Condensed Consolidated Interim Financial Statements of

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

(Expressed in Canadian Dollars)

Three and nine months ended September 30, 2023 and 2022
(Unaudited)

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)

As at September 30, 2023 and December 31, 2022
(Unaudited)

	Note	September 30, 2023	December 31, 2022
Assets			
Non-current assets:			
Investment properties	4	$ 130,030,000	$ 126,803,030
Prepaid expenses and other assets	5	3,299,282	3,369,168
		133,329,282	130,172,198
Current assets:			
Prepaid expenses and other assets	5	185,178	186,775
Accounts and other receivables		32,632	26,387
Cash		1,806,564	1,424,511
		2,024,374	1,637,673
		$ 135,353,656	$ 131,809,871
Liabilities and Unitholders' Equity			
Non-current liabilities:			
Mortgages payable	7	$ 93,848,701	$ 100,731,612
Security deposits and prepaid rent		27,061	34,831
Unit based compensation liability	10	85,577	93,531
		93,961,339	100,859,974
Current liabilities:			
Accounts payable and accrued liabilities	8	731,258	727,951
Security deposits and prepaid rent		696,030	605,992
Exchangeable Units	6	6,071,113	9,215,083
Current portion of mortgages payable	7	7,262,468	1,386,848
		14,760,870	11,935,874
Total liabilities		108,722,208	112,795,848
Unitholders' equity		26,631,448	19,014,023
		$ 135,353,656	$ 131,809,871

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Approved on behalf of the Trustees:

(signed) "*Jason Pellaers*" Jason Pellaers, Trustee

(signed) "*Luke Cain*" Luke Cain, Trustee

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Net Income and Comprehensive Income
(Expressed in Canadian Dollars)

For the three months and nine months ended September 30, 2023 and 2022
(Unaudited)

	Note	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Revenue from investment properties	11	$ 2,496,143	$ 1,679,767	$ 7,437,591	$ 4,917,812
Expenses:					
Property operating expenses	8	610,127	463,054	2,019,516	1,524,036
Realty taxes		225,858	174,024	677,574	485,547
Total operating expenses		835,985	637,078	2,697,090	2,009,583
Net property operating income		1,660,158	1,042,689	4,740,501	2,908,229
Other expenses (income):					
General and administrative	8	192,556	151,366	578,612	506,843
Finance costs	12	928,651	444,889	2,812,633	1,357,276
Fair value gain on investments properties	4	(695,272)	(677,493)	(3,173,043)	(4,641,034)
Fair value loss (gain) on unit-based compensation	10	3,612	(5,233)	(55,011)	(15,745)
Fair value gain on warrants		–	–	–	(21,359)
Fair value gain on Exchangeable Units	6	(433,652)	(108,414)	(3,143,970)	(542,064)
		(4,105)	(194,885)	(2,980,779)	(3,356,083)
Net income and comprehensive income		$ 1,664,263	$ 1,237,574	$ 7,721,280	$ 6,264,312

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity
(Expressed in Canadian Dollars)

For the nine months ended September 30, 2023 and 2022
(Unaudited)

	Note	Trust units	Unitholders' capital	Retained earnings	Total
Unitholders' equity, December 31, 2021		8,831,564	$ 6,791,350	$ 9,101,824	$ 15,893,174
Distributions	9	–	–	(98,176)	(98,176)
Net income and comprehensive income		–	–	6,264,312	6,264,312
Units acquired and cancelled through normal course issued bid	9	(164,000)	(126,114)	(23,775)	(149,889)
Unitholders' equity - September 30, 2022		8,667,564	$ 6,665,236	$ 15,244,185	$ 21,909,421
Unitholders' equity, December 31, 2022		8,667,564	$ 6,665,236	$ 12,348,787	$ 19,014,023
Distributions	9	–	–	(97,855)	(97,855)
Net income and comprehensive income		–	–	7,721,280	7,721,280
Units acquired and cancelled through normal course issued bid	9	(10,000)	(7,526)	1,526	(6,000)
Unitholders' equity - September 30, 2023		8,657,564	$ 6,657,710	$ 19,973,738	$ 26,631,448

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)

For the three months and nine months ended September 30, 2023 and 2022
(Unaudited)

	Note	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cash provided by (used in):					
Operating activities:					
Net income and Comprehensive income		$ 1,664,263	$ 1,237,574	$ 7,721,280	$ 6,264,312
Adjustments for:					
Unit-based compensation expense	10	15,944	15,675	47,057	46,360
Fair value gain on investment properties	4	(695,272)	(677,493)	(3,173,043)	(4,641,034)
Fair value loss (gain) on unit-based compensation	10	3,612	(5,233)	(55,011)	(15,745)
Fair value gain on warrants		–	–	–	(21,359)
Fair value gain on Exchangeable Units	6	(433,652)	(108,414)	(3,143,970)	(542,064)
Finance costs	12	928,651	444,889	2,812,633	1,357,276
Interest paid		(777,074)	(478,871)	(2,331,927)	(1,403,687)
Interest received	12	23,720	18,869	59,270	30,661
Distributions paid on Exchangeable Units	6	(40,925)	(40,670)	(122,173)	(122,010)
Change in non-cash working capital	13	(64,916)	97,510	87,920	101,663
		624,351	503,836	1,902,036	1,054,373
Investing activities:					
Deposits on acquisition of properties		–	(650,000)	–	(650,000)
Capital expenditures	4	(5,297)	(30,222)	(42,169)	(102,143)
Direct leasing costs	4	(6,430)	(12,285)	(11,758)	(31,815)
		(11,727)	(692,507)	(53,927)	(783,958)
Financing activities:					
CMHC premiums paid		–	(824,203)	–	(824,203)
Trust Units acquired and cancelled	9	–	–	(6,000)	(149,889)
Distributions paid on Trust Units		(32,682)	(32,709)	(97,651)	(98,382)
Financing fees	7,12	–	(561,106)	(19,860)	(561,106)
Debt advanced	7	–	16,311,873	–	16,311,873
Debt principal payments	7	(447,748)	(12,847,479)	(1,342,545)	(13,517,503)
		(480,430)	2,046,376	(1,466,056)	1,160,790
Increase in cash		132,194	1,857,705	382,053	1,431,205
Cash, beginning of period		1,674,370	3,791,118	1,424,511	4,217,618
Cash, end of period		$ 1,806,564	$ 5,648,823	$ 1,806,564	$ 5,648,823

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

1. Description of the entity:

Marwest Apartment Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust dated July 2, 2020, which was amended and restated on April 30, 2021. The REIT was a closed-ended real estate investment trust at December 31, 2020 and converted to an open-ended real estate investment trust on April 30, 2021 pursuant to a resolution passed by the Board of Trustees. The REIT owns and operates a portfolio of income-producing multi-family investment properties located in Western Canada.

The REIT was established under the laws of the Province of Manitoba. The principal and registered office of the REIT is Suite 500-220 Portage Avenue, Winnipeg, Manitoba.

At September 30, 2023 and December 31, 2022, the REIT's portfolio consisted of 4 multi-family investment properties, all of which are held by its subsidiary, MAR REIT L.P. (the "Partnership"), through Marwest Apartments I L.P. ("Kenwood Court"), Marwest Apartments VII L.P. ("Brio Brownstones"), Marwest (Element) Apartments L.P. (“Element”) which are owned 100 percent by the Partnership and Prairie View Pointe which is owned directly by the Partnership.

2. Basis of presentation:

(a) Statement of compliance:

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) *34, Interim Financial Reporting*. The unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the REIT’s audited consolidated financial statements for the years ended December 31, 2022 and 2021 (the “Annual 2022 Financial Statements”), which have been prepared in accordance with IFRS Accounting Standards.

These unaudited condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT and authorized for issuance on November 14, 2023.

(b) Basis of measurement:

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis, except for investment properties, Exchangeable Limited Partnership Units (Exchangeable Units), warrants and unit-based compensation, which have been measured at fair value.

2. Basis of presentation (continued):

The consolidated financial statements have been presented in Canadian dollars which is the REIT's functional currency.

The operating results for the three and nine months ended September 30, 2023 are not necessarily indicative of results that may be expected for the year ending December 31, 2023 due to seasonal variations in property expenses and other factors, including the impacts of macroeconomic events, if any.

The accounting policies applied by the REIT in these unaudited condensed consolidated interim financial statements are consistent with those applied in the Annual 2022 Financial Statements.

3. Significant accounting policies:

(a) Future changes in accounting standards:

On January 23, 2020, the International Accounting Standards Board ("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 IAS 1) (the 2022 amendments), to improve the information an issuer 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 lease twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period and have substance.

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

(Expressed in Canadian Dollars)

3. Significant accounting policies(continued):

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

4. Investment properties:

The following table presents the change in investment properties for the three and nine months ended September 30, 2023 and 2022:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Balance beginning of period	$ 129,323,001	$ 89,550,000	$ 126,803,030	$ 85,495,008
Additions:				
Capital expenditures	5,297	30,222	42,169	102,143
Direct leasing costs	6,430	12,285	11,758	31,815
Fair value gain	695,272	677,493	3,173,043	4,641,034
Closing balance	$ 130,030,000	$ 90,270,000	$ 130,030,000	$ 90,270,000

The fair value methodology for the REIT's investment properties is considered level 3, as significant unobservable inputs are required to determine fair value.

Internal valuations were prepared at September 30, 2023 for each property in the REIT's portfolio by management. (December 31, 2022 - external valuations were obtained for one property and internal valuations were performed on the balance of the portfolio).

The internal valuations team consists of qualified individuals who are experienced in the location and category of the respective properties.

Management determined the fair value of investment properties based on the direct income capitalization approach using stabilized net operating income and capitalized at a rate that reflects the characteristics, location and market of the investment properties. The capitalization rate was estimated using market surveys, available appraisals and market comparables.

The carrying value of the investment properties reflects management's best estimate of fair value in terms of the assessed highest and best use at September 30, 2023 and December 31, 2022.

(Expressed in Canadian Dollars)

4. Investment properties (continued):

A change in the capitalization rate used could have a material impact on the fair value of the investment properties. When capitalization rates compress, the estimated fair value of the investment properties increase. When capitalization rates expand, the estimated fair value of the investment properties decrease. The weighted-average capitalization rate utilized at September 30, 2023 was 5.21 percent (December 31, 2022 - 5.25 percent).

At September 30, 2023, a 25-basis point expansion in the capitalization rate would decrease the estimated fair value of investment properties by approximately $5,958,246 (December 31, 2022 - $5,791,884). A 25-basis point compression in the capitalization rate would increase the estimated fair value of investment properties by approximately $6,559,496 (December 31, 2022 - $6,400,856).

At September 30, 2023 and December 31, 2022, the investment properties were pledged as security under mortgage agreements.

5. Prepaid expenses and other assets:

	September 30, 2023	December 31, 2022
Prepaid expenses	$ 91,998	$ 93,596
Prepaid CMHC premiums	3,392,462	3,462,347
	$ 3,484,460	$ 3,555,943
Current	$ 185,178	$ 186,775
Non-current	3,299,282	3,369,168
	$ 3,484,460	$ 3,555,943

(Expressed in Canadian Dollars)

6. Exchangeable units:

Exchangeable limited partnership units (Exchangeable Units) of MAR REIT L.P. are economically equivalent to Trust Units, receive distributions equal to the distributions paid on Units and are exchangeable at the holder's option into Trust Units. One Special Voting Unit is issued to the holder of every Exchangeable Unit held, which entitles the holder to one vote per Special Voting Unit at any meeting of Unitholders. The fair value of the Exchangeable Units are measured every period by reference to the traded value of the Trust Units, with changes in measurement recorded in the consolidated statements of net income and comprehensive income.

The following table reconciles the change in Exchangeable Units for the three months ended September 30, 2023 and 2022:

	Three months ended September 30, 2023		Three months ended September 30, 2022	
	Units	Amount	Units	Amount
Balance beginning of period	10,841,274	$ 6,504,765	10,841,274	$ 8,673,021
Fair value change	–	(433,652)	–	(108,414)
Balance, end of period	10,841,274	$ 6,071,113	10,841,274	$ 8,564,607

The following table reconciles the change in Exchangeable Units for the nine months ended September 30, 2023 and 2022:

	Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	Units	Amount	Units	Amount
Balance beginning of period	10,841,274	$ 9,215,083	10,841,274	$ 9,106,671
Fair value change	–	(3,143,970)	–	(542,064)
Balance, end of period	10,841,274	$ 6,071,113	10,841,274	$ 8,564,607

For the three and nine months ended September 30, 2023, distributions of $41,196 and $122,500 (September 30, 2022 - $40,670 and $122,010) were declared on the Exchangeable Units and are included in finance costs (note 12).

(Expressed in Canadian Dollars)

7. Mortgages payable:

	September 30, 2023	December 31, 2022
Mortgages	$ 103,153,696	$ 104,496,241
Unamortized mark-to-market adjustment	(1,612,043)	(1,901,920)
Unamortized deferred financing costs	(430,484)	(475,861)
Total mortgages	$ 101,111,169	$ 102,118,460
Current	7,262,468	1,386,848
Non-current	93,848,701	100,731,612
	$ 101,111,169	$ 102,118,460

At September 30, 2023, mortgages are secured by investment properties, bear interest at a weighted average contractual interest rate of 3.01 percent (December 31, 2022 - 3.01 percent) and mature at various dates from 2024 - 2032 (December 31, 2022 - 2024 - 2032). The mortgages are guaranteed, on a joint and several basis by MAR REIT GP LTD., MAR REIT L.P., the REIT and by certain Unitholders, as well as personal guarantees by individuals who control certain Unitholders.

The fair value of the REIT's mortgages payable is calculated based on current market rates plus risk-adjusted spreads on discounted cash flows and therefore is a level 2 fair value measurement. At September 30, 2023, the fair value of mortgages was $92,312,330 (December 31, 2022 - $94,014,750).

The mortgages payable balances at September 30, 2023, excluding unamortized mark-to-market adjustments and unamortized deferred financing costs, are due as follows:

2023 (remainder of year)	448,152
2024	7,708,473
2025	1,735,852
2026	1,784,554
2027	35,899,314
2028 and thereafter	55,577,351
	$ 103,153,696

(Expressed in Canadian Dollars)

7. Mortgages payable (continued):

The following table reconciles the changes in cash flows for the mortgages payable:

	Mortgages	Unamortized mark-to-market adjustments	Unamortized deferred financing costs	Total
Balance, December 31, 2022	$ 104,496,241	$ (1,901,920)	$ (475,861)	$ 102,118,460
Repayments	(1,342,545)	–	–	(1,342,545)
Deferred financing amortization	–	–	45,377	45,377
Amortization of mark-to market adjustment	–	289,877	–	289,877
Balance, September 30, 2023	$ 103,153,696	$ (1,612,043)	$ (430,484)	$ 101,111,169

	Mortgages	Unamortized mark-to-market adjustments	Unamortized deferred financing costs	Total
Balance, December 31, 2021	$ 65,197,705	$ 402,176	$ (53,428)	$ 65,546,453
Repayments	(13,517,503)	–	–	(13,517,503)
Issuance	16,311,873	–	(363,622)	15,948,251
Deferred financing amortization	–	–	35,333	35,333
Amortization of mark-to market adjustment	–	(361,318)	–	(361,318)
Balance, September 30, 2022	$ 67,992,075	$ 40,858	$ (381,717)	$ 67,651,216

During the three and nine month period ending September 30, 2022, the REIT entered into a new CMHC insured mortgage on the Brio Brownstones property which matures in September 2032. The REIT utilized the proceeds from this mortgage to repay the original mortgage assumed on April 30, 2021 which was not CMHC insured. $197,484 (note 12) in costs were incurred to repay this mortgage prior to its maturity in October 2023 as well as removing personal guarantees on certain other mortgages.

8. Related party transactions:

In the normal course of operations, the REIT enters into various transactions with related parties.

On April 30, 2021, the REIT and Marwest Asset Management Inc. (“MAM” or the “Manager”) entered into an Asset Management and Property Management Agreement (the “Agreement”) with a term of ten years, with automatic renewal periods for further five-year terms unless terminated in accordance with the Agreement. Under the terms of the Agreement, MAM as the REIT’s manager provides the REIT with the strategic, administrative, property management, leasing, acquisition, financing, development and construction management services necessary to manage the strategy, day-to-day operations and assets of the REIT.

(Expressed in Canadian Dollars)

8. Related party transactions (continued):

On April 30, 2021, the Manager entered into a sub management agreement with Marwest Management Canada Ltd., a company under common control, to perform the property management functions as required under the Agreement.

The Agreement provides for the following fees:

Type	Basis
Base asset management[1]	0.25% of gross book value
Property management	4% of gross receipts
Acquisition[2]	variable
Construction management[3]	variable

1 Gross book value is defined as the greater of (a) the value of the assets of the REIT as shown on its then most recent consolidated statement of financial position; and (b) the historical cost of the investment properties, plus (i) the carrying value of cash and cash equivalents; (ii) the carrying value of mortgages receivable; and (iii) the historical cost of other assets and investments used in operations.

2 Acquisition fees are 1 percent on the first $100 million of acquisitions; 0.75 percent on the next $100 million of acquisition and 0.50 percent for acquisitions in excess of $200 million in a fiscal year.

3 Construction management fees are 5 percent on the first $1 million of all hard construction costs incurred on each capital project and 4 percent on all hard construction costs above $1 million on each capital project.

The asset management fee is payable in cash or, at the election of the Manager, up to 50 percent of each payment in Trust Units based upon the 20-day period ending on the trading day prior to the payment date. The Manager waived the asset management fee until January 1, 2022 and waived 50 percent of the fee for the three and nine months ended September 30, 2022.

In addition to the related party transactions disclosed elsewhere in these unaudited condensed consolidated interim financial statements, related party transactions for the three and nine months ended September 30, 2023 and 2022 include:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Property management fees	$ 106,795	$ 70,599	$ 318,698	$ 206,844
Salary reimbursement	78,699	18,025	176,632	86,602
Asset management fees	85,565	28,053	250,249	84,159
	$ 271,059	$ 116,677	$ 745,579	$ 377,605

8. Related party transactions (continued):

At September 30, 2023, included in accounts payable and accrued liabilities are amounts owing to the Manager of $232,871 (December 31, 2022 - $93,458) related to property management fees, asset management fees and salary reimbursements.

The board of trustees were issued $15,944 and $47,057 (September 30, 2022 - $15,675 and $46,360) in deferred units, representing 50 percent of their quarterly compensation rounded down to the nearest unit and distributions on units outstanding, during the three months and nine months ended September 30, 2023 at a price of $1.10 per unit (September 30, 2022 - $1.10 per unit) (note 10). The Trustees were also remunerated $1,500 per board meeting (2022 - $1,500) and paid the balance of their quarterly compensation, $16,142 and $47,900 (2022 – $16,109 and $47,048), in cash during the three and nine months ended September 30, 2023.

9. Unitholders' equity:

The Declaration of Trust authorizes the issue of an unlimited number the Trust Units and Special Voting Units. As of September 30, 2023, there were 8,657,564 Trust Units and 10,894,987 Special Voting Units (December 31, 2022 - 8,667,564 Trust Units and 10,894,987 Special Voting Units).

For the three months and nine months ended September 30, 2023, distributions to Unitholders of $32,898 and $97,855 (September 30, 2022 - $32,709 and $98,382) were declared. This represents monthly distributions of $0.00125 per Trust Unit for the months of January to July 2023 and $0.001275 in August and September 2023 ($0.00125 per Unit for the months of January to September 2022).

On March 31, 2022 the REIT commenced a normal course issuer bid ("NCIB") which allows the REIT to purchase up to 787,956 Trust Units for cancellation, representing approximately 10 percent of the REIT's public float of issued and outstanding Trust Units. The Trust Units may be repurchased up to a maximum not to exceed 2 percent of the total issued and outstanding Trust Units when aggregated with the total of all other purchases in the preceding 30 days.

The price which the REIT will pay for Trust Units repurchased under the plan will be the market price at the time of acquisition. The NCIB was in effect until March 30, 2023 and was not renewed. The REIT repurchased and cancelled 10,000 Trust units at an average price of $0.60 during the three months ended March 31, 2023 (164,000 Trust units at an average price of $0.91 during the nine months ended September 30, 2022). The cost of the units was $7,526 with $1,526 adjusted to retained earnings representing the shortfall of the purchase price below cost (2022 – cost of the units was $126,114 with $23,775 charged to retained earnings).

(Expressed in Canadian Dollars)

10. Unit-based compensation:

As at and for the nine months ended September 30, 2023 and 2022, no Restricted Units have been granted under the Plan.

The following table reconciles the change in the unit-based compensation liability for the three months ended September 30, 2023 and 2022:

	Three months ended September 30, 2023			Three months ended September 30, 2022		
	Units		Amount	Units		Amount
Balance, beginning of period	138,322	$	66,021	81,491	$	65,193
Issued	14,495		15,944	14,249		15,675
Fair value change	–		3,612	–		(5,233)
Balance, end of period	152,817	$	85,577	95,740	$	75,635

The following table reconciles the change in the unit-based compensation liability for the nine months ended September 30, 2023 and 2022:

	Nine months ended September 30, 2023			Nine months ended September 30, 2022		
	Units		Amount	Units		Amount
Balance, beginning of period	110,037	$	93,531	53,595	$	45,020
Issued	42,780		47,057	42,145		46,360
Fair value change	–		(55,011)	–		(15,745)
Balance, end of period	152,817	$	85,577	95,740	$	75,635

(Expressed in Canadian Dollars)

11. Revenue from investment properties:

The components of revenue from investment properties for the three and nine months ended September 30, 2023 and 2022 are as follows:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Base rent	$ 1,902,183	$ 1,317,528	$ 5,593,271	$ 3,786,085
Property operating expense recoveries	593,960	362,239	1,844,320	1,131,727
	$ 2,496,143	$ 1,679,767	$ 7,437,591	$ 4,917,812

12. Finance costs:

Finance costs for the three and nine months ended September 30, 2023 and 2022 are comprised of the following:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Interest on mortgages payable	$ 776,038	$ 436,612	$ 2,324,404	$ 1,359,923
Mortgage and financing charges	–	197,484	19,860	197,484
Amortization of financing charges	15,216	23,332	45,377	35,333
Amortization of CMHC fees	23,295	11,502	69,885	34,505
Amortization of mark-to-market adjustments	96,626	(245,842)	289,877	(361,318)
Distribution on Exchangeable Units	41,196	40,670	122,500	122,010
Interest income	(23,720)	(18,869)	(59,270)	(30,661)
	$ 928,651	$ 444,889	$ 2,812,633	$ 1,357,276

(Expressed in Canadian Dollars)

13. Changes in non-cash working capital:

Changes in non-cash balances included in the statements of cash flows are comprised follows:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Accounts receivable	$ 24,929	$ 10,579	$ (6,245)	$ 701
Prepaid expenses and other assets	1,811	32,233	1,598	(41,574)
Accounts payable and accrued liabilities	(90,389)	62,031	10,299	89,525
Security deposits and prepaid rent	(1,267)	(7,333)	82,268	53,011
	$ (64,916)	$ 97,510	$ 87,920	$ 101,663

14. Capital management:

The REIT's' objective when managing capital is to safeguard the ability to continue as a going concern, to ensure compliance with the REIT's' Declaration of Trust and to generate sufficient capital to be able to identify, evaluate and then acquire a direct or indirect interest in future properties and to provide Unitholders with a stable distribution. Management monitors compliance with the Declaration of Trust as part of the overall management of the operations of the REIT and it is reviewed periodically by the Board of Trustees.

The REIT's' capital consists of Exchangeable Units, unit-based compensation, mortgages payable and unitholders equity. The REIT maintains or adjusts its capital structure by issuing Trust Units or debt, adjusting the amounts of distributions paid to Unitholders, returning capital to Unitholders, or reducing or increasing debt.

The REIT's' declaration of trust permits the REIT to incur indebtedness of not more than 75 percent of the gross book value of the REIT once the gross book value reaches $300,000,000. Trust Units and Exchangeable Units will not constitute indebtedness in this determination. The independent members of the Board of Trustees can elect to utilize the appraised value of assets and properties of the REIT in this determination instead of gross book value.

(Expressed in Canadian Dollars)

14. Capital management (continued):

Gross book value as defined in the declaration of trust means, at any time, the greater of (a) the value of the assets of the REIT as shown on its then most recent statement of financial position; and (b) the historical cost of the investment properties, plus (i) the carrying value of cash and cash equivalents; (ii) the carrying value of mortgages receivable; and (iii) the historical cost of other assets and investments used in operations.

The components of the REIT's' capital are set out in the table below:

	September 30, 2023	December 31, 2022
Exchangeable Units	$ 6,071,113	$ 9,215,083
Unit based compensation liability	85,577	93,531
Mortgages payable	101,111,169	102,118,460
Unitholders' equity	26,631,448	19,014,023
	$ 133,899,307	$ 130,441,097

15. Fair values:

The fair value of the REIT's' accounts and other receivables, cash, accounts payable and accrued liabilities and security deposits approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair value measurement of investment properties is categorized as a Level 3 fair value based on the inputs to the valuation techniques used. The valuation methods used, and the key inputs are described in note 4.

(Expressed in Canadian Dollars)

15. Fair values (continued):

The fair value measurement of mortgages payable are categorized as level 2 on the fair value hierarchy and is estimated at fair value based on the rates that could be obtained for similar debt instruments with similar terms and maturities.

The fair value of Exchangeable Units and unit-based compensation is measured every period by reference to the traded value of units and is considered Level 1 in the fair value hierarchy.

The following tables summarize the fair value measurements recognized on the consolidated statements of financial position or disclosed in the REIT's' consolidated financial statements, categorized by fair value hierarchy:

			Fair value		
September 30, 2023	Note	Carrying amount	Level 1	Level 2	Level 3
Assets:					
Investment properties	4	$ 130,030,000	$ –	$ –	$ 130,030,000
Liabilities:					
Exchangeable Units	6	6,071,113	6,071,113	–	–
Units-based compensation liability	10	85,577	85,577	–	–
Mortgages payable	7	101,111,169	–	92,312,330	–
Total liabilities		$ 107,267,859	$ 6,156,690	$ 92,312,330	$ –

16. Financial risk management:

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(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.

16. Financial risk management (continued):

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 REIT's' financial instruments. As of September 30, 2023 and December 31, 2022, the REIT'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 REIT's' financial statement presentation currency is in Canadian dollars. Operations are located in Canada and the REIT has limited operational transactions in foreign-denominated currencies. As such, the REIT 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 REIT is exposed to other price risk on its Exchangeable Units and warrants. A one percent change in the prevailing market price of the Trust Units as at September 30, 2023 would have a $60,711 (December 31, 2022 - $92,150) impact on the change in the fair value of the Exchangeable Units. The warrants expired on August 10, 2022.

(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 REIT'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.

(Expressed in Canadian Dollars)

16. Financial risk management (continued):

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 condensed consolidated interim statements of net income and comprehensive income within investment properties operating expenses.

(iii) Liquidity risk:

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they become due. The REIT manages this risk by aiming to have 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 September 30, 2023 associated with the REIT's material financial liabilities is set out below:

	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter	Total
Mortgages payable	$ 7,740,051	$ 1,732,656	$ 1,779,682	$ 32,419,190	$ 59,482,117	$ 103,153,696
Interest obligation	2,896,552	2,806,652	2,759,627	2,467,003	6,054,630	16,984,464
Accounts payable and accrued liabilities	731,258	–	–	–	–	731,258
Security deposits and prepaid rent	696,030	27,061	–	–	–	723,091
	$ 12,063,891	$ 4,566,369	$ 4,539,309	$ 34,886,193	$ 65,536,747	$ 121,592,509

Included within the contractual cash flows of mortgages payable in year 1 is $6,007,297 related to a mortgage maturing in January 2024, secured against phase 1 of Element (40 of 112 units of this investment property). Management has a CMHC application pending related to this mortgage. If the CMHC application is approved management will look to secure a lender. In the event the CMHC application is approved and the period to obtain a new lender is finalized past the maturity date, management intends to work with the current lender to extend the maturity date to finalize the new mortgage. If the CMHC application is denied, management will pursue a conventional loan.

16. Financial risk management (continued):

(iii) Liquidity risk:

There are no guarantees that the above options will materialize, therefore, If the mortgage is not refinanced prior to the renewal date or the maturity date cannot be extended, the lender would have the right to demand repayment of amounts outstanding, and if not repaid, begin realizing on their security under the mortgage.

17. 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 and nine months ended September 30, 2023 and 2022 and accordingly is not subject to current income taxes. Accordingly, no provision for current income taxes payable is required.

18. Subsequent event:

The following events occurred subsequent to September 30, 2023:

(i) On October 16, 2023 the REIT paid monthly distributions of $0.001275 per Trust Unit. Holders of the Exchangeable Units were also paid a distribution of $0.001275 per Unit.

(ii) On October 16, 2023, the REIT declared a distribution of $0.001275 per Trust Unit, payable on November 15, 2023 to Unitholders of record as of the close of business on October 31, 2023. Holders of the Exchangeable Units will also be paid a distribution of $0.001275 per Unit.