376
Current liabilities					
Mortgages payable	176,264	(106)	2,997	—	179,155
Convertible debentures	85,535	—	—	—	85,535
Accounts payable and accrued liabilities	60,848	(6,536)	7,007	(13,389)	47,930
	322,647	(6,642)	10,004	(13,389)	312,620
Mortgages payable on real estate properties held for sale	36,556	—	—	—	36,556
Total liabilities	1,951,743	(102,514)	153,712	(13,389)	1,989,552
EQUITY					
Unitholders' equity	1,813,989	—	—	—	1,813,989
Non-controlling interest	90,676	(90,676)	—	—	—
Total equity	1,904,665	(90,676)	—	—	1,813,989
	$3,856,408	($193,190)	$153,712	($13,389)	$3,803,541

The following table provides a reconciliation of gross book value and indebtedness as defined in the Declaration of Trust from their IFRS financial statement presentation:

		Non-GAAP Adjustments			
As at June 30, 2022	IFRS	NCI Share	Equity Interest	IFRIC 21	Proportionate Basis (Non-GAAP)
Total Assets / Gross book value[(1)]	$3,856,408	($193,190)	$153,712	($13,389)	$3,803,541
Mortgage payable	$1,265,892	($95,978)	$146,705	$—	$1,316,619
Add: deferred financing costs	11,240	(210)	578	—	11,608
	1,277,132	(96,188)	147,283	—	1,328,227
Convertible debentures, face value	85,500	—	—	—	85,500
Lease liability	9,213	—	—	—	9,213
Indebtedness	$1,371,845	($96,188)	$147,283	$—	$1,422,940
Indebtedness / Gross book value	35.6%				37.4%

(1) Gross book value (as defined in the Declaration of Trust) includes the impact of any fair value adjustments.

STATEMENTS OF INCOME

					2022					2021
		Non-GAAP Adjustments					Non-GAAP Adjustments			
For the three months ended June 30 (In thousands of dollars)	**IFRS**	**NCI Share**	**Equity Interest**	**IFRIC 21**	**Proportionate Basis (Non-GAAP)**	IFRS	NCI Share	Equity Interest	IFRIC 21	Proportionate Basis (Non-GAAP)
Revenue from properties										
Same Property										
Gross rental revenue	**$63,949**	**($3,578)**	**$5,102**	**$—**	**$65,473**	$57,428	($3,116)	$4,608	$—	$58,920
Vacancy	**(3,384)**	**180**	**(333)**	**—**	**(3,537)**	(3,548)	121	(462)	—	(3,889)
Ancillary	**5,002**	**(344)**	**157**	**—**	**4,815**	4,227	(221)	38	—	4,044
Same Property	**65,567**	**(3,742)**	**4,926**	**—**	**66,751**	58,107	(3,216)	4,184	—	59,075
Disposition/Development	**1,825**	**—**	**—**	**—**	**1,825**	1,707	—	—	—	1,707
Total revenue from properties	**67,392**	**(3,742)**	**4,926**	**—**	**68,576**	59,814	(3,216)	4,184	—	60,782
Property operating expenses										
Same Property										
Operating costs	**17,001**	**(905)**	**1,329**	**—**	**17,425**	15,138	(898)	1,195	—	15,435
Realty taxes	**2,601**	**(67)**	**6**	**5,865**	**8,405**	2,381	(16)	(261)	5,666	7,770
Utilities	**4,456**	**(123)**	**244**	**—**	**4,577**	4,107	(111)	117	—	4,113
Same Property	**24,058**	**(1,095)**	**1,579**	**5,865**	**30,407**	21,626	(1,025)	1,051	5,666	27,318
Disposition/Development	**878**	**—**	**—**	**190**	**1,068**	815	—	—	250	1,065
Total property operating expenses	**24,936**	**(1,095)**	**1,579**	**6,055**	**31,475**	22,441	(1,025)	1,051	5,916	28,383
NOI										
Same Property	**41,509**	**(2,647)**	**3,347**	**(5,865)**	**36,344**	36,481	(2,191)	3,133	(5,666)	31,757
Disposition/Development	**947**	**—**	**—**	**(190)**	**757**	892	—	—	(250)	642
Total NOI(1)	**42,456**	**(2,647)**	**3,347**	**(6,055)**	**37,101**	37,373	(2,191)	3,133	(5,916)	32,399
Other expenses (income)										
Interest expense	**12,629**	**(869)**	**1,256**	**—**	**13,016**	15,756	(854)	1,232	—	16,134
Trust expenses	**4,595**	**(76)**	**157**	**—**	**4,676**	3,599	(63)	156	—	3,692
Equity income from investments	**(4,512)**	**—**	**4,512**	**—**	**—**	(1,559)	—	1,559	—	—
Foreign exchange loss (gain)	**(32)**	**—**	**—**	**—**	**(32)**	15	—	—	—	15
Other expense (income)	**(748)**	**—**	**—**	**—**	**(748)**	45	—	—	—	45
Income before fair value changes and income taxes	**30,524**	**(1,702)**	**(2,578)**	**(6,055)**	**20,189**	19,517	(1,274)	186	(5,916)	12,513
Fair value gain on real estate properties, net	**109,077**	**(2,247)**	**2,578**	**6,055**	**115,463**	32,006	(230)	(186)	5,916	37,506
Fair value gain (loss) on Class B LP Units	**55,631**	**—**	**—**	**—**	**55,631**	(21,184)	—	—	—	(21,184)
Income before income taxes	**195,232**	**(3,949)**	**—**	**—**	**191,283**	30,339	(1,504)	—	—	28,835
Provision for income taxes										
Current	**40**	**—**	**—**	**—**	**40**	31	—	—	—	31
Deferred	**28,642**	**—**	**—**	**—**	**28,642**	10,039	—	—	—	10,039
	28,682	**—**	**—**	**—**	**28,682**	10,070	—	—	—	10,070
Net income for the period	**$166,550**	**($3,949)**	**$—**	**$—**	**$162,601**	$20,269	($1,504)	$—	$—	$18,765
(1) NOI included the following:										
IFRIC 21	**($5,762)**	**$669**	**($962)**	**$6,055**	**$—**	($5,480)	$601	($1,037)	$5,916	$—

The following table provides a reconciliation of interest and indebtedness coverage ratios from their IFRS financial statement presentation:

					2022					2021
		Non-GAAP Adjustments					Non-GAAP Adjustments			
For the three months ended June 30 (In thousands of dollars)	**IFRS**	**NCI Share**	**Equity Interest**	**IFRIC 21**	**Proportionate Basis (Non-GAAP)**	IFRS	NCI Share	Equity Interest	IFRIC 21	Proportionate Basis (Non-GAAP)
NOI	**$42,456**	**($2,647)**	**$3,347**	**($6,055)**	**$37,101**	$37,373	($2,191)	$3,133	($5,916)	$32,399
IFRIC 21 adjustment	**(5,762)**	**669**	**(962)**	**6,055**	**—**	(5,480)	601	(1,037)	5,916	—
Trust expenses	**(4,595)**	**76**	**(157)**	**—**	**(4,676)**	(3,599)	63	(156)	—	(3,692)
Other income (expense)	**748**	**—**	**—**	**—**	**748**	(45)	—	—	—	(45)
	$32,847	**($1,902)**	**$2,228**	**$—**	**$33,173**	$28,249	($1,527)	$1,940	$—	$28,662
Interest expense	**$12,629**	**($869)**	**$1,256**	**$—**	**$13,016**	$15,756	($854)	$1,232	$—	$16,134
Loss on extinguishment of mortgages	**(181)**	**—**	**—**	**—**	**(181)**	—	—	—	—	—
Fair value gain (loss) on conversion option on the convertible debentures	**3,297**	**—**	**—**	**—**	**3,297**	(618)	—	—	—	(618)
Distributions on Class B LP Units	**(3,013)**	**—**	**—**	**—**	**(3,013)**	(3,013)	—	—	—	(3,013)
	$12,732	**($869)**	**$1,256**	**$—**	**$13,119**	$12,125	($854)	$1,232	$—	$12,503
Interest coverage ratio	**2.58**				**2.53**	2.33				2.29
Indebtedness coverage ratio	**1.57**				**1.54**	1.54				1.53

STATEMENTS OF INCOME (CONTINUED)

					2022					2021
		Non-GAAP Adjustments					Non-GAAP Adjustments			
For the six months ended June 30 (In thousands of dollars)	**IFRS**	**NCI Share**	**Equity Interest**	**IFRIC 21**	**Proportionate Basis (Non-GAAP)**	IFRS	NCI Share	Equity Interest	IFRIC 21	Proportionate Basis (Non-GAAP)
Revenue from properties										
Same Property										
Gross rental revenue	**$125,995**	**($6,997)**	**$10,004**	**$—**	**$129,002**	$115,447	($6,338)	$9,628	$—	$118,737
Vacancy	**(7,000)**	**380**	**(601)**	**—**	**(7,221)**	(7,122)	328	(1,778)	—	(8,572)
Ancillary	**9,481**	**(580)**	**228**	**—**	**9,129**	8,561	(436)	235	—	8,360
Same Property	**128,476**	**(7,197)**	**9,631**	**—**	**130,910**	116,886	(6,446)	8,085	—	118,525
Disposition/Development	**4,173**	**—**	**—**	**—**	**4,173**	3,250	—	—	—	3,250
Total revenue from properties	**132,649**	**(7,197)**	**9,631**	**—**	**135,083**	120,136	(6,446)	8,085	—	121,775
Property operating expenses										
Same Property										
Operating costs	**33,276**	**(1,816)**	**2,593**	**—**	**34,053**	29,791	(1,709)	2,346	—	30,428
Realty taxes	**27,005**	**(2,586)**	**3,871**	**(11,671)**	**16,619**	26,300	(2,512)	3,491	(11,281)	15,998
Utilities	**9,626**	**(258)**	**515**	**—**	**9,883**	8,972	(256)	423	—	9,139
Same Property	**69,907**	**(4,660)**	**6,979**	**(11,671)**	**60,555**	65,063	(4,477)	6,260	(11,281)	55,565
Disposition/Development	**2,862**	**—**	**—**	**(562)**	**2,300**	2,516	—	—	(523)	1,993
Total property operating expenses	**72,769**	**(4,660)**	**6,979**	**(12,233)**	**62,855**	67,579	(4,477)	6,260	(11,804)	57,558
NOI										
Same Property	**58,569**	**(2,537)**	**2,652**	**11,671**	**70,355**	51,823	(1,969)	1,825	11,281	62,960
Disposition/Development	**1,311**	**—**	**—**	**562**	**1,873**	734	—	—	523	1,257
Total NOI(1)	**59,880**	**(2,537)**	**2,652**	**12,233**	**72,228**	52,557	(1,969)	1,825	11,804	64,217
Other expenses (income)										
Interest expense	**30,330**	**(1,735)**	**2,506**	**—**	**31,101**	30,661	(1,728)	2,509	—	31,442
Trust expenses	**8,776**	**(138)**	**312**	**—**	**8,950**	6,938	(125)	305	—	7,118
Equity income from investments	**(6,160)**	**—**	**6,160**	**—**	**—**	(1,487)	—	1,487	—	—
Foreign exchange loss (gain)	**(17)**	**—**	**—**	**—**	**(17)**	38	—	—	—	38
Other expense (income)	**(1,157)**	**—**	**—**	**—**	**(1,157)**	67	—	—	—	67
Income before fair value changes and income taxes	**28,108**	**(664)**	**(6,326)**	**12,233**	**33,351**	16,340	(116)	(2,476)	11,804	25,552
Fair value gain on real estate properties, net	**355,806**	**(11,997)**	**6,326**	**(12,233)**	**337,902**	59,457	(1,774)	2,476	(11,804)	48,355
Fair value gain (loss) on Class B LP Units	**22,907**	**—**	**—**	**—**	**22,907**	(14,640)	—	—	—	(14,640)
Income before income taxes	**406,821**	**(12,661)**	**—**	**—**	**394,160**	61,157	(1,890)	—	—	59,267
Provision for income taxes										
Current	**72**	**—**	**—**	**—**	**72**	63	—	—	—	63
Deferred	**69,057**	**—**	**—**	**—**	**69,057**	13,430	—	—	—	13,430
	69,129	**—**	**—**	**—**	**69,129**	13,493	—	—	—	13,493
Net income for the period	**$337,692**	**($12,661)**	**$—**	**$—**	**$325,031**	$47,664	($1,890)	$—	$—	$45,774
(1) NOI included the following:										
IFRIC 21	**$11,640**	**($1,358)**	**$1,951**	**($12,233)**	**$—**	$11,273	($1,259)	$1,790	($11,804)	$—

The following table provides a reconciliation of interest and indebtedness coverage ratios from their IFRS financial statement presentation:

					2022					2021
		Non-GAAP Adjustments					Non-GAAP Adjustments			
For the six months ended June 30 (In thousands of dollars)	**IFRS**	**NCI Share**	**Equity Interest**	**IFRIC 21**	**Proportionate Basis (Non-GAAP)**	IFRS	NCI Share	Equity Interest	IFRIC 21	Proportionate Basis (Non-GAAP)
NOI	**$59,880**	**($2,537)**	**$2,652**	**$12,233**	**$72,228**	$52,557	($1,969)	$1,825	$11,804	$64,217
IFRIC 21 adjustment	**11,640**	**(1,358)**	**1,951**	**(12,233)**	**—**	11,273	(1,259)	1,790	(11,804)	—
Trust expenses	**(8,776)**	**138**	**(312)**	**—**	**(8,950)**	(6,938)	125	(305)	—	(7,118)
Other income (expense)	**1,157**	**—**	**—**	**—**	**1,157**	(67)	—	—	—	(67)
	$63,901	**($3,757)**	**$4,291**	**$—**	**$64,435**	$56,825	($3,103)	$3,310	$—	$57,032
Interest expense	**$30,330**	**($1,735)**	**$2,506**	**$—**	**$31,101**	$30,661	($1,728)	$2,509	$—	$31,442
Loss on extinguishment of mortgages	**(181)**	**—**	**—**	**—**	**(181)**	—	—	—	—	—
Fair value gain (loss) on conversion option on the convertible debentures	**1,147**	**—**	**—**	**—**	**1,147**	(195)	—	—	—	(195)
Distributions on Class B LP Units	**(6,025)**	**—**	**—**	**—**	**(6,025)**	(6,025)	—	—	—	(6,025)
	$25,271	**($1,735)**	**$2,506**	**$—**	**$26,042**	$24,441	($1,728)	$2,509	$—	$25,222
Interest coverage ratio	**2.53**				**2.47**	2.32				2.26
Indebtedness coverage ratio	**1.54**				**1.50**	1.54				1.50

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	June 30, 2022	December 31, 2021
ASSETS			
Non-current assets			
Real estate properties	3	**$3,409,805**	$3,256,158
Equity-accounted investments	4	**103,803**	96,376
		3,513,608	3,352,534
Current assets			
Morguard Facility	8	**60,000**	70,000
Amounts receivable		**6,252**	7,188
Prepaid expenses		**7,964**	5,202
Restricted cash	3	**77,456**	11,801
Cash		**40,877**	26,562
		192,549	120,753
Real estate properties held for sale	3	**150,251**	—
		$3,856,408	$3,473,287
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	5	**$1,053,072**	$1,191,578
Convertible debentures	6	**—**	86,319
Class B LP Units	7	**282,114**	305,021
Deferred income tax liabilities	15	**248,141**	175,229
Accounts payable and accrued liabilities	9	**9,213**	9,065
		1,592,540	1,767,212
Current liabilities			
Mortgages payable	5	**176,264**	96,977
Convertible debentures	6	**85,535**	—
Accounts payable and accrued liabilities	9	**60,848**	47,713
		322,647	144,690
Mortgages payable on real estate properties held for sale	5	**36,556**	—
Total liabilities		**1,951,743**	1,911,902
EQUITY			
Unitholders' equity		**1,813,989**	1,484,738
Non-controlling interest		**90,676**	76,647
Total equity		**1,904,665**	1,561,385
		$3,856,408	$3,473,287

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF INCOME

In thousands of Canadian dollars

	Note	Three months ended June 30 2022	2021	Six months ended June 30 2022	2021
Revenue from real estate properties	11	**$67,392**	$59,814	**$132,649**	$120,136
Property operating expenses					
Property operating costs		**(17,818)**	(15,847)	**(34,994)**	(31,273)
Realty taxes		**(2,600)**	(2,390)	**(28,008)**	(27,149)
Utilities		**(4,518)**	(4,204)	**(9,767)**	(9,157)
Net operating income		**42,456**	37,373	**59,880**	52,557
Other expenses (income)					
Interest expense	12	**12,629**	15,756	**30,330**	30,661
Trust expenses	13	**4,595**	3,599	**8,776**	6,938
Equity income from investments	4	**(4,512)**	(1,559)	**(6,160)**	(1,487)
Foreign exchange loss (gain)		**(32)**	15	**(17)**	38
Other expense (income)		**(748)**	45	**(1,157)**	67
Income before fair value changes and income taxes		**30,524**	19,517	**28,108**	16,340
Fair value gain on real estate properties, net		**109,077**	32,006	**355,806**	59,457
Fair value gain (loss) on Class B LP Units	7	**55,631**	(21,184)	**22,907**	(14,640)
Income before income taxes		**195,232**	30,339	**406,821**	61,157
Provision for income taxes					
Current		**40**	31	**72**	63
Deferred		**28,642**	10,039	**69,057**	13,430
		28,682	10,070	**69,129**	13,493
Net income for the period		**$166,550**	$20,269	**$337,692**	$47,664
Net income attributable to:					
Unitholders		**$162,601**	$18,765	**$325,031**	$45,774
Non-controlling interest		**3,949**	1,504	**12,661**	1,890
		$166,550	$20,269	**$337,692**	$47,664

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

In thousands of Canadian dollars

	Three months ended June 30		Six months ended June 30	
	2022	2021	**2022**	2021
Net income for the period	**$166,550**	$20,269	**$337,692**	$47,664
OTHER COMPREHENSIVE INCOME				
Item that may be reclassified subsequently to net income:				
Unrealized foreign currency translation gain (loss)	**34,161**	(9,979)	**18,863**	(18,960)
Total comprehensive income for the period	**$200,711**	$10,290	**$356,555**	$28,704
Total comprehensive income (loss) attributable to:				
Unitholders	**$194,232**	$9,797	**$342,517**	$28,715
Non-controlling interest	**6,479**	493	**14,038**	(11)
	$200,711	$10,290	**$356,555**	$28,704

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, 2020		$469,210	$48,762	$682,824	$69,333	$1,270,129	$77,490	$1,347,619
Changes during the period:								
Net income		—	—	45,774	—	45,774	1,890	47,664
Other comprehensive loss		—	—	—	(17,059)	(17,059)	(1,901)	(18,960)
Issue of Units - DRIP		351	—	(351)	—	—	—	—
Distributions		—	—	(13,303)	—	(13,303)	(787)	(14,090)
Unitholders' equity, June 30, 2021		$469,561	$48,762	$714,944	$52,274	$1,285,541	$76,692	$1,362,233
Changes during the period:								
Net income		—	—	196,314	—	196,314	996	197,310
Other comprehensive income		—	—	—	16,146	16,146	1,623	17,769
Issue of Units - DRIP		398	—	(398)	—	—	—	—
Distributions		—	—	(13,263)	—	(13,263)	(2,664)	(15,927)
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		**—**	**—**	**325,031**	**—**	**325,031**	**12,661**	**337,692**
Other comprehensive income		**—**	**—**	**—**	**17,486**	**17,486**	**1,377**	**18,863**
Issue of Units - DRIP	10(d)	**403**	**—**	**(403)**	**—**	**—**	**—**	**—**
Distributions	10(d)	**—**	**—**	**(13,266)**	**—**	**(13,266)**	**(9)**	**(13,275)**
Unitholders' equity, June 30, 2022		**$470,362**	**$48,762**	**$1,208,959**	**$85,906**	**$1,813,989**	**$90,676**	**$1,904,665**

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

	Note	Three months ended June 30 2022	Three months ended June 30 2021	Six months ended June 30 2022	Six months ended June 30 2021
OPERATING ACTIVITIES					
Net income		**$166,550**	$20,269	**$337,692**	$47,664
Add (deduct) items not affecting cash	16(a)	**(148,240)**	(5,999)	**(302,667)**	(19,051)
Additions to tenant incentives		**(260)**	(505)	**(476)**	(772)
Distributions from equity-accounted investments	4	**283**	—	**380**	125
Net change in non-cash operating assets and liabilities	16(b)	**3,749**	6,434	**(322)**	6,958
Cash provided by operating activities		**22,082**	20,199	**34,607**	34,924
INVESTING ACTIVITIES					
Additions to real estate properties	3	**(6,906)**	(6,266)	**(10,785)**	(11,928)
Proceeds from sale of income producing properties, net	3	**93,165**	—	**93,165**	—
Contributions to equity-accounted investments		**—**	(244)	**—**	(244)
Cash provided by (used in) investing activities		**86,259**	(6,510)	**82,380**	(12,172)
FINANCING ACTIVITIES					
Proceeds from new mortgages	5	**19,492**	—	**19,492**	—
Financing cost on new mortgages		**(388)**	—	**(388)**	—
Repayment of mortgages					
Principal instalment repayments		**(8,125)**	(6,200)	**(16,355)**	(12,494)
Repayment on maturity	5	**(11,687)**	—	**(11,687)**	—
Repayment due to mortgage extinguishment	3	**(27,048)**	—	**(27,048)**	—
Proceeds from Morguard Facility		**—**	7,000	**25,000**	38,238
Advances on and repayments of Morguard Facility		**—**	(8,290)	**(15,000)**	(42,290)
Distributions to Unitholders		**(6,632)**	(6,648)	**(13,264)**	(13,301)
Distributions to non-controlling interest		**(9)**	(389)	**(9)**	(787)
Increase in restricted cash	3	**(66,512)**	(660)	**(65,463)**	(1,182)
Cash used in financing activities		**(100,909)**	(15,187)	**(104,722)**	(31,816)
Net increase (decrease) in cash during the period		**7,432**	(1,498)	**12,265**	(9,064)
Net effect of foreign currency translation on cash balance		**2,232**	(231)	**2,050**	(170)
Cash, beginning of period		**31,213**	19,799	**26,562**	27,304
Cash, end of period		**$40,877**	$18,070	**$40,877**	$18,070

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three and six months ended June 30, 2022 and 2021
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 June 30, 2022, Morguard Corporation ("Morguard"), the parent company of the REIT, holds an indirect 44.7% (December 31, 2021 - 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 July 26, 2022.

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:

	2022	2021
Canadian dollar to United States dollar exchange rates:		
- As at June 30	**$0.7760**	$0.8068
- As at December 31	—	0.7888
- Average for the three months ended June 30	**0.7832**	0.8142
- Average for the six months ended June 30	**0.7865**	0.8019
United States dollar to Canadian dollar exchange rates:		
- As at June 30	**1.2886**	1.2394
- As at December 31	—	1.2678
- Average for the three months ended June 30	**1.2768**	1.2282
- Average for the six months ended June 30	**1.2715**	1.2470

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	June 30, 2022	December 31, 2021
Balance, beginning of period	**$3,256,158**	$2,941,241
Additions:		
Capital expenditures	**10,785**	30,012
Dispositions	**(93,165)**	—
Fair value gain, net	**355,314**	288,662
Foreign currency translation	**31,255**	(4,200)
Other	**(291)**	443
Balance, end of period	**$3,560,056**	$3,256,158
Real estate properties	**$3,409,805**	$3,256,158
Real estate properties held for sale	**150,251**	—
Total	**$3,560,056**	$3,256,158

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).

The REIT is pursuing a tax deferred exchange under Internal Revenue Code Section 1031 (“1031 Exchange”) in connection with its U.S. property dispositions. Under a 1031 Exchange, subject to certain conditions, the REIT will be able to defer tax payable upon the acquisition of a replacement property. In addition, a 1031 Exchange requires a qualified intermediary to hold the net sale proceeds until they are used to buy a replacement property or up to 180 days if no replacement property is acquired. As at June 30, 2022, net proceeds amounting to $66,921 (US$51,933) are held with a qualified intermediary and are presented as restricted cash on the consolidated balance sheets.

Real estate properties held for sale are assets that the REIT intends to sell rather than hold on a long-term basis and meet the criteria established in IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (“IFRS 5”) for separate classification. As at June 30, 2022, the following two properties were classified as held for sale.

The REIT entered into a binding agreement to sell a multi-suite residential property located in Slidell, Louisiana, comprising 144 suites, for gross proceeds of $32,924 (US$25,550), excluding closing costs. The REIT expects to close the sale of the property during the third quarter, at which time the mortgage payable secured by the property in the amount of $9,936 (US$7,711) will be repaid.

The REIT entered into a conditional agreement to sell a multi-suite residential property located in Coconut Creek, Florida, comprising 340 suites, for gross proceeds of $118,551 (US$92,000), excluding closing costs. The REIT expects to close the sale of the property during the third quarter, at which time the mortgage payable secured by the property in the amount of $26,635 (US$20,670) will be repaid.

As at June 30, 2022, and December 31, 2021, 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.

Due to the COVID-19 pandemic and the ongoing impact on the economy, there is added risk in management’s use of judgment relating to the valuation of the REIT’s income producing properties. Key assumptions used in determining the valuation of income producing properties include estimates of capitalization rates and stabilized net operating income (which is primarily influenced by revenue growth, vacancy rates, inflation rates and operating costs), pertain to forward-looking assumptions and market evidence, and accordingly could materially and adversely impact the underlying valuation of the REIT’s income producing properties.

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 June 30, 2022, using the direct capitalization income approach, the properties were valued using capitalization rates in the range of 3.5% to 5.8% (December 31, 2021 - 3.5% to 6.5%), resulting in an overall weighted average capitalization rate of 4.2% (December 31, 2021 - 4.3%).

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

	June 30, 2022 Capitalization Rates			December 31, 2021 Capitalization Rates		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
Canada						
Alberta	**5.0%**	**5.0%**	**5.0%**	5.0%	5.0%	5.0%
Ontario	**4.3%**	**3.5%**	**3.7%**	4.3%	3.5%	3.7%
United States						
Colorado	**4.5%**	**4.5%**	**4.5%**	4.8%	4.8%	4.8%
Texas	**4.5%**	**4.5%**	**4.5%**	4.8%	4.8%	4.8%
Louisiana(1)	**5.3%**	**5.3%**	**5.3%**	6.5%	5.5%	5.7%
Illinois	**4.5%**	**4.5%**	**4.5%**	4.5%	4.5%	4.5%
Georgia	**5.0%**	**4.5%**	**4.8%**	5.3%	4.8%	5.1%
Florida(1)	**5.8%**	**4.3%**	**4.9%**	6.0%	4.5%	5.1%
North Carolina	**4.8%**	**4.5%**	**4.6%**	5.0%	4.8%	4.9%
Virginia	**4.3%**	**4.3%**	**4.3%**	4.5%	4.5%	4.5%

(1) Excludes real estate properties classified as held for sale.

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 June 30, 2022 would decrease by $191,473 or increase by $216,166, respectively.

NOTE 4

EQUITY-ACCOUNTED INVESTMENTS

The following are the REIT's equity-accounted investments as at June 30, 2022, and December 31, 2021:

Property	Principal Place of Business	Type	REIT's Ownership June 30, 2022	REIT's Ownership December 31, 2021	Carrying Value June 30, 2022	Carrying Value December 31, 2021
The Fenestra	Rockville, MD	Joint Venture	**50%**	50%	**$52,161**	$46,721
Marquee at Block 37	Chicago, IL	Joint Venture	**50%**	50%	**51,642**	49,655
					$103,803	$96,376

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

As at	June 30, 2022	December 31, 2021
Balance, beginning of period	**$96,376**	$93,005
Additions	**—**	1,288
Distributions received	**(380)**	(283)
Share of net income	**6,160**	2,691
Foreign exchange gain (loss)	**1,647**	(325)
Balance, end of period	**$103,803**	$96,376

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

As at	June 30, 2022	December 31, 2021
Non-current assets	**$505,512**	$485,315
Current assets	**9,518**	8,675
Total assets	**$515,030**	$493,990
Non-current liabilities	**$287,415**	$285,796
Current liabilities	**20,009**	15,442
Total liabilities	**$307,424**	$301,238
Net assets	**$207,606**	$192,752
Equity-accounted investments	**$103,803**	$96,376

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Revenue	**$9,853**	$8,369	**$19,262**	$16,170
Expenses	**(5,986)**	(4,880)	**(19,594)**	(18,149)
Fair value gain (loss) on income producing properties	**5,157**	(371)	**12,652**	4,953
Net income for the period	**$9,024**	$3,118	**$12,320**	$2,974
Income in equity-accounted investments	**$4,512**	$1,559	**$6,160**	$1,487

NOTE 5
MORTGAGES PAYABLE

Mortgages payable consists of the following:

As at	June 30, 2022	December 31, 2021
Principal balance of mortgages	**$1,277,132**	$1,300,873
Deferred financing costs	**(11,240)**	(12,318)
	$1,265,892	$1,288,555
Current	**$176,264**	$96,977
Current - mortgages payable on real estate properties held for sale	**36,556**	—
Non-current	**1,053,072**	1,191,578
	$1,265,892	$1,288,555
Range of interest rates	**2.03−4.11%**	2.03−4.11%
Weighted average interest rate	**3.31%**	3.31%
Weighted average term to maturity (years)	**4.6**	5.0
Fair value of mortgages	**$1,215,849**	$1,335,670

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.

Mortgages payable on real estate properties held for sale are secured by income producing properties that the REIT intends to sell rather than hold on a long-term basis and meet the criteria established in IFRS 5 for separate classification. As at June 30, 2022, mortgages payable include two mortgages (including unamortized deferred financing costs) classified as current amounting to $36,556.

On April 29, 2022, the REIT completed the refinancing of a multi-suite residential property located in West Palm Beach, Florida, in the amount of $19,492 (US$15,238) at an interest rate of 3.89% and for a term of 10 years. The maturing mortgage amounts to $11,687 (US$9,136), was open and prepayable at no penalty before its scheduled maturity on August 1, 2022, and had an interest rate of 3.96%.

The aggregate principal repayments and balances maturing of the mortgages payable as at June 30, 2022, 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
2022 (remainder of the year)	$15,653	$66,813	$82,466	3.67%
2023	29,999	137,376	167,375	3.48%
2024	27,444	140,446	167,890	3.28%
2025	20,144	175,886	196,030	3.26%
2026	14,513	163,963	178,476	3.23%
Thereafter	52,365	432,530	484,895	3.27%
	$160,118	$1,117,014	$1,277,132	3.31%

NOTE 6

CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at	June 30, 2022	December 31, 2021
4.50% convertible unsecured subordinated debentures	**$85,223**	$85,223
Fair value of conversion option	**881**	2,028
Unamortized financing costs	**(569)**	(932)
	$85,535	$86,319
Current	**$85,535**	$—
Non-current	**—**	86,319
	$85,535	$86,319

For the three and six months ended June 30, 2022, interest on the convertible debentures amounting to $959 (2021 - $959) and $1,902 (2021 - $1,902), respectively, is included in interest expense (Note 12). As at June 30, 2022, $959 (December 31, 2021 - $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 (the “Maturity Date”). On February 21, 2018, an additional principal amount of $10,500 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. The underwriters’ commissions, legal and other issue costs attributable to the 2018 Debentures in the amount of $3,375 have been capitalized and are being amortized over their term to maturity. Morguard owns $5,000 aggregate principal amount of the 2018 Debentures.

As at June 30, 2022, and December 31, 2021, $85,500 of the face value of the 2018 Debentures were outstanding.

Each of the 2018 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 2018 Debentures, at a conversion price of $20.20 per Unit, being a ratio of approximately 49.5050 Units per $1,000 principal amount of 2018 Debentures.

From April 1, 2022, and prior to the Maturity Date, the 2018 Debentures shall 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 2018 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 2018 Debentures being repaid by 95% of the Current Market Price (the volume-weighted average trading price of the Units on the TSX (if the Units are then 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) 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 June 30, 2022, 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 $282,114 (December 31, 2021 - $305,021) and a corresponding fair value gain for the three and six months ended June 30, 2022 of $55,631 (2021 - loss of $21,184) and $22,907 (2021 - loss of $14,640), respectively.

For the three and six months ended June 30, 2022, distributions on Class B LP Units amounting to $3,013 (2021 - $3,013) and $6,025 (2021 - $6,025), respectively, are included in interest expense (Note 12).

As at June 30, 2022, and December 31, 2021, 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 June 30, 2022, the total amount receivable under the Morguard Facility was $60,000 (December 31, 2021 - $70,000).

During the three and six months ended June 30, 2022, the REIT recorded net interest income of $491 (2021 - net interest expense of $51) and $853 (2021 - net interest expense of $93), respectively, on the Morguard Facility.

NOTE 9
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	June 30, 2022	December 31, 2021
Accounts payable and accrued liabilities	**$48,739**	$36,056
Tenant deposits	**12,109**	11,657
Lease liability	**9,213**	9,065
	$70,061	$56,778
Current	**$60,848**	$47,713
Non-current	**9,213**	9,065
	$70,061	$56,778

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

As at	June 30, 2022	December 31, 2021
Within 12 months	**$441**	$434
2 to 5 years	**1,954**	1,888
Over 5 years	**10,362**	10,445
Total minimum lease payments	**12,757**	12,767
Less: Future interest costs	**(3,544)**	(3,702)
Present value of minimum lease payments	**$9,213**	$9,065

NOTE 10
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 5, 2021, the REIT had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 2,955,913 Units and $8,048 principal amount of the Debentures. The program expired on January 7, 2022. On January 8, 2022, the REIT obtained the approval of the TSX under its NCIB to purchase up to 1,478,869 Units, being approximately 5% of the public float of outstanding Units; the program expires on January 7, 2023. The daily repurchase restriction for the Units is 7,877. Additionally, the REIT may purchase up to $4,024 principal amount of the 2018 Debentures, being 5% of the public float of outstanding 2018 Debentures. The daily repurchase restriction for the 2018 Debentures is $8. The price that the REIT would pay for any such Units or 2018 Debentures would be the market price at the time of acquisition.

There were no repurchases of Units under the REIT's NCIB plan for the six months ended June 30, 2022 and 2021.

(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, 2020, to June 30, 2022:

Issued and Fully Paid Units	Units	Amount
Balance, December 31, 2020	39,019,827	$469,210
Units issued under the DRIP	44,438	749
Balance, December 31, 2021	39,064,265	469,959
Units issued under the DRIP	**22,156**	**403**
Balance, June 30, 2022	**39,086,421**	**$470,362**

Total distributions declared during the six months ended June 30, 2022, amounted to $13,669, or $0.3498 per Unit (2021 - $13,654, or $0.3498 per Unit), including distributions payable of $2,279 that were declared on June 15, 2022, and paid on July 15, 2022. On July 15, 2022, the REIT declared a distribution of $0.0583 per Unit payable on August 15, 2022.

(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 six months ended June 30, 2022, the REIT issued 22,156 Units under the DRIP (year ended December 31, 2021 - 44,438 Units).

NOTE 11
RENTAL INCOME

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

	Three months ended June 30		Six months ended June 30	
	2022	2021	**2022**	2021
Rental income	**$34,205**	$30,261	**$67,047**	$60,630
Property management and ancillary income	**23,062**	20,152	**45,805**	40,620
Property tax and insurance	**10,125**	9,401	**19,797**	18,886
	$67,392	$59,814	**$132,649**	$120,136

NOTE 12
INTEREST EXPENSE

The components of interest expense are as follows:

	Three months ended June 30		Six months ended June 30	
	2022	2021	**2022**	2021
Interest on mortgages	**$10,801**	$9,380	**$21,444**	$18,941
Interest and tax payment on Class C LP Units	**—**	899	**—**	1,789
Interest on the convertible debentures (Note 6)	**959**	959	**1,902**	1,902
Interest on lease liability	**109**	105	**217**	213
Amortization of deferred financing costs	**681**	610	**1,345**	1,252
Amortization of deferred financing costs on the convertible debentures	**182**	172	**363**	344
Fair value loss (gain) on conversion option on the convertible debentures	**(3,297)**	618	**(1,147)**	195
Loss on extinguishment of mortgages payable	**181**	—	**181**	—
	9,616	12,743	**24,305**	24,636
Distributions on Class B LP Units (Note 7)	**3,013**	3,013	**6,025**	6,025
	$12,629	$15,756	**$30,330**	$30,661

NOTE 13
TRUST EXPENSES

The components of trust expenses are as follows:

	Three months ended June 30		Six months ended June 30	
	2022	2021	**2022**	2021
Asset management fees and distributions	**$3,951**	$2,941	**$7,499**	$5,801
Professional fees	**255**	265	**536**	397
Public company expenses	**196**	187	**389**	381
Other	**193**	206	**352**	359
	$4,595	$3,599	**$8,776**	$6,938

NOTE 14
RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Notes 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. Fees and distributions for the three and six months ended June 30, 2022 amounted to $2,467 (2021 - $2,186) and $4,856 (2021 - $4,379), respectively, and are included in property operating costs and equity income from investments. As at June 30, 2022, $686 (December 31, 2021 - $583) 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. Fees and distributions for the three and six months ended June 30, 2022 amounted to $4,104 (2021 - $3,088) and $7,803 (2021 - $6,098), respectively, and are included in trust expenses and equity income from investments. As at June 30, 2022, $2,503 (December 31, 2021 - $1,923) 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. There were no fees relating to acquisition services for the three and six months ended June 30, 2022, and 2021.

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. Fees relating to financing services for the three and six months ended June 30, 2022 amounted to $30 (2021 - $nil) and $30 (2021 - $nil), respectively, and have been capitalized to deferred financing costs.

Other Services
As at June 30, 2022, the REIT had its portfolio appraised by Morguard's appraisal division. Fees relating to appraisal services for the three and six months ended June 30, 2022 amounted to $53 (2021 - $53) and $106 (2021 - $106), respectively, and are included in trust expenses.

NOTE 15
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 June 30, 2022, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$953 (December 31, 2021 - US$34,067) of which no deferred tax assets were recognized as it is not probable that taxable profit will be available against such losses of which the deductible temporary difference can be utilized. The net operating losses expire in various years commencing in 2032. The recognition of previously unrecognized tax losses relates to the sale of a real estate property (Note 3) as it is probable that taxable income will be available against which the losses will be utilized until the REIT is able to identify and close on a property acquisition utilizing a 1031 Exchange.

As at June 30, 2022, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$16,167 (December 31, 2021 - US$27,780) of which deferred tax assets were recognized that can be carried forward indefinitely.

As at June 30, 2022, the REIT's U.S. subsidiaries have a total of US$5,892 (December 31, 2021 - US$6,827) of unutilized interest expense deductions on which deferred tax assets were recognized.

NOTE 16
CONSOLIDATED STATEMENTS OF CASH FLOWS
(a) Items Not Affecting Cash

	Three months ended June 30		Six months ended June 30	
	2022	2021	**2022**	2021
Fair value gain on real estate properties, net	**($114,839)**	($37,486)	**($344,166)**	($48,184)
Fair value loss (gain) on Class B LP Units	**(55,631)**	21,184	**(22,907)**	14,640
Fair value loss (gain) on conversion option on the convertible debentures	**(3,297)**	618	**(1,147)**	195
Equity income from investments	**(4,512)**	(1,559)	**(6,160)**	(1,487)
Amortization of deferred financing - mortgages	**681**	536	**1,345**	1,104
Amortization of deferred financing - Class C LP Units	**—**	74	**—**	148
Amortization of deferred financing - convertible debentures	**182**	172	**363**	344
Present value adjustment of tax liability on Class C LP Units	**—**	146	**—**	291
Loss on extinguishment of mortgages payable	**181**	—	**181**	—
Amortization of tenant incentives	**353**	277	**767**	468
Deferred income taxes	**28,642**	10,039	**69,057**	13,430
	($148,240)	($5,999)	**($302,667)**	($19,051)

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

	Three months ended June 30		Six months ended June 30	
	2022	2021	**2022**	2021
Amounts receivable	**$18**	$2,172	**$1,034**	$1,082
Prepaid expenses	**1,234**	2,290	**(2,695)**	2,934
Accounts payable and accrued liabilities	**2,497**	1,972	**1,339**	2,942
	$3,749	$6,434	**($322)**	$6,958

(c) Supplemental Cash Flow Information

	Three months ended June 30		Six months ended June 30	
	2022	2021	**2022**	2021
Interest paid	**$10,260**	$10,255	**$22,273**	$22,529

(d) Reconciliation of Liabilities Arising from Financing Activities

The following provides a reconciliation of liabilities arising from financing activities:

As at June 30, 2022	Mortgages Payable	Convertible Debentures	Lease Liability	Total
Balance, beginning of period	**$1,288,555**	**$86,319**	**$9,065**	**$1,383,939**
Repayments	**(16,355)**	**—**	**—**	**(16,355)**
New financing, net of financing costs	**19,104**	**—**	**—**	**19,104**
Lump-sum repayments	**(38,735)**	**—**	**—**	**(38,735)**
Non-cash changes	**1,526**	**(784)**	**—**	**742**
Foreign exchange	**11,797**	**—**	**148**	**11,945**
Balance, end of period	**$1,265,892**	**$85,535**	**$9,213**	**$1,360,640**

NOTE 17

MANAGEMENT OF CAPITAL

Refer to the REIT's audited consolidated financial statements as at and for the year ended December 31, 2021 for an explanation of the REIT's capital management policy.

The total managed capital for the REIT as at June 30, 2022, and December 31, 2021, is summarized below:

As at	June 30, 2022	December 31, 2021
Mortgages payable, principal balance	**$1,277,132**	$1,300,873
Convertible debentures, face value	**85,500**	85,500
Lease liability	**9,213**	9,065
Class B LP Units	**282,114**	305,021
Unitholders' equity	**1,813,989**	1,484,738
	$3,467,948	$3,185,197

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	June 30, 2022	December 31, 2021
Total debt to gross book value	70%	**35.6%**	40.2%
Floating-rate debt to gross book value	20%	**—%**	—%

NOTE 18

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer to the REIT's audited consolidated financial statements as at and for the year ended December 31, 2021 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 liability 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 June 30, 2022, market rates for debts of similar terms (Level 2). Based on these assumptions, as at June 30, 2022, the fair value of the mortgages payable before deferred financing costs is estimated at $1,215,849 (December 31, 2021 - $1,335,670). 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 are based on their market trading price (Level 1). As at June 30, 2022, the fair value of the convertible debentures before deferred financing costs has been estimated at $87,210 (December 31, 2021 - $86,868), compared with the carrying value of $85,223 (December 31, 2021 - $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:

	June 30, 2022			December 31, 2021		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$3,409,805**	$—	$—	$3,256,158
Real estate properties held for sale	**—**	**—**	**150,251**	—	—	—
Financial liabilities:						
Class B LP Units	**282,114**	**—**	**—**	305,021	—	—
Conversion option of the convertible debentures	**—**	**881**	**—**	—	2,028	—

NOTE 19

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 and Virginia. 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:

	Three months ended June 30, 2022			Three months ended June 30, 2021		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Revenue from income producing properties	**$24,518**	**$42,874**	**$67,392**	$23,032	$36,782	$59,814
Property operating expenses	**(11,009)**	**(13,927)**	**(24,936)**	(10,206)	(12,235)	(22,441)
Net operating income	**$13,509**	**$28,947**	**$42,456**	$12,826	$24,547	$37,373

	Six months ended June 30, 2022			Six months ended June 30, 2021		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Revenue from real estate properties	**$48,535**	**$84,114**	**$132,649**	$46,390	$73,746	$120,136
Property operating expenses	**(22,638)**	**(50,131)**	**(72,769)**	(20,760)	(46,819)	(67,579)
Net operating income	**$25,897**	**$33,983**	**$59,880**	$25,630	$26,927	$52,557

	June 30, 2022			December 31, 2021		
As at	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Real estate properties	**$1,542,310**	**$1,867,495**	**$3,409,805**	$1,501,650	$1,754,508	$3,256,158
Mortgages payable	**$516,884**	**$712,452**	**$1,229,336**	$525,905	$762,650	$1,288,555

	Three months ended June 30, 2022			Three months ended June 30, 2021		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Additions to real estate properties	**$2,543**	**$4,363**	**$6,906**	$1,330	$4,936	$6,266
Fair value gain on real estate properties	**$6,897**	**$102,180**	**$109,077**	$7,358	$24,648	$32,006

	Six months ended June 30, 2022			Six months ended June 30, 2021		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Additions to real estate properties	**$3,148**	**$7,637**	**$10,785**	$2,274	$9,654	$11,928
Fair value gain on real estate properties	**$37,575**	**$318,231**	**$355,806**	$16,818	$42,639	$59,457

NOTE 20

SUBSEQUENT EVENTS

On July 1, 2022, the REIT completed the refinancing of a multi-suite residential property located in Palm Beach County, Florida, in the amount of $59,939 (US$46,515) at an interest rate of 4.19% and for a term of 10 years. The maturing mortgage amounts to $30,242 (US$23,469), was open and prepayable at no penalty before its scheduled maturity on October 1, 2022, and had an interest rate of 3.78%.

The REIT entered into a binding agreement to acquire a multi-suite residential property comprising 350 suites located in Chicago, Illinois, for a purchase price of $171,384 (US$133,000), excluding closing costs. The acquisition is expected to close during the third quarter of 2022.