InterRent Real Estate Investment Trust

Condensed Consolidated Interim Financial Statements

September 30, 2020
(unaudited)

InterRent Real Estate Investment Trust

Condensed Consolidated Interim Balance Sheets

Unaudited (Cdn $ Thousands)

	Note	**September 30, 2020**	December 31, 2019
Assets			
Investment properties	3	**$ 3,024,975**	$ 2,748,342
Investment in joint ventures	6	**27,177**	25,200
Prepaids and deposits		**3,925**	2,229
Receivables and other assets	7	**15,950**	15,332
Cash		**38,524**	753
Total assets		**$ 3,110,551**	$ 2,791,856
Liabilities			
Mortgages payable	8	**$ 960,828**	$ 881,509
Credit facilities	9	**-**	26,865
Class B LP unit liability	11	**42,976**	53,345
Unit-based compensation liabilities	12	**52,025**	66,070
Tenant rental deposits		**12,829**	11,722
Accounts payable and accrued liabilities	10	**23,632**	30,409
Total liabilities		**1,092,290**	1,069,920
Unitholders' equity			
Unit capital	14	**999,456**	766,282
Retained earnings		**1,018,805**	955,654
Total unitholders' equity		**2,018,261**	1,721,936
Total liabilities and unitholders' equity		**$ 3,110,551**	$ 2,791,856

Commitments and contingencies (note 23)

Subsequent events (note 24)

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

On behalf of the Trust

Ronald Leslie
Trustee

Michael McGahan
Trustee

InterRent Real Estate Investment Trust

Condensed Consolidated Interim Statements of Income
For the three and nine months ended September 30
Unaudited (Cdn $ Thousands)

	Note	Three months ended September 30		Nine months ended September 30	
		2020	2019	**2020**	2019
Operating Revenues					
Revenue from investment properties	15	**$ 39,719**	$ 37,630	**$ 118,091**	$ 106,103
Operating Expenses					
Property operating costs		**6,617**	5,416	**19,818**	15,364
Property taxes		**4,832**	4,488	**14,299**	13,075
Utilities		**2,042**	1,941	**8,200**	7,677
Total operating expenses		**13,491**	11,845	**42,317**	36,116
Net operating income		**26,228**	25,785	**75,774**	69,987
Financing costs	16	**6,462**	6,689	**19,841**	19,482
Administrative costs		**2,258**	2,852	**8,035**	8,644
Income before other income and expenses		**17,508**	16,244	**47,898**	41,861
Other income and expenses					
Fair value adjustments of investment properties	3	**2,304**	75,049	**19,280**	110,337
Loss on disposition of investment properties	5	**-**	-	**-**	(675)
Income from joint ventures	6	**10**	14	**31**	14
Other fair value gains/(losses)	17	**13,297**	(21,268)	**27,740**	(29,989)
Interest on units classified as financial liabilities	18	**(613)**	(550)	**(1,818)**	(1,634)
Net income for the period		**$ 32,506**	$ 69,489	**$ 93,131**	$ 119,914

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

InterRent Real Estate Investment Trust

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity
For the nine months ended September 30
Unaudited (Cdn $ Thousands)

	Trust units	Cumulative profit	Cumulative distributions to Unitholders	Retained earnings	Total Unitholders' equity
Balance, January 1, 2019	$ 558,615	$ 715,538	$ (111,365)	$ 604,173	$ 1,162,788
Units issued	203,237	-	-	-	203,237
Net income for the period	-	119,914	-	119,914	119,914
Distributions declared to Unitholders	-	-	(24,205)	(24,205)	(24,205)
Balance, September 30, 2019	**$ 761,852**	**$ 835,452**	**$ (135,570)**	**$ 699,882**	**$ 1,461,734**
Balance, January 1, 2020	$ 766,282	$ 1,100,427	$ (144,773)	$ 955,654	$ 1,721,936
Units issued (note 14)	233,174	-	-	-	233,174
Net income for the period	-	93,131	-	93,131	93,131
Distributions declared to Unitholders	-	-	(29,980)	(29,980)	(29,980)
Balance, September 30, 2020	**$ 999,456**	**$ 1,193,558**	**$ (174,753)**	**$ 1,018,805**	**$ 2,018,261**

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

InterRent Real Estate Investment Trust

Condensed Consolidated Interim Statements of Cash Flows
For the three and nine months ended September 30
Unaudited (Cdn $ Thousands)

	Note	Three months ended September 30 2020	2019	Nine months ended September 30 2020	2019
Cash flows from/(used in) operating activities					
Net income for the period		**$ 32,506**	$ 69,489	**$ 93,131**	$ 119,914
Add items not affecting cash:					
Income from joint ventures	6	**(10)**	(14)	**(31)**	(14)
Loss on disposition of investment properties	5	**-**	-	**-**	675
Amortization		**158**	134	**475**	402
Fair value adjustments on investment properties	3	**(2,304)**	(75,049)	**(19,280)**	(110,337)
Other fair value (gains)/losses	17	**(13,297)**	21,268	**(27,740)**	29,989
Unit-based compensation expense	12	**1,161**	1,153	**5,739**	5,520
Financing costs	16	**6,462**	6,689	**19,841**	19,482
Interest expense	16	**(5,977)**	(6,561)	**(19,073)**	(18,901)
Tenant inducements		**170**	138	**433**	467
		18,869	17,247	**53,495**	47,197
Net income items related to financing activities	18	**265**	247	**793**	741
Changes in non-cash operating assets and liabilities	19	**(833)**	3,309	**(4,797)**	4,289
Cash from operating activities		**18,301**	20,803	**49,491**	52,227
Cash flows from/(used in) investing activities					
Acquisition of investment properties	4	**(199,080)**	(114,015)	**(219,113)**	(221,069)
Investment in joint ventures	6	**(549)**	(593)	**(1,946)**	(1,296)
Proceeds from sale of investment properties	5	**-**	-	**-**	75,634
Additions to investment properties	3	**(14,681)**	(25,174)	**(42,760)**	(59,934)
Cash used in investing activities		**(214,310)**	(139,782)	**(263,819)**	(206,665)
Cash flows from/(used in) financing activities					
Mortgage and loan repayments	19	**(66,171)**	(4,637)	**(158,165)**	(19,185)
Mortgage advances	19	**198,745**	22,000	**240,972**	22,000
Financing fees		**(3,692)**	(177)	**(4,260)**	(194)
Credit facility advances/(repayments)	19	**-**	(85,255)	**(26,865)**	(23,550)
Trust units issued, net of issue costs	14	**16**	192,794	**220,921**	193,243
Deferred units purchased and cancelled	12	**(110)**	(141)	**(719)**	(1,158)
Interest paid on units classified as financial liabilities	18	**(265)**	(247)	**(793)**	(741)
Distributions paid	19	**(6,778)**	(5,262)	**(18,992)**	(15,479)
Cash from financing activities		**121,745**	119,075	**252,099**	154,936
Increase/(decrease) in cash during the period		**(74,264)**	96	**37,771**	498
Cash at the beginning of period		**112,788**	925	**753**	523
Cash at end of period		**$ 38,524**	$ 1,021	**$ 38,524**	$ 1,021

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

1. ORGANIZATIONAL INFORMATION

InterRent Real Estate Investment Trust (the "Trust" or the "REIT") is an unincorporated, open-ended real estate investment trust created pursuant to a Declaration of Trust, dated October 10, 2006, and most recently amended and restated on May 21, 2019, under the laws of the Province of Ontario.

The Trust was created to invest in income producing residential properties within Canada. InterRent REIT Trust Units are listed on the Toronto Stock Exchange under the symbol IIP.UN. The registered office of the Trust and its head office operations are located at 485 Bank Street, Suite 207, Ottawa, Ontario, K2P 1Z2.

These condensed consolidated interim financial statements for the period ended September 30, 2020 were authorized for issuance by the Trustees of the Trust on November 9, 2020.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

The financial statements have been presented in Canadian dollars, which is the Trust's functional currency, rounded to the nearest thousand unless otherwise indicated.

These condensed consolidated interim financial statements should be read in conjunction with the Trust's annual consolidated financial statements for the year ended December 31, 2019.

Basis of presentation

The Trust presents its consolidated balance sheets based on the liquidity method, whereby all assets and liabilities are presented in increasing order of liquidity.

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for:

i) Investment properties, which are measured at fair value (except for investment properties under development where fair value is not reliably determinable);
ii) Financial assets and financial liabilities classified as "fair value through profit and loss", which are measured at fair value; and
iii) Unit-based compensation liabilities and Class B LP unit liability which are measured at fair value.

2. BASIS OF PRESENTATION (Continued)

Significant accounting policies

The condensed consolidated interim financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2019.

Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the Trust and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. Subsidiaries are entities over which the Trust has control and are consolidated from the date control commences until control ceases. Control is achieved when the Trust has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

Critical accounting estimates and judgments in applying accounting policies

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment when applying the Trust's accounting policies. The critical accounting estimates and judgments have been set out in notes 2 and 3 to the Trust's consolidated financial statements for the year ended December 31, 2019.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and impact of the COVID-19 pandemic on the Trust is unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Trust. Any estimates are therefore subject to significant uncertainty, and may materially and adversely affect the Trust's operations and financial results.

In light of the COVID-19 pandemic, management has made judgments in determining the valuation inputs used in its internal valuation model to measure fair value of investment properties. The carrying value for the Trust's investment properties reflects its best estimate for the highest and best use as at September 30, 2020 (note 3).

Unaudited (Cdn $ Thousands except unit amounts)

3. INVESTMENT PROPERTIES

Investment properties include income properties, properties under development and land held for development.

	September 30, 2020	December 31, 2019
Income properties	$ 2,986,973	$ 2,713,669
Properties under development	**38,002**	34,673
	$ 3,024,975	$ 2,748,342

Income properties:

	September 30, 2020	December 31, 2019
Balance, beginning of period	**$ 2,713,669**	$ 2,021,874
Acquisitions (note 4)	**217,684**	297,436
Property capital investments	**36,340**	76,208
Fair value adjustments	**19,280**	353,160
Dispositions (note 5)	**-**	(35,009)
	$ 2,986,973	$ 2,713,669

Properties under development:
Properties that are undergoing a significant amount of development work to prepare the property for use as income properties.

	September 30, 2020	December 31, 2019
Balance, beginning of period	**$ 34,673**	$ -
Acquisitions (note 4)	**1,429**	22,285
Transfer from land held for development	**-**	10,481
Property capital investments	**1,900**	1,907
	$ 38,002	$ 34,673

Land held for development:

	September 30, 2020	December 31, 2019
Balance, beginning of period	**$ -**	$ 55,177
Property capital investments	**-**	2,116
Transfer to properties under development	**-**	(10,481)
Disposition (note 6)	**-**	(46,812)
	$ -	$ -

The fair value of the income properties is determined internally by the Trust. The fair value methodology of the Trust’s investment properties is considered a level 3 as significant unobservable inputs are required to determine fair value.

The Trust determined the fair value of each income property internally based upon the direct capitalization income approach method of valuation. The fair value was determined by applying a capitalization rate to forecasted stabilized net operating income (“SNOI”), which incorporates turnover estimates, market rent adjustments, allowances for vacancy, management fees, labour and repairs and maintenance for the property. In order to substantiate management’s valuation, the Trust engaged a leading independent national real estate appraisal firm to provide appraisals for substantially all of the portfolio at December 31, 2019. The Trust engaged the firm once again to review and advise of any significant changes in any of the key input assumptions in the model (such as capitalization rate, turnover estimate and market rent adjustments) as at September 30, 2020, in order for the Trust to complete its internal valuations.

Unaudited (Cdn $ Thousands except unit amounts)

3. INVESTMENT PROPERTIES (Continued)

The capitalization rate assumptions for the income properties are included in the following table:

	September 30, 2020		December 31, 2019	
	Range	**Weighted average**	**Range**	**Weighted average**
Capitalization rate	3.25% - 6.00%	4.23%	3.25% - 6.00%	4.24%

The direct capitalization income approach method of valuation requires that SNOI be divided by a capitalization rate ("Cap Rate") to determine a fair value. As such, changes in both SNOI and Cap Rate could significantly alter the fair value of the investment properties. The tables below summarize the impact of changes in both SNOI and Cap Rate on the Trust's fair value of the income properties:

As at September 30, 2020

Forecasted stabilized net operating income		-3%	-1%	As estimated	+1%	+3%
		$ 122,559	$ 125,085	**$ 126,349**	$ 127,612	$ 130,139
Capitalization rate						
-0.25%	3.98%	$ 3,079,360	$ 3,142,852	$ 3,174,598	$ 3,206,344	$ 3,269,836
Cap rate used	**4.23%**	$ 2,897,365	$ 2,957,104	**$ 2,986,973**	$ 3,016,844	$ 3,076,583
+0.25%	4.48%	$ 2,735,681	$ 2,792,087	$ 2,820,290	$ 2,848,493	$ 2,904,899

As at December 31, 2019

Forecasted stabilized net operating income		-3%	-1%	As estimated	+1%	+3%
		$ 111,608	$ 113,909	**$ 115,060**	$ 116,211	$ 118,512
Capitalization rate						
-0.25%	3.99%	$ 2,797,198	$ 2,854,872	$ 2,883,709	$ 2,912,546	$ 2,970,221
Cap rate used	**4.24%**	$ 2,632,269	$ 2,686,542	**$ 2,713,669**	$ 2,740,816	$ 2,795,090
+0.25%	4.49%	$ 2,485,706	$ 2,536,958	$ 2,562,584	$ 2,588,209	$ 2,639,461

Land held for development is measured initially at cost, including transaction costs and subsequently measured at fair value.

The two properties under development are valued at acquisition cost plus development costs. The direct capitalization income approach method of valuation is not a reliable measure as the properties are undergoing a significant amount of work which will affect multiple components of the estimated net operating income as well as the Cap Rate. The Trust expects the fair value of the properties to be reliably determinable when development is substantially complete, and will measure both investment properties under development at cost until either their fair value becomes reliably determinable or development is completed (whichever is earlier).

Cash outflow used for additions to investment properties for the three and nine months ended:

	Three months ended September 30		**Nine months ended September 30**	
	2020	2019	**2020**	2019
Property capital investments	**$ (16,310)**	$ (24,573)	**$ (38,240)**	$ (62,035)
Changes in non-cash investing accounts payable and accrued liabilities	**1,629**	(601)	**(4,520)**	2,101
	$ (14,681)	$ (25,174)	**$ (42,760)**	$ (59,934)

Unaudited (Cdn $ Thousands except unit amounts)

4. INVESTMENT PROPERTY ACQUISITIONS

During the nine months ended September 30, 2020, the Trust completed the following investment property acquisitions, which have contributed to the operating results effective from the acquisition date:

Acquisition Date	Suite Count	Total Acquisition Costs	Mortgage Funding	Interest Rate	Maturity Date
February 27, 2020	57	$ 18,604	$ 13,613	2.59%	March 2, 2021
March 31, 2020[1]	4	1,429	-	-%	n/a
July 16, 2020	26	7,520	-	-%	n/a
July 16, 2020	34	11,496	-	-%	n/a
July 23, 2020	36	5,551	-	-%	n/a
September 21, 2020[2]	123	33,961	16,600	1.58%	October 1, 2021
September 21, 2020	110	27,911	13,650	1.58%	October 1, 2021
September 21, 2020 [3]	295	77,670	38,000	1.58%	October 1, 2021
September 21, 2020	117	20,963	10,250	1.58%	October 1, 2021
September 21, 2020	78	14,008	6,850	1.58%	October 1, 2021
	880	**$ 219,113**	**$ 98,963**		

(1) Development site (0.11 acres) includes a fourplex which will be operated during the interim period prior to construction.
(2) Includes 886 sq ft of leasable commercial space.
(3) Includes 62,271 sq ft of leasable commercial space.

During the nine months ended September 30, 2019, the Trust completed the following investment property acquisitions, which have contributed to the operating results effective from the acquisition date:

Acquisition Date	Suite Count	Total Acquisition Costs	Mortgage Funding	Interest Rate	Maturity Date
February 12, 2019	30	$ 8,553	$ 4,608	3.210%	March 1, 2028
February 12, 2019	104	20,171	7,131	3.839%	February 15, 2024
February 12, 2019	33	7,921	2,509	2.760%	December 15, 2022
February 12, 2019	45	12,385	6,541	3.100%	February 15, 2028
February 12, 2019	41	11,980	6,166	3.000%	March 15, 2028
April 3, 2019	74	11,721	-	-%	n/a
April 24, 2019	-[1]	22,285	-	-%	n/a
June 26, 2019	121[2]	39,451	22,000	3.250%	September 30, 2021
July 12, 2019	251	65,548	20,157	2.640%	June 1, 2027
July 12, 2019	293[3]	72,616	15,747	3.960%	February 1, 2024
August 15, 2019	118[4]	23,576	10,379	2.990%	June 1, 2023
	1,110	**$ 296,207**	**$ 95,238**		

(1) Vacated office building to be developed into residential suites.
(2) Includes 31,533 sq ft of leasable commercial space.
(3) Includes 7,159 sq ft of leasable commercial space.
(4) Includes 6,295 sq ft of leasable commercial space.

Cash outflow used for investment property acquisitions for the three and nine months ended:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Total acquisition costs	**$ (199,080)**	$ (114,015)	**$ (219,113)**	$ (296,207)
Fair value adjustment of assumed debt	**-**	-	**-**	1,900
Assumed debt	**-**	-	**-**	73,238
	$ (199,080)	$ (114,015)	**$ (219,113)**	$ (221,069)

Unaudited (Cdn $ Thousands except unit amounts)

5. INVESTMENT PROPERTY DISPOSITIONS

No investment properties were disposed of during the nine months ended September 30, 2020.

During the nine months ended September 30, 2019, the Trust completed the following investment property dispositions. These dispositions do not meet the definition of discontinued operations under IFRS.

Disposition Date	Suite Count	Sale Price	Net Proceeds	Mortgage(s) Discharged
January 17, 2019	28	$ 2,949	$ 2,835	$ 1,031
January 17, 2019	17	1,585	1,519	-
January 17, 2019	12	1,000	940	-
January 17, 2019	18	1,519	1,455	-
January 17, 2019	70	7,215	7,097	-
January 17, 2019	85	9,015	8,878	-
January 17, 2019	68	6,736	6,541	2,725
January 17, 2019	22	2,090	1,993	880
January 17, 2019	29	3,191	3,076	1,190
May 30, 2019	-	46,812	46,812	-
Total	**349**	**$ 82,112**	**$ 81,146**	**$ 5,826**

A loss of $675 was recognized for the nine months ended September 30, 2019 in connection with these property dispositions. The loss represents the difference between the net proceeds (sale price less closing costs) and the carrying value of the properties at the date of disposition.

Cash inflow received from sale of investment properties for the three and nine months ended:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Proceeds	**$ -**	$ -	**$ -**	$ 81,146
Non-cash closing costs	**-**	-	**-**	176
Investment in joint venture	**-**	-	**-**	(5,688)
	$ -	$ -	**$ -**	$ 75,634

Unaudited (Cdn $ Thousands except unit amounts)

6. INVESTMENT IN JOINT VENTURES

The Trust accounts for its joint venture interests using the equity method. The following table details the Trust's ownership interest in its equity accounted investments:

Equity Investee	Location	Principal Activity	September 30, 2020	December 31, 2019
TIP Albert Limited Partnership	Ottawa	Develop, own and operate investment property	33.3%	33.3%
Fairview Limited Partnership	Burlington	Develop, own and operate investment property	25.0%	25.0%

The Trust is contingently liable for certain obligations of the joint ventures, up to the Trust's interest. All of the net assets of the joint ventures are available for the purpose of satisfying such obligations and guarantees.

The Trust is responsible to fund its total investment in the joint ventures for the development of the investment property.

The following table shows the changes in the carrying value of the investment in joint venture:

	September 30, 2020	December 31, 2019
Balance, beginning of period	**$ 24,693**	$ 17,064
Additions	**1,946**	7,605
Share of net income	**31**	24
Distributions	**-**	-
	$ 26,670	$ 24,693
Transaction costs	**$ 507**	$ 507
Carrying value of the investment in joint venture	**$ 27,177**	$ 25,200

The following tables shows the summarized financial information of the Trust's joint venture:

	September 30, 2020	December 31, 2019
Current assets	**$ 694**	$ 765
Non-current assets	**148,013**	138,935
Current liabilities	**(3,160)**	(1,141)
Non-current liabilities	**(57,750)**	(57,750)
Net assets	**$ 87,797**	80,809
Trust's share	**$ 26,670**	$ 24,693

	Three months ended September 30		**Nine months ended September 30**	
	2020	2019	**2020**	2019
Revenue	**$ 57**	$ 71	**$ 169**	$ 71
Expenses	**17**	16	**46**	16
Net income	**$ 40**	$ 55	**$ 123**	$ 55
Trust's share	**$ 10**	$ 14	**$ 31**	$ 14

Unaudited (Cdn $ Thousands except unit amounts)

7. RECEIVABLES AND OTHER ASSETS

	September 30, 2020	December 31, 2019
Current:		
Rents and other receivables, net of allowance for uncollectable amounts (note 21(b))	**$ 1,298**	$ 1,528
Tenant inducements [1]	**1,007**	467
	$ 2,305	$ 1,995
Non-current:		
Automobiles, software, equipment and furniture and fixtures, net of accumulated amortization of $2,216 (2019 - $1,802)	**$ 2,328**	$ 1,680
Deferred finance fees on credit facilities, net of accumulated amortization of $1,728 (2019 - $1,606)	**242**	239
Loan receivable long-term incentive plan (note 13)	**11,075**	11,418
	$ 13,645	$ 13,337
	$ 15,950	$ 15,332

[1] Comprised of straight-line rent. This amount is excluded from the determination of the fair value of the investment properties.

8. MORTGAGES AND LOANS PAYABLE

Mortgages are secured by the investment properties and bear interest at a weighted average interest rate of 2.63% (December 31, 2019 – 3.02%).

The mortgages mature at various dates between the years 2020 and 2030.

The aggregate future minimum principal payments, including maturities, are as follows:

2020	$ 37,555
2021	183,879
2022	73,651
2023	83,948
2024	72,462
Thereafter	528,320
	979,815
Less: Deferred finance costs and mortgage premiums	(18,987)
	$ 960,828

Unaudited (Cdn $ Thousands except unit amounts)

9. CREDIT FACILITIES

	September 30, 2020	December 31, 2019
Demand credit facility (i)	**$ -**	$ -
Term credit facility (ii)	**-**	20,435
Term credit facility (iii)	**-**	6,430
Term credit facility (iv)	**-**	-
	$ -	$ 26,865

(i) The Trust has a $2,000 (2019 - $500) demand credit facility with a Canadian chartered bank secured by a general security agreement. The weighted average interest rate on amounts drawn during the period ended September 30, 2020 was 3.38% (2019 – 4.45%).

(ii) The Trust has a $55,000 (2019 - $55,000) term credit facility, maturing in 2022, with a Canadian chartered bank secured by a general security agreement and second collateral mortgages on ten (2019 – ten) of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. The weighted average interest rate on amounts drawn during the period ended September 30, 2020 was 3.46% (2019 – 4.65%).

(iii) The Trust has a $15,000 (2019 - $25,000) term credit facility, maturing in 2021, with a Canadian chartered bank secured by a general security agreement, first mortgage on one (2019 – one) of the Trust's properties and second collateral mortgages on one (2019 – two) of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread. The weighted average interest rate on amounts drawn during the period ended September 30, 2020 was 3.53% (2019 – 4.60%).

(iv) The Trust has a $100,000 (2019 - $60,000) term credit facility, maturing in 2021, with a Canadian chartered bank secured by a general security agreement, first mortgages on two (2019 – two) of the Trust's properties and second collateral mortgages on four (2019 – five) of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread for prime advances and banker's acceptances. The weighted average interest rate on amounts drawn during the period ended September 30, 2020 was 3.71% (2019 – 3.78%).

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2020	December 31, 2019
Accounts payable	**$ 2,593**	$ 7,219
Accrued liabilities	**15,662**	18,328
Accrued distributions	**3,656**	3,226
Mortgage interest payable	**1,721**	1,636
	$ 23,632	$ 30,409

Unaudited (Cdn $ Thousands except unit amounts)

11. CLASS B LP UNIT LIABILITY

The Class B LP units are non-transferable, except under certain circumstances, but are exchangeable, on a one-for-one basis, into Trust Units at any time at the option of the holder. Prior to such exchange, distributions will be made on the exchangeable units in an amount equivalent to the distributions which would have been made had the units of Trust been issued.

The Class B LP units are exchangeable on demand for Trust Units, which in turn are redeemable into cash at the option of the holder. As such, Class B LP units are classified as a financial liability.

A summary of Class B LP Unit activity is presented below:

Number of Units	
Balance – December 31, 2018	**3,410,766**
Units issued	-
Balance - December 31, 2019	**3,410,766**
Units issued	-
Balance – September 30, 2020	**3,410,766**

The Class B LP Units represented an aggregate fair value of $42,976 at September 30, 2020 (December 31, 2019 - $53,345). The fair value represents the closing price of the Trust Units on the TSX on the reporting date, or the first trading date after the reporting date. Each Class B LP Unit is accompanied by a Special Voting Unit, which entitles the holder to receive notice of, attend and vote at all meetings of Unitholders. There is no value assigned to the Special Voting Units. The gains or losses that resulted from changes in the fair value were recorded in the consolidated statement of income.

12. UNIT-BASED COMPENSATION LIABILITIES

Unit-based compensation liabilities are comprised of awards issued under the deferred unit plan (“DUP”) and the unit option plan as follows:

	September 30, 2020	December 31, 2019
Unit-based liabilities, beginning of period	**$ 66,070**	$ 48,392
Compensation expense – deferred unit plan	**4,714**	5,360
Compensation expense – unit option plan	**-**	51
DRIP[(1)] expense – deferred unit plan	**1,025**	1,205
DUP units converted, cancelled and forfeited	**(1,523)**	(2,296)
Unit options exercised and expired	**(890)**	(1,110)
(Gain)/Loss on fair value of liability (note 17)	**(17,371)**	14,468
Unit-based liabilities, end of period	**$ 52,025**	$ 66,070

[(1)] Distribution reinvestment plan

Unaudited (Cdn $ Thousands except unit amounts)

12. UNIT-BASED COMPENSATION LIABILITIES (Continued)

Unit options and deferred units are settled with the issuance of Trust Units. However, due to the fact that Trust Units are redeemable, awards of unit options and deferred units are considered to be cash-settled. As such, the fair value of unit options and deferred units are recognized as a financial liability and re-measured at each reporting date, with changes recognized in the statement of income.

The maximum number of Trust Units issuable under the Trust's equity incentive compensation plans, which includes the DUP and unit options, as well as the long-term incentive plan (note 13) is 7% of the issued and outstanding Trust Units.

(i) DEFERRED UNIT PLAN

The deferred unit plan entitles trustees, officers and employees, at the participant's option, to elect to receive deferred units (elected portion) in consideration for trustee fees or bonus compensation under the employee incentive plan, as the case may be. The Trust matches the elected portion of the deferred units received. The matched portion of the deferred units vest 50% on the third anniversary and 25% on each of the fourth and fifth anniversaries, subject to provisions for earlier vesting in certain events. The deferred units earn additional deferred units for the distributions that would otherwise have been paid on the deferred units (i.e. had they instead been issued as Trust Units on the date of grant).

A summary of Deferred Unit activity is presented below:

Number of Units	
Balance - December 31, 2018	**3,942,911**
Units issued under deferred unit plan	376,081
Reinvested distributions on deferred units	85,135
Deferred units exercised into Trust Units (note 14)	(76,697)
Deferred units purchased and cancelled	(75,871)
Deferred units cancelled	(22,635)
Balance - December 31, 2019	**4,228,924**
Units issued under deferred unit plan	315,291
Reinvested distributions on deferred units	72,668
Deferred units exercised into Trust Units (note 14)	(53,333)
Deferred units purchased and cancelled	(39,514)
Deferred units cancelled	(14,097)
Balance – September 30, 2020	**4,509,939**

The fair value of each unit granted is determined based on the weighted average observable closing market price of the REIT's Trust Units for the ten trading days preceding the date of grant.

The aggregate fair value of vested deferred units was $47,756 at September 30, 2020 (December 31, 2019 - $58,834). The fair value of the vested deferred units represents the closing price of the Trust Units on the TSX on the reporting date, or the first trading date after the reporting date, representing the fair value of the redemption price.

Unaudited (Cdn $ Thousands except unit amounts)

12. UNIT-BASED COMPENSATION LIABILITIES (Continued)

(ii) UNIT OPTIONS

The Trust has a unit option plan and provides for options to be granted to the benefit of employees, Trustees and certain other third parties. The exercise price of options granted under the unit option plan will be determined by the Trustees, but will be at least equal to the volume weighted average trading price of the Trust Units for the five trading days immediately prior to the date the option was granted. The term of any option granted shall not exceed 10 years or such other maximum permitted time period under applicable regulations. At the time of granting options, the Board of Trustees determines the time, or times, when an option or part of an option shall be exercisable. The Trust will not provide financial assistance to any optionee in connection with the exercise of options.

Options granted, exercised and expired during the nine months ended September 30 are as follows:

	2020		2019	
	Number of units	**Weighted average exercise price**	**Number of units**	**Weighted average exercise price**
Balance, beginning of period	854,140	$ 6.11	1,006,585	$ 6.11
Exercised	(97,395)	$ 4.73	(91,945)	$ 6.00
Balance, end of period	**756,745**	**$ 6.28**	**914,640**	**$ 6.13**

Options outstanding at September 30, 2020:

Exercise price	Number of units	Remaining life in years	Number of units exercisable
$ 5.50	55,000	1.93	55,000
$ 5.65	252,500	2.70	252,500
$ 5.81	225,500	4.21	225,500
$ 7.67	223,745	6.82	223,745
	756,745		**756,745**

Total compensation expense for the nine months ended September 30, 2020 was $nil (nine months ended September 30, 2019 - $51). Compensation cost was determined based on an estimate of the fair value using the Black-Scholes option pricing model at date of grant using the following weighted average assumptions for the 2017 grant: market price of unit $7.86, expected option life 6 years, risk-free interest rate 1.67%, expected volatility, based on historical, 25% and expected distribution yield 5.0%.

The weighted average market price of options exercised in the nine months ended September 30, 2020 was $15.60.

Unaudited (Cdn $ Thousands except unit amounts)

12. UNIT-BASED COMPENSATION LIABILITIES (Continued)

The unit options represented an aggregate fair value of $4,269 at September 30, 2020 (December 31, 2019 - $7,236). The fair value of unit options is re-valued at each reporting period based on an estimate of the fair value using the Black-Scholes option pricing model using the following weighted average valuation assumptions:

	September 30, 2020	December 31, 2019
Market price of Unit	$ 12.60	$ 15.64
Expected option life	1.6 years	1.7 years
Risk-free interest rate	0.25%	1.67%
Expected volatility (based on historical)	30%	17%
Expected distribution yield	5.0%	5.0%

13. LONG-TERM INCENTIVE PLAN

The Board of Trustees may award long-term incentive plan (“LTIP”) units to certain officers and key employees, collectively the "Participants". The maximum number of Trust Units issuable under the Trust’s equity incentive compensation plans, which includes the long-term incentive plan, as well as the DUP and unit option plan (note 12) is 7% of the issued and outstanding Trust Units. The Participants can subscribe for Trust Units at a purchase price equal to the weighted average trading price of the Trust Units for the five trading days prior to issuance. The purchase price is payable in instalments, with an initial instalment of 5% paid when the Trust Units are issued. The balance represented by a loan receivable (note 7) is due over a term not exceeding ten years. Participants are required to pay interest at a ten-year fixed rate based on the Trust's fixed borrowing rate for long-term mortgage financing and are required to apply cash distributions received on these units toward the payment of interest and the remaining instalments. Participants may pre-pay any remaining instalments at their discretion. The Trust has recourse on the loans receivable and has reasonable assurance that the Trust will collect the full amount of the loan receivable. The loans receivable are secured by the units as well as the distributions on the units. If a Participant fails to pay interest and/or principal, the Trust can enforce repayment which may include the election to reacquire or sell the units in satisfaction of the outstanding amounts.

Date of award	Number of units	Interest rate	Loan receivable
March 8, 2012	250,000	3.57%	$ 713
June 29, 2012	25,000	3.35%	78
September 11, 2012	100,000	3.35%	452
June 27, 2013	150,000	3.85%	721
December 16, 2014	100,000	3.27%	504
June 9, 2015	75,000	3.44%	429
June 30, 2016	285,000	2.82%	2,042
July 28, 2017	465,000	3.09%	3,302
March 5, 2018	310,000	3.30%	2,834
	1,760,000		$ 11,075

Unaudited (Cdn $ Thousands except unit amounts)

14. TRUST UNITS

As a result of the redeemable feature of the Trust Units, the Trust Units are defined as a financial liability; however, for the purposes of financial statement classification and presentation, the Trust Units are presented as equity instruments in accordance with IAS 32, Financial Instruments.

	Trust Units	Amount
Balance – December 31, 2018	**106,032,017**	**$ 558,615**
Issued from prospectus	14,375,000	201,250
Unit issue costs	-	(8,559)
Units Issued under the deferred unit plan (note 12(i))	76,697	1,045
Units Issued under distribution reinvestment plan	842,562	11,888
Units Issued from options exercised	152,445	2,043
Balance – December 31, 2019	**121,478,721**	**$ 766,282**
Issued from prospectus	15,709,000	230,137
Unit issue costs	-	(9,676)
Units Issued under the deferred unit plan (note 12(i))	53,333	804
Units Issued under distribution reinvestment plan	752,093	10,559
Units Issued from options exercised (note 12(ii))	97,395	1,350
Balance – September 30, 2020	**138,090,542**	**$ 999,456**

On June 4, 2020, the Trust completed a bought deal prospectus offering whereby it issued 15,709,000 Trust Units for cash proceeds of $230,137 and incurred $9,676 in issue cost.

On May 5, 2020, the TSX approved the Trust's normal course issuer bid ("Bid") for a portion of its Trust Units. Under the Bid, the Trust may acquire up to a maximum of 11,481,830 of its Trust Units, or approximately 10% of its public float of 114,818,300 Trust Units as of April 30, 2020, for cancellation over the next 12 months commencing on May 11, 2020 until the earlier of May 10, 2021 or the date on which the Trust has purchased the maximum number of Trust Units permitted under the Bid. The number of Trust Units that can be purchased pursuant to the Bid is subject to a current daily maximum of 125,709 Trust Units (being 25% of the average daily trading volume), except where purchases are made in accordance with "block purchases" exemptions under applicable TSX policies. Purchases will be made at market prices through the facilities of the TSX.

For the nine month period ended September 30, 2020, the Trust did not purchase any Trust Units.

On July 9, 2019, the Trust completed a bought deal prospectus offering whereby it issued 14,375,000 Trust Units for cash proceeds of $201,250 and incurred $8,559 in issue cost.

14. TRUST UNITS (Continued)

Declaration of Trust

The Declaration of Trust authorizes the Trust to issue an unlimited number of units for consideration and on terms and conditions established by the Trustees without the approval of any unitholders. The interests in the Trust are represented by two classes of units: a class described and designated as “Trust Units” and a class described and designated as “Special Voting Units”. The beneficial interests of the two classes of units are as follows:

(a) Trust Units

Trust Units represent an undivided beneficial interest in the Trust and in distributions made by the Trust. The Trust Units are freely transferable, subject to applicable securities regulatory requirements. Each Trust Unit entitles the holder to one vote at all meetings of unitholders. Except as set out under the redemption rights below, the Trust Units have no conversion, retraction, redemption or pre-emptive rights.

Trust Units are redeemable at any time, in whole or in part, on demand by the holders. Upon receipt by the Trust of a written redemption notice and other documents that may be required, all rights to and under the Trust Units tendered for redemption shall be surrendered and the holder shall be entitled to receive a price per Trust Unit equal to the lesser of:

i) 90% of the “market price” of the Trust Units on the principal market on which the Trust Units are quoted for trading during the twenty-day period ending on the trading day prior to the day on which the Trust Units were surrendered to Trust for redemption; and

ii) 100% of the “closing market price” of the Trust Units on the principal market on which the Trust Units are quoted for trading on the redemption notice date.

(b) Special Voting Units

The Declaration of Trust provides for the issuance of an unlimited number of Special Voting Units that will be used to provide voting rights to holders of Class B LP units or other securities that are, directly or indirectly, exchangeable for Trust Units.

Each Special Voting Unit entitles the holder to the number of votes at any meeting of unitholders, which is equal to the number of Trust Units that may be obtained upon surrender of the Class B LP unit to which the Special Voting Unit relates. The Special Voting Units do not entitle or give any rights to the holders to receive distributions or any amount upon liquidation, dissolution or winding-up of Trust. There is no value assigned to the Special Voting Units.

Unaudited (Cdn $ Thousands except unit amounts)

15. REVENUE FROM INVESTMENT PROPERTIES

The components of revenue from investments properties are as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Lease revenue(1)	**$ 38,740**	$ 36,738	**$ 115,434**	$ 103,625
Other revenue(2)	**979**	892	**2,657**	2,478
	$ 39,719	$ 37,630	**$ 118,091**	$ 106,103

(1) Consists of lease revenue from residential, parking and commercial tenants
(2) Consists of revenue from non-lease items such as laundry, commercial common area maintenance and ancillary services

16. FINANCING COSTS

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Mortgages and loans payable	**$ 6,095**	$ 6,521	**$ 19,178**	$ 19,007
Credit facilities	**316**	295	**1,110**	1,351
Interest income	**(240)**	(142)	**(488)**	(378)
Interest capitalized	**(194)**	(113)	**(727)**	(1,079)
Interest expense	**5,977**	6,561	**19,073**	18,901
Amortization of deferred finance costs on mortgages	**599**	230	**1,107**	684
Amortization of deferred finance costs on credit facilities	**50**	40	**122**	170
Amortization of fair value on assumed debt	**(164)**	(142)	**(461)**	(273)
	$ 6,462	$ 6,689	**$ 19,841**	$ 19,482

17. OTHER FAIR VALUE GAINS/(LOSSES)

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Class B LP unit liability	**$ 5,901**	$ (8,732)	**$ 10,369**	$ (11,290)
Unit-based compensation liability (deferred unit plan)	**6,251**	(10,337)	**15,295**	(15,732)
Unit-based compensation liability (option plan)	**1,145**	(2,199)	**2,076**	(2,967)
	$ 13,297	$ (21,268)	**$ 27,740**	$ (29,989)

18. INTEREST ON UNITS CLASSIFIED AS FINANCIAL LIABILITIES

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Class B LP unit liability	**$ 265**	$ 247	**$ 793**	$ 741
Unit-based compensation liability (deferred unit plan)	**348**	303	**1,025**	893
	$ 613	$ 550	**$ 1,818**	$ 1,634

Unaudited (Cdn $ Thousands except unit amounts)

19. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Net change in non-cash operating assets and liabilities

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Receivables and other assets	**$ (990)**	$ (472)	**$ (1,523)**	$ 1,053
Prepaid and deposits	**(1,020)**	1,755	**(1,696)**	2,411
Accounts payable and accrued liabilities	**(105)**	1,538	**(2,685)**	99
Tenant rental deposits	**1,282**	488	**1,107**	726
	$ (833)	$ 3,309	**$ (4,797)**	$ 4,289

(b) Net cash distributions to unitholders

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Distributions declared to unitholders	**$ 10,693**	$ 8,780	**$ 29,980**	$ 24,205
Add: Distributions payable at beginning of period	**3,559**	2,575	**3,138**	2,563
Less: Distributions payable at end of period	**(3,567)**	(2,929)	**(3,567)**	(2,929)
Less: Distributions to participants in the DRIP	**(3,907)**	(3,164)	**(10,559)**	(8,360)
	$ 6,778	$ 5,262	**$ 18,992**	$ 15,479

(c) Interest paid

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Interest expense	**$ 5,978**	$ 6,561	**$ 19,073**	$ 18,901
Add: Mortgage interest payable at beginning of period	**1,630**	1,540	**1,636**	1,512
Less: Mortgage interest payable at end of period	**(1,721)**	(1,679)	**(1,721)**	(1,679)
Add: Interest capitalized	**194**	113	**727**	1,079
Add: Interest income received	**239**	142	**488**	378
	$ 6,320	$ 6,677	**$ 20,203**	$ 20,191

Unaudited (Cdn $ Thousands except unit amounts)

19. SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

(d) Reconciliation of liabilities arising from financing activities

	Three months ended September 30		Nine months ended September 30	
Mortgages payable	**2020**	2019	**2020**	2019
Balance, beginning of period	**$ 847,241**	$ 829,919	**$ 897,008**	$ 817,512
Mortgage advances	**198,745**	22,000	**240,972**	22,000
Assumed mortgages	**-**	46,283	**-**	73,238
Repayment of mortgages	**(66,171)**	(4,637)	**(158,165)**	(19,185)
	$ 979,815	$ 893,565	**$ 979,815**	$ 893,565

	Three months ended September 30		Nine months ended September 30	
Credit Facilities	**2020**	2019	**2020**	2019
Balance, beginning of period	**$ -**	$ 85,255	**$ 26,865**	$ 23,550
Advances of credit facilities	**-**	-	**-**	-
Repayment of credit facilities	**-**	(85,255)	**(26,865)**	(23,550)
	$ -	$ -	**$ -**	$ -

20. CAPITAL RISK MANAGEMENT

The Trust's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its unitholders. The Trust defines capital that it manages as the aggregate of its unitholders' equity, which is comprised of issued capital and retained earnings, Class B LP units and deferred unit capital and options recorded as unit-based compensation liabilities.

The Trust manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Trust's working capital requirements. In order to maintain or adjust its capital structure, the Trust, upon approval from its Board of Trustees, may issue or repay long-term debt, issue units, repurchase units through a normal course issuer bid, pay distributions or undertake other activities as deemed appropriate under the specific circumstances. The Board of Trustees reviews and approves any material transactions out of the ordinary course of business, including approval of all acquisitions of investment properties, as well as capital and operating budgets.

The Trust monitors capital using a debt to gross book value ratio, as defined in the Declaration of Trust which requires the Trust to maintain a debt to gross book value ratio below 75%. As at September 30, 2020, the debt to gross book value ratio is 30.9% (December 31, 2019 – 32.5%).

In addition, the Trust is subject to financial covenants in its mortgages payable and credit facilities such as minimum tangible net worth, interest coverage, debt service coverage and leverage ratio (similar to debt to gross book value as calculated in the Declaration of Trust). The Trust was in compliance with all financial covenants throughout the nine month period ended September 30, 2020 and the year ended December 31, 2019.

21. FINANCIAL RISK MANAGEMENT

a) Overview

The Trust is exposed to credit risk, liquidity risk and market risk. The Trust's primary risk management objective is to protect earnings and cash flow and, ultimately, unitholders value. Risk management strategies, as discussed below, are designed and implemented to ensure the Trust's risks and the related exposures are consistent with its business objectives and risk tolerance.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and impact of the COVID-19 pandemic on the Trust is unknown at this time but has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Uncertain economic conditions resulting from the COVID-19 outbreak may, in the short or long term, materially adversely impact: the Trust's tenants and their ability to pay rent (credit risk); and/or, the debt and equity markets and the Trust's ability to access debt and/or capital on acceptable terms, or at all (liquidity risk), all of which could materially adversely affect the Trust's operations and financial performance.

b) Credit Risk

The Trust's credit risk is attributable to its rents and other receivables and loan receivable long-term incentive plan.

Credit risk arises from the possibility that: (i) tenants may experience financial difficulty and be unable to fulfil their lease commitments; and (ii) a party defaults on the repayment of their debt causing a financial loss to the Trust.

For its rents receivable, the Trust conducts credit assessments for all prospective tenants and, where permitted, obtains a security deposit to assist in potential recoveries. The Trust monitors its collection process on a monthly basis and all receivables from past tenants and tenant receivables over 30 days are provided for in allowances for doubtful accounts.

Credit risk relating to other receivables and loan receivable long-term incentive plan is mitigated through recourse against such parties and/or the underlying security. These receivables are considered to have low credit risk.

At September 30, 2020, the Trust had past due rents and other receivables of $2,787 (December 31, 2019 - $2,674), net of an allowance for doubtful accounts of $1,489 (December 31, 2019 - $1,147) which adequately reflects the Trust's credit risk.

Unaudited (Cdn $ Thousands except unit amounts)

21. FINANCIAL RISK MANAGEMENT (Continued)

c) Liquidity Risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 20 to the consolidated financial statements. It also manages liquidity risk by continuously monitoring actual and projected cash flows to ensure that it will always have sufficient liquidity to meet its liabilities (excluding derivative and other financial instruments reported as liabilities at fair value) when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation. In addition, liquidity and capital availability risks are mitigated by diversifying the Trust's sources of funding, maintaining a staggered debt maturity profile and actively monitoring market conditions.

As at September 30, 2020, the Trust had credit facilities as described in note 9.

The Trust continues to refinance the outstanding debts as they mature. Given the Trust's available credit and its available liquid resources from both financial assets and on-going operations, management assesses the Trust's liquidity risk to be low.

The undiscounted contractual maturities and repayment obligations of the Trust's financial liabilities, excluding unit-based compensation liabilities and Class B LP unit liability as their redemption time is uncertain, as at September 30, 2020 are as follows:

Year	Mortgages payable	Mortgage interest [1]	Credit facilities	Accounts payable and accrued liabilities	Total
2020	$37,555	$6,199	$-	$23,632	$67,386
2021	183,879	23,082	-	-	206,961
2022	73,651	19,872	-	-	93,523
2023	83,948	17,309	-	-	101,257
2024	72,462	14,929	-	-	87,391
Thereafter	528,320	52,659	-	-	580,979
	$979,815	**$134,050**	**$-**	**$23,632**	**$1,137,497**

[1] Based on current in-place interest rates for the remaining term to maturity.

d) Market Risk

Market risk includes the risk that changes in interest rates will affect the Trust's cash flows or the fair value of its financial instruments.

At September 30, 2020, approximately 2% (December 31, 2019 – 12%) of the Trust's mortgage debt is at variable interest rates and the Trust's credit facilities also bear interest at variable rates. If there was a 100 basis point change in the interest rate, cash flows would have changed by approximately $467 for the nine months ended September 30, 2020 (2019 - $1,114).

Unaudited (Cdn $ Thousands except unit amounts)

22. FAIR VALUE MEASUREMENT

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates.

Financial instruments are defined as a contractual right to receive or deliver cash or another financial asset. The fair values of the Trust’s financial instruments, except for mortgages payable, approximate their recorded values due to their short-term nature and/or the credit terms of those instruments.

The fair value of the mortgages payable has been determined by discounting the cash flows using current market rates of similar instruments. These estimates are subjective in nature and therefore cannot be determined with precision. The fair value of mortgages payable, and credit facilities, which are measured at a fair value level 2, is approximately $1,012,242 (December 31, 2019 - $931,624) excluding any deferred financing costs.

The following table presents the fair values by category of the Trust’s assets and liabilities:

September 30, 2020	**Level 1**	**Level 2**	**Level 3**
Assets			
Investment properties	-	-	$3,024,975
Liabilities			
Unit-based compensation liability	-	$52,025	-
Class B LP unit liability	-	42,976	-

December 31, 2019	**Level 1**	**Level 2**	**Level 3**
Assets			
Investment properties	-	-	$ 2,748,342
Liabilities			
Unit-based compensation liability	-	$ 66,070	-
Class B LP unit liability	-	53,345	-

23. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business activities, the Trust may be contingently liable for litigation and claims with tenants, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

24. SUBSEQUENT EVENTS

On October 14, 2020, the Trust increased its interest in the underlying development property at 900 Albert Street in Ottawa from 33.3% to a combined 47.5% through direct ownership and its interest in TIP Albert Limited Partnership for approximately $10,500.

On November 9, 2020, the Board of Trustees approved a 5% increase to the monthly per unit distributions. The increase will be effective for the November 2020 distribution that is to be paid in December 2020.