Automotive Properties Real Estate Investment Trust
Unaudited Condensed Consolidated Interim Financial Statements
For the period ended March 31, 2024

Automotive Properties REIT
Condensed Consolidated Interim Balance Sheets (Unaudited)

(in thousands of Canadian dollars)	Note	As at March 31, 2024	As at December 31, 2023
ASSETS			
Cash and cash equivalents		**$351**	$298
Accounts receivable and other assets	**5**	**3,014**	2,905
Interest rate swaps	**6**	**16,892**	11,388
Investment properties	**4**	**1,179,702**	1,179,316
Total assets		**$1,199,959**	**$1,193,907**
LIABILITIES AND UNITHOLDERS' EQUITY			
Liabilities:			
Accounts payable and accrued liabilities	**7**	**$11,574**	$11,538
Credit facilities and mortgages payable	**6**	**528,635**	531,511
Unit-based compensation	**10**	**10,767**	10,314
Class B LP Units	**9**	**96,073**	100,550
Total liabilities		**647,049**	653,913
Unitholders' equity		**552,910**	539,994
Total liabilities and unitholders' equity		**$1,199,959**	**$1,193,907**

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Approved on behalf of the Board of Trustees

"Julie Morin"

Julie Morin
Trustee, Audit Committee Chair

"John Morrison"

John Morrison
Trustee, Lead Independent

Automotive Properties REIT
Condensed Consolidated Interim Statements of Income and Comprehensive Income (Unaudited)

(in thousands of Canadian dollars) For the three months ended March 31,	**Note**	**2024**	2023
Net Property Income			
Rental revenue from investment properties	**11**	**$23,413**	$22,876
Property costs	**11**	**(3,570)**	(3,419)
Net Operating Income		**$19,843**	$19,457
Other Income (Expenses)			
General and administrative expenses		**(1,385)**	(1,418)
Interest expense and other financing charges		**(6,325)**	(5,970)
Fair value adjustment on interest rate swaps	**6**	**5,503**	(4,762)
Distribution expense on Class B LP Units	**8**	**(1,875)**	(1,875)
Fair value adjustment on Class B LP Units and Unit-based compensation	**9, 10**	**5,002**	14,492
Fair value adjustment on investment properties	**4**	**138**	(2,957)
Net Income and Comprehensive Income		**$20,901**	$16,967

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Automotive Properties REIT
Condensed Consolidated Interim Statements of Changes in Unitholders' Equity (Unaudited)

For the three months ended March 31, 2024
(in thousands of Canadian dollars)

	Note	Trust Units	Cumulative Net Income	Cumulative Distributions to Unitholders	Total
Unitholders' Equity at December 31, 2023		**$404,708**	**$319,877**	**$(184,591)**	**539,994**
Net Income		-	20,901	-	20,901
Distributions	**8**	-	-	(7,985)	(7,985)
Unitholders' Equity at March 31, 2024		**$404,708**	**$340,778**	**$(192,576)**	**552,910**

For the three months ended March 31, 2023
(in thousands of Canadian dollars)

	Note	Trust Units	Cumulative Net Income	Cumulative Distributions to Unitholders	Total
Unitholders' Equity at December 31, 2022		**$404,708**	**$268,886**	**$(152,650)**	**520,944**
Net Income		-	16,967	-	16,967
Distributions	**8**	-	-	(7,985)	(7,985)
Unitholders' Equity at March 31, 2023		**$404,708**	**$285,853**	**$(160,635)**	**529,926**

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Automotive Properties REIT
Condensed Consolidated Interim Statements of Cash Flow (Unaudited)

(in thousands of Canadian dollars)

For the three months ended March 31,	Note	2024	2023
OPERATING ACTIVITIES			
Net income		**$20,901**	$16,967
Straight-line rent		**(248)**	(525)
Non-cash compensation expense		**978**	1,260
Fair value adjustment on interest rate swaps		**(5,503)**	4,762
Distribution expense on Class B LP Units		**1,875**	1,875
Fair value adjustment on Class B LP Units and Unit-based compensation		**(5,002)**	(14,492)
Fair value adjustment on investment properties		**(138)**	2,957
Interest expense and other charges		**6,122**	5,732
Financing fees		**203**	238
Amortization of other assets		**36**	46
Change in non-cash operating accounts	**16**	**39**	(1,721)
Cash Flow from operating activities		**19,263**	17,099
INVESTING ACTIVITIES			
Acquisitions of investment properties		**-**	(100,536)
Cash Flow from (used in) investing activities		**-**	(100,536)
FINANCING ACTIVITIES			
Proceeds from Credit Facilities and Mortgages and Revolver repayment		**3,500**	105,700
Principal repayment on Credit Facilities and Mortgages		**(6,435)**	(6,120)
Interest paid		**(6,150)**	(5,736)
Financing fees paid		**(144)**	(718)
Repayments on lease liabilities		**(121)**	(108)
Distributions to REIT unitholders and Class B LP unitholders		**(9,860)**	(9,860)
Cash Flow from (used in) financing activities		**(19,210)**	83,158
Net increase (decrease) in cash and cash equivalents during the year		**53**	(279)
Cash and cash equivalents, beginning of year		**298**	396
Cash and cash equivalents, end of year		**$351**	$117

See accompanying notes to the unaudited condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS

Automotive Properties Real Estate Investment Trust (the “REIT”) is an internally managed, unincorporated, open-ended real estate investment trust existing pursuant to a declaration of trust dated June 1, 2015, as amended and restated on July 22, 2015 (the “Declaration of Trust”) under, and governed by, the laws of the Province of Ontario. The REIT was formed to own primarily income-producing automotive dealership properties located in Canada. The principal, registered and head office of the REIT is located at 133 King Street East, Suite 300, Toronto, Ontario M5C 1G6. The REIT’s trust units (“Units”) are listed on the Toronto Stock Exchange and are traded under the symbol “APR.UN”.

893353 Alberta Inc. (“Dilawri”) is a privately held corporation, which, together with certain of its affiliates, held an approximate 31.4% effective interest in the REIT on a fully diluted basis as at March 31, 2024 (December 31, 2023 – 31.4%), through the ownership, direction or control of all of the 9,327,487 Class B limited partnership units (“Class B LP Units”) of Automotive Properties Limited Partnership, the REIT’s operating subsidiary (the “Partnership”), and 6,421,020 Units. The Class B LP Units are economically equivalent to, and exchangeable for, Units. Dilawri and its affiliates, other than its shareholders and controlling persons, are referred to herein as the “Dilawri Group”.

The REIT commenced operations on July 22, 2015 following completion of an initial public offering of Units (the “IPO”). In connection with the completion of the IPO, the REIT indirectly acquired a portfolio of 26 commercial properties from certain members of the Dilawri Group (the “Initial Properties”) and leased the Initial Properties to the applicable member of the Dilawri Group (collectively and including members of the Dilawri Group that became tenants at a REIT property after the IPO, the “Dilawri Tenants”).

As at March 31, 2024, the REIT owned a portfolio of 77 income-producing commercial properties. The properties are located in metropolitan areas across British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec, totaling approximately 2.9 million square feet of gross leasable area (“GLA”) on approximately 249 acres of land. The Dilawri Tenants are the REIT’s major tenant, occupying 37 of the REIT’s income-producing commercial properties and jointly occupying one of the REIT’s 77 income-producing commercial properties as at March 31, 2024.

The subsidiaries of the REIT included in the REIT’s consolidated financial statements include the Partnership and Automotive Properties REIT GP Inc.

2. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of Compliance

The unaudited condensed consolidated interim financial statements of the REIT are prepared in accordance with International Accounting Standard (“IAS”) 34 — *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed consolidated interim financial statements should be read in conjunction with the REIT’s audited annual consolidated financial statements as at and for the year ended December 31, 2023 and the accompanying notes thereto. These unaudited condensed consolidated interim financial statements do not include all the information required for full financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”).
These unaudited condensed consolidated interim financial statements were authorized for issuance by the Board of Trustees of the REIT (the “Board”) on May 14, 2024.

(b) Basis of Presentation

The unaudited condensed consolidated interim financial statements of the REIT have been prepared using the historical cost basis except for the following items that were measured at fair value:

- investment properties as described in Note 4;
- interest rate swaps as described in Note 6;
- Class B LP Units which are exchangeable for Units at the option of the holder as described in Note 9; and
- Deferred Units (“DUs”), Income Deferred Units (“IDUs”), Restricted Deferred Units (“RDUs”) and Performance Deferred Units (“PDUs”, and together with DUs, IDUs and RDUs, “Unit-based compensation”) which are exchangeable for Units in accordance with their terms as described in Note 10.

The unaudited condensed consolidated interim financial statements are presented in Canadian dollars, the REIT’s functional and reporting currency.

(c) Basis of Consolidation

The unaudited condensed consolidated interim financial statements include the accounts of the REIT and the other entities that the REIT controls in accordance with IFRS 10 — *Consolidated Financial Statements*. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. All intercompany transactions and balances have been eliminated on consolidation.

On June 2, 2023, the REIT entered into a 50/50 joint arrangement (the “Joint Arrangement”) with StorageVault Canada Inc. (“StorageVault”) to jointly acquire an automotive dealership property located in Brossard, Quebec, from a third party vendor. The Joint Arrangement is accounted for in accordance with IFRS 11 —*Joint arrangements* (“IFRS 11”). Under IFRS 11, the Joint Arrangement is considered to be joint operations. The accounting treatment for joint operations requires each venturer to recognize its share of assets, liabilities, revenues, and expenses related to the joint operation in proportion to their respective interest therein.

(d) Accounting policies

The accounting policies applied by the REIT in these unaudited condensed consolidated interim financial statements are the same as those applied by the REIT in its audited consolidated financial statements as at and for the year ended December 31, 2023.

(e) Critical accounting judgements and estimates

The REIT will continue to review its discounted cash flow projections, changes in capitalization rates and the impact on the fair value of its investment properties. Valuation inputs and assumptions relating to rental income, rent collection, reserves and discount rates may change over time.

3. ACQUISITIONS AND DISPOSITIONS

The REIT did not acquire or dispose of any investment properties during the three months ended March 31, 2024.

During the year ended December 31, 2023, the REIT completed the following acquisitions:

Property	Location	Date of Acquisition	Total Investment Properties(1)
Hyundai Sorel	Sorel-Tracy, QC	January 3, 2023	$6,012
Kia Sorel	Sorel-Tracy, QC	January 3, 2023	$5,112
Hamel Honda	Saint-Eustache, QC	January 3, 2023	$28,092
Honda Ste-Rose	Laval, QC	January 3, 2023	$16,762
Chomedey Toyota	Laval, QC	January 3, 2023	$28,363
Mazda de Laval	Laval, QC	January 3, 2023	17,652
Taschereau JLR	Brossard, QC	June 2, 2023	$8,432
Total Acquisitions			**$110,425**

(1) Includes acquisition costs.

4. INVESTMENT PROPERTIES

	Income producing properties	Right-of-use assets	March 31, 2024	December 31, 2023
Balance, beginning of year	$1,176,113	$3,203	$1,179,316	$1,071,308
Acquisitions(1)	-	-	-	110,425
Fair value adjustment on investment properties	220	(82)	138	(4,113)
Straight-line rent	248	-	248	1,696
Balance, end of year	**$1,176,581**	**$3,121**	**$1,179,702**	**$1,179,316**

(1) Includes acquisition costs of $3,875.

Valuation of Investment Properties

The REIT valued the investment properties using a discounted cash flow approach whereby a current discount rate was applied to the projected net operating income that a property can reasonably be expected to produce in the future. Property under development is measured using both a comparable sales method and a discounted cash flow method, net of costs to complete. The REIT’s valuation inputs are supported by quarterly market reports from an independent appraiser. For the three months ended March 31, 2024, the REIT adjusted the discount rates for properties across all markets to reflect current market conditions. The overall capitalization rate applicable to the REIT's entire portfolio increased to 6.63% as at March 31, 2024 (December 31, 2023 – 6.59%). The following table highlights the significant valuation inputs used in determining the fair value of the REIT's income producing properties:

Significant Valuation Inputs

	March 31, 2024		December 31, 2023	
Total Income Producing Properties	**Range**	**Weighted average**	Range	Weighted average
Discount rate	**4.95% - 10.60%**	**7.61%**	4.90% - 10.60%	7.49%
Terminal capitalization rate	**4.70% - 10.35%**	**7.28%**	4.65% - 10.35%	7.10%

A 25 basis point decrease or increase in capitalization rates or discount rates would result in an increase or decrease in the fair value of the investment properties of approximately $45,400 or $(42,100), respectively, as of March 31, 2024. A 50 basis point decrease or increase in capitalization rates or discount rates would result in an increase or decrease in the fair value of the investment properties of approximately $94,500 or $(81,200), respectively, as of March 31, 2024.

Rental Commitments

Minimum rental commitments on non-cancellable tenant operating leases are as follows:

Within 1 year	$78,526
After 1 year, but not more than 5 years	306,071
More than 5 years	437,313
	$821,910

5. ACCOUNTS RECEIVABLE AND OTHER ASSETS

As at	**March 31, 2024**	December 31, 2023
Prepaid indemnity fee	**$431**	$376
Right-of-use assets, net of depreciation	**101**	119
Prepaid and other receivables	**2,482**	2,410
	$3,014	$2,905

6. CREDIT FACILITIES AND MORTGAGES PAYABLE

(a) Credit facilities and mortgages consist of:

As at	**March 31, 2024**	December 31, 2023
Facility 1[(i)]	**$256,601**	$259,896
Facility 2[(ii)]	**79,744**	80,984
Facility 3[(iii)]	**160,140**	162,246
Mortgages[(iv)]	**34,851**	31,145
Total	**531,336**	534,271
Financing fees[(v)]	**(2,701)**	(2,760)
	$528,635	$531,511

(i) Facility 1 includes:
A non-revolving loan in the amount of $229,901 (December 31, 2023 - $232,696) bearing interest at the bankers' acceptance ("BA") rate plus 150 basis points ("bps") or the Canadian Prime rate ("Prime") plus

25 bps, maturing in June 2027. The principal is repayable in equal quarterly payments based on a 25 year amortization. In April 2023, the REIT increased the non-revolving portion of Facility 1 by $25,000. In November 2023, the REIT fixed $24,500 to swap for a term of 5 years at an interest rate of 5.69%. The REIT entered into floating-to-fixed interest rate swaps, with remaining terms of 0.7 to 8.6 years as at March 31, 2024, which resulted in a weighted average effective interest rate of 4.48% (December 31, 2023 – 4.48%).

A revolving credit facility in the amount of $30,000 bearing interest at Prime plus 25 bps or BA rate plus 150 bps, maturing in June 2027, of which $26,700 was drawn as at March 31, 2024 (December 31, 2023 – $27,200) and $579 was secured for the issuance of irrevocable letters of credit (the "LCs") on October 24, 2017.

(ii) Facility 2 includes:

A non-revolving loan in the amount of $79,744 (December 31, 2023 – $80,984) bearing interest at the BA rate plus 150 bps or Prime plus 25 bps, maturing in January 2025. The principal is repayable in monthly blended payments based on a 20-year amortization. The REIT entered into floating-to-fixed interest rate swaps with remaining terms of 0.3 to 6.7 years as at March 31, 2024, which resulted in a weighted average effective interest rate of 3.64% (December 31, 2023 – 3.64%).

A revolving credit facility in the amount of $15,000 bearing interest at Prime plus 25 bps or BA rate plus 150 bps, maturing in January 2025, of which $nil was drawn as at March 31, 2024 (December 31, 2023 – $nil).

(iii) Facility 3 includes:

A non-revolving loan in the amount of $160,140 (December 31, 2023 – $162,246) bearing interest at the BA rate plus 150 bps or Prime plus 50 bps, maturing in June 2026. The principal is repayable in monthly blended payments based on a 20 year amortization. In January 2023, the REIT increased the non-revolving portion of Facility 3 by $70,000. The REIT entered into floating-to-fixed interest rate swaps with remaining terms of 1.8 to 8.7 years as at March 31, 2024, which resulted in a weighted average effective interest rate of 4.33% (December 31, 2023 – 4.33%).

A revolving credit facility in the amount of $40,000 bearing interest at Prime plus 25 bps or the BA rate plus 150 bps, maturing in June 2026, of which $nil was drawn as at March 31, 2024 (December 31, 2023 - $nil).

(iv) Mortgages:

The REIT has entered into certain mortgages with Canadian Schedule 1 banks and a life insurance company that have interest rates that range from 2.21% to 5.73% and have maturity dates that range from March 2027 to April 2031 (the "Mortgages"). In March 2024, the REIT and StorageVault entered into a new mortgage in the amount of approximately $8,000 for a term of three years at an interest rate of 5.73%. Pursuant to the Joint Arrangement, the REIT will account for $4,000 of the applicable Mortgage. As at March 31, 2024, the weighted average interest rate of the Mortgages was 3.71% (December 31, 2023 - 3.53%).

(v) During the three-month period ended March 31, 2024, the REIT incurred financing fees of $144 (March 31, 2023 - $718). The amounts are accounted for using the effective interest method, and $2,701 remains unamortized at March 31, 2024 (December 31, 2023 – $2,760).

The credit facilities described above (the "Credit Facilities") and the Mortgages are secured by the REIT's investment properties. As of March 31, 2024, the REIT had four unencumbered properties with an aggregate fair value of approximately $62,750 (December 31, 2023 – five unencumbered properties with an aggregate fair value of approximately $70,570).

Principal repayments are as follows:

2024	$19,440
2025	93,872
2026	157,930
2027	237,884
Thereafter	22,210
Total	$531,336

(b) Interest Rate Swaps

The REIT entered into interest rate derivative contracts to limit its exposure to fluctuations in the interest rates payable on variable rate financings for Facility 1, Facility 2, and Facility 3. Gains or losses arising from changes in the fair value of the interest rate derivative contracts are recognized in the unaudited condensed consolidated interim statements of income and comprehensive income (terms described in Note 6(a)(i), (ii) and (iii) above).

As at March 31, 2024, the notional principal amount of the interest rate swaps was approximately $468,980 (December 31, 2023 – approximately $475,080) and the fair value adjustment of the interest rate swaps was $5,503 (March 31, 2023 – $(4,762)). This resulted in an asset balance of $16,892 as at March 31, 2024 (December 31, 2023 – $11,388).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

As at	**March 31, 2024**	December 31, 2023
Accounts payable and accrued liabilities	**$4,377**	$4,136
Accrued interest	**432**	551
Distributions payable (Note 8)	**3,287**	3,287
Lease liabilities	**3,478**	3,564
	$11,574	$11,538

As at March 31, 2024, the REIT, as lessee, is committed under long term land and other leases that are classified as a liability to make lease payments with minimum annual rental commitments as follows (not including imputed interest costs):

Within 1 year	$76
After 1 year, but not more than 5 years	1,420
More than 5 years	1,982
Total	$3,478

8. DISTRIBUTIONS

For the three months ended March 31,	**2024**			2023		
	Units	Class B LP Units	Total	Units	Class B LP Units	Total
Paid in Cash	**$7,985**	**$1,875**	**$9,860**	$7,985	$1,875	$9,860
Declared	**7,985**	**1,875**	**9,860**	7,985	1,875	9,860
Payable as at period end	**2,662**	**625**	**3,287**	2,662	625	3,287

9. UNITHOLDERS' EQUITY AND CLASS B LP UNITS

Units

The REIT is authorized to issue an unlimited number of Units.

Each Unit is transferable and represents an equal, undivided beneficial interest in the REIT and any distributions from the REIT, whether of net income, net realized capital gains (other than such gains allocated and distributed to redeeming Unitholders) or other amounts and, in the event of the termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. All Units rank equally among themselves without discrimination, preference or priority and entitle the holder thereof to receive notice of, to attend and to one vote at all meetings of Unitholders and holders of Special Voting Units or in respect of any written resolution thereof.

Unitholders are entitled to receive distributions from the REIT (whether of net income, net realized capital gains or other amounts) if, as and when declared by the Board. Upon the termination or winding-up of the REIT, Unitholders will participate equally with respect to the distribution of the remaining assets of the REIT after payment of all liabilities. Such distribution may be made in cash, as a distribution in kind, or both, all as the Board in its sole discretion may determine.

Units have no associated conversion or retraction rights. No person is entitled, as a matter of right, to any pre-emptive right to subscribe for or acquire any Unit, except for Dilawri as set out in the Exchange Agreement entered into on closing of the IPO between the REIT and certain members of the Dilawri Group, pursuant to which such members of the Dilawri Group have been granted, among other things, certain rights to participate in future offerings of the REIT.

Class B LP Units

In conjunction with the IPO, and as partial consideration for the Initial Properties, the REIT, through the Partnership, issued Class B LP Units to certain members of the Dilawri Group. Each Class B LP Unit is exchangeable at the option of the holder for one Unit (subject to certain anti-dilution adjustments), is accompanied by a Special Voting Unit (which provides the holder with that number of votes at any meeting of Unitholders to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled), and will receive distributions of cash from the Partnership equal to the distributions to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled.

For the three months ended March 31, 2024

	Units	**Amount**
Units, beginning of period	39,727,346	$404,708
Units issued, net of costs	-	-
Total Units, end of period	**39,727,346**	**$404,708**
Class B LP Units, beginning of period	9,327,487	$100,550
Fair value adjustment on Class B LP Units	-	(4,477)
Total Class B LP Units, end of period	**9,327,487**	**$96,073**
Total Units and Class B LP Units, end of period	**49,054,833**	**$500,781**

For the year ended December 31, 2023

	Units	**Amount**
Units, beginning of year	39,727,346	$404,708
Units issued, net of costs	-	-
Total Units, end of year	**39,727,346**	**$404,708**
Class B LP Units, beginning of year	9,327,487	$120,978
Fair value adjustment on Class B LP Units	-	(20,428)
Total Class B LP Units, end of year	**9,327,487**	**$100,550**
Total Units and Class B LP Units, end of year	**49,054,833**	**$505,258**

10. UNIT-BASED COMPENSATION

The REIT offers an Equity Incentive Plan (the “Plan”) whereby DUs, PDUs and RDUs may be granted to eligible Participants on a discretionary basis by the Governance, Compensation and Nominating Committee of the Board. The maximum number of Units available for issuance under the Plan is 1,750,000. Each DU, PDU and RDU is economically equivalent to one Unit, however, under no circumstances shall they be considered Units nor entitle a Participant to any rights as a Unitholder, including, without limitation, voting rights or rights on liquidation. Each DU, PDU and RDU shall receive a distribution of additional IDUs equal to the amount of distributions paid per Unit by the

REIT on its Units. Upon vesting of the DUs, PDUs, RDUs and IDUs, a Participant may elect, prior to their expiry, to exchange such vested DUs, PDUs, RDUs and IDUs (subject to satisfaction of any applicable withholding taxes) for an equal number of Units. The holder of such DUs, PDUs, RDUs and IDUs cannot settle them for cash. Under the Plan, the fair value of the DUs, PDUs, RDUs and IDUs is recognized as compensation expense over the vesting period. Fair value is determined with reference to the market price of the Units.

The Units are redeemable at the option of the holder and are considered puttable instruments in accordance with IAS 32 — *Financial Instruments: Presentation* ("IAS 32"). As the exemption under IAS 32 does not apply to IFRS 2 — *Share Based Payments*, Unit-based compensation is accounted for as a liability. The deferred unit liability is adjusted to reflect the change in their fair value at each reporting period with the changes in fair value recognized as compensation expense.

During the three months ended March 31, 2024, the REIT accrued short-term incentive awards in the amount of $164 which will be settled by the granting of DUs and/or cash (March 31, 2023 – $154).

All independent Trustees of the REIT elected to receive board and committee compensation in the form of DUs. The fair value of each DU granted is measured based on the volume-weighted average trading price of the Units for the five trading days immediately preceding the grant date. The amount of DUs, PDUs, RDUs and IDUs vested and outstanding under the Plan is outlined below:

As at March 31, 2024

	Units Granted(1)(2)	Units Outstanding	Outstanding Unit-based compensation End of period(2)
DUs	**698,501**	**710,318**	**7,315**
PDUs	**142,515**	**68,527**	**706**
RDUs	**116,418**	**67,090**	**691**
IDUs	**244,176**	**199,480**	**2,055**
Total	**1,201,610**	**1,045,415**	**$10,767**

As at December 31, 2023

	Units Granted	Units Outstanding	Outstanding Unit-based compensation End of Year
DUs	646,220	652,156	7,028
PDUs	100,142	60,139	649
RDUs	78,420	61,410	662
IDUs	223,367	183,033	1,975
Total	1,048,149	956,738	$10,314

(1) For the three-month period ended March 31, 2024, 153,461 DUs, PDUs, RDUs and IDUs were granted, of which 80,371 PDUs and RDUs and 8,874 IDUs were accounted for in accordance with the vesting schedule.

(2) Includes a fair value gain of $525 for the three months ended March 31, 2024 (March 31, 2023 - $1,153).

11. RENTAL REVENUE AND PROPERTY COSTS

(a) Rental Revenue

For the three months ended March 31,	**2024**	2023
Base rent	**19,595**	$18,932
Property tax recoveries	**3,570**	3,419
Straight line rent adjustment	**248**	525
Rental revenue	**$23,413**	$22,876

(b) Property Costs

For the three months ended March 31,	**2024**	2023
Property tax expense	**$3,570**	$3,419
Property costs	**$3,570**	$3,419

12. SEGMENT INFORMATION

All of the REIT's assets and liabilities are in, and its revenues are derived from, the Canadian real estate industry segment. The REIT's investment properties are, therefore, considered by management to have similar economic characteristics.

13. CAPITAL MANAGEMENT

The REIT defines its capital as the aggregate of Unitholders' equity, Class B LP Units, Credit Facilities and Mortgages which, as at March 31, 2024, totaled $1,177,618 (December 31, 2023 – $1,172,045). The REIT is free to determine the appropriate level of capital in the context of its cash flow requirements, overall business risks and potential business opportunities. The REIT will make adjustments to its capital based on its investment strategies and changes to economic conditions.

In order to maintain or adjust its capital structure, the REIT may increase or decrease the amount of distributions paid to Unitholders, issue new Units and debt, or repay debt. The REIT manages its capital structure with the objective of:

- complying with the guidelines set out in its Declaration of Trust;
- complying with debt covenants;
- ensuring sufficient liquidity is available to support its financial obligations and to execute its operating and strategic plans;
- maintaining financial capacity and flexibility through access to capital to support future growth; and
- minimizing its cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

The REIT has certain key financial covenants in its Credit Facilities and Mortgages, including debt service ratios and leverage ratios, as defined in the respective agreements. These ratios are measured by the REIT on an ongoing basis to ensure compliance with the agreements. As at March 31, 2024, the REIT was in compliance with each of the covenants under these agreements.

14. FAIR VALUES AND FINANCIAL INSTRUMENT RISK MANAGEMENT

The fair value of the REIT's financial assets and financial liabilities, except as noted below, approximate their carrying values due to their short-term nature.

The following table provides the classification and measurement of non-current financial assets and liabilities as at March 31, 2024:

Financial Assets/(Liabilities)	**Classification/ Measurement**	**Carrying Value**	**Fair Value**
Credit Facilities and Mortgages payable	Amortized Cost	$(528,635)	$(531,336)
Interest Rate Swaps	FVTPL	16,892	16,892
Class B LP Units	FVTPL	(96,073)	(96,073)
Unit-based compensation	FVTPL	(10,767)	(10,767)
		$(618,583)	**$(621,284)**

The following table provides the classification and measurement of financial assets and liabilities as at December 31, 2023:

Financial Assets/(Liabilities)	**Classification/ Measurement**	**Carrying Value**	**Fair Value**
Credit Facilities and Mortgages payable	Amortized Cost	$(531,511)	$(534,271)
Interest Rate Swaps	FVTPL	11,388	11,388
Class B LP Units	FVTPL	(100,550)	(100,550)
Unit-based compensation	FVTPL	(10,314)	(10,314)
		$(630,987)	**$(633,747)**

The REIT uses various methods to estimate the fair values of assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 – quoted prices in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 – valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating the fair value of the REIT's assets and liabilities measured at fair value:

(i) Investment Properties

The REIT assessed the valuation of the investment properties using a discounted cash flow approach whereby a current discount rate was applied to the projected net operating income which a property can reasonably be expected to produce in the future. The fair value of investment properties as at March 31, 2024 is $1,179,702 (December 31, 2023 – $1,179,316) (Level 3).

(ii) Credit Facilities and Mortgages

The fair value of the REIT's Credit Facilities and Mortgages is determined based on the present value of future payments, discounted at the yield on Government of Canada bonds, plus an estimated credit spread at the reporting date for a comparable loan. The fair value of Credit Facilities and Mortgages as at March 31, 2024 is $531,336 (December 31, 2023 – $534,271) (Level 2).

(iii) Interest Rate Swaps

The fair value of the REIT's interest rate swaps which represents an asset balance as at March 31, 2024 is $16,892 (December 31, 2023 – $11,388). The fair value of an interest rate swap is determined using rates observable in the market (Level 2).

(iv) Class B LP Units

The fair value of the Class B LP Units as at March 31, 2024 is $96,073 (December 31, 2023 – $100,550). The fair value of the Class B LP Units is based on the traded value of the Units as at March 31, 2024 (Level 1).

(v) Unit-based compensation

The fair value of Unit-based compensation as at March 31, 2024 is $10,767 (December 31, 2023 – $10,314). The fair value of Unit-based compensation is based on the traded value of the Units as at March 31, 2024 (Level 2).

Financial Risk Management

The REIT's activities expose it to a variety of financial risks. The main risks arising from the REIT's financial instruments are market, liquidity and credit risks. Below is a description of those risks and how the exposures are managed.

Market Risk

The REIT is exposed to market risk as a result of changes in factors such as interest rates and the market price of the Units.

Interest Rate Risk - The majority of the REIT's debt is financed with floating rates. Interest rate swaps (with maturities staggered over 10 years) have been entered into to mitigate interest rate fluctuations, thereby mitigating the exposure to changes in interest rates.

Unit Price Risk - The REIT is exposed to Unit price risk as a result of the issuance of Class B LP Units. Class B LP Units are recorded at their fair value based on market trading prices. Class B LP Units negatively impact net income when the Unit price rises and positively impact net income when the Unit price declines.

Liquidity Risk

Liquidity risk arises from the possibility of an inability to renew maturing debt or not having sufficient capital available to the REIT. Mitigation of liquidity risk is discussed above in Note 13 – Capital Management. A significant portion of the REIT's assets have been pledged as security under the REIT's Credit Facilities and Mortgages. Certain of the Credit Facilities allow for an extension of the term in advance of expiration.

Credit Risk

The REIT is exposed to credit risk from the possibility that counterparties could default on their financial obligations to the REIT. Exposure to credit risk arises from the possibility that the REIT's counterparties may experience financial difficulty and be unable to meet their obligations. The REIT's revenues will be dependent on the ability of the tenants to meet their obligations and the REIT's ability to collect rent therefrom.

15. RELATED PARTY TRANSACTIONS

The REIT's independent Trustees approve all related party transactions in accordance with the Related Party Transaction Policy adopted by the Board. The Dilawri Tenants are the REIT's major tenant and accounted for approximately 53.5% of the REIT's rental income for the three-month period ended March 31, 2024 (March 31, 2023 – 53.7%).

In consideration of the applicable Dilawri Tenants leasing the entirety of the two Initial Properties with third party tenants (and thereby bearing occupancy, rental and other risks associated with the portions of those properties subleased to third party tenants for the initial lease terms of 12 and 15 years), the REIT paid to such Dilawri Tenants an indemnity fee in the aggregate amount of $1,000 at the time of closing of the IPO (amortizable over the term of the leases).

On October 24, 2017, Dilawri paid the REIT $896 in respect of the recoverable land transfer tax associated with the acquisition of the Initial Properties. To defer the land transfer tax, the REIT subsequently issued the LCs to the land transfer tax authority in the amount of $753, of which $579 remains outstanding as at March 31, 2024, on behalf of specific members of the Dilawri Group that sold certain of the Initial Properties to the REIT in connection with the IPO. The Dilawri Group held all of the 9,933,253 issued and outstanding Class B LP Units for 3 years subsequent to the IPO and, accordingly, the LCs are expected to be released. The REIT is working with the applicable tax authorities and Dilawri to secure the release of the outstanding LCs.

In connection with the IPO, the REIT and Dilawri entered into the Strategic Alliance Agreement which established a preferential and mutually beneficial business and operating relationship between the REIT and Dilawri. The Strategic Alliance Agreement will be in effect so long as Dilawri and certain other entities related to Dilawri own, control or direct, in the aggregate, an effective interest of at least 10% (on a fully diluted basis) in the REIT. The Strategic Alliance Agreement provides the REIT with the first right to purchase REIT-Suitable Properties (as defined in the Strategic Alliance Agreement) in Canada or the United States acquired or developed by the Dilawri Group. The purchase price in respect of a REIT-Suitable Property will be mutually agreed by the REIT and Dilawri at the applicable time and supported by an independent appraisal report. The REIT did not acquire any investment properties pursuant to the Strategic Alliance Agreement in 2023 or the three months ended March 31, 2024.

16. SUPPLEMENTARY INFORMATION

Changes in non-cash operating accounts

For the three months ended March 31,	**2024**	2023
Accounts receivable and other assets	**$(144)**	$(1,168)
Accounts payable and accrued liabilities	**183**	(553)
Change in non-cash operating accounts	**$39**	$(1,721)