



**MARWEST**  
APARTMENT REIT

**Marwest Apartment Real Estate Investment Trust**

**Management's Discussion and Analysis**

**For the three and six months ended June 30, 2024**

**(Expressed in Canadian Dollars)**

## **Management's Discussion and Analysis For the three and six months ended June 30, 2024 (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 financial statements ("interim financial statements") and notes thereto for the three and six months ended June 30, 2024 and 2023 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, 2023 and 2022, which are available on the Trust's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR+") at [www.sedarplus.ca](http://www.sedarplus.ca). The financial information contained in this MD&A derived from the financial statements has been prepared in accordance with IFRS Accounting Standards ("IFRS").

The Trust's board of trustees (the "Board") approved the content of this MD&A on August 8, 2024. Disclosure in this document is current to that date unless otherwise stated. Additional information relating to the Trust can be found on SEDAR+ and also on the Trust's website at [www.marwestreit.com](http://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 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. This 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 the value of trust units ("Trust Units") value through capital investment strategies, active asset and property management, to provide holders ("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, of which 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 2024 is three (3) percent. While all 516 rental units of the Trust are exempt from rent control as they were constructed within the last 20 years, the exempt period in Manitoba, 225 of the 516 units have restrictive financing agreements with the Canada Mortgage and Housing Corporation relating to affordable housing programs.

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.

### **OVERVIEW**

The REIT is an unincorporated real estate investment trust governed by the amended and restated declaration of trust of the REIT dated April 30, 2021 (the "Declaration of Trust") and by the laws of the Province of Manitoba. On April 30, 2021, the REIT completed its qualifying transaction and as such commenced commercial operations.

The authorized equity and voting securities of the REIT are comprised of Trust Units and special voting units ("Special Voting Units"). The Trust Units are listed and posted for trading on the TSX Venture Exchange under the symbol "MAR.UN".

**Management's Discussion and Analysis  
For the three and six months ended June 30, 2024  
(Expressed in Canadian Dollars)**

The Trust's portfolio consists of four multi-family residential rental properties located in Winnipeg, Manitoba, comprising an aggregate of 516 rental units consisting of (i) the 74 unit multi-family rental apartment property located at 160 Eaglewood Drive in Winnipeg, Manitoba (the "Brio Phase I Property") and the 74 unit multi-family rental apartment property located at 140 Eaglewood Drive in Winnipeg, Manitoba (the "Brio Phase II Property") (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 (the "Element Phase I Property") and the seventy-two (72) unit multi-family rental apartment property located at 30 El Tassi Drive in Winnipeg, Manitoba (the "Element Phase II Property") (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 100% 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.

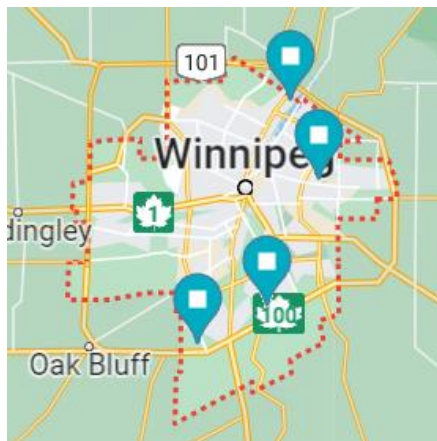
The Partnership is a limited partnership formed under the laws of the Province of Manitoba and governed by the limited partnership agreement dated April 19, 2021. The authorized equity and voting securities of the Partnership are comprised of Class A limited partnership units of the Partnership, all 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.

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 Trust owns and operates a portfolio of income-producing multi-family rental properties located in Western Canada. 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 Government of Manitoba enacted a rental freeze in 2023, whereby landlords were not permitted to increase rental rates outside of the rental guidelines, subject to certain exemptions. In 2024, the Government of Manitoba approved a rental increase of a maximum of three (3) percent. 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 June 30, 2024*

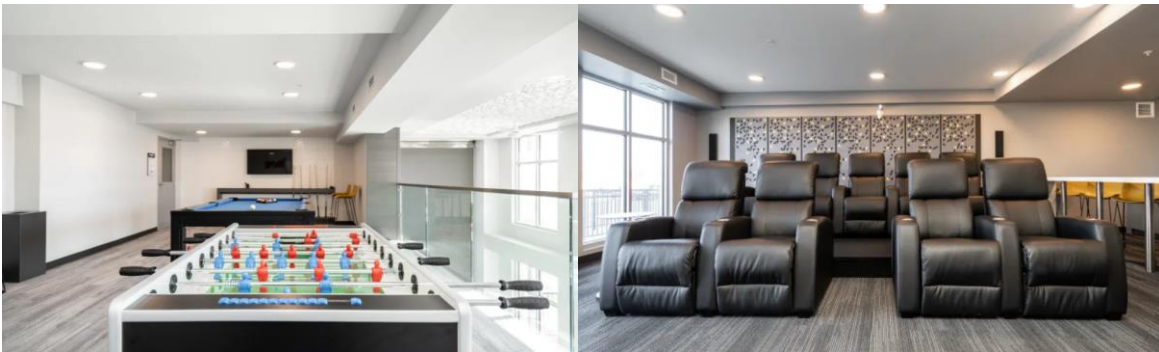
**Management's Discussion and Analysis  
For the three and six months ended June 30, 2024  
(Expressed in Canadian Dollars)**

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

*Brio Brownstones Clubhouse featured below*



*Prairie View Pointe Property games and movie room featured below*



At June 30, 2024, 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, 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 within 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 are 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 also seek third party acquisitions from other developers or owners of multi-family properties in target markets across Western Canada.

## **Management's Discussion and Analysis**

### **For the three and six months ended June 30, 2024**

#### **(Expressed in Canadian Dollars)**

#### **Distribution**

Distributions are paid monthly to Unitholders of record at the close of business on the last day of a month on or about the 15<sup>th</sup> 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. Commencing January 15, 2022 through July 31, 2023, the Board of Trustees declared distributions in the amount of \$0.00125 per Trust Unit (\$0.015 per unit annualized) payable on or about the 15<sup>th</sup> day of the following month to Unitholders of record on the last day of the prior month. On August 10, 2023, the Board of Trustees approved an increase in the amount of the monthly distribution by 2% to \$0.001275 per Trust Unit (\$0.0153 per unit annualized), commencing with the distribution payable on September 15, 2023 to Unitholders of record on August 31, 2023. On June 14, 2024, the Board of Trustees approved an increase in the amount of the monthly distribution by approximately 2% to \$0.0013 per Trust Unit (\$0.0156 per unit annualized), commencing with the distribution payable on July 15, 2024 to Unitholders of record on June 30, 2024. The cash distribution policy of the Trust may be further 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 as 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 the greater of: (a) the value of the assets of the Trust and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet prepared in accordance with IFRS; 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 ("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.

At June 30, 2024, 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.

**Management's Discussion and Analysis**  
**For the three and six months ended June 30, 2024**  
**(Expressed in Canadian Dollars)**

**Non-IFRS Measures**

The Trust's financial statements are prepared in accordance with IFRS. The Trust's MD&A also contains certain non-IFRS measures (including non-IFRS ratios) 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.

*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 (loss) 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 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.

*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.

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

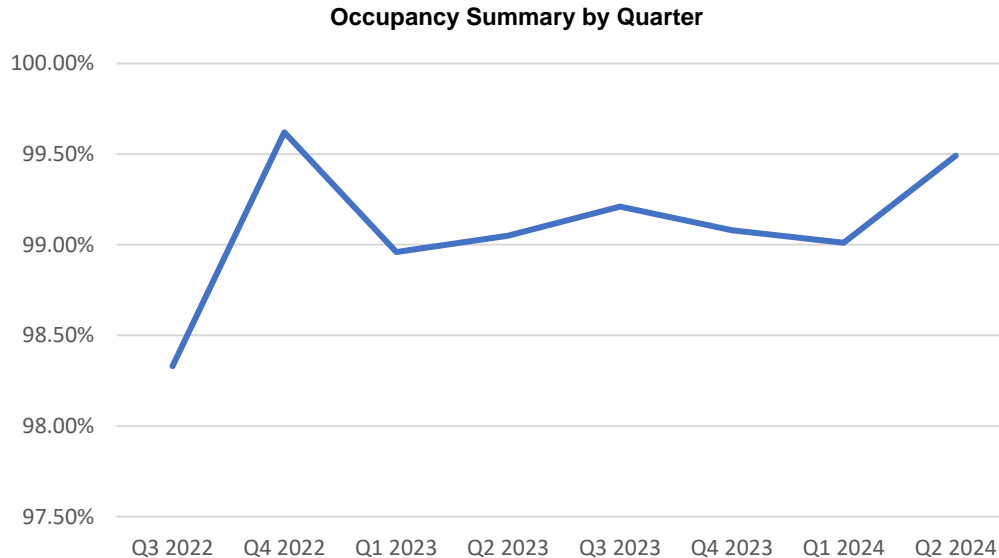
- "FFO per unit" is calculated as FFO divided by the weighted average number of Trust Units and Exchangeable Units of the Partnership outstanding over the period.
- "AFFO per unit" is calculated as AFFO divided by the weighted average number of Trust Units and Exchangeable Units of the Partnership outstanding 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 of the Partnership.
- "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.
- "Same Property NOI" is defined as Net Operating Income from properties owned by the REIT throughout comparative periods, which removes the impact of situations that result in the comparative period to be less meaningful, such as acquisitions, or properties going through a lease-up period

**Management's Discussion and Analysis  
For the three and six months ended June 30, 2024  
(Expressed in Canadian Dollars)**

**SUMMARY OF 2024 RESULTS AND OPERATIONS**

**Occupancy Rates**

The REIT has reported an average 99.49% occupancy for the three months ended June 30, 2024 (99.11% for the three months ended June 30, 2023) and 99.25% for the six months ended June 30, 2024 (98.70% for the six months ended June 30, 2024). Management expects occupancy rates to remain stable for the next 12 months.



The average occupancy rate<sup>1</sup> for the trailing eight quarters was strong due to immigration, elevated interest rates causing home ownership to be less affordable, the slowing of construction development for multi-family and single-family developments due to increased interest rates and increases in construction costs.

**Mortgage Interest Rates and Future Renewals**

The conventional mortgage, secured by Element Phase I Property, was set to mature on January 1, 2024 and was extended with the original lender to mature on or before March 1, 2024 at an interest rate of 7.5%. On February 29, 2024, management completed the refinancing of the Element Phase I Property with a CMHC insured mortgage in the amount of \$8,387,700 with an amortization period of 40 years and a term of ten years at a rate of 4.30%.

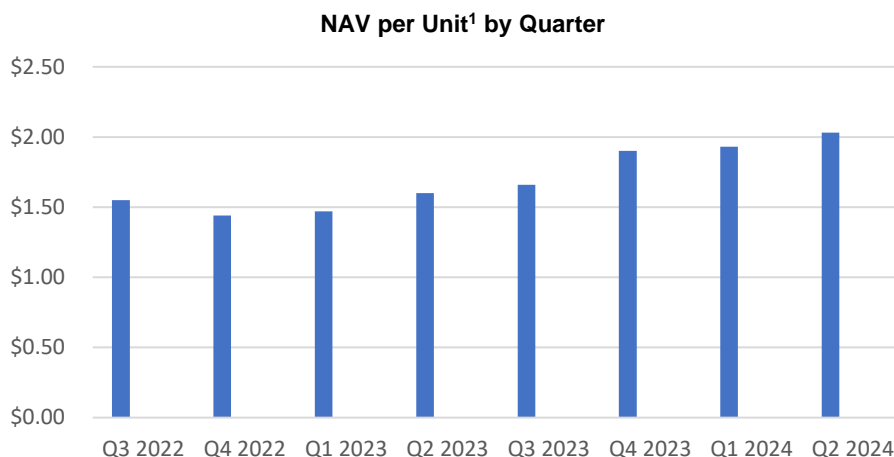
At June 30, 2024, six of the seven mortgages held within the portfolio were financed with CMHC insurance.

<sup>1</sup> See Non-IFRS Measures

**Management's Discussion and Analysis  
For the three and six months ended June 30, 2024  
(Expressed in Canadian Dollars)**

**NAV per Unit<sup>1</sup>**

The REIT reported a NAV per Unit<sup>1</sup> of \$2.03 at June 30, 2024 (December 31, 2023 - \$1.90). The overall increase in NAV<sup>1</sup> was due to updated market conditions throughout all properties and net operating income less finance costs and general and administrative expenses exceeding distributions.



**Asset Management Fees and Trustee Compensation**

For the three and six months ended June 30, 2024, the REIT incurred asset management fees of \$88,268 and \$175,745 respectively, inclusive of GST (June 30, 2023 - \$83,178 and \$164,684).

Prior to January 1, 2024, Trustees were remunerated approximately 50 percent of their pro-rated annual compensation in Deferred Units, in accordance with the Trust's equity incentive plan, with the remaining 50 percent and meeting fees paid in cash. See Note 10 of the condensed consolidated financial statements for further details.

**OUTLOOK**

Management anticipates the demand for rental housing in Winnipeg to continue to grow, as evidenced in the 2024 CMHC Rental Market Report and the Spring 2024 CMHC Housing Market Outlook, which noted the population of Winnipeg and Manitoba will likely continue to grow rapidly in 2024 due to immigration. The reports expect rental vacancy to continue to decrease from 1.6% in 2024 to 1.4% in 2025 and 1.3% in 2026. Rental supply from new construction is expected to decrease slightly in 2024, when compared to 2023, primarily due to high financing costs. Due to these tight market conditions, it is expected that there will be continued increases in rents in 2024, worsening rental affordability.

Lower housing starts in Winnipeg, representing a 67 percent decrease over the prior year as noted in the May 2024 CMHC media newsroom, indicate potentially fewer rental units added to the rental market in the near future and supports continued demand of multifamily rentals. The Government of Canada has set immigration targets of 485,000 in 2024 and 500,000 in 2025. Management believes that both factors may cause the demand for multifamily rentals to continue to grow. With the Bank of Canada decreasing interest rates twice in 2024, Management expects with continued decreases in the Bank of Canada lending rate that the costs of home ownership may alleviate the affordability gap and slightly reduce the demand for multifamily rentals.

The REIT's next mortgage matures in July 2027, providing the REIT with a solid position during the current interest rate environment. This extended period before mortgage refinancing may provide the REIT with the potential for better interest rates than the current interest rate environment. Forecasts of five major lenders anticipate rates to continue to decline, forecasting rates at the end of 2025 between sub-3 percent to 3.5 percent, as noted in the Colliers Interest Rate Outlook – June 2024.

The REIT is subject to the laws and regulations governing the ownership and leasing of real property, employment standards, environmental and energy efficiency matters, taxes and other matters. It is possible that future changes in applicable Canadian federal, provincial, municipal or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the REIT (including with retroactive effect). Any changes in the laws to which the REIT will be subject in the jurisdictions in which it operates could materially affect the rights and title to the properties of the REIT. It is not possible to predict whether there will be any further changes in the regulatory regime(s) to which the REIT is subject or the effect of any such change on the REIT's investments.

**Management's Discussion and Analysis**  
**For the three and six months ended June 30, 2024**  
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The real estate industry is highly capital intensive. The REIT requires access to capital to fund its growth strategy and any capital expenditures from time to time. There can be no assurance that the REIT will have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Management believes the increase in the number of transactions in the multifamily market over the last 12 months could translate into opportunities for a future capital raise. Management is continually reviewing opportunities to complete accretive acquisitions for the REIT Unitholders.

**FINANCIAL OPERATIONS AND RESULTS**

**Valuation**

The fair value of residential properties is typically determined using the direct capitalization approach. Stabilized net operating income<sup>1</sup> 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 income<sup>1</sup> 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. The Province of Manitoba has a school tax rebate of 50 percent in 2024. This rebate is set to end subsequent to the current year and is not included in stabilized operating expenses for valuation purposes. 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. The weighted-average capitalization rate used at June 30, 2024 was 5.00 percent (December 31, 2023 – 5.00 percent).

The Trust's investment properties are recorded at a fair value of \$136,105,000 at June 30, 2024 (December 31, 2023 - \$134,380,000), the Trust recorded a fair value gain of \$1,334,416 and \$1,463,046 for the three and six months ended June 30, 2024 (fair value gain of \$2,196,910 and \$2,477,771 respectively for the three and six months ended June 30, 2023). The fair value gain was attributable to improved market conditions throughout three of the properties, such as increases in estimated 12-month stabilized net operating income<sup>1</sup> due to market rent increases in properties where allowable.

**Performance Measures**

The following outlines the portfolio metrics:

<i>Operations</i>	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Number of properties	4	4	4	4
Total multi-family units	516	516	516	516
Total rentable square feet	463,812	463,812	463,812	463,812
Average monthly rent per suite	\$ 1,581	\$ 1,536	\$ 1,573	\$ 1,532
Average occupancy rate <sup>1</sup>	99.49%	99.11%	99.25%	98.70%
Rent collection	99.79%	99.10%	99.55%	99.54%

Average monthly rent per suite increased in Q2 2024 over Q2 2023 due to market conditions permitting rental increases throughout the portfolio.

**Management's Discussion and Analysis**  
**For the three and six months ended June 30, 2024**  
**(Expressed in Canadian Dollars)**

<i>Financial Measures</i>	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Revenue	\$ 2,566,572	\$ 2,487,043	\$ 5,107,070	\$ 4,941,448
NOI <sup>1</sup>	1,754,064	1,633,688	3,410,630	3,080,343
NOI Margin <sup>1</sup>	68.34%	65.69%	66.78%	62.34%
FFO <sup>1</sup>				
Net income and comprehensive income	2,505,206	2,839,458	3,123,230	6,057,017
Distributions on Exchangeable Units	41,227	40,654	82,694	81,304
Fair value gain on properties	(1,334,416)	(2,196,910)	(1,463,046)	(2,477,771)
Fair value gain on unit-based compensation	(8,537)	(16,770)	(8,652)	(58,623)
Fair value gain on Exchangeable Units	(561,947)	(108,412)	(561,947)	(2,710,318)
FFO <sup>1</sup>	641,533	558,020	1,172,279	891,609
Weighted average number of Units	19,498,838	19,508,707	19,498,838	19,508,707
FFO/unit <sup>1</sup>	\$ 0.0329	\$ 0.0286	\$ 0.0601	\$ 0.0457
<b>AFFO<sup>1</sup></b>				
FFO <sup>1</sup>	\$ 641,533	\$ 558,020	\$ 1,172,279	\$ 891,609
Capital expenditures <sup>2</sup>	(239,704)	(26,935)	(254,052)	(36,872)
Leasing costs	(5,880)	(3,675)	(7,902)	(5,328)
AFFO <sup>1</sup>	395,949	527,410	910,325	849,409
Weighted average number of Units	19,498,838	19,508,707	19,498,838	19,508,707
AFFO/unit <sup>1</sup>	\$ 0.0203	\$ 0.0270	\$ 0.0467	\$ 0.0435
AFFO payout ratio <sup>1</sup>	18.84%	13.87%	8.19%	8.61%

For the three and six months ended June 30, 2024 the Trust reported \$0.0329 and \$0.0601 of FFO/unit<sup>1</sup> respectively. The increase over the three and six months ended June 30, 2023 in FFO/unit<sup>1</sup> was due to increased NOI<sup>1</sup> reported on same properties. The AFFO payout ratio increased for the three months ended June 30, 2024 by 4.97% due to increased capital expenditures relating to the Kenwood property in Q2, 2024.

At June 30, 2024, NAV<sup>1</sup> was \$39,829,801 representing a NAV per Unit<sup>1</sup> of \$2.03 (December 31, 2023 - \$37,335,477 representing a NAV per Unit<sup>1</sup> of \$1.90). The overall increase in NAV<sup>1</sup> was due to improved market conditions and net operating income less finance costs and general and administrative expenses exceeding distributions.

<i>NAV<sup>1</sup></i>	At June 30, 2024	At December 31, 2023
Unitholders' equity	\$30,783,731	\$27,578,331
Exchangeable Units	9,046,070	9,757,146
<b>NAV<sup>1</sup></b>	<b>39,829,801</b>	<b>37,335,477</b>
Trust Units	8,856,403	8,657,564
Exchangeable Units	10,642,435	10,841,274
Deferred Units	168,420	167,265
Total Units outstanding	19,667,258	19,666,103
<b>NAV per unit<sup>1</sup></b>	<b>\$2.03</b>	<b>\$1.90</b>

<sup>1</sup> See Non-IFRS Measures

<sup>2</sup> Capital expenditures include upgrades to suites upon turnover and a roof replacement on the Kenwood Property

**Management's Discussion and Analysis**  
**For the three and six months ended June 30, 2024**  
**(Expressed in Canadian Dollars)**

<b>Leverage</b>		<b>At June 30, 2024</b>
<b>Debt-to-Gross Book Value ratio <sup>1</sup>:</b>		
Total interest-bearing debt	\$	102,320,082
Total assets on balance sheet		143,900,306
<b>Debt-to-Gross Book Value ratio <sup>1</sup></b>		<b>71.10%</b>
<b>Debt Service Coverage ratio <sup>1</sup>:</b>		
Net Operating Income <sup>1</sup> for the six months ended June 30, 2024	\$	3,410,630
Mortgage payments for the six months ended June 30, 2024		2,470,821
<b>Debt Service Coverage ratio <sup>1</sup></b>		<b>1.38</b>
Weighted average term to maturity on fixed rate debt		69.55 months
Weighted average interest rate on fixed debt		3.09%

Exchangeable Units are not indebtedness for the purposes of Debt-to-Gross Book Value ratio<sup>1</sup> and therefore are not included in the determination of Debt-to-Gross Book Value ratio<sup>1</sup>.

Total assets at June 30, 2024 are \$143,900,306, the increase from December 31, 2023 is due to the increase in market value of the investment properties, the upward financing of the Element Phase I mortgage, resulting in additional cash on hand, and positive cash flow from operations generated during the period. Total interest-bearing debt includes mortgages payable of \$102,320,082. During the six months ended June 30, 2024, mortgages had an overall increase of \$1,552,242 from the refinancing of the Element Phase I Property which was offset by principal payments, amortization of mark-to-market adjustments, and financing costs.

**Review of Financial Performance**

The following tables highlight selected information for the Trust's portfolio for the three and six months ended June 30, 2024 and 2023:

<b>Summary of Statement of Net Income</b>	<b>Three months ended June 30</b>		<b>Six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Revenue from investment properties	\$ 2,566,572	\$ 2,487,043	\$ 5,107,070	\$ 4,941,448
Property operating expenses	(574,288)	(634,174)	(1,227,845)	(1,409,389)
Realty taxes	(238,220)	(219,181)	(468,595)	(451,716)
<b>Net Operating Income <sup>1</sup></b>	<b>\$ 1,754,064</b>	<b>\$ 1,633,688</b>	<b>\$ 3,410,630</b>	<b>\$ 3,080,343</b>
NOI Margin <sup>1</sup>	68.34%	65.69%	66.78%	62.34%
General and administrative	(211,840)	(184,424)	(400,931)	(386,056)
Finance costs	(941,918)	(931,898)	(1,920,114)	(1,883,982)
Fair value gain on:				
Investment properties	1,334,416	2,196,910	1,463,046	2,477,771
Unit-based compensation	8,537	16,770	8,652	58,623
Exchangeable Units	561,947	108,412	561,947	2,710,318
<b>Net income and comprehensive income</b>	<b>\$ 2,505,206</b>	<b>\$ 2,839,458</b>	<b>\$ 3,123,230</b>	<b>\$ 6,057,017</b>

**Net operating income<sup>1</sup>**

For the three and six months ended June 30, 2024 the Trust earned NOI<sup>1</sup> of \$1,754,064 and \$3,410,630, respectively (three and six months ended June 30, 2023 – NOI<sup>1</sup> of \$1,633,688 and \$3,080,343, respectively). Net operating income for the three and six months ended June 30, 2024 increased over the prior period due to higher rental rates and occupancy levels, as well as reduced operating expenses, such as insurance, repairs and maintenance and utilities.

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

**Management's Discussion and Analysis**  
**For the three and six months ended June 30, 2024**  
**(Expressed in Canadian Dollars)**

**General and administrative expenses**

General and administrative expenses relate to the administration of the Trust, including: legal fees, audit fees, asset management fees, incentive fees, Trustee compensation and other public company costs. General and administrative expenses increased over the same period 2023 due to increases in director compensation, higher asset management fees due to the value of the properties, and accounting fees. These increases were offset by decreases in director insurance and legal fees.

**Finance costs**

Finance costs increased due to increased mortgage interest costs related to the Element Phase I mortgage extension as well as an increase over the comparative period related to increased amortization of mark-to-market adjustments related to the Brio Phase I mortgage. Distributions increased by 2 percent, in August 2023 and again on June 2024, accounting for the increase over the comparative period in distributions on Exchangeable Units.

<b>Summary of Finance costs</b>	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Interest on mortgages payable	\$ 798,445	\$ 774,801	\$ 1,615,566	\$ 1,548,366
Loan and financing charges	-	-	3,515	19,860
Amortization of financing charges	18,421	15,125	33,831	30,161
Amortization of CMHC fees	25,468	23,296	49,487	46,590
Amortization of mark-to-market adjustments	107,839	96,625	215,678	193,251
Distribution on Exchangeable Units	41,227	40,654	82,694	81,304
Interest income	(49,482)	(18,603)	(80,657)	(35,550)
<b>Total</b>	<b>\$ 941,918</b>	<b>\$ 931,898</b>	<b>\$ 1,920,114</b>	<b>\$ 1,883,982</b>

**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 six months ended June 30, 2024, the market price of the Trust Units decreased to \$0.85 per Trust Unit on June 30, 2024 from \$0.90 on December 31, 2023, resulting in a \$561,947 fair value gain reported on the Exchangeable Units for the three and six months ended June 30, 2024.

**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 and six months ended June 30, 2024, the Trust experienced a fair value gain of \$8,537 and \$8,652, respectively, from changes in the Trust Unit price for the Deferred Units outstanding. Monthly distributions on Deferred Units are issued at \$1.10 per Unit, resulting in a nominal fair value gain when adjusting the Deferred Units to the June 30, 2024 market value of a Trust Unit of \$0.85.

**Assessment of Financial Position**

**Investment Properties**

The following table summarizes the changes in investment properties for the three and six months ended June 30, 2024:

<b>Summary of Changes in Investment Properties</b>	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30</b>	<b>June 30</b>	<b>June 30</b>	<b>June 30</b>
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Opening balance	\$ 134,525,000	\$ 127,095,481	\$ 134,380,000	\$ 126,803,030
Additions:				
Capital expenditures <sup>2</sup>	239,704	26,935	254,052	36,872
Direct leasing costs	5,880	3,675	7,902	5,328
Fair value gain	1,334,416	2,196,910	1,463,046	2,477,771
<b>Closing balance</b>	<b>\$ 136,105,000</b>	<b>\$ 129,323,001</b>	<b>\$ 136,105,000</b>	<b>\$ 129,323,001</b>

<sup>1</sup> See Non-IFRS Measures

<sup>2</sup> Capital expenditures include upgrades to suites upon turnover, and a roof replacement on the Kenwood Property

**Management's Discussion and Analysis**  
**For the three and six months ended June 30, 2024**  
**(Expressed in Canadian Dollars)**

**Valuation**

Under the direct capitalization approach the estimated 12 month stabilized net operating income<sup>1</sup> is utilized on the individual properties, and capitalized at a rate that reflects the characteristics, location and market of the investment properties, 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 rate for the properties was 5.00 percent at June 30, 2024 and at December 31, 2023.

**Exchangeable Units**

The holders of Exchangeable Units are entitled to receive cash distributions from the Partnership 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.

During the three and six months ended June 30, 2024 there were 198,839 Exchangeable Units exchanged for Trust Units. Accordingly 198,839 Special Voting Units were cancelled upon the exchange for Trust Units.

As at June 30, 2024 there were 10,642,435 Exchangeable Units and 10,696,148 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 Exchangeable Units of the Partnership issued on or before March 31, 2024

During the three and six months ended June 30, 2024, distributions to holders of Exchangeable Units of \$41,227 and \$82,694 were declared, respectively, based on approved monthly distributions of \$0.001275 per Trust Unit, increasing to \$0.0013 per Trust Unit to Unitholders of record on June 30, 2024. Previously, distributions increased to \$0.001275 per Trust Unit, from \$0.00125 per Trust Unit, effective to Unitholders of record on August 31, 2023.

**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 3.09 percent and mature between July 2027 and March 2034, resulting in a weighted average maturity of 69.55 months. On February 29, 2024, management completed the refinancing of the Element Phase I Property with a CMHC insured mortgage of \$8,387,700 with a 40 year amortization period, term of 10 years and a fixed interest rate of 4.30%.

**Trust Units**

The Declaration of Trust authorizes the issue of an unlimited number of Trust Units. As at June 30, 2024, there were 8,856,403 Trust Units outstanding with a carrying value of \$6,806,839. On March 31, 2022, the Trust commenced a 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. During the three and six months ended June 30, 2023, nil and 10,000 Trust units were purchased and cancelled, respectively.

**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 15<sup>th</sup> day of the following month. Distributions must be approved by the Board and are subject to change depending on the general economic outlook and financial performance of the Trust. During the three and six months ended June 30, 2024, distributions to Unitholders of \$33,844 and \$66,969, respectively, were declared based on approved monthly distributions of \$0.001275 per Trust Unit through May 31, 2024, and increased to \$0.0013 to Unitholders of record on June 30<sup>th</sup>. Distributions previously increased from \$0.00125 to \$0.001275 per Trust Unit to Unitholders on August 31, 2023.

**Liquidity, Capital Resources and Contractual Commitments**

The Trust's capital structure at June 30, 2024 and December 31, 2023 is set out in the table below:

	June 30, 2024	December 31, 2023
Exchangeable Units	\$ 9,046,070	\$ 9,757,146
Unit based compensation liability	143,157	150,539
Mortgages	102,320,082	100,767,840
Unitholders' equity	30,783,731	27,578,331
<b>Total</b>	<b>\$ 142,293,040</b>	<b>\$ 138,253,856</b>

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 percent of the REIT's debt is at fixed interest rates.

<sup>1</sup> See Non-IFRS Measures

**Management's Discussion and Analysis**  
**For the three and six months ended June 30, 2024**  
**(Expressed in Canadian Dollars)**

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 (excluding convertible debt) would exceed more than 75 percent of the gross book value of the REIT once gross book value reaches \$300,000,000.

The REIT's liquidity ratio<sup>1</sup> is calculated as follows:

As at	June 30, 2024	December 31, 2023
Current Assets	\$ 4,229,798	\$ 2,114,475
Current Liabilities	2,968,702	8,854,887
Liquidity Ratio <sup>1</sup>	142.48%	23.88%

As of June 30, 2024, current assets of \$4,229,798 exceeded current liabilities of \$2,968,702 (at December 31, 2023 – current liabilities of \$8,854,887 exceeded current assets of \$2,114,475) resulting in a net working capital surplus of \$1,261,096 (December 31, 2023 – deficit of \$6,740,412) and a liquidity ratio<sup>1</sup> of 142.48% (December 31, 2023 – 23.88%). The increase in the liquidity ratio from December 31, 2023 is due to the refinancing of the Element Phase I mortgage was classified as current at December 31, 2023; in addition, the upward financing of the Element Phase I Property resulted in an increase of cash on hand at June 30, 2024. On February 29, 2024, management completed the refinancing of the Element Phase I Property with a CMHC insured mortgage of \$8,387,700 with a 40 year amortization period, term of 10 years and interest rate of 4.30%.

The REIT's immediate liquidity needs are met through cash flow from operations and refinancing of maturing mortgages. Management believes there is sufficient liquidity to meet the REIT's financial obligations for the foreseeable future. For purposes of calculating the liquidity ratio<sup>1</sup>, current liabilities exclude Exchangeable Units.

**Cash Flows and Use of Funds**

During the three and six months ended June 30, 2024 and 2023 the Trust reported the following changes in cash.

	Three months ended		Six months ended	
	June 30		June 30	
	2024	2023	2024	2023
Cash provided by operating activities	\$ 973,231	\$ 760,723	\$ 1,458,521	\$ 1,277,685
Cash used in investing activities	(245,584)	(30,610)	(261,954)	(42,200)
Cash provided by (used in) financing activities	(473,701)	(477,064)	885,034	(985,626)
Change in cash during the period	\$ 253,946	\$ 253,049	\$ 2,081,601	\$ 249,859

**Cash provided by operating activities and cash distributions**

The following table outlines the differences between cash from operating activities, net income and cash distributions in accordance with National Policy 41-201, *Income Trusts and Other Indirect Offerings*:

	Three months ended		Six months ended	
	June 30		June 30	
	2024	2023	2024	2023
Net income and comprehensive income	\$ 2,505,206	\$ 2,839,458	\$ 3,123,230	\$ 6,057,017
Add: distributions on Exchangeable Units	41,227	40,654	82,694	81,304
	2,546,433	2,880,112	3,205,924	6,138,321
Less: distributions paid	(74,582)	(73,120)	(149,164)	(146,217)
Excess of net income and comprehensive income over total distributions paid	2,471,851	2,806,992	3,056,760	5,992,104
Cash provided by operating activities	973,231	760,723	\$ 1,458,521	1,277,685
Less: distributions paid	(74,582)	(73,097)	(149,164)	(146,217)
Excess of cash provided by operating activities over total distributions and interest paid	898,649	687,626	1,309,357	1,131,468
Distributions declared	\$ 75,071	\$ 73,120	\$ 149,653	\$ 146,261

## Management's Discussion and Analysis For the three and six months ended June 30, 2024 (Expressed in Canadian Dollars)

For the three and six months ended June 30, 2024 and 2023, net income and comprehensive income was in excess of total distributions paid. Distributions are better evaluated in the context of operating cash flows rather than net income as net income is impacted by several non-cash items, including fair value gains or losses on investment properties, Exchangeable Units and Unit-based compensation. While cash flows provided by operating activities are generally sufficient to cover distribution requirements, the timing of expenses and fluctuations in non-cash working capital may result in a temporary shortfall. In these cases, some portion of distributions may come from the REIT's capital or financing sources other than cash flows provided by operating activities. For the quarter ended June 30, 2024 and 2023, cash provided by operating activities was in excess of total distributions and interest paid.

### QUARTERLY RESULTS AND DISCUSSION OF QUARTERLY OPERATIONS

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

	2024		2023		2022			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Property revenue	\$ 2,566,572	\$ 2,540,498	\$ 2,521,270	\$ 2,496,143	\$ 2,487,043	\$ 2,454,405	\$ 2,253,104	\$ 1,679,767
NOI <sup>1</sup>	1,754,064	1,656,566	1,619,429	1,660,158	1,633,688	1,446,655	1,396,583	1,042,689
Net Income (Loss)	2,505,206	618,024	979,998	1,664,263	2,839,458	3,217,559	(2,862,894)	1,237,561
FFO <sup>1</sup>	641,533	530,746	419,514	580,147	558,020	333,589	391,997	487,104
FFO per Unit <sup>1</sup>	\$ 0.0329	\$ 0.0272	\$ 0.0215	\$ 0.0298	\$ 0.0286	\$ 0.0171	\$ 0.0201	\$ 0.0250
AFFO <sup>1</sup>	395,949	514,376	406,566	568,420	527,410	321,999	325,927	444,597
AFFO per Unit <sup>1</sup>	\$ 0.0203	\$ 0.0264	\$ 0.0209	\$ 0.0292	\$ 0.0270	\$ 0.0165	\$ 0.0167	\$ 0.0228
Weighted average number of Units outstanding	19,498,838	19,498,838	19,498,838	19,498,838	19,498,838	19,508,727	19,508,838	19,508,838

In Q4 2022, the Prairie View Pointe Property was acquired thus representing 62 days of operations reported in 2022. Seasonal variations in operating expenses, such as snow clearing expenses and higher utility costs in winter and summer months also contribute to quarterly fluctuations in NOI<sup>1</sup>, Net Income, AFFO<sup>1</sup> and FFO<sup>1</sup>.

### SAME PROPERTY PORTFOLIO PERFORMANCE

Same property results for the three and six months ended June 30, 2024 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. The same property portfolio represents 516 units or 100% of the total portfolio at June 30, 2024.

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Revenue from investment properties	\$ 2,566,572	\$ 2,487,043	\$ 5,107,070	\$ 4,941,448
Expenses:				
Property operating expenses	574,288	634,174	1,227,845	1,409,389
Realty taxes	238,220	219,181	468,595	451,716
Total operating expenses	812,508	853,355	1,696,440	1,861,105
Same Property Net Operating Income <sup>1</sup>	\$ 1,754,064	\$ 1,633,688	\$ 3,410,630	\$ 3,080,343

For the six months ended June 30, 2024, rental revenues for same property increased by 3.35% compared to the six months ended June 30, 2023. Property operating costs decreased by 4.48% as a percentage of operating revenues, whereas property taxes increased by 0.03% as a percentage of operating revenues, due to higher occupancy and rental rates. This resulted in an overall decrease in operating expenses, as a percentage of operating revenues of 445 basis points as compared to the same six month period 2023.

During the six months ended June 30, 2024, operating expenses decreased by 8.85% while revenue grew by 3.35%, achieved through increasing market rents on turnover and rental increase on renewals. This resulted in an increase in same property NOI<sup>1</sup> of \$330,287, or 10.72% as compared to the same period 2023. NOI margin for the six months ended June 30, 2024 was 66.78% as compared to 62.34% for the six months ended June 30, 2023, a 444 basis point increase.

The average monthly rent for the six months ended June 30, 2024 for same property increased to \$1,573 per suite from \$1,532 as compared to the same period 2023, an increase of 2.68%. Occupancy for the six months ended June 30, 2024 for same property was 99.79%, compared to 99.55% for the six months ended June 30, 2023.

### 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, 2023 and 2022.

**Management's Discussion and Analysis**  
**For the three and six months ended June 30, 2024**  
**(Expressed in Canadian Dollars)**

**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, 2023 and 2022 and in the REIT's Annual Information Form for the year ended December 31, 2023, each filed on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)). These factors still exist at the end of this quarter and remain relatively unchanged.

**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 June 30, 2024 and December 31, 2023, 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. A one percent change in the prevailing market price of the Exchangeable Units as at June 30, 2024 would have a \$90,460 (December 31, 2023 - \$97,571) 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 statement.

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 to 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(loss) and comprehensive income(loss) 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.

**Management's Discussion and Analysis**  
**For the three and six months ended June 30, 2024**  
**(Expressed in Canadian Dollars)**

An analysis of the contractual cash flows at June 30, 2024 for the following 12 month period associated with the Trust's financial liabilities is set out below:

	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter	Total
Mortgages payable - principal and interest	\$ 4,976,521	\$ 4,976,521	\$ 4,976,522	\$ 37,752,986	\$ 69,700,327	\$ 122,382,877
Accounts payable and accrued liabilities	821,645	-	-	-	-	821,645
Security deposits and prepaid rent	706,184	79,437	-	-	-	785,621
	\$ 6,504,350	\$ 5,055,958	\$ 4,976,522	\$ 37,752,986	\$ 69,700,327	\$ 123,990,143

**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Trust's financial instruments consist solely of cash and cash equivalents, trade and other receivables, accounts payable, accrued liabilities and amounts due to related parties. As of June 30, 2024, there were no significant differences between the carrying value of these items and their estimated fair values because of the short-term nature of these instruments.

**DISCLOSURE OF OUTSTANDING UNIT DATA**

The following table sets forth the Trust's capitalization as of the date hereof.

Type of Security	Number Outstanding
Trust Units	8,856,403
Exchangeable Units	10,642,435
Deferred Units <sup>(1)</sup>	168,420
<b>Total securities outstanding</b>	<b>19,667,258</b>

**Voting Securities**

Type of Security	Number Outstanding
Trust Units	8,856,403
Special Voting Units <sup>(2)</sup>	10,696,148
<b>Total Voting Units</b>	<b>19,552,551</b>

Notes:

- (1) The Deferred Units entitle the holder thereof to receive: (i) additional deferred units of the REIT upon payment of cash distributions to Unitholders; and (ii) one (1) Trust Unit, or cash in lieu thereof, upon the redemption thereof in accordance with the terms and conditions of the Trust's equity incentive plan.
- (2) The Special Voting Units have no economic entitlement in the REIT or in the distributions or assets of the REIT but entitle the holder to one (1) vote per Special Voting Unit at any meeting of the Unitholders. Special Voting Units may only be issued in connection with or in relation to securities exchangeable into or redeemable for Trust Units for the purpose of providing voting rights with respect to the REIT to the holders of such securities.

**Management's Discussion and Analysis**  
**For the three and six months ended June 30, 2024**  
**(Expressed in Canadian Dollars)**

**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 condensed consolidated financial statements, related party transactions for the three and six months ended June 30, 2024 and 2023 include:

Related Party Transactions	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Property management fees	\$ 114,292	\$ 106,421	\$ 223,628	\$ 211,903
Salary reimbursement	52,262	53,546	90,896	97,933
Construction costs	214,925	-	214,925	-
Construction management fees	11,283	-	11,283	-
Asset management fees	88,268	83,178	175,745	164,684
Board compensation	44,955	37,763	85,135	75,111

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 and October 31, 2022, a sub-agreement between the Manager and Marwest Management Canada Ltd. was entered into for the property management of Marwest (Element) Apartments L.P. and the Prairie View Pointe Property, respectively. In addition, the Manager has entered into a sub management agreement with Marwest Construction Ltd., a company under common control, to perform the construction management functions of the agreement. The Manager is entitled to earn an incentive fee commencing December 31, 2023 of 15 percent of the excess AFFO per Unit in excess of the prior fiscal year. No incentive fee amount was accrued as at March 31, 2024 and March 31, 2023.

During the three and six months ended June 30, 2024, \$214,925 of construction costs were incurred to a related party of the Manager. \$214,925 of this amount relates to work subcontracted to an unrelated party of the Manager and quotes were obtained from multiple subcontractors before awarding the work. The related party of the Manager was entitled to a \$11,283 Construction Management Fee, which is accrued and included in accounts payable, of 5 percent of construction costs.

During the three and six months ended June 30, 2024, the Board of Trustees were issued an aggregate of 579 and 1,155 (June 30, 2023 – 14,244 and 28,285) Deferred Units respectively at an aggregated value of \$637 and \$1,270 (June 30, 2023 - \$15,668 and 31,113) respectively along with \$33,434 and \$66,868 (2023 - \$15,210 and \$30,253) respectively in cash as part of the Trustee annual remuneration. Prior to January 1, 2024, the Trustees elected to receive 50 percent of their annual compensation, excluding meeting fees, in Deferred Units. The Trustees were also remunerated \$1,500 per board meeting in the three and six months ended June 30, 2024 (June 30, 2023 - \$1,500).

During the three and six months ended June 30, 2024, there were nil and \$37,745 financing fees (June 30, 2023 – nil and \$19,860) respectively, paid to Canada ICI Capital Corporation, of which a member of the Board of Trustees provides services to.

**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 has met the REIT Conditions for the six months ended June 30, 2024 and 2023, 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 condensed consolidated interim financial statements of the Trust.

**Management's Discussion and Analysis**  
**For the three and six months ended June 30, 2024**  
**(Expressed in Canadian Dollars)**

**CHANGE IN ACCOUNTING POLICY**

The Classification of Liabilities as Current or Non-current, standard, as amended, was adopted by the REIT when it became effective on January 1, 2024.

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 on the consolidated statements of financial position 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.

**SUBSEQUENT EVENTS**

The following events occurred subsequent to June 30, 2024:

- (i) On July 15, 2024, the REIT paid monthly distributions of \$0.0013 per Trust Unit. Holders of the Exchangeable Units were also paid a distribution of \$0.0013 per Unit.
- (ii) On July 15, 2024, the REIT declared a distribution of \$0.0013 per Trust Unit, payable on August 15, 2024 to Unitholders of record as of the close of business on July 31, 2024. Holders of the Exchangeable Units will also be paid a distribution of \$0.0013 per Unit.