InterRent Real Estate Investment Trust

Condensed Consolidated Interim Financial Statements

September 30, 2023
(unaudited)

InterRent Real Estate Investment Trust

Condensed Consolidated Interim Balance Sheets

Unaudited (Cdn $ Thousands)

	Note		**September 30, 2023**		December 31, 2022
Assets					
Investment properties	3	**$**	**4,315,966**	$	4,253,924
Investment in joint ventures	6		**46,243**		31,160
Prepaids and deposits			**7,255**		2,639
Receivables and other assets	8		**25,449**		23,603
Cash			**3,758**		4,267
Total assets		**$**	**4,398,671**	$	4,315,593
Liabilities					
Mortgages payable	9	**$**	**1,676,475**	$	1,654,449
Credit facilities	10		**21,747**		-
Class B LP unit liability	12		**26,988**		43,658
Unit-based compensation liabilities	13		**55,681**		54,131
Lease liabilities			**1,739**		1,903
Tenant rental deposits			**19,835**		18,226
Accounts payable and accrued liabilities	11		**41,787**		45,850
Total liabilities			**1,844,252**		1,818,217
Unitholders' equity					
Unit capital	15		**1,083,508**		1,052,858
Retained earnings			**1,470,911**		1,444,518
Total unitholders' equity			**2,554,419**		2,497,376
Total liabilities and unitholders' equity		**$**	**4,398,671**	$	4,315,593

Commitments and contingencies (note 25)

Subsequent events (note 26)

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

On behalf of the Trust	*Ronald Leslie*	*Brad Cutsey*
	Trustee	Trustee

InterRent Real Estate Investment Trust

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

		Three months ended September 30		Nine months ended September 30	
	Note	**2023**	2022	**2023**	2022
Operating revenues					
Revenue from investment properties	16	**$ 59,249**	$ 54,851	**$ 175,609**	$ 159,545
Operating expenses					
Property operating costs		**9,817**	9,327	**28,429**	26,679
Property taxes		**6,257**	6,016	**18,746**	17,944
Utilities		**3,099**	3,209	**13,187**	13,029
Total operating expenses		**19,173**	18,552	**60,362**	57,652
Net operating income		**40,076**	36,299	**115,247**	101,893
Financing costs	17	**14,720**	12,478	**43,513**	32,512
Administrative costs		**4,251**	3,481	**12,215**	10,835
Income before other income and expenses		**21,105**	20,340	**59,519**	58,546
Other income and expenses					
Fair value adjustments on investment properties	3	**(77,208)**	5,705	**(2,690)**	99,389
Other income and fees		**560**	384	**1,408**	890
Income from investment in joint ventures	6	**411**	7	**3,583**	26
Loss on sale of investment properties	5	**(32)**	-	**(32)**	-
Other fair value gains	18	**1,254**	6,948	**5,315**	48,140
Interest on units classified as financial liabilities	19	**(650)**	(714)	**(2,116)**	(2,082)
Net income (loss) for the period		**$ (54,560)**	$ 32,670	**$ 64,987**	$ 204,909

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, 2022	$ 1,030,780	$ 1,620,761	$ (231,538)	$ 1,389,223	$ 2,420,003
Units issued	16,769	-	-	-	16,769
Net income for the period	-	204,909	-	204,909	204,909
Distributions declared to Unitholders	-	-	(36,122)	(36,122)	(36,122)
Balance, September 30, 2022	**$ 1,047,549**	**$ 1,825,670**	**$ (267,660)**	**$ 1,558,010**	**$ 2,605,559**
Balance, January 1, 2023	$ 1,052,858	$ 1,724,720	$ (280,202)	$ 1,444,518	$ 2,497,376
Units purchased and cancelled (note 15)	(1,998)	-	-	-	(1,998)
Units issued (note 15)	32,648	-	-	-	32,648
Net income for the period	-	64,987	-	64,987	64,987
Distributions declared to Unitholders	-	-	(38,594)	(38,594)	(38,594)
Balance, September 30, 2023	**$ 1,083,508**	**$ 1,789,707**	**$ (318,796)**	**$ 1,470,911**	**$ 2,554,419**

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		Nine months ended September 30	
		2023	2022	**2023**	2022
Cash flows from (used in) operating activities					
Net income (loss) for the period		**$ (54,560)**	$ 32,670	**$ 64,987**	$ 204,909
Add items not affecting cash					
Income from investment in joint ventures	6	**(411)**	(7)	**(3,583)**	(26)
Amortization		**209**	319	**806**	884
Loss on sale of investment properties	5	**32**	-	**32**	-
Fair value adjustments on investment properties	3	**77,208**	(5,705)	**2,690**	(99,389)
Other fair value (gains)/losses	18	**(1,254)**	(6,948)	**(5,315)**	(48,140)
Unit-based compensation expense	13	**1,280**	1,210	**5,541**	6,351
Financing costs	17	**14,720**	12,478	**43,513**	32,512
Interest expense	17	**(14,178)**	(11,754)	**(42,056)**	(30,483)
Tenant inducements		**509**	838	**1,612**	3,652
		23,555	23,101	**68,227**	70,270
Net income items related to financing activities	19	**194**	292	**770**	876
Changes in non-cash operating assets and liabilities	20	**(3,343)**	5,638	**(13,263)**	(7,828)
Cash from operating activities		**20,406**	29,031	**55,734**	63,318
Cash flows from (used in) investing activities					
Acquisition of investment properties	4	**-**	(1,861)	**-**	(72,730)
Investment in joint ventures	6	**(1,037)**	(237)	**(11,500)**	(1,284)
Other investments		**-**	-	**-**	(250)
Proceeds from sale of investment properties	5	**9,102**	-	**9,102**	-
Additions to investment properties	3	**(28,333)**	(39,095)	**(72,046)**	(95,290)
Cash used in investing activities		**(20,268)**	(41,193)	**(74,444)**	(169,554)
Cash flows from (used in) financing activities					
Mortgage and loan repayments	20	**(24,076)**	(31,475)	**(76,621)**	(217,465)
Mortgage advances	20	**75,766**	35,425	**100,959**	479,671
Financing fees		**(554)**	(2,274)	**(1,696)**	(15,681)
Credit facility advances/(repayments)	20	**(40,060)**	14,990	**21,747**	(115,475)
Principal repayments on lease liabilities		**(71)**	(48)	**(176)**	(144)
Trust units issued, net of issue costs	13, 15	**77**	-	**715**	414
Trust units purchased and cancelled	15	**(1,670)**	-	**(1,998)**	-
Deferred units purchased and cancelled	13, 15	**(388)**	(576)	**(1,086)**	(1,311)
Interest paid on units classified as financial liabilities	19	**(194)**	(292)	**(770)**	(876)
Distributions paid	20	**(7,606)**	(7,511)	**(22,873)**	(22,624)
Cash from financing activities		**1,224**	8,239	**18,201**	106,509
Increase (decrease) in cash during the period		**1,362**	(3,923)	**(509)**	273
Cash at the beginning of period		**2,396**	6,260	**4,267**	2,064
Cash at end of period		**$ 3,758**	$ 2,337	**$ 3,758**	$ 2,337

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, 2023 were authorized for issuance by the Trustees of the Trust on November 1, 2023.

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, 2022.

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.

Unaudited (Cdn $ Thousands except unit amounts)

2. BASIS OF PRESENTATION (Continued)

Material 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, 2022.

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, 2022.

Comparative information

Certain comparative figures have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the reported net income. An adjustment has been made to the Consolidated Balance Sheet, Consolidated Statements of Cash Flows, and the relevant accompanying notes for the fiscal year ended December 31, 2022 to reclassify certain transaction and other costs from the carrying value of joint ventures to investment properties. $880 was moved from investment in joint ventures to investment properties to improve the clarity of the disclosure around the Trust's share of the net assets of the joint ventures.

3. INVESTMENT PROPERTIES

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

	September 30, 2023	December 31, 2022
Income properties	**$ 4,277,878**	$ 4,152,141
Properties under development	**38,088**	101,783
	$ 4,315,966	$ 4,253,924

Income properties:

	September 30, 2023	December 31, 2022
Balance, beginning of year	**$ 4,152,141**	$ 3,998,193
Acquisitions (note 4)	**-**	72,600
Dispositions (note 5)	**(10,892)**	-
Transfers from properties under development	**70,173**	-
Property capital investments	**69,146**	89,673
Fair value adjustments	**(2,690)**	(8,325)
	$ 4,277,878	$ 4,152,141

Unaudited (Cdn $ Thousands except unit amounts)

3. INVESTMENT PROPERTIES (Continued)

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

	September 30, 2023	December 31, 2022
Balance, beginning of year	$ 101,783	$ 64,907
Acquisitions (note 4)	-	2,431
Transfer to income properties	(70,173)	-
Property capital investments	6,478	34,445
	$ 38,088	$ 101,783

The fair value of the income properties is determined internally by the Trust. The fair value methodology of the Trust's income properties is considered a level 3 valuation 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 ("Cap 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, 2022. 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 Cap Rate, turnover estimate and market rent adjustments) as at September 30, 2023, in order for the Trust to complete its internal valuations.

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

	September 30, 2023		December 31, 2022	
	Range	Weighted average	Range	Weighted average
Capitalization rate	3.25% - 6.25%	4.22%	3.00% - 5.75%	4.04%

Unaudited (Cdn $ Thousands except unit amounts)

3. INVESTMENT PROPERTIES (Continued)

The direct capitalization income approach method of valuation requires that SNOI be divided by a 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, 2023

Forecasted stabilized net operating income		-3%	-1%	As estimated	+1%	+3%
		$ 175,110	$ 178,721	**$ 180,526**	$ 182,331	$ 185,942
Capitalization rate						
-0.25%	3.97%	$ 4,410,837	$ 4,501,782	$ 4,547,254	$ 4,592,727	$ 4,683,672
Cap rate used	**4.22%**	$ 4,149,531	$ 4,235,089	**$ 4,277,878**	$ 4,320,646	$ 4,406,203
+0.25%	4.47%	$ 3,917,455	$ 3,998,227	$ 4,038,613	$ 4,078,999	$ 4,159,771

As at December 31, 2022

Forecasted stabilized net operating income		-3%	-1%	As estimated	+1%	+3%
		$ 162,714	$ 166,069	**$ 167,746**	$ 169,423	$ 172,778
Capitalization rate						
-0.25%	3.79%	$ 4,293,235	$ 4,381,756	$ 4,426,016	$ 4,470,276	$ 4,558,796
Cap rate used	**4.04%**	$ 4,027,565	$ 4,110,607	**$ 4,152,141**	$ 4,193,650	$ 4,276,693
+0.25%	4.29%	$ 3,792,858	$ 3,871,062	$ 3,910,163	$ 3,949,265	$ 4,027,468

The two (2022 - three) 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 its 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**	
	2023	2022	**2023**	2022
Property capital investments	**$ (29,944)**	$ (37,241)	**$ (75,624)**	$ (99,062)
Changes in non-cash investing accounts payable and accrued liabilities	**1,611**	(1,854)	**3,578**	3,772
	$ (28,333)	$ (39,095)	**$ (72,046)**	$ (95,290)

Unaudited (Cdn $ Thousands except unit amounts)

4. INVESTMENT PROPERTY ACQUISITIONS

During the nine months ended September 30, 2023, the Trust did not complete any investment property acquisitions.

During the nine months ended September 30, 2022, the Trust completed the following investment property acquisitions:

Acquisition Date	Suite Count	Ownership Interest	Total Acquisition Costs[1]	Mortgage Funding[1]	Interest Rate	Maturity Date
January 24, 2022	36	50%	$ 8,722	$ 5,363	BA + 1.35%	January 28, 2023
February 28, 2022	21	50%	4,845	2,965	BA + 1.35%	January 28, 2023
June 30, 2022	254	50%	57,370	34,191	4.02%	December 1, 2027
September 8, 2022[2]	0	2.5%	2,431	638	BA + 1.00%	December 31, 2022
	311		**$ 73,368**	**$ 43,157**		

[1] The total acquisition costs and mortgage funding represent the Trust's ownership interest.
[2] During Q3 2022, the Trust acquired an additional 2.5% stake in the development site at 900 Albert Street, Ottawa bringing the Trust's direct economic ownership up to 16.67%. In total, the Trust owns a 50% stake in the development property through a combination of its direct investment in the project and its ownership in the TIP Albert Limited Partnership joint venture. See notes 6 and 7 for more information.

Cash outflow used for investment property acquisitions for the three and nine months ended September 30, 2023 were nil (September 30, 2022 - $1,861 and $72,730 respectively).

5. INVESTMENT PROPERTY DISPOSITIONS

During the nine months ended September 30, 2023, the Trust completed the following investment property disposition. This disposition does not meet the definition of discontinued operations under IFRS:

Disposition Date	Suite Count	Ownership Interest	Sale Price	Net Proceeds	Mortgage Discharged
August 28, 2023	54	100%	$ 11,500	$ 10,860	$ 6,927

During the nine months ended September 30, 2022 the trust did not dispose of any investment properties.

A loss of $32 was recognized for the nine months ended September 30, 2023 in connection with this disposition. 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 the sale of investment properties for the three and nine months ended:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Net Proceeds	**$ 10,860**	$ -	**$ 10,860**	$ -
Vendor take-back mortgage issued	**(1,500)**	-	**(1,500)**	-
Promissory note issued	**(500)**	-	**(500)**	-
Non-cash closing costs	**242**	-	**242**	-
	$ 9,102	$ -	**$ 9,102**	$ -

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, 2023**	December 31, 2022
TIP Albert Limited Partnership	Ottawa	Develop, own and operate investment property[1]	40.0%	40.0%
Fairview Limited Partnership	Burlington	Develop, own and operate investment property	25.0%	25.0%
2-4 Hanover Limited Partnership	Brampton	Own and operate investment property[2]	10.0%	-
OTT A360 Laurier Limited Partnership	Ottawa	Develop, own and operate investment property[3]	25.0%	-

[1] On September 8, 2022 TIP Albert Limited Partnership sold 2.5% of its interest in 801 Albert Street Inc., the development site at 900 Albert Street, Ottawa, to the Trust for consideration of $2,385. Following this transaction, TIP Albert Limited Partnership has ownership interest of 83.33% in 801 Albert Street Inc. The Trust has ownership interest of 33.33% in 801 Albert Street Inc. through its 40% ownership in TIP Albert Limited Partnership. The Trust holds the remaining ownership of 16.67% interest directly in 801 Albert Street Inc. This 16.67% interest is reported under Properties under Development (note 3) as a joint operation (note 7). In total, the Trust holds a 50% interest in the development property.
[2] On March 27, 2023 the Trust acquired a 10% interest in the properties located at 2 & 4 Hanover Road in Brampton, Ontario for a purchase price of $18,550 (net consideration of $8,875 after debt assumed on acquisition).
[3] On July 10, 2023 the Trust acquired a 25% interest in the property located at 360 Laurier Avenue, Ottawa, Ontario for a purchase price of $4,475 (net consideration of $1,205 after debt assumed on acquisition).

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 ventures:

	September 30, 2023	December 31, 2022
Balance, beginning of year	**$ 31,160**	$ 29,892
Additions	**11,500**	1,231
Share of net income	**3,583**	37
Distributions	**-**	-
	$ 46,243	$ 31,160

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

	September 30, 2023	December 31, 2022
Current assets	**$ 4,941**	$ 4,078
Non-current assets	**399,417**	155,519
Current liabilities	**(2,822)**	(411)
Non-current liabilities	**(170,690)**	(63,500)
Net assets	**$ 230,846**	$ 95,686
Trust's share	**$ 46,243**	$ 31,160

Unaudited (Cdn $ Thousands except unit amounts)

6. INVESTMENT IN JOINT VENTURES (Continued)

	Three months ended September 30 2023	Three months ended September 30 2022	Nine months ended September 30 2023	Nine months ended September 30 2022
Revenue	**$ 3,396**	$ 57	**$ 6,739**	$ 171
Expenses	**(2,145)**	(26)	**(4,323)**	(59)
Fair value adjustments on investment properties	**2,850**	-	**33,353**	-
Net income	**$ 4,101**	$ 31	**$ 35,769**	$ 112
Trust's share	**$ 411**	$ 7	**$ 3,583**	$ 26

7. JOINT OPERATIONS

The Trust has interest in twenty-three investment properties (December 31, 2022 – twenty-three) and one property under development (December 31, 2022 - one) that are subject to joint control and have been determined to be joint operations. The Trust records only its proportionate share of the assets, liabilities and the results of operations of the joint operations. The assets, liabilities and results of joint operations are included within the respective line items of the consolidated balance sheets and consolidated statements of income. The Trust's ownership in the joint operations are as follows:

Joint Operation	Region	Type	Ownership Interest (September 30, 2023)	Ownership Interest (December 31, 2022)
Vancouver No. 1 Apartments Partnership	Greater Vancouver Area	Investment properties	50.00%	50.00%
Ontario No. 1 Apartments Partnership	Greater Toronto and Hamilton Area	Investment properties	50.00%	50.00%
Quebec No. 1 Apartments Partnership	Greater Montréal Area	Investment properties	50.00%	50.00%
801 Albert Street Inc.	National Capital Region	Property under development	16.67%	16.17%

Unaudited (Cdn $ Thousands except unit amounts)

8. RECEIVABLES AND OTHER ASSETS

	September 30, 2023	December 31, 2022
Current:		
Rents and other receivables, net of allowance for uncollectable amounts (note 23(b))	$ 9,402	$ 8,464
Lease incentives[1]	677	631
	$ 10,079	$ 9,095
Non-current:		
Automobiles, software, equipment and furniture and fixtures, net of accumulated amortization of $5,022 (2022 - $4,316)	$ 3,529	$ 4,337
Deferred finance fees on credit facilities, net of accumulated amortization of $2,532 (2022 - $2,308)	338	387
Loan receivable long-term incentive plan (note 14)	8,358	8,501
Right-of-use asset, net of accumulated amortization of $222 (2022 - $122)	645	783
Other investments	500	500
Mortgage receivable[2]	1,500	-
Promissory note receivable[3]	500	-
	$ 15,370	$ 14,508
	$ 25,449	$ 23,603

(1) Comprised of straight-line rent. This amount is excluded from the determination of the fair value of the investment properties.
(2) At September 30, 2023 the balance is comprised of one mortgage with a maturity date of July 2027, at an interest rate of 3.5% for the first two years, and 4.5% for the remaining two years. The mortgage is secured by the related property and a personal guarantee.
(3) At September 30, 2023 the balance is comprised of one promissory note with a maturity date of July 2027, at an interest rate of 3.5% for the first two years, and 4.5% for the remaining two years.

9. MORTGAGES PAYABLE

Mortgages are secured by the investment properties and bear interest at a weighted average interest rate of 3.48% (December 31, 2022 - 3.22%).

The mortgages mature at various dates between the years 2023 and 2033.

The aggregate future minimum principal payments, including maturities and excluding mortgages on assets held for sale, are as follows:

2023	$ 68,897
2024	219,961
2025	228,976
2026	164,367
2027	211,997
Thereafter	827,303
	1,721,501
Less: Deferred finance costs and mortgage premiums	(45,026)
	$ 1,676,475

Unaudited (Cdn $ Thousands except unit amounts)

10. CREDIT FACILITIES

	September 30, 2023	December 31, 2022
Demand credit facility (i)	$ -	$ -
Term credit facility (ii)	18,807	-
Term credit facility (iii)	2,940	-
Term credit facility (iv)	-	-
	$ 21,747	$ -

(i) The Trust has a $3,000 (2022 - $3,000) demand credit facility with a Canadian chartered bank secured by a general security agreement. The weighted average interest rate on amounts drawn during the nine months ended September 30, 2023 was 7.68%. The weighted average interest rate on amounts drawn during the year ended December 31, 2022 was 4.33%.

(ii) The Trust has a $105,000 (2022 - $105,000) term credit facility, maturing in 2025, with a Canadian chartered bank secured by a general security agreement and second collateral mortgages on eight (2022 - eight) 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 nine months ended September 30, 2023 was 6.91%. The weighted average interest rate on amounts drawn during the year ended December 31, 2022 was 2.22%.

(iii) The Trust has a $15,000 (2022 - $15,000) term credit facility, maturing in 2025, with a Canadian chartered bank secured by a general security agreement, first mortgage on one (2022 - one) of the Trust’s properties and second collateral mortgages on one (2022 - one) 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 nine months ended September 30, 2023 was 8.01%. The weighted average interest rate on amounts drawn during the year ended December 31, 2022 was 4.36%.

(iv) The Trust has a $100,000 (2022 - $100,000) term credit facility, maturing in 2025, with a Canadian chartered bank secured by a general security agreement, first mortgages on two (2022 - two) of the Trust’s properties and second collateral mortgages on four (2022 - four) of the Trust's properties. Interest is charged at a floating rate plus a pre-defined spread for prime advances and banker’s acceptances. There were no amounts drawn during the nine months ended September 30, 2023. The weighted average interest rate on amounts drawn during the year ended December 31, 2022 was 2.59%.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2023	December 31, 2022
Accounts payable	$ 3,835	$ 6,495
Accrued liabilities	29,952	32,092
Accrued distributions	4,396	4,357
Mortgage interest payable	3,604	2,906
	$ 41,787	$ 45,850

12. 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.

Unaudited (Cdn $ Thousands except unit amounts)

12. CLASS B LP UNIT LIABILITY (Continued)

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

Number of Units	
Balance - December 31, 2021	**3,410,766**
Units issued	-
Balance - December 31, 2022	**3,410,766**
Units issued	-
Units exchanged for Trust Units	(1,250,000)
Balance - September 30, 2023	**2,160,766**

During the nine months ended September 30, 2023, 1,250,000 Class B LP Units were exchanged for 1,250,000 Trust Units (September 30, 2022 - nil) by a company controlled by an officer and Trustee of the Trust (note 21).

The Class B LP Units represented an aggregate fair value of $26,988 at September 30, 2023 (December 31, 2022 - $43,658). 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.

13. 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, 2023	December 31, 2022
Unit-based liabilities, beginning of year	**$ 54,131**	$ 70,492
Compensation expense - deferred unit plan	**2,891**	5,060
Compensation expense - performance and restricted unit plan	**1,304**	886
DRIP[(1)] expense - deferred unit plan	**1,250**	1,583
DRIP[(1)] expense - performance and restricted unit plan	**96**	41
DUP units converted, cancelled and forfeited	**(1,402)**	(4,149)
Unit options exercised and expired	**(857)**	(708)
(Gain)/loss on fair value of liability (note 18)	**(1,732)**	(19,074)
Unit-based liabilities, end of period	**$ 55,681**	$ 54,131

[(1)] Distribution reinvestment plan

Unit options, deferred, performance, and restricted units are settled with the issuance of Trust Units. However, due to the fact that Trust Units are redeemable, awards of unit options, deferred, performance, and restricted units are considered to be cash-settled. As such, the fair value of unit options, deferred, performance, and restricted 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, the Performance and Restricted Unit plan, and unit options, as well as the long-term incentive plan (note 14) is 6% of the issued and outstanding Trust Units.

Unaudited (Cdn $ Thousands except unit amounts)

13. UNIT-BASED COMPENSATION LIABILITIES (Continued)

(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 for officers and employees. 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, 2021	**4,451,933**
Units issued under deferred unit plan	298,350
Reinvested distributions on deferred units	122,389
Deferred units exercised into Trust Units (note 15)	(217,913)
Deferred units purchased and cancelled	(92,808)
Deferred units cancelled	(22,726)
Balance - December 31, 2022	**4,539,225**
Units issued under deferred unit plan	156,028
Reinvested distributions on deferred units	96,974
Deferred units exercised into Trust Units (note 15)	(23,530)
Deferred units purchased and cancelled	(15,000)
Deferred units cancelled	(78,532)
Balance - September 30, 2023	**4,675,165**

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 $53,165 at September 30, 2023 (December 31, 2022 - $51,861). 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.

(ii) UNIT OPTIONS

The Trust had a unit option plan that provided for options to be granted to the benefit of employees, Trustees and certain other third parties. The Board has terminated the unit option plan, the termination of this plan will not impact any currently outstanding options, but the plan is now closed to new issuances. The exercise price of options granted under the unit option plan was determined by the Trustees, but was 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 did not exceed 10 years or such other maximum permitted time period under applicable regulations. At the time of granting options, the Board of Trustees determined the time, or times, when an option or part of an option was exercisable. The Trust did not provide financial assistance to any optionee in connection with the exercise of options.

Unaudited (Cdn $ Thousands except unit amounts)

13. UNIT-BASED COMPENSATION LIABILITIES (Continued)

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

	2023		2022	
	Number of units	**Weighted average exercise price**	**Number of units**	**Weighted average exercise price**
Balance, beginning of year	223,265	$ 6.55	291,652	$ 6.44
Exercised	(120,925)	$ 5.92	(68,387)	$ 6.09
Expired	(12,500)	$ 6.86	-	-
Balance, end of period	**89,840**	**$ 7.35**	**223,265**	$ 6.55

Options outstanding at September 30, 2023:

Exercise price	Number of units	Remaining life in years	Number of units exercisable
$ 5.81	15,500	1.21	15,500
$ 7.67	74,340	3.82	74,340
	89,840		**89,840**

The weighted average market price of options exercised in the nine months ended September 30, 2023 was $13.15 (2022 - $16.11).

The unit options represented an aggregate fair value of $439 at September 30, 2023 (December 31, 2022 - $1,317). 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, 2023	December 31, 2022
Market price of Unit	$ 12.49	$ 12.80
Expected option life	1.1 years	0.9 years
Risk-free interest rate	4.87%	4.06%
Expected volatility (based on historical)	24%	23%
Expected distribution yield	5.0%	5.0%

(iii) PERFORMANCE AND RESTRICTED UNIT PLAN

The performance and restricted unit plan enables the Trustees to grant performance units and restricted units to employees and officers of the REIT. Performance units vest on the vesting date set out in the grant agreement according to a performance payout criteria, based on the REIT's relative performance against peers and achievement against sustainability goals. Restricted units vest 100% on the vesting date set out in the grant agreement. The performance and restricted units earn additional units for the distributions that would otherwise have been paid on the units (i.e. had they instead been issued as Trust Units on the date of grant).

Unaudited (Cdn $ Thousands except unit amounts)

13. UNIT-BASED COMPENSATION LIABILITIES (Continued)

A summary of performance and restricted unit activity is presented below:

Number of Units	
Balance - December 31, 2021	**-**
Units issued under performance and restricted unit plan	209,592
Reinvested distributions on performance and restricted units	3,558
Balance - December 31, 2022	**213,150**
Units issued under performance and restricted unit plan	175,133
Reinvested distributions on performance and restricted units	7,016
Balance - September 30, 2023	**395,299**

The initial 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 fair value of the performance units is estimated at each reporting period using a Monte Carlo pricing model. Changes in fair value are recognized in the consolidated statement of income.

The liability for performance and restricted units is recognized on a pro-rated basis over the vesting period. The aggregate fair value of the performance and restricted units on the balance sheet at September 30, 2023 was $2,079 (December 31, 2022 - $953).

14. LONG-TERM INCENTIVE PLAN

In the past, the Board awarded long-term incentive plan ("LTIP") units to certain officers and key employees, collectively the "Participants". The Board has terminated the LTIP, the termination of this plan will not impact any currently outstanding awards, but the plan is now closed to new issuances. 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, the Performance and Restricted Unit plan, and the unit option plan (note 13) is 6% of the issued and outstanding Trust Units. The Participants could 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 8) 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
September 11, 2012	100,000	3.35%	$ 394
June 27, 2013	125,000	3.85%	540
December 16, 2014	100,000	3.27%	449
June 9, 2015	75,000	3.44%	396
June 30, 2016	275,000	2.82%	1,854
July 28, 2017	320,000	3.09%	2,154
March 5, 2018	285,000	3.30%	2,571
	1,280,000		$ 8,358

Unaudited (Cdn $ Thousands except unit amounts)

15. 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, 2021	**140,179,844**	**$ 1,030,780**
Units Issued under the deferred unit plan	217,913	2,748
Units Issued under distribution reinvestment plan	1,422,730	18,208
Units Issued from options exercised	68,387	1,122
Balance - December 31, 2022	**141,888,874**	**$ 1,052,858**
Units purchased and cancelled	(157,200)	(1,998)
Units issued from exchange of Class B Units	1,250,000	15,115
Units Issued under the deferred unit plan	23,530	316
Units Issued under distribution reinvestment plan	1,226,094	15,645
Units Issued from options exercised	120,925	1,572
Balance - September 30, 2023	**144,352,223**	**$ 1,083,508**

On May 17, 2023, 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 13,582,032 of its Trust Units, or approximately 10% of its public float of 135,820,320 Trust Units as of May 12, 2023, for cancellation over the next 12 months commencing on May 23, 2023 until the earlier of May 22, 2024 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 78,080 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.

On May 9, 2022, 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 13,357,843 of its Trust Units, or approximately 10% of its public float of 133,578,439 Trust Units as of May 2, 2022, for cancellation over the next 12 months commencing on May 16, 2022 until the earlier of May 15, 2023 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 93,790 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 months ended September 30, 2023, the Trust purchased and cancelled 157,200 Trust Units for a total of $1,998. All purchases occurred at market prices.

For the nine months ended September 30, 2022 the Trust did not purchase any Trust Units.

During the nine months ended September 30, 2023, 1,250,000 Class B LP Units were exchanged for 1,250,000 Trust Units (September 30, 2022 - nil) by a company controlled by an officer and Trustee of the Trust (note 21).

15. 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)

16. REVENUE FROM INVESTMENT PROPERTIES

The components of revenue from investments properties are as follows:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Lease revenue [1]	**$ 58,263**	$ 53,757	**$ 172,454**	$ 156,219
Non-lease revenue [2]	**986**	1,094	**3,155**	3,326
	$ 59,249	$ 54,851	**$ 175,609**	$ 159,545

(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

17. FINANCING COSTS

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Mortgages payable	**$ 14,603**	$ 12,027	**$ 42,956**	$ 30,288
Credit facilities	**983**	485	**2,388**	1,733
Interest income	**(269)**	(109)	**(539)**	(310)
Interest capitalized to development	**(1,139)**	(649)	**(2,749)**	(1,228)
Interest expense	**14,178**	11,754	**42,056**	30,483
Amortization of deferred finance costs on mortgages	**545**	773	**1,629**	2,261
Amortization of deferred finance costs on credit facilities	**83**	106	**224**	232
Amortization of fair value on assumed debt	**(86)**	(155)	**(396)**	(464)
	$ 14,720	$ 12,478	**$ 43,513**	$ 32,512

18. OTHER FAIR VALUE GAINS/(LOSSES)

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Class B LP unit liability	**$ 713**	$ 1,774	**$ 1,558**	$ 19,919
Unit-based compensation liability (deferred unit plan)	**1,231**	2,212	**1,441**	23,555
Unit-based compensation liability (performance and restricted unit plan)	**27**	30	**274**	81
Unit-based compensation liability (option plan)	**63**	96	**17**	1,166
Rate swap (mortgage payable)	**54**	1,602	**819**	2,185
Forward rate lock (mortgage payable)	**(834)**	1,234	**1,206**	1,234
	$ 1,254	$ 6,948	**$ 5,315**	$ 48,140

19. INTEREST ON UNITS CLASSIFIED AS FINANCIAL LIABILITIES

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Class B LP unit liability	**$ 194**	$ 292	**$ 770**	$ 876
Unit-based compensation (deferred unit plan)	**420**	399	**1,250**	1,183
Unit-based compensation (performance and restricted unit plan)	**36**	23	**96**	23
	$ 650	$ 714	**$ 2,116**	$ 2,082

Unaudited (Cdn $ Thousands except unit amounts)

20. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Receivables and other assets	**$ (2,899)**	$ (1,323)	**$ (2,210)**	$ (4,669)
Prepaid and deposits	**1,766**	3,014	**(4,944)**	(3,514)
Accounts payable and accrued liabilities	**(3,630)**	3,615	**(7,718)**	(507)
Tenant rental deposits	**1,420**	332	**1,609**	862
	$ (3,343)	$ 5,638	**$ (13,263)**	$ (7,828)

(b) Net cash distributions to unitholders

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Distributions declared to unitholders	**$ 12,932**	$ 12,079	**$ 38,594**	$ 36,122
Add: Distributions payable at beginning of period	**4,322**	4,017	**4,255**	3,994
Less: Distributions payable at end of period	**(4,331)**	(4,031)	**(4,331)**	(4,031)
Less: Distributions to participants in the DRIP	**(5,317)**	(4,554)	**(15,645)**	(13,461)
	$ 7,606	$ 7,511	**$ 22,873**	$ 22,624

(c) Interest paid

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Interest expense	**$ 14,178**	$ 11,754	**$ 42,056**	$ 30,483
Add: Mortgage interest payable at beginning of period	**3,353**	1,906	**2,906**	2,172
Less: Mortgage interest payable at end of period	**(3,604)**	(1,887)	**(3,604)**	(1,887)
Add: Interest capitalized	**1,139**	649	**2,749**	1,228
Add: Interest income received	**269**	109	**539**	310
	$ 15,335	$ 12,531	**$ 44,646**	$ 32,306

(d) Reconciliation of liabilities arising from financing activities

	Three months ended September 30		Nine months ended September 30	
Mortgages payable	**2023**	2022	**2023**	2022
Balance, beginning of period	**$ 1,669,811**	$ 1,651,809	**$ 1,697,163**	$ 1,393,553
Mortgage advances	**75,766**	35,425	**100,959**	479,671
Assumed mortgages	**-**	638	**-**	638
Repayment of mortgages	**(24,076)**	(31,475)	**(76,621)**	(217,465)
Balance, end of period	**$ 1,721,501**	$ 1,656,397	**$ 1,721,501**	$ 1,656,397

Unaudited (Cdn $ Thousands except unit amounts)

20. SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

Credit facilities	Three months ended September 30 2023	Three months ended September 30 2022	Nine months ended September 30 2023	Nine months ended September 30 2022
Balance, beginning of period	**$ 61,807**	$ 10,030	**$ -**	$ 140,495
Advances of credit facilities	**-**	14,990	**61,807**	14,990
Repayment of credit facilities	**(40,060)**	-	**(40,060)**	(130,465)
Balance, end of period	**$ 21,747**	$ 25,020	**$ 21,747**	$ 25,020

21. RELATED PARTY TRANSACTIONS

The transactions with related parties are incurred in the normal course of business. Related party transactions have been listed below.

(i) Accounts Payable (net of amounts receivable)

As at September 30, 2023, $nil (December 31, 2022 - $nil) was included in accounts payable and accrued liabilities, net of amounts receivable and including applicable sales tax, which are due to companies that are controlled by an officer and Trustee of the Trust. The amounts were non-interest bearing and due on demand.

(ii) Services

During the nine months ended September 30, 2023, the Trust incurred $1,388 (2022 - $1,671) in entitlement, development, and construction management services related to development projects from companies controlled by an officer and Trustee of the Trust. The services received have been capitalized to the investment properties.

(iii) Exchange of Class B LP Units

During the nine months ended September 30, 2023, a company controlled by an officer and Trustee of the Trust exchanged 1,250,000 Class B LP Units for 1,250,000 Trust Units (September 30, 2022 - nil). All Class B LP Units are exchangeable at the option of the holder and the exchange occurred at market prices (note 12).

22. 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. There have been no changes to the Trust's capital risk management policies for the nine months ended September 30, 2023 from the year ended December 31, 2022.

22. CAPITAL RISK MANGEMENT (Continued)

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, 2023, the debt to gross book value ratio is 38.6% (December 31, 2022 - 38.3%).

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, 2023 and the year ended December 31, 2022.

23. 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.

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 adequate security to assist in potential recoveries. The Trust monitors its collection process on a regular 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, 2023, the Trust had past due rents and other receivables of $12,532 (December 31, 2022 - $11,313), net of an allowance for doubtful accounts of $3,130 (December 31, 2022 - $2,849) which adequately reflects the Trust's credit risk.

Unaudited (Cdn $ Thousands except unit amounts)

23. 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 22 to the condensed consolidated interim 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, 2023, the Trust had credit facilities as described in note 10.

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 mortgages on assets held for sale, as well as unit-based compensation liabilities and Class B LP unit liability as their redemption time is uncertain, as at September 30, 2023 are as follows:

Year	Mortgages payable	Mortgage interest (1)	Credit facilities	Lease liabilities principal outstanding	Accounts payable and accrued liabilities	Total
2023	$ 68,897	$ 14,418	$ 21,747	$ 84	$ 41,787	$ 146,933
2024	219,961	50,441	-	297	-	270,699
2025	228,976	41,729	-	315	-	271,020
2026	164,367	34,599	-	335	-	199,301
2027	211,997	30,696	-	351	-	243,044
Thereafter	827,303	81,173	-	357	-	908,833
	$1,721,501	**$ 253,056**	**$ 21,747**	**$ 1,739**	**$ 41,787**	**$2,039,830**

(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, 2023, approximately 5% (December 31, 2022 - 3%) 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 $847 for the nine months ended September 30, 2023 (2022 - $2,509).

Unaudited (Cdn $ Thousands except unit amounts)

24. 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 $1,706,673 (December 31, 2022 - $1,666,048) excluding any deferred financing costs.

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

September 30, 2023	Level 1	Level 2	Level 3
Assets			
Investment properties	-	-	4,315,966
Interest rate swap asset(1)	-	3,261	-
Forward rate lock asset(1)	-	1,206	-
Liabilities			
Unit-based compensation liability	-	55,681	-
Class B LP unit liability	-	26,988	-

December 31, 2022	Level 1	Level 2	Level 3
Assets			
Investment properties	-	-	4,253,924
Interest rate swap asset(1)	-	2,442	-
Forward rate lock asset(1)	-	-	-
Liabilities			
Unit-based compensation liability	-	54,131	-
Class B LP unit liability	-	43,658	-

(1) Interest rate swap asset and forward rate lock asset presented on the consolidated balance sheets in mortgages payable

25. 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.

26. SUBSEQUENT EVENTS

On October 31, 2023, the Board of Trustees approved a 5% increase to the monthly per unit distributions. The increase will be effective for the November 2023 distributions that is to be paid in December 2023.

26. SUBSEQUENT EVENTS (Continued)

The REIT has filed a base shelf prospectus dated October 31, 2023 (the “Base Shelf Prospectus”) with the Ontario Securities Commission, relying on the “well-known seasoned issuer” exemption. This filing will allow the REIT, if it chooses, to make offerings of units or subscription receipts (collectively, the “Securities”) of the REIT, or any combination thereof, in all of the provinces and territories of Canada for a period of 25 months. The REIT may also use the Base Shelf Prospectus in connection with an "at-the-market distribution" in accordance with applicable securities laws, which would permit the Securities to be sold on behalf of the REIT through the Toronto Stock Exchange as further described in the applicable prospectus supplement. To date, no agreement has been entered into with respect to such a distribution.