2021 FOURTH QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

MORGUARD NORTH AMERICAN RESIDENTIAL REIT

Q4

Morguard

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

TABLE OF CONTENTS

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 year ended December 31, 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 year ended December 31, 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 audited consolidated financial statements and accompanying notes for the years ended December 31, 2021 and 2020. This MD&A is based on financial information prepared in accordance with International Financial Reporting Standards ("IFRS") and is dated February 15, 2022. Disclosure contained in this document is current to that date unless otherwise noted.

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

SPECIFIED FINANCIAL MEASURES

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

NON-GAAP FINANCIAL MEASURES

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

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

PROPORTIONATE SHARE BASIS

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

Non-Controlling Interest Share ("NCI Share")

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

Equity-Accounted Investments ("Equity Interest")

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

IFRIC 21

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

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

PROPORTIONATE SHARE NOI ("PROPORTIONATE NOI")

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

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

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

SAME PROPERTY PROPORTIONATE NOI

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

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

FUNDS FROM OPERATIONS ("FFO")

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

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

INDEBTEDNESS

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

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

GROSS BOOK VALUE

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

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

TOTAL DISTRIBUTIONS (INCLUDING CLASS B LP UNITS)

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

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

NON-GAAP RATIOS

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

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

PROPORTIONATE NOI MARGIN

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

FFO PAYOUT RATIO

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

INDEBTEDNESS TO GROSS BOOK VALUE RATIO

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

INTEREST COVERAGE RATIO

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

INDEBTEDNESS COVERAGE RATIO

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

SUPPLEMENTARY FINANCIAL MEASURES

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

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

SAME PROPERTY NOI

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

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

NOI MARGIN

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

BAD DEBT EXPENSE (RECOVERY)

Bad debt expense (recovery) is presented in this MD&A because management considers this supplementary financial measure to be an important measure in evaluating the operating performance of the REIT's real estate properties and credit risk from tenants. Bad debt expense (recovery) is recorded in the consolidated statements of income within property operating costs and is presented in local currency and by country, isolating any impact of foreign exchange fluctuations. A summary of the components of bad debt expense (recovery) is presented under the section Part II, "Significant Event."

REAL ESTATE PROPERTIES BY REGION

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

CAPITAL EXPENDITURES BY COUNTRY

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

LOAN-TO-VALUE ("LTV")

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

CAPITAL MANAGEMENT MEASURES

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

The following discussion describes the REIT capital management measures.

TOTAL CAPITALIZATION

Total capitalization as disclosed in the notes to the REIT's consolidated financial statements for the year ended December 31, 2021, and 2020 is calculated as the sum of the principal amount of the REIT's total debt (including mortgages payable, convertible debentures, lease liabilities and amounts drawn under its revolving credit facility with Morguard Corporation), Unitholders' equity and Class B LP Units liability, and is presented in this MD&A because management considers this capital management measure to be an important measure of the REIT's financial position.

LIQUIDITY

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

PART II

BUSINESS OVERVIEW AND STRATEGY

The REIT is an unincorporated open-ended real estate investment trust established pursuant to a declaration of trust dated March 1, 2012, and as most recently amended and restated on February 16, 2021 (the "Declaration of Trust"), under and governed by the laws of the Province of Ontario. The Units of the REIT trade on the Toronto Stock Exchange ("TSX") under the symbol "MRG.UN."

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

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

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

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. At the onset of the COVID-19 pandemic, Morguard initiated its crisis management plan with a team mandated to maintain a safe environment for our residents, employees and stakeholders, coordinating efforts across our portfolio, standardizing communications and responding as circumstances demand.

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

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 Three 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 numbers of people and restrictions in place. The province will remain in Step Three 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. 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 started by lifting capacity limits on restaurants, bars and gyms for those fully vaccinated, followed by higher-risk settings on November 15, 2021. On January 5, 2022, in response to recent trends that show a rapid increase in COVID-19 hospitalizations, Ontario is temporarily moving into Step Two of the Roadmap to Reopen with modifications that take into account the province's successful vaccination efforts. The modified Step Two, which lasted until January 31, 2022, was a time-limited measure to help blunt transmission and prevent hospitals from becoming overwhelmed as the province continues to accelerate its booster dose rollout. Subsequently, in the absence of concerning trends in public health and health care indicators, Ontario will follow a cautious and phased approach to lifting most public health measures by March 1, 2022. 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 February 15, 2022, the REIT collected 98.8% of fourth quarter rental income and approximately 97.4% (97.7% in Canada / 97.2% in the U.S.) of January 2022 rental income 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 February 15, 2022, the REIT's collection of rental income since January 1, 2020 is summarized by country as follows:

Country	Q1 2021	Q2 2021	Q3 2021	Q4 2021	January 2022	% Rental Revenue
Canada	99.6%	99.6%	99.6%	99.1%	97.7%	37.8%
U.S.	99.1%	99.3%	99.4%	98.5%	97.2%	62.2%
Total	**99.3%**	**99.5%**	**99.5%**	**98.8%**	**97.4%**	**100.0%**

Country	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 months and year ended December 31, 2021, and 2020 are provided below:

For the three months ended December 31 (in thousands of dollars)	2021	% of Revenue	2020	% of Revenue
Canada	$67	0.3%	$33	0.1%
U.S.	594	1.5%	762	2.0%
Total	**$661**	**1.0%**	**$795**	**1.3%**

For the year ended December 31 (in thousands of dollars)	2021	% of Revenue	2020	% of Revenue
Canada	$231	0.2%	$292	0.3%
U.S.	1,954	1.3%	1,792	1.2%
Total	**$2,185**	**0.9%**	**$2,084**	**0.8%**

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 February 15, 2022, approximately 0.8% of residential tenants have deferred payment plans.

Occupancy and Leasing

As at February 15, 2022, 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 management’s 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 reopens, the REIT’s GTA suites which comprise larger square foot floor plans at attractive rental rates at or above existing market rental rates will continue to appeal to prospective tenants.

Liquidity

The REIT has liquidity of $196,500, comprised of approximately $26,500 in cash and $170,000 available under its revolving credit facility with Morguard Corporation, and has approximately $52,000 of unencumbered assets. The REIT has also narrowed down the scope of its capital expenditure program to ensure the availability of resources, allocating an amount that enables the REIT to maintain the structural and overall safety of the properties.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

As at December 31 (In thousands of dollars, except as otherwise noted)	2021	2020
Operational Information		
Number of properties	**43**	43
Total suites	**13,275**	13,275
Occupancy percentage - Canada	**93.6%**	94.9%
Occupancy percentage - U.S.	**96.3%**	92.2%
AMR - Canada (in actual dollars)	**$1,535**	$1,500
AMR - U.S. (in actual U.S. dollars)	**US$1,525**	US$1,428
Summary of Financial Information		
Gross book value(1)	**$3,473,287**	$3,084,358
Indebtedness(1)	**$1,395,438**	$1,320,708
Indebtedness to gross book value ratio(1)	**40.2%**	42.8%
Weighted average mortgage interest rate(2)	**3.31%**	3.45%
Weighted average term to maturity on mortgages payable (years)	**5.0**	4.8
Exchange rates - United States dollar to Canadian dollar	**$1.27**	$1.27
Exchange rates - Canadian dollar to United States dollar	**$0.79**	$0.79

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

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

For the years ended December 31 (In thousands of dollars, except per Unit amounts)	2021	2020
Summary of Financial Information		
Interest coverage ratio(1)	**2.33**	2.32
Indebtedness coverage ratio(1)	**1.52**	1.58
Revenue from real estate properties	**$245,566**	$248,683
NOI	**$129,495**	$135,533
Proportionate NOI(1)	**$130,584**	$137,965
Same Property Proportionate NOI(1)	**$130,220**	$138,083
NOI margin - IFRS	**52.7%**	54.5%
NOI margin - Proportionate(1)	**52.3%**	54.3%
Net income	**$244,974**	$166,805
FFO - basic(1)	**$64,770**	$68,945
FFO - diluted(1)	**$68,618**	$72,793
FFO per Unit - basic(1)	**$1.15**	$1.23
FFO per Unit - diluted(1)	**$1.13**	$1.20
Distributions per Unit	**$0.6996**	$0.6996
FFO payout ratio(1)	**60.8%**	57.0%
Weighted average number of Units outstanding (in thousands):		
Basic(2)	**56,265**	56,222
Diluted(2) (3)	**60,498**	60,455
Average exchange rates - United States dollar to Canadian dollar	**$1.25**	$1.34
Average exchange rates - Canadian dollar to United States dollar	**$0.80**	$0.75

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

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

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

REAL ESTATE PROPERTIES

As at December 31, 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.

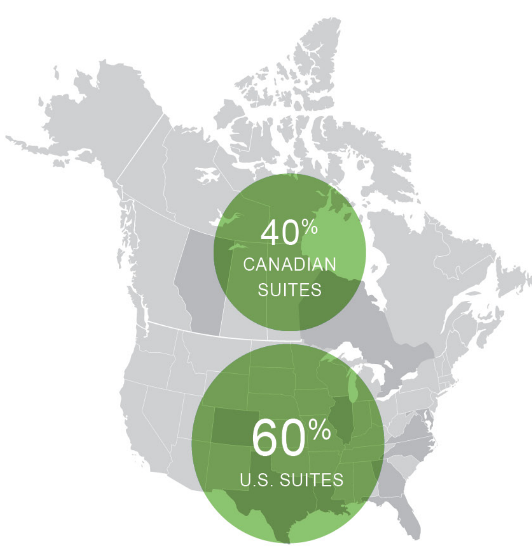
The following table details the regional distribution of the REIT's portfolio as at December 31, 2021:

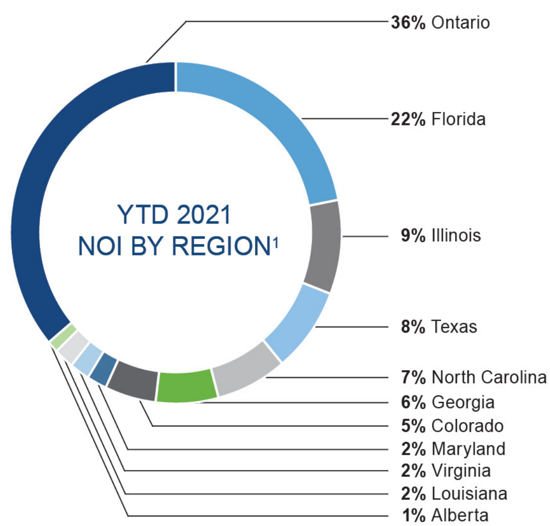
Region (In thousands of dollars, except as otherwise noted)	Number of Properties	Total Suites(1)	% of the Portfolio (based on suites)	Fair Value of Real Estate Properties(1)
Canadian Properties				
Alberta	1	277	2.1%	$57,200
Ontario				
Mississauga	7	2,219	16.7%	786,300
Toronto	6	1,997	15.0%	436,650
Other(2)	2	842	6.4%	221,500
	16	**5,335**	**40.2%**	**$1,501,650**
U.S. Properties				
Colorado	2	454	3.4%	$136,162
Texas	3	1,021	7.7%	219,710
Louisiana	3	393	3.0%	74,673
Illinois	2	1,205	9.1%	556,185
Georgia	3	814	6.1%	189,029
Florida	10	2,593	19.5%	621,095
North Carolina	2	864	6.5%	199,805
Virginia	1	104	0.8%	65,545
Maryland	1	492	3.7%	177,619
	27	**7,940**	**59.8%**	**$2,239,823**
Total	**43**	**13,275**	**100.0%**	**$3,741,473**

(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 ($3,256,158) and equity-accounted investment properties ($485,315) inclusive of non-controlling interest share.

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

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.

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 December 31, 2021	AMR/Suite at December 31, 2020	% Change	Occupancy at December 31, 2021	Occupancy at December 31, 2020
Canadian Properties (in Canadian dollars)					
Alberta	**$1,397**	$1,408	**(0.8%)**	**76.6%**	76.0%
Ontario					
Mississauga	**1,723**	1,677	**2.7%**	**96.0%**	96.0%
Toronto	**1,374**	1,341	**2.5%**	**94.3%**	97.0%
Other(1)	**1,464**	1,438	**1.8%**	**91.0%**	92.7%
Total Ontario	**1,543**	1,505	**2.5%**	**94.5%**	95.9%
Total Canada (in Canadian dollars)	**$1,535**	$1,500	**2.3%**	**93.6%**	94.9%
U.S. Properties (in U.S. dollars)					
Colorado	**$1,536**	$1,421	**8.1%**	**96.0%**	95.1%
Texas	**1,423**	1,318	**8.0%**	**95.5%**	94.9%
Louisiana	**1,309**	1,241	**5.5%**	**98.2%**	93.4%
Illinois	**2,366**	2,471	**(4.2%)**	**95.1%**	81.3%
Georgia	**1,413**	1,298	**8.9%**	**96.0%**	94.8%
Florida	**1,450**	1,315	**10.3%**	**97.8%**	96.5%
North Carolina	**1,214**	1,119	**8.5%**	**93.4%**	92.7%
Virginia	**2,142**	2,124	**0.8%**	**94.2%**	93.2%
Maryland	**1,894**	1,896	**(0.1%)**	**97.7%**	86.5%
U.S. Same Property	**1,519**	1,428	**6.4%**	**96.3%**	93.6%
Redevelopment(2)	**1,842**	1,720	**7.1%**	**95.5%**	6.2%
Total U.S. (in U.S. dollars)	**$1,525**	$1,428	**6.8%**	**96.3%**	92.2%
Total (in local currencies)	**$1,528**	$1,459	**4.7%**	**95.1%**	93.3%

(1) Other Ontario includes one property in each of Kitchener, Ontario and Ottawa, Ontario.
(2) Includes a redevelopment property in New Orleans, Louisiana, reaching stabilized occupancy during October 2021.

CANADIAN PROPERTIES

As at December 31, 2021, AMR per suite in Canada increased by 2.3% compared to December 31, 2020. Sequentially, AMR in Canada of $1,535 as at December 31, 2021, increased by 0.3% compared to $1,530 as at September 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 December 31, 2021, AMR at the REIT's single property in Edmonton, Alberta, decreased by 0.8% compared to December 31, 2020. AMR decreased due to the lower rents achieved on turnover which is a result of the continued softening rental market in downtown Edmonton. There are no restrictions regarding annual rental increases in Alberta which will provide the flexibility to increase rents to pre-pandemic levels once the market improves.

The REIT continued to experience steady demand, particularly towards the end of the third quarter and into the fourth quarter as Ontario progresses through its plan to reopen the economy, which has allowed the REIT to increase rents as suites turn over at below market rates. During the year ended December 31, 2021, the REIT's Canadian portfolio turned over 796 suites, or 14.9% of total suites located in Canada and achieved AMR growth of 12.3% on suite turnover. Overall, Canadian turnover is higher compared to 10.6% achieved during the year ended December 31, 2020.

As at December 31, 2021, occupancy in Canada decreased to 93.6%, compared to 94.9% at December 31, 2020 and sequentially, occupancy in Canada increased from 92.7% at September 30, 2021. Overall, lower occupancy in Canada compared to December 31, 2020 was primarily due to prolonged stay-at-home restrictions throughout 2020 and in the first half of 2021, 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 an increase in the number of suites leased during the third and fourth quarters of 2021. As the Omicron COVID-19 variant surges, occupancy has remained stable into the first quarter of 2022 and management anticipates leasing activity to increase as the economy and universities reopen after the province of Ontario moves back to Step Three after a period of time-limited measures were put in place. 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 provincewide stay-at-home order which ended in July 2021. 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 and we expect to revert to pre-pandemic occupancy levels as the economy reopens.

As at December 31, 2021, occupancy at the REIT's single property located in Edmonton, Alberta, of 76.6% increased slightly from 76.0% at December 31, 2020, due to the high proportion of tenants who attend nearby universities that have resumed in-class learning. Occupancy decreased from 79.2% at September 30, 2021, as additional move outs and slower leasing activity contributed to the decrease in occupancy during the fourth quarter of 2021. In addition, Other Ontario occupancy decreased from 92.7% at December 31, 2020 to 91.0% at December 31, 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 online learning options.

U.S. PROPERTIES

As at December 31, 2021, Same Property AMR per suite in the U.S. increased by 6.4% compared to December 31, 2020. The REIT had AMR growth in all U.S. regions, except for Illinois and Maryland, which was predominantly at two 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. The AMR decline in Maryland was also impacted by a temporary emergency order on rent control. AMR growth in Florida, North Carolina, Georgia, Colorado and Texas led the portfolio, showing signs of strong market fundamentals in these regions. As at December 31, 2021, AMR at the REIT's properties located in Chicago's Loop decreased by 4.2% compared to December 31, 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. Market rents are expected to continue to be strong including increases in most markets for the remainder of the winter season as occupancies have stabilized.

The REIT continues to utilize revenue management tools aimed at balancing rent growth, traffic and renewal exposure. As at December 31, 2021, that balance has been maintained throughout the second half of the year as management continues to adapt to new pandemic constraints matching expiring leases with new move-ins using multiple technologies, including virtual leasing, contactless apartment tours and improved access. With few exceptions, the REIT has also maintained Same Property AMR growth over 2020 within the vast majority of its submarkets while it enjoyed strong occupancies. Though management believes some supply challenges will continue in a few markets, demand continues to be strong. AMR growth also improved during the fourth quarter as portfolio occupancies have stabilized and reached optimum levels, management expects this trend of AMR growth to continue, especially in the Florida and Colorado markets where demand is outweighing supply.

As at December 31, 2021, Same Property occupancy in the U.S. was 96.3% compared to 93.6% at December 31, 2020, continuing the positive momentum experienced early in the year. Management's proactive response to the pandemic continues to be successful as we continually review leasing strategies including virtual leasing software and other operational adjustments enabling the portfolio to maintain strong occupancies. Resident retention remains a major driver of occupancy as high service levels, communication and the tempering of renewal increases have proven to reduce the supply of available suites within the portfolio during the latter half of 2021. 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 2021 underscoring the quality of the assets and the strength in the submarkets. Occupancy at Marquee at Block 37 in Chicago, Illinois, improved from a low of 70.2% earlier this year to 95.2% at December 31, 2021. As cases of the Omicron variant surge throughout the U.S., municipal governments have held off on imposing any significantly limiting restrictions in the REIT's U.S. markets. Management expects the leasing activity to keep occupancy levels stable as we move through the winter months, while we continue to closely monitor public health measures within the REIT's U.S. markets.

Sequentially, Same Property occupancy in the U.S. slightly decreased to 96.3% compared to 96.4% as at September 30, 2021, which can be attributed to seasonality moving into the holidays. In light of the COVID-19 impact, stable and optimum occupancy levels were achieved in part by 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.

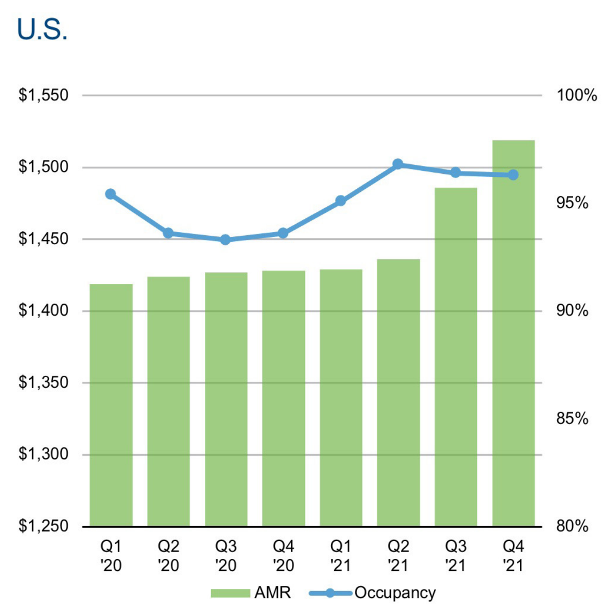
As the Omicron variant surges, the overall sentiment in the U.S. remains one of optimism. The 2021 federal stimulus package expired in September, but rental assistance continues to be distributed at the state level. The federal administration has been successful in fully vaccinating 206 million eligible Americans over the age of 12, 251 million or 80% of the eligible U.S. population have received at least one vaccine dose, and 91 million or 43% of the fully vaccinated U.S. population have received booster doses 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 and fourth quarters of 2021, the U.S. experienced more normalized business operations including regular air travel and increased in-person meetings. The Omicron variant surge began to slow business activities but this had little impact on the U.S. portfolio due to its timing in late December coinciding with the holiday season. Because of this, we remain cautiously optimistic and do believe the portfolio performance will remain stable and positive heading into 2022. At the same time, our team will remain vigilant as U.S. vaccinations are still not yet at the CDC desired levels and COVID-19 variant infections remain high 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 the REIT’s 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 95.5% occupied. The repositioned asset further improves the overall quality of the portfolio having an AMR of $1,842. The property’s close proximity to The Georgian Apartments, offers management a platform for operational synergies.

For the year ended December 31, 2021, the REIT’s rental incentives amounted to $1,721 (2020 - $777), 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 March 31, 2020:



PART III

REVIEW OF OPERATIONAL RESULTS

The REIT's operational results are summarized below:

For the years ended December 31 (In thousands of dollars)	2021	2020
Revenue from real estate properties	**$245,566**	$248,683
Property operating expenses		
Property operating costs	**(65,645)**	(63,762)
Realty taxes	**(32,522)**	(31,770)
Utilities	**(17,904)**	(17,618)
Net operating income	**129,495**	135,533
Other expenses (income)		
Interest expense	**65,719**	62,111
Trust expenses	**14,392**	15,237
Equity loss (income) from investments	**(2,691)**	9,869
Foreign exchange loss	**15**	220
Other income	**(83)**	(431)
Income before fair value changes and income taxes	**52,143**	48,527
Fair value gain on real estate properties, net	**288,662**	72,238
Fair value gain (loss) on Class B LP Units	**(30,313)**	43,747
Income before income taxes	**310,492**	164,512
Provision for (recovery of) income taxes		
Current	**126**	131
Deferred	**65,392**	(2,424)
	65,518	(2,293)
Net income for the year	**$244,974**	$166,805
Net income (loss) attributable to:		
Unitholders	**$242,088**	$175,216
Non-controlling interest	**2,886**	(8,411)
	$244,974	$166,805

REVENUE FROM REAL ESTATE PROPERTIES

Lower rental revenue for the year ended December 31, 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 year ended December 31, 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 year ended December 31, 2021, measures the operating performance for properties owned and have reached stabilization by the REIT continuously since January 1, 2020 and excludes 1643 Josephine, New Orleans, Louisiana, a redevelopment property acquired on April 5, 2018, which reached stabilized occupancy in October 2021.

Same Property and Same Property Proportionate results for the year ended December 31, 2021, represent 11,979 and 12,141 residential suites, respectively.

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

Net Operating Income

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

For the year ended December 31 (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)	**$241,314**	**$247,541**	$242,362	$250,442
Vacancy	**(14,815)**	**(16,434)**	(12,397)	(15,030)
Ancillary	**17,474**	**16,868**	18,695	18,480
Same Property	**243,973**	**247,975**	248,660	253,892
Acquisition/Development	**1,593**	**1,593**	23	23
Total revenue from properties	**245,566**	**249,568**	248,683	253,915
Property operating expenses				
Same Property				
Operating costs	**64,678**	**66,114**	63,678	64,968
Realty taxes	**32,366**	**33,537**	31,738	32,889
Utilities	**17,798**	**18,104**	17,593	17,952
Same Property	**114,842**	**117,755**	113,009	115,809
Acquisition/Development	**1,229**	**1,229**	141	141
Total property operating expenses	**116,071**	**118,984**	113,150	115,950
NOI				
Total Same Property	**129,131**	**130,220**	135,651	138,083
Acquisition/Development	**364**	**364**	(118)	(118)
Total NOI	**$129,495**	**$130,584**	$135,533	$137,965
NOI margin	**52.7%**	**52.3%**	54.5%	54.3%

For the year ended December 31, 2021, NOI from the REIT's properties decreased by $6,038 (or 4.5%) to $129,495, compared to $135,533 in 2020. The decrease in NOI is due to a decrease in Same Property NOI of $6,520 (or 4.8%), partially offset by an increase in NOI of $482 from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021. The Same Property decrease of $6,520 is due to a decrease in Canada of $3,331 (or 6.1%), an increase in the U.S. of US$1,685 (or 2.8%) and the change in foreign exchange rate which decreased NOI by $4,874.

For the year ended December 31, 2021, Proportionate NOI from the REIT's properties decreased by $7,381 (or 5.3%) to $130,584, compared to $137,965 in 2020. The decrease in Proportionate NOI is due to a decrease in Same Property Proportionate NOI of $7,863 (or 5.7%), partially offset by an increase in NOI of $482 from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021. The Same Property decrease of $7,863 is due to a decrease in Canada of $3,323 (or 6.1%), an increase in the U.S. of US$780 (or 1.2%) and the change in foreign exchange rate which decreased Proportionate NOI by $5,320.

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

For the year ended December 31 (In thousands of dollars)	2021 NOI	2021 Proportionate NOI	2020 NOI	2020 Proportionate NOI
Same Property NOI - Canada (local currency)	**$51,245**	**$50,938**	$54,576	$54,261
Same Property NOI - U.S. (local currency)	**62,113**	**63,235**	60,428	62,455
Acquisition/Development (local currency)	**288**	**288**	(91)	(91)
Exchange amount to Canadian dollars	**15,849**	**16,123**	20,620	21,340
Total NOI	**$129,495**	**$130,584**	$135,533	$137,965

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

For the year ended December 31 (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)	**$96,851**	**$96,329**	$93,469	$92,969
Vacancy	**(8,205)**	**(8,170)**	(3,480)	(3,464)
Ancillary(1)	**4,236**	**4,214**	4,757	4,730
Revenue from properties	**92,882**	**92,373**	94,746	94,235
Property operating expenses				
Operating costs	**20,312**	**20,214**	19,584	19,492
Realty taxes	**10,137**	**10,075**	9,834	9,773
Utilities	**11,188**	**11,146**	10,752	10,709
Total property operating expenses	**41,637**	**41,435**	40,170	39,974
NOI	**$51,245**	**$50,938**	$54,576	$54,261
NOI margin	**55.2%**	**55.1%**	57.6%	57.6%

(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 year ended December 31, 2021, NOI from the Canadian properties decreased by $3,331 (or 6.1%) to $51,245, compared to $54,576 in 2020. The decrease in NOI is primarily due to a decrease in revenue of $1,864 (or 2.0%), from increased vacancy, partially offset by higher gross rental revenue (3.6%) 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 management's focus on maintaining existing rent levels at most properties within the GTA submarket. Prolonged vacancy at two properties continue to be impacted by university closures, which have since reopened in September. The increase in operating expenses of $1,467 (or 3.7%) was due to an increase in operating costs of $728, higher realty taxes of $303 and an increase in utilities of $436. The increase in operating costs is due to an increase in insurance expense from higher premiums and an increase from cleaning contracts, which were partially offset by lower payroll due to the timing of vacant positions being filled. The increase in realty taxes of $303 is mainly due to a successful tax appeal recorded in 2020. The increase in utilities of $436 was mainly due to higher gas and water rates, partially offset by lower gas consumption due to a warmer winter during the first quarter of 2021. In addition, hydro expense increased due to reduced rebates under Ontario's Electricity Rebate program, which was partly offset by a decrease in hydro rates.

For the year ended December 31, 2021, Proportionate NOI from the Canadian properties decreased by $3,323 (or 6.1%) to $50,938, compared to $54,261 in 2020. The decrease in Proportionate NOI is due to a decrease in revenue of $1,862 (or 2.0%), from increased vacancy, partially offset by higher gross rental revenue (3.6%) resulting from an increase in AMR. In addition, an increase in operating expenses of $1,461 (or 3.7%) was due to an increase in operating costs of $722, higher realty taxes of $302 and utilities of $437 for the same reasons described above.

The REIT's Canadian NOI margin and Proportionate NOI margin were 55.2% and 55.1%, respectively, for the year ended December 31, 2021, compared to 57.6% and 57.6%, respectively, for the year ended December 31, 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 year ended December 31 (In thousands of U.S. dollars, unless otherwise noted)	2021 NOI	2021 Proportionate NOI	2020 NOI	2020 Proportionate NOI
Revenue from properties				
Same Property				
Gross rental revenue (before vacancy and ancillary revenue)	**$115,217**	**$120,599**	$111,021	$117,417
Vacancy	**(5,267)**	**(6,581)**	(6,652)	(8,643)
Ancillary(1)	**10,564**	**10,098**	10,396	10,250
Same Property	**120,514**	**124,116**	114,765	119,024
Acquisition/Development	**1,269**	**1,269**	18	18
Total revenue from properties	**121,783**	**125,385**	114,783	119,042
Property operating expenses				
Same Property				
Operating costs	**35,393**	**36,617**	32,928	33,959
Realty taxes	**17,738**	**18,719**	16,311	17,215
Utilities	**5,270**	**5,545**	5,098	5,395
Same Property	**58,401**	**60,881**	54,337	56,569
Acquisition/Development	**981**	**981**	109	109
Total property operating expenses	**59,382**	**61,862**	54,446	56,678
NOI (in U.S. dollars)				
Same Property	**62,113**	**63,235**	60,428	62,455
Acquisition/Development	**288**	**288**	(91)	(91)
Total NOI (in U.S. dollars)	**62,401**	**63,523**	60,337	62,364
Exchange amount to Canadian dollars	**15,849**	**16,123**	20,620	21,340
NOI (in Canadian dollars)	**$78,250**	**$79,646**	$80,957	$83,704
NOI margin (in U.S. dollars)	**51.2%**	**50.7%**	52.6%	52.4%

(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 year ended December 31, 2021, NOI from the U.S. properties decreased by $2,707 (or 3.3%) to $78,250, compared to $80,957 in 2020. The decrease in NOI is due to the change in foreign exchange rate which decreased NOI by $4,771, partially offset by an increase in Same Property NOI of US$1,685 (or 2.8%) and an increase in NOI of US$379 from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021. The Same Property NOI increase was due to an increase in revenue of US$5,749 (or 5.0%), from higher gross rental revenue (3.8%) resulting from an increase in AMR, lower vacancy and a higher utility chargeback, partially offset by an increase in operating expenses of US$4,064 (or 7.5%). The increase in operating expenses is due to higher operating costs of US$2,465, realty taxes of US$1,427 and utilities of US$172. The increase in operating costs is mainly due to an increase in insurance expense from higher premiums, repairs and maintenance, bad debt expense and property management fees correlating with an increase in revenue. 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 due to an increase in the assessed market value at certain properties and a higher tax rebate received during 2020. The increase in utilities is mainly due to higher water and hydro consumption correlating to improved occupancy which contributed to the increase in utility chargebacks discussed above.

For the year ended December 31, 2021, Proportionate NOI from the U.S. properties decreased by $4,058 (or 4.8%) to $79,646, compared to $83,704 in 2020. The decrease in Proportionate NOI is due to the change in foreign exchange rate which decreased NOI by $5,217, partially offset by an increase in Same Property Proportionate NOI of US$780 (or 1.2%) and an increase in Proportionate NOI of US$379 from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021. The Same Property increase was mainly due to an increase in revenue of US$5,092 (or 4.3%), from higher gross rental revenue (2.7%) resulting from an increase in AMR, lower vacancy and a higher utility chargeback, partially offset by an increase in operating expenses of US$4,312 (or 7.6%). The increase in operating expenses is due to higher realty taxes of US$1,504 due to an increase in the assessed market value at certain properties and a higher tax rebate received during 2020, and higher operating costs of US$2,658 and utilities of US$150 for the same reasons described above.

The REIT's U.S. NOI margin and Proportionate NOI margin were 51.2% and 50.7%, respectively, for the year ended December 31, 2021, compared to 52.6% and 52.4%, respectively, for the year ended December 31, 2020. The NOI margin was impacted by the Same Property increase in operating expenses outweighing the increase in revenue, that was partially offset by the positive impact of NOI from the REIT's redevelopment property in Louisiana, which reached stabilized occupancy in October 2021. Proportionate NOI margin, in addition to the reasons noted above, was also 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:

For the years ended December 31 (In thousands of dollars)	2021	2020
Interest on mortgages	**$38,807**	$40,707
Distributions on Class C LP Units - interest	**2,800**	3,108
Interest on mortgages and Retained Debt	**41,607**	43,815
Distributions on Class C LP Units - tax payment	**486**	575
Interest on the convertible debentures	**3,848**	3,848
Interest on lease liability	**429**	458
Amortization of deferred financing costs	**2,371**	2,599
Amortization of deferred financing costs on the convertible debentures	**703**	662
Loss on tax liability on redemption of Class C LP Units	**3,775**	—
Fair value gain on conversion option on the convertible debentures	**451**	(1,895)
Interest expense before distributions on Class B LP Units	**53,670**	50,062
Distributions on Class B LP Units	**12,049**	12,049
	$65,719	$62,111

Interest expense increased by $3,608 during the year ended December 31, 2021, to $65,719, compared to $62,111 in 2020. The increase is predominantly due to a loss on tax liability on redemption of Class C LP Units of $3,775 and a decrease in the non-cash fair value gain on the convertible debentures' conversion option of $2,346, partially offset by a decrease in interest on mortgages and Retained Debt of $2,208. The strengthening of the Canadian dollar decreased interest expense on U.S. mortgages by $2,044.

Morguard retained the mortgages and deferred financing costs (the "Retained Debt"), on four Canadian properties that were sold to the REIT. Morguard remained responsible for the interest and principal payments on the Retained Debt, and the Retained Debt was secured by a charge on the properties. In consideration of the Retained Debt, Morguard received Class C LP Units on which distribution payments were made in an amount expected to be sufficient to permit Morguard to satisfy amounts payable with respect to: i) the principal and interest of the Retained Debt; and ii) the amount of tax that is due and payable that is reasonably attributable to any distributions on the Class C LP Units. The portion of the distributions that represent the interest and tax components associated with the Retained Debt that had been classified as interest expense for the year ended December 31, 2021, amounted to $3,286 (2020 - $3,683). During the fourth quarter of 2021, the REIT redeemed its Class C LP Units in connection with the Retained Debt and settled the associated tax obligation on Class C LP Units payable to Morguard after completing the refinancing of the four properties (see Part V, "Capital Structure and Debt Profile").

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 year ended December 31, 2021, amounted to $12,049 (2020 - $12,049).

TRUST EXPENSES

Trust expenses consist of the following:

For the years ended December 31 (In thousands of dollars)	2021	2020
Asset management fees and distributions	**$11,944**	$12,536
Professional fees	**915**	1,096
Public company expenses	**768**	703
Other	**765**	902
	$14,392	$15,237

Trust expenses decreased by $845 during the year ended December 31, 2021, to $14,392, compared to $15,237 in 2020. The decrease during the year ended December 31, 2021 is predominantly due to lower asset management fees and distributions, resulting from a decrease in incentive distributions from a lower FFO per Unit, 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 investment.

Equity income from investment for the year ended December 31, 2021, was $2,691 and included a non-cash fair value gain on real estate properties of $936. For the year ended December 31, 2020, equity loss from investment was $9,869 and included a non-cash fair value loss on real estate properties of $13,819, which was a result of a decrease in stabilized NOI assumptions. Excluding the impact of non-cash fair value changes on real estate properties, equity income from investments decreased by $2,195. The decrease was due to a decrease in NOI of $2,671, 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, and was partly offset by a decrease in interest expense of $426.

FOREIGN EXCHANGE LOSS

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. The REIT’s foreign exchange loss for the year ended December 31, 2021, amounted to $15 (2020 - $220), which is mainly the result of the fluctuation of the Canadian dollar against the United States dollar as at December 31, 2021, when compared to December 31, 2020.

OTHER INCOME

Other expense (income) mainly represents interest income earned on the Morguard Facility for advances made to Morguard and other expenses (income). For the year ended December 31, 2021, other income amounted to $83 (2020 - $431). The decrease in other income for the year ended December 31, 2021 was predominantly due to a wage subsidy received during 2020, net of a decrease in interest income on the Morguard Facility and the prior year non-recurring write-off of unrecoverable prepaid insurance premiums related to property dispositions.

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 year ended December 31, 2021, the REIT recognized a net fair value gain of $288,662 (2020 - $72,238). The fair value gain comprises $76,160 at the REIT’s Canadian properties and $212,502 at the U.S. properties primarily as a result of a 25 basis point decrease in capitalization rates and an increase in stabilized NOI across most of the properties in the REIT’s portfolio.

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 December 31, 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 $305,021 (2020 - $274,708) (see Part V, “Capital Structure and Debt Profile”).

The REIT recognized a fair value loss for the year ended December 31, 2021 of $30,313 (2020 - gain of $43,747). The fair value gain for the year ended December 31, 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 year ended December 31, 2021, the REIT recorded current tax expense of $126 (2020 - $131).

For the year ended December 31, 2021, the REIT has recorded deferred tax expense for U.S. federal and state taxes associated with the U.S. subsidiaries of $65,392 (2020 - recovery of $2,424). The deferred tax expense in 2021 is attributable to the fair value increase recorded under IFRS on U.S. properties while the deferred tax recovery in 2020 is mainly due to the fair value decrease related to U.S. properties.

The REIT’s provision for (recovery of) income taxes consists of the following:

For the years ended December 31 (In thousands of dollars)	2021	2020
Current	**$126**	$131
Deferred	**65,392**	(2,424)
Provision for (recovery of) income taxes	**$65,518**	($2,293)

As at December 31, 2021, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$34,067 (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 December 31, 2021, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$27,780 (2020 - US$15,256) of which deferred tax assets were recognized. The net operating losses can be carried forward indefinitely.

As at December 31, 2021, the REIT’s U.S. subsidiaries have a total of US$6,827 (2020 - US$2,201) of unutilized interest expense deductions on which deferred tax assets were recognized.

FUNDS FROM OPERATIONS

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

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

	Three months ended December 31		Year ended December 31	
(In thousands of dollars, except per Unit amounts)	2021	2020	2021	2020
Net income for the period attributable to Unitholders	**$112,610**	$7,237	**$242,088**	$175,216
Add/(deduct):				
Realty taxes accounted for under IFRIC 21(1)	**(6,751)**	(5,955)	**—**	—
Fair value loss (gain) on conversion option on the convertible debentures	**276**	767	**451**	(1,895)
Distributions on Class B LP Units recorded as interest expense(2)	**3,012**	3,012	**12,049**	12,049
Foreign exchange loss	**5**	737	**15**	220
Fair value loss (gain) on real estate properties, net(3)	**(132,167)**	10,447	**(289,598)**	(58,419)
Non-controlling interests' share of fair value gain (loss) on real estate properties	**(3,368)**	(11,688)	**285**	(12,055)
Fair value loss (gain) on Class B LP Units	**10,678**	24,973	**30,313**	(43,747)
Loss on tax liability on redemption of Class C LP Units	**3,775**	—	**3,775**	—
Deferred income tax expense (recovery)	**28,800**	(14,101)	**65,392**	(2,424)
FFO - basic	**$16,870**	$15,429	**$64,770**	$68,945
Interest expense on the convertible debentures	**970**	970	**3,848**	3,848
FFO - diluted	**$17,840**	$16,399	**$68,618**	$72,793
FFO per Unit - basic	**$0.30**	$0.27	**$1.15**	$1.23
FFO per Unit - diluted	**$0.29**	$0.27	**$1.13**	$1.20
Weighted average number of Units outstanding (in thousands):				
Basic(4)	**56,282**	56,238	**56,265**	56,222
Diluted(4) (5)	**60,515**	60,471	**60,498**	60,455

(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 December 31, 2021, increased by $1,441 (or 9.3%) to $16,870 ($0.30 per Unit), compared to $15,429 ($0.27 per Unit) in 2020. The increase is mainly due to higher Proportionate NOI of $1,206, an increase in other income of $409, and a decrease in interest expense of $103 (calculated on a Proportionate Basis and excludes distributions on Class B LP Units, fair value adjustments on the conversion option on the convertible debentures and loss on tax liability on redemption of Class C LP Units), partially offset by an increase in trust expense of $278 (calculated on a Proportionate Basis).

Basic FFO per Unit for the three months ended December 31, 2021, was $0.30 per Unit, compared to $0.27 per Unit in 2020 due to the following factors:

i) on a Same Property Proportionate Basis, in local currency, an increase in NOI from improved occupancy and an increase in AMR, partly offset by an increase in trust expense resulting in a $0.015 per Unit positive impact, and a change in the foreign exchange rate had a $0.005 per Unit positive impact;

ii) an increase from the contribution of the REIT's development property which reached stabilized occupancy in October 2021 had a $0.005 per Unit positive impact; and
iii) an increase in other income largely a result of an increase in interest income on the Morguard Facility, had a $0.005 per Unit positive impact.

Basic FFO for the year ended December 31, 2021, decreased by $4,175 (or 6.1%) to $64,770 ($1.15 per Unit), compared to $68,945 ($1.23 per Unit) in 2020. The decrease is mainly due to lower Proportionate NOI of $7,381 and a decrease in other income of $348, primarily from a decrease in interest income on the Morguard Facility, partially offset by a decrease in interest expense of $2,675 (calculated on a Proportionate Basis and excludes distributions on Class B LP Units, fair value adjustments on the conversion option on the convertible debentures and loss on tax liability on redemption of Class C LP Units) and a decrease in trust expenses of $874 (calculated on a Proportionate Basis). Basic FFO for the year ended December 31, 2020, includes $493 from a successful property tax appeal, net of consulting fees.

Basic FFO per Unit for the year ended December 31, 2021, decreased by $0.08 to $1.15 per Unit, compared to $1.23 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 $0.02 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 $0.055 per Unit negative impact;
ii) an increase from the contribution of the REIT's development property which reached stabilized occupancy in October 2021 had a $0.005 per Unit positive impact; and
iii) a decrease in other income due to a wage subsidy received during 2020 and a decrease in interest income on the Morguard Facility, partly offset by a non-recurring write-off during 2020 had a $0.01 per Unit negative impact.

DISTRIBUTIONS

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

The Trustees have discretion with respect to the timing and amounts of distributions. For the year ended December 31, 2021, total distributions (including Class B LP Units) amounted to $39,364 (2020 - $39,334).

For the years ended December 31 (In thousands of dollars)	2021 Units	 Class B LP Units	 Total	2020 Units	 Class B LP Units	 Total
Distributions paid and declared	**$26,566**	**$12,049**	**$38,615**	$26,660	$12,049	$38,709
Distributions – DRIP	**749**	**—**	**749**	625	—	625
Total	**$27,315**	**$12,049**	**$39,364**	$27,285	$12,049	$39,334

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

For the years ended December 31 (In thousands of dollars)	2021	2020	2019
Net income	**$244,974**	$166,805	$80,128
Cash provided by operating activities	**63,696**	50,128	62,483
Distributions - Units[1]	**$27,315**	$27,285	$24,527
Excess of net income over distributions	**$217,659**	$139,520	$55,601
Excess of cash provided by operating activities over distributions	**$36,381**	$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 year ended December 31, 2021, includes net income of $195,648 of non-cash components relating to a fair value gain on real estate properties, fair value loss on Class B LP Units, equity income 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 December 31 (In thousands of Canadian dollars, unless otherwise stated)	2021	2020
Canadian Properties		
Alberta	**$57,200**	$57,200
Ontario	**1,444,450**	1,356,850
Total Canadian Properties	**1,501,650**	1,414,050
U.S. Properties (in U.S. dollars)		
Colorado	**107,400**	90,200
Texas	**173,300**	152,500
Louisiana	**58,900**	52,200
Illinois	**196,000**	208,500
Georgia	**149,100**	118,910
Florida	**489,900**	395,320
North Carolina	**157,600**	134,660
Virginia	**51,700**	47,200
Total U.S. Properties (in U.S. dollars)	**1,383,900**	1,199,490
Exchange amount to Canadian dollars	**370,608**	327,701
Total U.S. Properties (in Canadian dollars)	**1,754,508**	1,527,191
Total real estate properties	**$3,256,158**	$2,941,241

The value of real estate properties increased by $314,917 as at December 31, 2021, to $3,256,158, 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 $288,662;
- Capitalization of property enhancements and development expenditures of $30,012; and
- A decrease of $4,200 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. 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 December 31, 2021, and 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 December 31, 2021, using the direct capitalization income approach, the properties were valued using capitalization rates in the range of 3.5% to 6.5% (2020 - 3.8% to 6.8%) applied to a stabilized net operating income of $140,018 (2020 - $132,725), resulting in an overall weighted average capitalization rate of 4.3% (2020 - 4.5%).

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

	December 31, 2021					December 31, 2020				
	Occupancy		**Capitalization Rates**			Occupancy		Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Canada										
Alberta	**96.0%**	**96.0%**	**5.0%**	**5.0%**	**5.0%**	96.0%	96.0%	5.0%	5.0%	5.0%
Ontario	**97.0%**	**96.0%**	**4.3%**	**3.5%**	**3.7%**	97.0%	96.0%	4.5%	3.8%	3.9%
United States										
Colorado	**95.0%**	**95.0%**	**4.8%**	**4.8%**	**4.8%**	95.0%	95.0%	5.3%	5.3%	5.3%
Texas	**95.0%**	**95.0%**	**4.8%**	**4.8%**	**4.8%**	95.0%	95.0%	5.3%	5.0%	5.0%
Louisiana	**95.0%**	**95.0%**	**6.5%**	**5.5%**	**5.7%**	95.0%	95.0%	6.8%	5.5%	6.0%
Illinois(1)	**95.0%**	**94.0%**	**4.8%**	**4.5%**	**4.6%**	95.0%	93.0%	4.8%	4.5%	4.6%
Georgia	**96.0%**	**95.0%**	**5.3%**	**4.8%**	**5.1%**	96.0%	95.0%	5.5%	5.0%	5.4%
Florida	**96.0%**	**93.5%**	**6.0%**	**4.5%**	**5.1%**	96.0%	93.5%	6.5%	4.8%	5.5%
North Carolina	**94.0%**	**94.0%**	**5.0%**	**4.8%**	**4.9%**	94.0%	94.0%	5.3%	5.0%	5.1%
Virginia	**95.0%**	**95.0%**	**4.5%**	**4.5%**	**4.5%**	95.0%	95.0%	4.8%	4.8%	4.8%
Maryland(1)	**95.0%**	**95.0%**	**4.3%**	**4.3%**	**4.3%**	95.0%	95.0%	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 income producing 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 December 31, 2021, would decrease by $179,300 or increase by $202,004, 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.

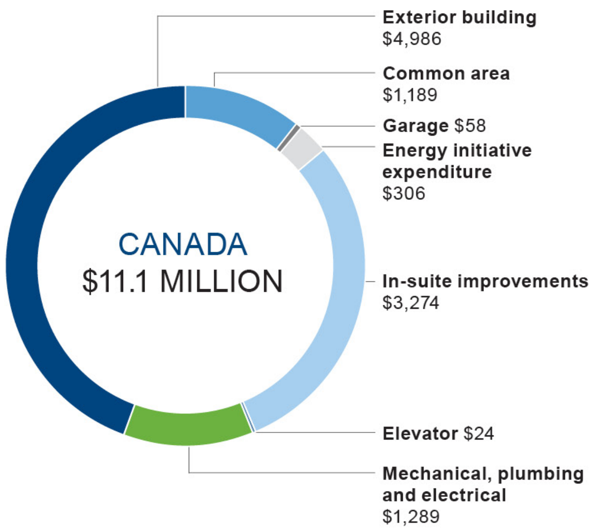
The following table provides additional details on total capital expenditures over the past three years:

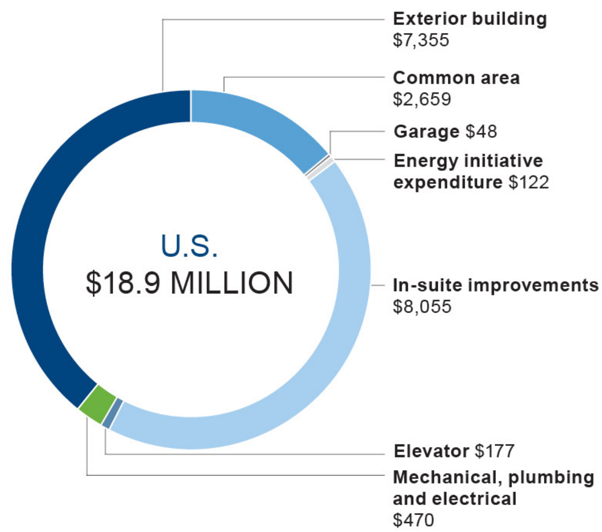
For the years ended December 31 (In thousands of dollars)	2021	2020	2019
Common area	**$3,848**	$2,878	$6,389
Mechanical, plumbing and electrical	**1,759**	1,674	3,959
Exterior building	**12,341**	6,806	4,782
Garage	**106**	360	752
Elevator	**201**	961	105
Energy initiative expenditure	**428**	1,569	3,044
In-suite improvements	**11,329**	7,865	11,597
Total capital expenditures	**$30,012**	$22,113	$30,628

Capital Expenditures by Country

The following details total capital expenditures by country:

For the year ended December 31, 2021
(In thousands of dollars)





During the year ended December 31, 2021, the REIT's total capital expenditures amounted to $30,012 (or $2,488 per suite), compared to $22,113 (or $1,848 per suite) during 2020. The REIT's revenue-enhancing capital expenditures were mainly comprised of in-suite improvements and energy initiative upgrades, the REIT also benefited from common area and exterior building projects which enhance the overall appeal of the properties.

In-suite renovations at properties where solid rental demand coupled with strong market fundamentals allow for above-market rent increases and an attractive return on the capital invested. Across the portfolio, during 2021 in-suite improvements included upgrades such as new kitchen countertops and appliances and the replacement of carpet with a more durable plank flooring.

The REIT continued capital expenditures on energy efficiency initiatives across the portfolio, which included boiler replacements and building automation systems. Common area capital expenditure included enhancing amenity areas such as courtyards and other outdoor/indoor amenity spaces as well as hallway and corridors completed at several properties. Sustaining capital included several projects such as balcony, garage, roof, fencing, sidewalk and driveways as well as landscaping upgrades which were completed across multiple properties.

EQUITY-ACCOUNTED INVESTMENTS

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

			Ownership		Carrying Value	
Property	Place of Business	Investment Type	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
The Fenestra	Rockville, MD	Joint Venture	**50%**	50%	**$46,721**	$40,671
Marquee at Block 37	Chicago, IL	Joint Venture	**50%**	50%	**49,655**	52,334
					$96,376	$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 December 31 (In thousands of Canadian dollars)	2021	2020
Balance, beginning of year	**$93,005**	$106,521
Additions	**1,288**	—
Distributions received	**(283)**	(1,780)
Share of net income (loss)	**2,691**	(9,869)
Foreign exchange loss	**(325)**	(1,867)
Balance, end of year	**$96,376**	$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:

For the years ended December 31 (In thousands of dollars)	2021	2020
Cash provided by operating activities	**$63,696**	$50,128
Cash used in investing activities	**(31,300)**	(28,064)
Cash used in financing activities	**(33,053)**	(11,572)
Net increase (decrease) in cash during the year	**(657)**	10,492
Net effect of foreign currency translation on cash balance	**(85)**	(936)
Cash, beginning of year	**27,304**	17,748
Cash, end of year	**$26,562**	$27,304

Cash Provided by Operating Activities

Cash provided by operating activities during the year ended December 31, 2021, was $63,696, compared to $50,128 in 2020. The change during the year mainly relates to an increase in non-cash operating assets and liabilities of $18,783, a decrease in interest expense of $2,237, a decrease in trust expenses of $845 and a decrease in foreign exchange loss of $205, partially offset by a decrease in NOI of $6,038, a decrease in distributions from equity-accounted investments of $1,497 and an increase in additions to tenant incentives of $944.

Cash Used in Investing Activities

Cash used in investing activities during the year ended December 31, 2021, totalled $31,300, compared to $28,064 in 2020. The cash used in investing activities during the year consists of the capitalization of property enhancements of $30,012 and contributions to equity-accounted investments of $1,288.

Cash Used in Financing Activities

Cash used in financing activities during the year ended December 31, 2021, totalled $33,053, compared to $11,572 during the same period in 2020. The cash used in financing activities during the year was largely due to the redemption of and tax payment on Class C LP Units and repayment of mortgage on maturity secured by the Retained Debt of $87,114, net repayment of Morguard Facility of $76,421, mortgage principal instalment repayments of $26,573, distributions paid to Unitholders of $26,564, distributions to non-controlling interest of $3,451 and an increase in restricted cash of $2,490, partially offset by the net proceeds from new mortgages of $189,560.

CAPITAL STRUCTURE AND DEBT PROFILE

The REIT's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions pursuant to the Declaration of Trust, as well as existing debt covenants, while continuing to build long-term Unitholder value and maintaining sufficient capital contingencies. Total capitalization as disclosed in the notes to the REIT's consolidated financial statements for the year ended December 31, 2021, and 2020 is calculated as the sum of the principal amount of the REIT's total debt (including mortgages payable, convertible debentures, lease liabilities and amounts drawn under its revolving credit facility with Morguard), Unitholders' equity and Class B LP Units liability.

The total managed capital of the REIT is summarized below:

As at December 31 (In thousands of dollars)	2021	2020
Mortgages payable, principal balance	**$1,300,873**	$1,135,377
Class C LP Units and present value of tax payment, principal balance	**—**	84,128
Convertible debentures, face value	**85,500**	85,500
Morguard Facility	**—**	6,600
Lease liability	**9,065**	9,103
Class B LP Units	**305,021**	274,708
Unitholders' equity	**1,484,738**	1,270,129
Total capitalization	**$3,185,197**	$2,865,545

DEBT PROFILE

As at December 31, 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 table summarizes the key liquidity metrics:

As at December 31	2021	2020
Total indebtedness to gross book value(1)	**40.2%**	42.8%
Weighted average mortgage interest rate(2)	**3.31%**	3.45%
Weighted average term to maturity on mortgages payable (years)	**5.0**	4.8

(1) A calculation of indebtedness to gross book value (a non-GAAP ratio) and a reconciliation of the ratio's non-GAAP financial measure components from the IFRS financial statement presentation is presented under the section Part IX, “Reconciliation of Non-GAAP Financial Measures.”

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

For the years ended December 31	2021	2020
Interest coverage ratio(1)	**2.33**	2.32
Indebtedness coverage ratio(2)	**1.52**	1.58

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

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

MORTGAGES PAYABLE AND CLASS C LP UNITS

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

As at December 31	2021	2020
	Mortgages Payable	Mortgages Payable and Class C LP Units
Principal balance of mortgages	**$1,300,873**	$1,210,463
Deferred financing costs	**(12,318)**	(10,080)
Present value of tax payment on Class C LP Units	**—**	9,042
	$1,288,555	$1,209,425

Range of interest rates	**2.03−4.11%**	2.03−4.11%
Weighted average interest rate	**3.31%**	3.45%
Weighted average term to maturity (years)	**5.0**	4.8
Fair value of mortgages and Class C LP Units	**$1,335,670**	$1,292,168

As at December 31, 2021, the principal balance on the mortgages payable and Class C LP Units totalled $1,300,873 (2020 - $1,210,463), and the deferred financing costs associated with the mortgages amounted to $12,318 (2020 - $10,080).

On November 10, 2021, the REIT completed the CMHC-insured financing of four properties, located in Toronto and Mississauga, Ontario, providing gross mortgage proceeds of $194,207 at a weighted average interest rate of 2.72% and for a weighted average term of 10.5 years. Concurrently, the REIT redeemed the Class C LP Units of the Partnership (defined below) held by Morguard. The Class C LP Units were entitled to priority distributions in satisfaction of financial obligations related to the Retained Debt and any associated tax payable by Morguard. The Retained Debt had a mortgage balance at maturity associated with the refinanced properties of $74,180 at a weighted average interest rate of 3.97%, resulting in net proceeds of $120,027, before financing costs and any associated tax payable.

At the time of redemption of the Class C LP Units, the present value of the REIT's tax obligation on Class C LP Units amounted to $12,934 compared to the carrying value of $9,559, resulting in a loss on tax liability on redemption of Class C LP Units of $3,775.

Mortgages payable increased by $79,130 as at December 31, 2021, to $1,288,555, compared to $1,209,425 at December 31, 2020. The increase is mainly due to the following:

- The redemption of and tax payment on Class C LP Units and repayment of mortgages on maturity secured by the Retained Debt totalling $87,114, which were refinanced for gross proceeds of $194,207;
- Financing cost of $4,647;
- Scheduled principal repayments of $26,573;
- A decrease of $3,375 due to the change in U.S. dollar foreign exchange rate; and
- Amortization of deferred financing cost, the present value adjustment of tax liability on Class C LP Units and loss on tax liability on redemption of Class C LP Units, totalling $6,632.

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.

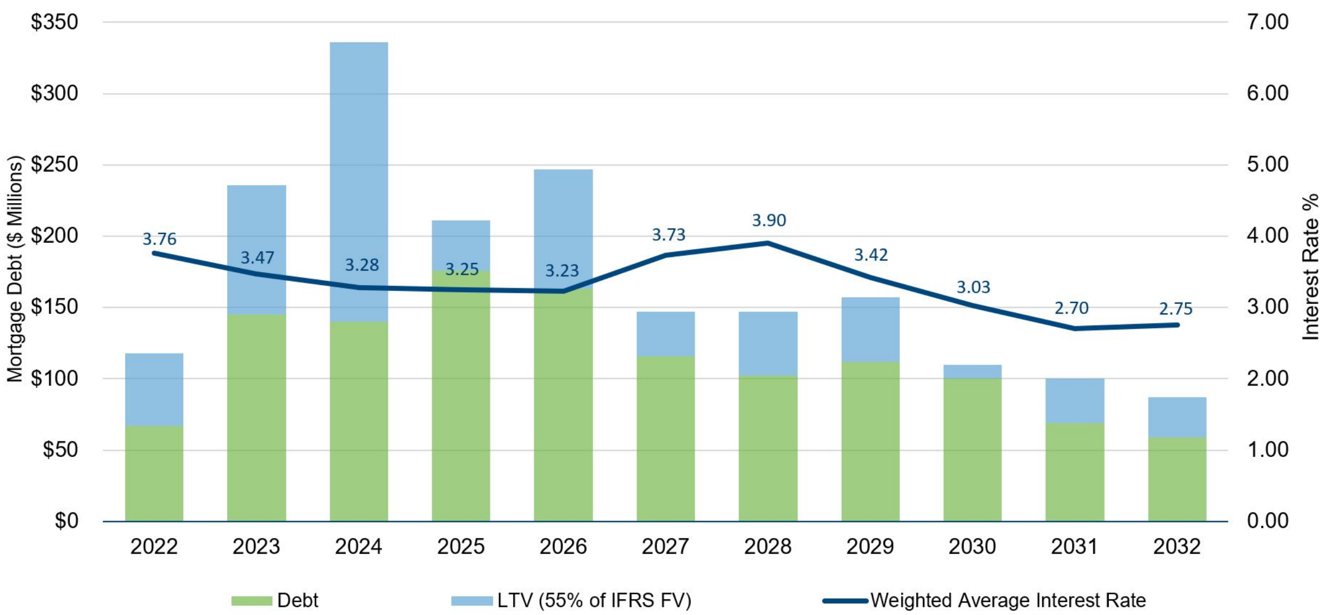
Short-term fluctuations in working capital are funded through the Morguard Facility. The REIT anticipates meeting all future obligations and has no off balance sheet financing arrangements.

The following table details the REIT's mortgages that are scheduled to mature in the next two years.

	2022				2023			
Asset Type	Number of Properties	Principal Maturing	Weighted Average Interest Rate	Maturing Loan-to-Value Ratio	Number of Properties	Principal Maturing	Weighted Average Interest Rate	Maturing Loan-to-Value Ratio
Canada	—	$—	—%	—%	1	$24,553	2.96%	23.7%
U.S.	3	66,937	3.76%	31.3%	6	120,491	3.58%	37.0%
	3	**$66,937**	**3.76%**	**31.3%**	**7**	**$145,044**	**3.47%**	**33.8%**

As at December 31, 2021, the following table illustrates the REIT's mortgages (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 December 31, 2021



CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at December 31 (In thousands of dollars)	2021	2020
4.50% convertible unsecured subordinated debentures	**$85,223**	$85,223
Fair value of conversion option	**2,028**	1,577
Unamortized financing costs	**(932)**	(1,635)
	$86,319	$85,165

For the year ended December 31, 2021, interest on the convertible debentures amounting to $3,848 (2020 - $3,848) is included in interest expense.

4.50% Convertible Unsecured Subordinated Debentures

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

As at December 31, 2021, and 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 December 31, 2021, the amount receivable under the Morguard Facility was $70,000. As at December 31, 2020, the amount payable under the Morguard Facility was $6,600.

During the year ended December 31, 2021, the REIT incurred net interest income of $33 (2020 - $274) on the Morguard Facility.

LEASE LIABILITY

The REIT's property located in Falls Church, Virginia, is subject to a long-term land lease, with a fixed price land purchase option available in September 2029. The REIT has classified the land lease as a lease liability under the assumption that substantially all the risks and rewards incidental to ownership have been transferred.

The future minimum lease payments under the lease liability are as follows:

As at December 31 **(In thousands of Canadian dollars)**	**2021**	2020
Within 12 months	**$434**	$435
2 to 5 years	**1,888**	1,826
Over 5 years	**10,445**	10,994
Total minimum lease payments	**12,767**	13,255
Less: Future interest costs	**(3,702)**	(4,152)
Present value of minimum lease payments	**$9,065**	$9,103

CONTRACTUAL MATURITIES

The contractual maturities and repayment obligations of the REIT's financial liabilities for upcoming periods as at December 31, 2021, are as follows:

As at December 31, 2021	2022	2023	2024	2025	2026	Thereafter	Total
Mortgages payable	**$99,547**	**$175,047**	**$167,730**	**$193,546**	**$176,944**	**$488,059**	**$1,300,873**
Mortgage interest	**42,360**	**36,228**	**31,993**	**25,733**	**18,979**	**41,513**	**196,806**
Convertible debentures	**—**	**85,500**	**—**	**—**	**—**	**—**	**85,500**
Convertible debentures' interest	**3,848**	**949**	**—**	**—**	**—**	**—**	**4,797**
Accounts payable and accrued liabilities	**47,713**	**—**	**—**	**—**	**—**	**—**	**47,713**
Lease liability	**434**	**434**	**450**	**502**	**502**	**10,445**	**12,767**
	$193,902	**$298,158**	**$200,173**	**$219,781**	**$196,425**	**$540,017**	**$1,648,456**

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 December 31, 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	**44,438**	**749**
Balance, December 31, 2021	**39,064,265**	**$469,959**

NORMAL COURSE ISSUER BIDS

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

There were no repurchases of Units under the REIT's NCIB plan for the years ended December 31, 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 year ended December 31, 2021, the REIT issued 44,438 Units under the DRIP (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 of 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 December 31, 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 $305,021 (2020 - $274,708) and a corresponding fair value loss for the year ended December 31, 2021 of $30,313 (2020 - gain of $43,747).

For the year ended December 31, 2021, distributions on Class B LP Units amounting to $12,049 (2020 - $12,049) are included in interest expense.

As at December 31, 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 December 31, 2021, there were 39,064,265 Units and 17,223,090 exchangeable Class B LP Units issued and outstanding.

As at February 15, 2022, there were 39,071,623 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. For the year ended December 31, 2021, fees and distributions amounted to $8,970 (2020 - $9,129) 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. For the year ended December 31, 2021, fees and distributions amounted to $12,543 (2020 - $13,211) 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 years ended December 31, 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. For the year ended December 31, 2021, fees relating to financing services amounted to $292 (2020 - $37) 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. For the year ended December 31, 2021, fees relating to development services amounted to $nil (2020 - $52) and are included in property under development.

Other Services

As at December 31, 2021, and 2020, the REIT had its portfolio appraised by Morguard's appraisal division. Fees relating to appraisal services for the year ended December 31, 2021, amounted to $210 (2020 - $198) 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.

KEY MANAGEMENT COMPENSATION

The executive officers of the REIT are employed by Morguard, and the REIT does not directly or indirectly pay any compensation to them. Any variability in compensation paid by Morguard to the executive officers of the REIT has no impact on the REIT's financial obligations, including its obligations under the various Agreements with Morguard and Morguard's affiliates.

PART VII

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The REIT's consolidated financial statements for the years ended December 31, 2021 and 2020, have been prepared in accordance with IFRS. A summary of the significant accounting policies is included in Note 2 to the audited consolidated financial statements for the year ended December 31, 2021.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting periods.

In determining estimates of fair market value for the REIT’s income producing properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Significant estimates used in determining fair value of the REIT’s income producing properties include capitalization rates and stabilized net operating income (which is primarily influenced by revenue growth, vacancy rates, inflation rates and operating costs). Should any of these underlying assumptions change, actual results could differ from the estimated amounts.

At this time, the duration and impact 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. 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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The REIT’s critical accounting policies are those that management believes are the most important in portraying the REIT’s financial condition and results and that require the most subjective judgment and estimates on the part of management.

INCOME PRODUCING PROPERTIES

Income producing properties are recorded at fair value, determined based on available market evidence, at the balance sheet date. The critical assumptions and estimates used when determining the fair value of income producing properties are the amount of rental income from future leases reflecting current market conditions adjusted for assumption of future cash flows with respect to current and future leases, capitalization rates and expected occupancy rates. The properties are appraised using the direct capitalization income method. To assist with the evaluation of fair value, the REIT has its properties appraised by Morguard’s appraisal division. Morguard’s appraisal division is staffed with accredited members of the AIC who collectively in 2021 valued approximately $13 billion of real estate properties in Canada and the U.S. for institutional and corporate clients.

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

Management reports on a quarterly basis the fair value of financial instruments. The fair value of financial instruments approximates amounts at which these instruments could be exchanged between knowledgeable and willing parties. The estimated fair value may differ in amount from that which could be realized on an immediate settlement of the instruments. Management estimates the fair value of mortgages payable by discounting the cash flows of these financial obligations using December 31, 2021, market rates for debts of similar terms.

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 December 31, 2021, market rates for debts of similar terms. Based on these assumptions, as at December 31, 2021, the fair value of the mortgages payable and Class C LP Units before deferred financing costs and present value of tax payment is estimated at $1,335,670 and $nil (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. As at December 31, 2021, the fair value of the convertible debentures before deferred financing costs has been estimated at $86,868 (2020 - $88,339), compared with the carrying value of $85,223 (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

An investment in securities of the REIT involves significant risks. Investors should carefully consider the risks described below and the other information described elsewhere in this MD&A (and as updated by subsequent interim MD&A) and those risks set out in the REIT's Annual Information Form ("AIF") for the year ended December 31, 2021, dated February 15, 2022, before making a decision to buy securities of the REIT. If any of the following or other risks occur, the REIT's business, prospects, financial condition, financial performance and cash flows could be materially adversely impacted. In that case, the ability of the REIT to make distributions to Unitholders and the Partnership to make distributions could be adversely affected, the trading price of securities of the REIT could decline and investors could lose all or part of their investment in such securities. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

There are certain risks inherent in an investment in the securities of the REIT and in the activities of the REIT, including those set out in the REIT's publicly filed disclosure available on SEDAR.

The following are business risks the REIT expects to face in the normal course of its operations and management's strategy to reduce the potential impact.

COVID-19 AND OTHER PANDEMIC OR EPIDEMIC RISKS

The ongoing COVID-19 pandemic has led to prolonged voluntary and mandatory building closures, business closures, government restrictions on travel, movement and gatherings, quarantines, curfews, self-isolation and physical distancing. The impact of these measures has led to a general shutdown of economic activity and has disrupted workforce and business operations both in North America and other parts of the world. Such occurrences could have a material adverse effect on the demand for real estate, the ability of tenants to pay rent and the debt and equity capital markets. The duration and impact of the ongoing COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. The pace of recovery following such occurrences cannot be accurately predicted, nor can the impact on the REIT's business and operations, real estate valuations, securities, cash flows, results of operations and the REIT's ability to obtain additional financing or re-financing and ability to make distributions to Unitholders.

Specifically, such enhanced risks associated with COVID-19 may include, but are not limited to:

(a) a material reduction in rental revenue and related collections due to associated financial hardship, unemployment and non-essential business orders governing the complete or partial closure of certain businesses;

(b) a material increase in vacancy potentially caused by the resulting economic crisis, changes in consumer demand for businesses' products and services, changes in businesses' real estate requirements and the inability of businesses to operate in the normal course or at all;

(c) uncertainty of real estate valuations resulting from the impact of a potential decline in revenue and/or lack of market activity and demand for real estate;

(d) the negative impact on Canadian and global debt and equity capital markets, impacting both pricing and availability;

(e) ability to access capital markets at a reasonable cost;

(f) the trading price of the REIT's securities;

(g) the impact of additional legislation, regulation, fiscal and monetary policy responses and other government interventions;

(h) uncertainty delivering services due to illness, REIT or government-imposed isolation programs, restrictions on the movement of personnel, closures and supply chain disruptions;

(i) uncertainty associated with costs, delays and availability of resources required to complete major maintenance and expansion projects on time and on budget and lease-up space following completion of development projects;

(j) adverse impacts on the creditworthiness of tenants and other counterparties; and

(k) increased risk of cyber-attacks due to remote working environments and increased reliance on information technology infrastructure.

The foregoing is not an exhaustive list of all risk factors.

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, tenants and service partners, compliance with guidelines and requirements issued by various health authorities and government organizations, and continuity of other critical business operations. The REIT remains 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.

OPERATING RISK

Real estate has a high fixed cost associated with ownership, and income lost due to vacancies cannot easily be minimized through cost reduction. Substantially all of our leases are for a term of one year or less. Because these leases generally permit residents to leave at the end of the lease without penalty, our rental revenues are impacted by declines in market rents more quickly than if our leases were for longer terms.

Tenant retention and leasing vacant suites are critical to maintaining occupancy levels. The ongoing COVID-19 pandemic and changing economic and demographic conditions may adversely impact tenant retention in certain locations. Through well-located and professionally managed properties, management seeks to increase tenant loyalty and become the landlord of choice. The REIT reduces operating risk through diversification of its portfolio by tenants, lease maturities, product and location.

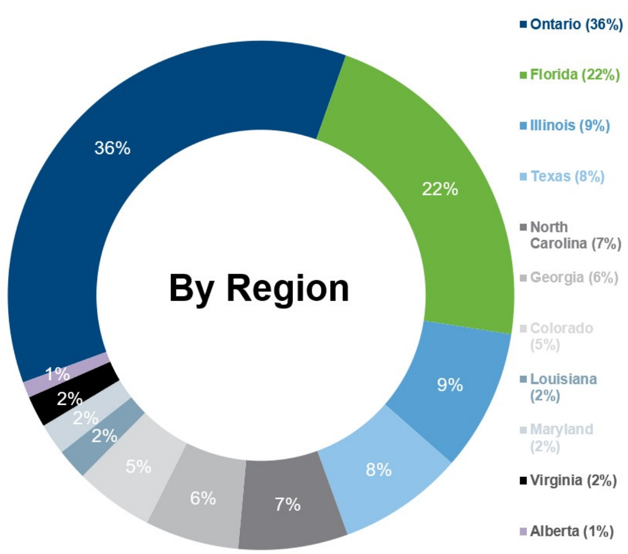
Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale.

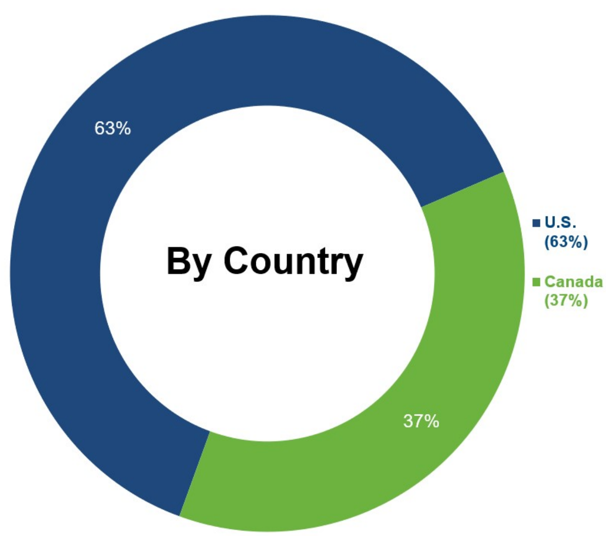
The REIT is also subject to utility and property tax risk relating to increased costs that the REIT may experience as a result of higher resource prices, as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised as a result of revaluations of municipal properties and their adherent tax rates. In some instances, enhancements to properties may result in a significant increase in property assessments following a revaluation. Additionally, utility expenses, mainly consisting of natural gas, water and electricity service charges, have been subject to considerable price fluctuations over the past several years. Unlike commercial leases, which generally are "net" leases and allow a landlord to recover expenditures, residential leases are generally "gross" leases, and the landlord is not able to pass on costs to its tenants.

The REIT currently relies on third-party vendors, developers, co-owners and strategic partners to provide the REIT with various services or to complete projects. The lack of an effective process for developing joint venture arrangements or for contract tendering, drafting, review, approval and monitoring may pose a risk for the REIT. The REIT may not be able to negotiate contract terms, service levels and rates that are optimal for the REIT. In addition, co-owners or joint venture partners may fail to fund their share of capital, may not comply with the terms of any governing agreements or may incur reputational damage which could negatively impact the REIT. Inefficient, ineffective or incomplete vendor management/partnership strategies, policies and procedures could impact the REIT's reputation, operations and/or financial performance.

In connection with the prudent management of its properties, the REIT makes significant property capital investments (for example, to upgrade and maintain building structure, balconies, parking garages, roofing, and electrical and mechanical systems). The REIT commissioned building condition reports in connection with the acquisition of each of the properties, and subsequently as needed, and has committed to a multi-year property capital investment plan based on the findings of such reports. The REIT continually monitors its properties to ensure appropriate and timely capital repairs and replacements are carried out in accordance with its property capital investment programs. The REIT requires sufficient capital to carry out its planned property capital investment and repair and refurbishment programs to upgrade its properties or it could be exposed to operating business risks arising from structural failure, electrical or mechanical breakdowns, fire or water damage, etc., which may result in significant loss of earnings to the REIT. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

For the year ended December 31, 2021, the REIT's portfolio diversification (inclusive of equity-accounted investments) as a percentage of net operating income is as follows:





COMPETITION

The multi-suite residential real estate sector is highly competitive. The REIT faces competition from many sources, including other multi-suite residential buildings in the immediate vicinity and the broader geographic areas where the REIT's residential properties are located. 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 could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

Furthermore, the multi-suite residential properties that the REIT owns or may acquire, compete with numerous housing alternatives in attracting tenants, including owner-occupied single- and multi-family homes available to rent or purchase. The relative demand for such alternatives may be increased by declining mortgage interest rates, government programs that promote home ownership or other events or initiatives that increase the affordability of such alternatives to multi-suite residential rental properties and could materially adversely affect the REIT's ability to retain tenants, lease suites and increase or maintain rental rates. Such competition may reduce occupancy rates and rental revenues of the REIT and could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

The competition for multi-suite residential properties available for sale may significantly increase the cost of acquiring such assets and may result in such assets being acquired by the REIT at prices or on terms that are comparatively less favourable to the REIT or may result in such assets being acquired by competitors of the REIT. In addition, the number of entities seeking to acquire multi-suite residential properties and/or the amount of funds competing for such acquisitions may increase. In addition, single-property acquisitions from tax-motivated individual sellers may be available for sale only at a higher cost to the REIT relative to portfolio acquisitions. Increases in the cost to the REIT of acquiring multi-suite residential properties may materially adversely affect the ability of the REIT to acquire such properties on favourable terms and may otherwise have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

ENVIRONMENTAL RISK

As an owner of real property, the REIT is subject to various laws relating to environmental matters. These laws impose liability for the cost of removal and remediation of certain hazardous materials released or deposited on properties owned or managed by the REIT or on adjacent properties. The failure to remove or remediate such substances or locations, if any, could adversely affect the REIT's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the REIT. As a result, Phase 1 environmental site assessments are completed prior to the acquisition of any property. Once the property is acquired, environmental assessment programs ensure continued compliance with all laws and regulations governing environmental and related matters. The REIT's management is responsible for ensuring compliance with environmental legislation and is required to report quarterly to the REIT's Board of Trustees. The REIT has certain properties that contain hazardous substances, and management has concluded that the necessary remediation costs will not have a material impact on its operations. The REIT has obtained environmental insurance on certain assets to further manage risk.

CLIMATE CHANGE RISK

The REIT is exposed to risks associated with inclement winter weather, including increased need for maintenance and repair and/or energy costs at its properties. Any of these events might have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

Morguard has a sustainability program which helps the group structure efforts and act on environmental, social and governance risks and opportunities that are most important to its stakeholders. These major areas of focus are:

- decreasing energy and water use; reducing waste and emissions;
- creating excellence in energy and environmental management that result in green building certifications;
- collecting consistent data that tracks and validates its performance towards its objectives;
- reporting transparency;
- engaging investors, employees and tenants to support its initiatives; and
- driving new sustainability ideas and policies that align with this focus area.

RISK OF LOSS NOT COVERED BY INSURANCE

The REIT generally maintains insurance policies related to its business, including casualty, general liability and other policies covering the REIT's business operations, employees and assets; however, the REIT would be required to bear all losses that are not adequately covered by insurance, as well as any insurance deductibles. In the event of a substantial property loss, the insurance coverage may not be sufficient to pay the full current market value or current replacement cost of the property. In the event of an uninsured loss, the REIT could lose some or all of its capital investment, cash flow and anticipated profits related to one or more properties. Although the REIT believes that its insurance programs are adequate, assurance cannot be provided that the REIT will not incur losses in excess of insurance coverage or that insurance can be obtained in the future at acceptable levels and reasonable cost.

RISK OF NATURAL DISASTER

While the REIT has insurance to cover a substantial portion of damages to properties caused by hurricanes and other natural disasters, the insurance includes deductible amounts, and certain items may not be covered by insurance. The REIT's operations and properties may be significantly affected by future natural disasters which may expose the REIT to loss of rent and incur additional storm or other natural disaster cleanup costs.

RISK RELATED TO INSURANCE RENEWALS

Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for terrorism. When the REIT's current insurance policies expire, the REIT may encounter difficulty in obtaining or renewing property or casualty insurance on its properties at the same levels of coverage and under similar terms, including limits and deductibles customarily carried for similar properties. Such insurance may be more limited and, for catastrophic risks (for example, earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Even if the REIT were able to renew our policies at levels and with limitations consistent with its current policies, the REIT cannot be sure that it will be able to obtain such insurance at premium rates that are commercially reasonable. If the REIT were unable to obtain adequate insurance on its properties for certain risks, it could cause the REIT to be in default under specific covenants on certain of its indebtedness or other contractual commitments it has that require the REIT to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur or if the REIT were unable to obtain adequate insurance and its properties experienced damages that would otherwise have been covered by insurance, it could adversely affect the REIT's financial condition and the operations of its properties.

LIQUIDITY AND CAPITAL AVAILABILITY RISK

Liquidity risk is the risk that the REIT cannot meet a demand for cash or fund its obligations as they come due. Although a portion of the cash flows generated by the properties is devoted to servicing such outstanding debt, there can be no assurance that the REIT will continue to generate sufficient cash flows from operations to meet interest payments and principal repayment obligations upon an applicable maturity date. If the REIT is unable to meet interest payments and principal repayment obligations, it could be required to renegotiate such payments or issue additional equity or debt or obtain other financing. The failure of the REIT to make or renegotiate interest or principal payments or issue additional equity or debt or obtain other financing could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

The real estate industry is highly capital intensive. The REIT requires access to capital to fund operating expenses, to maintain its properties, to fund its growth strategy and certain other capital expenditures from time to time, and to refinance indebtedness. Although the REIT expects to have access to the existing revolving credit facilities, there can be no assurance that it will otherwise have access to sufficient capital or access to capital on favourable terms. Further, in certain circumstances, the REIT may not be able to borrow funds due to limitations set forth in the Declaration of Trust. Failure by the REIT to access required capital could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

Liquidity and capital availability risks are mitigated by maintaining appropriate levels of liquidity, by diversifying the REIT's sources of funding, by maintaining a well-diversified debt maturity profile and by actively monitoring market conditions.

REPORTING INVESTMENT PROPERTY AT FAIR VALUE

The REIT holds investment property to earn rental income or for capital appreciation, or both. All investment properties are measured using the fair value model under IFRS, whereby changes in fair value are recognized for each reporting period in the consolidated statements of income (loss) and comprehensive income (loss).

Management values each investment property based on the most probable price that a property should be sold for in a competitive and open market as of the specified date under all conditions requisite to a fair sale, such as the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus. Each investment property has been valued on a highest and best-use basis.

There is a risk that general declines in real estate markets or sales of assets by the REIT under financial or other hardship, including as a result of changes in demand for real estate resulting from COVID-19 and related economic conditions, would have an impact on the fair values reported or the cash flows associated with owning or disposing of such properties. Market assumptions applied for valuation purposes do not necessarily reflect the REIT’s specific history or experience, and the conditions for realizing the fair values through a sale may change or may not be realized. Consequently, there is a risk that the actual fair values may differ, and the differences may be material. In addition, there is an inherent risk related to the reliance on and use of a single appraiser because this approach may not adequately capture the range of fair values that market participants would assign to the investment properties. Certain ratios and covenants could be negatively affected by downturns in the real estate market and could have a significant impact on the REIT’s operating revenues and cash flows, as well as the fair values of the investment properties.

Certain ratios and covenants could be negatively affected by downturns in the real estate market and could have a significant impact on the REIT’s operating revenues and cash flows, as well as the fair values of the investment properties.

FINANCING RISK

The REIT is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities secured by the REIT’s properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. The COVID-19 pandemic and related economic and market conditions may adversely impact credit and capital markets. To minimize this risk, the REIT has structured its debt maturities over a number of years and has negotiated fixed interest rates on all of its mortgages payable.

As at December 31, 2021, the majority of the REIT’s mortgages are insured in Canada under the National Housing Act (“NHA”) and administered by Canada Mortgage and Housing Corporation (“CMHC”) and in the U.S. with Federal National Mortgage Association (“Fannie Mae”), Federal Home Loan Mortgage Corporation (“Freddie Mac”) or the U.S. Department of Housing and Urban Development (“HUD”) insured mortgages. The REIT seeks to manage its financing risk by maintaining a balanced maturity profile with no significant debts coming due in any period.

The use of CMHC, Fannie Mae, Freddie Mac or HUD insured mortgages (“insured mortgages”) will assist the REIT in managing its renewal risk, allowing the REIT to increase the overall credit quality of the mortgage and, as such, enable the REIT to obtain preferential interest rates as well as facilitating easier renewal on its due dates. However, there can be no assurance that the renewal of debt will be on as favourable terms as the REIT’s existing debt. Insured mortgages are major sources of financing for the multi-family residential sector and any potential reduction in loans, guarantees and credit enhancement arrangements could limit the availability of financing, increase the cost of financing or otherwise decrease the liquidity and credit available to the multi-family residential sector generally and the REIT specifically. To the extent that any insured mortgage financing requires consent or approval that is not obtained or that such consent or approval is only available on unfavourable terms, the REIT may be required to finance a conventional mortgage, which may be less favourable to the REIT than an insured mortgage.

FOREIGN EXCHANGE RISK

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 risk with respect to future cash flows derived from the properties located in the United States. The REIT’s exposure to exchange rate risk could increase if the proportion of income from properties located in the United States increases as a result of future property acquisitions.
As at December 31, 2021, the Canadian dollar value was US$0.789 compared to US$0.785 a year earlier. The average exchange rate for the year ended December 31, 2021, was US$0.80 compared to US$0.75 during 2020. The strengthening of the Canadian dollar during 2021 resulted in an unrealized foreign currency translation loss of approximately $1,191 for the year ended December 31, 2021, recognized in other comprehensive income (“OCI”).

The REIT mitigates its foreign currency exposure by offsetting certain revenues earned in United States dollars from its U.S. properties against expenses and liabilities undertaken by the REIT in United States dollars.

INTERNAL CONTROLS

Effective internal controls are necessary for the REIT to provide reliable financial reports and to help prevent fraud. Although the REIT undertakes a number of procedures and Morguard and certain of its subsidiaries implement a number of safeguards, in each case in order to help ensure the reliability of their respective financial reports, including those imposed on the REIT under Canadian securities law, the REIT cannot be certain that such measures ensure that the REIT will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls or difficulties encountered in their implementation could harm the REIT's results of operations or cause it to fail to meet its reporting obligations. If the REIT or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the REIT's consolidated financial statements and materially adversely affect the trading price of the REIT's securities.

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 and operation are adequate and effective as of and for the year ended December 31, 2021. The REIT's management has also evaluated the effectiveness of the internal controls over financial reporting and has concluded that their design and operation are effective as of and for the year ended December 31, 2021.

VOLATILE MARKET PRICE FOR THE REIT'S SECURITIES

The market price for the REIT's securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the REIT's control, including the following: (i) the actual or perceived impact of the COVID-19 pandemic and related financial conditions; (ii) actual or anticipated fluctuations in the REIT's financial performance and future prospects; (iii) recommendations by securities research analysts; (iv) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT; (v) addition to or departure of the REIT's executive officers; (vi) release or expiration of lock-up or other transfer restrictions on outstanding Units or Class B LP Units; (vii) sales or perceived sales of additional Units; (viii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; (ix) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the REIT's industry or target markets; (x) liquidity of the REIT's securities; (xi) prevailing interest rates; (xii) the market price of other REIT securities; (xiii) a decrease in the amount of distributions declared and paid by the REIT; and (xiv) general economic conditions.

Financial markets have, in recent years, experienced significant price and volume fluctuations that have particularly affected the market prices of securities of issuers and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such issuers. Accordingly, the market price of the REIT's securities may decline even if the REIT's financial performance, underlying asset values, or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the REIT's environmental, governance and social practices and performance compared to such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the REIT's securities by those institutions. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil exist for a protracted period of time, the REIT's operations could be adversely impacted and the trading price of the securities may be adversely affected.

DISTRIBUTIONS

As a result of seasonal fluctuations in cash flows or other potential reductions in cash flow, including those that may result from decreases in rental revenues relating to the COVID-19 pandemic and related economic conditions, the REIT from time to time may pay distributions to Unitholders that have exceeded cash flow from operating activities. As a result, the REIT has not funded distributions from alternate sources such as the Morguard Facility, mortgages or other financing instruments, has not made any distributions that have included a return of capital and has not been required to amend any material contracts. There can be no assurance in the future that the REIT will continue to fund distributions entirely from cash from operating activities. In such an event, the REIT may be required to fund its distributions from sources other than operations, such as the Morguard Facility, mortgages or other financing instruments make distributions that include a return of capital; or amend material contracts. In addition, non-cash distributions, such as the issuance of Units under the DRIP, have the effect of increasing the number of Units outstanding, which may cause cash distributions to increase over time assuming stable per Unit cash distribution levels.

DEPENDENCE ON MORGUARD

The REIT is dependent upon Morguard for certain operational, administrative, information system and risk management services relating to the REIT's business. Should Morguard terminate the Asset Management Agreement, the REIT may be required to engage the services of an external asset manager. The REIT may be unable to engage an asset manager on acceptable terms, in which case the REIT's operations and cash available for distribution may be adversely affected. A part of our success depends in part on our ability to attract and retain the services of qualified personnel, especially executive officers who are responsible for making important capital allocation decisions. There is substantial competition for qualified personnel in the real estate industry, and the loss of key qualified personnel could adversely affect the REIT.

SIGNIFICANT OWNERSHIP BY MORGUARD

At the date hereof, Morguard holds an approximately 44.7% effective interest in the REIT through ownership of, or the control or direction over, Units and Class B LP Units. For so long as Morguard maintains a significant effective interest in the REIT, Morguard benefits from certain contractual rights regarding the REIT and the Partnership, such as pre-emptive rights to maintain its *pro rata* ownership interest in the REIT and the Partnership and certain "tag-along" rights to sell a proportionate number of its Units pursuant to a *bona fide* third-party offer to the REIT to purchase any of the securities of a partnership controlled by the REIT on the same terms and conditions set forth in the *bona fide* offer. Morguard has the ability to exercise influence with respect to the affairs of the REIT and significantly affect the outcome of Unitholder votes and also may have the ability to effectively prevent certain fundamental transactions. Morguard's significant effective interest may discourage transactions involving a change of control of the REIT, including transactions in which an investor might otherwise receive a premium for its Units over the then current market price.

POTENTIAL CONFLICTS OF INTEREST WITH MORGUARD

Morguard's continuing businesses may lead to conflicts of interest between Morguard and the REIT. The REIT may not be able to resolve any such conflicts, and, even if it does, the resolution may be less favourable to the REIT than if it were dealing with a party that was not a holder of a significant interest in the REIT. The agreements that the REIT entered into with Morguard may be amended upon agreement between the parties, subject to applicable law and approval of the independent Trustees. Because of Morguard's significant holdings in the REIT, the REIT may not have the leverage to negotiate any required amendments to these agreements on terms as favourable to the REIT as those the REIT could secure with a party that was not a significant holder of Units.

RISK RELATED TO GOVERNMENT REGULATIONS

Certain jurisdictions in Canada and the United States 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. Limits on the REIT's ability to raise rental rates at its properties may materially adversely affect the REIT's ability to increase income from its properties.

In addition to limiting the REIT's ability to raise rental rates, provincial and territorial residential tenancy legislation provides certain rights to tenants, while imposing obligations upon the landlord. Residential tenancy legislation in the provinces of Alberta and Ontario prescribes certain procedures that must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the respective administrative body governing residential tenancies as appointed under a province's residential tenancy legislation, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

Under Ontario's rent control legislation, a landlord is entitled to increase the rent for existing tenants once every 12 months by no more than the "guideline amount" based on the Ontario Consumer Price Index ("CPI"). The guideline increase cannot be more than 2.5%, even if the CPI increase is higher. For the calendar year 2021, the Government of Ontario passed legislation to freeze rent by setting the rental guideline amount at 0.0% (2.2% for 2020). This adjustment is meant to take into account the income of the building and the municipal and school taxes, the insurance bills, the energy costs, maintenance and service costs. Landlords may apply to the Ontario Rental Housing Tribunal for an increase above the guideline amounts if annual costs for heat, hydro, water or municipal taxes have increased significantly or if building security, maintenance and service costs have increased. When a suite is vacated, however, the landlord is entitled to lease the suite to a new tenant at any rental amount, after which annual increases are limited to the applicable guideline amount. The landlord may also be entitled to a greater increase in rent for a suite under certain circumstances, including, for example, where extra expenses have been incurred as a result of a renovation of that suite.

Further, residential tenancy legislation in certain jurisdictions in Canada and the United States provides the tenant with the right to bring certain claims to the respective administrative body seeking an order to, among other things, compel the landlord to comply with health, safety, housing and maintenance standards. As a result, the REIT may, in the future, incur capital expenditures that may not be fully recoverable from tenants. The inability to fully recover substantial capital expenditures from tenants may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

Residential tenancy legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner that will materially adversely affect the ability of the REIT to maintain the historical level of earnings of its properties.

MORGUARD RESIDENTIAL REIT UNITHOLDER TAXATION

The Act contains rules (the "SIFT Rules") that apply to a SIFT. A SIFT includes a publicly listed or traded partnership or trust such as an income trust. Under the SIFT Rules, certain distributions will not be deductible in computing the SIFT trust's taxable income, and the SIFT trust will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT trust as returns of capital should generally not be subject to the tax. The SIFT Rules do not apply to a trust that satisfies certain conditions relating to the nature of its income and investments (the "REIT Exception"). Although, as of the date hereof, management believes that the REIT will be able to meet the requirements of the REIT Exception throughout 2021 and beyond, there can be no assurance that the REIT will be able to qualify for the REIT Exception such that the REIT and the Unitholders will not be subject to the SIFT Rules in 2022 or in future years.

In the event that the SIFT Rules apply to the REIT, the impact to Unitholders will depend on the status of the holder and, in part, on the amount of income distributed, which would not be deductible by the REIT in computing its income in a particular year, and what portions of the REIT's distributions constitute "non-portfolio earnings", other income and returns of capital. The likely effect of the SIFT Rules on the market for Units and on the REIT's ability to finance future acquisitions through the issue of Units or other securities is unclear. If the SIFT Rules apply to the REIT, they may adversely affect the marketability of the Units, the amount of cash available for distributions and the after-tax return to investors.

The REIT intends to comply with the requirements under the Act at all relevant times such that it will maintain its status as a "unit trust" and a "mutual fund trust" for purposes of the Act. Under current law, a trust may lose its status under the Act as a mutual fund trust if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of non-residents, except in limited circumstances. Accordingly, non-residents may not be the beneficial owners of more than 49% of the Units (determined on a basic or a fully diluted basis). The Trustees will also have various powers that can be used for the purpose of monitoring and controlling the extent of non-resident ownership of the Units. The restrictions on the issuance of Units by the REIT to non-residents may negatively affect the REIT's ability to raise financing for future acquisitions or operations. In addition, the non-resident ownership restrictions could have a negative impact on the liquidity of the Units and the market price at which Units can be sold. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting mutual fund trusts will not be changed in a manner that adversely affects Unitholders.
The Act may impose additional withholding or other taxes on distributions made by the REIT to Unitholders who are non-residents. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. Unitholders who are non-residents should consult their own tax advisers.

The Act includes "loss restriction event" ("LRE") rules that could potentially apply to the REIT. In general, the REIT will be subject to a LRE if a person (or group of persons) acquires more than 50% of the fair market value of the Units. If a LRE occurs: (i) the REIT will be deemed to have a year-end for tax purposes immediately before the LRE occurs; (ii) any net income and net realized capital gains of the REIT at such year-end will be distributed to Unitholders to the extent required for the REIT not to be liable for income taxes and (iii) the REIT will be restricted in its ability to use tax losses (including any unrealized capital losses) that exist at the time of the LRE in taxation years that end after the time of the LRE.

INVESTMENT RESTRICTIONS

The REIT has been structured and operates in adherence to stringent investment restrictions and operating policies as set out in its Declaration of Trust and as applicable under tax laws relating to real estate investment trusts. These policies cover such matters as the type and location of properties that the REIT can acquire, the maximum leverage allowed, environmental matters and investment restrictions.

In addition, pursuant to the Declaration of Trust, the REIT's overall leverage is limited to 70% of its reported gross book value, unless the independent Trustees, in their discretion, determine that the maximum amount of indebtedness should be based on the appraised value of the properties instead of gross book value. As the REIT reports gross book value at fair market value under IFRS, these amounts are not expected to be materially different.

DEPENDENCE ON THE PARTNERSHIP

The REIT is an unincorporated, open-ended real estate investment trust that is entirely dependent on the operations and assets of the Partnership through the REIT's ownership of a 69.4% limited partnership interest in the Partnership. Cash distributions to holders of Units will be dependent on, among other things, the ability of the Partnership to make cash distributions with respect to the Class A LP Units. The Partnership and its subsidiaries are separate and distinct legal entities. The ability of the Partnership to make cash distributions or other payments or advances will depend on the Partnership's results of operations and may be restricted by, among other things, applicable corporate, tax and other laws and regulations and contractual restrictions contained in the instruments governing any indebtedness of the Partnership (including the Retained Debt), any priority distributions contained in the Limited Partnership Agreement and other agreements governing the Partnership and restrictions contained in the agreements governing the arrangement with the co-owners of certain properties.

UNITHOLDER LIABILITY

The Declaration of Trust provides that no holders of Units will be subject to any liability whatsoever to any person in connection with a holding of Units. In addition, legislation has been enacted in the province of Ontario and certain other provinces that is intended to provide holders of Units in those provinces with limited liability. However, there remains a risk, which is considered by the REIT to be remote in the circumstances, that a holder of Units could be held personally liable for the obligations of the REIT to the extent that claims are not satisfied out of the assets of the REIT. The affairs of the REIT are conducted in a manner to seek to minimize such risk wherever possible.

The Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier will be held to have any personal liability as such, and that no recourse may be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the REIT. Only assets of the REIT are intended to be liable and subject to levy or execution.

The following provinces have legislation relating to Unitholder liability protection: British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. Certain of these statutes have not yet been judicially considered, and it is possible that reliance on such statutes by a Unitholder could be successfully challenged on jurisdictional or other grounds. The Trustees will cause the operations of the REIT to be conducted, with the advice of counsel, in a manner and in such jurisdictions so as to avoid, as far as practicable, any material risk of liability to the Unitholders for claims against the REIT. The Trustees will also cause the REIT to carry insurance, to the extent to which they determine to be possible and reasonable, for the benefit of Unitholders and annuitants in such amounts as they consider adequate to cover non-contractual or non-excluded liability.

TECHNOLOGY AND INFORMATION SECURITY RISK

The REIT uses information technology for general business operations, the effective achievement of strategic business objectives, to improve tenants' experience and to streamline operations. Consequently, the REIT faces information technology risk from its continuous adoption and use of information technology. The risk consists of information technology related events such as cybersecurity incidents that could potentially have an adverse impact on the REIT's financial condition, IT systems, operations and tenants. Although we make efforts to maintain the security and integrity of our IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts will be effective or that attempted security breaches or disruptions will not be successful or damaging.

The efficient operation of the REIT's business is dependent on computer hardware and software systems operated primarily by Morguard. Information systems are vulnerable to cybersecurity incidents. A cybersecurity incident is considered to be any material adverse event that threatens the confidentiality, integrity or availability or the REIT's information resources. A cybersecurity incident is an intentional attack or an unintentional event including, but not limited to, malicious software, attempts to gain unauthorized access to data or information systems, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential of otherwise protected information and corruption of data. The REIT’s primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to its business relationships with users, the disclosure of confidential information including personally identifiable information, potential liability to third parties, loss of revenue, additional regulatory scrutiny and fines, as well as litigation and other costs and expenses. Morguard takes data privacy and protection seriously and has implemented processes, procedures and controls to help mitigate these risks. Access to personal data is controlled through physical security and IT security mechanisms. Additionally, Morguard monitors and assesses risks surrounding collection, usage, storage, protection and retention/ destruction practices of personal data. These measures, as well at its increased awareness of a risk of a cyber incident, do not guarantee that the REIT’s financial results will not be negatively impacted by such an incident.

The REIT and Morguard depend on relevant and reliable information for decision-making and financial reporting. As the volume of data being generated and reported by the REIT increases and evolves, Morguard will continue to undertake investments in IT systems to store, process and leverage such data. The failure to successfully migrate to new IT systems, or disruptions which may arise as a result of the transition to new IT systems, could result in a lack of relevant and reliable information to enable management to effectively achieve its strategic plan or manage the operations of the REIT, which could negatively affect the reputation, operations and financial performance of the REIT. In addition, any significant loss of data or failure to maintain reliable data could negatively affect the reputation, operations and financial performance of the REIT.

CONTROLS AND PROCEDURES CONCERNING FINANCIAL INFORMATION

The financial certification process project team has documented and assessed the design and effectiveness 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 and effectiveness 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 and operation are adequate and effective as of and for the year ended December 31, 2021. The REIT’s management has also evaluated the effectiveness of the internal controls over financial reporting and has concluded that the design and operation are effective as of and for the year ended December 31, 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

SELECTED ANNUAL AND QUARTERLY INFORMATION

The following table shows information for revenue from real estate properties, NOI, net income attributable to Unitholders, FFO, total distributions (including Class B LP Units), total assets, non-current financial liabilities, and per Unit amounts for the periods noted.

For the years ended December 31 (In thousands of dollars)	2021	2020	2019
Revenue from real estate properties	**$245,566**	$248,683	$245,596
NOI	**129,495**	135,533	132,862
NOI per Unit[(1)]			
- basic	**2.30**	2.41	2.52
- diluted	**2.14**	2.24	2.33
Net income attributable to Unitholders	**242,088**	175,216	76,815
Net income attributable to Unitholders per Unit[(1)]			
- basic	**4.30**	3.12	1.46
- diluted	**4.06**	2.96	1.35
FFO			
- basic	**64,770**	68,945	64,218
- diluted	**68,618**	72,793	68,066
FFO per Unit[(1)]			
- basic	**1.15**	1.23	1.22
- diluted	**1.13**	1.20	1.19
Total distributions (including Class B LP Units)	**39,364**	39,334	36,018
Distributions per Unit (annualized)	**0.6996**	0.6996	0.6826
Total assets	**3,473,287**	3,084,358	3,033,427
Non-current portion of financial liabilities			
Mortgages payable and Class C LP Units	**1,191,578**	1,102,235	1,200,587
Convertible debentures	**86,319**	85,165	86,398
Class B LP Units	**305,021**	274,708	318,455
Lease liability	**9,065**	9,103	9,286
Number of suites	**13,275**	13,275	13,277

(1) For the purpose of calculating NOI, net income attributable to Unitholders and FFO per Unit, Class B LP Units are included as Units outstanding on both a basic and diluted basis.

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	Net Income Attributable to Unitholders per Unit Diluted[(1)]
December 31, 2021	**$63,475**	**$39,796**	**$16,870**	**$112,610**	**$2.00**	**$1.87**
September 30, 2021	61,955	37,142	16,153	83,704	1.49	1.40
June 30, 2021	59,814	37,373	16,128	18,765	0.33	0.33
March 31, 2021	60,322	15,184	15,619	27,009	0.48	0.46
December 31, 2020	61,025	38,192	15,429	7,237	0.13	0.13
September 30, 2020	62,159	38,796	16,085	51,908	0.92	0.88
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

(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.

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). In addition, overbuilding in the multi-suite residential sector, particularly in the United States, may increase the supply of multi-suite residential properties, further increasing the level of competition in certain markets. Such competition may reduce occupancy rates and rental revenues of the REIT and, consequently, revenue and operating results.

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

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

As at December 31, 2021, Same Property occupancy in Canada was 93.6% 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.

As at December 31, 2021, Same Property occupancy in the U.S. was 96.3% 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 during the third quarter of 2020 is primarily a result of increased vacancy, primarily in Canada. The impact of foreign exchange rates and the REIT's development property which reached stabilized occupancy during the fourth quarter of 2021 also 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 years ended December 31, 2021 and 2020, due to an increase in stabilized NOI and compression in capitalization rates at certain properties. In addition, equity-accounted investments include non-cash fair value changes on real estate properties;
- The REIT has recorded deferred tax expense coinciding with the fair value gains of the REIT's U.S. real estate properties.

Fourth Quarter Results 2021

For the three months ended December 31 (In thousands of dollars)	2021	2020
Revenue from real estate properties	**$63,475**	$61,025
Property operating expenses		
Property operating costs	**(17,599)**	(16,393)
Realty taxes	**(1,708)**	(1,906)
Utilities	**(4,372)**	(4,534)
Net operating income	**39,796**	38,192
Other expenses (income)		
Interest expense	**19,762**	16,549
Trust expenses	**3,840**	3,578
Equity loss (income) from investments	**(874)**	7,323
Foreign exchange loss	**5**	737
Other expense (income)	**(208)**	201
Income before fair value changes and income taxes	**17,271**	9,804
Fair value gain (loss) on real estate properties, net	**132,895**	(1,990)
Fair value loss on Class B LP Units	**(10,678)**	(24,973)
Income (loss) before income taxes	**139,488**	(17,159)
Provision for (recovery of) income taxes		
Current	**32**	33
Deferred	**28,800**	(14,101)
	28,832	(14,068)
Net income (loss) for the period	**$110,656**	($3,091)
Net income (loss) attributable to:		
Unitholders	**$112,610**	$7,237
Non-controlling interest	**(1,954)**	(10,328)
	$110,656	($3,091)

The REIT's net income attributable to Unitholders for the three months ended December 31, 2021, increased by $105,373 to $112,610, compared to $7,237 for the three months ended December 31, 2020. Non-controlling interest share of net loss during the three months ended December 31, 2021, increased by $8,374 to a net loss of $1,954, compared to $10,328 for the three months ended December 31, 2020.

The increase in net income was primarily due to the following:

- A fair value increase on real estate properties of $134,885, resulting from a fair value gain of $132,895 recorded during the fourth quarter of 2021, mainly due to a decrease in capitalization rates compared to a fair value loss of $1,990 recorded in 2020;
- A decrease in fair value loss on Class B LP Units of $14,295 due to a lower increase in trading price of the Units during the fourth quarter of 2021 compared to the same period in 2020;
- An increase in equity income from investments of $8,197, resulting from a lower fair value loss on real estate properties; and
- An increase in NOI of $1,604, largely attributable to an increase in revenue, partially offset by higher operating costs. In addition, the increase in NOI was partly due to the REIT's development property which reached stabilized occupancy during the fourth quarter of 2021.

These items were partially offset by the following:

- An increase in deferred taxes of $42,901, mainly due to an increase in fair value of the REIT's U.S. real estate properties; and
- An increase in interest expense of $3,213, mainly due to a loss on tax liability on redemption of Class C LP Units.

PART IX

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

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

BALANCE SHEETS

As at December 31, 2021	IFRS	Non-GAAP Adjustments NCI Share	Non-GAAP Adjustments Equity Interest	Proportionate Basis (Non-GAAP)
ASSETS				
Non-current assets				
Real estate properties	$3,256,158	($175,546)	$242,658	$3,323,270
Equity-accounted investments	96,376	—	(96,376)	—
	3,352,534	(175,546)	146,282	3,323,270
Current assets				
Morguard Facility	70,000	—	—	70,000
Amounts receivable	7,188	(280)	493	7,401
Prepaid expenses	5,202	(204)	850	5,848
Restricted cash	11,801	(139)	1,210	12,872
Cash	26,562	(1,878)	1,784	26,468
	120,753	(2,501)	4,337	122,589
	$3,473,287	($178,047)	$150,619	$3,445,859
LIABILITIES AND EQUITY				
Non-current liabilities				
Mortgages payable	$1,191,578	($95,275)	$142,898	$1,239,201
Convertible debentures	86,319	—	—	86,319
Class B LP Units	305,021	—	—	305,021
Deferred income tax liabilities	175,229	—	—	175,229
Accounts payable and accrued liabilities	9,065	—	—	9,065
	1,767,212	(95,275)	142,898	1,814,835
Current liabilities				
Mortgages payable	96,977	(104)	2,917	99,790
Accounts payable and accrued liabilities	47,713	(6,021)	4,804	46,496
	144,690	(6,125)	7,721	146,286
Total liabilities	1,911,902	(101,400)	150,619	1,961,121
EQUITY				
Unitholders' equity	1,484,738	—	—	1,484,738
Non-controlling interest	76,647	(76,647)	—	—
Total equity	1,561,385	(76,647)	—	1,484,738
	$3,473,287	($178,047)	$150,619	$3,445,859

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 December 31, 2021	IFRS	Non-GAAP Adjustments NCI Share	Non-GAAP Adjustments Equity Interest	Proportionate Basis (Non-GAAP)
Total Assets / Gross book value[(1)]	$3,473,287	($178,047)	$150,619	$3,445,859
Mortgage payable	$1,288,555	($95,379)	$145,815	$1,338,991
Add: deferred financing costs	12,318	(255)	620	12,683
	1,300,873	(95,634)	146,435	1,351,674
Convertible debentures, face value	85,500	—	—	85,500
Lease liability	9,065	—	—	9,065
Indebtedness	$1,395,438	($95,634)	$146,435	$1,446,239
Indebtedness / Gross book value	40.2%			42.0%

(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-GAAP Adjustments					Non-GAAP Adjustments			
For the three months ended December 31 (In thousands of dollars)	**IFRS**	**NCI Share**	**Equity Interest**	**IFRIC 21**	**Proportionate Basis (Non-GAAP)**	IFRS	NCI Share	Equity Interest	IFRIC 21	Proportionate Basis (Non-GAAP)
Revenue from properties										
Same Property										
Gross rental revenue	**$62,153**	**($3,314)**	**$4,782**	**$—**	**$63,621**	$60,166	($3,339)	$5,272	$—	$62,099
Vacancy	**(3,840)**	**177**	**(242)**	**—**	**(3,905)**	(3,660)	220	(1,336)	—	(4,776)
Ancillary	**4,420**	**(260)**	**37**	**—**	**4,197**	4,496	(304)	198	—	4,390
Same Property	**62,733**	**(3,397)**	**4,577**	**—**	**63,913**	61,002	(3,423)	4,134	—	61,713
Acquisition/Development	**742**	**—**	**—**	**—**	**742**	23	—	—	—	23
Total revenue from properties	**63,475**	**(3,397)**	**4,577**	**—**	**64,655**	61,025	(3,423)	4,134	—	61,736
Property operating expenses										
Same Property										
Operating costs	**17,294**	**(942)**	**1,382**	**—**	**17,734**	16,309	(1,020)	1,304	—	16,593
Realty taxes	**1,709**	**44**	**(44)**	**6,710**	**8,419**	1,874	47	(2)	5,955	7,874
Utilities	**4,341**	**(143)**	**202**	**—**	**4,400**	4,509	(115)	214	—	4,608
Same Property	**23,344**	**(1,041)**	**1,540**	**6,710**	**30,553**	22,692	(1,088)	1,516	5,955	29,075
Acquisition/Development	**335**	**—**	**—**	**41**	**376**	141	—	—	—	141
Total property operating expenses	**23,679**	**(1,041)**	**1,540**	**6,751**	**30,929**	22,833	(1,088)	1,516	5,955	29,216
NOI										
Same Property	**39,389**	**(2,356)**	**3,037**	**(6,710)**	**33,360**	38,310	(2,335)	2,618	(5,955)	32,638
Acquisition/Development	**407**	**—**	**—**	**(41)**	**366**	(118)	—	—	—	(118)
Total NOI(1)	**39,796**	**(2,356)**	**3,037**	**(6,751)**	**33,726**	38,192	(2,335)	2,618	(5,955)	32,520
Other expenses (income)										
Interest expense	**19,762**	**(866)**	**1,257**	**—**	**20,153**	16,549	(906)	1,329	—	16,972
Trust expenses	**3,840**	**(76)**	**178**	**—**	**3,942**	3,578	(69)	155	—	3,664
Equity loss (income) from investments	**(874)**	**—**	**874**	**—**	**—**	7,323	—	(7,323)	—	—
Foreign exchange loss	**5**	**—**	**—**	**—**	**5**	737	—	—	—	737
Other (income) expense	**(208)**	**—**	**—**	**—**	**(208)**	201	—	—	—	201
Income before fair value changes and income taxes	**17,271**	**(1,414)**	**728**	**(6,751)**	**9,834**	9,804	(1,360)	8,457	(5,955)	10,946
Fair value gain (loss) on real estate properties, net	**132,895**	**3,368**	**(728)**	**6,751**	**142,286**	(1,990)	11,688	(8,457)	5,955	7,196
Fair value loss on Class B LP Units	**(10,678)**	**—**	**—**	**—**	**(10,678)**	(24,973)	—	—	—	(24,973)
Income before income taxes	**139,488**	**1,954**	**—**	**—**	**141,442**	(17,159)	10,328	—	—	(6,831)
Provision for (recovery of) income taxes										
Current	**32**	**—**	**—**	**—**	**32**	33	—	—	—	33
Deferred	**28,800**	**—**	**—**	**—**	**28,800**	(14,101)	—	—	—	(14,101)
	28,832	**—**	**—**	**—**	**28,832**	(14,068)	—	—	—	(14,068)
Net income for the period	**$110,656**	**$1,954**	**$—**	**$—**	**$112,610**	($3,091)	$10,328	$—	$—	$7,237
(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:

	2021					2020				
		Non-GAAP Adjustments					Non-GAAP Adjustments			
For the three months ended December 31 (In thousands of dollars)	**IFRS**	**NCI Share**	**Equity Interest**	**IFRIC 21**	**Proportionate Basis (Non-GAAP)**	IFRS	NCI Share	Equity Interest	IFRIC 21	Proportionate Basis (Non-GAAP)
NOI	**$39,796**	**($2,356)**	**$3,037**	**($6,751)**	**$33,726**	$38,192	($2,335)	$2,618	($5,955)	$32,520
IFRIC 21 adjustment	**(6,372)**	**802**	**(1,181)**	**6,751**	**—**	(5,707)	599	(847)	5,955	—
Trust expenses	**(3,840)**	**76**	**(178)**	**—**	**(3,942)**	(3,578)	69	(155)	—	(3,664)
Other income (expense)	**208**	**—**	**—**	**—**	**208**	(201)	—	—	—	(201)
	$29,792	**($1,478)**	**$1,678**	**$—**	**$29,992**	$28,706	($1,667)	$1,616	$—	$28,655
Interest expense	**$19,762**	**($866)**	**$1,257**	**$—**	**$20,153**	$16,549	($906)	$1,329	$—	$16,972
Fair value loss on conversion option on the convertible debentures	**(276)**	**—**	**—**	**—**	**(276)**	(767)	—	—	—	(767)
Loss on tax liability on redemption of Class C LP Units	**(3,775)**	**—**	**—**	**—**	**(3,775)**	—	—	—	—	—
Distributions on Class B LP Units	**(3,012)**	**—**	**—**	**—**	**(3,012)**	(3,012)	—	—	—	(3,012)
	$12,699	**($866)**	**$1,257**	**$—**	**$13,090**	$12,770	($906)	$1,329	$—	$13,193
Interest coverage ratio	**2.35**				**2.29**	2.25				2.17
Indebtedness coverage ratio	**1.50**				**1.50**	1.51				1.47

STATEMENTS OF INCOME (CONTINUED)

	2021				2020			
		Non-GAAP Adjustments				Non-GAAP Adjustments		
For the years ended December 31 (In thousands of dollars)	IFRS	NCI Share	Equity Interest	Proportionate Basis (Non-GAAP)	IFRS	NCI Share	Equity Interest	Proportionate Basis (Non-GAAP)
Revenue from properties								
Same Property								
Gross rental revenue	**$241,314**	**($12,903)**	**$19,130**	**$247,541**	$242,362	($13,874)	$21,954	$250,442
Vacancy	**(14,815)**	**621**	**(2,240)**	**(16,434)**	(12,397)	975	(3,608)	(15,030)
Ancillary	**17,474**	**(914)**	**308**	**16,868**	18,695	(1,333)	1,118	18,480
Same Property	**243,973**	**(13,196)**	**17,198**	**247,975**	248,660	(14,232)	19,464	253,892
Acquisition/Development	**1,593**	**—**	**—**	**1,593**	23	—	—	23
Total revenue from properties	**245,566**	**(13,196)**	**17,198**	**249,568**	248,683	(14,232)	19,464	253,915
Property operating expenses								
Same Property								
Operating costs	**64,678**	**(3,529)**	**4,965**	**66,114**	63,678	(3,695)	4,985	64,968
Realty taxes	**32,366**	**(2,783)**	**3,954**	**33,537**	31,738	(2,319)	3,470	32,889
Utilities	**17,798**	**(553)**	**859**	**18,104**	17,593	(559)	918	17,952
Same Property	**114,842**	**(6,865)**	**9,778**	**117,755**	113,009	(6,573)	9,373	115,809
Acquisition/Development	**1,229**	**—**	**—**	**1,229**	141	—	—	141
Total property operating expenses	**116,071**	**(6,865)**	**9,778**	**118,984**	113,150	(6,573)	9,373	115,950
NOI								
Same Property	**129,131**	**(6,331)**	**7,420**	**130,220**	135,651	(7,659)	10,091	138,083
Acquisition/Development	**364**	**—**	**—**	**364**	(118)	—	—	(118)
Total NOI	**129,495**	**(6,331)**	**7,420**	**130,584**	135,533	(7,659)	10,091	137,965
Other expenses (income)								
Interest expense	**65,719**	**(3,466)**	**5,031**	**67,284**	62,111	(3,730)	5,457	63,838
Trust expenses	**14,392**	**(264)**	**634**	**14,762**	15,237	(285)	684	15,636
Equity loss (income) from investments	**(2,691)**	**—**	**2,691**	**—**	9,869	—	(9,869)	—
Foreign exchange loss	**15**	**—**	**—**	**15**	220	—	—	220
Other income	**(83)**	**—**	**—**	**(83)**	(431)	—	—	(431)
Income before fair value changes and income taxes	**52,143**	**(2,601)**	**(936)**	**48,606**	48,527	(3,644)	13,819	58,702
Fair value gain on real estate properties, net	**288,662**	**(285)**	**936**	**289,313**	72,238	12,055	(13,819)	70,474
Fair value gain (loss) on Class B LP Units	**(30,313)**	**—**	**—**	**(30,313)**	43,747	—	—	43,747
Income before income taxes	**310,492**	**(2,886)**	**—**	**307,606**	164,512	8,411	—	172,923
Provision for (recovery of) income taxes								
Current	**126**	**—**	**—**	**126**	131	—	—	131
Deferred	**65,392**	**—**	**—**	**65,392**	(2,424)	—	—	(2,424)
	65,518	**—**	**—**	**65,518**	(2,293)	—	—	(2,293)
Net income for the year	**$244,974**	**($2,886)**	**$—**	**$242,088**	$166,805	$8,411	$—	$175,216

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

	2021				2020			
		Non-GAAP Adjustments				Non-GAAP Adjustments		
For the years ended December 31 (In thousands of dollars)	IFRS	NCI Share	Equity Interest	Proportionate Basis (Non-GAAP)	IFRS	NCI Share	Equity Interest	Proportionate Basis (Non-GAAP)
NOI	**$129,495**	**($6,331)**	**$7,420**	**$130,584**	$135,533	($7,659)	$10,091	$137,965
Trust expenses	**(14,392)**	**264**	**(634)**	**(14,762)**	(15,237)	285	(684)	(15,636)
Other income (expense)	**83**	**—**	**—**	**83**	431	—	—	431
	$115,186	**($6,067)**	**$6,786**	**$115,905**	$120,727	($7,374)	$9,407	$122,760
Interest expense	**$65,719**	**($3,466)**	**$5,031**	**$67,284**	$62,111	($3,730)	$5,457	$63,838
Fair value gain (loss) on conversion option on the convertible debentures	**(451)**	**—**	**—**	**(451)**	1,895	—	—	1,895
Loss on tax liability on redemption of Class C LP Units	**(3,775)**	**—**	**—**	**(3,775)**	—	—	—	—
Distributions on Class B LP Units	**(12,049)**	**—**	**—**	**(12,049)**	(12,049)	—	—	(12,049)
	$49,444	**($3,466)**	**$5,031**	**$51,009**	$51,957	($3,730)	$5,457	$53,684
Interest coverage ratio	**2.33**			**2.27**	2.32			2.29
Indebtedness coverage ratio	**1.52**			**1.50**	1.58			1.58

PART X

OUTLOOK

A modest strengthening of Canadian multi-suite residential rental market conditions was reported in the second half of 2021, after an extended period of softness due to the pandemic. Demand fundamentals improved somewhat with the return of post-secondary students to in-person classes across the country. Largely positive job growth patterns supported increased demand for rental accommodation. Housing market trends were also supportive of the relatively stable and healthy rental demand characteristics. Average resale and new home prices continued to rest at all-time high levels. As a result, some families were unable to afford the high cost of ownership and continue to rent. The supply of homes for sale remained at a record low, which prevented renter families from transitioning to home ownership throughout 2021. The rental demand uptick was reflected in vacancy characteristics. The pandemic-driven rise in vacancy levels across much of the country had slowed significantly by the second half of 2021. This trend was most prominent in the central areas of the country's larger metros, where vacancy had risen more sharply in 2020 and early 2021. The upward vacancy pressure was due to the closure of Canada's international borders to immigrants and students who often rent in central locations upon arrival. At the same time, some renters relocated to suburban submarkets to secure larger spaces during the pandemic. Rents also exhibited signs of stabilization during the second half of 2021. As demand increased and vacancy stabilized, central area landlords offered discounts and incentives less frequently. By the end of 2021, rental market risk had increased with the spike in COVID-19 cases, following a period of modest strengthening over much of the second half.

Multi-suite residential rental sector investment demand remained robust through to the end of 2021, in keeping with the trend of the past few years. Investors looked to increase their exposure to the asset class, given attractive prevailing yields and stable income streams. In addition, investors were attracted to the asset class' healthy fundamental and rent growth outlook. The demand-pressure from a variety of institutional and private capital sources drove cap rates moderately lower. Competition for the limited number of properties offered for sale was generally high. Despite the supply limitation in the nation's largest markets, transaction volume reached a 20-year high. Demand for multi-suite residential rental assets remained robust through the final few weeks of 2021, a trend that was expected to continue into the following year.

Canada's multi-suite residential sector is expected to continue to exhibit healthy performance characteristics in 2022. The outlook is predicated on a healthy economic growth outlook and the gradual reopening of businesses and loosening of pandemic restrictions. The Canadian economy is expected to expand at an annualized rate of approximately 4.0-4.5% in 2022, which will drive solid job market gains and rental demand. The expansion will boost employment levels and drive the unemployment rate down to its lowest level since the onset of the pandemic. Employment will continue to rise beyond the pre-pandemic high and wages are expected to gradually rise, which will also drive demand for rental accommodation. However, there are several downside risks to the largely positive economic outlook. The first is the potential for another spike in COVID-19 infections and subsequent restrictions on business activities. Second is a longer-than-expected period of outsized inflation. Third, is the potentially negative impacts of the Bank of Canada's removal of its emergency-level monetary support expected sometime in the second half of 2022. In short, the Canadian multi-suite residential rental sector outlook is generally positive, assuming the downside risks are mitigated.

The U.S. multi-suite residential purpose-built rental sector exhibited strong positive momentum in the second half of 2021, more than recovering the ground lost due to the pandemic. On the supply-side of the ledger, vacancy fell sharply to an all-time low of 4.5% in December, according to CoStar figures. As conditions tightened, average monthly rents rose to record-high levels in most regions of the country. Double-digit rent growth was recorded year-over-year as of the end of 2021. Coastal and Sun Belt metros posted the strongest year-over-year rent growth trends, in some cases exceeding the 20.0% threshold. Markedly reduced vacancy levels and strong rent growth patterns were the byproduct of record-high demand. Economic and job growth supported healthy rental demand fundamentals. The return of post-secondary students to the nation's classrooms also bolstered demand. New supply and existing units were absorbed at a record rate on a national basis. At the same time, construction completions slowed in 2020 and 2021, which helped drive the national vacancy rate lower. In summary, the U.S multi-suite residential rental sector's strong positive momentum of the past year was reflected in its record-breaking performance supply and demand characteristics.

Positive momentum will continue in the U.S. multi-suite residential sector in the coming year, building on the record-setting 2021 performance. The national economy is projected to expand by an annualized rate of around 4.0% in 2022, after a stimulus-driven 5.5-6.0% rate of expansion in 2021. The continuation of an above-average economic growth trend next year will support healthy labour market conditions, and by extension, a solid rental demand cycle. In turn, we expect vacancy will stabilize, having declined sharply in 2021. The continued reopening of the economy and strong rental market fundamentals will continue to support robust investment sales activity. Assuming product availability, investment sales volume will continue to hold close to the 2021 record high of last year. Cap rates will trend slightly lower, as investors look to capitalize on forecast rent growth and a broadly healthy asset class outlook. Sun Belt and coastal markets will once again account for a significant portion of the equity and debt capital invested into the asset class.

The REIT benefits from conservative financial leverage, a low payout ratio and access to debt and equity markets at a reasonable cost. The REIT’s asset class and regional diversification should also help it withstand the economic challenges that are anticipated in 2022.

CONSOLIDATED FINANCIAL STATEMENTS

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Morguard North American Residential Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of Morguard North American Residential Real Estate Investment Trust (the "REIT"), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in unitholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the REIT as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the REIT in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of real estate properties

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>The REIT’s real estate property portfolio comprises income producing properties and properties under development with a fair value of $3.3 billion which represents 94% of total assets for the year ended December 31, 2021.

Fair value of real estate properties is based on external and internal valuations, carried out by third party and certified staff appraisers respectively, using recognized valuation techniques. The valuation methodology for these real estate properties is primarily based on an income approach, utilizing the direct capitalization method. Recent real estate transactions with characteristics and locations similar to the REIT’s assets are also considered when developing the valuations.

Note 2 of the consolidated financial statements describes the accounting policy for real estate properties, including the valuation method and valuation inputs.

Note 4 of the consolidated financial statements discloses the sensitivity of the fair value of real estate properties to a change in capitalization rates.

The valuation of the REIT’s real estate property portfolio is a key audit matter given the inherently subjective nature of significant assumptions including capitalization rates, and assumptions involved in determining stabilized net operating income, including vacancy and rental income. These assumptions are influenced by property specific characteristics including location, type and quality of the properties.</td><td>With the assistance of our real estate valuation specialists, we evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others:

• We assessed the competence and objectivity of management’s valuation team, and any third-party appraisers engaged, by reviewing the qualifications and expertise of the individuals involved in the preparation and review of the valuations.
• We selected a sample of properties where either the fair value change from prior year or significant assumptions fell outside our expectations, based on our understanding of the geographical real estate market for the specific asset type. For this sample of real estate properties, we evaluated the significant assumptions, including capitalization rates and stabilized net operating income including vacancy and rental income, by comparison to the expected real estate market benchmark range for similar assets, in similar locations. We also considered whether there were any additional asset-specific characteristics that may impact the significant assumptions utilized and that these were appropriately considered in the overall assessment of fair value.
• We evaluated the REIT’s critical accounting policies and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRSs.</td></tr>
</table>

Other information

Management is responsible for the other information. The other information comprises:

- Management’s Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor’s report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor’s report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the REIT’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the REIT or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the REIT’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the REIT’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the REIT’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the REIT to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Stephanie Lamont.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
February 15, 2022

BALANCE SHEETS

In thousands of Canadian dollars

As at December 31	Note	2021	2020
ASSETS			
Non-current assets			
Real estate properties	4	**$3,256,158**	$2,941,241
Equity-accounted investments	5	**96,376**	93,005
		3,352,534	3,034,246
Current assets			
Morguard Facility	9	**70,000**	—
Amounts receivable		**7,188**	5,649
Prepaid expenses		**5,202**	7,809
Restricted cash		**11,801**	9,350
Cash		**26,562**	27,304
		120,753	50,112
		$3,473,287	$3,084,358
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable and Class C LP Units	6	**$1,191,578**	$1,102,235
Convertible debentures	7	**86,319**	85,165
Class B LP Units	8	**305,021**	274,708
Deferred income tax liabilities	16	**175,229**	109,659
Accounts payable and accrued liabilities	10	**9,065**	9,103
		1,767,212	1,580,870
Current liabilities			
Mortgages payable and Class C LP Units	6	**96,977**	107,190
Morguard Facility	9	**—**	6,600
Accounts payable and accrued liabilities	10	**47,713**	42,079
		144,690	155,869
Total liabilities		**1,911,902**	1,736,739
EQUITY			
Unitholders' equity		**1,484,738**	1,270,129
Non-controlling interest		**76,647**	77,490
Total equity		**1,561,385**	1,347,619
		$3,473,287	$3,084,358

Commitments and contingencies	20		

See accompanying notes to the consolidated financial statements.

On behalf of the Trustees:

(Signed) "K. Rai Sahi"

K. Rai Sahi,
Trustee

(Signed) "Mel Leiderman"

Mel Leiderman,
Trustee

STATEMENTS OF INCOME

In thousands of Canadian dollars

For the years ended December 31	Note	2021	2020
Revenue from real estate properties	12	**$245,566**	$248,683
Property operating expenses			
Property operating costs		**(65,645)**	(63,762)
Realty taxes		**(32,522)**	(31,770)
Utilities		**(17,904)**	(17,618)
Net operating income		**129,495**	135,533
Other expenses (income)			
Interest expense	13	**65,719**	62,111
Trust expenses	14	**14,392**	15,237
Equity loss (income) from investments	5	**(2,691)**	9,869
Foreign exchange loss		**15**	220
Other income		**(83)**	(431)
Income before fair value changes and income taxes		**52,143**	48,527
Fair value gain on real estate properties, net	4	**288,662**	72,238
Fair value gain (loss) on Class B LP Units	8	**(30,313)**	43,747
Income before income taxes		**310,492**	164,512
Provision for (recovery of) income taxes	16		
Current		**126**	131
Deferred		**65,392**	(2,424)
		65,518	(2,293)
Net income for the year		**$244,974**	$166,805
Net income (loss) attributable to:			
Unitholders		**$242,088**	$175,216
Non-controlling interest		**2,886**	(8,411)
		$244,974	$166,805

See accompanying notes to the consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

In thousands of Canadian dollars

For the years ended December 31	2021	2020
Net income for the year	**$244,974**	$166,805
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified subsequently to net income:		
Unrealized foreign currency translation loss	**(1,191)**	(16,110)
Total comprehensive income for the year	**$243,783**	$150,695
Total comprehensive income (loss) attributable to:		
Unitholders	**$241,175**	$160,426
Non-controlling interest	**2,608**	(9,731)
	$243,783	$150,695

See accompanying notes to the 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 year:								
Net income (loss)		—	—	175,216	—	175,216	(8,411)	166,805
Other comprehensive loss		—	—	—	(14,790)	(14,790)	(1,320)	(16,110)
Issue of Units - DRIP		625	—	(625)	—	—	—	—
Distributions		—	—	(26,660)	—	(26,660)	(2,209)	(28,869)
Unitholders' equity, December 31, 2020		$469,210	$48,762	$682,824	$69,333	$1,270,129	$77,490	$1,347,619
Changes during the year:								
Net income		**—**	**—**	**242,088**	**—**	**242,088**	**2,886**	**244,974**
Other comprehensive loss		**—**	**—**	**—**	**(913)**	**(913)**	**(278)**	**(1,191)**
Issue of Units - DRIP	11(d)	**749**	**—**	**(749)**	**—**	**—**	**—**	**—**
Distributions	11(d)	**—**	**—**	**(26,566)**	**—**	**(26,566)**	**(3,451)**	**(30,017)**
Unitholders' equity, December 31, 2021		**$469,959**	**$48,762**	**$897,597**	**$68,420**	**$1,484,738**	**$76,647**	**$1,561,385**

See accompanying notes to the consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

For the years ended December 31	Note	2021	2020
OPERATING ACTIVITIES			
Net income		**$244,974**	$166,805
Add (deduct) items not affecting cash	17(a)	**(186,584)**	(105,641)
Additions to tenant incentives		**(1,721)**	(777)
Distributions from equity-accounted investments	5	**283**	1,780
Net change in non-cash operating assets and liabilities	17(b)	**6,744**	(12,039)
Cash provided by operating activities		**63,696**	50,128
INVESTING ACTIVITIES			
Additions to income producing properties	4	**(30,012)**	(22,113)
Additions to property under development	4	**—**	(5,951)
Contributions to equity-accounted investments	5	**(1,288)**	—
Cash used in investing activities		**(31,300)**	(28,064)
FINANCING ACTIVITIES			
Proceeds from new mortgages	6	**194,207**	25,151
Financing cost on new mortgages		**(4,647)**	(605)
Repayment of mortgages and Class C LP Units			
Principal instalment repayments		**(26,573)**	(24,480)
Repayment on maturity	6	**(2,424)**	(8,757)
Redemption of Class C LP Units including tax payment	6	**(84,690)**	—
Proceeds from Morguard Facility		**63,938**	61,100
Advances on and repayments of Morguard Facility		**(140,359)**	(34,676)
Distributions to Unitholders		**(26,564)**	(26,660)
Distributions to non-controlling interest		**(3,451)**	(2,209)
Increase in restricted cash		**(2,490)**	(436)
Cash used in financing activities		**(33,053)**	(11,572)
Net increase (decrease) in cash during the year		**(657)**	10,492
Net effect of foreign currency translation on cash balance		**(85)**	(936)
Cash, beginning of year		**27,304**	17,748
Cash, end of year		**$26,562**	$27,304

See accompanying notes to the consolidated financial statements.

NOTES

For the years ended December 31, 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 December 31, 2021, Morguard Corporation ("Morguard"), the parent company of the REIT, holds an indirect 44.7% (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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved and authorized for issue by the Board of Trustees on February 15, 2022.

At this time, the duration and impact 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. 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.

Basis of Presentation

The REIT's consolidated financial statements are prepared on a going-concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated. The consolidated financial statements are prepared on a historical cost basis, except for real estate properties and certain financial instruments that are measured at fair value. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

Basis of Consolidation

The REIT holds its interest in the real estate properties and other assets and liabilities related to these properties directly or indirectly through the Partnership. The consolidated financial statements include the financial statements of the REIT, as well as the entities that are controlled by the REIT ("subsidiaries"). The REIT controls an entity when the REIT is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date of acquisition or the date on which the REIT obtains control and are deconsolidated from the date that control ceases. Intercompany transactions, balances, unrealized losses and unrealized gains on transactions between the REIT and its subsidiaries are eliminated.

Non-controlling Interest

Non-controlling interests represent equity interests in subsidiaries that are not attributable to the REIT. For all of the REIT's subsidiaries, the share of the net assets of the subsidiaries that is attributable to non-controlling interest is presented as a component of equity.

Income Producing Properties

Income producing properties include multi-suite residential properties held to earn rental income. An income producing property that is acquired as an asset purchase and not as a business combination is recorded initially at cost, including transaction costs. Transaction costs include transfer taxes and professional fees for legal and other services.

Subsequent to initial recognition, income producing properties are recorded at fair value. The changes in fair value for each reporting period will be recorded in the consolidated statements of income. In order to avoid double counting, the carrying value of income producing properties includes all capital expenditures associated with upgrading and extending the economic life of the existing properties since these amounts are incorporated in the appraised values of the income producing properties. Fair value is based on valuations using the direct capitalization income method. Recent real estate transactions with characteristics and locations similar to the REIT's assets are also considered. The direct capitalization income method applies a capitalization rate to the property's stabilized net operating income, which incorporates allowances for vacancy, management fees and structural reserves for capital expenditures for the property. The resulting appraised value is further adjusted, where appropriate, for non-recurring costs to stabilize the income.

Properties Under Development

The cost of properties under development includes all expenditures incurred in connection with the acquisition, including all direct development costs, realty taxes and other costs to prepare it for its productive use and borrowing costs directly attributable to the development. Borrowing costs associated with direct expenditures on properties under development or redevelopment are capitalized. Borrowing costs are also capitalized on the purchase price of a site or property acquired specifically for redevelopment in the short term if the activities necessary to prepare the asset for development or redevelopment are in progress. Borrowing costs are capitalized from the commencement of the development until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. The REIT considers practical completion to have occurred when the property is capable of operating in the manner intended by management. Generally, this consideration occurs on completion of construction and receipt of all necessary occupancy and other material permits.

Real estate properties under development are measured at fair value, with changes in fair value being recognized in the consolidated statements of income when fair value can be reliably determined.

Interests in Joint Arrangements

The REIT reviews its interests in joint arrangements and accounts for those joint arrangements in which the REIT is entitled only to the net assets of the arrangement as joint ventures using the equity method of accounting; and for those joint arrangements in which the REIT is entitled to its share of the assets and liabilities as joint operations and recognizes its rights to and obligations of the assets, liabilities, revenue and expenses of the joint operation.

Classification of Units, Class B LP Units and Class C LP Units

Units

Units meet the definition of a financial liability under IFRS as the redemption feature of the Units creates an unavoidable contractual obligation to pay cash (or another financial instrument such as notes payable if redemptions exceed $50 in a given month).

Units are redeemable at the option of the holder and, therefore, are considered "puttable instruments" in accordance with International Accounting Standard ("IAS") 32, Financial Instruments - Presentation ("IAS 32"). IAS 32 allows puttable instruments to be presented as equity provided the instrument meets all of the following conditions: (i) it must entitle the holder to a *pro rata* share of the entity's net assets in the event of the entity's dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class in point (ii) must have identical features; (iv) other than the redemption feature, there can be no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the instruments must be based substantially on the profit or loss of the entity or change in fair value of the entity over the life of the instrument. The Units meet these criteria and, accordingly, are presented as equity in the consolidated financial statements and the distributions declared on the Units are deducted from retained earnings.

Class B LP Units

The Class B limited partnership units of the Partnership ("Class B LP Units") are exchangeable into Units at the option of the holder. As a result of this obligation, the Class B LP Units are exchangeable into a liability (as the Units are a liability by definition) and, accordingly, the Class B LP Units are also considered to be a liability and do not qualify for the exception in IAS 32 to be presented as equity. The distributions paid on the Class B LP Units are classified as interest expense in the consolidated statements of income.

Class C LP Units

Morguard retained the mortgages on four properties ("Retained Debt") that were sold to the REIT and also retained the deferred financing costs associated with the Retained Debt. Morguard remained responsible for the interest and principal payments on the Retained Debt, and the Retained Debt was secured by a charge on the properties. In consideration of the Retained Debt, Morguard received Class C limited partnership units of the Partnership ("Class C LP Units") on which distribution payments were made in an amount expected to be sufficient to permit Morguard to satisfy amounts payable with respect to: (i) the principal and interest under the Retained Debt; and (ii) the amount of tax that is due and payable that is reasonably attributable to any redemption of and distributions on the Class C LP Units.

Financial Instruments

Recognition and Measurement of Financial Instruments

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. Initially, all financial assets and financial liabilities are recorded in the consolidated balance sheets at fair value. After initial recognition, the effective interest related to financial assets and liabilities measured at amortized cost and the gain or loss arising from the change in the fair value of financial assets or liabilities classified as FVTPL are included in net income for the year in which they arise. At each consolidated balance sheet date, financial assets measured at amortized cost or at FVTOCI, except for investment in equity instruments, require an impairment analysis using the expected credit loss model ("ECL model") to determine the expected credit losses using judgment determined on a probability weighting basis.

The following summarizes the REIT's classification and measurement of financial assets and liabilities:

Financial Assets	
Amounts receivable	Amortized cost
Morguard Facility	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
Financial Liabilities	
Mortgages payable and Class C LP Units	Amortized cost
Convertible debentures, excluding conversion option	Amortized cost
Morguard Facility	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liability	Amortized cost
Conversion option of convertible debentures	FVTPL
Class B LP Units	FVTPL

Transaction Costs

Direct and indirect financing costs that are attributable to the issue of financial liabilities measured at amortized cost are presented as a reduction from the carrying amount of the related debt and are amortized using the effective interest rate method over the term of the related debt. These costs include interest, amortization of discounts or premiums relating to borrowings, fees and commissions paid to lenders, agents, brokers and advisers, and transfer taxes and duties that are incurred in connection with the arrangement of borrowings.

Fair Value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability; or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

Fair value measurements recognized in the consolidated balance sheets are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value measurement is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with remaining maturities at the time of acquisition of three months or less.

Convertible Debentures

Convertible debentures issued by the REIT are convertible into Units at the option of the holder, and the number of Units to be issued does not vary with changes in their fair value.

Upon issuance, convertible debentures are separated into their debt and conversion feature components. The debt component of the convertible debentures is recognized initially at the fair value of a similar debt instrument without a conversion feature. Subsequent to initial recognition, the debt component of a compound financial instrument is measured at amortized cost using the effective interest method.

The conversion feature component of the convertible debentures is recognized at fair value using the Black-Scholes option pricing model as at each consolidated balance sheet date. The convertible debentures are convertible into Units at the holder's option. As a result of this obligation, the convertible debentures are exchangeable into a liability since the Units are puttable instruments that meet the definition of a financial liability under IAS 32. Accordingly, the conversion feature component of the convertible debentures is recorded in the consolidated balance sheets as a liability, measured at fair value, with changes in fair value recognized in the consolidated statements of income.

Any directly attributable transaction costs are allocated to the debt and conversion components of the convertible debentures in proportion to their initial carrying amounts.

Revenue Recognition

Revenue from income producing properties includes rents from tenants under leases and property management and ancillary income (such as utilities, parking and laundry) paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the REIT expects to be entitled in exchange for those goods or services. The REIT has not transferred substantially all of the risks and benefits of ownership of its income producing properties and, therefore, accounts for leases with its tenants as operating leases.

Rental income from tenants under leases include lease components within the scope of IFRS 16, Leases ("IFRS 16") and are comprised of rental income and a recovery of property taxes and insurance. Rental income is accounted for on a straight-line basis over the lease terms. Property tax and insurance recoveries are recognized as income in the period in which they are earned. Any suite-specific incentives offered or initial direct costs incurred in negotiating and arranging an operating lease are reflected in the consolidated balance sheets in the carrying value of income producing properties and are amortized over the term of the operating lease and recognized in the consolidated statements of income on a straight-line basis.

Property management and ancillary income are considered non-lease components and are within the scope of IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The performance obligation for property management and ancillary services is satisfied over time. Rents charged to tenants are generally charged on a gross basis, inclusive of property management and ancillary services. If a contract is separated into more than one performance obligation, the REIT allocates the total transaction price to each performance obligation in an amount based on an expected cost plus a margin approach. The REIT applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Income Taxes

The REIT is a "mutual fund trust" pursuant to the *Income Tax Act* (Canada) (the "Act"). Under current tax legislation, a real estate investment trust is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to Unitholders. The REIT intends to continue to qualify as a real estate investment trust and to make distributions of not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes in Canada. Accordingly, no current or deferred income taxes have been recorded in the consolidated financial statements for the REIT's Canadian properties.

However, the REIT's U.S. properties are held by U.S. subsidiaries that are taxable legal entities. The REIT uses the liability method of accounting for U.S. income taxes. Under the liability method of tax allocation, current income tax assets and liabilities are based on the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted as at the consolidated balance sheet dates. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amounts of deferred income tax assets are reviewed as at each consolidated balance sheet date and reduced to the extent it is no longer probable that the income tax asset will be recovered.

In accordance with IAS 12, Income Taxes ("IAS 12"), the REIT measures deferred income tax assets and liabilities on its U.S. real estate properties based on the rebuttable presumption that the carrying amount of the real estate property is recovered through sale, as opposed to presuming that the economic benefits of the real estate property will be substantially consumed through use over time. This presumption is rebutted if the property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the income producing property over time rather than through sale.

Foreign Exchange

The operations of the REIT's U.S.-based subsidiaries are in United States dollars, which is the functional currency of the foreign subsidiaries. Accordingly, the assets and liabilities of foreign subsidiaries are translated into Canadian dollars at the exchange rate as at the consolidated balance sheet dates. Revenue and expenses are translated at the average rate of exchange for the year. The resulting gains and losses are recorded in other comprehensive income ("OCI"). Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the reporting date. Exchange differences are recognized in profit or loss, except for exchange differences arising from a monetary item receivable from or payable to a foreign subsidiary, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign subsidiary. These exchange differences are recognized in OCI until the disposal of the net investment, at which time they are reclassified to profit or loss.

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

	2021	2020
Canadian dollar to United States dollar exchange rates:		
- As at December 31	**0.7888**	0.7854
- Average for the year ended December 31	**0.7978**	0.7454
United States dollar to Canadian dollar exchange rates:		
- As at December 31	**1.2678**	1.2732
- Average for the year ended December 31	**1.2535**	1.3415

Distributions

Distributions are recognized as a deduction from retained earnings for the Units classified as equity and as interest expense for Class B LP Units classified as a liability.

Reportable Operating Segments

Reportable operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The REIT has determined that its chief operating decision-maker is the Chairman and Chief Executive Officer.

Critical Judgments in Applying Accounting Policies

The following are the critical judgments that have been made in applying the REIT's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

Income Producing Properties

The REIT's accounting policies relating to income producing properties are described above. In applying these policies, judgment has been applied in determining whether certain costs are additions to the carrying amount of the property, and, for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property. The key assumptions in the valuation of the REIT's income producing properties are further defined in Note 4.

Joint Arrangements

The REIT applies judgment to determine whether the joint arrangements provided it with joint control, significant influence or no influence and whether the arrangements are joint operations or joint ventures.

Basis of Consolidation

The REIT's basis of consolidation is described above in the "Basis of Consolidation" section. Judgment is applied in determining whether "control" exists within the framework of IFRS 10, Consolidated Financial Statements.

Revenue Recognition

The REIT applies judgment about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The REIT concluded that revenue for property management and ancillary services is to be recognized over time because the tenant simultaneously receives and consumes the benefits provided by the REIT. Rents charged to tenants are generally charged on a gross basis, inclusive of property management and ancillary services. If a contract is identified as containing more than one performance obligation, the REIT allocates the total transaction price to each performance obligation in an amount based on an expected cost plus a margin approach.

Income Taxes

Under current tax legislation, a real estate investment trust is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders during the year. The REIT is a real estate investment trust if it meets prescribed conditions under the Act relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the REIT Conditions and has assessed their interpretation and application to the REIT's Canadian assets and revenue, and it has determined that it qualifies as a real estate investment trust.

The REIT expects to qualify as a real estate investment trust under the Act; however, should it no longer qualify, it would not be able to flow through its taxable income to Unitholders, and the REIT would, therefore, be subject to tax on its Canadian properties.

Critical Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting periods.

In determining estimates of fair market value for the REIT's income producing properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Significant estimates used in determining fair value of the REIT's income producing properties include capitalization rates and stabilized net operating income (which is primarily influenced by revenue growth, vacancy rates, inflation rates and operating costs). Should any of these underlying assumptions change, actual results could differ from the estimated amounts. The critical estimates and assumptions underlying the valuation of income producing properties are outlined in Note 4.

NOTE 3

SUBSIDIARIES WITH NON-CONTROLLING INTEREST

As at December 31, 2021 and 2020, the REIT owns a 51% effective interest in a limited partnership (the "LP"). The LP owns a garden-style property comprising 252 suites located in Cooper City, Florida ("2940 Solano at Monterra") and a high-rise property comprising 515 suites and approximately 20,000 square feet of commercial area located in Chicago, Illinois ("Coast at Lakeshore East").

The following summarizes the results of the REIT's material subsidiaries with non-controlling interest before any intercompany eliminations and the corresponding non-controlling interest in the equity of the LP.

As at December 31	2021	2020
Non-current assets	**$339,770**	$340,963
Current assets	**3,490**	1,883
Total assets	**$343,260**	$342,846
Non-current liabilities	**$184,833**	$191,033
Current liabilities	**10,176**	5,428
Total liabilities	**$195,009**	$196,461
Equity	**$148,251**	$146,385
Non-controlling interest	**$72,643**	$71,729

For the years ended December 31	2021	2020
Revenue from income producing properties	**$25,891**	$28,004
Expenses	**(21,026)**	(21,029)
Fair value loss on income producing properties	**(551)**	(26,653)
Net income (loss) for the year	**$4,314**	($19,678)
Non-controlling interest	**$2,114**	($9,642)

For the years ended December 31	2021	2020
Cash provided by operating activities	**$6,085**	$7,525
Cash used in investing activities	**(757)**	(1,655)
Cash used in financing activities	**(3,863)**	(4,983)
Net increase in cash during the year	**$1,465**	$887

NOTE 4
REAL ESTATE PROPERTIES

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

As at	2021	2020
Balance, beginning of year	**$2,941,241**	$2,872,658
Additions:		
Capital expenditures	**30,012**	22,113
Development expenditures	**—**	5,951
Fair value gain, net	**288,662**	72,238
Foreign currency translation	**(4,200)**	(31,538)
Other	**443**	(181)
Balance, end of year	**$3,256,158**	$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 on October 31, 2020.

As at December 31, 2021, and 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.

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

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

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 December 31, 2021, using the direct capitalization income approach, the properties were valued using capitalization rates in the range of 3.5% to 6.5% (2020 - 3.8% to 6.8%) applied to a stabilized net operating income of $140,018 (2020 - $132,725), resulting in an overall weighted average capitalization rate of 4.3% (2020 - 4.5%).

The stabilized occupancy and average capitalization rates by location are set out in the following table

	December 31, 2021					December 31, 2020				
	Occupancy Rates		Capitalization Rates			Occupancy Rates		Capitalization Rates		
	Max.	Min.	Max.	Min.	Weighted Average	Max.	Min.	Max.	Min.	Weighted Average
Canada										
Alberta	**96.0%**	**96.0%**	**5.0%**	**5.0%**	**5.0%**	96.0%	96.0%	5.0%	5.0%	5.0%
Ontario	**97.0%**	**96.0%**	**4.3%**	**3.5%**	**3.7%**	97.0%	96.0%	4.5%	3.8%	3.9%
United States										
Colorado	**95.0%**	**95.0%**	**4.8%**	**4.8%**	**4.8%**	95.0%	95.0%	5.3%	5.3%	5.3%
Texas	**95.0%**	**95.0%**	**4.8%**	**4.8%**	**4.8%**	95.0%	95.0%	5.3%	5.0%	5.0%
Louisiana	**95.0%**	**95.0%**	**6.5%**	**5.5%**	**5.7%**	95.0%	95.0%	6.8%	5.5%	6.0%
Illinois	**95.0%**	**95.0%**	**4.5%**	**4.5%**	**4.5%**	95.0%	95.0%	4.5%	4.5%	4.5%
Georgia	**96.0%**	**95.0%**	**5.3%**	**4.8%**	**5.1%**	96.0%	95.0%	5.5%	5.0%	5.4%
Florida	**96.0%**	**93.5%**	**6.0%**	**4.5%**	**5.1%**	96.0%	93.5%	6.5%	4.8%	5.5%
North Carolina	**94.0%**	**94.0%**	**5.0%**	**4.8%**	**4.9%**	94.0%	94.0%	5.3%	5.0%	5.1%
Virginia	**95.0%**	**95.0%**	**4.5%**	**4.5%**	**4.5%**	95.0%	95.0%	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 December 31, 2021 would decrease by $179,300 or increase by $202,004, respectively.

NOTE 5

EQUITY-ACCOUNTED INVESTMENTS

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

			REIT's Ownership		Carrying Value	
Property	Principal Place of Business	Type	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
The Fenestra	Rockville, MD	Joint Venture	**50%**	50%	**$46,721**	$40,671
Marquee at Block 37	Chicago, IL	Joint Venture	**50%**	50%	**49,655**	52,334
					$96,376	$93,005

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

As at December 31	2021	2020
Balance, beginning of year	**$93,005**	$106,521
Additions	**1,288**	—
Distributions received	**(283)**	(1,780)
Share of net income (loss)	**2,691**	(9,869)
Foreign exchange loss	**(325)**	(1,867)
Balance, end of year	**$96,376**	$93,005

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

As at December 31	2021	2020
Non-current assets	**$485,315**	$483,817
Current assets	**8,675**	8,525
Total assets	**$493,990**	$492,342
Non-current liabilities	**$285,796**	$294,098
Current liabilities	**15,442**	12,234
Total liabilities	**$301,238**	$306,332
Net assets	**$192,752**	$186,010
Equity-accounted investments	**$96,376**	$93,005

	2021	2020
Revenue	**$34,396**	$38,927
Expenses	**(30,887)**	(31,025)
Fair value gain (loss) on income producing properties	**1,873**	(27,639)
Net income (loss) for the year	**$5,382**	($19,737)
Income (loss) in equity-accounted investments	**$2,691**	($9,869)

NOTE 6

MORTGAGES PAYABLE AND CLASS C LP UNITS

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

As at December 31	2021	2020
	Mortgages Payable	Mortgages Payable and Class C LP Units
Principal balance of mortgages	**$1,300,873**	$1,210,463
Deferred financing costs	**(12,318)**	(10,080)
Present value of tax payment on Class C LP Units	**—**	9,042
	$1,288,555	$1,209,425
Current	**$96,977**	$107,190
Non-current	**1,191,578**	1,102,235
	$1,288,555	$1,209,425
Range of interest rates	**2.03−4.11%**	2.03−4.11%
Weighted average interest rate	**3.31%**	3.45%
Weighted average term to maturity (years)	**5.0**	4.8
Fair value of mortgages and Class C LP Units	**$1,335,670**	$1,292,168

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.

On November 10, 2021, the REIT completed the Canada Mortgage Housing Corporation ("CMHC") insured financing of four properties, located in Toronto and Mississauga, Ontario, providing gross mortgage proceeds of $194,207 at a weighted average interest rate of 2.72% and for a weighted average term of 10.5 years. Concurrently, the REIT redeemed the Class C LP Units of the Partnership held by Morguard. The Class C LP Units were entitled to priority distributions in satisfaction of financial obligations related to the Retained Debt and any associated tax payable by Morguard. The Retained Debt had a mortgage balance at maturity associated with the refinanced properties of $74,180 at a weighted average interest rate of 3.97%, resulting in net proceeds of $120,027, before financing costs and any associated tax payable.

At the time of redemption of the Class C LP Units, the present value of the REIT's tax obligation on Class C LP Units amounted to $12,934 compared to the carrying value of $9,559, resulting in a loss on tax liability on redemption of Class C LP Units of $3,775 (Note 13).

The aggregate principal repayments and balances maturing of the mortgages payable as at December 31, 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
2022	$32,610	$66,937	$99,547	3.76%
2023	30,003	145,044	175,047	3.47%
2024	27,284	140,446	167,730	3.28%
2025	20,002	173,544	193,546	3.25%
2026	14,376	162,568	176,944	3.23%
Thereafter	52,196	435,863	488,059	3.27%
	$176,471	$1,124,402	$1,300,873	3.31%

NOTE 7
CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at December 31	2021	2020
4.50% convertible unsecured subordinated debentures	**$85,223**	$85,223
Fair value of conversion option	**2,028**	1,577
Unamortized financing costs	**(932)**	(1,635)
	$86,319	$85,165

For the year ended December 31, 2021, interest on the convertible debentures amounting to $3,848 (2020 - $3,848) is included in interest expense (Note 13). As at December 31, 2021, $980 (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 December 31, 2021, and 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 8
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 December 31, 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 $305,021 (2020 - $274,708) and a corresponding fair value loss for the year ended December 31, 2021 of $30,313 (2020 - gain of $43,747).

For the year ended December 31, 2021, distributions on Class B LP Units amounting to $12,049 (2020 - $12,049) are included in interest expense (Note 13).

As at December 31, 2021, and 2020, there were 17,223,090 Class B LP Units issued and outstanding.

NOTE 9
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 part of Morguard’s asset management arrangement, Morguard will make payments on behalf of the REIT and charge the Morguard Facility. These transactions are reflected in the consolidated statements of cash flows. Borrowings under the Morguard Facility are considered to be financing activities.

As at December 31, 2021, the total amount receivable under the Morguard Facility was $70,000. As at December 31, 2020, the amount payable under the Morguard Facility was $6,600.

During the year ended December 31, 2021, the REIT incurred net interest income of $33 (2020 - $274) on the Morguard Facility.

NOTE 10
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at December 31	2021	2020
Accounts payable and accrued liabilities	**$36,056**	$30,936
Tenant deposits	**11,657**	11,143
Lease liability	**9,065**	9,103
	$56,778	$51,182
Current	**$47,713**	$42,079
Non-current	**9,065**	9,103
	$56,778	$51,182

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

As at December 31	2021	2020
Within 12 months	**$434**	$435
2 to 5 years	**1,888**	1,826
Over 5 years	**10,445**	10,994
Total minimum lease payments	**12,767**	13,255
Less: Future interest costs	**(3,702)**	(4,152)
Present value of minimum lease payments	**$9,065**	$9,103

NOTE 11

UNITHOLDERS' EQUITY

(a) Units

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

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

(b) Normal Course Issuer Bids

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

There were no repurchases of Units under the REIT's NCIB plan for the years ended December 31, 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 December 31, 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	**44,438**	**749**
Balance, December 31, 2021	**39,064,265**	**$469,959**

Total distributions declared during the year ended December 31, 2021, amounted to $27,315, or $0.6996 per Unit (2020 - $27,285, or $0.6996 per Unit), including distributions payable of $2,277 that were declared on December 15, 2021, and paid on January 14, 2022. On January 14, 2022, the REIT declared a distribution of $0.0583 per Unit payable on February 15, 2022. On February 15, 2022, the REIT declared a distribution of $0.0583 per Unit payable on March 15, 2022.

(e) Distribution Reinvestment Plan

Under the REIT's Distribution Reinvestment Plan ("DRIP"), Unitholders can elect to reinvest cash distributions into additional Units at a weighted average closing price of the Units on the TSX for the five trading days immediately preceding the applicable date of distribution. During the year ended December 31, 2021, the REIT issued 44,438 Units under the DRIP (2020 - 40,125 Units).

NOTE 12
RENTAL INCOME

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

For the years ended December 31	2021	2020
Rental income	**$115,102**	$119,853
Property management and ancillary income	**91,787**	91,349
Property tax and insurance	**38,677**	37,481
	$245,566	$248,683

NOTE 13
INTEREST EXPENSE

The components of interest expense are as follows:

For the years ended December 31	2021	2020
Interest on mortgages	**$38,807**	$40,707
Interest and tax payment on Class C LP Units	**3,286**	3,683
Interest on the convertible debentures (Note 7)	**3,848**	3,848
Interest on lease liability	**429**	458
Amortization of deferred financing costs	**2,371**	2,599
Amortization of deferred financing costs on the convertible debentures (Note 7)	**703**	662
Loss on tax liability on redemption of Class C LP Units (Note 6)	**3,775**	—
Fair value loss (gain) on conversion option on the convertible debentures (Note 7)	**451**	(1,895)
	53,670	50,062
Distributions on Class B LP Units (Note 8)	**12,049**	12,049
	$65,719	$62,111

NOTE 14
TRUST EXPENSES

The components of trust expenses are as follows:

For the years ended December 31	2021	2020
Asset management fees and distributions	**$11,944**	$12,536
Professional fees	**915**	1,096
Public company expenses	**768**	703
Other	**765**	902
	$14,392	$15,237

NOTE 15
RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in Notes 6, 7, 8 and 9, related party transactions also include the following:

Agreements with Morguard Affiliates

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

Property Management

Pursuant to the Agreements, Morguard's affiliates administer the day-to-day operations of the Canadian and U.S. income producing properties, for which Morguard's affiliates receive partnership fees and distributions equal to 3.5% of gross property revenue of the income producing properties, payable monthly. For the year ended December 31, 2021, fees and distributions amounted to $8,970 (2020 - $9,129) and are included in property operating costs and equity income (loss) from investments. As at December 31, 2021, $583 (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. For the year ended December 31, 2021, fees and distributions amounted to $12,543 (2020 - $13,211) and are included in trust expenses and equity income (loss) from investments. As at December 31, 2021, $1,923 (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 years ended December 31, 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. For the year ended December 31, 2021, fees relating to financing services amounted to $292 (2020 - $37) 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. For the year ended December 31, 2021, fees relating to development services amounted to $nil (2020 - $52) and are included in property under development. As at December 31, 2021, $nil (2020 - $8) is included in accounts payable and accrued liabilities.

Other Services

As at December 31, 2021, the REIT had its portfolio appraised by Morguard's appraisal division. For the year ended December 31, 2021, fees relating to appraisal services amounted to $210 (2020 - $198) and are included in trust expenses.

Key Management Compensation

The executive officers of the REIT are employed by Morguard, and the REIT does not directly or indirectly pay any compensation to them. Any variability in compensation paid by Morguard to the executive officers of the REIT has no impact on the REIT's financial obligations, including its obligations under the various Agreements with Morguard and Morguard's affiliates.

NOTE 16

INCOME TAXES

(a) Canadian Status

The REIT is a "mutual fund trust" pursuant to 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.

(c) Income Tax Expense

For the years ended December 31	2021	2020
Current income taxes	**$126**	$131
Deferred income taxes		
Impact of foreign tax rates	**$63,286**	($3,250)
Impact of change in foreign tax rate	**2,221**	669
Other	**(115)**	157
	$65,392	($2,424)
Income tax expense (recovery)	**$65,518**	($2,293)

(d) The Major Components of Deferred Income Tax Liabilities

As at December 31	2021	2020
Real estate properties	**$186,352**	$117,647
Net operating losses	**(8,760)**	(7,115)
Interest expense limitation	**(2,223)**	(756)
Other	**(140)**	(117)
Total net deferred income tax liabilities	**$175,229**	$109,659

(e) The REIT's Tax Losses

As at December 31, 2021, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$34,067 (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 December 31, 2021, the U.S. subsidiaries of the REIT have total net operating losses of approximately US$27,780 (2020 - US$15,256) of which deferred tax assets were recognized. The net operating losses can be carried forward indefinitely.

As at December 31, 2021, the REIT's U.S. subsidiaries have a total of US$6,827 (2020 - US$2,201) of unutilized interest expense deductions on which deferred tax assets were recognized.

NOTE 17

CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Items Not Affecting Cash

For the years ended December 31	2021	2020
Fair value gain on real estate properties, net	**($288,662)**	($72,238)
Fair value loss (gain) on Class B LP Units	**30,313**	(43,747)
Fair value loss (gain) on conversion option on the convertible debentures	**451**	(1,895)
Equity loss (income) from investments	**(2,691)**	9,869
Amortization of deferred financing - mortgages	**2,187**	2,298
Amortization of deferred financing - Class C LP Units	**184**	301
Amortization of deferred financing - convertible debentures	**703**	662
Present value adjustment of tax liability on Class C LP Units	**486**	575
Loss on tax liability on redemption of Class C LP Units	**3,775**	—
Amortization of tenant incentives	**1,278**	958
Deferred income taxes	**65,392**	(2,424)
	($186,584)	($105,641)

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

For the years ended December 31	2021	2020
Amounts receivable	**($1,556)**	($2,365)
Prepaid expenses	**2,576**	(3,776)
Accounts payable and accrued liabilities	**5,724**	(5,898)
	$6,744	($12,039)

(c) Supplemental Cash Flow Information

For the years ended December 31	2021	2020
Interest paid	**$44,941**	$47,756

(d) Reconciliation of Liabilities Arising from Financing Activities

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

As at December 31, 2021	Mortgages Payable and Class C LP Units	Convertible Debentures	Lease Liability	Total
Balance, beginning of year	**$1,209,425**	**$85,165**	**$9,103**	**$1,303,693**
Repayments	**(26,573)**	**—**	**—**	**(26,573)**
New financing, net of financing costs	**189,560**	**—**	**—**	**189,560**
Lump-sum repayments	**(87,114)**	**—**	**—**	**(87,114)**
Non-cash changes	**6,632**	**1,154**	**—**	**7,786**
Foreign exchange	**(3,375)**	**—**	**(38)**	**(3,413)**
Balance, end of year	**$1,288,555**	**$86,319**	**$9,065**	**$1,383,939**

NOTE 18

MANAGEMENT OF CAPITAL

The REIT defines capital that it manages as the aggregate of its Unitholders' equity, Class B LP Units, mortgages payable and Class C LP Units, convertible debentures, Morguard Facility payable and lease liability. The REIT's objective when managing capital is to ensure that the REIT will continue as a going concern so that it can sustain daily operations and provide adequate returns to its Unitholders.

The REIT is subject to risks associated with debt financing, including the possibility that existing mortgages may not be refinanced or may not be refinanced on as favourable terms or with interest rates as favourable as those of the existing debt. The REIT mitigates these risks by its continued efforts to stagger the maturity profile of its long-term debt, enhance the value of its real estate properties, maintain high occupancy levels and foster excellent relations with its lenders. The REIT manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

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

As at December 31	2021	2020
Mortgages payable, principal balance	**$1,300,873**	$1,135,377
Class C LP Units and present value of tax payment, principal balance	**—**	84,128
Convertible debentures, face value	**85,500**	85,500
Morguard Facility	**—**	6,600
Lease liability	**9,065**	9,103
Class B LP Units	**305,021**	274,708
Unitholders' equity	**1,484,738**	1,270,129
	$3,185,197	$2,865,545

The REIT's primary objectives when managing capital are to maximize Unit value through the ongoing active management of the REIT's assets and the acquisition of additional real estate properties, which are leased to creditworthy tenants, as opportunities arise.

The REIT's strategy is also driven by policies as set out in the Declaration of Trust, as well as requirements from certain lenders.

The requirements of the REIT's operating policies as outlined in the Declaration of Trust include requirements that the REIT will not:

(a) 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 (as defined in the Declaration of Trust) in accordance with IFRS; and

(b) Incur indebtedness aggregating more than 20% of gross book value (as defined in the Declaration of Trust) in accordance with IFRS at floating interest rates or having maturities of less than one year.

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

As at December 31	Borrowing Limits	2021	2020
Total debt to gross book value	70%	**40.2%**	42.8%
Floating-rate debt to gross book value	20%	**—%**	0.2%

NOTE 19
FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 convertible debentures. Fair values of financial assets and liabilities and discussion of risks associated with 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 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 December 31, 2021, market rates for debts of similar terms (Level 2). Based on these assumptions, as at December 31, 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 $1,335,670 and $nil (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 December 31, 2021, the fair value of the convertible debentures before deferred financing costs has been estimated at $86,868 (2020 - $88,339), compared with the carrying value of $85,223 (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:

	December 31, 2021			December 31, 2020		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets:						
Real estate properties	**$—**	**$—**	**$3,256,158**	$—	$—	$2,941,241
Financial liabilities:						
Class B LP Units	**305,021**	**—**	**—**	274,708	—	—
Conversion option of the convertible debentures	**—**	**2,028**	**—**	—	1,577	—

Risks Associated with Financial Assets and Liabilities

The REIT is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk relating to interest rates and foreign exchange rates, credit risk and liquidity risk. The REIT's overall risk management program focuses on establishing policies to identify and analyze the risks faced by the REIT, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the REIT's activities. The REIT aims to develop a disciplined control environment in which all employees understand their roles and obligations.

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices and comprises the following:

Interest Rate Risk

The REIT is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be refinanced on terms as favourable as those of the existing indebtedness. As at December 31, 2021, the REIT had no material outstanding balance of floating interest rate debt.

The REIT's objective when managing interest rate risk is to minimize the volatility of the REIT's income. As at December 31, 2021, interest rate risk has been minimized because all of the long-term debt is financed at fixed interest rates with maturities scheduled over a number of years.

In addition, all mortgages on the Canadian properties are insured by the CMHC. This added level of insurance offered to lenders allows the REIT to receive advantageous interest rates while minimizing the risk of mortgage renewals or extensions.

Foreign Exchange Risk

The REIT is exposed to foreign exchange risk as it relates to its U.S. income producing properties due to fluctuations in the exchange rate between Canadian and United States dollars. Changes in the exchange rate may result in a reduction or an increase of reported earnings and OCI. For the year ended December 31, 2021, a $0.05 change in the United States to Canadian dollar exchange rate would have resulted in approximately a change to net income or loss of $7,715 and a change to other comprehensive income or loss of $28,042.

The REIT's objective when managing foreign exchange risk is to mitigate the exposure from fluctuations in the exchange rate by maintaining U.S. dollar denominated debt against its U.S. assets, which amounted to US$604,861 as at December 31, 2021 (2020 - US$612,115). The REIT currently does not hedge translation exposures.

(b) Credit Risk
Credit risk is the risk that: (i) one party to a financial instrument will cause a financial loss for the REIT by failing to discharge its obligations; and (ii) the possibility that tenants may experience financial difficulty and be unable to meet their rental obligations.

The REIT is exposed to credit risk on all financial assets, and its exposure is generally limited to the carrying value of the financial assets. The REIT mitigates the risk of credit loss with respect to tenants by evaluating their creditworthiness, obtaining security deposits as permitted by legislation and regionally diversifying its portfolio.

The REIT monitors its collection process on a month-to-month basis to ensure that a stringent policy is adopted to provide for all past due amounts. 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 and are provided for as bad debt expense in the consolidated statements of income within property operating costs. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against property operating costs in the consolidated statements of income.

The following table sets forth details of trade receivables and the related allowance for doubtful accounts:

As at December 31	2021	2020
Trade receivables	**$3,288**	$2,492
Less: Allowance for doubtful accounts	**(1,282)**	(955)
Total trade receivables, net	**$2,006**	$1,537

(c) Liquidity Risk
Liquidity risk is the risk the REIT will encounter difficulties in meeting its financial liability obligations. The REIT is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be able to be refinanced. The REIT's objectives in minimizing liquidity risk are to maintain appropriate levels of leverage on its real estate assets and to stagger the debt maturity profile. As at December 31, 2021, the REIT was holding cash of $26,562 and had no amount drawn on the $100,000 Morguard Facility.

NOTE 20

COMMITMENTS AND CONTINGENCIES

(a) Land Lease

The REIT assumed a land lease in connection with a property located in Falls Church, Virginia, that expires in 2113. The REIT has the option to purchase the land in September 2029 for US$7,150. The REIT has classified the land lease as a lease liability under the assumption that substantially all the risks and rewards incidental to ownership have been transferred.

The minimum annual rental payments for the land lease are payable over the next five years and thereafter as follows:

2022	US$342
2023	342
2024	355
2025	396
2026	396
Thereafter	87,396

The annual rental expenses on the land lease are as follows:

	Annual rental expense
From October 1, 2019 to September 30, 2024	US$342
From October 1, 2024 to September 30, 2029	396
Every 5 years thereafter	The greater of: (i) 1.1 times the rent for the fifteenth lease year (2029) and the last year of each fifth year lease year increment thereafter until 2113; or (ii) Index Adjustment

(b) Other

The REIT is involved in litigation and claims in relation to income producing properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in a liability that would have a significant adverse effect on the final position of the REIT. The REIT has agreed to indemnify, in certain circumstances, the Trustees and officers of the REIT.

In the Province of Ontario, the REIT is subject to, and believes it has complied with, the *Residential Tenancies Act, 2006* (Ontario). Each year, the Ontario government determines the province's residential rent increase for existing tenants. In 2021, the rental guideline increase was 0.0% (2020 - 2.2%).

NOTE 21

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:

	December 31, 2021			December 31, 2020		
For the years ended	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Revenue from real estate properties	**$92,882**	**$152,684**	**$245,566**	$94,746	$153,937	$248,683
Property operating expenses	**(41,637)**	**(74,434)**	**(116,071)**	(40,170)	(72,980)	(113,150)
Net operating income	**$51,245**	**$78,250**	**$129,495**	$54,576	$80,957	$135,533

	December 31, 2021			December 31, 2020		
As at	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Real estate properties	**$1,501,650**	**$1,754,508**	**$3,256,158**	$1,414,050	$1,527,191	$2,941,241
Mortgages payable and Class C LP Units	**$525,905**	**$762,650**	**$1,288,555**	$435,408	$774,017	$1,209,425

	December 31, 2021			December 31, 2020		
For the years ended	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Additions to real estate properties	**$11,126**	**$18,886**	**$30,012**	$11,329	$16,735	$28,064
Fair value gain (loss) on real estate properties	**$76,160**	**$212,502**	**$288,662**	$126,112	($53,874)	$72,238