

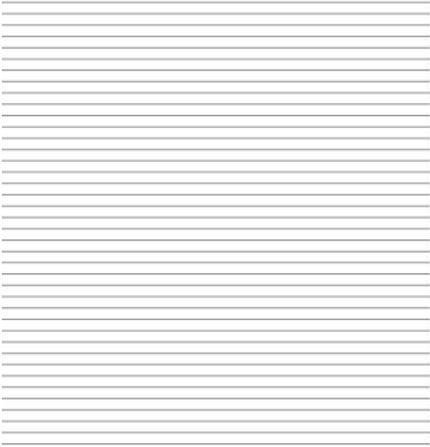


Real Estate Potential. **Realized.**

MORGUARD NORTH AMERICAN
RESIDENTIAL REAL ESTATE
INVESTMENT TRUST

SEPTEMBER 30, 2024

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(UNAUDITED)



BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	September 30, 2024	December 31, 2023
ASSETS			
Non-current assets			
Real estate properties	3	\$4,180,374	\$3,999,481
Equity-accounted investments	4	60,514	53,282
		4,240,888	4,052,763
Current assets			
Morguard Facility	8	—	2,627
Amounts receivable		11,877	9,571
Prepaid expenses		14,982	9,070
Restricted cash		4,262	4,075
Cash		103,272	17,825
		134,393	43,168
		\$4,375,281	\$4,095,931
LIABILITIES AND EQUITY			
Non-current liabilities			
Mortgages payable	5	\$1,351,322	\$1,327,738
Convertible debentures	6	54,141	52,276
Class B LP Units	7	331,889	254,385
Deferred income tax liabilities	16	283,959	263,424
Lease liabilities	9	16,564	16,059
		2,037,875	1,913,882
Current liabilities			
Mortgages payable	5	257,751	167,624
Accounts payable and accrued liabilities	10	76,321	54,774
		334,072	222,398
Total liabilities		2,371,947	2,136,280
EQUITY			
Unitholders' equity		1,891,991	1,852,778
Non-controlling interest		111,343	106,873
Total equity		2,003,334	1,959,651
		\$4,375,281	\$4,095,931

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF INCOME (LOSS)

In thousands of Canadian dollars

	Note	Three months ended September 30		Nine months ended September 30	
		2024	2023	2024	2023
Revenue from real estate properties	12	\$85,788	\$83,646	\$256,300	\$246,620
Property operating expenses					
Property operating costs		(24,331)	(23,908)	(71,254)	(68,164)
Realty taxes		(4,050)	(2,587)	(41,706)	(37,839)
Utilities		(5,376)	(4,733)	(16,073)	(15,397)
Net operating income		52,031	52,418	127,267	125,220
Other expense (income)					
Interest expense	13	23,513	17,976	62,783	54,738
Trust expenses	14	5,534	5,391	16,691	16,352
Equity loss (income) from investments	4	(4,242)	3,193	(8,108)	(1,017)
Foreign exchange loss (gain)		552	(10)	558	14
Other expense (income)	8	(1,391)	349	(1,625)	(270)
Income before fair value changes and income taxes		28,065	25,519	56,968	55,403
Fair value gain (loss) on real estate properties, net	3	22,417	(29,124)	93,557	100,119
Fair value gain (loss) on Class B LP Units	7	(65,276)	34,446	(77,504)	23,251
Income (loss) before income taxes		(14,794)	30,841	73,021	178,773
Provision for (recovery of) income taxes					
Current		213	322	1,820	390
Deferred		3,822	(8,632)	14,683	17,468
		4,035	(8,310)	16,503	17,858
Net income (loss) for the period		(\$18,829)	\$39,151	\$56,518	\$160,915
Net income (loss) attributable to:					
Unitholders		(\$20,791)	\$40,491	\$53,256	\$151,213
Non-controlling interest		1,962	(1,340)	3,262	9,702
		(\$18,829)	\$39,151	\$56,518	\$160,915

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

In thousands of Canadian dollars

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Net income (loss) for the period	(\$18,829)	\$39,151	\$56,518	\$160,915
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified subsequently to net income (loss):				
Unrealized foreign currency translation gain (loss)	(14,701)	27,311	27,478	(2,466)
Total comprehensive income (loss) for the period	(\$33,530)	\$66,462	\$83,996	\$158,449
Total comprehensive income (loss) attributable to:				
Unitholders	(\$34,227)	\$65,578	\$78,457	\$148,893
Non-controlling interest	697	884	5,539	9,556
	(\$33,530)	\$66,462	\$83,996	\$158,449

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

In thousands of Canadian dollars

	Note	Units	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Unitholders' Equity	Non-controlling Interest	Total Equity
Unitholders' equity, December 31, 2022		\$470,774	\$48,762	\$1,089,399	\$144,540	\$1,753,475	\$101,914	\$1,855,389
Changes during the period:								
Net income		—	—	151,213	—	151,213	9,702	160,915
Other comprehensive loss		—	—	—	(2,320)	(2,320)	(146)	(2,466)
Repurchase of Units		(20,626)	—	—	—	(20,626)	—	(20,626)
Issue of Units - DRIP		682	—	(682)	—	—	—	—
Distributions		—	—	(20,232)	—	(20,232)	(1,192)	(21,424)
Unitholders' equity, September 30, 2023		\$450,830	\$48,762	\$1,219,698	\$142,220	\$1,861,510	\$110,278	\$1,971,788
Changes during the period:								
Net income (loss)		—	—	25,123	—	25,123	(757)	24,366
Other comprehensive loss		—	—	—	(24,246)	(24,246)	(2,255)	(26,501)
Repurchase of Units		(2,907)	—	—	—	(2,907)	—	(2,907)
Issue of Units - DRIP		227	—	(227)	—	—	—	—
Distributions		—	—	(6,702)	—	(6,702)	(393)	(7,095)
Unitholders' equity, December 31, 2023		\$448,150	\$48,762	\$1,237,892	\$117,974	\$1,852,778	\$106,873	\$1,959,651
Changes during the period:								
Net income		—	—	53,256	—	53,256	3,262	56,518
Other comprehensive income		—	—	—	25,201	25,201	2,277	27,478
Repurchase of Units	11(b)	(19,141)	—	—	—	(19,141)	—	(19,141)
Issue of Units - DRIP	11(d)	696	—	(696)	—	—	—	—
Distributions	11(d)	—	—	(20,103)	—	(20,103)	(1,069)	(21,172)
Unitholders' equity, September 30, 2024		\$429,705	\$48,762	\$1,270,349	\$143,175	\$1,891,991	\$111,343	\$2,003,334

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

	Note	Three months ended		Nine months ended	
		September 30		September 30	
		2024	2023	2024	2023
OPERATING ACTIVITIES					
Net income (loss)		(\$18,829)	\$39,151	\$56,518	\$160,915
Add (deduct) items not affecting cash	17(a)	38,106	(19,146)	3,942	(98,711)
Additions to tenant incentives		(447)	(242)	(1,208)	(659)
Distributions from equity-accounted investments	4	680	684	2,057	2,706
Net change in non-cash operating assets and liabilities	17(b)	(4,377)	(6,971)	4,470	1,555
Cash provided by operating activities		15,133	13,476	65,779	65,806
INVESTING ACTIVITIES					
Acquisition of income producing properties	3	—	—	—	(164,710)
Additions to real estate properties	3	(14,361)	(9,369)	(31,810)	(24,048)
Cash used in investing activities		(14,361)	(9,369)	(31,810)	(188,758)
FINANCING ACTIVITIES					
Proceeds from new mortgages	3, 5	—	36,599	209,632	187,310
Financing cost on new mortgages		—	(767)	(5,458)	(4,048)
Repayment of mortgages					
Principal instalment repayments		(7,658)	(7,929)	(23,810)	(24,757)
Repayment on maturity		—	(20,656)	—	(106,449)
Repayment due to mortgage extinguishment	5	—	—	(91,411)	—
Principal payment of lease liabilities	9	(9)	(8)	(28)	(24)
Proceeds from issuance of convertible debentures, net of costs	6	—	—	—	53,590
Redemption of convertible debentures		—	—	—	(85,500)
Proceeds from Morguard Facility		—	45,737	28,250	245,660
Repayments on Morguard Facility		—	(53,692)	(25,902)	(173,275)
Units repurchased for cancellation	11(b)	(10,825)	(9,168)	(19,141)	(20,626)
Distributions to Unitholders		(6,687)	(6,701)	(20,159)	(20,295)
Distributions to non-controlling interest		—	(398)	(1,069)	(1,192)
Decrease (increase) in restricted cash		(307)	1,477	(96)	84,983
Cash provided by (used in) financing activities		(25,486)	(15,506)	50,808	135,377
Net increase (decrease) in cash during the period		(24,714)	(11,399)	84,777	12,425
Net effect of foreign currency translation on cash balance		258	(1,212)	670	899
Cash, beginning of period		127,728	40,571	17,825	14,636
Cash, end of period		\$103,272	\$27,960	\$103,272	\$27,960

See accompanying notes to the condensed consolidated financial statements.

NOTES

For the three and nine months ended September 30, 2024 and 2023

In thousands of Canadian dollars, except Unit and per Unit amounts and where otherwise noted

NOTE 1

NATURE AND FORMATION OF TRUST

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

The REIT holds its investments in its real estate properties through its ownership in Morguard NAR Canada Limited Partnership (the “Partnership”). As at September 30, 2024, Morguard Corporation (“Morguard”), the parent company of the REIT, holds an indirect 47.0% (December 31, 2023 - 46.1%) interest through its ownership of 8,120,666 Units and 17,223,090 Class B LP Units.

NOTE 2

STATEMENT OF COMPLIANCE AND MATERIAL ACCOUNTING POLICIES

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

The condensed consolidated financial statements were approved and authorized for issue by the Board of Trustees on October 29, 2024.

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

Foreign Exchange

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

	2024	2023
Canadian dollar to United States dollar exchange rates:		
- As at September 30	\$0.7394	\$0.7396
- As at December 31	—	0.7561
- Average for the three months ended September 30	0.7332	0.7455
- Average for the nine months ended September 30	0.7351	0.7432
United States dollar to Canadian dollar exchange rates:		
- As at September 30	1.3525	1.3520
- As at December 31	—	1.3226
- Average for the three months ended September 30	1.3639	1.3414
- Average for the nine months ended September 30	1.3603	1.3456

Future Material Accounting Policy Changes

IFRS 18 - Presentation and Disclosure in Financial Statements (“IFRS 18”)

On April 9, 2024, the IASB issued IFRS 18 that will replace IAS 1 - Presentation of Financial Statements. The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity’s assets, liabilities, equity, income and expenses.

IFRS 18 introduces the following:

- Defined subtotals and categories in the statement of profit or loss.
- Requirements to improve aggregation and disaggregation.
- Disclosures about management-defined performance measures in the notes to the financial statements.
- Targeted improvements to the statement of cash flows by amending IAS 7 - Statement of Cash Flows.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. The standard is applied retrospectively, with specific transition provisions, and early adoption is permitted. The REIT is currently assessing the impact this new standard will have on its consolidated financial statements.

NOTE 3

REAL ESTATE PROPERTIES

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

As at	September 30, 2024	December 31, 2023
Balance, beginning of period	\$3,999,481	\$3,626,853
Additions:		
Acquisition of income producing properties	—	207,658
Capital expenditures	31,810	44,299
Right-of-use assets	170	241
Transfer from equity-accounted investments (Note 4)	—	96,840
Fair value gain, net	93,557	80,996
Foreign currency translation	54,506	(57,717)
Other	850	311
Balance, end of period	\$4,180,374	\$3,999,481

Transactions completed during the year ended December 31, 2023

Acquisitions

On January 5, 2023, the REIT acquired from Morguard the remaining 50% interest in Fenestra at Rockville Town Square (Note 4), comprising 492 residential suites, for a purchase price of \$96,902 (US\$71,545), including closing costs, and assumed mortgages payable of \$45,997 (US\$33,961) at a contractual interest rate of 3.55%, maturing on September 1, 2027. In addition, a mark-to-market adjustment of \$3,049 (US\$2,251) was recorded to mortgages payable at an effective interest rate of 5.26%.

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

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

As at September 30, 2024, and December 31, 2023, the REIT had its portfolio appraised by Morguard's appraisal division. In addition, the REIT's U.S. portfolio is appraised by independent U.S. real estate appraisal firms on a three-year cycle.

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

As at September 30, 2024, using the direct capitalization income approach, the properties were valued using capitalization rates in the range of 3.8% to 6.3% (December 31, 2023 - 3.8% to 6.3%), resulting in an overall weighted average capitalization rate of 4.5% (December 31, 2023 - 4.5%).

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

	September 30, 2024 Capitalization Rates			December 31, 2023 Capitalization Rates		
	Maximum	Minimum	Weighted Average	Maximum	Minimum	Weighted Average
Canada						
Alberta	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Ontario	4.5%	3.8%	3.9%	4.3%	3.8%	3.9%
United States						
Colorado	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Texas	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Louisiana	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Illinois	5.3%	5.0%	5.1%	5.3%	5.0%	5.1%
Georgia	5.3%	5.0%	5.2%	5.3%	4.8%	5.1%
Florida	6.3%	4.8%	5.2%	6.3%	4.5%	5.2%
North Carolina	5.0%	5.0%	5.0%	5.0%	4.8%	4.9%
Virginia	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
Maryland	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%

Fair values are most sensitive to changes in capitalization rates and stabilized net operating income. Generally, an increase in stabilized net operating income will result in an increase in the fair value of the real estate properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in stabilized net operating income, with a lower capitalization rate resulting in a greater impact on the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rate were to increase or decrease by 25 basis points (assuming no change to stabilized net operating income), the fair value of the real estate properties as at September 30, 2024 would decrease by \$214,552 or increase by \$239,926, respectively.

NOTE 4

EQUITY-ACCOUNTED INVESTMENTS

The following are the REIT's equity-accounted investments as at September 30, 2024, and December 31, 2023:

Property	Principal Place of Business	Type	REIT's Ownership		Carrying Value	
			September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Marquee at Block 37	Chicago, IL	Joint Venture	50%	50%	\$60,514	\$53,282

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

As at	September 30, 2024	December 31, 2023
Balance, beginning of period	\$53,282	\$105,462
Transfer ⁽¹⁾	—	(52,857)
Distributions received	(2,057)	(3,385)
Share of net income	8,108	5,376
Foreign exchange gain (loss)	1,181	(1,314)
Balance, end of period	\$60,514	\$53,282

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

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

As at	September 30, 2024	December 31, 2023
Non-current assets	\$332,344	\$314,780
Current assets	2,416	2,532
Total assets	\$334,760	\$317,312
Non-current liabilities	\$200,272	\$199,464
Current liabilities	13,460	11,284
Total liabilities	\$213,732	\$210,748
Net assets	\$121,028	\$106,564
Equity-accounted investments	\$60,514	\$53,282

	Three months ended		Nine months ended	
	September 30		September 30	
	2024	2023	2024	2023
Revenue	\$7,810	\$7,762	\$23,688	\$23,012
Expenses	(4,302)	(4,110)	(17,604)	(18,168)
Fair value gain (loss) on income producing properties	4,976	(10,038)	10,132	(2,810)
Net income (loss) for the period	\$8,484	(\$6,386)	\$16,216	\$2,034
Income (loss) in equity-accounted investments	\$4,242	(\$3,193)	\$8,108	\$1,017

NOTE 5

MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	September 30, 2024	December 31, 2023
Principal balance of mortgages	\$1,627,878	\$1,511,252
Deferred financing costs	(17,008)	(13,628)
Mark-to-market adjustment	(1,797)	(2,262)
	\$1,609,073	\$1,495,362
Current	\$257,751	\$167,624
Non-current	1,351,322	1,327,738
	\$1,609,073	\$1,495,362
Range of interest rates	2.03–7.41%	2.03–7.39%
Weighted average interest rate	3.87%	3.72%
Weighted average term to maturity (years)	5.1	4.9
Fair value of mortgages	\$1,594,448	\$1,438,179

As at September 30, 2024, approximately 95% of the REIT's real estate properties, and related rental revenue, have been pledged as collateral for the mortgages payable.

During the three months ended June 30, 2024, the REIT completed the Canada Mortgage and Housing Corporation ("CMHC") insured financing of three multi-suite residential properties located in Mississauga, Ontario, for an aggregate amount of \$209,632 at a weighted average interest rate of 4.64% and for terms of 10.5 years. The maturing mortgages amounted to \$91,411, had a weighted average interest rate of 3.36%, and were refinanced before their scheduled maturities resulting in a prepayment fee on mortgage extinguishment of \$257 recorded to interest expense (Note 13).

The aggregate principal repayments and balances maturing of the mortgages payable as at September 30, 2024, 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
2024 (remainder of the year)	\$7,942	\$49,539	\$57,481	3.15%
2025	26,912	183,079	209,991	3.28%
2026	21,444	168,256	189,700	3.25%
2027	19,474	172,681	192,155	4.44%
2028	16,391	108,659	125,050	3.90%
Thereafter	60,532	792,969	853,501	4.03%
	\$152,695	\$1,475,183	\$1,627,878	3.87%

NOTE 6

CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

As at	September 30, 2024	December 31, 2023
6.00% convertible unsecured subordinated debentures	\$52,908	\$52,245
Fair value of conversion option	3,010	2,131
Unamortized financing costs	(1,777)	(2,100)
	\$54,141	\$52,276

For the three and nine months ended September 30, 2024, interest on the convertible debentures amounting to \$840 (2023 - \$855) and \$2,520 (2023 - \$2,761), respectively, is included in interest expense (Note 13). As at September 30, 2024, \$9 (December 31, 2023 - \$856) is included in accounts payable and accrued liabilities.

6.00% Convertible Unsecured Subordinated Debentures

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

As at September 30, 2024, \$56,000 of the face value of the 2023 Debentures were outstanding.

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

NOTE 7

CLASS B LP UNITS

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

As at September 30, 2024, 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 \$331,889 (December 31, 2023 - \$254,385), and a corresponding fair value loss for the three months ended September 30, 2024 of \$65,276 (2023 - gain of \$34,446) and a fair value loss for the nine months ended September 30, 2024 of \$77,504 (2023 - gain of \$23,251).

For the three and nine months ended September 30, 2024, distributions on Class B LP Units amounting to \$3,186 (2023 - \$3,100) and \$9,558 (2023 - \$9,300), respectively, are included in interest expense (Note 13).

As at September 30, 2024, and December 31, 2023, there were 17,223,090 Class B LP Units issued and outstanding.

NOTE 8

MORGUARD FACILITY

The REIT has an unsecured revolving credit facility with Morguard (the “Morguard Facility”) that provides for borrowings or advances that can be drawn or advanced either in Canadian dollars or an equivalent amount in United States dollars at the entity’s borrowing cost, subject to the availability of sufficient funds. The maximum allowable to be borrowed or advanced under the Morguard Facility is \$100,000.

As at September 30, 2024, the net amount receivable under the Morguard Facility was \$nil (December 31, 2023 - \$2,627).

During the three months ended September 30, 2024, the REIT recorded net interest expense of \$nil (2023 - \$117) and during the nine months ended September 30, 2024, the REIT recorded net interest income of \$9 (2023 - net interest expense of \$9) on the Morguard Facility.

NOTE 9

LEASE LIABILITIES

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

As at	September 30, 2024	December 31, 2023
Balance, beginning of period	\$16,059	\$16,235
Interest on lease liabilities (Note 13)	720	943
Payments	(748)	(976)
Additions	170	241
Foreign exchange loss (gain)	363	(384)
Balance, end of period	\$16,564	\$16,059

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

As at	September 30, 2024	December 31, 2023
Within 12 months	\$1,057	\$985
2 to 5 years	4,301	4,155
Over 5 years	27,079	26,716
Total minimum lease payments	32,437	31,856
Less: Future interest costs	(15,873)	(15,797)
Present value of minimum lease payments	\$16,564	\$16,059

NOTE 10

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

As at	September 30, 2024	December 31, 2023
Accounts payable and accrued liabilities	\$58,014	\$45,620
Accrued liabilities (IFRIC 21, Levies)	8,674	—
Tenant deposits	9,633	9,154
	\$76,321	\$54,774

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 6, 2023, the REIT had the approval of the TSX under its normal course issuer bid ("NCIB") to purchase up to 1,474,371 Units and \$4,024 principal amount of the 2018 Debentures. The program expired on January 9, 2024. On January 10, 2024, the REIT obtained the approval of the TSX under its NCIB, commencing January 12, 2024, to purchase up to 2,795,028 Units, being approximately 10% of the public float of outstanding Units; the program expires on January 11, 2025. The daily repurchase restriction for the Units is 6,634. Additionally, the REIT may purchase up to \$4,900 principal amount of the 2023 Debentures, being 10% of the public float of outstanding 2023 Debentures. The daily repurchase restriction for the 2023 Debentures is \$6. The price that the REIT would pay for any such Units or 2023 Debentures would be the market price at the time of acquisition.

During the nine months ended September 30, 2024, 1,129,807 Units were repurchased for cash consideration of \$19,141 at a weighted average price of \$16.94 per Unit. During the year ended December 31, 2023, 1,431,984 Units were repurchased for cash consideration of \$23,533 at a weighted average price of \$16.43 per Unit.

(c) Special Voting Units

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

(d) Units Outstanding

The following table summarizes the changes in Units for the period from December 31, 2022, to September 30, 2024:

Issued and Fully Paid Units	Units	Amount
Balance, December 31, 2022	39,111,793	\$470,774
Units issued under the DRIP	56,150	909
Units repurchased through the NCIB plan	(1,431,984)	(23,533)
Balance, December 31, 2023	37,735,959	448,150
Units issued under the DRIP	43,626	696
Units repurchased through the REIT's NCIB plan	(1,129,807)	(19,141)
Balance, September 30, 2024	36,649,778	\$429,705

Total distributions declared during the nine months ended September 30, 2024, amounted to \$20,799, or \$0.55503 per Unit (2023 - \$20,914, or \$0.54 per Unit), including distributions payable of \$2,272 that were declared on September 16, 2024, and paid on October 15, 2024. On October 15, 2024, the REIT declared a distribution of \$0.06167 per Unit payable on November 15, 2024.

(e) Distribution Reinvestment Plan

Under the REIT's Distribution Reinvestment Plan ("DRIP"), Unitholders can elect to reinvest cash distributions into additional Units at a weighted average closing price of the Units on the TSX for the five trading days immediately preceding the applicable date of distribution. During the nine months ended September 30, 2024, the REIT issued 43,626 Units under the DRIP (year ended December 31, 2023 - 56,150 Units).

NOTE 12

RENTAL INCOME

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2024	2023	2024	2023
Rental income	\$41,996	\$41,361	\$127,243	\$122,413
Property management and ancillary income	30,019	29,027	88,336	85,698
Property tax and insurance	13,773	13,258	40,721	38,509
	\$85,788	\$83,646	\$256,300	\$246,620

NOTE 13

INTEREST EXPENSE

The components of interest expense are as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2024	2023	2024	2023
Interest on mortgages	\$15,994	\$14,301	\$45,114	\$40,918
Interest on convertible debentures (Note 6)	840	855	2,520	2,761
Interest on lease liabilities (Note 9)	241	235	720	702
Amortization of mark-to-market adjustment on mortgages	162	171	519	562
Amortization of deferred financing costs	755	755	2,230	2,183
Amortization of deferred financing costs on the convertible debentures (Note 6)	108	101	323	392
Accretion on convertible debentures (Note 6)	221	—	663	—
Fair value loss (gain) on conversion option on the convertible debentures (Note 6)	2,006	(1,542)	879	(2,080)
Prepayment fee on mortgage extinguishment (Note 5)	—	—	257	—
	20,327	14,876	53,225	45,438
Distributions on Class B LP Units (Note 7)	3,186	3,100	9,558	9,300
	\$23,513	\$17,976	\$62,783	\$54,738

NOTE 14

TRUST EXPENSES

The components of trust expenses are as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2024	2023	2024	2023
Asset management fees and distributions	\$4,793	\$4,696	\$14,508	\$14,176
Professional fees	312	310	998	895
Public company expenses	204	208	605	613
Other	225	177	580	668
	\$5,534	\$5,391	\$16,691	\$16,352

NOTE 15

RELATED PARTY TRANSACTIONS

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

Agreements with Morguard Affiliates

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

Property Management

Pursuant to the Agreements, Morguard's affiliates administer the day-to-day operations of the Canadian and U.S. income producing properties, for which Morguard's affiliates receive partnership fees and distributions equal to 3.5% of gross property revenue of the income producing properties, payable monthly. Fees and distributions for the three and nine months ended September 30, 2024 amounted to \$3,066 (2023 - \$2,989) and \$9,153 (2023 - \$8,816), respectively, and are included in property operating costs and equity income (loss) from investments. As at September 30, 2024, \$871 (December 31, 2023 - \$868) is included in accounts payable and accrued liabilities.

Asset Management

Pursuant to the Agreements, Morguard's affiliates have certain duties and responsibilities for the strategic management and administration of the Partnership and its subsidiaries, for which they receive partnership fees and distributions equal to 0.25% of the Partnership's gross book value defined as acquisition cost of the REIT's assets plus: (i) fair value adjustments; and (ii) accumulated amortization on property, plant and equipment. In addition, an annual fee and distribution is calculated in arrears, determined by multiplying 15% of the Partnership's funds from operations in excess of \$0.66 per Unit. Fees and distributions for the three and nine months ended September 30, 2024 amounted to \$4,895 (2023 - \$4,747) and \$14,813 (2023 - \$14,480), respectively, and are included in trust expenses and equity income (loss) from investments. As at September 30, 2024, \$3,024 (December 31, 2023 - \$3,555) 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. Fees relating to acquisition services for the three and nine months ended September 30, 2024, amounted to \$nil (2023 - \$nil) and \$nil (2023 - \$825), respectively, and have been capitalized to income producing properties.

Financing

Pursuant to the Agreements, with respect to arranging for financing services, Morguard's affiliates are entitled to receive partnership fees equal to 0.15% of the principal amount and associated costs (excluding mortgage premiums) of any debt financing or refinancing. Fees relating to financing services for the three and nine months ended September 30, 2024 amounted to \$nil (2023 - \$56) and \$313 (2023 - \$285), respectively, and have been capitalized to deferred financing costs.

Other Services

As at September 30, 2024, the REIT had its portfolio appraised by Morguard's appraisal division. Fees relating to appraisal services for the three and nine months ended September 30, 2024 amounted to \$52 (2023 - \$52) and \$156 (2023 - \$156), respectively, and are included in trust expenses.

NOTE 16

INCOME TAXES

(a) Canadian Status

The REIT is a "mutual fund trust" pursuant to the *Income Tax Act* (Canada) (the "Act"). Under current tax legislation, a mutual fund trust that is not a Specified Investment Flow-Through ("SIFT") trust pursuant to the Act is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes, provided that its taxable income is fully distributed to Unitholders. The REIT intends to continue to qualify as a mutual fund trust

that is not a SIFT trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

(b) U.S. Status

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

As at September 30, 2024, the REIT's U.S. subsidiaries have total net operating losses of approximately US\$16,204 (December 31, 2023 - US\$27,333) of which deferred income tax assets were recognized as it is probable that taxable income will be available against such losses and can be carried forward indefinitely. Included in the net operating losses is the REIT's portion of net operating losses of a subsidiary where the REIT owns a 51% effective interest in a limited partnership of US\$8,909 (December 31, 2023 - US\$9,253).

As at September 30, 2024, the REIT's U.S. subsidiaries have a total of US\$49,153 (December 31, 2023 - US\$36,171) of unutilized interest expense deductions on which deferred income tax assets were recognized and can be carried forward indefinitely.

EIFEL Rules

On May 28, 2024, amended Canadian Bill C-59, *Fall Economic Statement Implementation Act, 2023*, became substantively enacted for financial reporting purposes. Bill C-59 implements the majority of the remaining income tax measures from the 2023 federal budget, as well as certain measures from the 2023 fall economic statement. Most notably, Bill C-59 contains the excessive interest and financing expenses limitation rules ("EIFEL Rules").

The EIFEL Rules, which became effective for the 2024 fiscal year, limit the amount of net interest and financing expenses that a trust may deduct in computing taxable income to a fixed ratio (currently set at 30% of the EBITDA as calculated for tax purposes) or, where certain conditions are met and a consolidated group elects, a higher group ratio.

Based on the EIFEL Rules mentioned above and an assessment of forecasted EBITDA for the year ended December 31, 2024, it is expected that the EIFEL Rules will limit the deductibility of certain interest expenses of the REIT and will increase the taxable income allocated by the REIT to Unitholders in current and subsequent fiscal years.

On August 12, 2024, the Department of Finance released revised draft legislation that includes previously announced business tax measures, among others, related to an EIFEL exemption for purpose-build rental housing providers and certain regulated utility providers. The REIT will continue to review the relevant legislation and available guidance to assess the full implications of the EIFEL Rules.

International Tax Reform: Pillar Two Model Rules

The REIT is within scope of Pillar Two legislation being part of a multinational enterprises ("MNE") group, that includes Morguard Corporation, with revenue that may exceed the EUR 750 million threshold per their consolidated financial statements.

On June 19, 2024, Canadian Bill C-69, *Budget Implementation Act, 2024, No. 1*, became substantively enacted for financial reporting purposes. Among other measures, Bill C-69 includes Canada's Global Minimum Tax Act ("GMTA"). The GMTA implements into Canadian domestic law the global minimum tax under Pillar Two as developed by the Organisation for Economic Co-operation and Development ("OECD") / G20 Inclusive Framework on Base Erosion and Profit Shifting. More specifically, the GMTA implements the top-up tax, income inclusion rule and the domestic minimum top-up tax rules that form part of the Model Rules for the Global Minimum Tax (GloBE Rules) that were released by the OECD on December 20, 2021.

To date, the U.S. has not indicated its commitment to enact Pillar Two legislation. The REIT and its subsidiaries continue to review the relevant legislation and available guidance to assess the full implications of the Pillar Two Model Rules. Based on an assessment of historic data and forecasts for the year ended December 31, 2024, the REIT does not expect a material exposure to Pillar Two income taxes for the year ended December 31, 2024.

NOTE 17

CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Items Not Affecting Cash

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Fair value loss (gain) on real estate properties, net	(\$30,055)	\$21,177	(\$85,109)	(\$93,382)
Fair value loss (gain) on Class B LP Units	65,276	(34,446)	77,504	(23,251)
Fair value loss (gain) on conversion option on the convertible debentures	2,006	(1,542)	879	(2,080)
Equity loss (income) from investments	(4,242)	3,193	(8,108)	(1,017)
Amortization of deferred financing - mortgages	755	755	2,230	2,183
Amortization of deferred financing - convertible debentures	108	101	323	392
Amortization of mark-to-market adjustment on mortgages	162	171	519	562
Accretion on convertible debentures	221	—	663	—
Amortization of tenant incentives	53	77	358	414
Deferred income taxes	3,822	(8,632)	14,683	17,468
	\$38,106	(\$19,146)	\$3,942	(\$98,711)

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

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Amounts receivable	(\$2,163)	(\$1,850)	(\$2,171)	\$2,152
Prepaid expenses	(9,651)	(10,352)	(5,735)	(7,436)
Accounts payable and accrued liabilities	7,437	5,231	12,376	6,839
	(\$4,377)	(\$6,971)	\$4,470	\$1,555

(c) Supplemental Cash Flow Information

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Interest paid	\$17,185	\$16,020	\$48,293	\$43,854

(d) Reconciliation of Liabilities Arising from Financing Activities

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

As at September 30, 2024	Mortgages Payable	Convertible Debentures	Lease Liabilities	Total
Balance, beginning of period	\$1,495,362	\$52,276	\$16,059	\$1,563,697
Repayments	(23,810)	—	(28)	(23,838)
New financing, net of financing costs	204,174	—	170	204,344
Lump-sum repayments	(91,411)	—	—	(91,411)
Non-cash changes	2,749	1,865	—	4,614
Foreign exchange	22,009	—	363	22,372
Balance, end of period	\$1,609,073	\$54,141	\$16,564	\$1,679,778

NOTE 18

MANAGEMENT OF CAPITAL

Refer to the REIT's audited consolidated financial statements as at and for the year ended December 31, 2023 for an explanation of the REIT's capital management policy.

The total managed capital for the REIT as at September 30, 2024, and December 31, 2023, is summarized below:

As at	September 30, 2024	December 31, 2023
Mortgages payable, principal balance	\$1,627,878	\$1,511,252
Convertible debentures, face value	56,000	56,000
Lease liabilities	16,564	16,059
Class B LP Units	331,889	254,385
Unitholders' equity	1,891,991	1,852,778
	\$3,924,322	\$3,690,474

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

As at	Borrowing Limits	September 30, 2024	December 31, 2023
Total debt to gross book value	70%	38.9%	38.7%
Floating-rate debt to gross book value	20%	0.9%	0.9%

NOTE 19

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Refer to the REIT's audited consolidated financial statements as at and for the year ended December 31, 2023 for an explanation of the REIT's risk management policy as it relates to financial instruments.

Fair Value of Financial Assets and Liabilities

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

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

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using September 30, 2024, market rates for debts of similar terms (Level 2). Based on these assumptions, as at September 30, 2024, the fair value of the mortgages payable before deferred financing costs and mark-to-market adjustment is estimated at \$1,594,448 (December 31, 2023 - \$1,438,179), compared with the carrying value of \$1,627,878 (December 31, 2023 - \$1,511,252). The fair value of the mortgages payable varies from the carrying value due to fluctuations in market interest rates since their issue.

The fair value of the convertible debentures is based on their market trading price (Level 1). As at September 30, 2024, the fair value of the convertible debentures before deferred financing costs has been estimated at \$56,616 (December 31, 2023 - \$54,880), compared with the carrying value of \$52,908 (December 31, 2023 - \$52,245).

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

The REIT's convertible debentures have no restrictive covenants.

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

	September 30, 2024			December 31, 2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Real estate properties	\$—	\$—	\$4,180,374	\$—	\$—	\$3,999,481
Financial liabilities:						
Class B LP Units	331,889	—	—	254,385	—	—
Conversion option of the convertible debentures	—	3,010	—	—	2,131	—

NOTE 20

SEGMENTED INFORMATION

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

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

	Three months ended September 30, 2024			Three months ended September 30, 2023		
	Canada	U.S.	Total	Canada	U.S.	Total
Revenue from income producing properties	\$28,226	\$57,562	\$85,788	\$26,899	\$56,747	\$83,646
Property operating expenses	(11,478)	(22,279)	(33,757)	(10,997)	(20,231)	(31,228)
Net operating income	\$16,748	\$35,283	\$52,031	\$15,902	\$36,516	\$52,418

	Nine months ended September 30, 2024			Nine months ended September 30, 2023		
	Canada	U.S.	Total	Canada	U.S.	Total
Revenue from real estate properties	\$83,690	\$172,610	\$256,300	\$79,566	\$167,054	\$246,620
Property operating expenses	(34,468)	(94,565)	(129,033)	(34,026)	(87,374)	(121,400)
Net operating income	\$49,222	\$78,045	\$127,267	\$45,540	\$79,680	\$125,220

As at	September 30, 2024			December 31, 2023		
	Canada	U.S.	Total	Canada	U.S.	Total
Real estate properties	\$1,686,030	\$2,494,344	\$4,180,374	\$1,589,740	\$2,409,741	\$3,999,481
Mortgages payable	\$623,218	\$985,855	\$1,609,073	\$523,795	\$971,567	\$1,495,362

	Three months ended September 30, 2024			Three months ended September 30, 2023		
	Canada	U.S.	Total	Canada	U.S.	Total
Additions to real estate properties	\$6,184	\$8,177	\$14,361	\$4,378	\$4,991	\$9,369
Fair value gain (loss) on real estate properties	\$33,313	(\$10,896)	\$22,417	\$25,911	(\$55,035)	(\$29,124)

	Nine months ended September 30, 2024			Nine months ended September 30, 2023		
	Canada	U.S.	Total	Canada	U.S.	Total
Additions to real estate properties	\$15,520	\$16,290	\$31,810	\$10,712	\$317,834	\$328,546
Fair value gain on real estate properties	\$80,802	\$12,755	\$93,557	\$61,524	\$38,595	\$100,119

NOTE 21

SUBSEQUENT EVENT

The REIT entered into agreements, subject to CMHC approval, for the CMHC-insured refinancing of two multi-suite residential properties located in Mississauga, Ontario, providing gross proceeds of up to \$109,265. The REIT expects to close the refinancing during the fourth quarter of 2024. The maturing mortgages amount to \$49,539, and have a weighted average interest rate of 3.15%.