Q3

2021 THIRD QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MORGUARD NORTH AMERICAN RESIDENTIAL REIT

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 nine months ended September 30, 2021. 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 nine months ended September 30, 2021, 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 nine months ended September 30, 2021 and 2020. 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 October 26, 2021. 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 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.

NON-IFRS FINANCIAL MEASURES

Morguard Residential REIT reports its financial results in accordance with IFRS. However, this MD&A also uses certain financial measures that are not defined by IFRS. These 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-IFRS 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-IFRS measures the REIT uses in evaluating its operating results:

NET OPERATING INCOME (“NOI”) AND PROPORTIONATE SHARE NOI (“PROPORTIONATE NOI”)

NOI is defined by the REIT as revenue from real estate properties less property operating costs, realty taxes and utilities as presented in the consolidated statements of income. NOI margin is calculated as NOI divided by revenue and is also calculated on a Proportionate NOI basis. NOI is an important measure in evaluating the operating performance of the REIT’s real estate properties and is a key input in determining the fair value of the REIT’s properties.

Proportionate NOI represents NOI adjusted for the following: i) to exclude the impact of realty taxes accounted for under IFRIC 21 as noted below. 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.

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.

NOI includes three Canadian properties and two U.S. properties whereby the REIT controls but does not own 100% interest in the subsidiary and, as a result, the REIT fully consolidates the results of operations within its condensed consolidated financial statements. The REIT’s non-controlling interest in subsidiaries is adjusted from NOI in calculating Proportionate NOI.

NOI does not include interest in joint arrangements that are accounted for using the equity method of accounting. The REIT’s interest in the operating performance of two U.S. properties, which are presented as equity income (loss) from investments in the consolidated statements of income, are adjusted to include its share of NOI in calculating Proportionate NOI.

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

SAME PROPERTY NOI / PROPORTIONATE NOI

Same Property NOI and Same Property Proportionate NOI are presented in this MD&A because management considers these non-IFRS measures to be important measures 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.

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

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-IFRS 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-IFRS 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-IFRS measure to be an important measure of the REIT’s asset base and financial position.

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

INDEBTEDNESS TO GROSS BOOK VALUE RATIO

Indebtedness to gross book value ratio is a compliance measure in the Declaration of Trust (defined below) 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-IFRS measure 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-IFRS measure 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-IFRS measure to be an important measure of the REIT's operating performance and financial position.

FUNDS FROM OPERATIONS ("FFO")

FFO is a non-IFRS 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. FFO payout ratio compares distributions declared to FFO. Distributions declared 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. The REIT considers FFO to be a useful measure for reviewing its comparative operating and financial performance.

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

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"). In addition, the REIT's statements of income have been adjusted to exclude the impact of realty taxes accounted for under IFRIC 21 and to record realty taxes for all properties on a *pro rata* basis over the entire fiscal year. Management believes that the Proportionate Basis non-IFRS 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.

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-IFRS 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-IFRS measure and may not accurately depict the legal and economic implications of the REIT's interest in the joint venture.

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.

SIGNIFICANT EVENT

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. Last year, 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.

In September 2020, the Government of Ontario introduced *Helping Tenants and Small Businesses Act* legislation to freeze rent in 2021, providing the vast majority of Ontario’s tenants with financial relief as the province continues down the path of renewal, growth and economic recovery. For the calendar year 2021, the guideline amount was established at 0.0% (2.2% for 2020). However, a landlord could give proper 90 days’ notice before the freeze ends for a rent increase that takes effect starting in 2022. On June 16, 2021, the Government of Ontario announced the guideline on rent increases for 2022 at 1.2%.

Ontario represents the REIT's largest region in terms of suites and net operating income and is committed to working with residents on a case-by-case basis on rent deferral arrangements discussed in more detail below.

On July 16, 2021, Ontario advanced to Step 3 of the province's three-step plan to safely and gradually lift public health measures based on the ongoing progress of province-wide vaccination rates which focuses on the resumption of additional indoor services with larger number of people and restrictions in place. The Province will remain in Step 3 until 80% of the eligible population aged 12 and over has received one dose of a COVID-19 vaccine, and 75% have received their second, with no public health unit having less than 70% of their eligible population aged 12 and over fully vaccinated. While the province has reached the vaccination milestones noted above, out of an abundance of caution the government, in consultation with the Chief Medical Officer of Health, is pausing the exit from the Roadmap to Reopen. During October, the province announced its plan to lift all pandemic restrictions in phases, by the end of March 2022. On October 25, 2021, the province will start by lifting capacity limits on restaurants, bars and gyms for those fully vaccinated, followed by higher-risk settings on November 15, 2021. 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.

Rental Collection Summary

As at October 26, 2021, the REIT collected 98.4% of third quarter rental revenue and approximately 95.1% (94.6% in Canada / 95.4% in the U.S.) of October 2021 rental revenue which 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 continues to weigh on the North American economy over the remainder of the year.

As at October 26, 2021, the REIT's collection of rental revenue since January 1, 2020 is summarized by region as follows:

Region	Q1 2021	Q2 2021	Q3 2021	October 2021	% Rental Revenue
Canada	99.6%	99.6%	98.9%	94.6%	38.1%
U.S.	99.1%	99.3%	98.0%	95.4%	61.9%
Total	**99.3%**	**99.5%**	**98.4%**	**95.1%**	**100.0%**

Region	Q1 2020	Q2 2020	Q3 2020	Q4 2020	% Rental Revenue
Canada	99.8%	99.8%	99.5%	99.5%	38.1%
U.S.	100.0%	99.7%	99.5%	99.3%	61.9%
Total	**99.9%**	**99.7%**	**99.5%**	**99.4%**	**100.0%**

Bad Debt Expense (Recovery)

The REIT utilizes the simplified approach to measure expected credit losses under IFRS 9, which requires the REIT to recognize a lifetime expected credit loss allowance on all receivables at each reporting date.

The details of bad debt expense (recovery) recorded in the consolidated statements of income within property operating costs for the three and nine months ended September 30, 2021 and 2020 are provided below:

For the three months ended September 30 (in thousands of dollars)	2021	% of Revenue	2020	% of Revenue
Canada	$102	0.4%	$188	0.8%
U.S.	391	1.0%	504	1.3%
Total	**$493**	**0.8%**	**$692**	**1.1%**

For the nine months ended September 30 (in thousands of dollars)	2021	% of Revenue	2020	% of Revenue
Canada	$164	0.2%	$259	0.4%
U.S.	1,360	1.2%	1,030	0.9%
Total	**$1,524**	**0.8%**	**$1,289**	**0.7%**

Rent Deferral Program

The REIT implemented a rent deferral program for our residential tenants who are financially constrained due to the impact of COVID-19. The REIT is actively working with residents on a case-by-case basis on rent deferral arrangements and will also ensure pertinent and timely information regarding Government financial support programs is shared with tenants. As at October 26, 2021, approximately 0.8% of residential tenants have deferred payment plans.

Occupancy and Leasing

As at October 26, 2021, the REIT’s occupancy in Canada and in the U.S. with the exception of certain properties in Canada directly impacted by university and local business closures remains stable. Specifically, occupancy in the Greater Toronto Area (“GTA”) has declined by approximately 400-500 basis points due to the above noted reasons as well as managements focus on maintaining existing rent levels at most properties within the GTA submarket. Further, management believes the higher vacancy experienced in the GTA is temporary and as the economy re-opens, the REIT’s GTA suites which comprise larger square foot floor plans at attractive rental rates will continue to appeal to prospective tenants at or above existing market rental rates.

Liquidity

The REIT has liquidity of $105,000, comprised of approximately $20,500 in cash and $84,500 available under its revolving credit facility with Morguard Corporation and has approximately $47,500 of unencumbered assets. In addition, the REIT expects to close the CMHC-insured financing on four properties providing additional net mortgage proceeds of approximately $115,000. 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.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

As at (In thousands of dollars, except as noted otherwise)	September 30, 2021	December 31, 2020	September 30, 2020
Operational Information			
Number of properties	**43**	43	43
Total suites	**13,275**	13,275	13,275
Occupancy percentage - Canada	**92.7%**	94.9%	96.4%
Occupancy percentage - U.S.	**96.1%**	92.2%	93.3%
AMR - Canada (in actual dollars)	**$1,530**	$1,500	$1,481
AMR - U.S. (in actual U.S. dollars)	**US$1,490**	US$1,428	US$1,427
Summary of Financial Information			
Gross book value	**$3,262,415**	$3,084,358	$3,177,215
Indebtedness	**$1,311,062**	$1,320,708	$1,358,370
Indebtedness to gross book value ratio	**40.2%**	42.8%	42.8%
Weighted average mortgage interest rate[1]	**3.45%**	3.45%	3.45%
Weighted average term to maturity on mortgages payable (years)	**4.1**	4.8	5.1
Exchange rates - United States dollar to Canadian dollar	**$1.27**	$1.27	$1.33
Exchange rates - Canadian dollar to United States dollar	**$0.78**	$0.79	$0.75

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

	Three months ended September 30		Nine months ended September 30	
(In thousands of dollars, except per Unit amounts)	2021	2020	2021	2020
Summary of Financial Information				
Interest coverage ratio	**2.32**	2.24	**2.32**	2.35
Indebtedness coverage ratio	**1.49**	1.53	**1.52**	1.60
Revenue from real estate properties	**$61,955**	$62,159	**$182,091**	$187,658
NOI	**$37,142**	$38,796	**$89,699**	$97,341
Proportionate NOI	**$32,641**	$33,722	**$96,858**	$105,445
Same Property Proportionate NOI	**$32,433**	$33,722	**$96,860**	$105,445
NOI margin - IFRS	**59.9%**	62.4%	**49.3%**	51.9%
NOI margin - Proportionate	**51.7%**	53.2%	**52.4%**	54.9%
Net income	**$86,654**	$53,472	**$134,318**	$169,896
FFO - basic	**$16,153**	$16,085	**$47,900**	$53,516
FFO - diluted	**$17,129**	$17,050	**$50,778**	$56,394
FFO per Unit - basic	**$0.29**	$0.29	**$0.85**	$0.95
FFO per Unit - diluted	**$0.28**	$0.28	**$0.84**	$0.94
Distributions per Unit	**$0.1749**	$0.1749	**$0.5247**	$0.5247
FFO payout ratio	**60.9%**	61.1%	**61.6%**	55.1%
Weighted average number of Units outstanding (in thousands):				
Basic[1]	**56,271**	56,227	**56,260**	56,217
Diluted[1] [2]	**60,504**	60,460	**60,493**	60,450
Average exchange rates - United States dollar to Canadian dollar	**$1.26**	$1.33	**$1.25**	$1.35
Average exchange rates - Canadian dollar to United States dollar	**$0.79**	$0.75	**$0.80**	$0.74

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

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

REAL ESTATE PROPERTIES

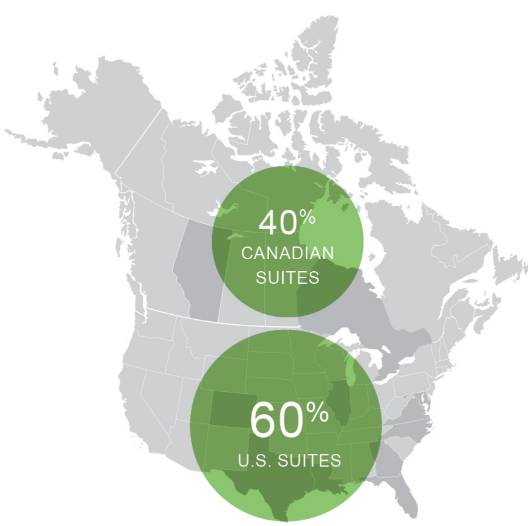
As at September 30, 2021, the REIT's multi-suite residential property portfolio consists of 16 Canadian properties and 27 U.S. properties, having a total of 13,275 residential suites. The properties are primarily located in urban centres and major suburban regions in Alberta, Ontario, Colorado, Texas, Louisiana, Illinois, Georgia, Florida, North Carolina, Virginia and Maryland.

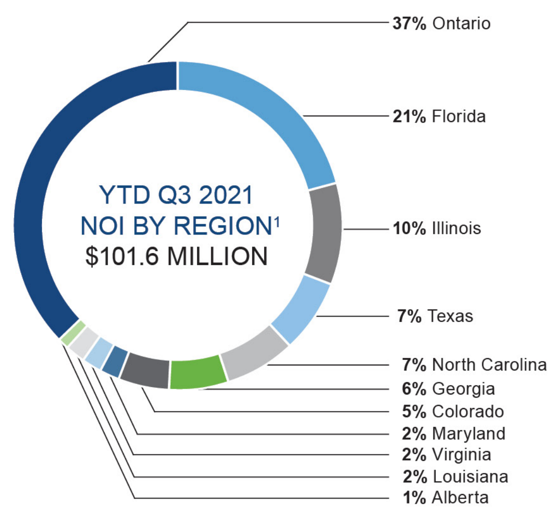
The following table details the regional distribution of the REIT's portfolio as at September 30, 2021:

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%	$56,600
Ontario				
Mississauga	7	2,219	16.7%	753,400
Toronto	6	1,997	15.0%	428,810
Other(2)	2	842	6.4%	212,400
	16	**5,335**	**40.2%**	**$1,451,210**
U.S. Properties				
Colorado	2	454	3.4%	$129,703
Texas	3	1,021	7.7%	202,072
Louisiana(3)	3	393	3.0%	69,948
Illinois	2	1,205	9.1%	584,048
Georgia	3	814	6.1%	175,571
Florida	10	2,593	19.5%	568,503
North Carolina	2	864	6.5%	189,204
Virginia	1	104	0.8%	62,050
Maryland	1	492	3.7%	168,181
	27	**7,940**	**59.8%**	**$2,149,280**
Impact of realty taxes accounted for under IFRIC 21				8,527
Total	**43**	**13,275**	**100.0%**	**$3,609,017**

(1) Total suites and fair value of real estate properties include non-controlling interest; the REIT, on a proportionate basis, has ownership of12,255 suites. Fair value of real estate properties represents the sum of income producing properties ($3,120,003) and equity-accounted investment properties ($489,014) inclusive of non-controlling interest share.
(2) Other Ontario includes one property in each of Kitchener, Ontario and Ottawa, Ontario.
(3) Includes a redevelopment property in New Orleans, Louisiana, currently under initial lease-up.

Approximately 79% of the suites in Canada are located in Toronto and Mississauga, which form part of the 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.





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

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 September 30, 2021	AMR/Suite at September 30, 2020	% Change	Occupancy at September 30, 2021	Occupancy at September 30, 2020
Canadian Properties (in Canadian dollars)					
Alberta	**$1,398**	$1,413	**(1.1%)**	**79.2%**	77.5%
Ontario					
Mississauga	**1,713**	1,652	**3.7%**	**93.8%**	97.6%
Toronto	**1,367**	1,323	**3.3%**	**94.3%**	98.0%
Other(1)	**1,473**	1,422	**3.6%**	**90.3%**	95.1%
Total Ontario	**1,537**	1,485	**3.5%**	**93.4%**	97.4%
Total Canada (in Canadian dollars)	**$1,530**	$1,481	**3.3%**	**92.7%**	96.4%
U.S. Properties (in U.S. dollars)					
Colorado	**$1,513**	$1,434	**5.5%**	**94.4%**	92.2%
Texas	**1,384**	1,325	**4.5%**	**95.2%**	92.6%
Louisiana	**1,276**	1,235	**3.3%**	**98.2%**	94.5%
Illinois	**2,338**	2,507	**(6.7%)**	**96.4%**	85.9%
Georgia	**1,373**	1,302	**5.5%**	**96.8%**	91.6%
Florida	**1,415**	1,300	**8.8%**	**97.0%**	96.9%
North Carolina	**1,184**	1,114	**6.3%**	**95.7%**	92.8%
Virginia	**2,095**	2,127	**(1.5%)**	**98.1%**	91.3%
Maryland	**1,878**	1,894	**(0.8%)**	**98.2%**	88.1%
U.S. Same Property	**1,486**	1,427	**4.1%**	**96.4%**	93.3%
Redevelopment(2)	**1,822**	—	**100.0%**	**76.8%**	—%
Total U.S. (in U.S. dollars)	**$1,490**	$1,427	**4.4%**	**96.1%**	93.3%
Total (in local currencies)	**$1,507**	$1,451	**3.9%**	**94.7%**	94.6%

(1) Other Ontario includes one property in each of Kitchener, Ontario and Ottawa, Ontario.
(2) Includes a redevelopment property in New Orleans, Louisiana, currently under initial lease-up.

CANADIAN PROPERTIES

As at September 30, 2021, AMR per suite in Canada increased by 3.3% compared to September 30, 2020. Sequentially, AMR in Canada of $1,530 as at September 30, 2021, increased by 0.7% compared to $1,520 as at June 30, 2021. Effective January 1, 2021, the Ontario guideline rental rate increase in 2021 is 0.0% (2020 - 2.2%), which has contributed to a lower rental rate growth than in previous years. On June 16, 2021, the Government of Ontario announced the guideline increase at 1.2% for 2022. The REIT still experienced rental rate growth from above guideline increases at several properties upon the completion of capital projects, and rental rate increases on suite turnover.

The 2021 Ontario rent freeze impacted rental increases, however, the REIT can apply for an above-guideline increase ("AGI") relating to eligible capital repairs and security services. Currently, the REIT has AGIs at eight Ontario properties providing additional rent increases for a twelve-month period commencing at various effective dates in 2021, ranging from 0.50% to 2.00%. Although the rental market has softened, the REIT still has the ability to increase rents on turnover and through above guideline applications.

As at September 30, 2021, AMR at the REIT's single property in Edmonton, Alberta decreased by 1.1% compared to September 30, 2020. AMR decreased due to the lower rents achieved on turnover which is a result of the continued softening rental market in 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 the third quarter as Ontario progresses through its plan to re-open the economy, which has allowed the REIT to increase rents as suites turn over at below market rates. During the nine months ended September 30, 2021, the REIT's Canadian portfolio turned over 563 suites, or 10.6% of total suites located in Canada and achieved AMR growth of 11.3%

on suite turnover. Overall, Canadian turnover is higher compared to 7.8% achieved during the nine months ended September 30, 2020.

As at September 30, 2021, occupancy in Canada decreased to 92.7%, compared to 96.4% at September 30, 2020 and sequentially, occupancy in Canada increased from 91.8% at June 30, 2021. Overall, lower occupancy in Canada compared to the third quarter of 2020 was primarily due to prolonged stay-at-home restrictions which disrupted normal leasing patterns. As the administration of vaccinations continues to progress across the country, and as restrictions are lifted, we began to see increased leasing activity and number of suites leased during the third quarter of 2021. Occupancy in the GTA was impacted by lower immigration levels, the increased number of suites on the market from existing and new supply, and the province-wide stay-at-home order which ended in July. Management's focus within the GTA has been maintaining rent at or above its existing level under the assumption that vacancy within the REIT's GTA submarket is temporary as we expect to revert to pre-pandemic occupancy levels as the economy reopens.

Occupancy at the REIT's single property located in Edmonton, Alberta, increased from 77.5% at September 30, 2020 to 79.2% at September 30, 2021 and increased from 63.2% at June 30, 2021, as a high proportion of tenants who attend nearby universities that have resumed in-class learning. In addition, Other Ontario occupancy decreased from 95.1% at September 30, 2020 to 90.3% at September 30, 2021, predominantly due to the REIT's property located in Ottawa, Ontario, which was also impacted by the closure of universities. Rental concessions have been utilized at certain properties in order to stabilize occupancy. As Ontario continues its path to reopening, leasing activity has picked up at both locations as universities have reopened and offer a combination of in-class and on-line learning options.

U.S. PROPERTIES

As at September 30, 2021, Same Property AMR per suite in the U.S. increased by 4.1% compared to September 30, 2020. The REIT had AMR growth in all U.S. regions, except for Illinois, Virginia and Maryland which was predominantly at four properties and attributable to the pandemic and declining occupancy through 2020, resulting in downward pressure on market rent, coupled with an increase in targeted market concessions. AMR growth in Florida, North Carolina, Georgia, Colorado and Texas led the portfolio, showing signs of strong market fundamentals in these regions. As at September 30, 2021, AMR at the REIT's properties located in Chicago's Loop decreased by 6.7% compared to September 30, 2020 due to lower demand resulting from the impact COVID-19 had on urban amenities including business and university closures. Management's focus has been on leasing and occupancy, accomplished by reducing new lease asking rents and renewal increases while limiting concessions. Management expects market rents to continue to be strong and increase in most markets for the remainder of the year as occupancies have stabilized.

The REIT continues to utilize revenue management tools aimed at balancing rent growth, traffic and renewal exposure. As at September 30, 2021, that balance has been maintained throughout the busy summer leasing season. Management aims to match expiring leases with new move-ins using multiple technologies, virtual leasing, contactless apartment tours and improved access. With few exceptions, the REIT has also maintained Same Property AMR growth over 2020 within most submarkets while it enjoyed strong occupancies. Though management believes some supply challenges will continue in a few markets, we have already seen demand increase. AMR growth also improved during the third quarter as portfolio occupancies have stabilized and reached optimum levels, management expects this trend of AMR growth to continue during remainder of the year, especially in the Florida and Colorado markets where demand is outweighing supply.

As at September 30, 2021, Same Property occupancy in the U.S. continued its positive momentum reaching optimum levels at 96.4% compared to 93.3% at September 30, 2020. Management's adaptive response to the pandemic continues to be successful as we continually review leasing strategies including virtual leasing software and other operational adjustments enabling us to maintain strong occupancy within the portfolio. Resident retention remains a major driver of occupancy as high service levels, communication and softening of renewal increases earlier in the pandemic proved to be successful in reducing the supply of available suites within the portfolio during the second and third quarters of 2021. This strategy created higher demand in the spring and busy summer leasing season. Management is pleased to report that occupancies within most of the REIT's U.S. residential assets are outperforming pre-pandemic levels. In addition, rent collections remain strong, exceeding 99% during the first three quarters of 2021. Occupancy at Marquee at Block 37 in Chicago, Illinois, improved from a low of 70.2% earlier this year to 95.3% at September 30, 2021. The portfolio's leasing activity has increased dramatically during the second and third quarter and continues on a positive trend, underscoring the quality of the assets and the strength in the submarkets. Management expects the leasing activity to keep occupancy levels stable as we move into the winter months. As of October 1, 2021, municipal governments in all the REIT's U.S. markets have lifted all COVID-19 restrictions and public health measures.

Sequentially, Same Property occupancy in the U.S. slightly decreased to 96.4% compared to 96.8% as at June 30, 2021. In light of the COVID-19 impact, stable and optimum occupancy levels were due to 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.

Overall sentiment in the U.S. remains one of optimism. The 2021 federal stimulus package expired in September, though rental assistance continues to be distributed at the state level. The new administration has been successful to fully vaccinate 190 million Americans over the age of 12, and 220 million or 65% of the U.S. population receiving at least one vaccine dose, according to the Centers for Disease Control and Prevention (“CDC”). Management continues to see positive indicators across virtually all of our U.S. markets that point to stability throughout the winter months. During the third quarter of 2021, air travel across the U.S. became more prevalent and many employees returned to their offices. Because of this, we remain cautiously optimistic and do believe the portfolio performance will remain stable and positive through the remainder of 2021. At the same time, our team will remain vigilant as U.S. vaccinations are still not yet at the CDC desired levels and as COVID-19 variant infections remain high in pockets across the country.

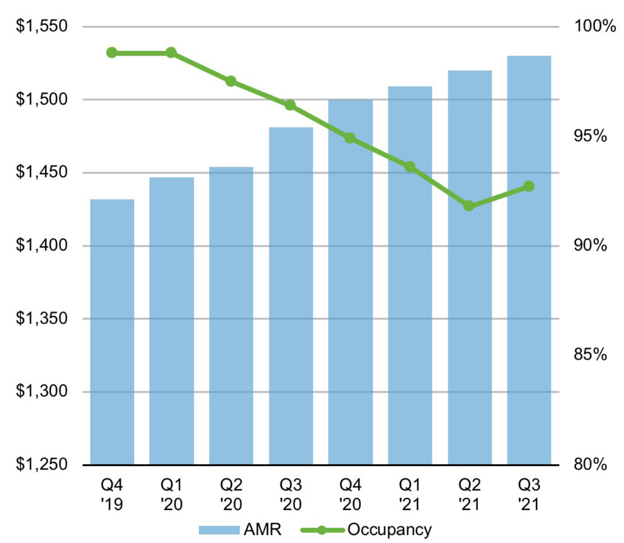
The Federal eviction moratorium predominantly in place since March 2020 expired on August 26, 2021, however, there is currently a significant backlog of eviction filings to process through the court system. The impact of job loss and the necessity to process evictions continues to be a minor issue across all the REIT’s U.S. assets. Management will continue to monitor our immediate submarkets and will strategically increase rents wherever possible to maximize income while maintaining the strong occupancy.

During October 2021, the REIT's redevelopment property, 1643 Josephine Street, New Orleans, Louisiana, reached stabilized occupancy and is currently 90.4% occupied and 98.2% leased. The repositioned asset further improves the overall quality of the portfolio having an AMR of $1,822, and is located within close proximity to The Georgian Apartments, offering management a platform for operational synergies.

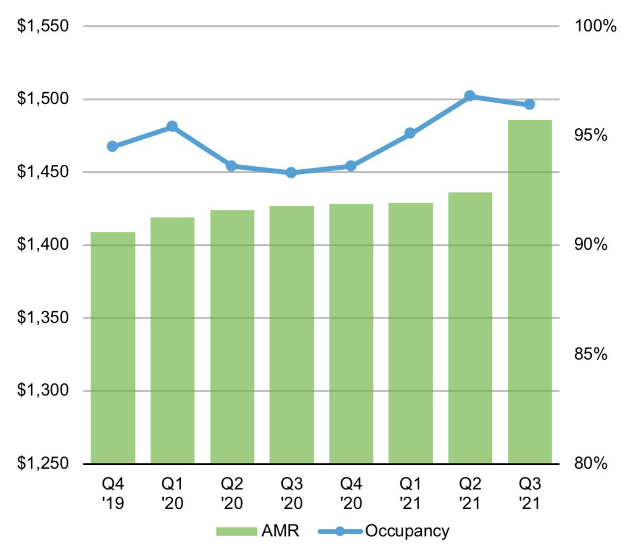
For the nine months ended September 30, 2021, the REIT’s rental incentives amounted to $1,311 (2020 - $459), mainly at properties that were impacted by new supply and increased vacancy in urban markets. Incentives were used on an as needed basis in those limited submarkets to compete with new inventory.

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 December 31, 2019:

CANADA



U.S.



PART III

REVIEW OF OPERATIONAL RESULTS

The REIT's operational results are summarized below:

	Three months ended September 30		Nine months ended September 30	
(In thousands of dollars)	**2021**	2020	**2021**	2020
Revenue from real estate properties	**$61,955**	$62,159	**$182,091**	$187,658
Property operating expenses				
Property operating costs	**(16,773)**	(16,358)	**(48,046)**	(47,369)
Realty taxes	**(3,665)**	(2,617)	**(30,814)**	(29,864)
Utilities	**(4,375)**	(4,388)	**(13,532)**	(13,084)
Net operating income	**37,142**	38,796	**89,699**	97,341
Other expenses (income)				
Interest expense	**15,296**	15,794	**45,957**	45,562
Trust expenses	**3,614**	3,628	**10,552**	11,659
Equity loss (income) from investments	**(330)**	4,109	**(1,817)**	2,546
Foreign exchange loss (gain)	**(28)**	446	**10**	(517)
Other expenses (income)	**58**	460	**125**	(632)
Income before fair value changes and income taxes	**18,532**	14,359	**34,872**	38,723
Fair value gain on real estate properties, net	**96,310**	41,141	**155,767**	74,228
Fair value gain (loss) on Class B LP Units	**(4,995)**	1,550	**(19,635)**	68,720
Income before income taxes	**109,847**	57,050	**171,004**	181,671
Provision for income taxes				
Current	**31**	30	**94**	98
Deferred	**23,162**	3,548	**36,592**	11,677
	23,193	3,578	**36,686**	11,775
Net income for the period	**$86,654**	$53,472	**$134,318**	$169,896
Net income attributable to:				
Unitholders	**$83,704**	$51,908	**$129,478**	$167,979
Non-controlling interest	**2,950**	1,564	**4,840**	1,917
	$86,654	$53,472	**$134,318**	$169,896

REVENUE FROM REAL ESTATE PROPERTIES

Lower rental revenue for the three and nine months ended September 30, 2021, is mainly due to higher vacancy and foreign exchange fluctuations, partly offset by rental rate increases.

NET OPERATING INCOME

The following tables provide the NOI and Proportionate NOI for the REIT's consolidated Canadian and U.S. operations. Same Property NOI for the three and nine months ended September 30, 2021, measures the 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.

Same Property results for the three and nine months ended September 30, 2021, measures the operating performance for properties owned and have reached stabilization by the REIT continuously since July 1, 2020 and January 1, 2020, respectively, and exclude 1643 Josephine, New Orleans, Louisiana, a redevelopment property acquired on April 5, 2018, which commenced initial lease-up in October 2020.

Same Property and Same Property Proportionate results for the three and nine months ended September 30, 2021 both represent 11,979 and 12,141 residential suites, respectively.

The following tables also present components 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 non-IFRS measure and is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the REIT's operating performance that provides a more comprehensive understanding of revenue form real estate properties.

Net Operating Income - Three months ended September 30, 2021

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

For the three months ended September 30 (In thousands of dollars)	2021 NOI	2021 Proportionate NOI	2020 NOI	2020 Proportionate NOI
Revenue from properties				
Same Property				
Gross rental revenue (before vacancy and ancillary revenue)	**$60,935**	**$62,404**	$60,535	$62,532
Vacancy	**(3,757)**	**(3,861)**	(3,235)	(3,950)
Ancillary	**4,256**	**4,074**	4,859	4,780
Same Property	**61,434**	**62,617**	62,159	63,362
Acquisition	**521**	**521**	—	—
Total revenue from properties	**61,955**	**63,138**	62,159	63,362
Property operating expenses				
Same Property				
Operating costs	**16,528**	**16,887**	16,358	16,768
Realty taxes	**3,665**	**8,871**	2,617	8,459
Utilities	**4,346**	**4,426**	4,388	4,413
Same Property	**24,539**	**30,184**	23,363	29,640
Acquisition	**274**	**313**	—	—
Total property operating expenses	**24,813**	**30,497**	23,363	29,640
NOI				
Same Property	**36,895**	**32,433**	38,796	33,722
Acquisition	**247**	**208**	—	—
Total NOI	**$37,142**	**$32,641**	$38,796	$33,722
NOI margin	**59.9%**	**51.7%**	62.4%	53.2%

For the three months ended September 30, 2021, NOI from the REIT's properties decreased by $1,654 (or 4.3%) to $37,142, compared to $38,796 in 2020. The decrease in NOI is due to a decrease in Same Property NOI of $1,901 (or 4.9%), partially offset by an increase in NOI from the REIT's redevelopment property in Louisiana currently under initial lease-up of $247. The Same Property decrease of $1,901 is due to a decrease in Canada of $316 (or 2.4%), a decrease in the U.S. of US$164 (or 0.9%) and the change in foreign exchange rate which decreased NOI by $1,421.

For the three months ended September 30, 2021, Proportionate NOI from the REIT's properties decreased by $1,081 (or 3.2%) to $32,641, compared to $33,722 in 2020. The decrease in Proportionate NOI is due to a decrease in Same Property Proportionate NOI of $1,289 (or 3.8%), partially offset by an increase in NOI from the REIT's redevelopment property in Louisiana currently under initial lease-up of $208. The Same Property decrease of $1,289 is due to a decrease in Canada of $311 (or 2.4%), partially offset by an increase in the U.S. of US$106 (or 0.7%) and the change in foreign exchange rate which decreased Proportionate NOI by $1,084.

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 September 30 (In thousands of dollars)	2021 NOI	2021 Proportionate NOI	2020 NOI	2020 Proportionate NOI
Same Property NOI - Canada (local currency)	**$12,837**	**$12,764**	$13,153	$13,075
Same Property NOI - U.S. (local currency)	**19,093**	**15,612**	19,257	15,506
Acquisition (local currency)	**196**	**165**	—	—
Exchange amount to Canadian dollars	**5,016**	**4,100**	6,386	5,141
Total NOI	**$37,142**	**$32,641**	$38,796	$33,722

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

For the three months ended September 30 (In thousands of dollars)	2021 NOI	2021 Proportionate NOI	2020 NOI	2020 Proportionate NOI
Revenue from properties				
Gross rental revenue (before vacancy and ancillary revenue)	**$24,281**	**$24,151**	$23,471	$23,346
Vacancy	**(2,217)**	**(2,207)**	(969)	(965)
Ancillary[1]	**1,004**	**998**	1,133	1,126
Revenue from properties	**23,068**	**22,942**	23,635	23,507
Property operating expenses				
Operating costs	**5,195**	**5,169**	5,249	5,226
Realty taxes	**2,457**	**2,441**	2,636	2,620
Utilities	**2,579**	**2,568**	2,597	2,586
Total property operating expenses	**10,231**	**10,178**	10,482	10,432
NOI	**$12,837**	**$12,764**	$13,153	$13,075
NOI margin	**55.6%**	**55.6%**	55.7%	55.6%

(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 September 30, 2021, NOI from the Canadian properties decreased by $316 (or 2.4%) to $12,837, compared to $13,153 in 2020. The decrease in NOI is primarily due to a decrease in revenue of $567 (or 2.4%), from increased vacancy, partially offset by higher gross rental revenue (3.5%) resulting from an increase in AMR. The increase in vacancy is due to lower leasing traffic resulting from social distancing restrictions and current economic conditions, as well as managements focus on maintaining existing rent levels at most properties within the GTA submarket. In addition, higher turnover from student tenant move-outs and prolonged vacancy at two properties impacted by university closures, which have since re-opened in September. The decrease in operating expenses of $251 (or 2.4%) was due to a decrease in operating costs of $54, lower utilities of $18 and a decrease in realty taxes of $179. The decrease in operating costs was primarily due to lower cleaning and personal protective equipment (PPE) supply costs and a decrease in bad debt expense, partially offset by an increase in insurance expense from higher premiums. The decrease in utilities was mainly due to lower consumption as well as a decrease in hydro rates, net of reduced rebates under Ontario Electricity Rebate program, partially offset by an increase in water rates. The decrease in realty taxes was due to a decrease in the assessed market value at certain properties.

For the three months ended September 30, 2021, Proportionate NOI from the Canadian properties decreased by $311 (or 2.4%) to $12,764, compared to $13,075 in 2020. The decrease in Proportionate NOI is due to a decrease in revenue of $565 (or 2.4%), from increased vacancy, partially offset by higher gross rental revenue (3.4%) resulting from an increase in AMR. In addition, a decrease in operating expenses of $254 (or 2.4%) was due to a decrease in operating costs of $57, lower utilities of $18 and a decrease in realty taxes of $179 for the same reasons described above.

The REIT's Canadian NOI margin and Proportionate NOI margin were 55.6% and 55.6%, respectively, for the three months ended September 30, 2021, compared to 55.7% and 55.6%, respectively, for the three months ended September 30, 2020. Overall, as noted above, the impact of higher vacancy was offset by an increase in AMR and a decrease in operating expenses, resulting in a consistent NOI margin.

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

For the three months ended September 30 (In thousands of U.S. dollars, unless otherwise stated)	2021 NOI	2021 Proportionate NOI	2020 NOI	2020 Proportionate NOI
Revenue from properties				
Same Property				
Gross rental revenue (before vacancy and ancillary revenue)	**$29,091**	**$30,357**	$27,830	$29,424
Vacancy	**(1,227)**	**(1,317)**	(1,703)	(2,243)
Ancillary(1)	**2,583**	**2,445**	2,803	2,749
Same Property	**30,447**	**31,485**	28,930	29,930
Acquisitions	**413**	**413**	—	—
Total revenue from properties	**30,860**	**31,898**	28,930	29,930
Property operating expenses				
Same Property				
Operating costs	**8,995**	**9,300**	8,342	8,668
Realty taxes	**957**	**5,100**	(15)	4,383
Utilities	**1,402**	**1,473**	1,346	1,373
Same Property	**11,354**	**15,873**	9,673	14,424
Acquisitions	**217**	**248**	—	—
Total property operating expenses	**11,571**	**16,121**	9,673	14,424
NOI in US dollars				
Same Property	**19,093**	**15,612**	19,257	15,506
Acquisitions	**196**	**165**	—	—
Total NOI (in US dollars)	**19,289**	**15,777**	19,257	15,506
Exchange amount to Canadian dollars	**5,016**	**4,100**	6,386	5,141
NOI (in Canadian dollars)	**$24,305**	**$19,877**	$25,643	$20,647
NOI margin (in US dollars)	**62.5%**	**49.5%**	66.6%	51.8%

(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 September 30, 2021, NOI from the U.S. properties decreased by $1,338 (or 5.2%) to $24,305, compared to $25,643 in 2020. The decrease in NOI is primarily due to a decrease in Same Property NOI of US$164 (or 0.9%), partially offset by an increase in NOI of US$196 from the REIT’s redevelopment property in Louisiana currently under initial lease-up and the change in foreign exchange rate which decreased NOI by $1,370. The Same Property NOI decrease was due to an increase in operating expenses of US$1,681 (or 17.4%), partially offset by an increase in revenue of US$1,517 (or 5.2%) from higher gross rental revenue (4.5%) resulting from an increase in AMR and lower vacancy. The increase in operating expenses is predominantly due to higher operating costs of US$653, realty taxes of US$972 and utilities of US$56. The increase in operating costs is mainly due to an increase in insurance expense from higher premiums and repairs and maintenance, partially offset by a decrease in bad debt expense. The increase in repairs and maintenance was due to higher make ready expenses from an increase in leasing activity and the average number of turnovers as well as higher common area and landscaping costs relative to 2020 where spending was reduced for non-essential repairs. The increase in realty taxes is impacted by the IFRIC 21 adjustment, an increase in the assessed market value at certain properties and tax rebate received during 2020.

For the three months ended September 30, 2021, Proportionate NOI from the U.S. properties decreased by US$770 (or 3.7%) to $19,877, compared to $20,647 in 2020. The decrease in Proportionate NOI is due to the change in foreign exchange rate which decreased NOI by $1,041, partially offset by an increase in Same Property Proportionate NOI of US$106 (or 0.7%) and an increase in Proportionate NOI of US$165 from the REIT’s redevelopment property in Louisiana currently under initial lease-up. The Same Property Proportionate NOI increase was mainly due to an increase in revenue of US$1,555 (or 5.2%) due to higher gross rental revenue (3.2%) resulting from an increase in AMR and lower vacancy, partially offset by an increase in operating expenses of US$1,449 (or 10.0%). The increase in operating expenses is predominantly due to higher operating costs of US$632, realty taxes of US$717 and utilities of US$100 for the same reasons described above.

The REIT’s U.S. NOI margin and Proportionate NOI margin were 62.5% and 49.5%, respectively, for the three months ended September 30, 2021, compared to 66.6% and 51.8%, respectively, for the three months ended

September 30, 2020. The NOI margin and Proportionate NOI margin were both impacted by a Same Property increase in operating expenses outweighing the increase in revenue. 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 nine months ended September 30 (In thousands of dollars)	2021 NOI	2021 Proportionate NOI	2020 NOI	2020 Proportionate NOI
Revenue from properties				
Same Property				
Gross rental revenue (before vacancy and ancillary revenue)	**$179,161**	**$183,920**	$182,196	$188,343
Vacancy	**(10,975)**	**(12,529)**	(8,737)	(10,254)
Ancillary	**13,054**	**12,671**	14,199	14,090
Same Property	**181,240**	**184,062**	187,658	192,179
Acquisitions	**851**	**851**	—	—
Total revenue from properties	**182,091**	**184,913**	187,658	192,179
Property operating expenses				
Same Property				
Operating costs	**47,384**	**48,380**	47,369	48,375
Realty taxes	**30,657**	**25,118**	29,864	25,015
Utilities	**13,457**	**13,704**	13,084	13,344
Same Property	**91,498**	**87,202**	90,317	86,734
Acquisitions	**894**	**853**	—	—
Total property operating expenses	**92,392**	**88,055**	90,317	86,734
NOI				
Total Same Property	**89,742**	**96,860**	97,341	105,445
Acquisitions	**(43)**	**(2)**	—	—
Total NOI	**$89,699**	**$96,858**	$97,341	$105,445
NOI margin	**49.3%**	**52.4%**	51.9%	54.9%

For the nine months ended September 30, 2021, NOI from the REIT's properties decreased by $7,642 (or 7.9%) to $89,699, compared to $97,341 in 2020. The decrease in NOI is due to a decrease in Same Property NOI of $7,599 (or 7.8%) and a decrease in NOI from the REIT's redevelopment property in Louisiana currently under initial lease-up of $43. The Same Property decrease of $7,599 is due to a decrease in Canada of $2,581 (or 6.3%), a decrease in the U.S. of US$269 (or 0.6%) and the change in foreign exchange rate which decreased NOI by $4,749.

For the nine months ended September 30, 2021, Proportionate NOI from the REIT's properties decreased by $8,587 (or 8.1%) to $96,858, compared to $105,445 in 2020. The decrease in Proportionate NOI is due to a decrease in Same Property Proportionate NOI of $8,585 (or 8.1%) and a decrease in NOI from the REIT's redevelopment property in Louisiana currently under initial lease-up of $2. The Same Property decrease of $8,585 is due to a decrease in Canada of $2,572 (or 6.3%), a decrease in the U.S. of US$868 (or 1.8%) and the change in foreign exchange rate which decreased Proportionate NOI by $5,145.

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

For the nine months ended September 30 (In thousands of dollars)	2021 NOI	2021 Proportionate NOI	2020 NOI	2020 Proportionate NOI
Same Property NOI - Canada (local currency)	**$38,467**	**$38,239**	$41,048	$40,811
Same Property NOI - U.S. (local currency)	**41,186**	**46,857**	41,455	47,725
Acquisitions (local currency)	**(32)**	**(1)**	—	—
Exchange amount to Canadian dollars	**10,078**	**11,763**	14,838	16,909
Total NOI	**$89,699**	**$96,858**	$97,341	$105,445

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

For the nine months ended September 30 (In thousands of dollars)	2021 NOI	2021 Proportionate NOI	2020 NOI	2020 Proportionate NOI
Revenue from properties				
Gross rental revenue (before vacancy and ancillary revenue)	**$72,429**	**$72,039**	$69,636	$69,263
Vacancy	**(6,258)**	**(6,231)**	(2,043)	(2,034)
Ancillary[(1)]	**3,287**	**3,269**	3,519	3,501
Revenue from properties	**69,458**	**69,077**	71,112	70,730
Property operating expenses				
Operating costs	**14,886**	**14,813**	15,012	14,943
Realty taxes	**7,595**	**7,548**	7,211	7,165
Utilities	**8,510**	**8,477**	7,841	7,811
Total property operating expenses	**30,991**	**30,838**	30,064	29,919
NOI	**$38,467**	**$38,239**	$41,048	$40,811
NOI margin	**55.4%**	**55.4%**	57.7%	57.7%

(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 nine months ended September 30, 2021, NOI from the Canadian properties decreased by $2,581 (or 6.3%) to $38,467, compared to $41,048 in 2020. The decrease in NOI is primarily due to a decrease in revenue of $1,654 (or 2.3%), from increased vacancy, partially offset by higher gross rental revenue (4.0%) resulting from an increase in AMR. The increase in vacancy is due to lower leasing traffic resulting from social distancing restrictions and current economic conditions, as well as managements focus on maintaining existing rent levels at most properties within the GTA submarket. In addition, higher turnover from student tenant move-outs and prolonged vacancy at two properties impacted by university closures, which have since re-opened in September. The increase in operating expenses of $927 (or 3.1%) was due to higher realty taxes of $384 and an increase in utilities of $669, partly offset by a decrease in operating costs of $126. The increase in realty taxes of $384 is mainly due to a successful tax appeal in 2020. The increase in utilities of $669 was mainly due to higher gas rates, partially offset by lower consumption during the first quarter of 2021 from a warmer winter. In addition, a decrease in water rate was partially offset by higher consumption due to the number of tenants who stayed indoors as part of the social distancing guidelines, as well, an increase in hydro expense was due to reduced rebates under Ontario's Electricity Rebate program, net of a decrease in hydro rates. The decrease in operating costs is due to lower repairs and maintenance expenditures from reduced non-essential spending and in-suite repairs, lower cleaning and PPE supply costs, lower bad debt expense and lower consulting fees in connection with the property tax refund noted above, which was partially offset by an increase in insurance expense from higher premiums.

For the nine months ended September 30, 2021, Proportionate NOI from the Canadian properties decreased by $2,572 (or 6.3%) to $38,239, compared to $40,811 in 2020. The decrease in Proportionate NOI is due to a decrease in revenue of $1,653 (or 2.3%), from increased vacancy, partially offset by higher gross rental revenue (4.0%) resulting from an increase in AMR. In addition, an increase in operating expenses of $919 (or 3.1%) was due to higher realty taxes of $383 and utilities of $666, partly offset by a decrease in operating costs of $130 for the same reasons described above.

The REIT's Canadian NOI margin and Proportionate NOI margin were 55.4% and 55.4%, respectively, for the nine months ended September 30, 2021, compared to 57.7% and 57.7%, respectively, for the nine months ended September 30, 2020. Overall, as noted above, the decrease in revenue primarily due to increased vacancy, net of higher AMR, and an increase in operating expenses contributed to the decrease in NOI margin.

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

For the nine months ended September 30 (In thousands of U.S. dollars, unless otherwise stated)	2021 NOI	2021 Proportionate NOI	2020 NOI	2020 Proportionate NOI
Revenue from properties				
Same Property				
Gross rental revenue (before vacancy and ancillary revenue)	**$85,276**	**$89,386**	$83,133	$87,948
Vacancy	**(3,768)**	**(5,024)**	(4,946)	(6,077)
Ancillary[(1)]	**7,808**	**7,517**	7,905	7,835
Same Property	**89,316**	**91,879**	86,092	89,706
Acquisitions	**680**	**680**	—	—
Total revenue from properties	**89,996**	**92,559**	86,092	89,706
Property operating expenses				
Same Property				
Operating costs	**25,968**	**26,821**	23,922	24,715
Realty taxes	**18,212**	**14,029**	16,843	13,182
Utilities	**3,950**	**4,172**	3,872	4,084
Same Property	**48,130**	**45,022**	44,637	41,981
Acquisitions	**712**	**681**	—	—
Total property operating expenses	**48,842**	**45,703**	44,637	41,981
NOI (in U.S. dollars)				
Same Property	**41,186**	**46,857**	41,455	47,725
Acquisitions	**(32)**	**(1)**	—	—
Total NOI (in U.S. dollars)	**41,154**	**46,856**	41,455	47,725
Exchange amount to Canadian dollars	**10,078**	**11,763**	14,838	16,909
NOI (in Canadian dollars)	**$51,232**	**$58,619**	$56,293	$64,634
NOI margin (in U.S. dollars)	**45.7%**	**50.6%**	48.2%	53.2%

(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 nine months ended September 30, 2021, NOI from the U.S. properties decreased by $5,061 (or 9.0%) to $51,232, compared to $56,293 in 2020. The decrease in NOI is due to a decrease in Same Property NOI of US$269 (or 0.6%), a decrease in NOI of US$32 from the REIT's redevelopment property in Louisiana currently under initial lease-up and the change in foreign exchange rate which decreased NOI by $4,760. The Same Property NOI decrease was due to an increase in operating expenses of US$3,493 (or 7.8%), partially offset by an increase in revenue of US$3,224 (or 3.7%) from higher gross rental revenue (2.6%) resulting from an increase in AMR and lower vacancy, partially offset by an increase in amortized rent concessions. The increase in operating expenses is due to higher operating costs of US$2,046, realty taxes of US$1,369 and utilities of US$78. The increase in operating costs is mainly due to an increase in insurance expense from higher premiums, repairs and maintenance, bad debt expense and marketing costs, partially offset by lower payroll due to the timing of vacant positions being filled. The increase in realty taxes is due to a higher IFRIC 21 adjustment, an increase in the assessed market value at certain properties and a tax rebate received during 2020. The increase in repairs and maintenance was due to higher make ready expenses from an increase in leasing activity and the average number of turnovers as well as higher common area and landscaping costs relative to 2020 where spending was reduced for non-essential repairs.

For the nine months ended September 30, 2021, Proportionate NOI from the U.S. properties decreased by $6,015 (or 9.3%) to $58,619, compared to $64,634 in 2020. The decrease in Proportionate NOI is due to a decrease in Same Property Proportionate NOI of US$868 (or 1.8%), a decrease in Proportionate NOI of US$1 from the REIT's redevelopment property in Louisiana currently under initial lease-up and the change in foreign exchange rate which decreased NOI by $5,146. The Same Property decrease was mainly due to an increase in operating expenses of US$3,041 (or 7.2%), partially offset by an increase in revenue of US$2,173 (or 2.4%) from higher gross rental revenue (1.6%) resulting from an increase in AMR and lower vacancy. The increase in operating expenses is due to higher realty taxes of US$847 due to an increase in the assessed market value at certain properties and a tax rebate received during 2020, and higher operating costs of US$2,106 and utilities of US$88 for the same reasons described above.

The REIT's U.S. NOI margin and Proportionate NOI margin were 45.7% and 50.6%, respectively, for the nine months ended September 30, 2021, compared to 48.2% and 53.2%, respectively, for the nine months ended September 30, 2020. The NOI margin was impacted by a Same Property increase in operating expenses outweighing the increase in revenue, as well the NOI from the REIT's redevelopment property in Louisiana currently under initial lease-up had a negative impact. In addition, the NOI margin was impacted by accounting for realty taxes under IFRIC 21. Proportionate NOI margin was impacted by a decrease in revenue and higher operating expenses at the REIT's two equity-accounted properties.

INTEREST EXPENSE

Interest expense consists of the following:

	Three months ended September 30		Nine months ended September 30	
(In thousands of dollars)	**2021**	2020	**2021**	2020
Interest on mortgages	**$9,587**	$10,164	**$28,528**	$30,748
Distributions on Class C LP Units - interest	**736**	779	**2,234**	2,346
Interest on mortgages and Retained Debt	**10,323**	10,943	**30,762**	33,094
Distributions on Class C LP Units - tax payment	**146**	144	**437**	430
Interest on convertible debentures	**976**	965	**2,878**	2,878
Interest on lease liability	**108**	114	**321**	347
Amortization of deferred financing costs	**577**	642	**1,829**	1,954
Amortization of deferred financing costs on convertible debentures	**174**	168	**518**	484
Fair value loss (gain) on conversion option on the convertible debentures	**(20)**	(194)	**175**	(2,662)
Interest expense before distributions on Class B LP Units	**12,284**	12,782	**36,920**	36,525
Distributions on Class B LP Units	**3,012**	3,012	**9,037**	9,037
	$15,296	$15,794	**$45,957**	$45,562

Total interest expense decreased by $498 during the three months ended September 30, 2021, to $15,296, compared to $15,794 in 2020. The decrease is predominantly due to a decrease in interest on mortgages and Retained Debt of $620, partly offset by a decrease in the non-cash fair value gain on the convertible debentures' conversion option of $174. The strengthening of the Canadian dollar decreased interest expense on U.S. mortgages by $419.

Total interest expense increased by $395 during the nine months ended September 30, 2021, to $45,957, compared to $45,562 in 2020. The increase is predominantly due to a decrease in the non-cash fair value gain on the convertible debentures' conversion option of $2,837, partially offset by a decrease in interest on mortgages and Retained Debt of $2,332. The strengthening of the Canadian dollar decreased interest expense on U.S. mortgages by $1,781.

Morguard retained the mortgages and deferred financing costs (the "Retained Debt") on four Canadian properties, that were sold to the REIT. Morguard remains responsible for the interest and principal payments on the Retained Debt, and the Retained Debt is secured by charges on the four properties. In consideration of the Retained Debt, Morguard received Class C LP Units on which distribution payments are made in an amount sufficient to permit Morguard to satisfy amounts payable with respect to principal and interest of the Retained Debt and the tax payment that is 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 nine months ended September 30, 2021, amounted to $882 (2020 - $923) and $2,671 (2020 - $2,776), respectively.

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 nine months ended September 30, 2021 amounted to $3,012 (2020 - $3,012) and $9,037 (2020 - $9,037), respectively.

TRUST EXPENSES

Trust expenses consist of the following:

	Three months ended September 30		Nine months ended September 30	
(In thousands of dollars)	**2021**	2020	**2021**	2020
Asset management fees and distributions	**$2,987**	$2,922	**$8,788**	$9,712
Professional fees	**276**	287	**673**	870
Public company expenses	**191**	166	**572**	525
Other	**160**	253	**519**	552
	$3,614	$3,628	**$10,552**	$11,659

Trust expenses decreased by $14 during the three months ended September 30, 2021, to $3,614, compared to $3,628 in 2020, and decreased by $1,107 during the nine months ended September 30, 2021, to $10,552, compared to $11,659 in 2020. The decrease during the three months ended September 30, 2021 is predominantly due to lower other trust expenses. The decrease during the nine months ended September 30, 2021 is predominantly due to lower asset management fees and distributions, resulting from a decrease in incentive distributions from lower FFO, partially offset by an increase in gross book value (see Part VI, “Related Party Transactions”).

EQUITY LOSS (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 September 30, 2021, was $330 and included a non-cash fair value loss of $812 and an IFRIC 21 adjustment of $609. For the three months ended September 30, 2020, equity loss from investment was $4,109 and included a non-cash fair value loss of $5,811 and an IFRIC 21 adjustment of $856. Excluding the impact of IFRIC 21, NOI decreased by $434, predominantly due to a decrease in revenue from lower AMR and an increase in realty taxes, as well as the impact of foreign exchange, partially offset by a decrease in vacancy.

Equity income from investment for the nine months ended September 30, 2021, was $1,817 and included a non-cash fair value gain of $1,664 and an IFRIC 21 expense adjustment of $1,181. For the nine months ended September 30, 2020, equity loss from investment was $2,546 and included a non-cash fair value loss of $5,362 and an IFRIC 21 expense adjustment of $847. Excluding the impact of IFRIC 21, NOI decreased by $2,756, predominantly due to a decrease in revenue from lower AMR, an increase in amortized rent concession and an increase in realty taxes, as well as the impact of foreign exchange.

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 September 30, 2021, the REIT’s foreign exchange gain amounted to $28 (2020 - loss of $446) and for the nine months ended September 30, 2021, the REIT’s foreign exchange loss amounted to $10 (2020 - gain of $517), which is mainly the result of the fluctuation of the Canadian dollar against the United States dollar as at September 30, 2021, when compared to December 31, 2020.

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 September 30, 2021, other expense amounted to $58 (2020 - $460) and for the nine months ended September 30, 2021, other expense amounted to $125 (2020 - income of $632). The decrease in other expense for the three months ended September 30, 2021 was predominantly due to a prior year non-recurring write-off of unrecoverable prepaid insurance premiums related to property dispositions. The decrease in other income for the nine months ended September 30, 2021 was predominantly due to a wage subsidy received during 2020, net of an increase in interest expense on the Morguard Facility and the non-recurring write-off noted above.

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 September 30, 2021, the REIT recognized a net fair value gain of $96,310 (2020 - $41,141). The fair value gain comprises $14,486 at the REIT's Canadian properties and $81,824 at the U.S. properties as a result of an increase in stabilized NOI, net of a $4,901 adjustment on realty taxes accounted for under IFRIC 21.

For the nine months ended September 30, 2021, the REIT recognized a net fair value gain of $155,767 (2020 - $74,228). The fair value gain comprises $31,304 at the REIT's Canadian properties and $124,463 at the U.S. properties as a result of an increase in stabilized NOI, and a $6,372 adjustment on realty taxes accounted for under IFRIC 21.

FAIR VALUE GAIN (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 September 30, 2021, 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 $294,343 (December 31, 2020 - $274,708) (see Part V, "Capital Structure and Debt Profile").

The REIT recognized a fair value loss for the three and nine months ended September 30, 2021 of $4,995 (2020 - gain of $1,550) and $19,635 (2020 - gain of $68,720), respectively. The fair value gain for the nine months ended September 30, 2020 was due to a decline in Unit price resulting from the impact the global health crisis had on the stock market during the first quarter of 2020. 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.

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 nine months ended September 30, 2021, the REIT recorded current tax expense of $31 (2020 - $30) and $94 (2020 - $98), respectively.

For the three and nine months ended September 30, 2021, the REIT recorded deferred tax expense for U.S. federal and state taxes associated with the U.S. subsidiaries of $23,162 (2020 - $3,548) and $36,592 (2020 - $11,677), 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 September 30		Nine months ended September 30	
(In thousands of dollars)	**2021**	2020	**2021**	2020
Current	**$31**	$30	**$94**	$98
Deferred	**23,162**	3,548	**36,592**	11,677
Provision for income taxes	**$23,193**	$3,578	**$36,686**	$11,775

As at September 30, 2021, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$34,067 (December 31, 2020 - 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.

As at September 30, 2021, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$27,042 (December 31, 2020 - US$15,256) of which deferred tax assets were recognized. The net operating losses can be carried forward indefinitely.

As at September 30, 2021, the REIT’s U.S. subsidiaries have a total of US$7,020 (December 31, 2020 - US$2,201) of unutilized interest expense deductions on which deferred tax assets were recognized.

FUNDS FROM OPERATIONS

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

(In thousands of dollars, except per Unit amounts)	Three months ended September 30 2021	Three months ended September 30 2020	Nine months ended September 30 2021	Nine months ended September 30 2020
Net income for the period attributable to Unitholders	**$83,704**	$51,908	**$129,478**	$167,979
Add/(deduct):				
Realty taxes accounted for under IFRIC 21[(1)]	**(5,053)**	(5,848)	**6,751**	5,955
Fair value loss (gain) on conversion option on the convertible debentures	**(20)**	(194)	**175**	(2,662)
Distributions on Class B LP Units recorded as interest expense[(2)]	**3,012**	3,012	**9,037**	9,037
Foreign exchange loss (gain)	**(28)**	446	**10**	(517)
Fair value gain on real estate properties, net[(3)]	**(95,498)**	(35,330)	**(157,431)**	(68,866)
Non-controlling interests' share of fair value gain (loss) on real estate properties	**1,879**	93	**3,653**	(367)
Fair value loss (gain) on Class B LP Units	**4,995**	(1,550)	**19,635**	(68,720)
Deferred income tax provision	**23,162**	3,548	**36,592**	11,677
FFO - basic	**$16,153**	$16,085	**$47,900**	$53,516
Interest expense on the convertible debentures	**976**	965	**2,878**	2,878
FFO - diluted	**$17,129**	$17,050	**$50,778**	$56,394
FFO per Unit - basic	**$0.29**	$0.29	**$0.85**	$0.95
FFO per Unit - diluted	**$0.28**	$0.28	**$0.84**	$0.94
Weighted average number of Units outstanding (in thousands):				
Basic[(4)]	**56,271**	56,227	**56,260**	56,217
Diluted[(4) (5)]	**60,504**	60,460	**60,493**	60,450

(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 September 30, 2021, increased by $68 (or 0.4%) to $16,153 ($0.29 per Unit), compared to $16,085 ($0.29 per Unit) in 2020. The increase is mainly due to a decrease in interest expense of $709 (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 a decrease in other expense of $402, primarily due to a non-recurring write-off during 2020, partially offset by lower Proportionate NOI of $1,081.

Basic FFO per Unit for the three months ended September 30, 2021, was $0.29 per Unit, consistent compared to $0.29 per Unit in 2020 due to the following factors:

i) On a Same Property Proportionate Basis, in local currency, a slight decrease in NOI offset a decrease in interest expense resulting in a $nil per Unit impact, and a change in the foreign exchange rate had a $0.01 per Unit negative impact; and
ii) the decrease in other expense was largely a result of a non-recurring write-off during 2020 had a $0.01 per Unit positive impact.

Basic FFO for the nine months ended September 30, 2021, decreased by $5,616 (or 10.5%) to $47,900 ($0.85 per Unit), compared to $53,516 ($0.95 per Unit) in 2020. The decrease is mainly due to lower Proportionate NOI of $8,587 and a decrease in other income of $757, primarily from a wage subsidy received during 2020, net of an increase in interest expense on the Morguard Facility and the non-recurring write-off during 2020 noted above, were partially offset by a decrease in interest expense of $2,572 (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 a decrease in trust expenses of $1,152 (calculated on a Proportionate Basis).

Basic FFO for the nine months ended September 30, 2020, includes $493 from a successful property tax appeal, net of consulting fees.

Basic FFO per Unit for the nine months ended September 30, 2021, decreased by $0.10 to $0.85 per Unit, compared to $0.95 per Unit in 2020 due to the following factors:

i) On a Same Property Proportionate Basis, in local currency, a decrease in NOI from increased vacancy, partly offset by a decrease in interest expense and trust expenses had a $0.035 per Unit negative impact, of which a successful property tax appeal in 2020 impacted FFO per Unit by $0.01, and a change in the foreign exchange rate had a $0.06 per Unit negative impact; and
ii) a decrease in other income due to a wage subsidy received during 2020, partially offset by a non-recurring write-off during 2020 had a $0.005 per Unit negative impact.

DISTRIBUTIONS

The Trustees have discretion with respect to the timing and amounts of distributions. For the three and nine months ended September 30, 2021, total distributions amounted to $9,841 (2020 - $9,834) and $29,520 (2020 - $29,498), respectively.

Three months ended September 30 (In thousands of dollars)	Units 2021	Class B LP Units 2021	Total 2021	Units 2020	Class B LP Units 2020	Total 2020
Distributions paid and declared	**$6,629**	**$3,012**	**$9,641**	$6,659	$3,012	$9,671
Distributions – DRIP	**200**	**—**	**200**	163	—	163
Total	**$6,829**	**$3,012**	**$9,841**	$6,822	$3,012	$9,834

Nine months ended September 30 (In thousands of dollars)	Units 2021	Class B LP Units 2021	Total 2021	Units 2020	Class B LP Units 2020	Total 2020
Distributions paid and declared	**$19,932**	**$9,037**	**$28,969**	$19,994	$9,037	$29,031
Distributions – DRIP	**551**	**—**	**551**	467	—	467
Total	**$20,483**	**$9,037**	**$29,520**	$20,461	$9,037	$29,498

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 September 30, 2021	Nine months ended September 30, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Net income	**$86,654**	**$134,318**	$166,805	$80,128
Cash provided by operating activities	**11,326**	**46,250**	50,128	62,483
Distributions - Units(1)	**$6,829**	**$20,483**	$27,285	$24,527
Excess of net income over distributions	**$79,825**	**$113,835**	$139,520	$55,601
Excess of cash provided by operating activities over distributions	**$4,497**	**$25,767**	$22,843	$37,956

(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 nine months ended September 30, 2021, includes net income of $73,384 and $94,985, respectively, of non-cash components relating to a fair value gain on real estate properties, fair value gain (loss) on Class B LP Units, an IFRIC 21 adjustment to realty taxes, equity income (loss) from investments 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)	September 30, 2021	December 31, 2020
Canadian Properties		
Alberta	**$56,600**	$57,200
Ontario	**1,394,610**	1,356,850
Total Canadian Properties	**1,451,210**	1,414,050
U.S. Properties (in US dollars)		
Colorado	**101,800**	90,200
Texas	**158,600**	152,500
Louisiana	**54,900**	52,200
Illinois	**208,400**	208,500
Georgia	**137,800**	118,910
Florida	**446,200**	395,320
North Carolina	**148,500**	134,660
Virginia	**48,700**	47,200
	1,304,900	1,199,490
Impact of realty taxes accounted for under IFRIC 21	**4,882**	—
Total U.S. Properties (in US dollars)	**1,309,782**	1,199,490
Exchange amount to Canadian dollars	**359,011**	327,701
Total U.S. Properties (in Canadian dollars)	**1,668,793**	1,527,191
Total real estate properties	**$3,120,003**	$2,941,241

The value of real estate properties increased by $178,762 as at September 30, 2021, to $3,120,003, compared to $2,941,241 at December 31, 2020. The increase is mainly the result of the following:

- A net fair value gain on real estate properties of $155,767;
- Capitalization of property enhancements of $19,282; and
- An increase of $3,269 due to the change in U.S. dollar foreign exchange rate.

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. As a result, 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 September 30, 2021, and December 31, 2020, 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 September 30, 2021, using the direct capitalization income approach, the properties were valued using capitalization rates in the range of 3.8% to 6.8% (December 31, 2020 - 3.8% to 6.8%), resulting in an overall weighted average capitalization rate of 4.5% (December 31, 2020 - 4.5%).

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

	September 30, 2021 Capitalization Rates			December 31, 2020 Capitalization Rates		
	Max.	**Min.**	**Weighted Average**	Max.	Min.	Weighted Average
Canada						
Alberta	**5.0%**	**5.0%**	**5.0%**	5.0%	5.0%	5.0%
Ontario	**4.5%**	**3.8%**	**3.9%**	4.5%	3.8%	3.9%
United States						
Colorado	**5.0%**	**5.0%**	**5.0%**	5.3%	5.3%	5.3%
Texas	**5.3%**	**5.0%**	**5.0%**	5.3%	5.0%	5.0%
Louisiana	**6.8%**	**5.5%**	**6.0%**	6.8%	5.5%	6.0%
Illinois(1)	**4.8%**	**4.5%**	**4.6%**	4.8%	4.5%	4.6%
Georgia	**5.5%**	**5.0%**	**5.4%**	5.5%	5.0%	5.4%
Florida	**6.5%**	**4.8%**	**5.5%**	6.5%	4.8%	5.5%
North Carolina	**5.3%**	**5.0%**	**5.1%**	5.3%	5.0%	5.1%
Virginia	**4.8%**	**4.8%**	**4.8%**	4.8%	4.8%	4.8%
Maryland(1)	**4.5%**	**4.5%**	**4.5%**	4.5%	4.5%	4.5%

(1) 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 September 30, 2021, would decrease by $163,046 or increase by $182,502, 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.

During 2020 and 2021, 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.

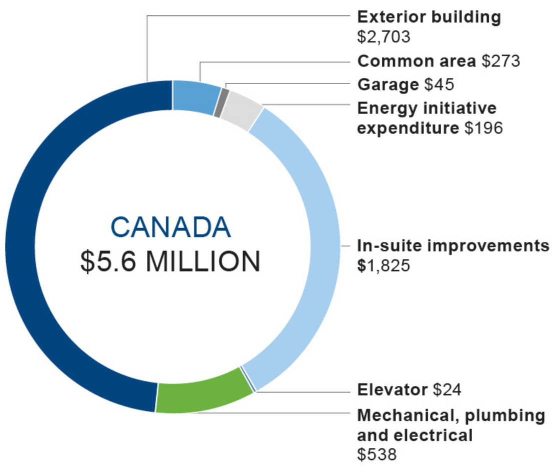
The following table provides additional details on total capital expenditures over the following periods:

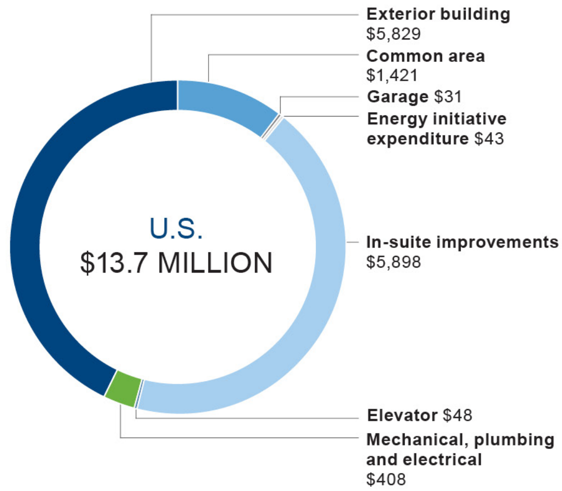
(In thousands of dollars)	Nine months ended September 30 2021	2020	Year ended December 31 2020	2019
Common area	**$1,694**	$1,996	$2,878	$6,389
Mechanical, plumbing and electrical	**946**	1,096	1,674	3,959
Exterior building	**8,532**	4,538	6,806	4,782
Garage	**76**	152	360	752
Elevator	**72**	632	961	105
Energy initiative expenditure	**239**	1,096	1,569	3,044
In-suite improvements	**7,723**	5,920	7,865	11,597
Total capital expenditures	**$19,282**	$15,430	$22,113	$30,628

Capital Expenditures by Region

The following details total capital expenditures by region:

For the nine months ended September 30, 2021
(In thousands of dollars)





EQUITY-ACCOUNTED INVESTMENTS

The following are the REIT's equity-accounted investments as at September 30, 2021, and December 31, 2020:

Property	Place of Business	Investment Type	Ownership September 30, 2021	Ownership December 31, 2020	Carrying Value September 30, 2021	Carrying Value December 31, 2020
The Fenestra	Rockville, MD	Joint Venture	**50%**	50%	**$41,538**	$40,671
Marquee at Block 37	Chicago, IL	Joint Venture	**50%**	50%	**54,177**	52,334
					$95,715	$93,005

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)	September 30, 2021	December 31, 2020
Balance, beginning of period	**$93,005**	$106,521
Additions	**877**	—
Distributions received	**(125)**	(1,780)
Share of net income (loss)	**1,817**	(9,869)
Foreign exchange gain (loss)	**141**	(1,867)
Balance, end of period	**$95,715**	$93,005

PART V

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

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, collectibility 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 September 30		Nine months ended September 30	
(In thousands of dollars)	**2021**	2020	**2021**	2020
Cash provided by operating activities	**$11,326**	$11,681	**$46,250**	$40,952
Cash used in investing activities	**(7,987)**	(6,762)	**(20,159)**	(20,613)
Cash used in financing activities	**(1,055)**	(1,550)	**(32,871)**	(3,193)
Net increase (decrease) in cash during the period	**2,284**	3,369	**(6,780)**	17,146
Net effect of foreign currency translation on cash balance	**172**	(98)	**2**	(279)
Cash, beginning of the period	**18,070**	31,344	**27,304**	17,748
Cash, end of period	**$20,526**	$34,615	**$20,526**	$34,615

Three months ended September 30, 2021 and 2020

Cash Provided by Operating Activities

Cash provided by operating activities during the three months ended September 30, 2021, was $11,326, compared to $11,681 in 2020. The change during the period mainly relates to a decrease in non-cash operating assets and liabilities of $731, a decrease in NOI (excluding IFRIC 21 adjustment) of $957, an increase in additions to tenant incentives of $339, partially offset by a decrease in interest expense of $615, a decrease in foreign exchange loss of $474 and a decrease in other expense of $402.

Cash Used in Investing Activities

Cash used in investing activities during the three months ended September 30, 2021, totalled $7,987, compared to $6,762 during the same period in 2020. Cash used in investing activities during the period consists of the capitalization of property enhancements of $7,354 and contributions to equity-accounted investments of $633.

Cash Used in Financing Activities

Cash used in financing activities during the three months ended September 30, 2021, was $1,055, compared to $1,550 during the same period in 2020. The cash used in financing activities during the period was largely due to mortgage principal instalment repayments of $6,884, distributions paid to Unitholders of $6,629, an increase in restricted cash of $326 and distributions to non-controlling interest of $216, partially offset by proceeds from the Morguard Facility of $13,000.

Nine months ended September 30, 2021 and 2020

Cash Provided by Operating Activities

Cash provided by operating activities during the nine months ended September 30, 2021, was $46,250, compared to $40,952 in 2020. The change during the period mainly relates to an increase in non-cash operating assets and liabilities of $10,767, a decrease in interest expense of $2,358 and a decrease in trust expenses of

$1,107, partially offset by a decrease in NOI (excluding IFRIC 21 adjustment) of $6,977, an increase in additions to tenant incentives of $852, a decrease in other income of $757 and a decrease in foreign exchange gain of $527.

Cash Used in Investing Activities
Cash used in investing activities during the nine months ended September 30, 2021, totalled $20,159, compared to $20,613 during the same period in 2020. The cash used in investing activities during the period consists of the capitalization of property enhancements of $19,282 and contributions to equity-accounted investments of $877.

Cash Used in Financing Activities
Cash used in financing activities during the nine months ended September 30, 2021, totalled $32,871, compared to $3,193 during the same period in 2020. The cash used in financing activities during the period was largely due to distributions paid to Unitholders of $19,930, mortgage principal instalment repayments of $19,378, an increase in restricted cash of $1,508 and distributions to non-controlling interest of $1,003, partially offset by the net proceeds from the Morguard Facility of $8,948.

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.

The total managed capital of the REIT is summarized below:

As at (In thousands of dollars)	September 30, 2021	December 31, 2020
Mortgages payable, principal balance	**$1,119,497**	$1,135,377
Class C LP Units and present value of tax payment, principal balance	**81,510**	84,128
Convertible debentures, face value	**85,500**	85,500
Morguard Facility	**15,445**	6,600
Lease liability	**9,110**	9,103
Class B LP Units	**294,343**	274,708
Unitholders' equity	**1,382,038**	1,270,129
Total capitalization	**$2,987,443**	$2,865,545

DEBT PROFILE

As at September 30, 2021, the overall leverage, as represented by the ratio of total indebtedness to gross book value was 40.2%. 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	September 30, 2021	December 31, 2020
Total indebtedness to gross book value	**40.2%**	42.8%
Weighted average mortgage interest rate(1)	**3.45%**	3.45%
Weighted average term to maturity on mortgages payable (years)	**4.1**	4.8

(1) Represents the contractual interest rates on mortgages payable and Class C LP Units.

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Interest coverage ratio (1) (2)	**2.32**	2.24	**2.32**	2.35
Indebtedness coverage ratio (1) (3)	**1.49**	1.53	**1.52**	1.60

(1) Excludes realty taxes accounted for under IFRIC 21, which are adjusted on a *pro rata* basis over the entire fiscal year.
(2) Interest coverage ratio is defined as net income before equity loss (income) from investments, interest expense, income taxes, fair value adjustments, foreign exchange loss (gain) and the impact of realty taxes accounted for under IFRIC 21, divided by interest expense excluding distributions on Class B LP Units and fair value adjustments but including interest on the convertible debentures.
(3) Indebtedness coverage ratio is defined as net income before equity loss (income) from investments, interest expense, income taxes, fair value adjustments, foreign exchange loss (gain), and the impact of realty taxes accounted for under IFRIC 21, divided by interest expense including the contractual payments on mortgages payable and Class C LP Units and interest on the convertible debentures and excluding distributions on Class B LP Units and any fair value adjustments.

MORTGAGES PAYABLE AND CLASS C LP UNITS

Mortgages payable and Class C LP Units consist of the following:

As at	September 30, 2021			December 31, 2020
	Mortgages Payable	Class C LP Units	Total	Mortgages Payable and Class C LP Units
Principal balance of mortgages	**$1,119,497**	**$72,362**	**$1,191,859**	$1,210,463
Deferred financing costs	**(8,242)**	**—**	**(8,242)**	(10,080)
Present value of tax payment on Class C LP Units	**—**	**9,148**	**9,148**	9,042
	$1,111,255	**$81,510**	**$1,192,765**	$1,209,425
Range of interest rates	**2.03−4.11%**	**3.97%**	**2.03−4.11%**	2.03−4.11%
Weighted average interest rate	**3.42%**	**3.97%**	**3.45%**	3.45%
Weighted average term to maturity (years)	**4.4**	**0.1**	**4.1**	4.8
Fair value of mortgages and Class C LP Units	**$1,165,362**	**$73,028**	**$1,238,390**	$1,292,168

As at September 30, 2021, the principal balance on the mortgages payable and Class C LP Units totalled $1,191,859 (December 31, 2020 - $1,210,463) and the deferred financing costs associated with the mortgages and Class C LP Units amounted to $8,242 (December 31, 2020 - $10,080).

The carrying value of the Class C LP Units that were issued to Morguard in consideration for the Retained Debt (see Part III, "Review of Operational Results") includes the present value of the tax payments, which have been estimated to amount to $9,148 as at September 30, 2021 (December 31, 2020 - $9,042).

Mortgages payable and Class C LP Units decreased by $16,660 as at September 30, 2021, to $1,192,765, compared to $1,209,425 at December 31, 2020. The decrease is mainly due to the following:

- Scheduled principal repayments of $19,378;
- An increase of $452 due to the change in U.S. dollar foreign exchange rate; and
- Amortization of deferred financing cost and the present value adjustment of tax liability on Class C LP Units, totalling $2,266.

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.

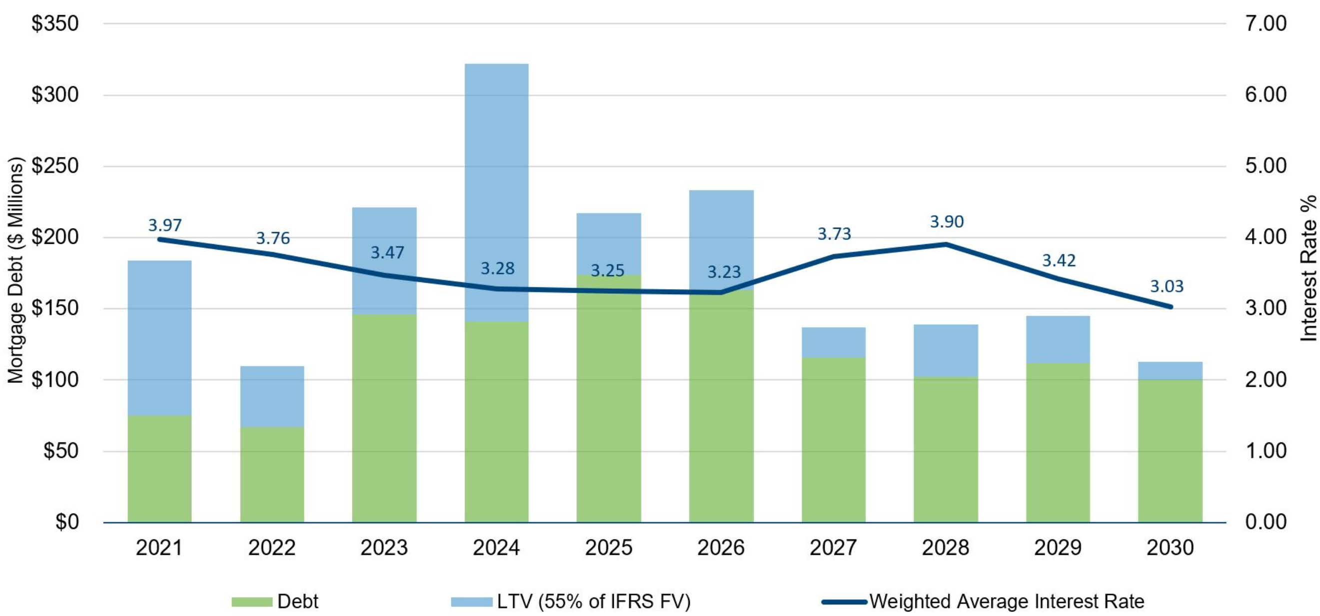
Short-term fluctuations in working capital are funded through the Morguard Facility. The REIT anticipates meeting all future obligations and has no off balance sheet financing arrangements.

The following table details the REIT's mortgages and Class C LP Units that are scheduled to mature in the next two years.

	2021				2022			
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	4	$74,485	3.97%	22.3%	—	$—	—%	—%
U.S.	—	—	—%	—%	3	67,270	3.76%	33.4%
	4	**$74,485**	**3.97%**	**22.3%**	**3**	**$67,270**	**3.76%**	**33.4%**

As at September 30, 2021, the following table illustrates the REIT's mortgages and Class C LP Units (including equity-accounted investments at the REIT's interest), along with the IFRS fair value (at a loan-to-value of 55%) secured against the mortgages by year of maturity:

As at September 30, 2021



CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

(In thousands of dollars)	September 30, 2021	December 31, 2020
4.50% convertible unsecured subordinated debentures	**$85,223**	$85,223
Fair value of conversion option	**1,752**	1,577
Unamortized financing costs	**(1,117)**	(1,635)
	$85,858	$85,165

For the three and nine months ended September 30, 2021, interest on the convertible debentures amounting to $976 (2020 - $965) and $2,878 (2020 - $2,878), respectively, are 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 September 30, 2021, and December 31, 2020, $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, 2021 to March 31, 2022, the 2018 Debentures will be redeemable, in whole at any time or in part from time to time, at the option of the REIT on not more than 60 days' and not less than 30 days' prior written notice at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption provided that the volume-weighted average trading price 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 (the "Current Market Price") is not less than 125% of the conversion price. 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 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 or at the United States dollar London Interbank Offered Rate (LIBOR) plus 1.7%. The maximum allowable to be borrowed or advanced under the Morguard Facility is $100,000.

As at September 30, 2021, the total amount payable under the Morguard Facility was $15,445, comprising an amount payable of $7,800 and US$6,000. As at December 31, 2020, the amount payable under the Morguard Facility was $6,600.

During the three and nine months ended September 30, 2021, the REIT incurred net interest expense of $59 (2020 - net interest income of $73) and $152 (2020 - net interest income of $254), 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, 2019, to September 30, 2021:

Issued and Fully Paid Units (In thousands, except Unit amounts)	Units	Amount
Balance, December 31, 2019	38,979,702	$468,585
Units issued under DRIP	40,125	625
Balance, December 31, 2020	39,019,827	469,210
Units issued under DRIP	**33,380**	**551**
Balance, September 30, 2021	**39,053,207**	**$469,761**

NORMAL COURSE ISSUER BIDS

On January 5, 2021, the REIT obtained the approval of the TSX under its normal course issuer bid to purchase up to 2,955,913 Units, being approximately 10% of the public float of outstanding Units; the program expires on January 7, 2022. The daily repurchase restriction for the Units is 13,807. Additionally, the REIT may purchase up to $8,048 principal amount of the 2018 Debentures, being 10% 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 nine months ended September 30, 2021 and 2020.

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 nine months ended September 30, 2021, the REIT issued 33,380 Units under the DRIP (year ended December 31, 2020 - 40,125 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 September 30, 2021, 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 $294,343 (December 31, 2020 - $274,708) and a corresponding fair value loss for the three months ended September 30, 2021 of $4,995 (2020 - gain of $1,550) and the nine months ended September 30, 2021 of $19,635 (2020 - gain of $68,720). For the three and nine months ended September 30, 2021, distributions on Class B LP Units amounting to $3,012 (2020 - $3,012) and $9,037 (2020 - $9,037), respectively, are included in interest expense.

As at September 30, 2021, 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 September 30, 2021, there were 39,053,207 Units and 17,223,090 exchangeable Class B LP Units issued and outstanding.

As at October 26, 2021, there were 39,056,867 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 nine months ended September 30, 2021 amounted to $2,270 (2020 - $2,274) and $6,649 (2020 - $6,905), respectively, and are included in property operating costs and equity income (loss) 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 nine months ended September 30, 2021 amounted to $3,138 (2020 - $3,096) and $9,236 (2020 - $10,226), respectively, and are included in trust expenses and equity income (loss) 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 nine months ended September 30, 2021 and 2020.

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 nine months ended September 30, 2021 amounted to $nil (2020 - $nil) and $nil (2020 - $37), respectively, have been capitalized to deferred financing costs.

Development

Pursuant to the Agreements, Morguard's affiliates are entitled to receive partnership fees equal to 1.00% of development costs where such costs exceed $1,000 and are incurred in connection with: (i) the construction, enlargement or reconstruction of any building, erection, plant, equipment or improvement on a property; or (ii) any refurbishing, additions, upgrading or restoration of or renovations to existing buildings, erections, plant, equipment or improvements, including redevelopments, other than repair and maintenance in the ordinary course of business. Fees relating to development services for the three and nine months ended September 30, 2021, amounted to $nil (2020 - $10) and $nil (2020 - $39), respectively, and are included in property under development.

Other Services

As at September 30, 2021, the REIT had its portfolio appraised by Morguard's appraisal division. Fees relating to appraisal services for the three and nine months ended September 30, 2021, amounted to $52 (2020 - $49) and $158 (2020 - $149), 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 nine months ended September 30, 2021 and 2020, 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, 2020, 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, 2020, 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 September 30, 2021, 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, 2020.

At this time, the duration and impact of the outbreak of COVID-19 is unknown, as is the effectiveness of the government and central bank interventions. Any estimate of the length and severity of these measures are therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect the REIT’s operations, financial results and condition in future periods are also subject to significant uncertainty. Management believes it is currently not possible to estimate the long-term impacts the outbreak of COVID-19 will have in determining estimates of fair market value for the REIT’s income producing properties, investments in joint arrangements and the valuation of financial instruments. In a long-term scenario, the significant assumptions used in the assessment of fair value and impairment, including estimates of capitalization rates and stabilized net operating income could potentially be impacted, which ultimately impact the underlying valuation of the REIT’s real estate properties and equity-accounted investments.

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 and Class C LP Units, 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 and Class C LP Units, 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 values of the mortgages payable and Class C LP Units have been determined by discounting the cash flows of these financial obligations using September 30, 2021, market rates for debts of similar terms. Based on these assumptions, as at September 30, 2021, the fair values of the mortgages payable and Class C LP Units before deferred financing costs and present value of tax payment are estimated at $1,165,362 and $73,028 (December 31, 2020 - $1,215,688 and $76,480), respectively. The fair values of the mortgages payable and Class C LP Units vary from their carrying values 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 September 30, 2021, the fair value of the convertible debentures before deferred financing costs has been estimated at $88,920 (December 31, 2020 - $88,339), compared with the carrying value of $85,223 (December 31, 2020 - $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, 2020 and in the Risks and Uncertainties section of the latest Annual Information Form dated, February 16, 2021.

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.

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 nine months ended September 30, 2021. 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 nine months ended September 30, 2021.

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]
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
June 30, 2020	63,202	41,255	19,324	19,629	0.35	0.34
March 31, 2020	62,297	17,290	18,107	96,442	1.72	1.61
December 31, 2019	61,243	38,998	17,127	34,576	0.64	0.54

(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 fourth quarter of 2019, the REIT acquired a 50% interest in a property comprising 690 suites accounted for as an equity investment. The operating results are recognized within equity income (loss) from investments.

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 2021, the Ontario guideline increase amount was established at 0.0% (2.2% for 2020 and 1.8% for 2019). 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.

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 impact of foreign exchange rates also factor into the variance from quarter to quarter.

As at September 30, 2021, Same Property occupancy in Canada was 92.7% and since the third quarter of 2020 occupancy has declined due to continued lower leasing traffic resulting from social distancing restrictions and current economic conditions. 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.

Since the first quarter of 2020, the onset of COVID-19 and stay-at-home orders disrupted normal traffic patterns throughout the U.S. portfolio, but remained stable overall with the exception of a few properties directly impacted by university and local business closures. As at September 30, 2021, Same Property occupancy in the U.S. was 96.4% as the REIT’s overall U.S. occupancy maintained optimum levels continuing its positive momentum from 2019 and in many regions during 2020.

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 since the third quarter of 2020 is primarily a result of increased vacancy. The impact of foreign exchange rates and acquisitions and dispositions also factor 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 nine months ended September 30, 2021 and for the years ended December 31, 2020 and 2019, due to an increase in stabilized NOI and compression in capitalization rates at certain properties;
- The REIT has recorded deferred tax expense coinciding with the fair value gains of the REIT’s U.S. real estate properties.

PART IX

RECONCILIATION OF NON-IFRS MEASURES

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

BALANCE SHEETS

As at September 30, 2021	IFRS	Non-IFRS Adjustments: NCI Share	Non-IFRS Adjustments: Equity Interest	Non-IFRS Adjustments: IFRIC 21	Proportionate Basis (Non-IFRS)
ASSETS					
Non-current assets					
Real estate properties	$3,120,003	($178,824)	$244,507	($7,374)	$3,178,312
Equity-accounted investments	95,715	—	(95,715)	—	—
	3,215,718	(178,824)	148,792	(7,374)	3,178,312
Current assets					
Amounts receivable	4,992	(289)	424	—	5,127
Prepaid expenses	10,315	(356)	1,285	—	11,244
Restricted cash	10,864	(140)	888	—	11,612
Cash	20,526	(1,344)	796	—	19,978
	46,697	(2,129)	3,393	—	47,961
	$3,262,415	($180,953)	$152,185	($7,374)	$3,226,273
LIABILITIES AND EQUITY					
Non-current liabilities					
Mortgages payable and Class C LP Units	$1,072,302	($94,873)	$144,352	$—	$1,121,781
Convertible debentures	85,858	—	—	—	85,858
Class B LP Units	294,343	—	—	—	294,343
Deferred income tax liabilities	146,984	—	—	—	146,984
Accounts payable and accrued liabilities	9,110	—	—	—	9,110
	1,608,597	(94,873)	144,352	—	1,658,076
Current liabilities					
Mortgages payable and Class C LP Units	120,463	(548)	2,907	—	122,822
Morguard Facility	15,445	—	—	—	15,445
Accounts payable and accrued liabilities	54,433	(4,093)	4,926	(7,374)	47,892
	190,341	(4,641)	7,833	(7,374)	186,159
Total liabilities	1,798,938	(99,514)	152,185	(7,374)	1,844,235
EQUITY					
Unitholders' equity	1,382,038	—	—	—	1,382,038
Non-controlling interest	81,439	(81,439)	—	—	—
Total equity	1,463,477	(81,439)	—	—	1,382,038
	$3,262,415	($180,953)	$152,185	($7,374)	$3,226,273

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:

As at September 30, 2021	IFRS	Non-IFRS Adjustments: NCI Share	Non-IFRS Adjustments: Equity Interest	Non-IFRS Adjustments: IFRIC 21	Proportionate Basis (Non-IFRS)
Total Assets / Gross book value[(1)]	$3,262,415	($180,953)	$152,185	($7,374)	$3,226,273
Mortgage payable and Class C LP Units	$1,192,765	($95,421)	$147,259	$—	$1,244,603
Add: deferred financing costs	8,242	(248)	650	—	8,644
	1,201,007	(95,669)	147,909	—	1,253,247
Convertible debentures, face value	85,500	—	—	—	85,500
Morguard Facility	15,445	—	—	—	15,445
Lease liability	9,110	—	—	—	9,110
Indebtedness	$1,311,062	($95,669)	$147,909	$—	$1,363,302
Indebtedness / Gross book value	40.2%				42.3%

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

STATEMENTS OF INCOME

	2021					2020				
		Non-IFRS Adjustments					Non-IFRS Adjustments			
For the three months ended September 30 (In thousands of dollars)	**IFRS**	**NCI Share**	**Equity Interest**	**IFRIC 21**	**Proportionate Basis (Non-IFRS)**	IFRS	NCI Share	Equity Interest	IFRIC 21	Proportionate Basis (Non-IFRS)
Revenue from properties										
Same Property	**$61,434**	**($3,353)**	**$4,536**	**$—**	**$62,617**	$62,159	($3,590)	$4,793	$—	$63,362
Acquisition	**521**	**—**	**—**	**—**	**521**	—	—	—	—	—
Total revenue from properties	**61,955**	**(3,353)**	**4,536**	**—**	**63,138**	62,159	(3,590)	4,793	—	63,362
Property operating expenses										
Same Property										
Operating costs	**16,528**	**(878)**	**1,237**	**—**	**16,887**	16,358	(959)	1,369	—	16,768
Realty taxes	**3,665**	**(315)**	**507**	**5,014**	**8,871**	2,617	(16)	10	5,848	8,459
Utilities	**4,346**	**(154)**	**234**	**—**	**4,426**	4,388	(150)	175	—	4,413
Same Property	**24,539**	**(1,347)**	**1,978**	**5,014**	**30,184**	23,363	(1,125)	1,554	5,848	29,640
Acquisition	**274**	**—**	**—**	**39**	**313**	—	—	—	—	—
Total property operating expenses	**24,813**	**(1,347)**	**1,978**	**5,053**	**30,497**	23,363	(1,125)	1,554	5,848	29,640
NOI										
Same Property	**36,895**	**(2,006)**	**2,558**	**(5,014)**	**32,433**	38,796	(2,465)	3,239	(5,848)	33,722
Acquisition	**247**	**—**	**—**	**(39)**	**208**	—	—	—	—	—
Total NOI(1)	**37,142**	**(2,006)**	**2,558**	**(5,053)**	**32,641**	38,796	(2,465)	3,239	(5,848)	33,722
Other expenses (income)										
Interest expense	**15,296**	**(872)**	**1,265**	**—**	**15,689**	15,794	(926)	1,356	—	16,224
Trust expenses	**3,614**	**(63)**	**151**	**—**	**3,702**	3,628	(68)	181	—	3,741
Equity loss (income) from investments	**(330)**	**—**	**330**	**—**	**—**	4,109	—	(4,109)	—	—
Foreign exchange loss (gain)	**(28)**	**—**	**—**	**—**	**(28)**	446	—	—	—	446
Other expense	**58**	**—**	**—**	**—**	**58**	460	—	—	—	460
Income before fair value changes and income taxes	**18,532**	**(1,071)**	**812**	**(5,053)**	**13,220**	14,359	(1,471)	5,811	(5,848)	12,851
Fair value gain on real estate properties, net	**96,310**	**(1,879)**	**(812)**	**5,053**	**98,672**	41,141	(93)	(5,811)	5,848	41,085
Fair value gain (loss) on Class B LP Units	**(4,995)**	**—**	**—**	**—**	**(4,995)**	1,550	—	—	—	1,550
Income before income taxes	**109,847**	**(2,950)**	**—**	**—**	**106,897**	57,050	(1,564)	—	—	55,486
Provision for income taxes										
Current	**31**	**—**	**—**	**—**	**31**	30	—	—	—	30
Deferred	**23,162**	**—**	**—**	**—**	**23,162**	3,548	—	—	—	3,548
	23,193	**—**	**—**	**—**	**23,193**	3,578	—	—	—	3,578
Net income for the period	**$86,654**	**($2,950)**	**$—**	**$—**	**$83,704**	$53,472	($1,564)	$—	$—	$51,908
(1) NOI included the following:										
IFRIC 21	**($4,901)**	**$457**	**($609)**	**$5,053**	**$—**	($5,598)	$606	($856)	$5,848	$—

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

	2021					2020				
		Non-IFRS Adjustments					Non-IFRS Adjustments			
For the three months ended September 30 (In thousands of dollars)	**IFRS**	**NCI Share**	**Equity Interest**	**IFRIC 21**	**Proportionate Basis (Non-IFRS)**	IFRS	NCI Share	Equity Interest	IFRIC 21	Proportionate Basis (Non-IFRS)
NOI	**$37,142**	**($2,006)**	**$2,558**	**($5,053)**	**$32,641**	$38,796	($2,465)	$3,239	($5,848)	$33,722
IFRIC 21 adjustment	**(4,901)**	**457**	**(609)**	**5,053**	**—**	(5,598)	606	(856)	5,848	—
Trust expenses	**(3,614)**	**63**	**(151)**	**—**	**(3,702)**	(3,628)	68	(181)	—	(3,741)
Other expense	**(58)**	**—**	**—**	**—**	**(58)**	(460)	—	—	—	(460)
	$28,569	**($1,486)**	**$1,798**	**$—**	**$28,881**	$29,110	($1,791)	$2,202	$—	$29,521
Interest expense	**$15,296**	**($872)**	**$1,265**	**$—**	**$15,689**	$15,794	($926)	$1,356	$—	$16,224
Fair value gain on conversion option on the convertible debentures	**20**	**—**	**—**	**—**	**20**	194	—	—	—	194
Distributions on Class B LP Units	**(3,012)**	**—**	**—**	**—**	**(3,012)**	(3,012)	—	—	—	(3,012)
	$12,304	**($872)**	**$1,265**	**$—**	**$12,697**	$12,976	($926)	$1,356	$—	$13,406
Interest coverage ratio	**2.32**				**2.27**	2.24				2.20
Indebtedness coverage ratio	**1.49**				**1.49**	1.53				1.53

STATEMENTS OF INCOME (CONTINUED)

For the nine months ended September 30 (In thousands of dollars)	2021 IFRS	2021 Non-IFRS Adjustments NCI Share	2021 Non-IFRS Adjustments Equity Interest	2021 Non-IFRS Adjustments IFRIC 21	2021 Proportionate Basis (Non-IFRS)	2020 IFRS	2020 Non-IFRS Adjustments NCI Share	2020 Non-IFRS Adjustments Equity Interest	2020 Non-IFRS Adjustments IFRIC 21	2020 Proportionate Basis (Non-IFRS)
Revenue from properties										
Same Property	$181,240	($9,799)	$12,621	$—	$184,062	$187,658	($10,809)	$15,330	$—	$192,179
Acquisition	851	—	—	—	851	—	—	—	—	—
Total revenue from properties	182,091	(9,799)	12,621	—	184,913	187,658	(10,809)	15,330	—	192,179
Property operating expenses										
Same Property										
Operating costs	47,384	(2,587)	3,583	—	48,380	47,369	(2,675)	3,681	—	48,375
Realty taxes	30,657	(2,827)	3,998	(6,710)	25,118	29,864	(2,366)	3,472	(5,955)	25,015
Utilities	13,457	(410)	657	—	13,704	13,084	(444)	704	—	13,344
Same Property	91,498	(5,824)	8,238	(6,710)	87,202	90,317	(5,485)	7,857	(5,955)	86,734
Acquisition	894	—	—	(41)	853	—	—	—	—	—
Total property operating expenses	92,392	(5,824)	8,238	(6,751)	88,055	90,317	(5,485)	7,857	(5,955)	86,734
NOI										
Same Property	89,742	(3,975)	4,383	6,710	96,860	97,341	(5,324)	7,473	5,955	105,445
Acquisition	(43)	—	—	41	(2)	—	—	—	—	—
Total NOI(1)	89,699	(3,975)	4,383	6,751	96,858	97,341	(5,324)	7,473	5,955	105,445
Other expenses (income)										
Interest expense	45,957	(2,600)	3,774	—	47,131	45,562	(2,824)	4,128	—	46,866
Trust expenses	10,552	(188)	456	—	10,820	11,659	(216)	529	—	11,972
Equity loss (income) from investments	(1,817)	—	1,817	—	—	2,546	—	(2,546)	—	—
Foreign exchange loss (gain)	10	—	—	—	10	(517)	—	—	—	(517)
Other expense (income)	125	—	—	—	125	(632)	—	—	—	(632)
Income before fair value changes and income taxes	34,872	(1,187)	(1,664)	6,751	38,772	38,723	(2,284)	5,362	5,955	47,756
Fair value gain on real estate properties, net	155,767	(3,653)	1,664	(6,751)	147,027	74,228	367	(5,362)	(5,955)	63,278
Fair value gain (loss) on Class B LP Units	(19,635)	—	—	—	(19,635)	68,720	—	—	—	68,720
Income before income taxes	171,004	(4,840)	—	—	166,164	181,671	(1,917)	—	—	179,754
Provision for income taxes										
Current	94	—	—	—	94	98	—	—	—	98
Deferred	36,592	—	—	—	36,592	11,677	—	—	—	11,677
	36,686	—	—	—	36,686	11,775	—	—	—	11,775
Net income for the period	$134,318	($4,840)	$—	$—	$129,478	$169,896	($1,917)	$—	$—	$167,979
(1) NOI included the following:										
IFRIC 21	$6,372	($802)	$1,181	($6,751)	$—	$5,707	($599)	$847	($5,955)	$—

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

For the nine months ended September 30 (In thousands of dollars)	2021 IFRS	2021 Non-IFRS Adjustments NCI Share	2021 Non-IFRS Adjustments Equity Interest	2021 Non-IFRS Adjustments IFRIC 21	2021 Proportionate Basis (Non-IFRS)	2020 IFRS	2020 Non-IFRS Adjustments NCI Share	2020 Non-IFRS Adjustments Equity Interest	2020 Non-IFRS Adjustments IFRIC 21	2020 Proportionate Basis (Non-IFRS)
NOI	$89,699	($3,975)	$4,383	$6,751	$96,858	$97,341	($5,324)	$7,473	$5,955	$105,445
IFRIC 21 adjustment	6,372	(802)	1,181	(6,751)	—	5,707	(599)	847	(5,955)	—
Trust expenses	(10,552)	188	(456)	—	(10,820)	(11,659)	216	(529)	—	(11,972)
Other income (expense)	(125)	—	—	—	(125)	632	—	—	—	632
	$85,394	($4,589)	$5,108	$—	$85,913	$92,021	($5,707)	$7,791	$—	$94,105
Interest expense	$45,957	($2,600)	$3,774	$—	$47,131	$45,562	($2,824)	$4,128	$—	$46,866
Fair value gain (loss) on conversion option on the convertible debentures	(175)	—	—	—	(175)	2,662	—	—	—	2,662
Distributions on Class B LP Units	(9,037)	—	—	—	(9,037)	(9,037)	—	—	—	(9,037)
	$36,745	($2,600)	$3,774	$—	$37,919	$39,187	($2,824)	$4,128	$—	$40,491
Interest coverage ratio	2.32				2.27	2.35				2.32
Indebtedness coverage ratio	1.52				1.50	1.60				1.61

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	September 30, 2021	December 31, 2020
ASSETS			
Non-current assets			
Real estate properties	3	**$3,120,003**	$2,941,241
Equity-accounted investments	4	**95,715**	93,005
		3,215,718	3,034,246
Current assets			
Amounts receivable		**4,992**	5,649
Prepaid expenses		**10,315**	7,809
Restricted cash		**10,864**	9,350
Cash		**20,526**	27,304
		46,697	50,112
		$3,262,415	$3,084,358
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable and Class C LP Units	5	**$1,072,302**	$1,102,235
Convertible debentures	6	**85,858**	85,165
Class B LP Units	7	**294,343**	274,708
Deferred income tax liabilities		**146,984**	109,659
Accounts payable and accrued liabilities	9	**9,110**	9,103
		1,608,597	1,580,870
Current liabilities			
Mortgages payable and Class C LP Units	5	**120,463**	107,190
Morguard Facility	8	**15,445**	6,600
Accounts payable and accrued liabilities	9	**54,433**	42,079
		190,341	155,869
Total liabilities		**1,798,938**	1,736,739
EQUITY			
Unitholders' equity		**1,382,038**	1,270,129
Non-controlling interest		**81,439**	77,490
Total equity		**1,463,477**	1,347,619
		$3,262,415	$3,084,358

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF INCOME

In thousands of Canadian dollars

	Note	Three months ended September 30 2021	2020	Nine months ended September 30 2021	2020
Revenue from real estate properties	11	**$61,955**	$62,159	**$182,091**	$187,658
Property operating expenses					
Property operating costs		**(16,773)**	(16,358)	**(48,046)**	(47,369)
Realty taxes		**(3,665)**	(2,617)	**(30,814)**	(29,864)
Utilities		**(4,375)**	(4,388)	**(13,532)**	(13,084)
Net operating income		**37,142**	38,796	**89,699**	97,341
Other expenses (income)					
Interest expense	12	**15,296**	15,794	**45,957**	45,562
Trust expenses	13	**3,614**	3,628	**10,552**	11,659
Equity loss (income) from investments	4	**(330)**	4,109	**(1,817)**	2,546
Foreign exchange loss (gain)		**(28)**	446	**10**	(517)
Other expense (income)		**58**	460	**125**	(632)
Income before fair value changes and income taxes		**18,532**	14,359	**34,872**	38,723
Fair value gain on real estate properties, net	3	**96,310**	41,141	**155,767**	74,228
Fair value gain (loss) on Class B LP Units	7	**(4,995)**	1,550	**(19,635)**	68,720
Income before income taxes		**109,847**	57,050	**171,004**	181,671
Provision for income taxes					
Current		**31**	30	**94**	98
Deferred		**23,162**	3,548	**36,592**	11,677
		23,193	3,578	**36,686**	11,775
Net income for the period		**$86,654**	$53,472	**$134,318**	$169,896
Net income attributable to:					
Unitholders		**$83,704**	$51,908	**$129,478**	$167,979
Non-controlling interest		**2,950**	1,564	**4,840**	1,917
		$86,654	$53,472	**$134,318**	$169,896

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

In thousands of Canadian dollars

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Net income for the period	**$86,654**	$53,472	**$134,318**	$169,896
OTHER COMPREHENSIVE INCOME				
Item that may be reclassified subsequently to net income (loss):				
Unrealized foreign currency translation gain (loss)	**21,435**	(17,807)	**2,475**	20,717
Total comprehensive income for the period	**$108,089**	$35,665	**$136,793**	$190,613
Total comprehensive income (loss) attributable to:				
Unitholders	**$103,126**	$35,965	**$131,841**	$186,318
Non-controlling interest	**4,963**	(300)	**4,952**	4,295
	$108,089	$35,665	**$136,793**	$190,613

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, 2019		$468,585	$48,762	$534,893	$84,123	$1,136,363	$89,430	$1,225,793
Changes during the period:								
Net income		—	—	167,979	—	167,979	1,917	169,896
Other comprehensive income		—	—	—	18,339	18,339	2,378	20,717
Issue of Units - DRIP		467	—	(467)	—	—	—	—
Distributions		—	—	(19,994)	—	(19,994)	(1,803)	(21,797)
Unitholders' equity, September 30, 2020		$469,052	$48,762	$682,411	$102,462	$1,302,687	$91,922	$1,394,609
Changes during the period:								
Net income (loss)		—	—	7,237	—	7,237	(10,328)	(3,091)
Other comprehensive loss		—	—	—	(33,129)	(33,129)	(3,698)	(36,827)
Issue of Units - DRIP		158	—	(158)	—	—	—	—
Distributions		—	—	(6,666)	—	(6,666)	(406)	(7,072)
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		**—**	**—**	**129,478**	**—**	**129,478**	**4,840**	**134,318**
Other comprehensive income		**—**	**—**	**—**	**2,363**	**2,363**	**112**	**2,475**
Issue of Units - DRIP	10(d)	**551**	**—**	**(551)**	**—**	**—**	**—**	**—**
Distributions	10(d)	**—**	**—**	**(19,932)**	**—**	**(19,932)**	**(1,003)**	**(20,935)**
Unitholders' equity, September 30, 2021		**$469,761**	**$48,762**	**$791,819**	**$71,696**	**$1,382,038**	**$81,439**	**$1,463,477**

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

	Note	Three months ended September 30		Nine months ended September 30	
		2021	2020	**2021**	2020
OPERATING ACTIVITIES					
Net income		**$86,654**	$53,472	**$134,318**	$169,896
Add (deduct) items not affecting cash	16(a)	**(72,108)**	(39,641)	**(91,159)**	(121,995)
Additions to tenant incentives		**(539)**	(200)	**(1,311)**	(459)
Distributions from equity-accounted investments	4	**—**	—	**125**	—
Net change in non-cash operating assets and liabilities	16(b)	**(2,681)**	(1,950)	**4,277**	(6,490)
Cash provided by operating activities		**11,326**	11,681	**46,250**	40,952
INVESTING ACTIVITIES					
Additions to income producing properties	3	**(7,354)**	(4,887)	**(19,282)**	(15,430)
Additions to property under development		**—**	(1,875)	**—**	(5,183)
Contributions to equity-accounted investments	4	**(633)**	—	**(877)**	—
Cash used in investing activities		**(7,987)**	(6,762)	**(20,159)**	(20,613)
FINANCING ACTIVITIES					
Proceeds from new mortgages		**—**	—	**—**	25,151
Financing cost on new mortgages		**—**	—	**—**	(605)
Repayment of mortgages and Class C LP Units					
Principal instalment repayments		**(6,884)**	(6,086)	**(19,378)**	(18,249)
Repayment on maturity		**—**	—	**—**	(8,757)
Proceeds from Morguard Facility		**13,000**	10,700	**51,238**	32,900
Repayment of Morguard Facility		**—**	—	**(42,290)**	(12,000)
Distributions to Unitholders		**(6,629)**	(6,659)	**(19,930)**	(19,994)
Distributions to non-controlling interest		**(216)**	(417)	**(1,003)**	(1,803)
Decrease (increase) in restricted cash		**(326)**	912	**(1,508)**	164
Cash used in financing activities		**(1,055)**	(1,550)	**(32,871)**	(3,193)
Net increase (decrease) in cash during the period		**2,284**	3,369	**(6,780)**	17,146
Net effect of foreign currency translation on cash balance		**172**	(98)	**2**	(279)
Cash, beginning of period		**18,070**	31,344	**27,304**	17,748
Cash, end of period		**$20,526**	$34,615	**$20,526**	$34,615

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three and nine months ended September 30, 2021 and 2020
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 September 30, 2021, Morguard Corporation ("Morguard"), the parent company of the REIT, holds an indirect 44.7% (December 31, 2020 - 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 October 26, 2021.

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

At this time, the duration and impact of the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19" is unknown, as is the effectiveness of the government and central bank interventions. Any estimate of the length and severity of these measures are therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect the REIT's operations, financial results and condition in future periods are also subject to significant uncertainty. Management believes it is currently not possible to estimate the long-term impacts the outbreak of COVID-19 will have in determining estimates of fair market value for the REIT's income producing properties, investments in joint arrangements and the valuation of financial instruments. In a long-term scenario, the significant assumptions used in the assessment of fair value and impairment, including estimates of capitalization rates and stabilized net operating income could potentially be impacted, which ultimately impact the underlying valuation of the REIT's real estate properties and equity-accounted investments.

Foreign Exchange

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

	2021	2020
Canadian dollar to United States dollar exchange rates:		
- As at September 30	**$0.7849**	$0.7497
- As at December 31	—	0.7854
- Average for the three months ended September 30	**0.7937**	0.7507
- Average for the nine months ended September 30	**0.7992**	0.7385
United States dollar to Canadian dollar exchange rates:		
- As at September 30	**1.2741**	1.3339
- As at December 31	—	1.2732
- Average for the three months ended September 30	**1.2600**	1.3321
- Average for the nine months ended September 30	**1.2513**	1.3541

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	September 30, 2021	December 31, 2020
Balance, beginning of period	**$2,941,241**	$2,872,658
Additions:		
Capital expenditures	**19,282**	22,113
Development expenditures	—	5,951
Fair value gain, net	**155,767**	72,238
Foreign currency translation	**3,269**	(31,538)
Other	**444**	(181)
Balance, end of period	**$3,120,003**	$2,941,241

On October 31, 2020, the REIT substantially completed the development of 1643 Josephine Street, New Orleans, Louisiana, and the development project was transferred from property under development to income producing properties, and all revenue and expenses pertaining to the property were recorded in the consolidated statements of income commencing October 31, 2020.

As at September 30, 2021, and December 31, 2020, 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. As a result, 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 September 30, 2021, using the direct capitalization income approach, the properties were valued using capitalization rates in the range of 3.8% to 6.8% (December 31, 2020 - 3.8% to 6.8%), resulting in an overall weighted average capitalization rate of 4.5% (December 31, 2020 - 4.5%).

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

	September 30, 2021 Capitalization Rates			December 31, 2020 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	**4.5%**	**3.8%**	**3.9%**	4.5%	3.8%	3.9%
United States						
Colorado	**5.0%**	**5.0%**	**5.0%**	5.3%	5.3%	5.3%
Texas	**5.3%**	**5.0%**	**5.0%**	5.3%	5.0%	5.0%
Louisiana	**6.8%**	**5.5%**	**6.0%**	6.8%	5.5%	6.0%
Illinois	**4.5%**	**4.5%**	**4.5%**	4.5%	4.5%	4.5%
Georgia	**5.5%**	**5.0%**	**5.4%**	5.5%	5.0%	5.4%
Florida	**6.5%**	**4.8%**	**5.5%**	6.5%	4.8%	5.5%
North Carolina	**5.3%**	**5.0%**	**5.1%**	5.3%	5.0%	5.1%
Virginia	**4.8%**	**4.8%**	**4.8%**	4.8%	4.8%	4.8%

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 September 30, 2021 would decrease by $163,046 or increase by $182,502, respectively.

NOTE 4

EQUITY-ACCOUNTED INVESTMENTS

The following are the REIT's equity-accounted investments as at September 30, 2021, and December 31, 2020:

			REIT's Ownership		Carrying Value	
Property	**Principal Place of Business**	**Type**	**September 30, 2021**	December 31, 2020	**September 30, 2021**	December 31, 2020
The Fenestra	Rockville, MD	Joint Venture	**50%**	50%	**$41,538**	$40,671
Marquee at Block 37	Chicago, IL	Joint Venture	**50%**	50%	**54,177**	52,334
					$95,715	$93,005

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

As at	**September 30, 2021**	December 31, 2020
Balance, beginning of period	**$93,005**	$106,521
Additions	**877**	—
Distributions received	**(125)**	(1,780)
Share of net income (loss)	**1,817**	(9,869)
Foreign exchange gain (loss)	**141**	(1,867)
Balance, end of period	**$95,715**	$93,005

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

As at	September 30, 2021	December 31, 2020
Non-current assets	**$489,014**	$483,817
Current assets	**6,786**	8,525
Total assets	**$495,800**	$492,342
Non-current liabilities	**$288,704**	$294,098
Current liabilities	**15,666**	12,234
Total liabilities	**$304,370**	$306,332
Net assets	**$191,430**	$186,010
Equity-accounted investments	**$95,715**	$93,005

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Revenue	**$9,071**	$9,586	**$25,241**	$30,659
Expenses	**(6,788)**	(6,181)	**(24,937)**	(25,025)
Fair value gain (loss) on income producing properties	**(1,623)**	(11,622)	**3,330**	(10,726)
Net income (loss) for the period	**$660**	($8,217)	**$3,634**	($5,092)
Income (loss) in equity-accounted investments	**$330**	($4,109)	**$1,817**	($2,546)

NOTE 5
MORTGAGES PAYABLE AND CLASS C LP UNITS

Mortgages payable and Class C LP Units consist of the following:

As at	September 30, 2021			December 31, 2020
	Mortgages Payable	Class C LP Units	Total	Mortgages Payable and Class C LP Units
Principal balance of mortgages	**$1,119,497**	**$72,362**	**$1,191,859**	$1,210,463
Deferred financing costs	**(8,242)**	**—**	**(8,242)**	(10,080)
Present value of tax payment on Class C LP Units	**—**	**9,148**	**9,148**	9,042
	$1,111,255	**$81,510**	**$1,192,765**	$1,209,425
Current	**$38,953**	**$81,510**	**$120,463**	$107,190
Non-current	**1,072,302**	**—**	**1,072,302**	1,102,235
	$1,111,255	**$81,510**	**$1,192,765**	$1,209,425
Range of interest rates	**2.03–4.11%**	**3.97%**	**2.03–4.11%**	2.03–4.11%
Weighted average interest rate	**3.42%**	**3.97%**	**3.45%**	3.45%
Weighted average term to maturity (years)	**4.4**	**0.1**	**4.1**	4.8
Fair value of mortgages and Class C LP Units	**$1,165,362**	**$73,028**	**$1,238,390**	$1,292,168

Morguard retained the mortgages on four properties that were sold to the REIT (the "Retained Debt") and also retained the deferred financing costs associated with the Retained Debt. Morguard remains responsible for the interest and principal payments on the Retained Debt, and the Retained Debt is secured by a charge on the properties. In consideration of the Retained Debt, Morguard received Class C LP Units of the Partnership on which distribution payments are made in an amount expected to be sufficient to permit Morguard to satisfy the amount payable with respect to: (i) principal and interest under 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 REIT's first mortgages are registered against specific real estate assets, and the Retained Debt is secured by charges on the four properties. The REIT provided Morguard's creditors with a guarantee with respect to the Retained Debt to ensure the lenders are not prejudiced in their ability to collect from Morguard in the event that payments on the Class C LP Units are not made as expected. Morguard has also provided an indemnity to the

REIT for any losses suffered by the REIT in the event payments on the Retained Debt are not made as required provided such losses are not attributable to any action or failure to act on the part of the REIT.

The aggregate principal repayments and balances maturing of the mortgages payable and the Class C LP Units as at September 30, 2021, 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
2021 (remainder of the year)	$6,895	$74,485	$81,380	3.97%
2022	27,162	67,270	94,432	3.76%
2023	24,395	145,644	170,039	3.47%
2024	21,515	140,446	161,961	3.28%
2025	14,072	174,254	188,326	3.25%
Thereafter	23,791	471,930	495,721	3.45%
	$117,830	$1,074,029	$1,191,859	3.45%

Substantially all of the REIT's rental properties and related rental revenue have been pledged as collateral for the mortgages payable.

NOTE 6
CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at	September 30, 2021	December 31, 2020
4.50% convertible unsecured subordinated debentures	**$85,223**	$85,223
Fair value of conversion option	**1,752**	1,577
Unamortized financing costs	**(1,117)**	(1,635)
	$85,858	$85,165

For the three and nine months ended September 30, 2021, interest on the convertible debentures amounting to $976 (2020 - $965) and $2,878 (2020 - $2,878), respectively, is included in interest expense (Note 12). As at September 30, 2021, $11 (December 31, 2020 - $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 September 30, 2021, and December 31, 2020, $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, 2021 to March 31, 2022, the 2018 Debentures will be redeemable, in whole at any time or in part from time to time, at the option of the REIT on not more than 60 days' and not less than 30 days' prior written notice at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption, provided that the volume-weighted average trading price 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 (the "Current Market Price") is not less than 125% of the conversion price. 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 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 September 30, 2021, 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 $294,343 (December 31, 2020 - $274,708) and a corresponding fair value loss for the three and nine months ended September 30, 2021 of $4,995 (2020 - gain of $1,550) and $19,635 (2020 - gain of $68,720), respectively.

For the three and nine months ended September 30, 2021, distributions on Class B LP Units amounting to $3,012 (2020 - $3,012) and $9,037 (2020 - $9,037), respectively, are included in interest expense (Note 12).

As at September 30, 2021, and December 31, 2020, 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 either at the United States prime lending rate or at the United States dollar London Interbank Offered Rate (LIBOR) plus 1.7%. The maximum allowable to be borrowed or advanced under the Morguard Facility is $100,000.

As at September 30, 2021, the total amount payable under the Morguard Facility was $15,445, comprising amounts payable of $7,800 and US$6,000. As at December 31, 2020, the amount payable under the Morguard Facility was $6,600.

During the three and nine months ended September 30, 2021, the REIT incurred net interest expense of $59 (2020 - net interest income of $73) and $152 (2020 - net interest income of $254), respectively, on the Morguard Facility.

NOTE 9
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	September 30, 2021	December 31, 2020
Accounts payable and accrued liabilities	**$43,009**	$30,936
Tenant deposits	**11,424**	11,143
Lease liability	**9,110**	9,103
	$63,543	$51,182
Current	**$54,433**	$42,079
Non-current	**9,110**	9,103
	$63,543	$51,182

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

As at	September 30, 2021	December 31, 2020
Within 12 months	**$436**	$435
2 to 5 years	**1,881**	1,826
Over 5 years	**10,623**	10,994
Total minimum lease payments	**12,940**	13,255
Less: Future interest costs	**(3,830)**	(4,152)
Present value of minimum lease payments	**$9,110**	$9,103

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

The REIT had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 2,953,852 Units and $8,050 principal amount of the Debentures. The program expired on December 20, 2020. On January 5, 2021, the REIT obtained the approval of the TSX under its NCIB to purchase up to 2,955,913 Units, being approximately 10% of the public float of outstanding Units; the program expires on January 7, 2022. The daily repurchase restriction for the Units is 13,807. Additionally, the REIT may purchase up to $8,048 principal amount of the 2018 Debentures, being 10% 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 nine months ended September 30, 2021 and 2020.

(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, 2019, to September 30, 2021:

Issued and Fully Paid Units	Units	Amount
Balance, December 31, 2019	38,979,702	$468,585
Units issued under the DRIP	40,125	625
Balance, December 31, 2020	39,019,827	469,210
Units issued under the DRIP	**33,380**	**551**
Balance, September 30, 2021	**39,053,207**	**$469,761**

Total distributions declared during the nine months ended September 30, 2021, amounted to $20,483, or $0.5247 per Unit (2020 - $20,461, or $0.5247 per Unit), including distributions payable of $2,277 that were declared on September 15, 2021, and paid on October 15, 2021. On October 15, 2021, the REIT declared a distribution of $0.0583 per Unit payable on November 15, 2021.

(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 nine months ended September 30, 2021, the REIT issued 33,380 Units under the DRIP (year ended December 31, 2020 - 40,125 Units).

NOTE 11

RENTAL INCOME

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Rental income	**$28,698**	$29,206	**$85,431**	$90,814
Property management and ancillary income	**23,132**	23,290	**67,649**	68,346
Property tax and insurance	**10,125**	9,663	**29,011**	28,498
	$61,955	$62,159	**$182,091**	$187,658

NOTE 12

INTEREST EXPENSE

The components of interest expense are as follows:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Interest on mortgages	**$9,587**	$10,164	**$28,528**	$30,748
Interest and tax payment on Class C LP Units	**882**	923	**2,671**	2,776
Interest on the convertible debentures (Note 6)	**976**	965	**2,878**	2,878
Interest on lease liability	**108**	114	**321**	347
Amortization of deferred financing costs	**577**	642	**1,829**	1,954
Amortization of deferred financing costs on the convertible debentures	**174**	168	**518**	484
Fair value loss (gain) on conversion option on the convertible debentures	**(20)**	(194)	**175**	(2,662)
	12,284	12,782	**36,920**	36,525
Distributions on Class B LP Units (Note 7)	**3,012**	3,012	**9,037**	9,037
	$15,296	$15,794	**$45,957**	$45,562

NOTE 13

TRUST EXPENSES

The components of trust expenses are as follows:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Asset management fees and distributions	**$2,987**	$2,922	**$8,788**	$9,712
Professional fees	**276**	287	**673**	870
Public company expenses	**191**	166	**572**	525
Other	**160**	253	**519**	552
	$3,614	$3,628	**$10,552**	$11,659

NOTE 14

RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Notes 5, 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 nine months ended September 30, 2021 amounted to $2,270 (2020 - $2,274) and $6,649 (2020 - $6,905), respectively, and are included in property operating costs and equity income (loss) from investments. As at September 30, 2021, $615 (December 31, 2020 - $619) 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 nine months ended September 30, 2021 amounted to $3,138 (2020 - $3,096) and $9,236 (2020 - $10,226), respectively, and are included in trust expenses and equity income (loss) from investments. As at September 30, 2021, $1,769 (December 31, 2020 - $1,635) 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 nine months ended September 30, 2021 and 2020.

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 nine months ended September 30, 2021 amounted to $nil (2020 - $nil) and $nil (2020 - $37), respectively, and have been capitalized to deferred financing costs.

Development
Pursuant to the Agreements, Morguard's affiliates are entitled to receive partnership fees equal to 1.00% of development costs, where such costs exceed $1,000 and are incurred in connection with: (i) the construction, enlargement or reconstruction of any building, erection, plant, equipment or improvement on a property; or (ii) any refurbishing, additions, upgrading or restoration of or renovations to existing buildings, erections, plant, equipment or improvements, including redevelopments, other than repair and maintenance in the ordinary course of business. Fees relating to development services for the three and nine months ended September 30, 2021, amounted to $nil (2020 - $10) and $nil (2020 - $39), respectively, and are included in property under development. As at September 30, 2021, $nil (December 31, 2020 - $8) is included in accounts payable and accrued liabilities.

Other Services
As at September 30, 2021, the REIT had its portfolio appraised by Morguard's appraisal division. Fees relating to appraisal services for the three and nine months ended September 30, 2021 amounted to $52 (2020 - $49) and $158 (2020 - $149), 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 September 30, 2021, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$34,067 (December 31, 2020 - 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.

As at September 30, 2021, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$27,042 (December 31, 2020 - US$15,256) of which deferred tax assets were recognized. The net operating losses can be carried forward indefinitely.

As at September 30, 2021, the REIT's U.S. subsidiaries have a total of US$7,020 (December 31, 2020 - US$2,201) 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 September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Fair value gain on real estate properties, net	**($101,211)**	($46,739)	**($149,395)**	($68,521)
Fair value loss (gain) on Class B LP Units	**4,995**	(1,550)	**19,635**	(68,720)
Fair value loss (gain) on conversion option on the convertible debentures	**(20)**	(194)	**175**	(2,662)
Equity loss (income) from investments	**(330)**	4,109	**(1,817)**	2,546
Amortization of deferred financing - mortgages	**541**	566	**1,645**	1,729
Amortization of deferred financing - Class C LP Units	**36**	76	**184**	225
Amortization of deferred financing - convertible debentures	**174**	168	**518**	484
Present value adjustment of tax liability on Class C LP Units	**146**	144	**437**	430
Amortization of tenant incentives	**399**	231	**867**	817
Deferred income taxes	**23,162**	3,548	**36,592**	11,677
	($72,108)	($39,641)	**($91,159)**	($121,995)

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Amounts receivable	**($422)**	($460)	**$660**	($2,254)
Prepaid expenses	**(5,434)**	(7,027)	**(2,500)**	(6,861)
Accounts payable and accrued liabilities	**3,175**	5,537	**6,117**	2,625
	($2,681)	($1,950)	**$4,277**	($6,490)

(c) Supplemental Cash Flow Information

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Interest paid	**$12,198**	$12,931	**$34,727**	$36,984

(d) Reconciliation of Liabilities Arising from Financing Activities

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

As at September 30, 2021	Mortgages Payable and Class C LP Units	Convertible Debentures	Morguard Facility	Lease Liability	Total
Balance, beginning of period	**$1,209,425**	**$85,165**	**$6,600**	**$9,103**	**$1,310,293**
Repayments	**(19,378)**	**—**	**(42,290)**	**—**	**(61,668)**
New financing, net	**—**	**—**	**51,238**	**—**	**51,238**
Non-cash changes	**2,266**	**693**	**—**	**—**	**2,959**
Foreign exchange	**452**	**—**	**(103)**	**7**	**356**
Balance, end of period	**$1,192,765**	**$85,858**	**$15,445**	**$9,110**	**$1,303,178**

NOTE 17
MANAGEMENT OF CAPITAL

Refer to the REIT's audited consolidated financial statements as at and for the year ended December 31, 2020 for an explanation of the REIT's capital management policy.

The total managed capital for the REIT as at September 30, 2021, and December 31, 2020, is summarized below:

As at	September 30, 2021	December 31, 2020
Mortgages payable, principal balance	**$1,119,497**	$1,135,377
Class C LP Units and present value of tax payment, principal balance	**81,510**	84,128
Convertible debentures, face value	**85,500**	85,500
Morguard Facility	**15,445**	6,600
Lease liability	**9,110**	9,103
Class B LP Units	**294,343**	274,708
Unitholders' equity	**1,382,038**	1,270,129
	$2,987,443	$2,865,545

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	September 30, 2021	December 31, 2020
Total debt to gross book value	70%	**40.2%**	42.8%
Floating-rate debt to gross book value	20%	**0.5%**	0.2%

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, 2020 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 and Class C LP Units, 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 values of the mortgages payable and Class C LP Units have been determined by discounting the cash flows of these financial obligations using September 30, 2021, market rates for debts of similar terms (Level 2). Based on these assumptions, as at September 30, 2021, the fair values of the mortgages payable and Class C LP Units before deferred financing costs and present value of tax payment are estimated at $1,165,362 and $73,028 (December 31, 2020 - $1,215,688 and $76,480), respectively. The fair values of the mortgages payable and Class C LP Units vary from their carrying values 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 September 30, 2021, the fair value of the convertible debentures before deferred financing costs has been estimated at $88,920 (December 31, 2020 - $88,339), compared with the carrying value of $85,223 (December 31, 2020 - $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:

	September 30, 2021			December 31, 2020		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$3,120,003**	$—	$—	$2,941,241
Financial liabilities:						
Class B LP Units	**294,343**	**—**	**—**	274,708	—	—
Conversion option of the convertible debentures	**—**	**1,752**	**—**	—	1,577	—

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 September 30, 2021			Three months ended September 30, 2020		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Revenue from income producing properties	**$23,068**	**$38,887**	**$61,955**	$23,635	$38,524	$62,159
Property operating expenses	**(10,231)**	**(14,582)**	**(24,813)**	(10,482)	(12,881)	(23,363)
Net operating income	**$12,837**	**$24,305**	**$37,142**	$13,153	$25,643	$38,796

	Nine months ended September 30, 2021			Nine months ended September 30, 2020		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Revenue from real estate properties	**$69,458**	**$112,633**	**$182,091**	$71,112	$116,546	$187,658
Property operating expenses	**(30,991)**	**(61,401)**	**(92,392)**	(30,064)	(60,253)	(90,317)
Net operating income	**$38,467**	**$51,232**	**$89,699**	$41,048	$56,293	$97,341

	September 30, 2021			December 31, 2020		
As at	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Real estate properties	**$1,451,210**	**$1,668,793**	**$3,120,003**	$1,414,050	$1,527,191	$2,941,241
Mortgages payable and Class C LP Units	**$423,499**	**$769,266**	**$1,192,765**	$435,408	$774,017	$1,209,425

	Three months ended September 30, 2021			Three months ended September 30, 2020		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Additions to real estate properties	**$3,330**	**$4,024**	**$7,354**	$1,853	$4,909	$6,762
Fair value gain on real estate properties	**$14,486**	**$81,824**	**$96,310**	$36,188	$4,953	$41,141

	Nine months ended September 30, 2021			Nine months ended September 30, 2020		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Additions to real estate properties	**$5,604**	**$13,678**	**$19,282**	$7,262	$13,351	$20,613
Fair value gain on real estate properties	**$31,304**	**$124,463**	**$155,767**	$55,035	$19,193	$74,228