



Q3

2022 REPORT

EQUITON RESIDENTIAL
INCOME FUND TRUST



[EQUITON.COM](https://www.equiton.com)

TABLE OF CONTENTS

1	Forward-looking Information
2	Letter from the CEO and CFO
4	Corporate Profile
5	Q3 2022 KPIs
6	Q3 2022 Operating Highlights
7	Q3 2022 Metrics
8	Q3 2022 Fund Performance
9	Summary of First Nine Months of 2022 Results of Operations
11	Operational and Financial Results
11	Net and Occupied Average Monthly Rents and Occupancy
11	Stabilized Portfolio: Net AMR, Occupied AMR and Occupancy by Region
12	Total Operating Revenues by Region
12	Net Operating Income by Region
13	Gap to Market
13	Value Creation
14	Net Operating Income
14	Operating Revenues and Expenses
15	Non-IFRS Financial Measures
15	FFO and AFFO Calculation
16	Q3 2022 Acquisitions and Dispositions
17	Property Details
27	Risks and Uncertainties
28	Unaudited Financial Statements

FORWARD-LOOKING INFORMATION

Certain information in this communication contains “forward-looking information” within the meaning of applicable securities legislation. Forward-looking information may relate to future events or the Trust’s performance. Forward-looking information includes, but is not limited to, information regarding the Trust’s distributions, growth potential and volatility, investor returns, ability to achieve operational efficiencies, objectives, strategies to achieve those objectives, beliefs, plans, estimates, projections, and intentions; and similar statements concerning anticipated future events, results, circumstances, performance or expectations and other statements that are not historical facts. These statements are based upon assumptions that the Management of the Trust believes are reasonable, but there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking information involves numerous assumptions, known and unknown risks, and uncertainties that contribute to the possibility that the forward-looking statements will not occur and may cause actual results to differ materially from those anticipated in such forward-looking statements. Some of these risks are discussed in the section “Risk Factors” in the Offering Memorandum. These forward-looking statements are made as of the date of this communication and the Trust is not under any duty to update any of the forward-looking statements after the date of this communication other than as otherwise required by applicable legislation.



LETTER FROM THE CEO AND CFO

During the third quarter of 2022, the Equiton Residential Income Fund Trust (the Trust) demonstrated strong performance and stability in a rapidly changing macroeconomic environment. Rising interest rates and inflation as well as market volatility have caused concern amongst Canadian investors. We are pleased to report our Unitholders have seen attractive returns

in this volatile market as the Trust returned 11.30% to the Unitholders (Class A – DRIP) with our unit price increasing from \$11.05 on January 1, 2022, to \$11.75 on September 30, 2022, with the remainder of the return coming from our monthly dividend distribution.

The multi-family sector represents a necessity and fulfills the most basic of human need of

finding a place to live. Even while Canadian single-family home prices are witnessing declines, Private Canadian Apartments are demonstrating positive results and consistent performance. The properties located in the Trust are attractive to our investors because of the built-in, perpetual demand for housing. Further, annual rent increases provide an excellent hedge against inflation. This type of investment is attractive in markets that are supply constrained and are seeing immigrational and migrational population growth due to strength in the underlying regional economy.

Occupancies rose again at quarter end, average monthly rents increased, and we saw solid growth in all our key performance benchmarks. Most importantly, our balance sheet and financial position remained strong and resilient with a meaningful liquidity position.

The Trust's assets under management increased by \$87.9 million in Q3 2022 and \$234.1 million in the first nine months of 2022, to \$780 million. The Trust's property portfolio value increased by \$265.8 million in the first nine months of 2022 as a result of strong operations and strategic acquisitions. With the acquisition of four properties in the last nine months, increase in market rents and stable occupancies, the existing property portfolio generated \$24.4 million in operating revenues in the first nine months of 2022 (ended September 30, 2022), an increase of 56.16% year over year. The NOI margin stood at 58.41% in the first nine months of fiscal year 2022 compared to 57.36% during the same comparable period of 2021, expanding by 105 basis points. The operating revenue from our stabilized property portfolio increased by 7.27% to \$12.5 million in the first nine months of 2022 vs. \$11.6 million in the same period of 2021. The NOI margin was steady at 57%.

The Trust continues to invest in its portfolio as a driver of future growth. In the third quarter, the Trust acquired 153 multi-family residential apartment units in Brampton with a gap to market rent of 36.3% (as of September 30, 2022) where there is significant opportunity to increase rental revenues at turnover. Additionally, the Trust expanded into the Alberta market in September with the purchase of Emerald Hills Landing in Sherwood Park. This new property is in line with Management's strategy of strengthening the Trust's asset composition, increasing housing supply and expanding our geographic diversification into desirable major markets in Canada. This was an opportune time to invest in Alberta because the economy is showing signs of rebounding and will result in an influx of residents, decreasing vacancy rates, and an increase in property values. Furthermore, the Greater Edmonton Area has a relatively stable economy, given that it is the seat of the Government.

The Trust's balance sheet and financial position remained strong and flexible as of September 30, 2022 with debt service ratios well within established conservative guidelines. With Management's proactive approach of extending the debt maturities in the low interest rate environment during the pandemic, our weighted average mortgage interest rate now stands at an attractive 2.88% at the end of Q3 2022, with over 6.5 years left until maturity.

Looking ahead, we see positive value drivers that we are confident will generate strong and growing returns for our Unitholders as we head into Q4. In addition to portfolio growth, we believe our successful asset allocation strategy will drive Unitholder value.

Jason Roque, CEO and Helen Hurlbut, CFO

CORPORATE PROFILE

Founded in 2015, Equiton is a recognized leader in private equity investments and is approaching a billion in assets under management. Our exponential growth is a direct outcome of our leadership team understanding how the industry works and how to create long-term wealth through real estate investing. We know that finding the right opportunities involves time, experience, and discipline. Our strategy is always forward looking, anticipating trends and adapting our approach to strengthen our market position. We focus on capitalizing on value creation opportunities and building the most robust portfolio possible for our Unitholders.

At Equiton, we invest in multi-residential properties and create value for stakeholders by leveraging opportunities for improvement, optimization, and redevelopment. We do our research, analyzing each investment closely to minimize risk and maximize returns. At Equiton, we make private equity real estate investments more accessible to all Canadians and believe everyone should have access to wealth building real estate investments.

Q3 2022 KPIs

The following table presents key performance metrics of the Trust and includes both IFRS and Non-IFRS financial measures for the nine month periods ended September 30, 2022 and 2021.

As at September 30,	Q3 2022	Q3 2021
Portfolio Performance		
Overall Portfolio Occupancy ⁽¹⁾	98.33%	98.08%
Overall Portfolio Net Average Monthly Rents	\$1,426	\$1,258
Operating Revenues	\$24,419,317	\$15,637,133
NOI	\$14,264,255	\$8,969,880
NOI Margin	58.41%	57.36%
AFFO payout ratio ⁽²⁾ (Sept. 30, 2022 and June 30, 2022)	82.06%	84.68%
Average Rent by Suite Type		
Bachelor	\$842	\$764
1 Bedroom	\$1,202	\$1,157
2 Bedroom	\$1,453	\$1,341
3 Bedroom	\$1,487	\$1,302
4 Bedroom	\$1,729	\$1,513
All Types	\$1,426	\$1,258

The following financial metrics compare Q3'22 to Q4'21.

Financial Metrics		
Mortgage Debt to Gross Book Value	Q3 2022	Q4 2021
	46.58%	49.33%
Weighted Average Mortgage Interest Rate ⁽²⁾	2.88%	2.60%
Average Time Remaining on Loans (years) ⁽²⁾	6.51	6.43
Debt Service Coverage (times) ⁽³⁾	1.48	1.42
Interest Coverage (times) ⁽³⁾	2.42	2.34
Revenue Gap to Market	27.74%	19.66%
AUM		
	\$780M	\$546M
Growth in AUM - Q3'22 vs Q4'21	42.89%	
Growth in Operational Revenue - Q3'22 vs Q3'21	56.16%	
Growth in NOI - Q3'22 vs Q3'21	59.02%	

⁽¹⁾ Leased units as of September 30, 2022 and September 30, 2021.

⁽²⁾ Measures are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or companies.

⁽³⁾ Based on rolling 12 months.

Q3 2022 OPERATING HIGHLIGHTS



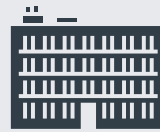
16

Communities



30

Properties



31

Buildings



2,221

Suites



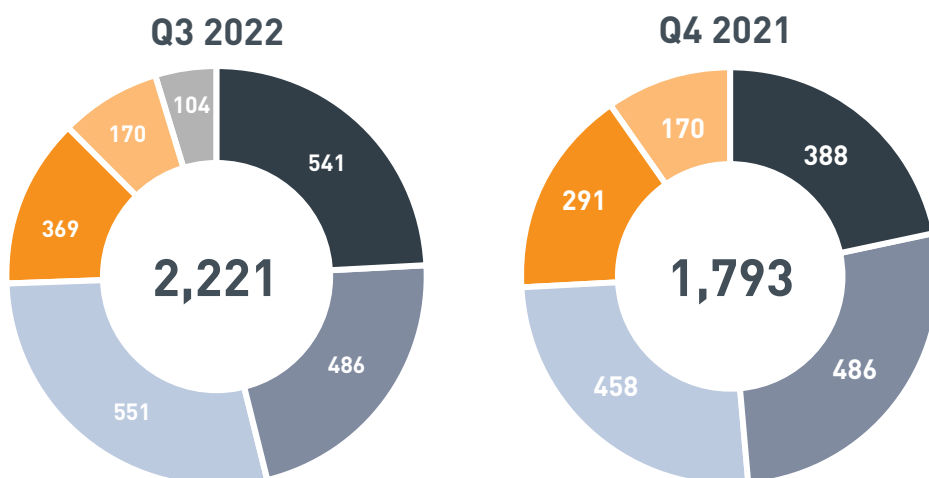
Q3 2022 METRICS

As at September 30, 2022

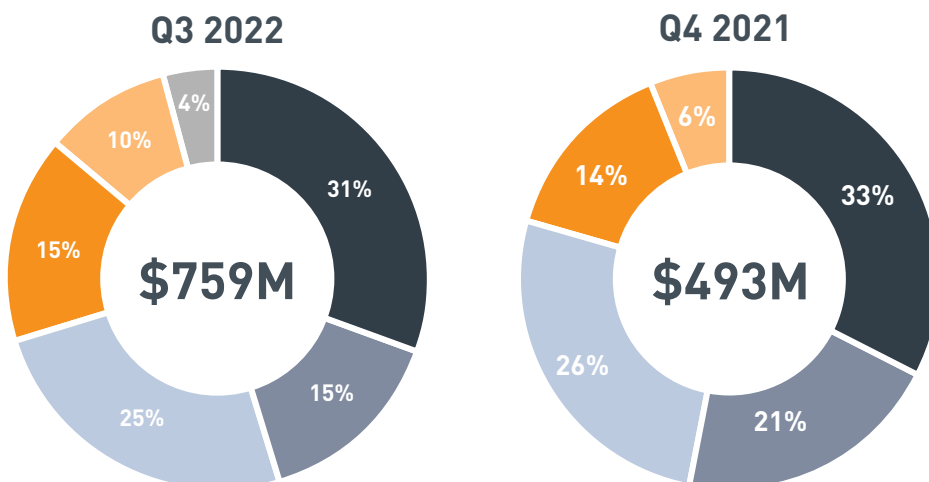
Q3'22 saw stability in the Trust as Management worked to identify new properties to expand the portfolio.

Portfolio Mix by Region

Portfolio Units (Suites)



Portfolio Value*



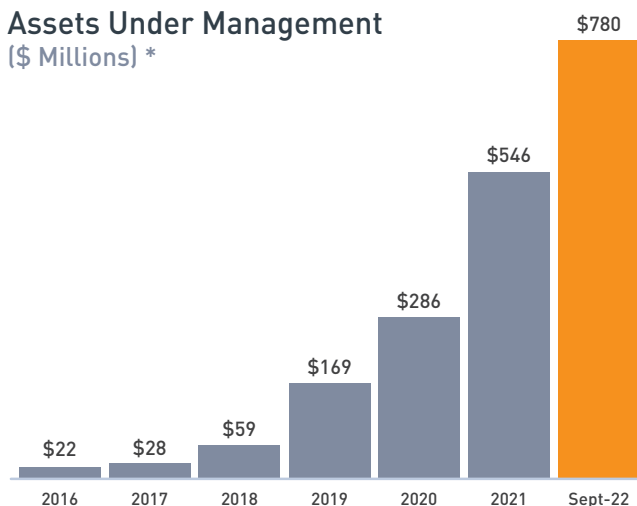
- Greater Toronto Area
- Hamilton/Halton/Brant
- Western Ontario
- Southwestern Ontario
- South Eastern Ontario
- Alberta

* Portfolio value by region excludes cash and prepaid balances held by the Trust.

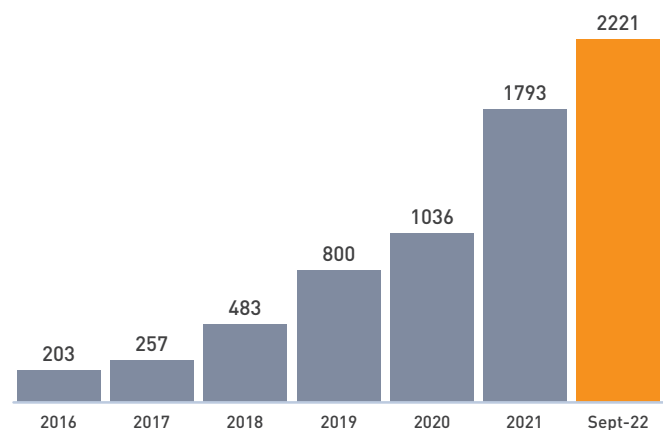
Q3 2022 FUND PERFORMANCE

As at September 30, 2022

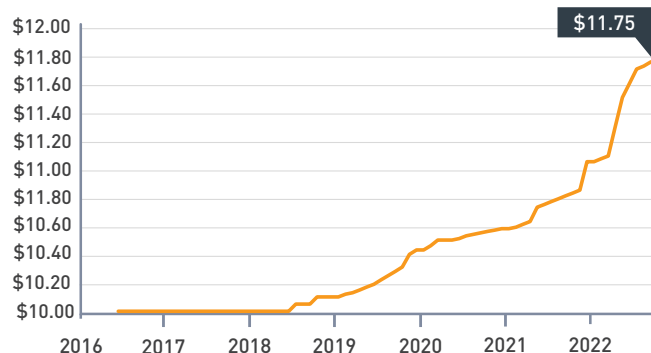
Assets Under Management (\$ Millions) *



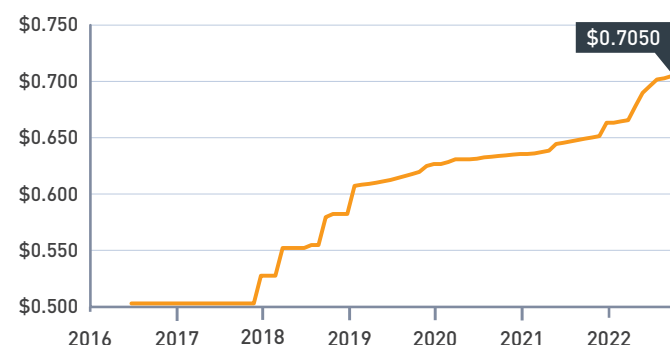
Portfolio Units



Unit Price Growth

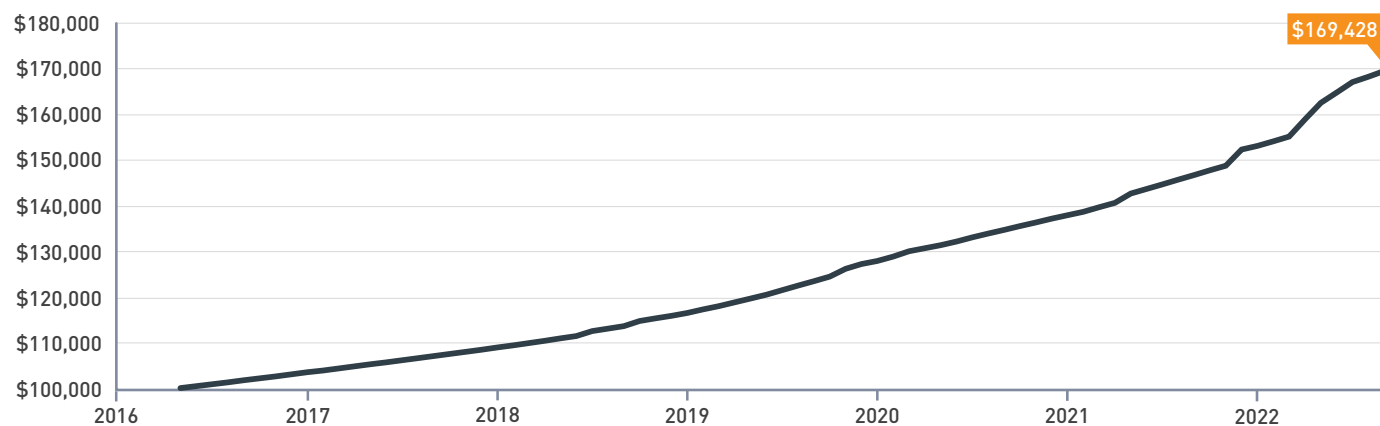


Distribution Growth Class A DRIP



\$100,000 Invested

In Class A DRIP Since Inception



* Assets Under Management includes both cash and property value.

SUMMARY OF FIRST NINE MONTHS OF 2022 RESULTS OF OPERATIONS

Key Transactions and Events

- The growth in AUM from December 31, 2021, was 42.89%.

Strong Operating Results and Balance Sheets

- NOI margins for the total portfolio were 58.41% for the first nine months of 2022 compared to 57.36% in the first nine months of 2021. The improvement can be attributed to an increase in revenue over the period, slightly offset by the increase in utilities.
- Revenue gap to market was 19.66% in Q4'21 and 27.74% in Q3'22. The gap to market increased due to low supply and high demand in the rental market which has driven market rents up. Management continues to capture the gap to market by turning 17.01% of portfolio units in the first three quarters of the year.
- Collections of rent were close to 99% as occupancy remained consistent, period to period, with a rate of 98.33% for Q3'22 and 98.08% for Q3'21.
- The Trust's financial position remains strong as key financial metrics continue to strengthen.

Key Performance Indicators

To assist Management and Unitholders in monitoring and evaluating the Trust's achievements, Management has provided a number of metrics or KPIs to measure performance and success. The KPIs may be impacted by, and should be read in conjunction with, any risks identified under the COVID-19 pandemic and risk uncertainties.

Occupancy

Through a focused, hands-on approach, Management achieved occupancies at greater than market conditions in their respective areas. Management is confident high occupancies can be maintained between 97% and 99% over the long term.

Net Average Monthly Rent

Our team of professionals understand and study the markets regularly to deliver the highest possible AMR. Management believes increases in AMR will continue to provide sustainable increases in revenue year over year.

Net Operating Income (NOI)

NOI is a widely used operating performance indicator in the real estate industry. Management expects to increase NOI % through strategic management of the assets.

Adjusted Funds From Operations (AFFO)

Management continues to see a strong metric which will improve as the Trust matures.

Leverage Ratios and Terms

Volatility risk has been managed by fixing the lowest possible interest rates for long-term mortgages, while mitigating refinancing risk by prudently managing the portfolio's average term to maturity and staggering the maturity dates. The Trust's average weighted rate increased slightly over 2021 and as interest rates continue to rise. Management will continue to follow strict debt service coverage and interest coverage ratio targets.

Portfolio Growth

Management's objective is to continue to source accretive acquisition opportunities to increase the Trust's operational growth and diversify the portfolio by demography and geography.

Rent Collection

Rent collections continue to be strong with just over 1% bad debts for the first nine months of 2022. A closely monitored receivables program continues to prove effective.

Rental Revenue

In 2021, there was a freeze on the permitted guideline rent increase in Ontario. For 2022, the rent freeze was lifted. Average rent increased 13.40% for occupied units from the first nine months of 2021 to the first nine month of 2022. Turned units during the period saw an average increase in rental revenue of 17.54%. Management continues to be active in applying for above guideline increases in rent for a number of properties in the portfolio when making capital improvements to these properties.



OPERATIONAL AND FINANCIAL RESULTS

Net and Occupied Average Monthly Rents and Occupancy

Net Average Monthly Rents (AMR) is defined as gross potential rents, divided by the total number of units and does not include revenues from parking, laundry or other sources. Occupied AMR is defined as actual residential rents, divided by the total number of occupied units and does not include revenues from parking, laundry or other sources.

As at September 30,	Net AMR			Occupied AMR			Occupancy %		
	Q3 2022 AMR(\$)	Q3 2021 AMR(\$)	% Change in AMR	Q3 2022 AMR(\$)	Q3 2021 AMR(\$)	% Change in AMR	Q3 2022	Q3 2021	% Change in AMR
Ontario									
Greater Toronto Area	1,540	1,423	8.2	1,458	1,343	8.5	99.8	98.0	1.9
Hamilton/Halton/Brant	1,206	1,148	5.0	1,183	1,098	7.7	96.7	97.7	-1.0
Western	1,532	1,383	10.8	1,482	1,309	13.2	98.7	99.1	-0.4
Southwestern	1,395	1,124	24.1	1,361	1,104	23.3	97.3	96.9	0.4
South Eastern	1,081	1,026	5.4	1,030	997	3.3	99.4	97.6	1.8
Total Ontario	\$1,399	\$1,258	11.2%	\$1,350	\$1,201	12.5%	98.3%	98.1%	0.3%
Alberta	1,977	NA	NA	1,795	NA	NA	98.1	NA	NA
Total Portfolio	\$1,426	\$1,258	13.4%	\$1,371	\$1,201	14.2%	98.3%	98.1%	0.3%

Stabilized Portfolio: Net AMR, Occupied AMR and Occupancy by Region

Stabilized AMR includes all properties that have been owned by the Trust as at January 1, 2021.

As at September 30,	Net AMR			Occupied AMR			Occupancy %		
	Q3 2022 AMR(\$)	Q3 2021 AMR(\$)	% Change in AMR	Q3 2022 AMR(\$)	Q3 2021 AMR(\$)	% Change in AMR	Q3 2022	Q3 2021	% Change in AMR
Ontario									
Greater Toronto Area	1,451	1,423	1.9	1,416	1,343	5.4	100.0	98.0	2.0
Hamilton/Halton/Brant	1,236	1,171	5.6	1,203	1,177	2.2	100.0	97.6	2.4
Western	1,425	1,354	5.3	1,407	1,298	8.3	99.2	100.0	-0.8
Southwestern	1,205	1,124	7.2	1,207	1,104	9.3	94.4	96.9	-2.5
South Eastern	1,081	1,026	5.4	1,030	997	3.3	99.4	97.6	1.8
Total Ontario	\$1,321	\$1,266	4.4%	\$1,294	\$1,220	6.0%	98.8%	98.2%	0.7%
Alberta	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Portfolio	\$1,321	\$1,266	4.4%	\$1,294	\$1,220	6.0%	98.8%	98.2%	0.7%

NA stands for 'Not Applicable'

Total Operating Revenues by Region

By being situated in strategic markets across Ontario, the Trust has experienced growth year over year in operating revenues in both overall and stabilized portfolio. Stabilized revenue increased 7.3% year over year.

As at September 30,	Total Operating Revenue - All Portfolio				
	Q3 2022 Revenue (\$)	%	Q3 2021 Revenue (\$)	%	% Growth
Ontario					
Greater Toronto Area	5,859,176	24.0	4,228,485	27.0	38.6
Hamilton/Halton/Brant	5,151,710	21.1	3,725,804	23.8	38.3
Western	7,383,607	30.2	4,556,003	29.1	62.1
Southwestern	4,292,453	17.6	1,603,051	10.3	167.8
South Eastern	1,668,584	6.8	1,523,790	9.7	9.5
Total Ontario	\$24,355,530	99.7%	\$15,637,133	100.0%	55.8%
Alberta	63,787	0.3	NA	NA	NA
Total Portfolio	\$24,419,317	100.0%	\$15,637,133	100.0%	56.2%

Net Operating Income (NOI) by Region

As at September 30,	Q3 2022			Q3 2021			
	NOI (\$)	NOI (%)	NOI Margin (%)	NOI (\$)	NOI (%)	NOI Margin (%)	
Ontario							
Greater Toronto Area	3,539,289	24.8	60.4	2,669,852	29.8	63.1	-2.7
Hamilton/Halton/Brant	2,762,251	19.4	53.6	2,021,248	22.5	54.2	-0.6
Western	4,610,042	32.3	62.4	2,742,944	30.6	60.2	2.2
Southwestern	2,524,205	17.7	58.8	867,971	9.7	54.1	4.7
South Eastern	779,965	5.5	46.7	667,865	7.4	43.8	2.9
Total Ontario	\$14,215,752	99.7%	58.4%	\$8,969,880	100.0%	57.4%	1.0%
Alberta	48,504	0.3	76.0	NA	NA	NA	76.0
Total Portfolio	\$14,264,255	100.0%	58.4%	\$8,969,880	100.0%	57.4%	1.1%

NA stands for 'Not Applicable'

Gap to Market

The Trust continues to increase value by purchasing assets with a gap to market and incorporating a strategic rental program to mitigate those gaps as quickly as possible.

	Q3 2022	Q3 2021
As at September 30,	% Gap to Market	% Gap to Market
Ontario		
Greater Toronto Area	35	30
Hamilton/Halton/Brant	28	19
Western	22	19
Southwestern	31	28
South Eastern	33	28
Total Ontario	29%	23%
Alberta	3	NA
Total Portfolio	28%	23%

Value Creation

At Equiton our focus is to increase the value of our properties, namely by increasing our operational efficiency through items such as increase in rent, reduction in expenses, and purchasing at a discount to market.

Year	Value Increase	% Increase Due to Operational Initiatives	% Increase Due to Cap Rate
Q1 2022	\$6,150,000	82%	18%
Q2 2022	\$21,830,000	98%	2%
Q3 2022	\$19,290,000	100%	0%

Net Operating Income

As at September 30,

Q3 2022 (\$)

Operating Revenues

Net Rental Revenues	23,432,924
Other	986,383
Total Operating Revenues	\$24,419,317

Operating Expenses

Realty Taxes	(2,793,557)
Utilities	(2,569,732)
Other	(4,791,773)
Total Operating Expenses	(\$10,155,062)

NOI

\$14,264,255

NOI Margin

58.41%

NOI

Management believes NOI is a key indicator of operating performance in the real estate industry. NOI includes all rental revenues and other related ancillary income generated at the property level less related direct costs such as realty taxes, utilities, repair and maintenance costs, on-site wages and salaries, insurance costs and bad debts, and appropriate allocation of overhead costs. This measure may vary as presented by other real estate investment trusts or companies.

Operating Revenues and Expenses

For the period ended September 30, 2022, operating revenues increased over the comparative period in 2021. The increase was a result of increases in monthly rents on renewals and turnovers throughout the period. The Trust has continued to generate strong income through incremental revenues related to turned units.

Realty Taxes

For the period ended September 30, 2022, the stabilized portfolio realty tax increased compared to the previous year, primarily due to increased property assessments and acquisition of the new properties.

Utilities

The utility costs of the portfolio can be highly variable from year to year, depending on energy consumption and rates.

The Trust is very proactive in implementing submetering programs to increase utility recoveries across all of the portfolio, where possible.

Non-IFRS Financial Measures

Management prepares and releases audited annual financial statements in accordance with International Financial Reporting Standards (IFRS). In the report, financial measures not recognized under IFRS which do not have standard meaning prescribed by IFRS are disclosed. These include Stabilized NOI, Stabilized calculations, AFFO, and adjusted Cash Generated from Operating Activities (collectively, Non-IFRS Measures). Since these measures are not recognized under IFRS, they may not be comparable to similar measures reported by other issuers. Non-IFRS Measures are presented because Management believes they are relevant for evaluation purposes.

FFO and AFFO Calculation

Management continues to strive to see improvement in AFFO as the Trust continues to mature, reducing the payout ratio year over year. As projects and work continue to proceed as planned, capital expenditures will increase driving down the AFFO payout ratio.

Twelve month rolling	Q3 2022
Net Income from Operations	\$50,230,811
<u>Add back:</u>	
Non-Cash Items	
<i>Deferred Participation Fees</i>	\$9,894,112
<i>Finance Fees</i>	\$1,090,014
<i>Capital Expenditures (non-recurring expenses)</i>	\$9,841,468
<u>Less:</u>	
<i>Asset Appreciation (Month to Month)</i>	(67,467,634)
Funds from Operations (FFO)	\$3,588,771
Add Realized Equity Through Dispositions or Mortgage Principal Payments	\$4,750,806
AFFO	\$8,339,577
Cash Distributions	\$6,843,579
AFFO Payout Ratio	82.06%

AFFO is a measure of the financial performance by making adjustment to calculate the realized value of the Trust.

Q3 2022 ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS

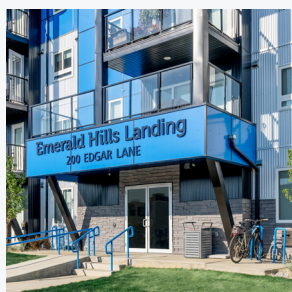


78 Braemar Drive, Brampton, Ontario | Acquired: July 2022

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
0	40	112	1	0	153

Braemar Place is a modern rental residence with 15 storeys, 153 units, 57 indoor and 141 outdoor parking spaces. Ideally located at the corner of Dixie Road and Clark Boulevard, across from the Bramalea City Center, one of the largest shopping malls in Canada. This property is also close to a variety of area schools, parks and playgrounds, and offers easy access to Highways 410, 401 and 407 as well as local public transit. Condo-style amenities include on-site laundry, storage lockers, bicycle storage, playground and outdoor swimming pool.



200 Edgar Lane, Sherwood Park, Alberta | Acquired: September 2022

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
4	8	92	0	0	104

This property has four storeys and includes 79 indoor and 36 outdoor parking spaces. Generously sized suites (avg. 902 sq. ft.) feature in-suite laundry, quartz counters, stainless-steel appliances, and provide ample natural light. Building amenities include a social room, lounge area, and a fitness centre. Conveniently located less than 20 minutes from downtown Edmonton and close to a hospital and a wide variety of dining, grocery, and retail options.

DISPOSITIONS

None

PROPERTY DETAILS

Property List										
City	Address	Properties	Buildings	Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	Commercial	Total
Brampton	78 Braemar Dr.	1	1	0	40	112	1	0	0	153
Brantford	19 Lynnwood Dr.	1	1	0	18	35	5	0	0	58
	120,126 & 130 St.Paul Ave.	1	1	0	15	31	0	0	0	46
Breslau	208 Woolwich St. S.	1	1	0	3	74	1	0	0	78
Burlington	1050 Highland St.	1	1	0	3	15	0	0	0	18
Chatham	75 & 87 Mary St.	1	1	0	22	34	0	0	0	56
	383-385 Wellington St. W.	1	1	22	26	5	1	0	0	54
Guelph	98 Farley Dr.	1	1	22	41	30	0	0	0	93
	5 & 7 Wilsonview Ave.	1	1	0	5	17	7	0	0	29
	8 & 16 Wilsonview Ave.	2	2	2	54	53	3	0	0	112
Hamilton	125 Wellington St. N.	1	1	5	247	73	38	0	0	363
Kingston	252 & 268 Conacher Dr.	2	2	0	6	18	0	0	0	24
	760/780 Division St.	1	1	0	24	48	40	0	0	112
	1379 Princess St.	1	1	1	18	13	0	0	2	34
Kitchener	100-170 Old Carriage Dr.	1	3	2	14	202	0	0	0	218
London	1355 Commissioners Rd. W.	1	1	0	14	37	0	0	0	51
	433 King St.	1	1	0	62	66	1	0	1	130
Markham	65 Times Ave.	1	1	9	37	18	0	0	0	64
Mississauga	65 & 75 Paisley Blvd. W.	2	2	13	63	76	2	0	1	155
Ottawa	Riverain District	1								
Sherwood Park (AB)	200 Edgar Ln.	1	1	4	8	92	0	0	0	104
Stratford	30 & 31 Campbell Crt.	2	2	0	33	63	3	0	0	99
Toronto	12 & 14 Auburndale Crt.	1	1	0	0	15	23	8	0	46
	787 Vaughan Rd.	1	1	7	25	6	0	0	0	38
	223 Woodbine Ave.	1	1	0	32	16	0	0	0	48
	650 Woodbine Ave.	1	1	0	30	8	0	0	0	38
		30	31	87	840	1157	125	8	4	2221



Brampton, Ontario

78 Braemar Drive

Acquired: July 2022

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
0	40	112	1	0	153



Braemar Place is a modern rental residence with 15 storeys, 153 units, 57 indoor and 141 outdoor parking spaces. Ideally located at the corner of Dixie Road and Clark Boulevard, across from the Bramalea City Center, one of the largest shopping malls in Canada. This property is also close to a variety of area schools, parks and playgrounds, and offers easy access to Highways 410, 401 and 407 as well as local public transit.

Condo-style amenities include on-site laundry, storage lockers, bicycle storage, playground and outdoor swimming pool.



Brantford, Ontario

19 Lynnwood Drive

Acquired: July 2016

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
0	18	35	5	0	58



This property consists of a single 6-storey purpose-built building with elevator service. It is situated on approximately 1.7 acres of land and the building totals approximately 66,000 square feet of area.

Amenities include 53 surface parking spaces and laundry facilities. The property is within walking distance of public transportation, parks, shopping and restaurants. The property is also minutes from the city's main commercial corridor and Highway 403.



Brantford, Ontario

120, 126 and 130 St. Paul Avenue

Acquired: July 2016

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
0	15	31	0	0	46



This property consists of one mid-level building located at 120, 126 and 130 St. Paul Avenue. The property is situated on approximately 0.8 acres of land and the building contains a total of 41,200 square feet of area.

Amenities include 49 surface parking spaces and laundry facilities. The property is within walking distance of the Grand River, Brantford General Hospital, restaurants, schools and recreational facilities. There is easy access to public transportation and Highway 403.



Breslau, Ontario

208 Woolwich Street South

Acquired: March 2022

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
0	3	74	1	0	78



Joseph's Place is a luxury, fully accessible rental property with four storeys, 78 units and 114 parking spaces. Condo-style amenities include a fitness room, social room, lockers, bicycle storage and an outdoor BBQ area. Units have in-suite laundry, balconies, high-end finishes, and large units (988 sq. ft. average) which is attractive to residents and commands higher rents.



Burlington, Ontario

1050 Highland Street

Acquired: August 2019

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
0	3	15	0	0	18



The property consists of a single 2-storey walk-up building. It is situated on approximately 0.72 acres of land with 20 surface parking spaces. Amenities include on premises laundry facilities.

The property is located in a quiet neighborhood and backs onto a large park which includes a children's playground and local tennis courts. It is conveniently located near public transportation, and close proximity to local services and shopping (including one of the city's main shopping centres). There is easy access to local highways.



Chatham, Ontario

75 & 87 Mary Street

Acquired: August 2018

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
0	22	34	0	0	56



This property consists of two 2 1/2 storey walk-up buildings. These buildings sit on approximately 1 acre of land and contain approximately 51,020 square feet of area.

Amenities include 60 surface parking spaces and laundry facilities. The property is located within a few minutes of downtown Chatham, is near the Thames River, a hospital, shopping, restaurants, a fire station, a police station and Highway 401.



Chatham, Ontario

383-385 Wellington Street West

Acquired: December 2017

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
22	26	5	1	0	54



This character property consists of one four-storey building located at 383-385 Wellington Street West and one adjacent single-family dwelling at 49 Lacroix Street. It is situated on approximately 0.68 acres of land and contains a total of 40,795 square feet of area.

Amenities include 24 surface parking spaces and laundry facilities. The property is situated in a premium area dominated by single family homes with easy access to public transit. It is located near the Thames River, a hospital, shopping, restaurants, a police station and St. Clair College.



Guelph, Ontario

98 Farley Drive

Acquired: March 2022

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
22	41	30	0	0	93



URBN lofts is a modern rental residence with six storeys, 93 units and 124 outdoor parking spots. Condo-style amenities include a fitness room, social room, lockers, bicycle storage, an outdoor BBQ area and a co-working space with internet. Ideally located in one of the most sought-after neighbourhoods in Guelph, walking distance to a shopping center with a Zehrs, Shoppers Drug Mart, LCBO, and many sit-down or quick service restaurants. It also offers easy access to Highway 401.



Guelph, Ontario

5 & 7 Wilsonview Avenue

Acquired: October 2019

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
0	5	17	7	0	29



The property consists of two 3-storey walk-up buildings with a connecting basement corridor. It is situated on approximately 1.37 acres of land and the buildings total approximately 36,590 square feet of area.

Amenities include 42 parking spots and laundry facilities. It is situated in a prime location within walking distance of public transportation, a commercial corridor that includes a large shopping mall, services and restaurants, as well as, Guelph University. It has easy access to Highway 6 and 401.



Guelph, Ontario

8 & 16 Wilsonview Avenue

Acquired: July 2020

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
2	54	53	3	0	112



This property offers newly renovated modern and spacious suites with luxury plank flooring and fully updated open concept kitchens featuring 4 appliances. Amenities include a fitness facility, social room, laundry lounge with Wi-Fi, underground parking and a dedicated on-site management team.



Hamilton, Ontario

125 Wellington Street North

Acquired: March 2021

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
5	247	73	38	0	363



This property offers newly renovated modern and spacious suites with luxury plank flooring and fully updated open concept kitchens featuring 4 appliances and high-end counters that create the ideal cooking environment. Private balconies with glass panels offer great views from all sides! Amenities include a fitness facility, social room, laundry lounge with Wi-Fi, underground parking and a dedicated on-site management team.

Conveniently located only minutes from downtown Hamilton and a short commute to McMaster University, nearby you will find several public parks, public transit, GO Transit, Hamilton General Hospital, and St. Joseph's Healthcare. Walking distance to Jackson Square, shops of Jamesville and the FirstOntario Centre, with Shopper's Drug Mart and the Hasty Market Convenience store both just steps away.



Kingston, Ontario

252 & 268 Conacher Drive

Acquired: September 2018

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
0	6	18	0	0	24



This property consists of two 2 ½ storey walk-up buildings. These buildings are situated on approximately 1 acre of land and have approximately 24,143 square feet of area.

Amenities include 25 surface parking spaces and laundry facilities. It is located close to public transportation, a hospital, Queen's University, a fire station, a police station, shopping and services, restaurants and Highway 401.



Kingston, Ontario

760/780 Division Street & 2 Kirkpatrick Street

Acquired: March 2018

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
0	24	48	40	0	112



The properties consist of one mid-rise building located at 780 Division Street and two adjacent vacant parcels of land located at 2 Kirkpatrick Street and 760 Division Street. The vacant parcels have future development potential. These properties contain approximately 5.0 acres of land, and the mid-rise building contains a total of 82,343 square feet of area.

Amenities include 112 surface parking spaces and laundry facilities. The properties are close to public transit, the St. Lawrence River, a hospital, shopping, restaurants, a police station, Queen's University and Highway 401.



Kingston, Ontario

1379 Princess Street

Acquired: May 2018

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
1	18	13	0	2	34



This property consists of one 3 1/2 storey building with commercial space on the ground floor. It is situated on approximately 1.7 acres of land and the building contains approximately 25,629 square feet of area.

Amenities include 40 surface parking spaces and laundry facilities. The property is located minutes from Queen's University, St. Lawrence College, St. Lawrence River, a hospital, shopping, restaurants, fire and police stations. There is also easy access to public transportation and Highway 401.



Kitchener, Ontario

100-170 Old Carriage Drive

Acquired: April 2021

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
2	14	202	0	0	218



This property has been repositioned to cater to professionals making it unique in the area and creating a more stable and consistent rental base featuring spacious, renovated one-, two-, and two bedroom- plus-den suites with beautifully landscaped grounds and is ideally located in Pioneer Park, near Conestoga College and close to a variety of shops, restaurants, parks and playgrounds.



London, Ontario

1355 Commissioners Road West

Acquired: May 2019

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
0	14	37	0	0	51



MAP

This property consists of a brand-new single, 5-storey building with elevator service. It is situated on approximately 1.31 acres of land and the building totals 71,744 square feet of area. Suite features include 9-foot ceilings, in-suite laundry with storage room, stainless appliances, luxury granite counter tops and quality design and finishes throughout. The building is in a premier location and close to public parks, conservation areas and local schools. It's surrounded by an array of shopping, restaurants and cafés, and public transit.



London, Ontario

433 King Street

Acquired: October 2021

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
0	62	66	1	1	130



MAP

The property features one-and two-bedroom units ranging from 800 square feet to 1100 square feet and spacious penthouses varying from 1900 square feet to 2000 square feet. Suites feature large eat-in kitchens, in-suite laundry, and spacious walk-in closets. Building amenities include a fitness room, social room, hot tub, sauna, and access to various parks and bike paths. Underground parking and bike storage are also available.



Markham, Ontario

65 Times Avenue

Acquired: March 2019

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
9	37	18	0	0	64



MAP

The property consists of a single 5-storey building with elevator service. It is situated on approximately 0.76 acres of land and the building totals approximately 51,413 square feet of area.

Amenities include 64 parking spots (20 surface and 44 below ground), and laundry facilities in each unit. The property is in a prime location and only minutes from shopping, restaurants, and amenities. It has easy access to Highway 407, Highway 404 and 7. It is also close to public transit, including a GO station that provides convenient access to downtown Toronto.



Mississauga, Ontario

65 & 75 Paisley Boulevard West

Acquired: December 2019

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
13	63	76	2	1	155



The property consists of two, 7-storey buildings with elevator service. It is situated on approximately 3.05 acres of land and the buildings total approximately 120,000 square feet of area.

Amenities include 186 parking spots (126 surface and 60 below ground), laundry facilities and an on-site convenience store. The property is in a prime location and only minutes from shopping, restaurants, and amenities including a major hospital.

It is just south of downtown Mississauga and has easy access to Highway 403 and the QEW. It is also close to public transit, including a GO station that provides convenient access to downtown Toronto.



Ottawa, Ontario

Riverain District

Acquired: January 2022

The development is planned to include three multi-residential high-rise towers with approximately 1,000 upscale residential rental units along with a podium featuring plans for over 32,000 square feet of commercial space.

The total project will have an estimated value at completion of approximately \$500 million.



Sherwood Park, Alberta

200 Edgar Lane

Acquired: September 2022

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
4	8	92	0	0	104



This property has four storeys and includes 79 indoor and 36 outdoor parking spaces. Generously sized suites (avg. 902 sq. ft.) feature in-suite laundry, quartz counters, stainless-steel appliances, and provide ample natural light. Building amenities include a social room, lounge area, and a fitness centre.

Conveniently located less than 20 minutes from downtown Edmonton and close to a hospital and a wide variety of dining, grocery, and retail options.



Stratford, Ontario

30 & 31 Campbell Court



Acquired: April 2016

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
0	33	63	3	0	99

This property consists of two separate low-rise buildings located on opposite sides of the street. The properties contain approximately 2.5 acres of land and the buildings total 83,100 square feet of area (30 Campbell Court: 39,000 square feet, 31 Campbell Court: 44,100 square feet).

Amenities include 100 surface parking spaces and laundry facilities in each building. The property is located minutes from the Avon River, Lake Victoria, and the city's historic downtown core. There is easy access to public transportation, shopping and it is only a 30-minute drive to Kitchener and Waterloo.



Toronto, Ontario

12 & 14 Auburndale Court



Acquired: October 2021

Unit Breakdown

Bachelor	2 Bedroom	3 Bedroom	4 Bedroom	Commercial	Total Units
0	15	23	8	0	46

This property consists of two townhome maisonette style buildings on 2.38 acres of land with a total of 46 units. The spacious townhome layouts average 1,599 square feet (including basements) and feature in-suite laundry, air conditioning, functional basements, and private fenced-in backyards. Parking facilities consist of 36 outdoor spots and a concrete heated underground parking garage with 37 spots.

This property is ideally located in a family-friendly residential neighbourhood within walking distance of grocery and retail stores, schools, and parks. With excellent transit-accessibility and the Highway 401 on-ramp located only minutes away, this property provides easy access to destinations throughout the GTA.



Toronto, Ontario

787 Vaughan Road



Acquired: November 2020

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
7	25	6	0	0	38

The Gertrude Suites property is a mid-size four-storey building located in the eclectic Eglinton West neighbourhood of Toronto. It is situated on approximately 0.31 acres of land, and the building totals 29,020 square feet of area. Amenities include high-end finishes, appliances, and on-site laundry facilities.

The building is in a bustling neighbourhood, steps away from the soon to be completed Eglinton Crosstown line. Residents are within walking distance to restaurants, parks, trails, shopping, and amenities.



Toronto, Ontario

223 Woodbine Avenue

Acquired: March 2020

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
0	32	16	0	0	48



MAP

This property consists of two townhome maisonette style buildings on 2.38 acres of land with a total of 46 units. The spacious townhome layouts average 1,599 square feet (including basements) and feature in-suite laundry, air conditioning, functional basements, and private fenced-in backyards. Parking facilities consist of 36 outdoor spots and a concrete heated underground parking garage with 37 spots.



Toronto, Ontario

650 Woodbine Avenue

Acquired: November 2020

Unit Breakdown

Bachelor	1 Bedroom	2 Bedroom	3 Bedroom	Commercial	Total Units
0	30	8	0	0	38



MAP

The Beach Suites is a mid-size four-storey building located in the trendy Beaches neighbourhood of Toronto. It is situated on approximately 0.3 acres of land, and the building totals 32,080 square feet of area. Amenities include 27 surface parking spots, premium condo-style finishes, appliances, and laundry facilities.

The building is in a premier location, near several parks, the lakefront boardwalk, shopping, amenities and the Beaches Park on Lake Ontario. It's in the immediate vicinity of public transit routes for downtown Toronto.

RISKS AND UNCERTAINTIES

There are certain risk factors inherent in an investment in the Trust Units and in the activities of the Trust, including, but not limited to, risks related to availability of distributable income, liquidity and potential price fluctuations of the Trust Units, redemption risk, tax related risks, litigation risks, risks of real estate investment and ownership, mortgage refinancing, availability of cash flow, risk of changes in government regulation, environmental matters, Trust Unitholder liability, dependence on key personnel, potential conflicts of interest, changes in legislation, investment eligibility and dilution arising from the issue of additional Trust Units. See “OFFERING MEMORANDUM” for full list of Risks.



Consolidated Financial Statements

Equiton Residential Income Fund Trust (Unaudited)

For the nine month period ended September 30, 2022

Table of Contents


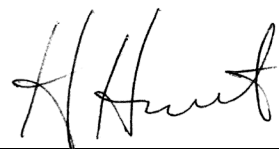
Consolidated Statements of Financial Position	30
Consolidated Statements of Income and Comprehensive Income	31
Consolidated Statements of Changes in Net assets Attributable to Unitholders	32
Consolidated Statements of Cash Flows	33
Notes to the Consolidated Financial Statements	34
1. Nature of operations	34
2. General information and statement of compliance with IFRS	34
3. Summary of significant accounting policies	34
4. Investment properties	39
5. Mortgages payable	42
6. Related party transactions and balances	44
7. Unitholders' equity	45
8. Asset management agreement	46
9. Financial Instruments and risk management	48
10. Changes in non-cash operating items	48
11. Financial Instruments and risk management	49

Equiton Residential Income Fund Trust

Consolidated Statements of Financial Position

	September 30, 2022	December 31, 2021
Assets		
Investment properties (Note 4)	\$ 758,963,413	\$ 493,180,000
Cash	19,222,114	46,673,839
Due from related parties (Note 6(b))	-	10,903
Land deposits	250,000	3,500,000
Tenant and other receivables	2,237,912	1,429,895
Prepaid expenses	1,136,283	3,014,454
	<u>\$ 781,809,722</u>	<u>\$ 547,809,091</u>
Liabilities		
Mortgages payable (Note 5)	\$ 339,394,102	\$ 236,267,442
Due to related parties (Note 6(c))	7,607,478	7,951,611
Payables and accruals	11,803,643	11,689,825
Tenant deposits	3,148,123	2,265,794
Deferred revenue	430,107	309,381
Distributions payable (Note 7(b))	2,221,665	1,550,934
	<u>364,605,118</u>	<u>260,034,987</u>
Net assets attributable to unitholders	<u>417,204,604</u>	<u>287,774,104</u>
	<u>\$ 781,809,722</u>	<u>\$ 547,809,091</u>

On behalf of the Trustees

	Trustee		Trustee
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Equiton Residential Income Fund Trust

Consolidated Statements of Income and Comprehensive Income

	September 30, 2022	December 31, 2021
Revenue		
Rental income	\$ 23,432,924	\$ 21,511,068
Other revenue	1,239,590	1,379,732
	<u>24,672,514</u>	<u>22,890,800</u>
Operating expenses		
Property operating costs	10,155,062	8,368,025
Interest and finance costs	6,717,362	6,214,147
General and administrative	152,536	89,233
	<u>17,024,960</u>	<u>14,671,405</u>
Income from operations	<u>7,647,554</u>	<u>8,219,395</u>
Other expenses		
Performance incentive fee (Note 8)	7,639,743	4,843,124
Asset management fee (Note 8)	5,072,942	4,194,790
Professional fees	408,959	675,288
Dues and subscriptions	-	47,268
Bank fees	32,507	7,450
	<u>13,154,151</u>	<u>9,767,920</u>
Capital expenditures on investment properties	(9,047,325)	(7,346,933)
Increase in fair value of investment properties (Note 4)	<u>55,727,545</u>	<u>47,922,359</u>
Net income and comprehensive income	<u>\$ 41,173,623</u>	<u>\$ 39,026,901</u>

Equiton Residential Income Fund Trust

Consolidated Statements of Changes in Net Assets Attributable to Unitholders

	Units (Note 7)	Retained Earnings	Contributed Surplus	Total Unitholders' Equity
Net assets attributable to unitholders, December 31, 2020	\$ 135,025,840	\$ 12,551,781	\$ 825,183	\$ 148,402,804
Issuance of units	116,061,523	-	-	116,061,523
Issuance of units under distribution reinvestment plan	9,140,246	-	-	9,140,246
Redemption of units	(5,272,591)	-	-	(5,272,591)
Issuance costs	(5,395,597)	-	-	(5,395,597)
Net income	-	39,026,901	-	39,026,901
Distribution of unitholders	-	(14,189,182)	-	(14,189,182)
Net assets attributable to unitholders, December 31, 2021	\$ 249,559,421	\$ 37,389,500	\$ 825,183	\$ 287,774,104
Issuance of units	117,854,570	-	-	117,854,570
Issuance of units under distribution reinvestment plan	11,503,656	-	-	11,503,656
Redemption of units	(18,733,701)	-	-	(18,733,701)
Issuance costs	(4,965,603)	-	-	(4,965,603)
Net income	-	41,173,623	-	41,173,623
Distribution of unitholders	-	(17,402,045)	-	(17,402,045)
Net assets attributable to unitholders, September 30, 2022	\$ 355,218,343	\$ 61,161,078	\$ 825,183	\$ 417,204,604

Equiton Residential Income Fund Trust

Consolidated Statements of Cash Flows

	September 30, 2022	December 31, 2021
Operating activities		
Net income	\$ 41,173,623	\$ 39,026,901
Items not affecting cash:		
Increase in fair value of investment properties	(55,727,545)	(47,922,359)
Amortization of deferred financing fees	859,810	767,569
	(13,694,112)	(8,127,889)
Change in non-cash operating items (Note 10)	2,524,529	10,007,928
Cash provided by operating activities	(11,169,583)	1,880,039
Financing activities		
Proceeds from issuance of units	117,854,570	116,061,523
Redemption of units	(18,733,701)	(5,272,591)
Distribution to unitholders	(5,898,389)	(5,048,936)
Issuance costs	(4,965,603)	(5,395,597)
Issuance of mortgage	(1,547,500)	-
Deferred financing fees	(1,926,870)	(4,482,269)
Interest reserve holdback	252,568	350,740
Proceeds from mortgage payable	113,510,927	114,545,168
Repayment of mortgage payable	(3,570,092)	(3,505,932)
Cash provided by financing activities	194,975,911	207,252,106
Investing activities		
Building improvements	-	(1,479,629)
Land deposits	3,250,000	(3,500,000)
Acquisition of investment properties	(174,142,720)	(178,943,432)
Investment in land under development	(40,365,333)	-
Cash used in investing activities	(211,258,053)	(183,923,061)
Net change in cash and cash equivalents during the period	(27,451,725)	25,209,084
Cash, beginning of period	46,673,839	21,464,755
Cash, end of period	\$ 19,222,114	\$ 46,673,839

1. Nature of operations

Equiton Residential Income Fund Trust (the “Trust”) is an open-ended real estate investment trust (“REIT”) established on March 1, 2016 under the laws of the Province of Ontario. The Trust’s head office is located at 1111 International Boulevard, Suite 500, Burlington, Ontario L7L 6W1.

The Trust qualified as a “mutual fund trust” (pursuant to subsection 132(6) of the Income Tax Act) and it was formed primarily to acquire income-producing properties located in Canada.

2. General information and statement of compliance with IFRS

The consolidated financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared on a historical cost basis except for investment properties and certain categories of financial instruments, if any, that have been measured at fair value. The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

The financial statements are presented in Canadian dollars, which is the Company’s functional currency. The address of the Trust’s registered office is 1111 International Boulevard, Suite 500, Burlington, Ontario, L7L 6W1.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Principles of consolidation

These consolidated financial statements include the accounts of the Trust and its controlled entity: Equiton Residential Income Fund Limited Partnership (the “Limited Partnership”). The results of the Limited Partnership will continue to be included in the consolidated financial statements of the Trust until the date that the Trust’s control over the Limited Partnership ceases. Control exists when the Trust has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investment Properties

The Trust accounts for its investment properties using the fair value model in accordance with IAS 40 - Investment properties (“IAS 40”). Properties that are held for long-term rental yields or for capital appreciation or both are classified as investment properties. Investment properties also include properties that are being constructed or will be developed for future use as investment properties.

Investment properties are recorded initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services, and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

3. Summary of significant accounting policies (continued)

Investment Properties (continued)

Additions to investment properties are expenditures incurred for the expansion or redevelopment of the existing property, or to maintain or improve its productive capacity. Productive capacity maintenance costs are major maintenance costs and tenant improvements. Subsequent to initial recognition, investment properties are recorded at fair value. The changes in fair value in each reporting period are recorded in the consolidated statement of income and comprehensive income. Fair value is based upon valuations performed by an appraiser accredited through the Appraisal Institute of Canada, using valuation techniques including the direct capitalization income and discounted cash flow methods.

Recent real estate transactions with similar characteristics and locations to the Trust's assets are also considered. The direct capitalization income method applies a capitalization rate to the property's stabilized net operating income which incorporates allowances for the vacancy, management fees, and structural reserves for capital expenditures for the property. The resulting capitalized value is further adjusted, where appropriate, for extraordinary costs to stabilize the income and non-recoverable capital expenditures.

Tenant Deposits

Tenant deposits are recognized initially at the fair value of the cash received and subsequently measured at amortized cost. The Trust obtains deposits from tenants as a guarantee for returning the leased premises at the end of the lease term in a specified good condition or for specified lease payments according to the terms of the lease.

Revenue recognition

The Trust has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases.

Revenue from investment properties include rents from tenants under leases, parking income, laundry income and other miscellaneous income paid by the tenants under the terms of their existing leases. Rental revenue under a lease commences when a tenant has a right to use the leased asset and revenue is recognized pursuant to the terms of the lease agreement. Revenue is recognized systematically over the term of the lease, which is generally not more than twelve months. Other rental revenues such as parking revenues and laundry revenue is considered non-lease components and within the scope of IFRS 15 - Revenue from Contracts with Customers. The performance obligation for property management and ancillary services is satisfied over time.

3. Summary of significant accounting policies (continued)

Financial instruments and fair values

(i) Financial assets

In accordance with IFRS 9, 'Financial Instruments', financial assets are required to be measured at fair value on initial recognition. Subsequent to initial recognition, financial assets are categorized and measured based on how the Trust manages its financial instruments and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets:

- i) Measured at amortized cost,
- ii) Fair value through other comprehensive income, and
- iii) Fair value through profit or loss

A financial asset is measured at amortized cost if it meets both of the following conditions

- i) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Trust's financial assets include cash, due from related parties, tenants and other receivables and are recognized initially at fair value and subsequently at amortized cost using the effective interest method.

Impairment – Expected Credit Loss Model:

For the impairment of financial assets, IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ('ECL') model. The measurement options for the ECL are lifetime expected credit losses and 12-month expected credit losses.

The Trust adopted the practical expedient to determine ECL on receivables using a provision matrix based on historical credit loss experiences adjusted for forward-looking factors specific to the debtors and to the economic environment to estimate lifetime ECL.

3. Summary of significant accounting policies (continued)

Financial instruments and fair values (continued)

(ii) Financial liabilities

In accordance with IFRS 9, 'Financial Instruments', financial liabilities are required to be measured at fair value on initial recognition. Subsequent to initial recognition, financial liabilities are measured based on two categories:

- i) Amortized cost, and
- ii) Fair value through profit or loss

Under IFRS 9, all financial liabilities are classified and subsequently measured at amortized cost except in certain cases. The Trust has no financial liabilities that meet the definitions of these specific cases. Financial liabilities consist of mortgages payable, loan payable, deferred revenue, due to related party, and payables and accruals.

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expires.

(iii) Transaction Costs

Direct and indirect financing costs that are attributable to the issue of other financial liabilities measured at amortized cost are presented as a reduction from the carrying amount of the related debt and are amortized using the effective interest rate method over the term of the related debt. These costs include interest, amortization of discounts or premiums relating to borrowings, fees and commissions paid to lenders, agents, brokers and advisers, and transfer taxes and duties that are incurred in connection with the arrangement of borrowings.

(iv) Fair value

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values. Each type of fair value is categorized based on the lowest level of input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The fair value hierarchy for measurement of assets and liabilities is as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs for the asset or liability that are not based on observable market data.

3. Summary of significant accounting policies (continued)

Fair value of financial assets and liabilities

The fair values of cash, tenant and other receivables, payables and amounts due to/from related parties, loan payable and tenant deposits approximate their carrying value due to the short-term maturity of those instruments.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial instruments using September 30, 2022 and December 31, 2021 market rates for debts of similar terms.

September 30, 2022			
	Fair Value Hierarchy	Carrying Value	Fair Value
Assets:			
Investment properties	Level 3	\$ 758,963,413	\$ 758,963,413
Liabilities:			
Mortgages payable	Level 2	\$ 352,783,226	\$ 287,900,316

December 31, 2021			
	Fair Value Hierarchy	Carrying Value	Fair Value
Assets:			
Investment properties	Level 3	\$ 493,180,000	\$ 493,180,000
Liabilities:			
Mortgages payable	Level 2	\$ 243,277,290	\$ 237,026,561

Critical accounting estimates, assumptions, and judgments

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors. Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Trust has made the following critical accounting estimates, assumptions, and judgments:

Investment properties

In determining estimates of fair values for its investment properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts.

- i. Property tenancies
- ii. Market rents
- iii. Market terminal capitalization rates
- iv. Discount rates
- v. Direct capitalization rates
- vi. Economic environment and market conditions
- vii. Market activity

3. Summary of significant accounting policies (continued)

Critical accounting estimates, assumptions, and judgments (continued)

The critical estimates and assumptions underlying the valuation of the investment properties are outlined in Note 4.

Net assets attributable to unitholders

Trust units are redeemable at the holder's option and therefore are considered a puttable instrument in accordance with International Accounting Standard 32 - Financial Instruments: Presentation ("IAS 32"), subject to certain limitations and restrictions. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met, in which case, the puttable instruments may be presented as net assets attributable to unitholders. The Trust units meet the necessary conditions and have therefore been presented as net assets attributable to unitholders under IAS 32.

4. Investment properties

Reconciliation of the carrying amount for investment properties for the beginning and end of the financial period are as follows:

Balance, January 1, 2021	\$ 264,700,000
Purchase of investment property	179,078,012
Building improvements to investment properties	1,479,629
Increase in fair value of investment properties	<u>47,922,359</u>
Balance, December 31, 2021	\$ 493,180,000
Purchase of investment property	169,690,535
Building improvements to investment properties	-
Increase in fair value of investment properties	55,727,545
Properties under development	<u>40,365,333</u>
Balance, September 30, 2022	<u>\$ 758,963,413</u>

On March 7, 2022, the Trust acquired an investment property located at 98 Farley Drive, Guelph, Ontario for a purchase price of \$43,062,370.

On March 7, 2022, the Trust acquired an investment property located at 208 Woolwich Street South, Breslau, Ontario for a purchase price of \$37,322,830.

On July 20, 2022, the Trust finalized the purchase of a property at 78 Braemar, Brampton, Ontario for a purchase price of \$65,484,521.

On September 21, 2022, Trust finalized the purchase of a property at 200 Edgar Lane, Sherwood Park, Alberta for a purchase price of \$28,272,999.

The Trusts' investment properties were valued on September 30, 2022, by independent professionally qualified appraisers who hold a recognized relevant professional qualification and have recent experience in the locations of the income-producing properties valued.

4. Investment properties (continued)

The estimated fair values per these appraisals are as follows:

	September 30, 2022	December 31, 2021
30-31 Campbell Court, Stratford	\$ 19,300,000	\$ 15,900,000
19 Lynnwood Drive, Brantford	13,800,000	12,500,000
120, 126 and 130 St Paul Avenue, Brantford	9,780,000	8,780,000
383-385 Wellington Street and 49 Lacroix Street, Chatham	8,950,000	7,750,000
780 Division Street, Kingston	22,650,000	20,450,000
1379 Princess Street, Kingston	6,560,000	6,090,000
75 and 87 Mary Street, Chatham	9,810,000	7,970,000
252 and 268 Conacher Drive, Kingston	3,710,000	3,320,000
1355 Commissioners Road West, London	20,100,000	18,800,000
65 Times Avenue, Markham	29,800,000	28,400,000
1050 Highland Street, Burlington	6,790,000	6,220,000
5 & 7 Wilsonview Avenue, Guelph	10,800,000	10,000,000
65 & 75 Paisley Boulevard West, Mississauga	60,400,000	56,300,000
223 Woodbine Avenue, Toronto	25,300,000	24,700,000
8-16 Wilsonview Avenue, Guelph	38,200,000	36,600,000
650 Woodbine Avenue, Toronto	15,800,000	15,200,000
787 Vaughan Road, Toronto	13,700,000	12,900,000
100-170 Old Carriage Drive, Kitchener	75,100,000	67,200,000
125 Wellington Street North & 50 Cathcart Street, Hamilton	81,200,000	74,000,000
12-14 Auburndale Court, Etobicoke	27,100,000	23,800,000
433 King Street, London	41,600,000	36,300,000
98 Farley Drive, Guelph	43,062,370	-
208 Woolwich Street South, Breslau	37,322,830	-
78 Braemar Drive, Brampton	65,484,521	-
200 Edgar Lane, Sherwood Park	28,272,999	-
Riverain - under development	44,370,693	-
	\$ 758,963,413	\$ 493,180,000

The Trust determined the fair value of each investment property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the applicable statement of financial position dates, less future cash outflow pertaining to the respective leases. The properties are appraised using several approaches that typically include a direct capitalization income method and a direct comparison approach.

4. Investment properties (continued)

The significant assumption made relating to valuations of investment properties using direct capitalization income method is the capitalization rate. The capitalization rates used are as follows:

	September 30, 2022	December 31, 2021
30-31 Campbell Court, Stratford	5.00%	5.00%
19 Lynnwood Drive, Brantford	4.75%	4.75%
120, 126 and 130 St Paul Avenue, Brantford	4.75%	4.75%
383-385 Wellington Street and 49 Lacroix Street, Chatham	5.00%	5.00%
780 Division Street, Kingston	4.40%	4.40%
1379 Princess Street, Kingston	4.30%	4.30%
75 and 87 Mary Street, Chatham	5.00%	5.00%
252 and 268 Conacher Drive, Kingston	4.50%	4.50%
1355 Commissioners Road West, London	3.75%	3.75%
65 Times Avenue, Markham	3.50%	3.50%
1050 Highland Street, Burlington	3.75%	3.75%
5 & 7 Wilsonview Avenue, Guelph	4.00%	4.00%
65 & 75 Paisley Boulevard West, Mississauga	2.75%	2.75%
223 Woodbine Avenue, Toronto	2.95%	3.10%
8-16 Wilsonview Avenue, Guelph	4.00%	4.00%
650 Woodbine Avenue, Toronto	3.25%	3.25%
787 Vaughan Road, Toronto	3.25%	3.25%
100-170 Old Carriage Drive, Kitchener	4.00%	4.00%
125 Wellington Street North & 50 Cathcart Street, Hamilton	4.25%	4.25%
12-14 Auburndale Court, Etobicoke	3.00%	3.00%
433 King Street, London	3.50%	3.50%
98 Farley Drive, Guelph	N/A	N/A
208 Woolwich Street South, Breslau	N/A	N/A
78 Braemar Drive, Brampton	N/A	N/A
200 Edgar Lane, Sherwood Park	N/A	N/A

Values are most sensitive to changes in capitalization rates, and the variability of cash flows. If the capitalization rate were to increase by 25 basis points ("bps"), the value of investment properties would decrease by \$33,926,352 (December 31, 2021 – decrease by \$31,447,307). If the capitalization rate were to decrease by 25 bps, the value of investment properties would increase by \$39,498,537 (December 31, 2021 – increase by \$35,491,563).

Equiton Residential Income Fund Trust
Notes to the Consolidated Financial Statements
September 30, 2022

5. Mortgages payable

	Mortgage	Blended Monthly payments	Interest rate	Maturity date	September 30, 2022	December 31, 2021
BMO - Brantford	1st (i)	33,464	3.91%	7/1/2026	\$ 5,346,595	\$ 5,488,661
BMO - Kingston Conacher	1st (i)	7,581	4.60%	11/1/2030	\$ 1,233,549	\$ 1,257,883
BMO - Kingston Princess	1st (i)	12,657	3.50%	6/12/2028	\$ 2,243,291	\$ 2,291,942
BMO - Chatham Mary	1st (i)	15,042	3.80%	9/1/2028	\$ 2,615,831	\$ 2,676,193
BMO - Chatham Mary	2nd (i)	2,518	4.35%	9/1/2028	\$ 415,506	\$ 424,448
FN - Stratford	1st (i)	20,288	2.73%	9/1/2026	\$ 4,247,526	\$ 4,342,563
FN - Chatham	1st (i)	12,168	3.31%	3/1/2028	\$ 2,169,256	\$ 2,224,525
PT - Kingston	1st (iii)	30,582	2.44%	3/1/2025	\$ 5,248,017	\$ 5,319,644
PT - Kingston	2nd	5,751	3.24%	3/1/2028	\$ 925,801	\$ 954,826
FN - London Commissioner	1st	41,055	3.18%	5/31/2029	\$ 10,651,517	\$ 10,767,113
FN - Markham 65 Times	1st	47,339	2.58%	9/1/2029	\$ 12,347,961	\$ 12,534,355
FN - Highland	1st	11,137	2.84%	6/1/2030	\$ 2,538,290	\$ 2,584,233
FN - 5-7 Wilsonview	1st	24,449	2.74%	6/1/2030	\$ 4,891,069	\$ 5,009,816
FN - Paisley	1st	71,999	2.49%	6/1/2030	\$ 19,272,680	\$ 19,559,638
FN - Paisley	2nd (ii)	39,177	6.50%	1/1/2025	\$ 7,330,000	\$ 7,330,000
FN - 223 Woodbine	1st	41,878	2.20%	6/1/2030	\$ 11,697,836	\$ 11,881,256
FN - 8 & 16 Wilsonview	1st	79,227	2.17%	6/1/2030	\$ 19,917,486	\$ 20,304,338
FN - 650 Woodbine	1st	30,073	2.00%	3/31/2031	\$ 7,808,952	\$ 7,961,688
FN - 787 Vaughan	1st	24,063	2.00%	3/31/2031	\$ 6,248,247	\$ 6,370,462
FN - 100 Old Carriage	1st	154,157	2.43%	12/1/2031	\$ 42,786,589	\$ 43,392,020
FN - Aurburndale (Bridge Loan)	1st	46,085	4.45%	3/1/2022	\$ -	\$ 12,600,000
FN - 433 King (Bridge Loan)	1st	75,589	4.45%	2/1/2022	\$ -	\$ 20,000,000
FN - 125 Wellington	1st (iv)	53,282	2.86%	12/1/2025	\$ 12,430,146	\$ 12,755,480
FN - 125 Wellington (Loan 2)	1st	100,727	2.53%	12/1/2031	\$ 24,812,578	\$ 25,246,206
FN - 433 King Street	1st	41,818	2.87%	1/1/2025	\$ 17,485,000	\$ -
FN - 433 King Street	2nd	14,147	6.75%	1/1/2025	\$ 2,515,000	\$ -
FN - 12 & 14 Aurburndale	1st	46,285	2.83%	12/1/2031	\$ 13,204,828	\$ -
PC - 208 Woolwich	1st (v)	76,130	2.13%	8/1/2031	\$ 24,193,185	\$ -
FN - 98 Farley	1st	95,276	2.83%	12/1/2031	\$ 27,150,425	\$ -
CICI - 200 Edgar Lane	1st (vi)	82,752	3.53%	9/1/2032	\$ 21,285,765	\$ -
FN - 78 Braemar Drive	1st (vii)	124,893	3.92%	9/1/2032	\$ 30,385,925	\$ -
					\$ 343,398,851	\$ 243,277,290
					Add: Riverain - property under construction	\$ 9,384,375
					Less: Acquisition date fair value adjustments	\$ (4,387,153)
					Less: Deferred financing charges	\$ (8,885,058)
					Less: Interest reserve holdback	\$ (116,912)
					\$ 339,394,102	\$ 236,267,442

5. Mortgages payable (continued)

The mortgages payable are secured by the investment properties disclosed in Note 4 and are repayable as follows:

2022	\$ 1,564,502
2023	15,746,755
2024	6,535,052
2025	64,031,174
2026	14,454,016
Thereafter	250,451,727
	<u>\$ 352,783,226</u>

- (i) There are covenants pertaining to the Bank of Montreal facilities and they were all met as of September 30, 2022.
- (ii) The First National second mortgage is an interest-only loan.
- (iii) The People's Trust first mortgage on loan was assumed on the purchase of 780 Division Street, Kingston, Ontario property. The difference between the fair value and carrying value of the mortgage was determined to be at a discount of \$205,372 at the assumption date and the difference is amortized over the term of the mortgage.
- (iv) The First National first mortgage on loan was assumed on the purchase of the 125 Wellington Street North, Hamilton, Ontario property. The difference between the fair value and carrying value of the mortgage was determined to be at a premium of \$134,581 at the assumption date and the difference is amortized over the term of the mortgage.
- (v) The Peakhill Capital first mortgage on loan was assumed on the purchase of the 208 Woolwich Street South, Breslau, Ontario property. The difference between the fair value and carrying value of the mortgage was determined to be at a premium of \$660,053 at the assumption date and the difference is amortized over the term of the mortgage.
- (vi) The First National first mortgage on loan was assumed on the purchase of the 98 Farley, Guelph, Ontario property. The difference between the fair value and carrying value of the mortgage was determined to be at a premium of \$274,766 at the assumption date and the difference is amortized over the term of the mortgage.
- (vii) The Canada ICI first mortgage on loan was assumed on the purchase of the 200 Edgar Lane, Sherwood Park, Alberta property. The difference between the fair value and carrying value of the mortgage was determined to be at a premium of \$3,516,420 at the assumption date and the difference is amortized over the term of the mortgage.

6. Related party transactions and balances

(a) Agreement with Equiton Capital Inc.

The Trust has entered into an Agency Agreement with Equiton Capital Inc. (the "Agent"), a related party through (a) sharing key management personnel with the Trust and (b) one of the Trustees of the Trust indirectly controls Equiton Capital Inc. The Trust has retained the Agent to act as a selling agent of the Trust units.

Pursuant to the Agency Agreement, the Trust incurred agency fees with the Agent related to the issuance of trust units in the amount of \$4,965,603 (December 31, 2021 - \$5,395,626), which are included in issuance costs in the statements of changes in net assets attributable to unitholders.

(b) Due from related parties

	September 30, 2022	December 31, 2021
Due from Equiton Partners Inc.	\$ 5,845,474	\$ -
Due from Equiton Balanced Real Estate Fund Trust	<u>13,304</u>	<u>10,903</u>
	\$ <u>5,858,818</u>	\$ <u>10,903</u>

Equiton Balanced Real Estate Fund Trust has the same common management as the Trust and one of the Trustees is the same in both Trusts.

Due from related parties is all unsecured, non-interest bearing, and due on demand.

(c) Due to related parties

	September 30, 2022	December 31, 2021
Due to other related parties	\$ <u>13,466,296</u>	\$ <u>7,951,611</u>

Related parties are all unsecured, non-interest bearing, and due on demand.

7. Unitholders' equity

Unitholder transactions excluding allocations of net income distributions and contributed surplus:

(i) Class A Trust Units

The Trust is authorized to issue an unlimited number of Class A Trust units.

(ii) Class B Trust Units

The Trust is authorized to issue an unlimited number of Class B Trust units.

(iii) Class C Trust Units

The Trust is authorized to issue an unlimited number of Class C Trust units.

(iv) Class F Trust Units

The Trust is authorized to issue an unlimited number of Class F Trust units.

(v) Class I Trust Units

The Trust is authorized to issue an unlimited number of Class I Trust units.

Equiton Residential Income Fund Trust
Notes to the Consolidated Financial Statements
September 30, 2022

7. Unitholders' equity (continued)

(a) Units outstanding

	Number	Amount
Class A Trust Units		
Balance, December 31, 2021	10,355,447	\$ 101,494,205
Issuance of units	2,628,675	29,984,321
Issuance of units through distribution reinvestment plan	355,767	3,962,462
Redemption of units	(342,814)	(3,863,850)
Issuance of costs	-	(1,263,339)
Balance, September 30, 2022	12,997,075	\$ 130,313,799
Class B Trust Units		
Balance, December 31, 2021	-	\$ -
Issuance of units	125,812	1,462,500
Issuance of units through distribution reinvestment plan	808	9,253
Redemption of units	-	-
Issuance of costs	-	(61,620)
Balance, September 30, 2022	126,620	\$ 1,410,133
Class C Trust Units		
Balance, December 31, 2021	-	\$ -
Issuance of units	274,093	3,181,235
Issuance of units through distribution reinvestment plan	737	8,448
Redemption of units	-	-
Issuance of costs	-	(134,036)
Balance, September 30, 2022	274,830	\$ 3,055,647
Class F Trust Units		
Balance, December 31, 2021	8,046,833	\$ 81,121,066
Issuance of units	4,322,966	48,718,089
Issuance of units through distribution reinvestment plan	309,985	3,456,460
Redemption of units	(1,151,429)	(12,872,765)
Issuance of costs	-	(2,052,654)
Balance, September 30, 2022	11,528,355	\$ 118,370,196
Class I Trust Units		
Balance, December 31, 2021	6,595,181	\$ 66,944,150
Issuance of units	3,034,815	34,508,425
Issuance of units through distribution reinvestment plan	364,824	4,067,033
Redemption of units	(173,674)	(1,997,086)
Issuance of costs	-	(1,453,954)
Balance, September 30, 2022	9,821,146	\$ 102,068,568
Total A, B, C, F and I units, September 30, 2022	34,748,026	\$ 355,218,343

7. Unitholders' equity (continued)

b) Distributions and distribution reinvestment

On December 19, 2016, the Trust instituted a DRIP whereby Canadian unitholders may elect to have their distributions automatically reinvested in additional units, retroactive to the commencement of the Trust.

During the period, the Trust made distributions of \$17,402,045 (December 31, 2021 - \$14,189,182). \$11,503,656 of the \$17,402,045 (December 31, 2021 - \$9,140,246 of the \$14,189,182) distributions were reinvested through the DRIP.

8. Asset management agreement

The property management fees were performed by a related party, Equiton Partners Inc. As compensation for providing the Property Management Services, a fee equal to 4.0% of the gross income from the Properties for the Initial Term and for each Renewal. As compensation for providing Project Management Services, a fee equal to 5.0% of the total cost to (i) construct tenant improvements and/or coordinate the construction, modification, improvement, re-construction, or effecting of material repairs to any tenant premises at any of the Properties, or (ii) construct, modify, improve, re-construct or effect a material repair to any portion of the Property or Properties.

Equiton Partners Inc. is also entitled to the following fees pursuant to the Asset Management Agreement:

(i) Transaction fee

The transaction fee is charged at 1.00% of the purchase price with respect to each property acquired or sold by the Limited Partnership.

(ii) Asset management fee

The asset management fee is charged at 1.00% annually with respect to the gross asset value of the assets in the Limited Partnership. The asset management fee is calculated and charged monthly.

(iii) Financing fee

The financing fee is charged at 1.00% of the loan amount with respect to each senior or first ranking financing transaction, at 0.50% of the loan amount with respect to each refinancing transaction and at 1.50% of the loan amount with respect to each mezzanine or non-first ranking financing transaction.

8. Asset management agreement (continued)

(iv) Performance incentive fee

During the term of the Asset Management Agreement, the Manager shall be entitled to a 20% interest in cash distributions of the Limited Partnership, and a 20% interest in any increase in the equity value of the investment properties, calculated and payable at the time such increase in equity value is realized or the issuance of additional limited partner units by the Limited Partnership. The Manager has indicated that it will either defer payment of such performance incentive fees until such time as sufficient cash is available or to elect to receive such performance incentive fees in the form of limited partnership units of the Partnership.

The Asset Management Agreement is for an initial term of five years and automatically renews for a further five years unless terminated by either of the parties.

The Manager charged the following fees under the property and asset management agreement during the period:

	September 30, 2022	December 31, 2021
Asset management fee	\$ 5,072,942	\$ 4,194,790
Transaction fee	1,329,438	1,947,104
Financing fee	1,831,574	1,188,422
Performance incentive fee	7,639,743	4,843,124
Property Management fee	<u>1,003,424</u>	<u>892,070</u>
	\$ <u>16,877,121</u>	\$ <u>13,065,510</u>

The asset management and performance incentive fees are recorded in the statement of income and comprehensive income. The transaction fee is recorded in investment properties on the statement of financial position. Financing fees are recorded as deferred financing fees in the mortgages payable on the statement of financial position.

Transactions with related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. Financial Instruments and risk management

The Trust defines capital that it manages as the aggregate of net assets attributable to unitholders and interest-bearing debt less cash. The Trust's objective when managing capital is to ensure that the Trust will continue as a going concern so that it can sustain daily operations. The Trust's primary objective is to ensure that it has sufficient cash resources to indirectly invest in real estate assets in order to provide adequate returns in the form of dividends to its unitholders. To secure the additional capital necessary to pursue these plans, the Trust may attempt to raise additional funds through the issuance of additional trust units.

The Trust is subject to risks associated with debt financing, including the possibility that existing mortgages may not be refinanced or may not be refinanced on favourable terms or with interest rates as favourable as those of the existing debt. The Trust manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The total managed capital for the Trust is summarized below:

	September 30, 2022	December 31, 2021
Mortgage payable	\$ 339,394,102	\$ 236,267,442
Cash	(19,222,114)	(46,673,839)
Net debt	320,171,988	189,593,603
Net assets attributable to unitholders	417,204,604	287,774,104
	\$ 737,376,592	\$ 477,367,707

10. Changes in non-cash operating items

	September 30, 2022	December 31, 2021
Payables and accruals	\$ 113,818	\$ 6,111,758
Tenant deposits	882,329	940,594
Deferred revenue	120,726	158,243
Tenant and other receivables	(808,017)	(313,981)
Prepaid expenses	1,878,172	(2,695,581)
Distributions payable	670,731	751,297
Due to/from related parties	(333,230)	5,055,598
	\$ 2,524,529	\$ 10,007,928

11. Financial Instruments and risk management

Risks associated with financial assets and liabilities

Financial risks arise from financial instruments to which the Trust is exposed during or at the end of the reporting period. Financial risk comprises market risk, credit risk and liquidity risk. Management identifies, evaluates and monitors these risks throughout the year.

(i) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices due to currency risk, price risk, and interest rate risk. Due to the nature of the Trust's financial instruments, it has no exposure to currency or price risk.

Interest rate risk

The Trust is subject to risk associated with debt financings including the risk that credit facilities will not be refinanced on terms as favorable as those of existing indebtedness.

The Trust's objective in managing interest rate risk is to minimize the volatility of the Trust's income. As of September 30, 2022 cash flow, and interest rate risk has been minimized, as the mortgages payable are financed at fixed interest rates. The fair market value of the mortgages payable is disclosed above.

Receivables and payables are interest-free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets and liabilities. Tenant deposits are non-interest bearing, so it is assumed that there is no interest rate risk associated with these financial liabilities.

(ii) Credit risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in the Trust incurring a financial loss. A substantial portion of the Trust's amounts receivable is with various tenants and individuals and is subject to normal industry credit risks.

The Trust's principal assets are residential buildings. Credit risk arises from the possibility that tenants may not fulfil their lease obligations. The Trust mitigates this credit risk by performing credit checks and due diligence on prospective tenants and on existing tenants when appropriate, and by negotiating leases for spaces of varying sizes.

The carrying amount of receivables is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of income and comprehensive income within other expenses. When a receivable balance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of income and comprehensive income. The total provision taken on the receivables in as at September 30, 2022 is \$648,713 (December 31, 2021 - \$300,448).

The Trust's maximum credit risk exposure at September 30, 2022 and December 31, 2021 is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position.