



MARWEST
APARTMENT REIT

Marwest Apartment Real Estate Investment Trust

Management's Discussion and Analysis

For the three months ended March 31, 2023

(Expressed in Canadian Dollars)

Management's Discussion and Analysis For the three months ended March 31, 2023 (Expressed in Canadian Dollars)

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Marwest Apartment Real Estate Investment Trust (the "Trust" or the "REIT") should be read in conjunction with the Trust's unaudited condensed consolidated interim financial statements ("interim financial statements") and notes thereto for the three months ended March 31, 2023 and 2022, prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and the REIT's audited consolidated financial statements and the notes thereto for the year ended December 31, 2022 and 2021, which are available on the Trust's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. The financial information contained in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

The Trust was established on July 2, 2020 and commenced commercial operations on April 30, 2021.

The Trust's Board of Trustees approved the content of this MD&A on May 17, 2023. Disclosure in this document is current to that date unless otherwise stated. Additional information relating to the Trust can be found on the SEDAR and also on the Trust's website at www.marwestreit.com.

Forward-Looking Disclaimer

Certain statements contained in this MD&A constitute forward-looking statements within the meaning of applicable Canadian securities laws which reflect the Trust's current expectations and projections about future results. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors, including those identified or referenced herein, which may cause the actual results, performance or achievements of the Trust to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Risk Factors

Risks include the risks identified in this MD&A as well as those identified in the REIT's latest annual information form available on the REIT's profile on SEDAR. The forward-looking statements made in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A. Actual results and developments are likely to differ, and may differ materially from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions that may prove to be incorrect. Except as specifically required by applicable Canadian securities law, the Trust undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. These forward-looking statements should not be relied upon as representing the Trust's views as of any date subsequent to the date of this MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Trust. The MD&A may contain certain statements of current estimates, expectations, forecasts and projections.

ABOUT MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

The Trust's objectives are to grow Unitholder value through capital investment strategies, active asset and property management, to provide Unitholders with stable and predictable cash distributions that grow over the long term, and to grow the Trust's asset base across strategic markets through intensification and acquisition programs.

Since inception the Trust has completed the acquisition of 516 new generation apartment units in Winnipeg, Manitoba, 363 units were acquired in 2021 and 153 units were acquired in 2022. The Marwest Group of Companies (the "Marwest Group"), which are companies under common control with Marwest Asset Management Inc. (the "Manager"), the asset manager of the REIT, have operated within Western Canada for over 50 years. Management believes Winnipeg is a relatively stable multi-family rental market with relatively low vacancy rates and is friendly to immigration. Manitoba, like many other provinces, has rent control, whereby rents are capped at a government specified percentage increase each year. The legislated increase for 2023 is zero (0) percent. However, 291 rental units of the Trust are exempt from rent control as they were constructed within the last 20 years, the exempt period in Manitoba, and do not have restrictive financing agreements with the Canada Mortgage and Housing Corporation.

The development and construction of multi-family properties by the Marwest Group gives the Trust a potential opportunity to purchase newly developed real estate in locations of interest to the Trust.

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OVERVIEW

The REIT is an unincorporated real estate investment trust governed by the amended and restated declaration of trust dated April 30, 2021 (the "Declaration of Trust") and by the laws of the Province of Manitoba. The REIT was formed on July 2, 2020 under the name "Marwest Apartment Real Estate Investment Trust" and converted to an open ended trust effective April 30, 2021. The Trust Units are listed on the Toronto Venture Exchange ("TSX-V") under the symbol "MAR.UN".

The Trust's portfolio consists of four multi-family residential rental properties located in Winnipeg, Manitoba, comprising an aggregate of 516 rental units, as follows: (i) the 74 unit multi-family rental apartment property located at 160 Eaglewood Drive in Winnipeg, Manitoba and the 74 unit multi-family rental apartment property located at 140 Eaglewood Drive in Winnipeg, Manitoba (collectively, the "Brio Property"); (ii) the 103 unit multi-family rental apartment property known as "Kenwood Court" located at 333-337 Warde Avenue in Winnipeg, Manitoba (the "Kenwood Property"); (iii) the forty (40) unit multi-family rental apartment property located at 85 Fiorentino Street in Winnipeg, Manitoba; and the seventy-two (72) unit multi-family rental apartment property located at 30 El Tassi Drive in Winnipeg, Manitoba (collectively, the "Element Property") and (iv) the 153 unit multi-family rental apartment located at 2766 Main Street in Winnipeg, Manitoba (the "Prairie View Pointe Property").

MAR REIT LP (the "Partnership") beneficially owns the Prairie View Pointe Property directly and indirectly beneficially owns the Brio Property, the Kenwood Property and the Element Property through Marwest Apartments VII L.P. ("Brio LP"), Marwest Apartments I L.P. ("Kenwood LP") and Marwest (Element) Apartments L.P. ("Element LP"), respectively, each of which is a limited partnership formed under the laws of the Province of Manitoba. The Partnership also owns all of the shares of Marwest Apartments VII G.P. Ltd., Marwest Apartments I G.P. Ltd. and Marwest (Element) Apartments G.P. Inc., which are the general partners of Brio LP, Kenwood LP and Element LP, respectively. Legal title to each of the REIT's properties is held through separate bare trustee corporations owned by the Partnership (in the case of the Prairie View Pointe Property) and, in respect of the Brio Property, the Kenwood Property and the Element Property, owned by Brio LP, Kenwood LP and Element LP, respectively.

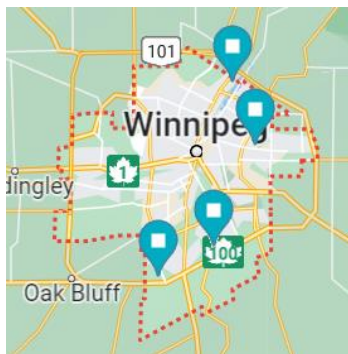
The Partnership is a limited partnership formed under the laws of the Province of Manitoba and governed by the limited partnership agreement dated April 19, 2021. The authorized equity and voting securities of the Partnership are comprised of Class A limited partnership units of the Partnership, all of which are owned by the REIT, and Class B limited partnership unit of the Partnership, exchangeable on a one-for-one basis (subject to customary anti-dilution adjustments) for a Trust Unit of the REIT at the election of the holder ("Exchangeable Units"), which are held by certain former owners of securities or other property acquired by the Partnership and which are exchangeable for Trust Units on a one-for-one basis.

The Trust's management team, the officers of the Manager, and the trustees of the Trust ("Trustees") have over 100 years of combined experience in multi-family residential real estate and collectively bring a strong combination of development, construction, management, and financing experience, along with significant governance expertise. The REIT has an external asset and property management agreement through the Marwest Group. The REIT will continue to benefit from the expertise and strong infrastructure that is currently in place through the Marwest Group.

The REIT is focused on becoming a leading Western Canadian multi-family REIT specializing in high quality, income-producing properties.

Current Portfolio

The Trust's current portfolio consists of newer generation investment properties that were constructed in 2006 (103 units), 2017-2019 (148 units) and 2018-2021 (265 units). Newer generation portfolios typically require lower maintenance expenses and capital expenditures compared to older generation portfolios and, in Manitoba, new generation rentals are generally exempt from rent control. The Manitoba Government has enacted a rental freeze in 2023, whereby landlords are not permitted to increase rental rates outside of the rental guidelines, subject to certain exemptions. 56.40% of the rental units that the Trust has acquired since inception are exempt from the rental freeze due to the age of the buildings, and unrestricted financing agreements, and as such, the Trust will continue to adjust rental rates as the market allows.



*Location of Investment
Properties owned by the Trust
at March 31, 2023*

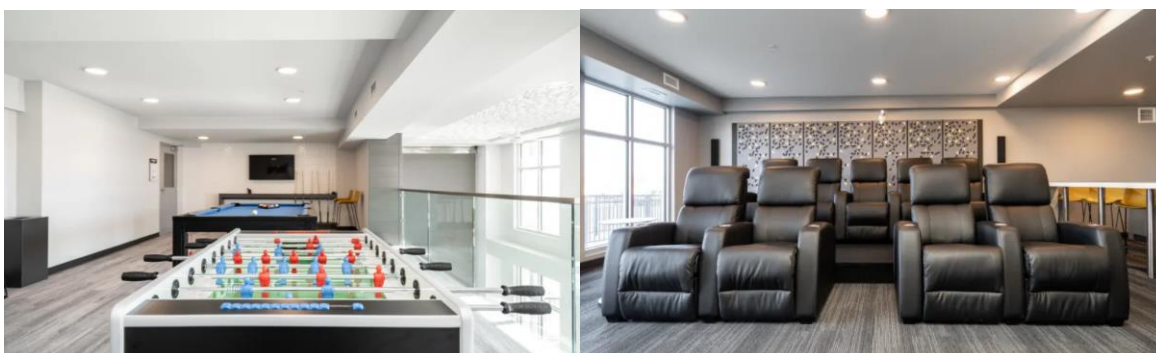
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The Trust's investment properties include thoughtful resident centred amenities, including clubhouses and on-site fitness facilities.

Brio Brownstones Clubhouse featured below



Prairie View Pointe Property games room and movie room featured below



At March 31, 2023, the Trust's portfolio included 260 townhome units which differ from standard apartment units. These townhomes are characterized by private exterior entrances to each suite, eliminating all common hallways; Townhome residences have more of a homeownership feel. Modern finishings appeal to renters combined with prime locations along transit routes, near shopping and schools. The rental suites owned by the Trust are pet-friendly, appealing to a broad section of renters available in the market.



Future Acquisitions

The relationship with the Marwest Group affords the Trust the potential opportunity to purchase properties developed by the Marwest Group. The independent Trustees will be responsible for the negotiation of the purchase price and other terms and conditions relating to the acquisition of any properties from the Marwest Group and/or any related parties or third parties with an interest in the asset.

The Trust will continue to seek third party acquisitions, since the completion of the first third party acquisition in October 2022, from other developers or owners of multi-family properties in target markets across Western Canada.

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Distribution

The Board of Trustees approved an ongoing cash distribution policy which provides for a monthly distribution in the amount of \$0.00125 per Trust Unit (\$0.015 per unit annually) payable on or about the 15th day of the month to Unitholders of record on the last day of the prior month, commencing December 31, 2021. The cash distribution policy may be amended, suspended or discontinued at any time, at the discretion of the Board of Trustees.

Business Strategy and Objectives

The objectives of the Trust are:

- (a) to grow Unitholder value through capital investment strategies, and active asset and property management;
- (b) to provide Unitholders with stable and predictable cash distributions that grow over the long term; and
- (c) to grow the Trust's asset base across strategic markets through intensification and acquisition programs.

Management believes it can accomplish these objectives given future potential access to the capital markets and the relationship that the Trust has with the Marwest Group.

Declaration of Trust

The investment policies of the Trust are outlined in the Declaration of Trust, a copy of which is available on SEDAR. Some of the principal investment guidelines and operating policies set out in the Declaration of Trust are set out below:

- The Trust will focus on acquiring, holding, developing, maintaining, improving, leasing and managing income-producing rental assets within Canada and other jurisdictions the Trustees may determine from time to time;
- The Trust may make its investments and conduct its activities directly or indirectly, through an investment by way of joint ventures, co-ownerships, partnerships (general or limited) and limited liability companies;
- The Trust may invest in mortgages and mortgage bonds and similar instruments where: (i) the real property which is security for such mortgages and similar instruments is income producing real property which otherwise meets the other investment guidelines of the Trust; or (ii) the aggregate book value of the investments of the Trust in mortgages, after giving effect to the proposed investment, will not exceed 15% of Gross Book Value;
- Once the Gross Book Value reaches \$300,000,000, the Trust shall not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of the Trust would be more than 75% of Gross Book Value or, if determined by the Independent Trustees, in their sole and absolute discretion, more than 75% of the appraised value of the assets and properties of the Trust and its Subsidiaries instead of Gross Book Value;
- The Trust will follow prudent business practices when looking to acquire an investment property by way of obtaining appraisals, environmental reports, and sufficient insurance coverage.

As of May 17, 2023, the Trust was in compliance with its investment guidelines and operating policies.

The foregoing is a general summary only and is qualified entirely by the terms of the Declaration of Trust.

Non-IFRS Measures

The Trust's interim financial statements are prepared in accordance with IAS 34, *Interim Financial Reporting*. The Trust's MD&A also contains certain non-IFRS measures commonly used by entities in the real estate industry as useful metrics for measuring performance. The non-IFRS measures used by the Trust as described below are not standardized measures under IFRS. Such non-IFRS measures disclosed by the Trust may not be comparable to similar financial measures disclosed by others. Readers are cautioned to not place undue reliance on such non-IFRS measures. Reconciliations of these non-IFRS measures to the most directly comparable financial measures calculated and presented in accordance with IFRS are included within the Financial Operations and Results Section.

Net Operating Income ("NOI")

The Trust calculates net operating income as revenue less property operating expenses such as utilities, repairs and maintenance and realty taxes. Charges for interest or other expenses not specific to the day-to-day operations of the Trust's properties are not included. The Trust regards NOI as an important measure of the income generated by income-producing properties and is used by management in evaluating the performance of the Trust's properties. NOI is also a key input in determining the value of the Trust's properties. For reconciliation to IFRS measures, refer to "Financial Operations and Results"

Funds from Operations ("FFO")

The Trust calculates FFO substantially in accordance with the guidelines set out in the white paper titled "White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS" by the Real Property Association of Canada ("REALpac") as revised in January 2022. FFO is defined as IFRS consolidated net income adjusted for items such as unrealized changes in the fair value of the investment properties, effects of puttable instruments classified as financial liabilities and changes in fair value of financial instruments and

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derivatives. FFO should not be construed as an alternative to net income or cash flows provided by or used in operating activities determined in accordance with IFRS. The Trust regards FFO as a key measure of operating performance. For reconciliation to IFRS measures, refer to "Financial Operations and Results"

Adjusted Funds from Operations ("AFFO")

The Trust calculates AFFO substantially in accordance with the guidelines set out in the white paper titled "White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS" by REALpac as revised in January 2022. AFFO is defined as FFO adjusted for items such as maintenance capital expenditures and straight-line rental revenue differences. AFFO should not be construed as an alternative to net income or cash flows provided by or used in operating activities determined in accordance with IFRS. The Trust regards AFFO as a key measure of operating performance. The Trust also uses AFFO in assessing its capacity to make distributions. For reconciliation to IFRS measures, refer to "Financial Operations and Results"

The following other non-IFRS measures are defined as follows:

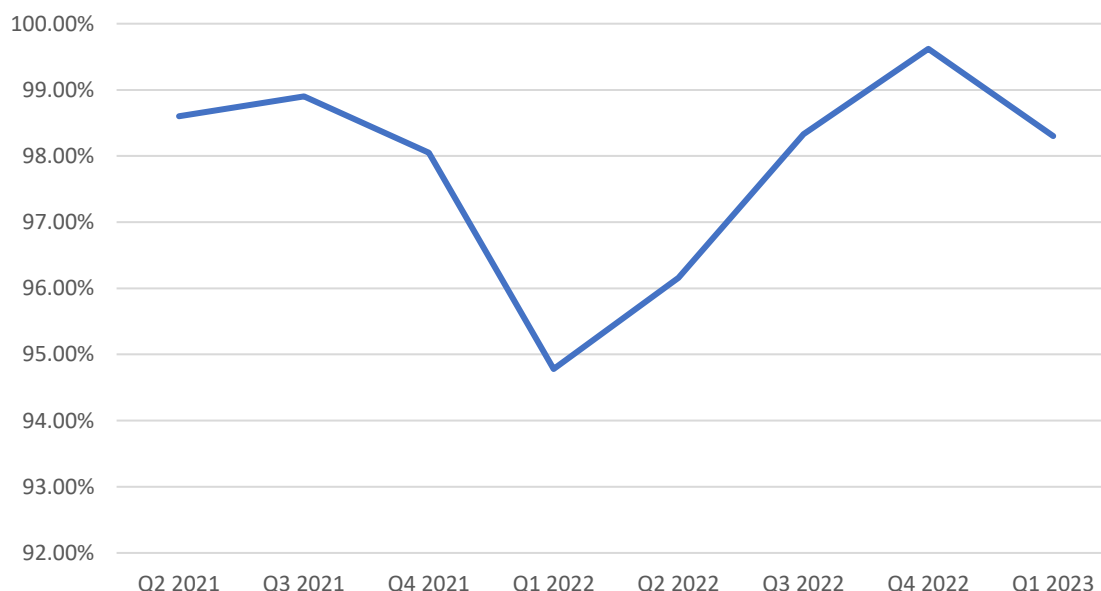
- "FFO per unit" is calculated as FFO divided by the weighted average number of Trust Units and Exchangeable Units of the Partnership outstanding over the period.
- "AFFO per unit" is calculated as AFFO divided by the weighted average number of Trust Units and Exchangeable Units of the Partnership outstanding over the period.
- "AFFO Payout Ratio" is the proportion of the total distributions on Trust Units and Exchangeable Units of the Partnership to AFFO per Unit.
- "Net Asset Value" is calculated as the sum of Unitholders' Equity and Exchangeable Units
- "Net Asset Value per Unit" or "NAV per Unit" is calculated as the sum of Unitholders' Equity and Exchangeable Units divided by the sum of Trust Units, Exchangeable Units and Deferred Units outstanding at the end of the period.
- "Debt-to-Gross Book Value ratio" is calculated by dividing total interest-bearing debt consisting of mortgages by total assets and is used as the REIT's primary measure of its leverage.
- "Debt Service Coverage ratio" is the ratio of NOI to total debt service consisting of interest expenses recorded as finance costs and principal payments on mortgages.
- "Liquidity ratio" is the ratio of current assets to current liabilities excluding Exchangeable Units.
- "Stabilized net operating income" is the estimated 12-month net operating income that a property could generate at full occupancy, less a vacancy rate and stable operating expenses.
- "Average occupancy rate" is defined as the ratio of occupied suites to the total suites in the portfolio for the period.

SUMMARY OF 2023 RESULTS AND OPERATIONS

Occupancy Rates

The REIT has reported an average occupancy rate¹ of 98.3% for the three months ended March 31, 2023 (94.78% for the three months ended March 31, 2022). The average occupancy rate¹ for the first three months of 2022 was lower than anticipated due to a lower renewal rate at the end of Q4 2021, excessive cold spells and above average snowfall resulting in limited interest in the leasing of vacant units.

Occupancy Summary by Quarter



¹ Refer to Non-IFRS Measures

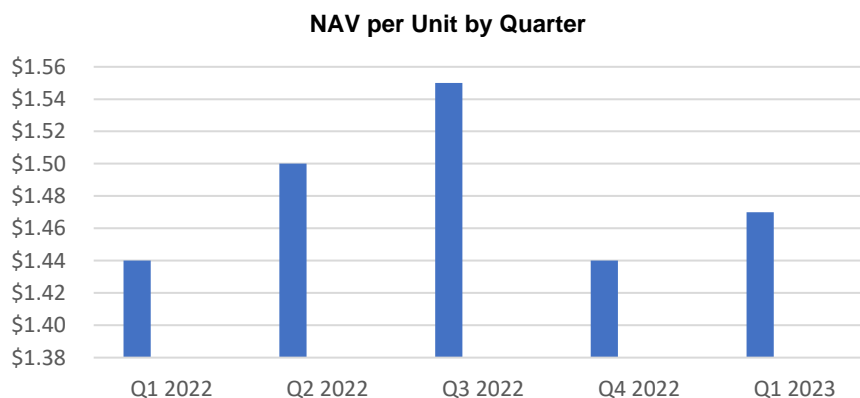
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Mortgage Interest Rates and Future Renewals

At March 31, 2023 two of the seven mortgages that are held within the portfolio are currently financed without CMHC insurance, one with a term expiring in January 2024.

NAV per Trust Unit¹

The REIT reported a NAV per Unit¹ of \$1.47 (December 31, 2022 - \$1.44). The increase in NAV per Trust Unit¹ is due to the increase in the valuation of investment property due to changes in market conditions throughout all properties such as increases in estimated 12-month stabilized NOI¹ due to market rent increases in properties where allowable.



Asset Management Fees and Trustee Compensation

For the three months ending March 31, 2023, asset management fees of \$81,506 were charged (three months ended March 31, 2022 - \$28,053) inclusive of GST. The Manager agreed to waive 50 percent of the asset management fees in 2022. Trustees were remunerated approximately 50 percent of their pro-rated annual compensation in Deferred Units, in accordance with the Equity Incentive Plan, with the remaining 50 percent plus meeting fees paid in cash. See note 8 of the interim consolidated financial statements for further details.

OUTLOOK

Management anticipates the demand for rental housing to continue to grow, as evidenced in the 2023 CBRE Canada Real Estate Market Outlook, where housing affordability has eroded to its worst level and the demand for multifamily rentals is expected to continue to outpace supply.

Management is focused on growing the portfolio and unitholder value through increasing rental rates where the market allows, future acquisition opportunities that will increase the overall size and improve the performance of the Trust, as well as maintaining a manageable debt structure. The current debt of the Trust is all at fixed terms with an average remaining mortgage term of over six years. Management believes the organic growth in NAV¹ due to the paydown of mortgages over time will lower the Debt-to-Gross Book Value ratio¹ thereby increasing the NAV per Unit¹.

FINANCIAL OPERATIONS AND RESULTS

Valuation

The fair value of residential properties is typically determined using the direct capitalization approach. Stabilized net operating income¹ for each property is capitalized at an appropriate capitalization rate and then a deduction is made for certain capital expenditures that each property may require. Stabilized net operating income¹ for each property is estimated as the 12-month net operating income that a property could generate at full occupancy, less a vacancy rate and stable operating expenses. Capitalization rates reflect the characteristics, location and market of each property. Fair value is determined based on external appraisals obtained and internal valuation models incorporating market data and valuations performed by external appraisers. At March 31, 2023, all of the properties were valued internally. The weighted-average capitalization rate used at March 31, 2023 was 5.25 percent (December 31, 2022 – 5.25 percent).

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The Trust's investment properties are recorded at a fair value of \$127,095,481 at March 31, 2023 (December 31, 2022 - \$126,083,030), the Trust recorded a fair value gain of \$280,861 for the three months ended March 31, 2023 (three months ended March 31, 2022 - \$3,127,296). The fair value gain was attributable to updated market conditions throughout all properties, such as increases in estimated 12-month stabilized NOI¹ due to market rent increases in properties where allowable.

Performance Measures

The following outlines the IFRS and non-IFRS measures that the Trust uses to measure performance.

<i>Operations</i>	Three months ended March 31	
	2023	2022
Number of properties	4	3
Total multi-family units	516	363
Total rentable square feet	463,812	339,995
Average monthly rent per suite	\$ 1,528	\$ 1,511
Average occupancy rate ¹	98.30%	94.78%
Rent collection	99.98%	97.51%

The three months ended March 31, 2023 reported higher monthly average rent than the comparable period as 2023 included the Prairie View Pointe property which was acquired in October 2022, as well as continued rental increases that the Manager obtained on new leases and renewals on the non-rent-controlled units in the portfolio.

<i>Financial Measures</i>	Three months ended March 31	
	2023	2022
Revenue	\$ 2,454,405	\$ 1,618,740
NOI ¹	1,446,655	910,601
NOI Margin ¹	58.94%	56.25%
FFO ¹		
Net income and comprehensive income	3,217,559	1,878,723
Distributions on Exchangeable Units	40,650	40,671
Fair value gain on properties	(280,861)	(3,127,296)
Fair value (gain) loss on unit-based compensation	(41,853)	5,839
Fair value loss on warrant liability	-	12,815
Fair value (gain) loss on exchangeable units	(2,601,906)	1,517,778
FFO ¹	333,589	328,530
Weighted average number of Units	19,508,727	19,672,838
FFO/unit ¹	\$ 0.0171	\$ 0.0167

¹ Refer to Non-IFRS Measures

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<i>Financial Measures</i>	Three months ended	
	March 31	
	2023	2022
AFFO¹		
FFO ¹	\$ 333,589	\$ 328,530
Capital expenditures ²	(9,937)	(43,285)
Leasing costs	(1,653)	(4,411)
AFFO ¹	321,999	280,834
Weighted average number of Units	19,508,727	19,672,838
AFFO/unit ¹	\$ 0.0165	\$ 0.0143
AFFO payout ratio ¹	22.72%	26.27%

The Trust reported FFO/unit¹ of \$0.0171 the three months ended March 31, 2023 compared to \$0.0167 the three months ended March 31, 2022, this increase is due to the addition of the Prairie View Pointe Property in October 2022.

<i>NAV¹</i>	At March 31, 2023	At December 31, 2022
Unitholders' Equity	\$22,193,091	\$19,014,023
Exchangeable Units	6,613,177	9,215,083
NAV¹	28,806,268	28,229,106
Trust Units	8,657,564	8,667,564
Exchangeable Units	10,841,274	10,841,274
Deferred Units	124,077	110,036
Total Units outstanding	19,622,915	19,618,874
NAV per unit¹	\$1.47	\$1.44

At March 31, 2023, NAV¹ was \$28,806,268 representing a NAV per Unit¹ of \$1.47 (December 31, 2022 - \$28,229,106 representing a NAV per Unit of \$1.44). The increase in NAV per Unit¹ is due to positive NOI¹ in the three months ended March 31, 2023.

<i>Leverage</i>	At March 31, 2023
Debt-to-Gross Book Value ratio ¹ :	
Total interest-bearing debt	\$ 101,779,923
Total assets on balance sheet	132,121,486
Debt-to-Gross Book Value ratio ¹	77.04%
Debt Service Coverage ratio ¹ :	
Net Operating Income ¹ for the period ended March 31, 2023	\$ 1,446,655
Mortgage payments for the period ended March 31, 2023	1,224,824
Debt Service Coverage ratio ¹	1.18
Weighted average term to maturity on fixed rate debt	76.28 months
Weighted average interest rate on fixed debt	3.01%

Exchangeable Units are not indebtedness for the purposes of Debt-to-Gross Book Value ratio¹ and therefore are not included in the determination of the Debt-to-Gross Book Value ratio¹.

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Total assets at March 31, 2023 are \$132,121,486. The increase from December 31, 2022 is mainly due to the increase in fair value of the investment properties. Total liabilities at March 31, 2023 include mortgages payable of \$101,779,923 and \$6,613,177 relating to outstanding Exchangeable Units. During the three months ending March 31, 2023, mortgages decreased by \$338,537 due to principal payments and amortization of mark-to-market adjustments and deferred financing costs.

Review of Financial Performance

The following tables highlight selected information for the Trust's portfolio for the three months ended March 31, 2023 and 2022:

<i>Summary of Statement of Net Income</i>	Three months ended March 31	
	2023	2022
Revenue from investment properties	\$ 2,454,405	\$ 1,618,740
Property operating expenses	(775,215)	(580,269)
Realty taxes	(232,535)	(127,870)
Net Operating Income ¹	\$ 1,446,655	\$ 910,601
NOI Margin ¹	58.94%	56.25%
General and administrative	(201,632)	(170,112)
Finance costs	(952,084)	(452,630)
Fair value gain (loss) on:		
Investment properties	280,861	3,127,296
Unit-based compensation	41,853	(5,839)
Warrants liability	-	(12,815)
Exchangeable Units	2,601,906	(1,517,778)
Net Income and Comprehensive Income	\$ 3,217,559	\$ 1,878,723

Revenue from investment properties

Revenue from investment properties for the three months ended March 31, 2023 was \$2,454,405, an increase of 51.62% over the same period last year due to the acquisition of the Prairie View Pointe Property and a higher occupancy rate on the remaining assets compared to the same period in the prior year.

Property operating expenses

Property operating expenses for the three months ended March 31, 2023 were \$775,215. The increase over the March 31, 2022 property operating expenses of \$580,269 is due to the acquisition of the Prairie View Pointe Property, however the increase was offset by lower snow clearing costs in the first three months of 2023 compared to 2022 on the remainder of the portfolio.

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Realty taxes

For the three months ended March 31, 2023 realty taxes of \$232,535 were incurred. The increase over the March 31, 2022 realty taxes of \$127,870 was primarily due to the addition of the Prairie View Pointe Property.

Net operating income¹

For the three months ended March 31, 2023 the Trust generated \$1,446,655 of NOI¹ (three months ended March 31, 2022 - \$910,601). The Trust acquired an additional investment property in October 2022, which is reported in the first three months of 2023 but not included in the first three months of 2022.

Revenue from investment properties consists of rental revenue from residential lease agreements, parking revenue and other property revenue.

General and administrative expenses

General and administrative expenses relate to the administration of the Trust, including: legal fees, audit fees, Trustee compensation, other public company costs.

Finance costs

Finance costs are comprised of interest expense on mortgages payable, loan and financing charges, distributions on Exchangeable Units, amortization of financing charges, CMHC fees and mark-to-market adjustments on the mortgages payable, and is offset by interest income.

Summary of Finance costs	Three months ended	
	2023	2022
Interest on mortgages	\$ 773,565	\$ 455,643
Loan and financing charges	19,860	-
Amortization of financing charges	15,036	5,988
Amortization of CMHC fees	23,294	11,501
Amortization of mark-to-market adjustments	96,626	(57,739)
Distribution on Exchangeable Units	40,650	40,671
Interest income	(16,947)	(3,434)
Total	\$ 952,084	\$ 452,630

Fair value gain on Exchangeable Units

The Exchangeable Units are issued by the Partnership. The Exchangeable Units are economically equivalent to Trust Units, in that a holder is entitled to receive cash distributions from the Partnership equal to the cash distributions paid on Trust Units and are exchangeable into Trust Units at the holder's option on a one-for-one basis (subject to customary anti-dilution adjustments). The Exchangeable Units are classified as financial liabilities of the Trust and measured at fair value with any changes in fair value recorded in net income. The fair value gain or loss on the Exchangeable Units is measured every period by reference to the closing trading price of the Trust Units. An increase in the Trust Unit closing price over the period results in a fair value loss, whereas a decrease in the Trust Unit closing price results in a fair value gain.

During the three months ended March 31, 2023, the market price of the Trust Units decreased from the December 31, 2022 market price of \$0.85 per Trust Unit to \$0.61 per Trust Unit at March 31, 2023. The decrease in market value for the period resulted in a fair value gain on the Exchangeable Units of \$2,601,906.

Fair value gain on unit-based compensation liability

The Trust has issued Deferred Units to its Trustees. The liability is remeasured at each reporting date based on the closing Trust Unit price with changes in value recorded in net income.

During the three months ended March 31, 2023, the Trust experienced a fair value gain of \$41,853 from changes in the Trust Unit price for the Deferred Units outstanding at December 31, 2022 and the Deferred Units issued in the period. For the three months ended March 31, 2023, the Unit price decreased from \$0.85 to \$0.61.

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Assessment of Financial Position

Investment Properties

The following table summarizes the changes in investment properties for the three months ended March 31, 2023 and 2022.

<i>Summary of Changes in Investment Properties</i>	Three months ended	
	March 31	
	2023	2022
Opening balance	\$ 126,803,030	\$ 85,495,008
Additions:		
Capital expenditures ²	9,937	43,285
Direct leasing costs	1,653	4,411
Fair value gain	280,861	3,127,296
Closing balance	\$ 127,095,481	\$ 88,670,000

Valuation

Under the direct capitalization approach the estimated 12 month stabilized net operating income¹ is utilized on the individual properties, less estimated aggregate future capital expenditures to determine fair value. Capitalization rates fluctuate based on market conditions, such as the demand for rental housing and interest rates. The weighted-average capitalization rates for the properties were 5.25 percent at March 31, 2023 and 5.25 percent at December 31, 2022.

Exchangeable Units

The holders of Exchangeable Units are entitled to receive cash distributions from MAR REIT L.P. equivalent to the cash distributions that the Trust pays to the holders of Trust Units and are exchangeable into Trust Units at the holder's option on a one-for-one basis (subject to customary anti-dilution adjustments). One Special Voting Unit in the Trust is issued to the holder of Exchangeable Units for each Exchangeable Unit held. The limited IAS 32 exception for presentation as equity does not extend to Exchangeable Units. As a result, the Exchangeable Units are classified as financial liabilities.

At March 31, 2023 there were 10,841,274 Exchangeable Units and 10,894,987 Special Voting Units outstanding. The outstanding Special Voting Units include:

- Special Voting Units accompanying Deferred Units issued on or before March 31, 2022
- Special Voting Units accompanying all Exchangeable Units of MAR REIT L.P. outstanding on March 31, 2023

During the three months ended March 31, 2023, distributions to holders of Exchangeable Units \$40,650 were declared based on approved monthly distributions of \$0.00125 per Trust Unit.

Mortgages Payable

The Trust's mortgages are at fixed interest rates that are secured by the investment properties. The mortgages bear interest at a weighted average contractual interest rate of 3.01 percent and mature at dates between January 2024 and June 2032, resulting in a weighted average term to maturity of 76.28 months.

Trust Units

The Declaration of Trust authorizes the issue of an unlimited number of Trust Units. As at March 31, 2023, there were 8,657,564 Trust Units outstanding with a carrying value of \$6,657,710. On March 31, 2022, the Trust commenced a normal course issuer bid ("NCIB") which allows the Trust to purchase up to 787,956 of the Trust Units for cancellation. The NCIB was in effect until March 30, 2023 and was not renewed. During the three months ended March 31, 2023, 10,000 Trust units were purchased and cancelled respectively, at a weighted average price of \$0.60 (March 31, 2022 – nil).

Distributions

Distributions are paid monthly to Unitholders of record at the close of business on the last day of a month on or about the 15th day of the following month. Distributions must be approved by the Board of Trustees and are subject to change depending on the general economic outlook and financial performance of the Trust. During the three months ended March 31, 2023, distributions to Unitholders of \$32,491 were declared based on approved monthly distributions of \$0.00125 per Trust Unit.

¹ Refer to Non-IFRS Measures

² Capital expenditures include upgrades to suites upon turnover

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Liquidity, Capital Resources and Contractual Commitments

The Trust's capital structure at March 31, 2023 is set out in the table below:

	March 31, 2023	December 31, 2022
Exchangeable Units	\$ 6,613,177	\$ 9,215,083
Unit based compensation liability	67,123	93,531
Mortgages	101,779,923	102,118,460
Unitholders' equity	22,193,091	19,014,023
Total	\$ 130,653,314	\$ 130,441,097

The objective of the REIT's capital strategy is to arrange capital at the lowest possible cost while balancing mortgage maturities and having sufficient liquidity to fund ongoing operations of the REIT and pay distributions. 100% of the REIT's debt is at fixed interest rates.

The REIT uses a significant amount of debt financing in its capital structure. Pursuant to the Declaration of Trust, additional indebtedness may not be incurred if overall indebtedness would exceed 75 percent of the gross book value of the REIT once gross book value reaches \$300,000,000.

As at	At March 31, 2023	At December 31, 2022
Current Assets	\$ 1,680,132	\$ 1,637,673
Current Liabilities	8,681,596	2,720,791
Liquidity Ratio ¹	19.35%	60.19%

The liquidity ratio¹ has decreased from December 31, 2022 due to one mortgage maturing in January 2024. It is anticipated that this mortgage will be refinanced at or before maturity.

Cash Flows and Use of Funds

During the three months ended March 31, 2023 and 2022 the Trust reported the following changes in cash.

	Three months ended	
	March 31, 2023	March 31, 2022
Cash provided by operating activities	\$ 516,962	\$ 223,561
Cash used in investing activities	(11,590)	(47,696)
Cash used in financing activities	(508,562)	(333,885)
Change in cash during the period	\$ (3,190)	\$ (158,020)

Cash provided by operations exceeded cash used in financing activities in Q1 2023, the increase attributable to higher revenue generated from the addition of the Prairie View Pointe Property and higher occupancy rates compared to Q1 2022. Cash used in financing activities increased in the three months ended March 31, 2023 over March 31, 2022 to reflect the increase in mortgage payments with the acquisition of the Prairie View Pointe Property.

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Cash provided by operating activities and cash distributions

	Three months ended	
	2023	2022
Net income and comprehensive income	\$ 3,217,559	\$ 1,878,723
Add: distributions on Exchangeable Units	40,650	40,671
	3,258,209	1,919,394
Less: distributions paid	(73,097)	(73,788)
Excess of net income and comprehensive income over total distributions paid	3,185,112	1,845,606
Cash provided by operating activities	1,988,729	690,492
Less: distributions paid	(73,097)	(73,788)
Excess of cash provided by operating activities over total distributions and interest paid	1,915,632	690,492
Distributions declared	\$ 73,141	\$ 73,788

Excess of net income and comprehensive income over total distributions paid increased compared to the prior comparable period due to the addition of Prairie View Pointe and an increase in fair value gains in Q1 2023 compared to Q1 2022.

At Q1 2023 the excess of cash provided by operating activities over total distributions and interest paid also increased due to higher cash flow from operations from the addition of Prairie View Pointe and overall higher portfolio occupancy rates compared to the same period in 2022.

QUARTERLY RESULTS AND DISCUSSION OF QUARTERLY OPERATIONS

A eight-quarter trend highlighting key operating results since commencing commercial operations is shown below:

	2023		2022		2021			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Property revenue	\$ 2,454,405	\$ 2,253,104	\$ 1,679,767	\$ 1,619,305	\$ 1,618,740	\$ 1,407,298	\$ 1,153,245	\$ 778,955
NOI ¹	1,446,655	1,396,583	1,042,689	954,939	910,601	816,075	713,676	492,877
Net Income (Loss)	3,217,559	(2,862,894)	1,237,561	3,148,015	1,878,723	4,374,004	5,366,130	(510,871)
FFO ¹	333,589	391,997	487,104	350,486	328,530	384,929	240,720	212,555
FFO per Unit ¹	\$ 0.0171	\$ 0.0201	\$ 0.0250	\$ 0.0179	\$ 0.0167	\$ 0.0194	\$ 0.0143	\$ 0.0205
AFFO ¹	321,999	325,927	444,597	306,731	280,834	365,244	184,030	169,130
AFFO per Unit ¹	\$ 0.0165	\$ 0.0167	\$ 0.0228	\$ 0.0157	\$ 0.0143	\$ 0.0164	\$ 0.0110	\$ 0.0163
Weighted average number of Units outstanding	19,508,727	19,508,838	19,508,838	19,572,918	19,726,674	19,158,233	16,786,283	10,365,358

Variations in property revenue and net income is due to the closing of the qualifying transaction on April 30, 2021, thus Q2 2021 reported only 2 months of operations. In Q4 2021 the acquisition of the Element Properties occurred on November 15, 2021, thus there were only 46 days of operations reported for this property in Q4 2021. In Q4 2022 Prairie View Pointe was acquired representing 62 days of operations in Q4 2022. Seasonal variations in operating expenses also contribute to quarterly fluctuations in Net Income, NOI¹, AFFO¹ and FFO¹.

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SAME PROPERTY PORTFOLIO PERFORMANCE

Same property results for the three months ended March 31, 2023 are defined as all properties owned and operated by the REIT throughout the comparative periods being reported, and therefore do not take into account the impact on performance of acquisitions, dispositions, or properties going through a lease-up during the period from April 1, 2022 to December 31, 2022. The same property portfolio represents 363 units or 70.35% of the total portfolio at March 31, 2023.

	Three months ended March 31	
	2023	2022
Revenue from investment properties	\$ 1,714,823	\$ 1,619,027
Expenses:		
Property operating expenses	497,142	583,530
Realty taxes	155,454	127,871
Total operating expenses	652,596	711,401
Same Property Net Operating Income¹	\$ 1,062,227	\$ 907,626

For the three months ended March 31, 2023, rental revenues for same property increased by 5.92% compared to Q1 2022 due to rent increases and lower vacancy rates in Q1 2023 over Q1 2022. Property operating costs decreased by 7.05% as a percentage of operating revenues, respectively, whereas property taxes increased by 2.15% due to increases in assessed value year over year. This resulted in an overall decrease in operating expenses, as a percentage of operating revenues of 5.88% as compared to the same period last year.

Operating expenses reduced by 8.27% in Q1 2023 over Q1 2022, this was due to decreased snow cleaning, utility and unit turnover costs. When combined with the 5.92% increase in revenue from rental properties, this resulted in an increase in same property NOI¹ of \$154,601, or 17.03% as compared to the same period last year.

The average monthly rent for the three months ended March 31, 2023 for same property increased to \$1,533 per suite from \$1,511 at March 31, 2022, an increase of 1.51%. The average occupancy rate¹ for the three months ended March 31, 2023 for same property was 98.96%, compared to 94.78% for the three months ended March 31, 2022.

ACCOUNTING ESTIMATES AND POLICIES, CONTROLS AND PROCEDURES AND RISK ANALYSIS

Critical Judgments in Applying Accounting Policies

Significant areas of judgment, estimates and assumptions are set out in note 3 to the annual audited consolidated financial statements for the years ended December 31, 2022 and 2021.

Risks and Uncertainties

The REIT faces a variety of diverse risks, many of which are inherent in the business conducted by the REIT. These are described in detail under the heading "Risks and Uncertainties" in the REIT's Management's Discussion and Analysis for the years ended December 31, 2022 and 2021 and in the REIT's Annual Information Form for the year ended December 31, 2022, each filed on SEDAR (www.sedar.com). These factors still exist at the end of this quarter and remain relatively unchanged.

Management's Discussion and Analysis
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Financial Risk Management

In the normal course of business, the Trust is exposed to a number of risks that can affect its operating performance.

These risks and the actions taken to manage them include the following:

i) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other price risk.

Interest rate risk is the risk that changes in market interest rates will affect the Trust's financial instruments. As of March 31, 2023 and December 31, 2022, the Trust's mortgages bore interest at fixed rates

Management monitors anticipated interest rate changes and mitigates the negative impact of interest rate increases by locking in interest rates early where applicable.

The Trust's financial statement presentation currency is in Canadian dollars. Operations are located in Canada and the Trust has limited operational transactions in foreign-denominated currencies. As such, the Trust has no significant exposure to currency risk.

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

The Trust is exposed to other price risk on its Exchangeable Units and warrants. A one percent change in the prevailing market price of the Exchangeable Units as at March 31, 2023 would have a \$66,131 (December 31, 2022 - \$92,150) change in the fair value of the Exchangeable Units.

ii) Credit risk

Credit risk is the risk that tenants may experience financial difficulty and be unable to fulfill their lease commitments. An allowance for impairment is taken for all expected credit losses.

Management mitigates this risk by carrying out appropriate due diligence on the prospective tenant and obtaining security deposits. Management monitors the collection of residential rent receivables on a regular basis with strict procedures that fall within the provincial regulations designed to minimize credit loss in the case of non-payment. The risk of exposure to credit risk is generally limited to the carrying amount of the financial statements.

The Trust's maximum exposure to credit risk is equivalent to the carrying value of each class of financial asset as separately presented in cash and accounts and other receivables.

Management assesses the impairment of tenant receivables on an individual basis and uses the simplified approach measure expected credit losses; this will be at the lifetime expected credit losses associated with the arrangement.

Management determines that an amount receivable is credit impaired based upon previous collection history, as well as forward looking information where available regarding economic trends in the tenant's industry and the region the tenant is in. Impairment losses are recognized in the consolidated statement of income and comprehensive income within investment properties operating expenses.

iii) Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they become due. The Trust manages this risk by ensuring it has sufficient cash on hand to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities.

An analysis of the contractual cash flows at March 31, 2023 associated with the Trust's material financial liabilities is set out below:

	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter	Total
Mortgages payable - principal and interest	\$ 10,816,597	\$ 4,539,309	\$ 4,539,309	\$ 4,539,309	\$ 98,153,286	\$ 122,587,810
Accounts payable and accrued liabilities	797,494	-	-	-	-	797,494
Security deposits and prepaid rent	541,390	129,288	-	-	-	670,678
	\$ 12,155,481	\$ 4,668,597	\$ 4,539,309	\$ 4,539,309	\$ 98,153,286	\$ 124,055,982

Principal and interest payments on mortgages payable due in the next 12 months total \$10,816,597, \$6,277,288 of this relates to the Element Phase I mortgage that matures and it is Management's expectation that this mortgage will be renewed at or before the maturity date of January 1, 2024.

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RELATED PARTY TRANSACTIONS

In the normal course of operations, the Trust enters into various transactions with related parties. In addition to the related party transaction disclosed elsewhere in the consolidated financial statements, related party transactions for the period ended March 31, 2023 and 2022 include:

Related Party Transactions	Three months ended March 31	
	2023	2022
Property management fees	\$ 105,482	\$ 67,176
Salary reimbursement	44,387	32,363
Asset management fees	81,506	28,053
Board compensation	37,330	37,100

On April 30, 2021, the Trust and the Manager entered into a management agreement with a term of ten years, with subsequent renewal periods for further five-year terms, relating to various asset management and property management services. On April 30, 2021, a sub-agreement between the Manager and Marwest Management Canada Ltd., a company under common control, was entered into for the property management of Marwest Apartments I L.P. and Marwest Apartments VII L.P. On November 15, 2021, a sub-agreement between the Manager and Marwest Management Canada Ltd. was entered into for the property management of Marwest (Element) Apartments L.P.

For the year ending December 31, 2022, the Manager waived 50% of the Asset Management Fees eligible under the Asset Management Agreement.

During the three months ended March 31, 2023, the Board of Trustees were issued an aggregate of 14,041 Deferred Units at an aggregated value of \$15,445 along with \$15,791 respectively in cash as part of the annual Trustee remuneration (2022 – 13,672 Deferred Units at an aggregate value of \$15,234 and \$15,760 cash as part of annual Trustee remuneration respectively). The Trustees were also remunerated \$1,500 per board meeting in the three months ended March 31, 2023 and 2022.

INCOME TAXES

The *Income Tax Act* (Canada) (the "Act") contains legislation affecting the tax treatment of specified investment flow-through (SIFT) trusts which include publicly-listed income trusts (the "SIFT Rules"). Under the SIFT Rules, certain distributions from a SIFT are not deductible in computing a SIFT's taxable income, and the SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation.

However, distributions paid by a SIFT as returns of capital are generally not subject to tax. The SIFT Rules do not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). Instead, a real estate investment trust that meets the REIT Conditions is not liable to pay Canadian Income taxes provided that its taxable income is fully distributed to unitholders during the period.

The REIT has reviewed the SIFT Rules and has assessed their application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions for the three months ended March 31, 2023 and 2022, and accordingly is not subject to current income taxes. Accordingly, no provision for current income taxes payable is required.

CONTINGENCIES AND COMMITMENTS

The Trust is subject to claims and legal actions that arise in the ordinary course of business. It is the opinion of Management that any ultimate liability that may arise from such matters would not have a significant adverse effect on the consolidated financial statements of the Trust.

FUTURE CHANGES IN ACCOUNTING STANDARDS

The following accounting standards under IFRS have been issued or revised, however are not yet effective and as such have not been applied by the Trust.

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Classification of Liabilities as Current or Non-Current

On January 23, 2020, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* (the 2020 amendments), to clarify the classification of liabilities as current or non-current. On October 31, 2022, the IASB issued *Non-current Liabilities with Covenants* (Amendments to IAS1) (the 2022 amendments), to improve the information a company provides about long-term debt with covenants. The 2020 amendments and the 2022 amendments (collectively "the Amendments") are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted. An entity that applies the 2020 amendments early is required to also apply the 2022 amendments.

For the purposes of non-current classification, the 2020 amendments removed the requirement for a right to defer settlement or roll over a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period.

The amendments reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which a company must comply after the reporting date do not affect a liability's classification at that date.

The amendments also clarify how a company classifies a liability that includes a counterparty conversion option. The Amendments state that settlement of a liability includes transferring a company's own equity instruments to the counterparty and when classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity. The REIT is assessing the impact of the Amendments.

SUBSEQUENT EVENTS

The following events occurred subsequent March 31, 2023:

- (ii) On April 17 and May 15, 2023 the REIT paid monthly distributions of \$0.00125 per Trust Unit. Holders of the Exchangeable Units were also paid a distribution of \$0.00125 per Unit.
- (iv) On May 15, 2023, the REIT declared monthly distributions of \$0.00125 per Trust Unit payable on June 15, 2023 to Unitholders on record at the close of business on May 31, 2023. Holders of the Exchangeable Units will also be paid a distribution of \$0.00125 per Unit.