Condensed Consolidated Interim Financial Statements of

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST

(Expressed in Canadian Dollars)

Three months ended March 31, 2024 and 2023
(Unaudited)

MARWEST APARTMENT REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)

As at March 31, 2024 and December 31, 2023
(Unaudited)

	Note	March 31, 2024	December 31, 2023
			(Restated – note 3)
Assets			
Non-current assets:			
Investment properties	4	$ 134,525,000	$ 134,380,000
Prepaid expenses and other assets	5	3,590,975	3,275,988
		138,115,975	137,655,988
Current assets:			
Prepaid expenses and other assets	5	367,290	331,305
Accounts and other receivables		64,160	17,555
Cash		3,593,270	1,765,615
		4,024,720	2,114,475
		$ 142,140,695	$ 139,770,463
Liabilities and Unitholders' Equity			
Non-current liabilities:			
Mortgages payable	7	$ 101,262,752	$ 93,541,045
Security deposits and prepaid rent		121,244	39,054
		101,383,996	93,580,099
Current liabilities:			
Accounts payable and accrued liabilities	8	709,117	800,097
Security deposits and prepaid rent		604,737	677,456
Exchangeable Units	6	9,757,146	9,757,146
Mortgages payable	7	1,371,402	7,226,795
Unit based compensation liability	10	151,057	150,539
		12,593,459	18,612,033
Total liabilities		113,977,455	112,192,132
Unitholders' equity	9	28,163,240	27,578,331
		$ 142,140,695	$ 139,770,463

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 ended March 31, 2024 and 2023
(Unaudited)

	Note	March 31, 2024	March 31, 2023
Revenue from investment properties	11	$ 2,540,498	$ 2,454,405
Expenses:			
Property operating expenses	8	653,557	775,215
Realty taxes		230,375	232,535
Total operating expenses		883,932	1,007,750
Net property operating income		1,656,566	1,446,655
Other expenses (income):			
General and administrative	8	189,091	201,632
Finance costs	12	978,196	952,084
Fair value gain on investment properties	4	(128,630)	(280,861)
Fair value gain on unit-based compensation	10	(115)	(41,853)
Fair value gain on Exchangeable Units	6	–	(2,601,906)
		1,038,542	(1,770,904)
Net income and comprehensive income		$ 618,024	$ 3,217,559

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 three months ended March 31, 2024 and 2023
(Unaudited)

	Note	Trust Units	Unitholders' capital	Accumulated surplus	Total
Unitholders' equity, December 31, 2022		8,667,564	$ 6,665,236	$ 12,348,787	$ 19,014,023
Units cancelled in normal course issuer bid	9	(10,000)	(7,526)	1,526	(6,000)
Distributions		–	–	(32,491)	(32,491)
Net income and comprehensive income		–	–	3,217,559	3,217,559
Unitholders' equity – March 31, 2023		8,657,564	$ 6,657,710	$ 15,535,381	$ 22,193,091
Unitholders' equity, December 31, 2023		8,657,564	6,657,710	20,920,621	27,578,331
Distributions		–	–	(33,115)	(33,115)
Net income and comprehensive income		–	–	618,024	618,024
Unitholders' equity - March 31, 2024		8,657,564	$ 6,657,710	$ 21,505,530	$ 28,163,240

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 ended March 31, 2024 and 2023
(Unaudited)

	Note	March 31, 2024	March 31, 2023
Cash provided by (used in):			
Operating activities:			
Net income and comprehensive income		$ 618,024	$ 3,217,559
Adjustments for:			
Unit-based compensation expense	10	633	15,445
Fair value gain on investment properties	4	(128,630)	(280,861)
Fair value gain on unit-based compensation	10	(115)	(41,853)
Fair value gain on Exchangeable Units	6	–	(2,601,906)
Finance costs	12	978,196	952,084
Interest paid		(798,822)	(774,627)
Interest received		31,175	16,947
Distributions paid on Exchangeable Units	6	(41,467)	(40,594)
Change in non-cash working capital	13	(173,704)	54,768
		485,290	516,962
Investing activities:			
Capital expenditures	4	(14,348)	(9,937)
Direct leasing costs	4	(2,022)	(1,653)
		(16,370)	(11,590)
Financing activities:			
CMHC premiums paid		(347,700)	–
Trust Units acquired and cancelled	9	–	(6,000)
Distributions paid on Trust Units		(33,115)	(32,503)
Financing fees	8,12	(206,936)	(19,860)
Debt advanced	7	8,387,700	–
Debt principal payments	7	(6,441,214)	(450,199)
		1,358,735	(508,562)
Increase (decrease) in cash		1,827,655	(3,190)
Cash, beginning of period		1,765,615	1,424,511
Cash, end of period		$ 3,593,270	$ 1,421,321

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 owns and operates a portfolio of 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 March 31, 2024 and December 31, 2023, the REIT's portfolio consisted of four multi-family investment properties, all of which are held by its subsidiary, MAR REIT L.P. (the "Partnership"). Three of the investment properties are held through Marwest Apartments I L.P. ("Kenwood Court"), Marwest Apartments VII L.P. ("Brio Brownstones") and 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 condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) *34, Interim Financial Reporting*. The 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, 2023 and 2022 (the “Annual 2023 Financial Statements”), which have been prepared in accordance with IFRS Accounting Standards.

These condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT and authorized for issuance on May 16, 2024.

(b) Basis of measurement:

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

2. Basis of presentation (continued):

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

The operating results for the three months ended March 31, 2024 are not necessarily indicative of results that may be expected for the year ending December 31, 2024 due to seasonal variations in property expenses and other factors, including the impacts of macroeconomic events, if any.

Except as described in note 3, the accounting policies applied by the REIT in these condensed consolidated interim financial statements are consistent with those applied in the Annual 2023 Financial Statements.

3. Change in accounting policy:

The REIT adopted *Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants – Amendments to IAS 1*, (the “Amendments”) as issued in 2020 and 2022. The amendments apply retrospectively for annual reporting periods beginning on January 1, 2024. They clarify certain requirements for determining whether a liability should be classified as current or non-current. The amendments clarify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists.

As a result of the adoption of the Amendments, the REIT classified the unit based compensation liability as a current liability when it had previously been recorded as a non-current liability on the consolidated statements of financial position. The impact as at December 31, 2023 was $150,539 and as at January 1, 2023 was $93,531. There was no impact to the consolidated statements of income and comprehensive income or the consolidated statements of cash flows.

(Expressed in Canadian Dollars)

4. Investment properties:

The following table presents the change in investment properties for the three months ended March 31, 2024 and 2023:

	March 31, 2024	March 31, 2023
Balance, beginning of period	$ 134,380,000	$ 126,803,030
Additions:		
Capital expenditures	14,348	9,937
Direct leasing costs	2,022	1,653
Fair value gain	128,630	280,861
Balance, end of period	$ 134,525,000	$ 127,095,481

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 March 31, 2024 for each property in the REIT's portfolio by management (December 31, 2023 - 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 March 31, 2024 and December 31, 2023.

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 March 31, 2024 was 5.00 percent (December 31, 2023 - 5.00 percent).

(Expressed in Canadian Dollars)

4. Investment properties (continued):

At March 31, 2024, a 25-basis point expansion in the weighted-average capitalization rate would decrease the estimated fair value of investment properties by approximately $6,394,565 (December 31, 2023 - $6,382,930). A 25-basis point compression in the weighted-average capitalization rate would increase the estimated fair value of investment properties by approximately $7,066,366 (December 31, 2023 - $7,052,970).

At March 31, 2024 and December 31, 2023, the investment properties were pledged as security under mortgage agreements.

5. Prepaid expenses and other assets:

	March 31, 2024	December 31, 2023
Prepaid expenses	$ 265,417	$ 238,126
Prepaid CMHC premiums	3,692,848	3,369,167
	$ 3,958,265	$ 3,607,293
Current	$ 367,290	$ 331,305
Non-current	3,590,975	3,275,988
	$ 3,958,265	$ 3,607,293

6. Exchangeable 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 is measured every period by reference to the traded value of the Trust Units, with changes in measurement recorded in the condensed consolidated interim statements of net income and comprehensive income.

(Expressed in Canadian Dollars)

6. Exchangeable Units (continued):

The following table reconciles the change in Exchangeable Units for the three months ended March 31, 2024 and March 31, 2023:

	Three months ended March 31, 2024		Three months ended March 31, 2023	
	Units	Amount	Units	Amount
Balance, beginning of period	10,841,274	$ 9,757,146	10,841,274	$ 9,215,083
Fair value change	–	–	–	(2,601,906)
Balance, end of period	10,841,274	$ 9,757,146	10,841,274	$ 6,613,177

For the three months ended March 31, 2024, distributions of $41,467 (March 31, 2023 - $40,650) were declared on the Exchangeable Units and are included in finance costs in the condensed consolidated interim statements of net income and comprehensive income.

7. Mortgages payable:

	March 31, 2024	December 31, 2023
Mortgages	$ 104,644,925	$ 102,698,439
Unamortized mark-to-market adjustment	(1,407,580)	(1,515,419)
Unamortized deferred financing costs	(603,191)	(415,180)
Total mortgages	$ 102,634,154	$ 100,767,840

	March 31, 2024	December 31, 2023
Current	$ 1,371,402	$ 7,226,795
Non-current	101,262,752	93,541,045
	$ 102,634,154	$ 100,767,840

At March 31, 2024, mortgages are secured by investment properties, bear interest at a weighted average contractual interest rate of 3.09 percent (December 31, 2023 - 3.01 percent) and mature at various dates from 2027 - 2034 (December 31, 2023 - 2024 - 2032). The mortgages are guaranteed, on a joint and several basis by MAR REIT GP LTD., and MAR REIT L.P. and its subsidiaries.

(Expressed in Canadian Dollars)

7. Mortgages payable (continued):

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 March 31, 2024, the fair value of mortgages was $96,699,010 (December 31, 2023 - $96,697,100).

The mortgages payable balances at March 31, 2024, excluding unamortized mark-to-market adjustments and unamortized deferred financing costs, are due as follows:

2024 (remainder of year)	$ 1,334,697
2025	1,827,497
2026	1,879,604
2027	35,960,948
2028	1,375,609
2029 and thereafter	62,266,570
	$ 104,644,925

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	(1,797,802)	–	–	(1,797,802)
Deferred financing amortization	–	–	60,681	60,681
Amortization of mark-to market adjustment	–	386,501	–	386,501
Balance, December 31, 2023	$ 102,698,439	$ (1,515,419)	$ (415,180)	$ 100,767,840
Issuance	8,387,700	–	(203,421)	8,184,279
Repayments	(6,441,214)	–	–	(6,441,214)
Deferred financing amortization	–	–	15,410	15,410
Amortization of mark-to market adjustment	–	107,839	–	107,839
Balance, March 31, 2024	$ 104,644,925	$ (1,407,580)	$ (603,191)	$ 102,634,154

During the three months ended March 31, 2024, the REIT entered into a new CMHC insured mortgage on the Element Phase I property which matures in March 2034. The REIT utilized the proceeds from this mortgage to repay the original mortgage which was not CMHC insured.

(Expressed in Canadian Dollars)

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.

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 of the Agreement.

These transactions are incurred in the normal course of operations and measured at the exchange amount agreed upon.

The Agreement provides for the following fees:

Type	Basis
Base asset management[1]	0.25 percent of gross book value
Property management	4 percent of gross receipts
Acquisition[2]	variable
Construction management[3]	variable
Incentive fees[4]	15 percent of growth in AFFO

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 statements 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.

4 Incentive fees are 15 percent of the REIT's adjusted funds from operations per unit ("AFFO Per Unit") as defined in Agreement, in excess of the AFFO Per Unit determined as at December 31 of the prior fiscal year, provided that the maximum Incentive Fee that may be paid in any fiscal year is 100 percent of the base asset management fee.

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 asset management fee is included in general and administrative expenses in the condensed consolidated interim statements of net income and comprehensive income.

(Expressed in Canadian Dollars)

8. Related party transactions (continued):

The Incentive 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. No incentive fee amount was accrued as at March 31, 2024 and March 31, 2023.

The Agreement also provides for the Manager to be reimbursed by the REIT for actual out of pocket costs and expenses incurred by the Manager in connection with performance of the services described in the Agreement including caretakers, janitors and other personnel devoted to specific investment properties.

In addition to the related party transactions disclosed elsewhere in these condensed consolidated interim financial statements, related party transactions include:

	Three months ended March 31, 2024	Three months ended March 31, 2023
Property management fees	$ 109,336	$ 105,482
Salary reimbursement	38,634	44,387
Base asset management fees	87,477	81,506
	$ 235,447	$ 231,375

At March 31, 2024, included in accounts payable and accrued liabilities are amounts owing to the Manager of $215,986 (December 31, 2023 - $241,725) related to property management fees, asset management fees, incentive fees and salary reimbursements.

The board of trustees were issued $633 in deferred units related to distributions on outstanding units during the three months ended March 31, 2024, During the three months ended March 31, 2023 the Trustees were issued $15,445 deferred units representing 50 percent of their annual compensation rounded down to the nearest unit and distributions on outstanding units during the three months ended March 31, 2023 at a price of $1.10 per unit (note 10). The board of trustees were also remunerated $1,500 (2023 - $1,500) per board meeting and paid the balance of their quarterly compensation, $33,434 (March 31, 2023 - $15,791) in cash.

8. Related party transactions (continued):

Loan financing fees of $37,745 (December 31, 2023 - nil) were paid to a Company of which a member of the Board of Trustees provides services to.

9. Unitholders’ equity:

The Declaration of Trust authorizes the issue of an unlimited number the Trust Units and Special Voting Units. As of March 31, 2024 there were 8,657,564 Trust Units and 10,894,987 Special Voting Units (December 31, 2023 - 8,657,564 Trust Units and 10,894,987 Special Voting Units).

For the three months ended March 31, 2024, distributions to Unitholders of $33,115 (March 31, 2023- $32,491) were declared. This represents monthly distributions of $0.001275 per Trust Unit ($0.00125 per Unit for the three months ended March 31, 2023).

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. The cost of the units was $7,526 with $1,526 adjusted to retained earnings representing the shortfall of the purchase price below cost.

(Expressed in Canadian Dollars)

10. Unit-based compensation:

As at and for the three months ended March 31, 2024 and 2023, 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 March 31, 2024 and 2023:

	Three months ended March 31, 2024			Three months ended March 31, 2023		
	Units		Amount	Units		Amount
Balance, beginning of period	167,265	$	150,539	110,036	$	93,531
Issued	576		633	14,041		15,445
Fair value change	–		(115)	–		(41,853)
Balance, end of period	167,841	$	151,057	124,077	$	67,123

11. Revenue from investment properties:

The components of revenue from investment properties for the three months ended March 31, 2024 and 2023 are as follows:

		Three months ended March 31, 2024		Three months ended March 31, 2023
Basic rent	$	2,088,621	$	1,795,872
Property operating expense recoveries		451,877		658,533
	$	2,540,498	$	2,454,405

Future minimum rents receivable under non-cancellable operating leases as at March 31, 2024 are as follows:

Within 1 year	$	6,245,186
Year 2		267,901
	$	6,513,087

(Expressed in Canadian Dollars)

12. Finance costs:

Finance costs for the three months ended March 31, 2024 and 2023 are comprised of the following:

	Note	March 31, 2024	March 31, 2023
Interest expense on mortgages		$ 817,121	$ 773,565
Loan and financing charges	7	3,515	19,860
Amortization of financing charges		15,410	15,036
Amortization of CMHC fees		24,019	23,294
Amortization of mark-to-market adjustments		107,839	96,626
Distributions on Exchangeable Units		41,467	40,650
Interest income		(31,175)	(16,947)
Finance costs		$ 978,196	$ 952,084

13. Changes in non-cash working capital:

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

	March 31, 2024	March 31, 2023
Accounts receivable	$ (46,605)	$ 12,310
Prepaid expenses and other assets	(27,291)	(57,959)
Accounts payable and accrued liabilities	(109,279)	70,562
Security deposits and prepaid rent	9,471	29,855
	$ (173,704)	$ 54,768

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.

(Expressed in Canadian Dollars)

14. Capital management (continued):

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.

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 statements 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:

	March 31, 2024	December 31, 2023
Exchangeable Units	$ 9,757,146	$ 9,757,146
Unit based compensation liability	151,057	150,539
Mortgages payable	102,634,154	100,767,840
Unitholders’ equity	28,163,240	27,578,331
	$ 140,705,597	$ 138,253,856

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 and loans 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 condensed consolidated interim statements of financial position or disclosed in the REIT's condensed consolidated interim financial statements, categorized by fair value hierarchy:

			Fair value		
March 31, 2024	Note	Carrying amount	Level 1	Level 2	Level 3
Assets:					
Investment properties	4	$ 134,525,000	$ –	$ –	$ 134,525,000
Liabilities:					
Exchangeable Units	6	9,757,146	9,757,146	–	–
Unit-based compensation liability	10	151,057	151,057	–	–
Mortgages payable	7	102,634,154	–	96,699,010	–
Total liabilities		$ 112,542,357	$ 9,908,203	$ 96,699,010	$ –

			Fair value		
December 31, 2023	Note	Carrying amount	Level 1	Level 2	Level 3
Assets:					
Investment properties	4	$ 134,380,000	$ –	$ –	$ 134,380,000
Liabilities:					
Exchangeable Units	6	9,757,146	9,757,146	–	–
Unit-based compensation liability	10	150,539	150,539	–	–
Mortgages payable	7	100,767,840	–	96,697,100	–
Total liabilities		$ 110,675,525	$ 9,907,685	$ 96,697,100	$ –

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.

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 March 31, 2024 and December 31, 2023, 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 unit based compensation liability. A one percent change in the prevailing market price of the Trust Units as at March 31, 2024 would have a $97,571 impact on the change in the fair value of the Exchangeable Units (December 31, 2023 - $97,571). A one percent change in the prevailing market price of the Trust Units as at March 31, 2024 would have a nominal impact on the fair value of the unit based compensation liability (December 31, 2023 - nominal).

(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.

(Expressed in Canadian Dollars)

16. Financial risk management (continued):

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.

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 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, 2024, for the following 12 month periods at March 31, 2024, associated with the REIT's financial liabilities is set out below:

	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter	Total
Mortgages and loans payable	$ 1,792,331	$ 1,840,024	$ 1,892,905	$ 35,818,723	$ 63,300,942	$ 104,644,925
Interest obligation	3,184,190	3,136,497	3,083,616	2,360,896	7,216,883	18,982,082
Accounts payable and accrued liabilities	709,117	–	–	–	–	709,117
Security deposits	604,737	121,244	–	–	–	725,981
	$ 6,290,375	$ 5,097,765	$ 4,976,521	$ 38,179,619	$ 70,517,825	$ 125,062,105

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 ended March 31, 2024 and 2023, and accordingly is not subject to current income taxes in Canada. Accordingly, no provision for current income taxes payable is required.

18. Subsequent events:

The following events occurred subsequent to March 31, 2024:

i. On each of April 15, 2024 and May 15, 2024, 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 May 15, 2024, the REIT declared a distribution of $0.001275 per Trust Unit, payable on June 17, 2024 to Unitholders of record as of the close of business on May 31, 2024. Holders of the Exchangeable Units will also be paid a distribution of $0.001275 per Unit.