2023 FIRST QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MORGUARD NORTH AMERICAN RESIDENTIAL REIT

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

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PART I

Morguard North American Residential Real Estate Investment Trust ("Morguard Residential REIT" or the "REIT") is pleased to provide this review of operations and update on our financial performance for the three months ended March 31, 2023. Unless otherwise noted, dollar amounts are stated in thousands of Canadian dollars, except per suite and REIT trust unit ("Unit") amounts.

The following Management's Discussion and Analysis ("MD&A") sets out the REIT's strategies and provides an analysis of the financial performance for the three months ended March 31, 2023, and significant risks facing the business. Historical results, including trends that might appear, should not be taken as indicative of future operations or results.

This MD&A should be read in conjunction with the REIT's unaudited condensed consolidated financial statements and accompanying notes for the three months ended March 31, 2023 and 2022. This MD&A is based on financial information prepared in accordance with International Financial Reporting Standards ("IFRS") IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and is dated April 25, 2023. 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.

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 one U.S. property (two U.S. properties prior to January 5, 2023) under IFRS are presented on a single line within the consolidated balance sheet and statements of income and have been adjusted on a proportionately owned basis to each respective financial statement line presented within the balance sheet and statements of income. The presentation of *pro rata* assets, liabilities, revenue and expenses represents a non-GAAP financial measure and may not accurately depict the legal and economic implications of the REIT's interest in the joint venture.

IFRIC 21

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

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

PROPORTIONATE SHARE NOI ("PROPORTIONATE NOI")

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

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

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

SAME PROPERTY PROPORTIONATE NOI

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

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

FUNDS FROM OPERATIONS ("FFO")

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

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

INDEBTEDNESS

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

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

GROSS BOOK VALUE

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

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

TOTAL DISTRIBUTIONS (INCLUDING CLASS B LP UNITS)

Total distributions (including Class B LP Units) is a non-GAAP financial measure calculated by combining distributions to Unitholders and distributions on the Class B LP Units that originate from different IFRS financial statement line items. Under IFRS, the Class B LP Units are classified as financial liabilities, and the corresponding distributions paid to the unitholders are classified as interest expense. Total distributions (including Class B LP Units) is presented in this MD&A because management believes Class B LP Unit 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 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 operating performance that provides a more comprehensive understanding of revenue from real estate properties.

NOI MARGIN

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

REAL ESTATE PROPERTIES BY REGION

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

CAPITAL EXPENDITURES BY COUNTRY

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

LOAN-TO-VALUE ("LTV")

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

CAPITAL MANAGEMENT MEASURES

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

The following discussion describes the REIT capital management measures.

TOTAL CAPITALIZATION

Total capitalization as disclosed in the notes to the REIT's unaudited condensed consolidated financial statements for the three months ended March 31, 2023, and 2022 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

ACQUISITIONS

FENESTRA AT ROCKVILLE TOWN SQUARE

On January 5, 2023, the REIT acquired from Morguard the remaining 50% interest in Fenestra at Rockville Town Square, 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). The acquisition from Morguard, a related party, was subject to review and approval by a committee of independent trustees. The Fenestra at Rockville Town Square is a modern urban style apartment including one, two and three bedroom residences, and is part of a mixed-use complex where the REIT owns the retail property.

XAVIER CHICAGO

On March 29, 2023, the REIT acquired Xavier Apartments, a multi-suite residential property comprising 240 suites located in Chicago, Illinois, for a purchase price of $113,805 (US$83,829), including closing costs. Xavier Apartments is a LEED Gold premium mixed-use residential property with a distinct green-living design, first-class amenities, and a community atmosphere. Built in 2015, the 18-story tower, includes 77 studios, 120 one- and 43-two-bedroom suites featuring attractive design and finishes. Residents of Xavier Apartments have access to two outdoor terraces with unobstructed city views, a modern fitness center, a sundeck and pool, a rooftop lounge and reserved parking with car charging stations. Each suite offers high efficiency heating and cooling systems, LED lighting, and Energy Star-rated appliances. Xavier Apartments is conveniently located close to a variety of restaurants, shopping, and entertainment options, as well as offers direct access to Chicago Public Transit.

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.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

As at (In thousands of dollars, except as noted otherwise)	March 31, 2023	December 31, 2022	March 31, 2022
Operational Information			
Number of properties	**43**	42	43
Total suites	**13,089**	12,849	13,275
Occupancy percentage - Canada	**98.6%**	98.6%	93.8%
Occupancy percentage - U.S.	**95.0%**	95.3%	96.3%
AMR - Canada (in actual dollars)	**$1,613**	$1,588	$1,556
AMR - U.S. (in actual U.S. dollars)	**US$1,815**	US$1,771	US$1,571
Summary of Financial Information			
Gross book value(1)	**$4,105,798**	$3,934,417	$3,691,992
Indebtedness(1)	**$1,598,492**	$1,496,179	$1,376,107
Indebtedness to gross book value ratio(1)	**38.9%**	38.0%	37.3%
Weighted average mortgage interest rate	**3.52%**	3.50%	3.31%
Weighted average term to maturity on mortgages payable (years)	**4.7**	4.9	4.7
Exchange rates - United States dollar to Canadian dollar	**$1.35**	$1.35	$1.25
Exchange rates - Canadian dollar to United States dollar	**$0.74**	$0.74	$0.80

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

For the three months ended March 31 (In thousands of dollars, except per Unit amounts)	2023	2022
Summary of Financial Information		
Interest coverage ratio(1)	**2.48**	2.48
Indebtedness coverage ratio(1)	**1.58**	1.50
Revenue from real estate properties	**$79,648**	$65,257
NOI	**$19,308**	$17,424
Proportionate NOI(1)	**$41,664**	$35,127
Same Property Proportionate NOI(1)	**$38,307**	$33,093
NOI margin - IFRS	**24.2%**	26.7%
NOI margin - Proportionate(1)	**52.6%**	52.8%
Net income	**$34,249**	$171,142
FFO - basic(1)	**$21,954**	$18,307
FFO - diluted(1)	**$23,022**	$19,250
FFO per Unit - basic(1)	**$0.39**	$0.33
FFO per Unit - diluted(1)	**$0.38**	$0.32
Distributions per Unit	**$0.1800**	$0.1749
FFO payout ratio(1)	**46.1%**	53.8%
Weighted average number of Units outstanding (in thousands):		
Basic(2)	**56,281**	56,293
Diluted(2) (3)	**60,708**	60,526
Average exchange rates - United States dollar to Canadian dollar	**$1.35**	$1.27
Average exchange rates - Canadian dollar to United States dollar	**$0.74**	$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) 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

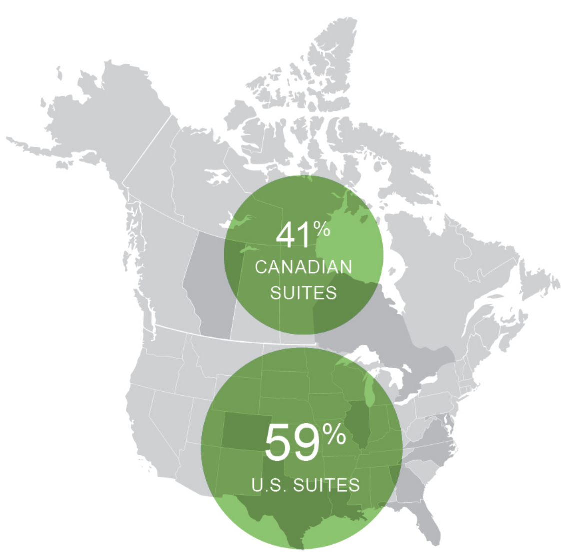
As at March 31, 2023, the REIT's multi-suite residential property portfolio consists of 16 Canadian properties and 27 U.S. properties, having a total of 13,089 residential suites and 239,500 square feet of commercial area. The properties are primarily located in urban centres and major suburban regions in Alberta, Ontario, Colorado, Texas, Louisiana, Illinois, Georgia, Florida, North Carolina, Virginia and Maryland.

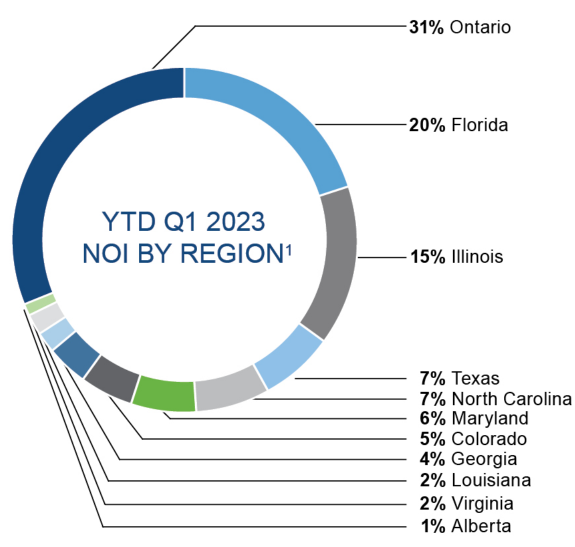
Approximately 79% of suites in Canada are located in Toronto and Mississauga, which form part of the Greater Toronto Area ("GTA"). The GTA is Canada's most significant economic cluster and contains the largest concentration of people. The regional distribution of the remaining suites serves to add stability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

The following table details the regional distribution of the REIT's portfolio as at March 31, 2023:

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%	$50,100
Ontario				
Mississauga	7	2,219	17.0%	750,700
Toronto	6	1,997	15.3%	433,060
Other[2]	2	842	6.4%	234,100
	16	**5,335**	**40.8%**	**$1,467,960**
U.S. Properties				
Colorado	2	454	3.5%	$161,719
Texas	3	1,021	7.8%	281,351
Louisiana	2	249	1.9%	66,988
Illinois	4	1,795	13.7%	893,991
Georgia	2	522	4.0%	156,577
Florida	9	2,253	17.2%	697,491
North Carolina	2	864	6.6%	259,022
Virginia	1	104	0.8%	69,966
Maryland[3]	2	492	3.7%	247,722
	27	**7,754**	**59.2%**	**$2,834,827**
Impact of realty taxes accounted for under IFRIC 21				27,146
Total	**43**	**13,089**	**100.0%**	**$4,329,933**

(1) Total suites and fair value of real estate properties include non-controlling interest; the REIT, on a proportionate basis, has ownership of12,315 suites. Fair value of real estate properties represents the sum of real estate properties ($4,000,793) and equity-accounted investment properties ($329,140) inclusive of non-controlling interest share.
(2) Other Ontario includes one property in each of Kitchener, Ontario and Ottawa, Ontario.
(3) Includes a retail property comprising 186,712 square feet of commercial area.





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

AVERAGE MONTHLY RENT AND OCCUPANCY BY REGION

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

Region	AMR/Suite at March 31, 2023	AMR/Suite at March 31, 2022	% Change	Occupancy at March 31, 2023	Occupancy at March 31, 2022
Canadian Properties (in Canadian dollars)					
Alberta	**$1,351**	$1,397	**(3.3%)**	**92.8%**	75.5%
Ontario					
Mississauga[(1)]	**1,813**	1,747	**3.8%**	**99.4%**	96.4%
Toronto	**1,448**	1,392	**4.0%**	**99.4%**	94.5%
Other[(2)]	**1,570**	1,492	**5.2%**	**96.6%**	91.2%
Total Ontario	**1,628**	1,565	**4.0%**	**98.9%**	94.8%
Total Canada (in Canadian dollars)	**$1,613**	$1,556	**3.7%**	**98.6%**	93.8%
U.S. Properties (in U.S. dollars)					
Colorado	**$1,770**	$1,578	**12.2%**	**93.3%**	95.8%
Texas	**1,633**	1,467	**11.3%**	**95.3%**	95.0%
Louisiana	**1,676**	1,582	**5.9%**	**95.5%**	99.2%
Illinois	**2,677**	2,458	**8.9%**	**96.8%**	94.7%
Georgia	**1,609**	1,458	**10.4%**	**93.4%**	94.6%
Florida	**1,679**	1,490	**12.7%**	**95.5%**	97.2%
North Carolina	**1,423**	1,242	**14.6%**	**93.6%**	97.1%
Virginia	**2,386**	2,182	**9.3%**	**99.0%**	94.2%
Maryland	**2,034**	1,906	**6.7%**	**95.3%**	97.1%
U.S. Same Property	**1,760**	1,582	**11.3%**	**95.0%**	96.3%
Disposition/Acquisition[(3)]	**2,219**	1,483	**49.6%**	**94.5%**	96.2%
Total U.S. (in U.S. dollars)	**$1,815**	$1,571	**15.5%**	**95.0%**	96.3%
Total (in local currencies)	**$1,729**	$1,564	**10.5%**	**96.5%**	95.2%

(1) Excludes 36 suites impacted by a fire at a property during the second quarter of 2022.
(2) Other Ontario includes one property in each of Kitchener, Ontario and Ottawa, Ontario.
(3) U.S. disposition includes a property located in Atlanta, Georgia (sold in June 2022), a property located in Slidell, Louisiana (sold in August 2022) and a property located in Coconut Creek, Florida (sold in October 2022).
U.S. acquisition includes Echelon Chicago (acquired in August 2022), the 50% interest in Fenestra at Rockville Town Square (acquired in January 2023) and Xavier Apartments (acquired in March 2023).

CANADIAN PROPERTIES

As at March 31, 2023, Canadian AMR per suite was $1,613, an increase of 3.7% compared to March 31, 2022. Sequentially, Canadian AMR at March 31, 2023, increased by 1.6%, compared to $1,588 as at December 31, 2022.

Effective January 1, 2023, the Ontario guideline rental rate increase is 2.5% (2022 - 1.2%), which has contributed to a higher rental rate growth than in previous years. The REIT also experienced rental rate growth from above-guideline increases ("AGI") at several properties upon the completion of capital projects, and rental rate increases on suite turnover. In addition, within the Ontario portfolio, the REIT has filed AGI applications relating to eligible capital repairs, providing the ability to increase rents upon approval from the Landlord and Tenant Board.

The REIT continued to experience steady demand, particularly towards the end of last year and into the first quarter of 2023, which allowed the REIT to increase rents from below market rates as suites turned over. During the first quarter of 2023, the REIT's Canadian portfolio turned over 126 suites, or 2.4% of total suites and achieved AMR growth of 22.5% on suite turnover. Overall, Canadian turnover is lower compared to 3.7% achieved during the first quarter of 2022.

As at March 31, 2023, AMR at the REIT's single property in Edmonton, Alberta, decreased by 3.3% compared to March 31, 2022. The Edmonton market is experiencing a slower recovery as new rental units have been brought to market, as well as government offices remaining on a hybrid schedule. The province of Alberta is not limited by rent control which provides the REIT the ability to increase rents as the rental inventory is absorbed.

As at March 31, 2023, occupancy in Canada increased to 98.6%, compared to 93.8% at March 31, 2022, and sequentially, occupancy was consistent compared to 98.6% at December 31, 2022. Rental market conditions remain stable as housing demand is out distancing supply and as an elevated level of immigration and a high interest rate environment are discouraging tenants from home ownership.

Occupancy at the REIT's Other Ontario region increased from 91.2% at March 31, 2022, to 96.6% at March 31, 2023, primarily due to an increase in occupancy at the REIT's property located in Ottawa, from 79.2% to 99.0%. This was predominantly due to the opening of universities that have resumed in-class learning.

As at March 31, 2023, occupancy at the REIT's single property located in Edmonton, Alberta, at 92.8%, increased from 75.5% at March 31, 2022, due to the high proportion of tenants who attend nearby universities that have resumed in-class learning. Occupancy increased slightly from 92.1% at December 31, 2022 compared to 92.8% at March 31, 2023, for the same reason noted above. The downtown rental market is slowly seeing an increase in occupancy as new rental products become leased.

U.S. PROPERTIES

As at March 31, 2023, U.S. Same Property AMR per suite increased by 11.3% compared to March 31, 2022. Same Property AMR growth was led by North Carolina, Florida, Colorado, Texas and Georgia, all of which experienced double-digit percentage growth as these regions continue to show signs of strong market fundamentals.

As at March 31, 2023, Same Property AMR at the REIT's properties located in Chicago increased by 8.9% compared to March 31, 2022, due to stabilized occupancy and increased rental demand. In addition, management's focus has shifted to finding the optimal balance of occupancy and market rent growth in the REIT's Chicago market. Market rents are expected to maintain current levels into the busy spring leasing season, as occupancies have remained strong.

Further adding to the REIT's urban Chicago holdings, the REIT acquired Echelon Chicago during the third quarter of 2022, a 350-suite luxury high-rise in the West Loop constructed in 2008, and Xavier Apartments during the first quarter of 2023, a 240-suite residential property constructed in 2015. As at March 31, 2023, AMR at these properties was $2,297, reflecting the quality of the assets acquired, while occupancy was stable at 94.2%.

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

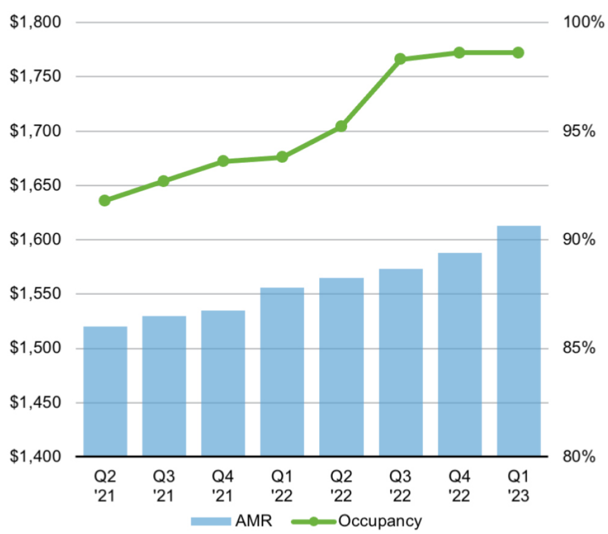
As at March 31, 2023, U.S. Same Property occupancy was 95.0% compared to 96.3% at March 31, 2022, maintaining the positive momentum experienced last year. Management's active leasing and renewal strategies continue to be successful as it continually monitors rents, lease term and exposure, enabling the portfolio to maintain strong rent growth and occupancies. Resident retention remains a major driver of occupancy as management focuses on providing value through excellent customer service while increasing rents at strong but reasonable rates. Management expects the leasing activity to maintain stable occupancy levels as we move into the busy spring leasing season.

Sequentially, as at March 31, 2023, U.S. Same Property occupancy of 95.0% decreased slightly compared to 95.3% as at December 31, 2022. Stable and optimal occupancy levels were achieved in part by higher rents coupled with strong demand and generally lower suite turnover. In addition, and across multiple regions, a lack of supply and high demand for single family homes attracted former homeowners to sell their properties and move to rentals. This trend has continued through several interest rate hikes by the Federal Reserve Board, but has begun to slow going into the first quarter of 2023.

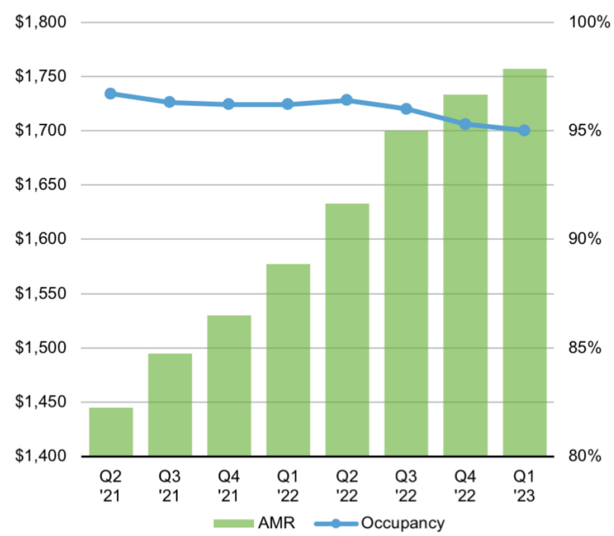
For the three months ended March 31, 2023, the REIT's rental incentives amounted to $176 (2022 - $216), mainly at properties that were impacted by new supply and increased vacancy in urban markets. Incentives were used on an as-needed basis in those limited submarkets to compete with new inventory.

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 June 30, 2021:

CANADA



U.S.



PART III

REVIEW OF OPERATIONAL RESULTS

The REIT's operational results are summarized below:

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

REVENUE FROM REAL ESTATE PROPERTIES

Higher rental revenue for the three months ended March 31, 2023, is mainly due to rental rate increases, lower vacancy, foreign exchange fluctuations and the net impact from the acquisition and disposition of properties.

NET OPERATING INCOME

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

Same Property results for the three months ended March 31, 2023, measures the operating performance for properties owned and have reached stabilization by the REIT continuously since January 1, 2022, and excludes the following properties: i) Briarhill Apartments in Atlanta, Georgia, sold during the second quarter of 2022; ii) Greenbrier Estates in Slidell, Louisiana, sold during the third quarter of 2022; iii) Blue Isle Apartment Homes in Coconut Creek, Florida, sold during the fourth quarter of 2022; iv) Echelon Chicago and Rockville Town Square, acquired during the third quarter of 2022; and v) Fenestra at Rockville Town Square (50% interest) and Xavier Apartments, acquired during the first quarter of 2023.

Same Property and Same Property Proportionate results for the three months ended March 31, 2023, represent 11,317 and 11,479 residential suites, respectively.

Net Operating Income

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

For the three months ended March 31 (In thousands of dollars)	2023 NOI	2023 Proportionate NOI	2022 NOI	2022 Proportionate NOI
Revenue from properties				
Same Property				
Gross rental revenue (before vacancy and ancillary revenue)	**$69,670**	**$69,357**	$60,089	$61,572
Vacancy	**(3,056)**	**(3,056)**	(3,545)	(3,613)
Ancillary	**5,550**	**5,455**	4,265	4,100
Same Property	**72,164**	**71,756**	60,809	62,059
Acquisition/Disposition	**7,484**	**7,484**	4,448	4,448
Total revenue from properties	**79,648**	**79,240**	65,257	66,507
Property operating expenses				
Same Property				
Operating costs	**18,725**	**18,557**	15,538	15,891
Realty taxes	**28,084**	**9,144**	22,938	7,848
Utilities	**5,738**	**5,748**	5,091	5,227
Same Property	**52,547**	**33,449**	43,567	28,966
Acquisition/Disposition	**7,793**	**4,127**	4,266	2,414
Total property operating expenses	**60,340**	**37,576**	47,833	31,380
NOI				
Total Same Property	**19,617**	**38,307**	17,242	33,093
Acquisition/Disposition	**(309)**	**3,357**	182	2,034
Total NOI	**$19,308**	**$41,664**	$17,424	$35,127
NOI margin	**24.2%**	**52.6%**	26.7%	52.8%

For the three months ended March 31, 2023, NOI from the REIT's properties increased by $1,884 (or 10.8%) to $19,308, compared to $17,424 in 2022. The increase in NOI is due to an increase in Same Property NOI of $2,375 (or 13.8%), partially offset by a net decrease in NOI of $491 from the acquisition and disposition of properties. The Same Property increase of $2,375 is due to an increase in Canada of $1,581 (or 12.8%), an increase in the U.S. of US$353 (or 9.2%), and the change in foreign exchange rate which increased NOI by $441.

For the three months ended March 31, 2023, Proportionate NOI from the REIT's properties increased by $6,537 (or 18.6%) to $41,664, compared to $35,127 in 2022. The increase in Proportionate NOI is due to an increase in Same Property Proportionate NOI of $5,214 (or 15.8%) and an increase in Proportionate NOI of $1,323 from the acquisition and disposition of properties. The Same Property increase of $5,214 is due to an increase in Canada of $1,573 (or 12.8%), an increase in the U.S. of US$1,654 (or 10.1%), and the change in foreign exchange rate which increased Proportionate NOI by $1,987.

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

For the three months ended March 31 (In thousands of dollars)	2023 NOI	2023 Proportionate NOI	2022 NOI	2022 Proportionate NOI
Same Property NOI - Canada (local currency)	**$13,969**	**$13,884**	$12,388	$12,311
Same Property NOI - U.S. (local currency)	**4,184**	**18,065**	3,831	16,411
Acquisition/Disposition (local currency)	**(226)**	**2,485**	143	1,606
Exchange amount to Canadian dollars	**1,381**	**7,230**	1,062	4,799
Total NOI	**$19,308**	**$41,664**	$17,424	$35,127

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

For the three months ended March 31 (In thousands of dollars)	2023 NOI	2023 Proportionate NOI	2022 NOI	2022 Proportionate NOI
Revenue from properties				
Gross rental revenue (before vacancy and ancillary revenue)	**$25,565**	**$25,425**	$24,685	$24,551
Vacancy	**(558)**	**(556)**	(1,695)	(1,689)
Ancillary[1]	**1,137**	**1,131**	1,027	1,023
Revenue from properties	**26,144**	**26,000**	24,017	23,885
Property operating expenses				
Operating costs	**5,485**	**5,458**	5,332	5,307
Realty taxes	**2,706**	**2,690**	2,645	2,629
Utilities	**3,984**	**3,968**	3,652	3,638
Total property operating expenses	**12,175**	**12,116**	11,629	11,574
NOI	**$13,969**	**$13,884**	$12,388	$12,311
NOI margin	**53.4%**	**53.4%**	51.6%	51.5%

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

For the three months ended March 31, 2023, NOI from the Canadian properties increased by $1,581 (or 12.8%) to $13,969, compared to $12,388 in 2022. The increase in NOI is primarily due to an increase in revenue of $2,127 (or 8.9%) from higher gross rental revenue (3.6%) resulting from an increase in AMR and lower vacancy due to improved leasing activity, partially offset by an increase in operating expenses of $546 (or 4.7%). The increase in operating expenses was primarily due to higher operating costs of $153 from an increase in general and administrative costs, insurance expense and property management fees, and higher utilities of $332. The increase in utilities was mainly due to an increase in gas rates, partially offset by a decrease in water consumption resulting from the completion of a toilet retrofit project at certain GTA properties.

For the three months ended March 31, 2023, Proportionate NOI from the Canadian properties increased by $1,573 (or 12.8%) to $13,884, compared to $12,311 in 2022. The increase in Proportionate NOI is due to an increase in revenue of $2,115 (or 8.9%), from higher gross rental revenue (3.6%) resulting from an increase in AMR and lower vacancy due to improved leasing activity, partially offset by an increase in operating expenses of $542 (or 4.7%). The increase in operating expenses was primarily due to higher operating costs of $151 and higher utilities of $330, for the same reasons described above.

The REIT's Canadian NOI margin and Proportionate NOI margin were 53.4% and 53.4%, respectively, for the three months ended March 31, 2023, compared to 51.6% and 51.5%, respectively, for the three months ended March 31, 2022. Overall, as noted above, the impact of lower vacancy and higher AMR, relative to the increase in operating expenses, contributed to the increase in NOI margin.

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

For the three months ended March 31 (In thousands of U.S. dollars, unless otherwise noted)	2023 NOI	2023 Proportionate NOI	2022 NOI	2022 Proportionate NOI
Revenue from properties				
Same Property				
Gross rental revenue (before vacancy and ancillary revenue)	**$32,622**	**$32,494**	$27,955	$29,303
Vacancy	**(1,849)**	**(1,850)**	(1,461)	(1,521)
Ancillary(1)	**3,269**	**3,202**	2,560	2,364
Same Property	**34,042**	**33,846**	29,054	30,146
Acquisition/Disposition	**5,535**	**5,535**	3,513	3,513
Total revenue from properties	**39,577**	**39,381**	32,567	33,659
Property operating expenses				
Same Property				
Operating costs	**9,795**	**9,689**	8,060	8,357
Realty taxes	**18,764**	**4,774**	16,027	4,123
Utilities	**1,299**	**1,318**	1,136	1,255
Same Property	**29,858**	**15,781**	25,223	13,735
Acquisition/Disposition	**5,761**	**3,050**	3,370	1,907
Total property operating expenses	**35,619**	**18,831**	28,593	15,642
NOI (in U.S. dollars)				
Same Property	**4,184**	**18,065**	3,831	16,411
Acquisition/Disposition	**(226)**	**2,485**	143	1,606
Total NOI (in U.S. dollars)	**3,958**	**20,550**	3,974	18,017
Exchange amount to Canadian dollars	**1,381**	**7,230**	1,062	4,799
NOI (in Canadian dollars)	**$5,339**	**$27,780**	$5,036	$22,816
NOI margin (in U.S. dollars)	**10.0%**	**52.2%**	12.2%	53.5%

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

For the three months ended March 31, 2023, NOI from the U.S. properties increased by $303 (or 6.0%) to $5,339, compared to $5,036 in 2022. The increase in NOI is primarily due to an increase in Same Property NOI of US$353 (or 9.2%), partially offset by a net decrease in NOI of US$369 from the acquisition and disposition of properties, and the change in foreign exchange rate which increased NOI by $319. The Same Property NOI increase was due to an increase in revenue of US$4,988 (or 17.2%) from higher gross rental revenue (16.7%) resulting from an increase in AMR and ancillary revenue, net of higher vacancy, partially offset by an increase in operating expenses of US$4,635 (or 18.4%). The increase in operating expenses was due to higher operating costs of US$1,735 and an increase in realty taxes of US$2,737. The increase in operating costs is primarily due to an increase in administrative expenses (higher bad debt expense and software licenses), payroll costs (hiring of vacant positions), insurance expense (higher premiums), repairs and maintenance (contract expenses and common area) as well as higher property management fees. The increase in realty taxes is mainly due to a higher IFRIC 21 adjustment as well as an increase in assessed market value at certain properties and a lower tax rebate received during the first quarter of 2023 compared to 2022.

For the three months ended March 31, 2023, Proportionate NOI from the U.S. properties increased by $4,964 (or 21.8%) to $27,780, compared to $22,816 in 2022. The increase in Proportionate NOI is due to an increase in Same Property Proportionate NOI of US$1,654 (or 10.1%), a net increase in Proportionate NOI of US$879 from the acquisition and disposition of properties and the change in foreign exchange rate which increased NOI by $2,431. The Same Property Proportionate NOI increase was due to an increase in revenue of US$3,700 (or 12.3%) from higher gross rental revenue (10.9%) resulting from an increase in AMR and ancillary revenue, net of higher vacancy, partially offset by an increase in operating expenses of US$2,046 (or 14.9%). The increase in operating expenses was due to higher operating costs of US$1,332 and an increase in realty taxes of US$651 for the same reasons described above.

The REIT's U.S. NOI margin and Proportionate NOI margin were 10.0% and 52.2%, respectively, for the three months ended March 31, 2023, compared to 12.2% and 53.5%, respectively, for the three months ended

March 31, 2022. The NOI margin and Proportionate NOI margin were both impacted by the increase in Same Property operating expenses, relative to the increase in Same Property revenue as well as the negative impact on NOI margin from the net acquisition and disposition activity. In addition, the NOI margin was impacted by accounting for realty taxes under IFRIC 21.

INTEREST EXPENSE

Interest expense consists of the following:

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

Interest expense increased by $448 during the three months ended March 31, 2023, to $18,149, compared to $17,701 in 2022. The increase is predominantly due to an increase in interest on mortgages of $2,282, mainly resulting from additional net mortgage proceeds on the completion of the REIT's refinancings during 2022, the net impact of acquisitions and dispositions, and an increase in amortization of mark-to-market adjustment on mortgages of $206, partially offset by a higher non-cash fair value gain on the convertible debentures' conversion option of $2,439. The change in foreign exchange rate increased interest expense on U.S. mortgages by $580, excluding the impact of dispositions and acquisitions.

Under IFRS, the Class B LP Units are classified as financial liabilities, and the corresponding distributions paid to the Unitholders are classified as interest expense. The REIT believes these distribution payments do not represent financing charges because these amounts are payable only if the REIT declares distributions and only for the amount of any distributions declared, both of which are at the discretion of the Board of Trustees as outlined in the Declaration of Trust. The total distributions paid and accrued to Class B LP Unitholders for the three months ended March 31, 2023, amounted to $3,100 (2022 - $3,012).

TRUST EXPENSES

Trust expenses consist of the following:

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

Trust expenses increased by $996 during the three months ended March 31, 2023, to $5,177, compared to $4,181 in 2022. The increase during the three months ended March 31, 2023 is predominantly due to higher asset management fees and distributions, resulting from an increase in incentive distributions from a higher FFO per Unit as well as an increase in gross book value (see Part VI, "Related Party Transactions").

EQUITY INCOME FROM INVESTMENTS

The REIT has a 50% interest in one property (two properties prior to January 5, 2023) comprising 690 suites located in Chicago, Illinois, in which the REIT has joint control of the investment. On January 5, 2023, the REIT's investment in Fenestra at Rockville Town Square was reclassified to investment properties on the acquisition of the remaining interest in the property.

Equity income from investments for the three months ended March 31, 2023, was $2,754 and included a non-cash fair value gain on real estate properties of $3,998 and an IFRIC 21 expense adjustment of $2,240. For the three months ended March 31, 2022, equity income from investments was $1,648 and included a non-cash fair value gain on real estate properties of $3,748 and an IFRIC 21 expense adjustment of $2,913. Excluding the impact of IFRIC 21, NOI decreased by $234, predominantly due to the reclassification of equity interest in Fenestra at Rockville Town Square to investment properties.

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 three months ended March 31, 2023, amounted to $1 (2022 - $15), which is mainly the result of the fluctuation of the Canadian dollar against the United States dollar as at March 31, 2023, when compared to December 31, 2022.

OTHER INCOME

Other expense (income) mainly represents interest income earned or expense incurred on the Morguard Facility for advances made to/from Morguard and other expenses (income). For the three months ended March 31, 2023, other income amounted to $719 (2022 - $409). The increase in other income for the three months ended March 31, 2023, was predominantly due to higher interest income resulting from interest earned on restricted cash held as part of a 1031 Exchange amounting to $565.

FAIR VALUE GAIN ON REAL ESTATE PROPERTIES, NET

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

For the three months ended March 31, 2023, the REIT recognized a net fair value gain of $66,688 (2022 - $246,729). The fair value gain comprises $13,846 at the Canadian properties and a $52,842 fair value gain at the REIT's U.S. properties. The fair value gain was due to an increase in stabilized NOI across most of the properties in the REIT's portfolio. In addition, the U.S. fair value gain included a $22,636 adjustment on realty taxes accounted for under IFRIC 21.

FAIR VALUE LOSS ON CLASS B LP UNITS

The Class B LP Units are classified as financial liabilities in accordance with IFRS and, as a result, are recorded at their fair value at each reporting date. As at March 31, 2023, the REIT valued the Class B LP Units based on the closing price of the TSX-listed Units, which resulted in a fair value liability of $299,682 (December 31, 2022 - $279,014) and a corresponding fair value loss for the three months ended March 31, 2023 of $20,668 (2022 - $32,724). The fair value loss for the three months ended March 31, 2023 was due to an increase in the price of the REIT's Units (see Part V, "Capital Structure and Debt Profile").

INCOME TAXES

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

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

For the three months ended March 31, 2023, the REIT recorded current tax expense of $34 (2022 - $32).

For the three months ended March 31, 2023, the REIT has recorded deferred tax expense for U.S. federal and state taxes associated with the U.S. subsidiaries of $11,191 (2022 - $40,415). The deferred tax expense in 2023 is attributable to the fair value increase recorded under IFRS on U.S. properties.

The REIT's provision for income taxes consists of the following:

For the three months ended March 31 (In thousands of dollars)	2023	2022
Current	**$34**	$32
Deferred	**11,191**	40,415
Provision for income taxes	**$11,225**	$40,447

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

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

FUNDS FROM OPERATIONS

FFO (and FFO per Unit) 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:

For the three months ended March 31 (In thousands of dollars, except per Unit amounts)	2023	2022
Net income for the period attributable to Unitholders	**$29,495**	$162,430
Add/(deduct):		
Realty taxes accounted for under IFRIC 21[1]	**22,852**	18,288
Fair value loss (gain) on conversion option on the convertible debentures	**(289)**	2,150
Distributions on Class B LP Units recorded as interest expense[2]	**3,100**	3,012
Foreign exchange loss	**1**	15
Fair value gain on real estate properties, net[3]	**(70,686)**	(250,477)
Non-controlling interests' share of fair value gain on real estate properties	**5,622**	9,750
Fair value loss on Class B LP Units	**20,668**	32,724
Deferred income tax expense	**11,191**	40,415
FFO - basic	**$21,954**	$18,307
Interest expense on the convertible debentures	**1,068**	943
FFO - diluted	**$23,022**	$19,250
FFO per Unit - basic	**$0.39**	$0.33
FFO per Unit - diluted	**$0.38**	$0.32
Weighted average number of Units outstanding (in thousands):		
Basic[4]	**56,281**	56,293
Diluted[4] [5]	**60,708**	60,526

(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 March 31, 2023, increased by $3,647 (or 19.9%) to $21,954 ($0.39 per Unit), compared to $18,307 ($0.33 per Unit) in 2022. The increase is mainly due to higher Proportionate NOI of $6,537 and an increase in other income of $310, partially offset by an increase in interest expense of $2,279 (calculated on a Proportionate Basis and excludes distributions on Class B LP Units and fair value adjustments on the conversion option on the convertible debentures) and an increase in trust expense of $919 (calculated on a Proportionate Basis).

Basic FFO per Unit for the three months ended March 31, 2023, increased by $0.06 to $0.39 per Unit, compared to $0.33 per Unit in 2022 due to the following factors:

i) on a Same Property Proportionate Basis, in local currency, an increase in NOI from higher AMR and lower vacancy, partly offset by higher operating expenses, an increase in interest expense and trust expenses had a $0.03 per Unit positive impact. In addition, a change in the foreign exchange rate had a $0.02 per Unit positive impact, primarily resulting from an increase in FFO generated from U.S. properties;
ii) the impact of acquisition, net of disposition of properties had a $nil per Unit impact; and
iii) an increase in other income primarily from interest income earned on restricted cash held as part of a 1031 Exchange had a $0.01 per Unit positive impact.

DISTRIBUTIONS

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

The Trustees have discretion with respect to the timing and amounts of distributions. For the three months ended March 31, 2023, total distributions (including Class B LP Units) amounted to $10,136 (2022 - $9,846).

For the three months ended March 31 (In thousands of dollars)	2023 Units	 Class B LP Units	 Total	2022 Units	 Class B LP Units	 Total
Distributions paid and declared	**$6,809**	**$3,100**	**$9,909**	$6,633	$3,012	$9,645
Distributions – DRIP	**227**	**—**	**227**	201	—	201
Total	**$7,036**	**$3,100**	**$10,136**	$6,834	$3,012	$9,846

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

(In thousands of dollars)	Three months ended March 31, 2022	Year ended December 31, 2022	Year ended December 31, 2021
Net income	**$34,249**	$239,563	$244,974
Cash provided by operating activities	**17,897**	75,173	63,696
Distributions - Units(1)	**$7,036**	$27,480	$27,315
Excess of net income over distributions	**$27,213**	$212,083	$217,659
Excess of cash provided by operating activities over distributions	**$10,861**	$47,693	$36,381

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

Net income for the three months ended March 31, 2023, includes $14,947 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, an IFRIC 21 adjustment to realty taxes and deferred taxes. Net income exceeded distributions when removing the impact of these non-cash items.

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

PART IV

BALANCE SHEET ANALYSIS

REAL ESTATE PROPERTIES

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

As at (In thousands of Canadian dollars, unless otherwise stated)	March 31, 2023	December 31, 2022
Canadian Properties		
Alberta	**$50,100**	$50,200
Ontario	**1,417,860**	1,402,030
Total Canadian Properties	**1,467,960**	1,452,230
U.S. Properties (in US dollars)		
Colorado	**119,500**	119,500
Texas	**207,900**	207,900
Louisiana	**49,500**	49,500
Illinois	**420,700**	336,000
Georgia	**115,700**	111,700
Florida	**515,400**	505,800
North Carolina	**191,400**	185,300
Virginia	**51,700**	52,200
Maryland	**183,050**	37,699
	1,854,850	1,605,599
Impact of realty taxes accounted for under IFRIC 21	**16,747**	—
Total U.S. Properties (in US dollars)	**1,871,597**	1,605,599
Exchange amount to Canadian dollars	**661,236**	569,024
Total U.S. Properties (in Canadian dollars)	**2,532,833**	2,174,623
Total real estate properties	**$4,000,793**	$3,626,853

The value of real estate properties increased by $373,940 as at March 31, 2023, to $4,000,793, compared to $3,626,853 at December 31, 2022. The increase is mainly the result of the following:

- An increase due to the acquisition of Xavier Apartments of $113,805 (US$83,829);
- An increase due to the acquisition of Fenestra at Rockville Town Square, net of mark-to-market adjustment of $93,853 (US$69,294);
- An increase from the transfer of the REIT's equity interest in Fenestra at Rockville Town Square of $96,840 (US$71,500);
- Capitalization of property enhancements of $4,970;
- A net fair value gain on real estate properties of $66,703; and
- A decrease of $2,248 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. Morguard's valuation processes and results are reviewed by the REIT's senior management at least once every quarter, in line with the REIT's quarterly reporting dates.

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 March 31, 2023, and December 31, 2022, 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 appraise its portfolio. This method requires that rental income from current leases and key assumptions about rental income, vacancies and inflation rates among other factors are used to determine a one-year stabilized net operating income forecast for each individual property within the REIT's portfolio and also considers any capital expenditures anticipated within the year. A capitalization rate was also determined for each property based on market information related to the external sale of similar properties within a similar location. These factors were used to determine the fair value of income producing properties at each reporting period.

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

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

	March 31, 2023 Capitalization Rates			December 31, 2022 Capitalization Rates		
As at	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Weighted Average
Canada						
Alberta	**5.3%**	**5.3%**	**5.3%**	5.3%	5.3%	5.3%
Ontario	**4.3%**	**3.8%**	**3.9%**	4.3%	3.8%	3.9%
United States						
Colorado	**4.8%**	**4.8%**	**4.8%**	4.8%	4.8%	4.8%
Texas	**4.8%**	**4.8%**	**4.8%**	4.8%	4.5%	4.7%
Louisiana	**5.5%**	**5.5%**	**5.5%**	5.5%	5.5%	5.5%
Illinois(1)	**5.0%**	**4.8%**	**4.9%**	5.0%	4.8%	4.9%
Georgia	**5.3%**	**4.8%**	**5.0%**	5.3%	4.8%	5.0%
Florida	**6.0%**	**4.5%**	**5.1%**	6.0%	4.5%	5.1%
North Carolina	**5.0%**	**4.8%**	**4.9%**	5.0%	4.8%	4.9%
Virginia	**4.5%**	**4.5%**	**4.5%**	4.5%	4.5%	4.5%
Maryland(1)	**4.5%**	**4.5%**	**4.5%**	4.5%	4.5%	4.5%

(1) Includes equity-accounted investments.

Fair values are most sensitive to changes in capitalization rates and stabilized net operating income. Generally, an increase in stabilized net operating income will result in an increase in the fair value of the 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 March 31, 2023 would decrease by $207,121 or increase by $231,858, 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.

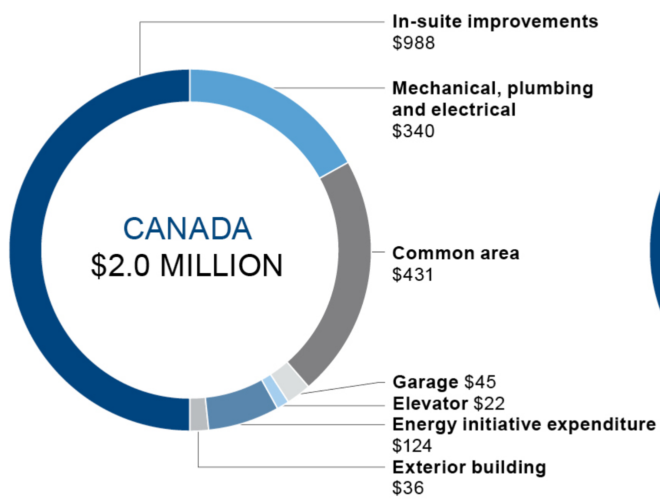
The following table provides additional details on total capital expenditures over the following periods:

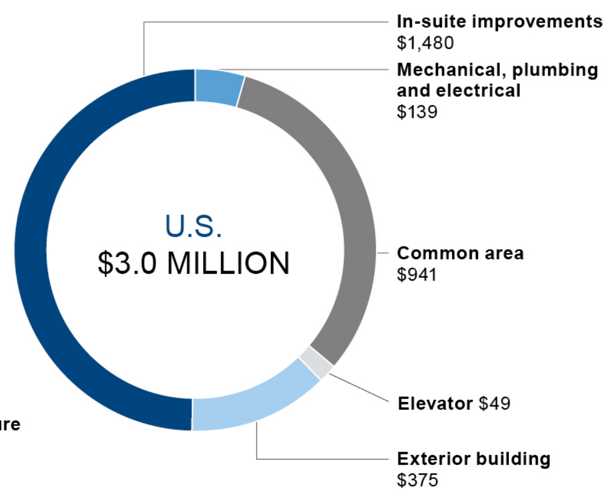
(In thousands of dollars)	Three months ended March 31 2023	2022	Year ended December 31 2022	2021
Common area	**$1,372**	$655	$6,583	$3,848
Mechanical, plumbing and electrical	**479**	243	3,670	1,759
Exterior building	**411**	647	12,484	12,341
Garage	**45**	56	1,100	106
Elevator	**71**	116	263	201
Energy initiative expenditure	**124**	—	3,819	428
In-suite improvements	**2,468**	2,162	12,900	11,329
Total capital expenditures	**$4,970**	$3,879	$40,819	$30,012

Capital Expenditures by Region

The following details total capital expenditures by region:

For the three months ended March 31, 2023
(In thousands of dollars)





EQUITY-ACCOUNTED INVESTMENTS

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

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

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 and mortgages payable in the amount of $45,997.

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

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

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

PART V

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The REIT has liquidity of $132,500, comprised of approximately $24,000 in cash, $50,500 available credit under its revolving credit facility with Morguard Corporation and $58,000 of additional net mortgage financing proceeds under commitment. In addition, the REIT has approximately $211,000 of unencumbered assets.

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

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

CASH FLOWS

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

For the three months ended March 31 (In thousands of dollars)	2023	2022
Cash provided by operating activities	**$17,897**	$12,525
Cash used in investing activities	**(169,680)**	(3,879)
Cash provided by (used in) financing activities	**160,746**	(3,813)
Net increase in cash during the period	**8,963**	4,833
Net effect of foreign currency translation on cash balance	**617**	(182)
Cash, beginning of period	**14,636**	26,562
Cash, end of period	**$24,216**	$31,213

Cash Provided by Operating Activities

Cash provided by operating activities during the three months ended March 31, 2023, was $17,897, compared to $12,525 in 2022. The change during the period mainly relates to an increase in NOI (excluding IFRIC 21 adjustment) of $7,118, a net decrease in non-cash operating assets and liabilities of $1,178, an increase in distributions from equity-accounted investments of $587 and an increase in other income of $310, partially offset by an increase in interest on mortgages of $2,622 and an increase in trust expenses of $996.

Cash Used in Investing Activities

Cash used in investing activities during the three months ended March 31, 2023, totalled $169,680, compared to $3,879 during the same period in 2022. The cash used in investing activities during the period consists of acquisition of income producing properties totalling $164,710 and the capitalization of property enhancements of $4,970.

Cash Provided by (Used in) Financing Activities

Cash provided by financing activities during the three months ended March 31, 2023, totalled $160,746, compared to cash used in financing activities of $3,813 during the same period in 2022. The cash provided by financing activities during the period was largely due to the net proceeds from Morguard Facility of $129,695, a decrease in restricted cash of $82,291 representing the net sales proceeds held by a qualified intermediary pursuant to the REIT utilizing the 1031 Exchange and net proceeds from the issuance of convertible debentures of $53,590, partially offset by the redemption of maturing convertible debentures of $85,500, mortgage principal instalment repayments of $8,628, distributions paid to Unitholders of $6,812 and the repurchase of Units for cancellation of $3,478.

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 is calculated as the sum of the principal amount of the REIT's total debt (including mortgages payable, convertible debentures, lease liabilities and amounts drawn under its revolving credit facility with Morguard), Unitholders' equity and Class B LP Units liability.

The total managed capital of the REIT is summarized below:

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

DEBT PROFILE

As at March 31, 2023, the overall leverage, as represented by the ratio of total indebtedness to gross book value was 38.9%. 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, lease liability, the convertible debentures and the Morguard Facility.

The following tables summarize the key debt metrics:

As at	March 31, 2023	December 31, 2022
Total indebtedness to gross book value(1)	**38.9%**	38.0%
Weighted average mortgage interest rate(2)	**3.52%**	3.50%
Weighted average term to maturity on mortgages payable (years)	**4.7**	4.9

(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.

For the three months ended March 31	2023	2022
Interest coverage ratio(1)	**2.48**	2.48
Indebtedness coverage ratio(2)	**1.58**	1.50

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

MORTGAGES PAYABLE

Mortgages payable consist of the following:

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

As at March 31, 2023, the principal balance on the mortgages payable totalled $1,477,026 (December 31, 2022 - $1,394,444), the deferred financing costs associated with the mortgages amounted to $11,941 (December 31, 2022 - $12,270) and the mark-to-market adjustment amounted to $2,842 (December 31, 2022 - $nil).

Mortgages payable increased by $80,069 as at March 31, 2023, to $1,462,243, compared to $1,382,174 at December 31, 2022. The increase is mainly due to the following:

- An assumption of mortgage payable of $45,997 (US$33,961) on the acquisition of the remaining 50% interest in Fenestra at Rockville Town Square;
- A mark-to-market adjustment of $3,049 (US$2,251) on the mortgage payable assumed on the acquisition of the remaining 50% interest in Fenestra at Rockville Town Square;
- An increase of $45,997 (US$33,961) from the transfer of the REIT’s equity interest in Fenestra at Rockville Town Square;
- Financing cost of $381;
- Scheduled principal repayments of $8,628;
- A decrease of $786 due to the change in the U.S. dollar foreign exchange rate; and
- Amortization of deferred financing costs and mark-to-market adjustment on mortgages totalling $919.

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.

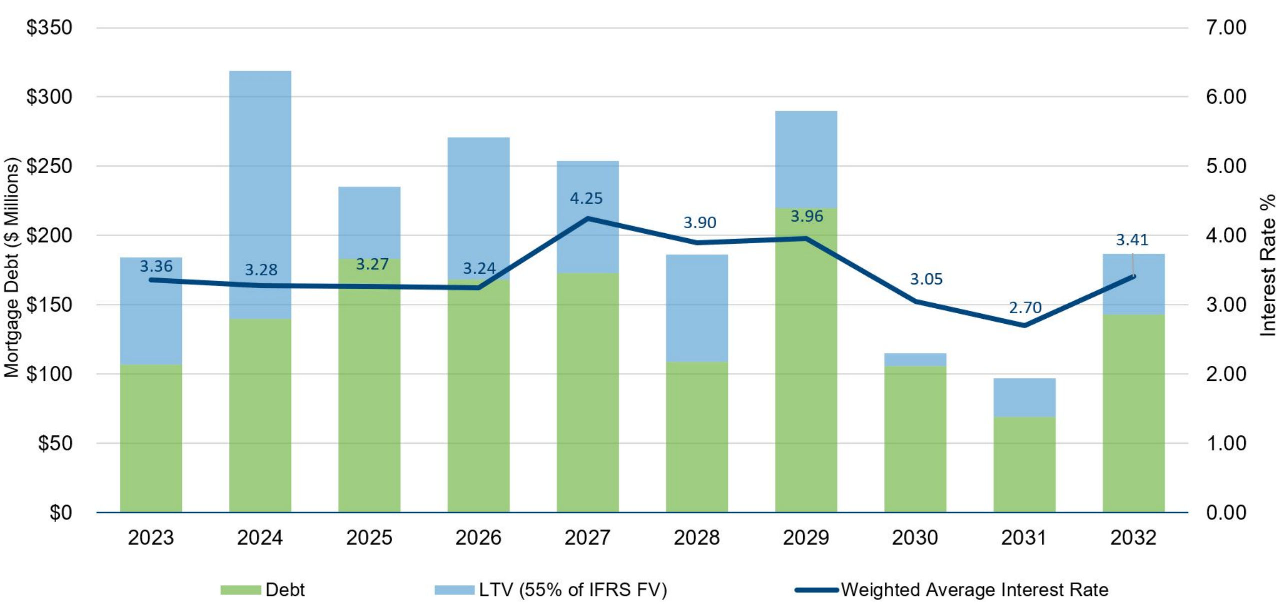
Short-term fluctuations in working capital are funded through the Morguard Facility. The REIT anticipates meeting all future obligations and has no off-balance-sheet financing arrangements.

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

	2023				2024			
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%	24.0%	5	$140,446	3.28%	24.4%
U.S.	4	82,166	3.47%	30.6%	—	—	—%	—%
	5	**$106,719**	**3.36%**	**28.8%**	**5**	**$140,446**	**3.28%**	**24.4%**

As at March 31, 2023, the following table illustrates the REIT’s mortgages (including equity-accounted investment 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 March 31, 2023



CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

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

For the three months ended March 31, 2023, interest on the convertible debentures amounting to $1,068 (2022 - $943) 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 (the “2018 Debentures”) maturing on March 31, 2023. On February 21, 2018, an additional principal amount of $10,500 was issued pursuant to the exercise of the over-allotment option. Interest was payable semi-annually, not in advance, on March 31 and September 30 of each year. The underwriters’ commissions, legal and other issue costs attributable to the 2018 Debentures in the amount of $3,375 have been capitalized and amortized over their term to maturity. Morguard owned $5,000 aggregate principal amount of the 2018 Debentures.

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

6.00% Convertible Unsecured Subordinated Debentures

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

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

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

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

MORGUARD FACILITY

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

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

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

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, 2021, to March 31, 2023:

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

NORMAL COURSE ISSUER BIDS

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

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

DISTRIBUTION REINVESTMENT PLAN

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

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 March 31, 2023, the REIT valued the Class B LP Units based on the closing price of the TSX-listed Units, which resulted in a fair value liability of $299,682 (December 31, 2022 - $279,014) and a corresponding fair value loss for the three months ended March 31, 2023 of $20,668 (2022 - $32,724). For the three months ended March 31, 2023, distributions on Class B LP Units amounting to $3,100 (2022 - $3,012) are included in interest expense.

As at March 31, 2023, Morguard owned a 44.8% effective interest in the REIT through its ownership of 7,944,166 Units and 17,223,090 Class B LP Units.

As at March 31, 2023, there were 38,929,325 Units and 17,223,090 exchangeable Class B LP Units issued and outstanding.

As at April 25, 2023, there were 38,829,938 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 a committee of independent trustees.

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 three months ended March 31, 2023, fees and distributions amounted to $2,846 (2022 - $2,389) and are included in property operating costs and equity income from investments.

Asset Management

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

Acquisition

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

Financing

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

Other Services

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

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

PART VII

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The REIT's condensed consolidated financial statements for the three months ended March 31, 2023 and 2022, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the IASB. The condensed consolidated financial statements use the same accounting policies and methods of their application as the most recent annual audited consolidated financial statements and accompanying notes for the year ended December 31, 2022, which include the significant accounting policies most affected by estimates and judgments, and should be read in conjunction with the most recent annual audited consolidated financial statements.

The MD&A for the year ended December 31, 2022, contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the consolidated financial statements, being the accounting estimates of fair values of income producing properties and valuation of financial instruments. Management determined that as at March 31, 2023, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in the MD&A for the year ended December 31, 2022.

FINANCIAL INSTRUMENTS

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

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

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

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units and activities of the REIT that investors should carefully consider before investing in securities of the REIT. Risks and uncertainties are disclosed in the REIT's MD&A for the year ended December 31, 2022 and in the Risks and Uncertainties section of the latest Annual Information Form dated, February 14, 2023.

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

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

CONTROLS AND PROCEDURES CONCERNING FINANCIAL INFORMATION

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

The REIT's management has evaluated the effectiveness of the REIT's disclosure controls and procedures and, based on such evaluation, has concluded that their design is adequate and effective as of and for the three months ended March 31, 2023. The REIT's management has also evaluated the effectiveness of the internal controls over financial reporting and has concluded that their design is effective as of and for the three months ended March 31, 2023.

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

PART VIII

SUMMARY OF QUARTERLY INFORMATION

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

(In thousands of dollars, except per Unit amounts)	Revenue	NOI	FFO	Net Income (Loss) Attributable to Unitholders	Net Income (Loss) Attributable to Unitholders per Unit	
					Basic	Diluted[1]
March 31, 2023	**$79,648**	**$19,308**	**$21,954**	**$29,495**	**$0.52**	**$0.50**
December 31, 2022	75,076	46,460	23,526	(175,846)	(3.13)	(2.89)
September 30, 2022	70,766	44,875	21,137	70,097	1.24	1.17
June 30, 2022	67,392	42,456	19,833	162,601	2.89	2.70
March 31, 2022	65,257	17,424	18,307	162,430	2.89	2.70
December 31, 2021	63,475	39,796	16,870	112,610	2.00	1.87
September 30, 2021	61,955	37,142	16,153	83,704	1.49	1.40
June 30, 2021	59,814	37,373	16,128	18,765	0.33	0.33

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

SUMMARY OF QUARTERLY RESULTS

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

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

During the first quarter of 2023, the REIT acquired a property comprising 240 suites and the remaining 50% interest in a property comprising 492 suites.

During the fourth quarter of 2022, the REIT disposed of a property comprising 340 suites.

During the third quarter of 2022, the REIT disposed of two properties comprising a total of 484 suites and acquired two properties, one multi-suite residential property comprising 350 suites and one retail property comprising 186,712 square feet of commercial area.

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

Revenue and Net Operating Income

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

In Canada, certain provinces and territories have enacted residential tenancy legislation that, among other things, imposes rent control guidelines that limit the REIT's ability to raise rental rates at its properties. For the calendar year 2023, the Ontario guideline increase amount was established at 2.5% (1.2% for 2022 and 0.0% for 2021). In addition, overbuilding in the multi-suite residential sector, particularly in the United States, may increase the supply of multi-suite residential properties, further increasing the level of competition in certain markets. Such competition may reduce occupancy rates and rental revenues of the REIT and, consequently, revenue and operating results.

The REIT has seen steady revenue growth resulting from an increase in Same Property revenue. The increase in revenue since the third quarter of 2021 is due to improvements in occupancy as well as the REIT's development property which reached stabilized occupancy during October 2021.

As at March 31, 2023, Same Property occupancy in Canada was 98.6% and it has now been consistently rising since the third quarter of 2021 as leasing traffic starts to normalize after the pandemic. Approximately 79% of the suites in Canada are located in the GTA. The GTA is Canada's most significant economic cluster and contains the largest concentration of people.

As at March 31, 2023, Same Property occupancy in the U.S. was 95.0% as the REIT's overall U.S. occupancy maintained optimum levels, continuing its positive momentum from 2021 and during 2022.

Similar to revenue, NOI has profiled stable and 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. The impact of foreign exchange rates and the REIT's development property which reached stabilized occupancy during the fourth quarter of 2021 also factored into the variance from quarter to quarter. Furthermore, the first quarter results (three months ended March 31) are impacted by IFRIC 21, whereby the REIT records the entire annual realty tax expense for its U.S. properties on January 1, except for U.S. properties acquired during the year in which the realty taxes are not recorded in the year of acquisition. As a result, the second, third and fourth quarters typically have no realty tax expense, which results in higher NOI and NOI margins.

Net Income (Loss) Attributable to Unitholders

Taking into account the above factors for revenue and NOI variations, the change in net income (loss) 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. Subsequent to the first quarter of 2020, there has been volatility in the trading price of the REIT's Units resulting in a fair value gain/loss on Class B LP Units;
- The REIT has recorded a fair value gain on real estate properties for the three months ended March 31, 2023 and 2022, due to an increase in stabilized NOI and compression in capitalization rates at certain properties. In addition, the equity-accounted investment include non-cash fair value changes on real estate properties;
- The REIT has recorded deferred tax expense coinciding with the fair value gains of the REIT's U.S. real estate properties.

SUBSEQUENT EVENTS

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

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

PART IX

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

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

BALANCE SHEETS

		Non-GAAP Adjustments			
As at March 31, 2023	IFRS	NCI Share	Equity Interest	IFRIC 21	Proportionate Basis (Non-GAAP)
ASSETS					
Non-current assets					
Real estate properties	$4,000,793	($207,803)	$164,570	($24,905)	$3,932,655
Equity-accounted investments	54,641	—	(54,641)	—	—
	4,055,434	(207,803)	109,929	(24,905)	3,932,655
Current assets					
Amounts receivable	7,283	(319)	—	—	6,964
Prepaid expenses	12,233	(143)	99	—	12,189
Restricted cash	6,632	(545)	—	—	6,087
Cash	24,216	(2,361)	1,475	—	23,330
	50,364	(3,368)	1,574	—	48,570
	$4,105,798	($211,171)	$111,503	($24,905)	$3,981,225
LIABILITIES AND EQUITY					
Non-current liabilities					
Mortgages payable	$1,327,088	($97,853)	$103,852	$—	$1,333,087
Convertible debentures	53,118	—	—	—	53,118
Class B LP Units	299,682	—	—	—	299,682
Deferred income tax liabilities	273,744	—	—	—	273,744
Lease liabilities	16,214	—	—	—	16,214
	1,969,846	(97,853)	103,852	—	1,975,845
Current liabilities					
Mortgages payable	135,155	(1,565)	2,333	—	135,923
Morguard Facility	49,252	—	—	—	49,252
Accounts payable and accrued liabilities	73,584	(5,560)	5,318	(24,905)	48,437
	257,991	(7,125)	7,651	(24,905)	233,612
Total liabilities	2,227,837	(104,978)	111,503	(24,905)	2,209,457
EQUITY					
Unitholders' equity	1,771,768	—	—	—	1,771,768
Non-controlling interest	106,193	(106,193)	—	—	—
Total equity	1,877,961	(106,193)	—	—	1,771,768
	$4,105,798	($211,171)	$111,503	($24,905)	$3,981,225

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

		Non-GAAP Adjustments			
As at March 31, 2023	IFRS	NCI Share	Equity Interest	IFRIC 21	Proportionate Basis (Non-GAAP)
Total Assets / Gross book value(1)	$4,105,798	($211,171)	$111,503	($24,905)	$3,981,225
Mortgage payable	$1,462,243	($99,418)	$106,185	$—	$1,469,010
Add: Deferred financing costs	11,941	(393)	345	—	11,893
Mark-to-market adjustment	2,842	—	—		2,842
	1,477,026	(99,811)	106,530	—	1,483,745
Convertible debentures, face value	56,000	—	—	—	56,000
Morguard Facility	49,252	—	—	—	49,252
Lease liabilities	16,214	—	—	—	16,214
Indebtedness	$1,598,492	($99,811)	$106,530	$—	$1,605,211
Indebtedness / Gross book value	38.9%				40.3%

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

STATEMENTS OF INCOME

	2023					2022				
		Non-GAAP Adjustments					Non-GAAP Adjustments			
For the three months ended March 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	**$69,670**	**($4,030)**	**$3,717**	**$—**	**$69,357**	$60,089	($3,419)	$4,902	$—	$61,572
Vacancy	**(3,056)**	**185**	**(185)**	**—**	**(3,056)**	(3,545)	200	(268)	—	(3,613)
Ancillary	**5,550**	**(335)**	**240**	**—**	**5,455**	4,265	(236)	71	—	4,100
Same Property	**72,164**	**(4,180)**	**3,772**	**—**	**71,756**	60,809	(3,455)	4,705	—	62,059
Acquisition/Disposition	**7,484**	**—**	**—**	**—**	**7,484**	4,448	—	—	—	4,448
Total revenue from properties	**79,648**	**(4,180)**	**3,772**	**—**	**79,240**	65,257	(3,455)	4,705	—	66,507
Property operating expenses										
Same Property										
Operating costs	**18,725**	**(1,016)**	**848**	**—**	**18,557**	15,538	(911)	1,264	—	15,891
Realty taxes	**28,084**	**(2,756)**	**3,002**	**(19,186)**	**9,144**	22,938	(2,519)	3,865	(16,436)	7,848
Utilities	**5,738**	**(168)**	**178**	**—**	**5,748**	5,091	(135)	271	—	5,227
Same Property	**52,547**	**(3,940)**	**4,028**	**(19,186)**	**33,449**	43,567	(3,565)	5,400	(16,436)	28,966
Acquisition/Disposition	**7,793**	**—**	**—**	**(3,666)**	**4,127**	4,266	—	—	(1,852)	2,414
Total property operating expenses	**60,340**	**(3,940)**	**4,028**	**(22,852)**	**37,576**	47,833	(3,565)	5,400	(18,288)	31,380
NOI										
Same Property	**19,617**	**(240)**	**(256)**	**19,186**	**38,307**	17,242	110	(695)	16,436	33,093
Acquisition/Disposition	**(309)**	**—**	**—**	**3,666**	**3,357**	182	—	—	1,852	2,034
Total NOI[(1)]	**19,308**	**(240)**	**(256)**	**22,852**	**41,664**	17,424	110	(695)	18,288	35,127
Other expenses (income)										
Interest expense	**18,149**	**(1,022)**	**886**	**—**	**18,013**	17,701	(866)	1,250	—	18,085
Trust expenses	**5,177**	**(86)**	**102**	**—**	**5,193**	4,181	(62)	155	—	4,274
Equity income from investments	**(2,754)**	**—**	**2,754**	**—**	**—**	(1,648)	—	1,648	—	—
Foreign exchange loss	**1**	**—**	**—**	**—**	**1**	15	—	—	—	15
Other income	**(719)**	**—**	**—**	**—**	**(719)**	(409)	—	—	—	(409)
Loss before fair value changes and income taxes	**(546)**	**868**	**(3,998)**	**22,852**	**19,176**	(2,416)	1,038	(3,748)	18,288	13,162
Fair value gain on real estate properties, net	**66,688**	**(5,622)**	**3,998**	**(22,852)**	**42,212**	246,729	(9,750)	3,748	(18,288)	222,439
Fair value loss on Class B LP Units	**(20,668)**	**—**	**—**	**—**	**(20,668)**	(32,724)	—	—	—	(32,724)
Income before income taxes	**45,474**	**(4,754)**	**—**	**—**	**40,720**	211,589	(8,712)	—	—	202,877
Provision for income taxes										
Current	**34**	**—**	**—**	**—**	**34**	32	—	—	—	32
Deferred	**11,191**	**—**	**—**	**—**	**11,191**	40,415	—	—	—	40,415
	11,225	**—**	**—**	**—**	**11,225**	40,447	—	—	—	40,447
Net income for the period	**$34,249**	**($4,754)**	**$—**	**$—**	**$29,495**	$171,142	($8,712)	$—	$—	$162,430
(1) NOI included the following:										
IFRIC 21	**$22,636**	**($2,024)**	**$2,240**	**($22,852)**	**$—**	$17,402	($2,027)	$2,913	($18,288)	$—

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

	2023					2022				
		Non-GAAP Adjustments					Non-GAAP Adjustments			
For the three months ended March 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	**$19,308**	**($240)**	**($256)**	**$22,852**	**$41,664**	$17,424	$110	($695)	$18,288	$35,127
IFRIC 21 adjustment	**22,636**	**(2,024)**	**2,240**	**(22,852)**	**—**	17,402	(2,027)	2,913	(18,288)	—
Trust expenses	**(5,177)**	**86**	**(102)**	**—**	**(5,193)**	(4,181)	62	(155)	—	(4,274)
Other income	**719**	**—**	**—**	**—**	**719**	409	—	—	—	409
	$37,486	**($2,178)**	**$1,882**	**$—**	**$37,190**	$31,054	($1,855)	$2,063	$—	$31,262
Interest expense	**$18,149**	**($1,022)**	**$886**	**$—**	**$18,013**	$17,701	($866)	$1,250	$—	$18,085
Amortization of mark-to-market adjustment on mortgages	**(206)**	**—**	**—**	**—**	**(206)**	—	—	—	—	—
Fair value gain (loss) on conversion option on the convertible debentures	**289**	**—**	**—**	**—**	**289**	(2,150)	—	—	—	(2,150)
Distributions on Class B LP Units	**(3,100)**	**—**	**—**	**—**	**(3,100)**	(3,012)	—	—	—	(3,012)
	$15,132	**($1,022)**	**$886**	**$—**	**$14,996**	$12,539	($866)	$1,250	$—	$12,923
Interest coverage ratio	**2.48**				**2.48**	2.48				2.42
Indebtedness coverage ratio	**1.58**				**1.56**	1.50				1.46

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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BALANCE SHEETS

In thousands of Canadian dollars

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

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF INCOME

In thousands of Canadian dollars

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

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

In thousands of Canadian dollars

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

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

In thousands of Canadian dollars

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

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

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

See accompanying notes to the condensed consolidated financial statements.

NOTES

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

NOTE 1

NATURE AND FORMATION OF TRUST

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

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

NOTE 2

STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Foreign Exchange

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

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

NOTE 3
REAL ESTATE PROPERTIES

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

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

Transactions completed during the three months ended March 31, 2023

Acquisitions

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

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

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

Transactions completed during the year ended December 31, 2022

Acquisitions

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

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

Dispositions

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

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

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

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

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

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

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

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

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

NOTE 4
EQUITY-ACCOUNTED INVESTMENTS

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

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

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

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

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

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

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

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

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

NOTE 5
MORTGAGES PAYABLE

Mortgages payable consist of the following:

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

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

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

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

NOTE 6
CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

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

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

4.50% Convertible Unsecured Subordinated Debentures

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

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

6.00% Convertible Unsecured Subordinated Debentures

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

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

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

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

NOTE 7

CLASS B LP UNITS

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

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

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

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

NOTE 8
MORGUARD FACILITY

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

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

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

NOTE 9
LEASE LIABILITIES

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

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

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

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

NOTE 10
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

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

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

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

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

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

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

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

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

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

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

NOTE 12
RENTAL INCOME

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

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

NOTE 13
INTEREST EXPENSE

The components of interest expense are as follows:

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

NOTE 14
TRUST EXPENSES

The components of trust expenses are as follows:

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

NOTE 15
RELATED PARTY TRANSACTIONS

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

Agreements with Morguard Affiliates

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

Property Management

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

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

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

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

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

NOTE 16

INCOME TAXES

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

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

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

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

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

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

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

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

(c) Supplemental Cash Flow Information

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

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

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

NOTE 18

MANAGEMENT OF CAPITAL

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

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

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

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

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

NOTE 19

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Fair Value of Financial Assets and Liabilities

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

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

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

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

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

The REIT's convertible debentures have no restrictive covenants.

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

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

NOTE 20

SEGMENTED INFORMATION

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

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

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

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

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

NOTE 21

SUBSEQUENT EVENTS

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

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