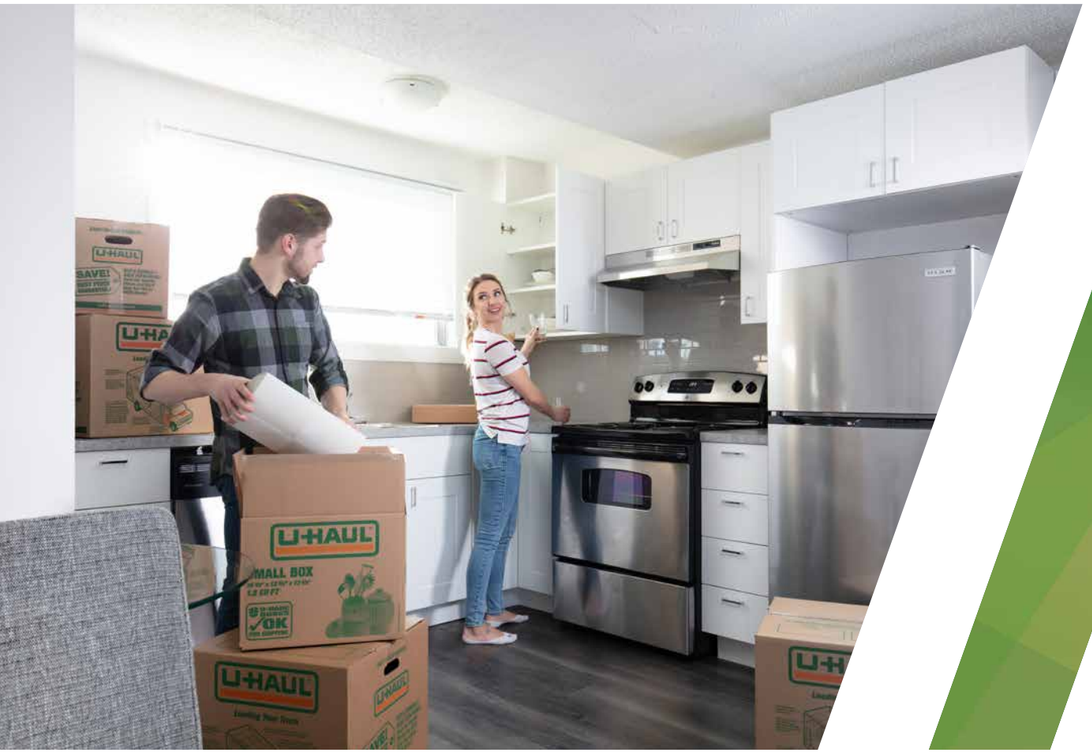
avenueliving
core trust

2019 Investor Report

Investing with Impact.



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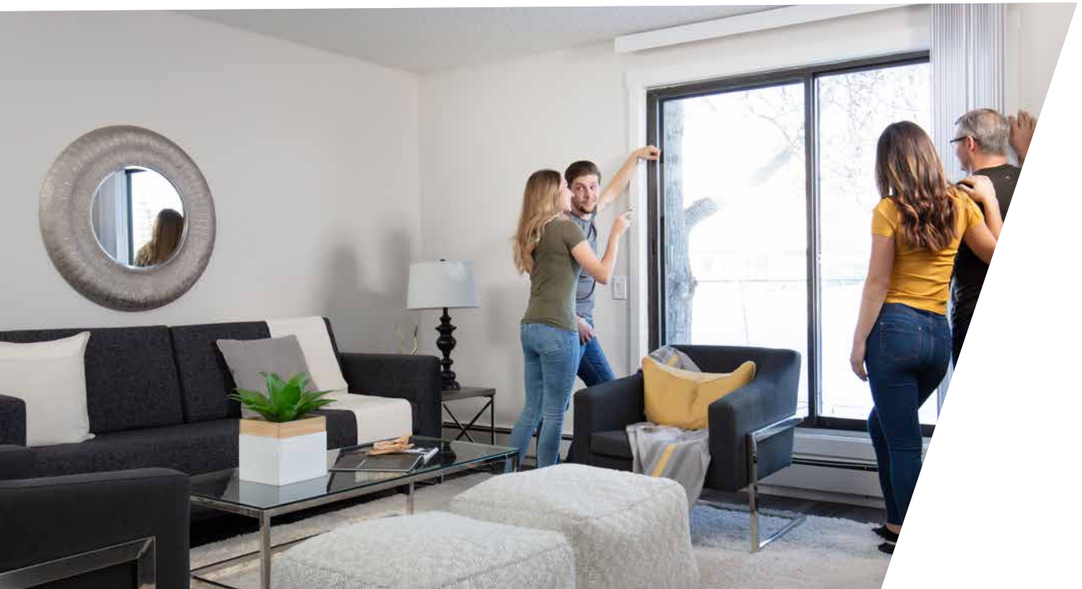

1. Company Overview

Company Overview

Avenue Living Asset Management Ltd. is a vertically integrated real estate principal with over $1.6 billion in assets under management and 30+ investment professionals. Established in 2006, Avenue Living has over 14 years of track record in acquiring, repositioning, and managing real estate across five investment vehicles with exposure to Canada's Prairie and U.S. non-coastal markets. Avenue Living successfully manages multi-family, retail, industrial, self-storage, and agricultural land assets by employing a consistent investment thesis; acquire below replacement cost, implement a strategic capital plan and create strong yields for stakeholders. Avenue Living Asset Management had 9,022 units, 450,000 square feet of commercial space, and 37,000 acres of farmland under management as of Dec 31, 2019. The transaction volume in 2019 totaled 1,295 multi-family units, 12,000 square feet of commercial space, and 13,000 acres of farmland.

Avenue Living Communities is a full-service property management company built to scale with a unique portfolio structure and a strong focus on technology. Founded on the belief that shifting demographics no longer supports the live-in resident manager model, Avenue Living Communities is reshaping the property management landscape. Encompassing over 300 property management professionals with a strong emphasis on customer service and technological efficiency, Avenue Living Communities is setting the benchmark for efficiency and innovation in low-density property management.

Asset Management

avenueliving asset management

Supply Chain & Logistic Services

Global Logistic solutions

Property Management

avenue living communities

Managed Investment Vehicles

avenueliving core trust

avenueliving opportunity trust

avenueliving agricultural land trust

avenueliving US Real Estate Trust

MINI MALL STORAGE PROPERTIES

Avenue Living (2014) LP ("Avenue Living", "The Partnership") is Western Canada's fastest-growing private multi-family consolidator and operator. Avenue Living's portfolio is comprised of 8,300+ units across 17 markets in Alberta, Saskatchewan, and Manitoba catering to the workforce housing subsection who are the essential workers of the Prairie heartland. Specializing in low-density class B and C apartments present unique benefits based on the strategically selected markets and their strong macro fundamentals: population growth, high incomes, and affordable rents. Avenue Living Real Estate Core Trust ("The Trust") was established in 2017 to provide an opportunity for investors to invest alongside the original limited partners of Avenue Living (2014) LP. The Trust purchases limited partnership units of the Partnership. The owner of the assets, the Partnership, has since acquired over 2,200 units across the Prairie markets and deployed over $125 million in strategic capital upgrades.

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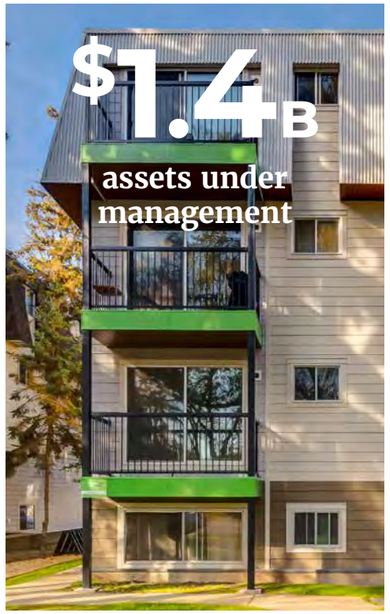
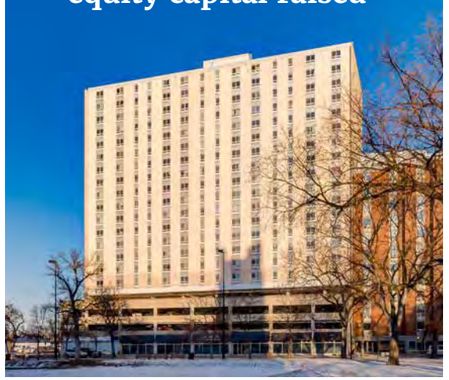


$591+M
in total equity

14 YEARS[1]
operating since 2006

60+K
sq. ft. of attached commercial space

$400+M
equity capital raised



8,300+
multi-residential apartment units

[1]Including predecessor companies

Corporate Culture

Vision

To be the clear choice for where to call home.

Our vision serves as the framework for the building blocks to our success, and guides every aspect of our business. Over the years our close-knit group has become a family, and just like any other family, we like to support, to encourage, to inspire, and to be inspired by each other. We do so by:

Being the best place to work, because of the way we inspire and empower our employees to not only reach, but to exceed their maximum potential by serving as a place to develop careers for generations to come.

Providing our residents with a reliable standard of quality, that they are proud of, by giving them not only what they need, but also what they desire in a rental home.

Creating value in our company by nurturing a strong rapport between resident and corporation, while creating an organic and mutually beneficial relationship that stands the test of time and sets the standard for our industry.

Core Values

At Avenue Living, our fundamental beliefs are centred on five guiding principles. These principles also define who we are as an organization:

Duty of Care
We go the extra mile for our residents, employees, and investors.

Entrepreneurial Spirit
We own it, we adapt in the face of challenges, and we relentlessly pursue progress.

Integrity
We act with integrity and always work to do the right thing.

Honest Communication
We are deliberate in how we communicate, listen, and act.

In It Together
We stand together and work together to get things done.

Mission

To provide value and quality communities that everyone deserves.

We aim to provide quality rental accommodations that our residents can happily call home. We encourage and enable our residents to 'Live Well' by providing a place where they can:

Live Safely knowing that the utmost care is taken with maintenance and upkeep of the building in which they live and the ground it stands on.

Live Responsibly by making continuous upgrades to our buildings and suites, which increases energy efficiency, and allows our residents to actively participate in reducing their individual impact on our collective environment.

Live Comfortably in a clean suite and building that they feel proud to call home and are eager to build their life in.

Four Pillars of Our Mission

Resident Service
Our residents and business partners will trust that we consistently exceed their expectations and will feel a strong sense of belonging within our communities.

People & Culture
Our people will be our biggest brand ambassadors, living our their passions, developing their careers, and being pat of our diverse Avenue Living family.

Technology & Processes
We will continuously innovate to meet the changing needs of our residents, markets, and industry, and ensure a seamless user experience.

Operations
We will be innovative in how we deliver timely services, ensuring consistency, quality, and safety across all aspects of operations.

CEO Letter to Stakeholders

Calgary, April 30, 2020

Avenue Living is looking back on a transformative year. In 2019, against the backdrop of the stagnant regional economy, we focused on a primary goal, Creating Value, through our vertically integrated management platform. Our focus was to ensure that our stakeholders could see the strength and benefits of the "workforce housing" asset class, which continues to be resilient even during the current COVID-19 pandemic. As a result, Avenue Living spent 2019 investing in our employees, our portfolio, and our resident experience.

Investment into our employees

We appreciate the importance of community for our residents and understand that the environment we create for them directly affects our ability to create and sustain value. This environment not only describes the physical surroundings but also the resident experience overall. We are proud to announce that during 2019, our call center optimization resulted in wait times of less than one minute and an answer rate of 98%. This success has driven further efficiencies for our residents, for example, a 72-hour work order turnaround. Understanding that our team members are the core of our business, we are proud to announce the roll-out of "Avenue Living University," our internal e-learning platform. To further advance the efficiency of our workforce, Avenue Living is focused on technological advancements. As an example, we have implemented an innovative software which supports electronic leasing and online bookings, which makes the leasing process more convenient for residents and less time-consuming for our employees. We continually assess how we can better safeguard the health and well-being of our communities and showed our appreciation of our essential field staff with an increase in their hourly rate of $2.00 in response to COVID-19.

Investment into our portfolio

Throughout 2019, we successfully raised and deployed a total of $121.5 million of new equity. We purchased 1,117 units for a total of $144 million and invested $88.5 million in capital toward value-add property improvements. Various assets throughout the portfolio were repositioned with improvements to curbside and common areas along with over 4,000 suite turns, resulting in a growth in net rents, inclusive of ancillaries, of 13.6% year over year. The compounding effects of the strategically selected renovations were a large contributor to our same door NOI growth of 13.8% year over year and the resulting strong fair market value gains in 2019. The fair value of our assets increased by $49 million, primarily due to our extensive renovation and repositioning program. The investment return on each invested capital dollar was over 49%, well above our investment threshold of 30%. As we are navigating through the COVID-19 pandemic and its unprecedented economic impact, the resilience of our portfolio continues to show. One of the first indicators of our continued performance was the April 2020 rent collection cycle, which was only marginally lower (<3%) compared to prior cycles at the date of this letter.

Investment into our residents

All our efforts have translated into a greatly improved resident experience. Upgrades to suite interiors and building exteriors along with improved services, such as cleaning and landscaping, have added to our residents' quality of life. Community engagement initiatives that reach beyond our resident base are enriching our communities and our employees. To achieve excellence in customer service, we have engaged the Disney Institute to support our efforts in elevating our company culture and service standards. This program continues to roll out through 2020 and beyond.

Our investments during 2019 have further established us as a sustainable platform for future growth and value accretion. Our investment in the overall Avenue Living vision, "to be the clear choice for where to call home," is being demonstrated at all levels of the organization and translating into an exceptional resident experience. We are embracing 2020 and look forward to the continuous creation of value.

Anthony Giuffre
Co-Founder, CEO

Leadership Team

Anthony Giuffre

Founder, Chief Executive Officer

Mr. Giuffre has over 25 years experience in creating, managing, and operating start-up and ongoing business ventures. He has 20 years of commercial and residential real estate experience with involvement in more than $1 billion of real estate transactions. Mr. Giuffre sits on the Patrons Council for UNICEF Alberta as well as the Canadian Olympic Foundation Board of Directors and serves as a Board member for the Calgary Public Library Foundation. He has also completed 16 Ironman Triathlons. Mr. Giuffre graduated from University of Calgary with a Bachelor of Arts degree.

Jason Jogia

Chief Investment Officer (Avenue Living Core Trust)
Chief Executive Officer (Avenue Living Opportunity Trust)

Mr. Jogia has over 15 years of experience in real estate capital markets and has originated over $10 billion in real estate loans and $500 million in equity. Prior to Avenue Living he led the management of a $1.5 billion real estate lending portfolio at a major Canadian bank. He has extensive experience in real estate investment analysis and capital structure on various real estate asset classes. He serves an instructor at the University of Calgary specializing in Real Estate Finance. Mr. Jogia also serves as a Board member for the Calgary Public Library Foundation. He obtained his MBA from the Universityof Calgary, and his Masters of Corporate Finance at SDA Bocconi in Milan, Italy.

Andrew Searby

Chief Financial Officer

Mr. Searby has over 30 years of financial planning and reporting experience with both private and publicly listed companies across North America. Prior to joining Avenue, Mr. Searby was the CFO of the largest audio/visual equipment integrator in Western Canada. Prior, Mr. Searby was the EVP & CFO of a global consumer retailer, where he oversaw accounting, finance, IT, internal audit and investor relations. Mr. Searby obtained a Bachelor of Commerce degree from the University of Lethbridge, and holds a Chartered Professional Accountant (CPA, CA) designation.

Shelley Allchurch

Chief Legal Officer

Ms. Allchurch has over 20 years of experience in real estate and commercial law, primarily focused on the purchase, sale, and financing of multi-residential and commercial properties, commercial and residential leasing and corporate governance. She has held the role of Chief Legal Officer for Avenue Living since 2010. Ms. Allchurch obtained her Bachelor of Law degree from the University of Alberta, and a Bachelor of Management degree from the University of Lethbridge.

David Smith

Chief Operating Officer (Avenue Living Asset Management)
Chief Executive Officer (Avenue Living US Real Estate Trust)

Mr. Smith has 13 years of real estate investment experience with international banking and private equity firms. His focus has included multi-residential, office, retail and industrial asset classes having completed large portfolio acquisitions, REIT privatization and structured debt investments. Mr. Smith most recently worked for an institutional real estate investment and asset management firm in Calgary. Prior, Mr. Smith worked for a global real estate asset manager in Toronto and helped in the investment of over $3 billion in direct acquisitions and debt financing across Canada, the United States and the United Kingdom.

Marina Post

Chief Accounting Officer

Ms. Post has over a decade of experience in financial reporting, taxation, and regulatory compliance. Prior to joining Avenue, Ms. Post was the CFO of an investment fund manager operating several hedge funds. Prior, Ms. Post was the VP Finance of a boutique investment bank in Calgary. Ms. Post obtained a Bachelor of Commerce degree from the University of Calgary, and holds a Chartered Professional Accountant (CPA, CA) designation.

Louise Elsey

Chief Operating Officer (Avenue Living Communities)

Ms. Elsey has 20 years of experience in various positions across the real estate industry. Before joining Avenue Living, Ms. Elsey worked as Corporate Secretary for a publicly traded REIT where she was responsible for corporate governance, public disclosure, and strategy development and implementation. Prior, Ms. Elsey held the role of National Leasing & Marketing Manager where she supported residential operations through lead generation and sales development. Prior to her relocation to Canada in 2008, she had gathered experience through a progressive career in the real estate sector in England. Ms. Elsey is certified as a Property Manager in the UK and holds a business administration designation from the Chartered Governance Institute of Canada.

James Jung

Chief Shared Services Officer (Avenue Living Communities)
Chief Executive Officer (Global Logistic Solutions Inc.)

Mr. Jung has over 20 years of experience in the area of corporate finance, investment portfolio management, risk management and strategic leadership. He was the Chief Investment Officer and Head of Corporate Finance of one of the largest exempt market dealers in Canada and the President of an investment fund company which received the Private Capital Market Association of Canada Portfolio Investment Award in 2018. Mr. Jung also served as Senior Vice President, Energy/Banking at one of the four largest global credit rating agencies, managing a team of analysts who covered the North American and European energy sector, as well as financial institutions based in Japan and Australia. He holds the Charter Financial Analyst, Financial Risk Manager, and Chartered Professional Accountant designations. Mr. Jung received an Honors Business Administration degree from the Richard Ivey School of Business, the business school of the University of Western Ontario.

Avenue Living caters to essential workers in B and C class multi-family assets, in geographies independent of Canadian oil and gas performance. Avenue Living's operating ecosystems are diverse and were strategically chosen around major universities, hospitals, and hubs that are less susceptible to global economic shocks.

Avenue Living's
Response to COVID-19

Impact to Avenue Living

With a portfolio of B and C class multi-family assets catering to the essential workforce population, Avenue Living expects to be largely insulated from a reduction in average rents and occupancy levels. Avenue Living has managed assets throughout several economic downturns and has continued to leverage opportunities that have presented throughout each phase of the business cycle since the company was founded in 2006. B and C class assets are more resilient in recessionary periods compared to luxury apartment buildings. Residents in the B and C asset class are generally less inclined to move due to the costs involved and demand for lower-priced accommodations increases when the economy slows down. The flight to affordability results in steady demand and stable rent levels. Additionally, in times of uncertainty people often delay homeownership plans, keeping more residents in the rental pool.

As the COVID-19 pandemic progresses, Avenue Living strongly believes that we are all "In It Together" and continually assess how we can better safeguard the health and well-being of our communities. Avenue Living has taken proactive measures to ensure the protection of our residents, investors, and employees.

Avenue Living has created two task forces to help residents both socially and financially.

Prairie Relief Team

Designed to provide comfort and guidance by implementing strategies for our residents to remain in good standing and maintain financial stability. This includes:

- Offering weekly and semi-monthly payment plans, as well as several contactless payments and electronic leasing options
- Waiving rent increases at lease renewals
- Support with government applications to access financial support
- Designating up to 500 suites at reduced weekly rental rates for those affected the most

Community Task Force

Created to provide social relief for our residents facing difficulties due to self-quarantine or social distancing. This includes:

- Support with collecting groceries, apartment cleaning or assistance with animal care
- Increased cleaning, using an EPA-registered disinfectant to maximize the effectiveness of our cleaning process and safeguard against COVID-19 (cleaners are spending more time sanitizing high-level touchpoints). Backup cleaners are also in place at each of our 17 centers.
- Remote virtual viewings for prospective residents, to support social distancing, via teleconference through a variety of applications

$100K

In April 2019, Avenue Living donated $100,000 to support the local food banks across all our markets.

Duty of Care

Effective April 3, 2020, Avenue Living increased wages of all in-field, customer-facing employees by $2.00 per hour, indefinitely. The wage increase applies to hundreds of employees throughout Avenue Living's entire portfolio across 17 centers in Alberta, Saskatchewan, and Manitoba. We want to show appreciation for our essential employees who are serving essential workers on the front lines during the COVID-19 pandemic and beyond.

The Avenue Living Advantage

Avenue Living's portfolio has grown to over $1.4 billion in assets under management through our 14-year history. The portfolio now spreads across 17 markets and provides a diversified asset base with over 8,300 units of standardized quality. The markets we have entered undergo typical market cycles and Avenue Living has successfully identified strategies to take advantage of opportunities at each stage of the cycle. Staying nimble and adjusting our business strategy through the ups and downs of market cycles allows Avenue Living to maximize returns and minimize risk. By constantly adapting to the changing market environment and resident needs and demands, Avenue Living has grown its portfolio and provided investors with steady distributions.

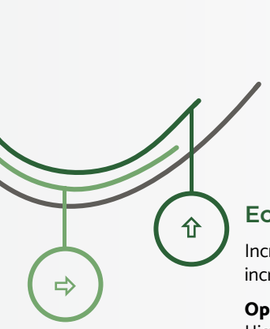
In 2019, $88.5 million was invested in value-add projects. This investment has further insulated Avenue Living's assets from the negative impacts of economic downturns by increasing the quality and resident satisfaction across all markets. In addition, Avenue Living further expects a significant reduction of future expenses as a result of the preventative maintenance completed, and capital improvements made.

Market Cycle

Slowing Economy

Reduced employment opportunities trigger elevated vacancies.

Opportunity & Strategy
Select available units undergo extensive renovations to facilitate faster absorption at increased rates to reliable tenants.



Recession

Falling operating income causes individual multi-family operators to sell their properties, often with deferred maintenance requirements.

Opportunity & Strategy
Low operating income allows for acquisitions of properties below fair market value.

Economic Upswing

Increased employment and rising wages trigger increased rental activity and supply tightening.

Opportunity & Strategy
Higher wages and supply shortage allow for units to rent at increased rents and maximize return on renovated units.

Examples

Example of Value-add Projects are located on page 44.

2. Business Model & Investment Strategy

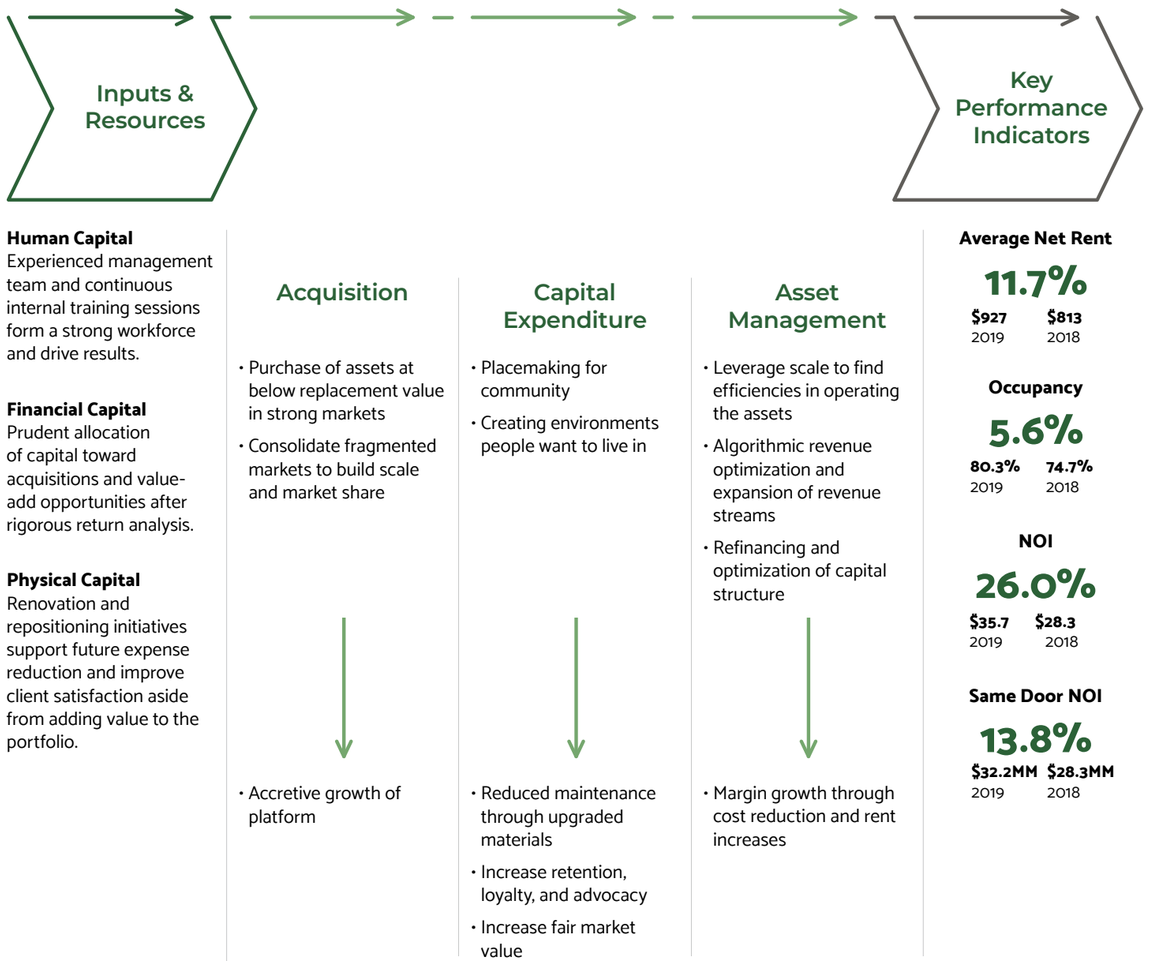
Business Model

Business Model
Diversified across 17 markets, Avenue Living has built a platform with the ability to create value throughout the life cycles of $1.4bn in assets.

The overall goal of providing sustainable returns to our investors while optimizing Avenue Living's portfolio to satisfy resident demands and preferences ensures value creation over the long term.

By effectively managing the three main inputs – human, financial, and physical capital - to achieve our goals, Avenue Living continues to grow the portfolio of properties by enhancing value through increased rental and occupancy rates. Avenue Living developed a unique network of industry professionals to identify and acquire undervalued real estate assets in Western Canada. Acquisition generally happens at a significant discount to replacement cost. Our value-add strategy includes:

- Implementing a value-add renovation and repositioning program encompassing structural and cosmetic renovations to the building's common areas and apartment suites, aimed at repositioning the asset and its rents within the marketplace
- Layering on professional and active property managers tasked with the goal of increasing margins and maximizing operational revenue by improving tenant quality as well as operations, customer service and cleanliness to the property
- Maintaining strong management practices to oversee the real estate asset once stabilized



Value Creation: A Fresh Look at Value Drivers
The purpose of Avenue Living's extensive portfolio upgrades stretches beyond metrics and fair value gains. It includes the happiness of our residents and what value feels like for them.

Avenue Living's Impact on Resident's Lives

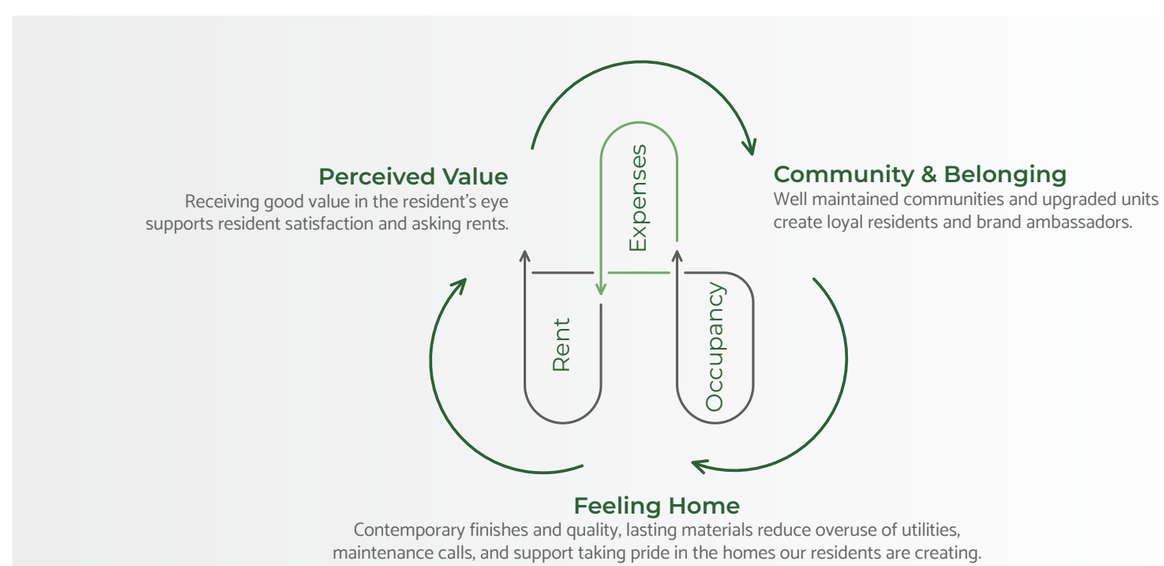
As a provider of housing, Avenue Living satisfies one of the basic needs all people have. The significance of living in a safe and comfortable home makes the resident experience a top priority of ours. Avenue Living has explored the value proposition and impact of the intangible drivers involved throughout the process of searching for an apartment.

"To be the clear choice for where to call home" – that is the vision Avenue Living is pursuing to achieve excellence in property management for our residents, employees, investors, and communities at large."

The perceived value in the eye of potential and current residents is the basis for resident satisfaction and inclination to pay Avenue Living's asking rents. The sense of community and belonging to a group strengthens loyalty within residents and increases retention and lease renewals. Both factors, perceived value and sense of belonging, add to the feeling of having created a home, where our residents feel comfortable and safe.

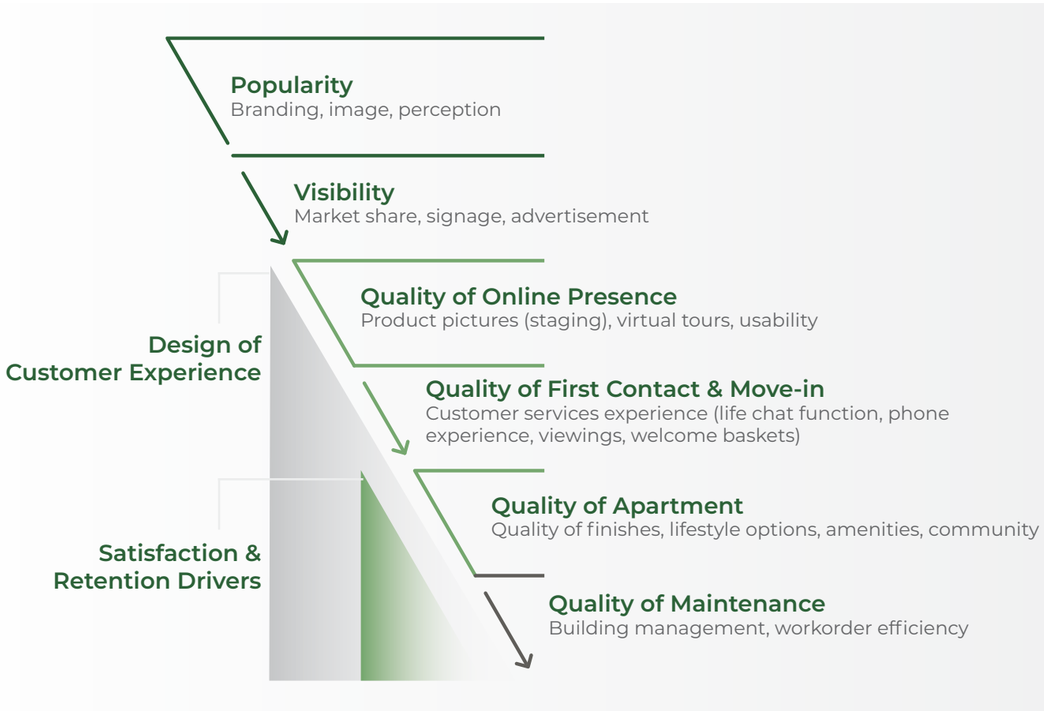
The interaction of each of these emotional responses creates synergies that, while hard to measure through standard metrics, have a noticeable effect on our net operating income. The pride that residents take in their homes increases when they feel they are getting a good quality apartment at a reasonable rate within a great community. Reduced maintenance calls, better caretaking of the building, and lower turnover all support a reduction of expenses.

Avenue Living has created several initiatives to fine-tune existing service strategies and develop more comprehensive training that will enable us to leverage the intangible drivers and create a sustained return on investments. We want to embed positive emotions through as many aspects of the resident experience as possible.



Excellence in Resident and Employee Satisfaction

Beyond the efforts to continuously improve the resident experience, Avenue Living invests heavily in its employees. Avenue Living strongly believes that human capital is the most influential input to drive returns. In our efforts to improve our workforce and increase employee satisfaction, Avenue Living signed an agreement with the renowned Disney Institute. During the two-year engagement, Disney will support the ongoing development of our corporate culture, improved internal communication, and employee engagement with the overarching goal to increase service standards. We believe by finetuning the alignment of our culture with the preferences of our residents, we will be able to increase overall performance and return potential for our stakeholders. In the long-term, we believe our efforts will further insulate Avenue Living's portfolio from economic fluctuations and secure future returns.

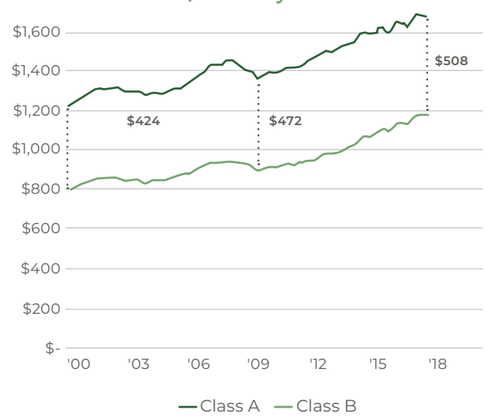


Investment Strategy

Avenue Living invests in markets across the Canadian prairie provinces where assets are available below market values and replacement costs. The Partnership obtains favorable pricing by sourcing assets with fragmented ownership and landlords who are restricted by capital lending requirements. Avenue Living selects markets with strong fundamentals as it provides the foundation for growth and strong risk-adjusted returns. Positive regional characteristics include diversified economies driven by competitive sectors, positive net-migration, and neglected development within the B and C class assets.

Multifamily Occupancy Rates by Class

Multifamily Effective Rent/Unit by Class



Source: CoStar Analytics, as of Q4 2018; Bridge Investment Group Research

Resilience Lies in B and C Class Assets

Over the last decade, class B apartments have experienced more stable and higher occupancy rates relative to Class A apartments. A report by Bridge Investment Group Research shows that the oversupply of class A apartments causes a demand mismatch where class B apartments will remain in high demand. In addition, as the effects of the updated mortgage rules unfold, rental demand is trending upwards across Canada. Recent increases to the minimum wage have increased affordability in our markets resulting in a wider pool of potential residents.

Workforce Housing

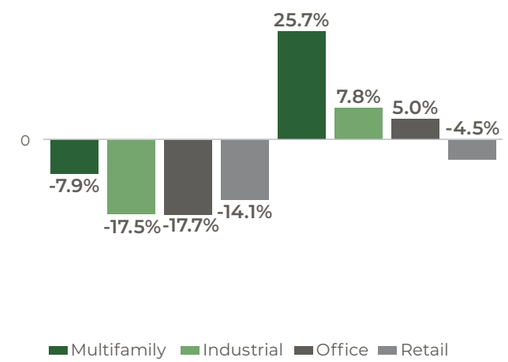
Avenue Living has strategically positioned itself to be the owner and operator of B and C Class buildings, catering to a niche market within the multi-family universe: workforce housing. "Workforce housing" is a phrase that has been adopted in the United States and is gaining traction in Canada. The term originated from the concept of providing affordable housing in resort communities where the disparity in wages and the cost of purchasing or renting homes prevented workers from being able to afford housing. Not to be confused with "affordable housing", workforce housing caters to a city's "essential workers" who are overqualified for affordable housing yet may not be able to afford average market-rate homes, whether for rent or purchase. In Canada, individuals who form part of the Workforce Housing demographic constitute nearly 40% of the population on average (Source: Statistics Canada, 2016 Census). Avenue Living believes a large proportion of this significant subsection of the population are "renters by necessity" compared to "renters by choice," as new homeownership is becoming less affordable. As a result, we believe the Workforce Housing investment for value-add and stabilized assets will continue to prove profitable for the foreseeable future.

Avenue Living's assets are insulated from volatility in energy markets by strong fundamentals. Avenue Living strategically focuses on healthy industry diversification in target markets, supported by stable industries such as government, construction, healthcare, education, manufacturing, and agriculture. Overall, economic activity is relatively diverse across all major sectors, thereby reducing the risk and magnitude of economic recessions. The focus on class B and C assets have further recession-proofed the portfolio, as down-cycles in the economy take less of a toll on workforce housing when compared to luxury apartments.

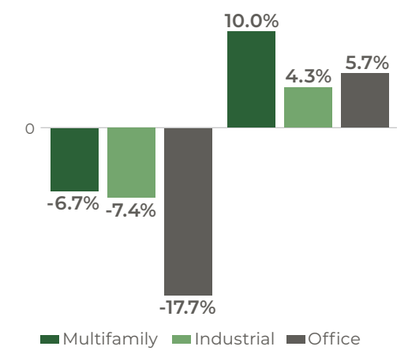
Resiliency of Multi-family vs. Other Real Estate Asset Classes

Multi-family residential rents historically outperform other commercial real estate classes during recessionary periods due in large part to the stable, inelastic demand for affordable shelter. Multi-family residential rents tend to rebound stronger when compared to other commercial real estate asset classes post-recession. Data on U.S. multi-family property rents during and after both the 2001 recession and the 2008-2009 recession displays this relationship.

Cumulative Effects on Rent During & After 2001 Recession



Cumulative Effects on Rent During & After 2008–2009 Recession



Source: CBRE 2019

As was highlighted by the 2008-2009 recession, forced selling of homes during a major market correction can increase multi-family residential demand. Multi-family residential real estate is an attractive asset class and is often included in investment portfolios to maximize risk-adjusted returns while increasing diversification. Historically, Canadian residential real estate prices have had a very low correlation to equities prices. The multi-family real estate maintains low volatility in times when volatility across other asset classes is spiking.

"We're seeing more renters out there, more activity, more viewings, and more applications. We're attracting more reliable residents who want to live in our buildings. In return, they're getting better service from us, from the investments we've been making in renovations and upgrades."

Jason Jogia, CIO

Avenue Living Communities

Property Management by Low-density Experts

Avenue Living Communities Ltd. (ALC) is the property manager for all Canadian assets under the Avenue Living group of companies.

Avenue Living's portfolio is comprised of over 420 properties, requiring a high level of operating acumen to consistently meet the expectations of residents and support value creation. As Canada's second-largest operator (based on the number of buildings), ALC pursues innovative strategies and unique initiatives to successfully scale operations as the platform is growing without compromising service standards.

Decentralized Management Network

Avenue Living's decentralized property management structure is built to scale by bolting on a new portfolio every additional 200-300 units. Shifting demographics continue to reduce the talent pool of the legacy resident caretaker model. The portfolio model provides a new generation of property management professionals an attractive opportunity to lead a team and has P&L responsibility. The nimble structure enables Avenue Living to infinitely add low-density buildings and operate an inch deep and a mile wide. The decentralized approach enables Avenue Living to adapt to local environments as needed.

Early Involvement in the Process

ALC involvement begins at the onset, during the pre-acquisition process and solidifies strategic alignment with the Asset Management team to gain familiarity with the new asset and future development plans. ALC then leads the takeover process as an acquisition closes. The Quality Assurance department ensures compliance with standard procedures and adherence to budget and improvement strategies for the asset.

There is a heightened focus when ALC takes over an asset, as that is when our resident experience begins. The local team personally introduces itself to all residents, gathers feedback to gauge the level of satisfaction, and creates an action plan for improvements. All residents receive the "ALC Tenant Handbook" and the "ALC Welcome Bag." Any maintenance issues will be remedied within a 3-day period. During the first 90 days after acquisition of the Quality Assurance team, Capital Projects team and Portfolio Management team work cohesively to ensure the asset model and budgets are solidified. Subsequently, the asset oversight moves to the Regional Portfolio Management teams. This management structure has allowed ALC to prioritize resident satisfaction while ensuring efficient operation of the assets.

Property Management Value Chain

Acquisition Takeover

Smooth transition for residents:

- Synchronizing information and ensure cross-functional strategy compliance
- Welcoming residents and addressing maintenance and other issues immediately
- Gathering information to improve community in-line with resident expectations

Property Services

Continuous margin improvement:

- Dedicated supply chain management
- Service contract and vendor strategies
- Contractor relationship management

Marketing

Brand maintenance, perceived value and lead creation:

- Search engine optimization and marketing
- Social media engagement
- Dedicated landing pages for large properties
- Promotional strategy development and execution

Resident Services

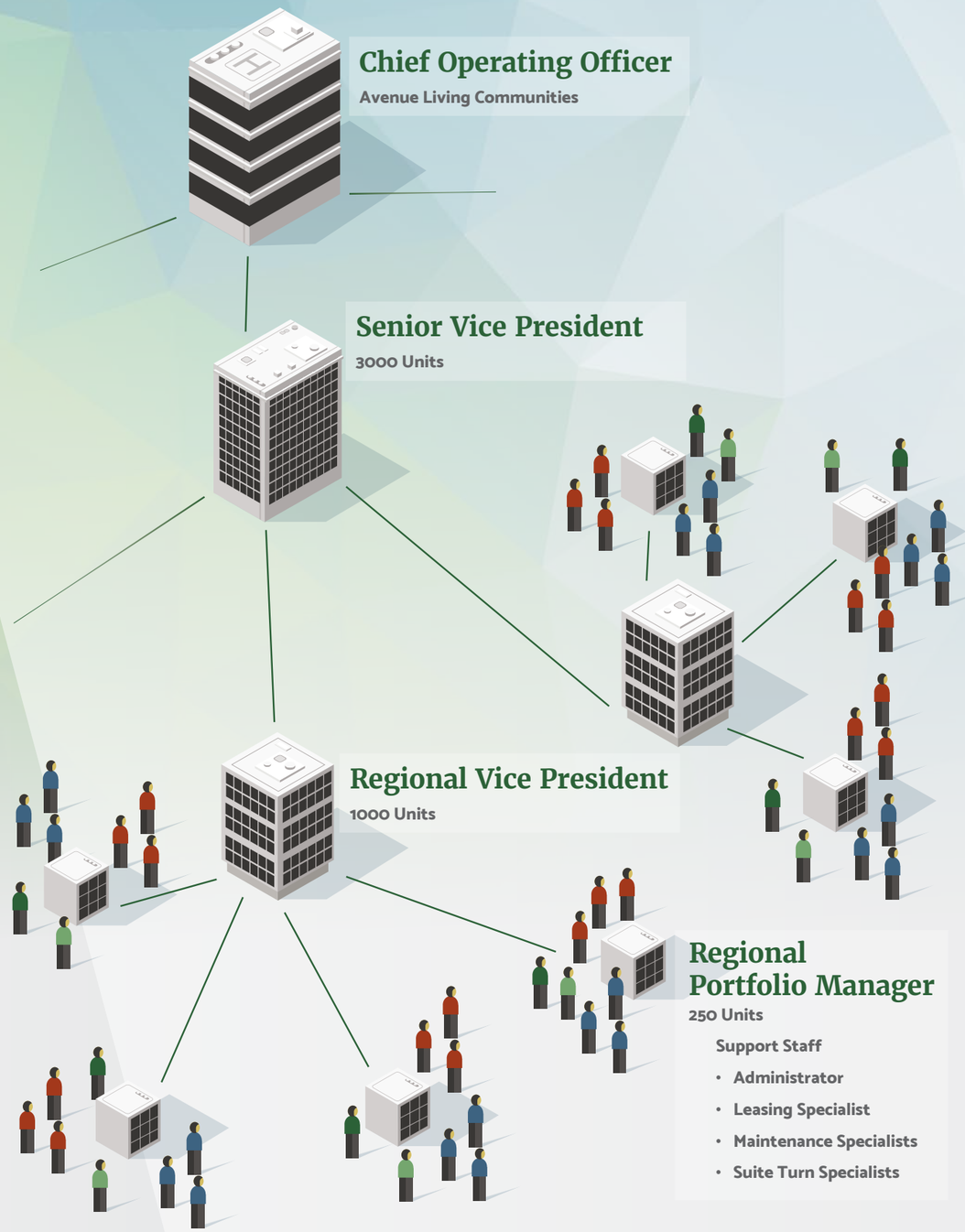
Positively impacting residents and communities:

- Placemaking for community through events and gatherings
- Feasibility studies on provision of community assets (gardens, playgrounds)
- Community support in form of fundraisers and similar initiatives
- Individualized resident support in times of need

Community Boards

In 2019, Avenue Living introduced a new feature to all buildings in order to increase resident engagement and communication. Community boards provide a space for Regional Portfolio Managers (RPM) to post resident-related news, updates, notices, and community events. They are in high traffic common areas of each building and are updated frequently by the RPM. They reinforce and promote the ALC brand to visitors and residents within the building. The community boards have been well-received and attributed to the increase in communication between residents and the Avenue Living Communities team.

Decentralized Property Management



Market Selection

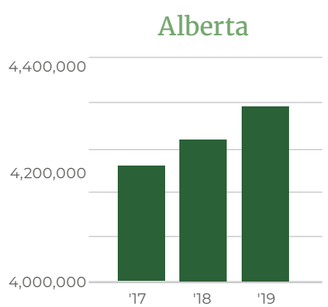
Avenue Living selects markets based on economic fundamentals such as population growth, job growth, and GDP growth.

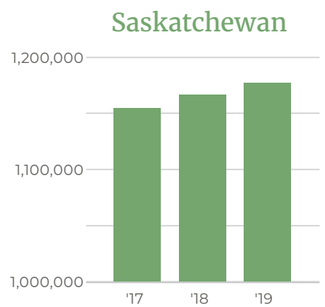
Migration patterns

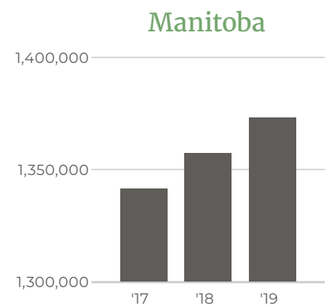
Over the past 10 years, multi-family demand has been driven by the confluence of population and wage growth, coupled with a lack of new supply and a shift toward renting. Canada has experienced strong population growth over the past decade, and this trend is expected to continue (largely fueled by supportive immigration policies). By the start of 2019, Canada's population reached 37.3 million following a record increase of new immigrants in the fourth quarter of 2018 (2019 target of 330,800 new permanent residents).

Alberta, Saskatchewan and Manitoba populations grew at a compound annual growth rate ("CAGR") of 1.4%, 1.0% and 1.2%, respectively, from Q1 2017 – Q1 2019.

Population

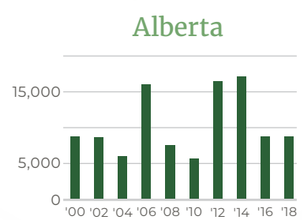


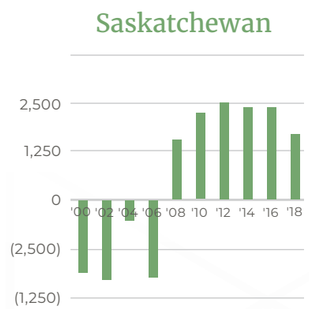


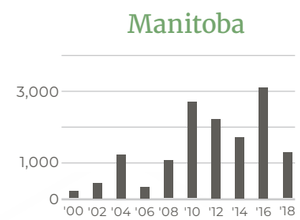


Alberta gained almost 7,000 residents from other parts of Canada last year, including 2,252 from October to December. In recent years, net migration growth in these provinces has been driven by strong international in-migration. This trend is positive for Avenue Living, as our assets cater to the Canadian workforce and support newcomers to Canada. Avenue strives to represent true Canadian values through acceptance, equality and inclusivity.

Net Migration *(first quarter)*







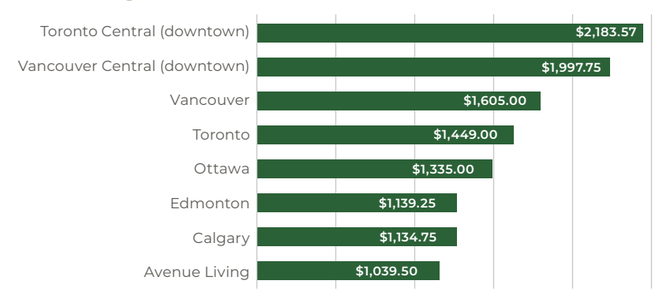
Source: Statistics Canada
Note: net migration data excludes impact of returning emigrants.

Affordability of Avenue Living Apartments

Centre	Median Income (2016 Census)	Avenue Living Average Rents in Place	Annualized Rent/Income
Brooks	$41,055	$1,026	30.0%
Calgary	$43,974	$1,220	33.3%
Camrose	$38,525	$1,006	31.3%
Edmonton	$43,900	$1,090	29.8%
Lethbridge	$37,099	$973	31.5%
Lloydminster	$45,060	$1,253	33.4%
Medicine Hat	$37,274	$953	30.7%
Red Deer	$36,762	$1,047	34.2%
Moose Jaw	$37,759	$984	31.3%
Prince Albert	$36,705	$1,073	35.1%
Regina	$49,434	$990	24.0%
Saskatoon	$40,641	$1126	33.2%
Swift Current	$39,585	$945	28.6%
Wetaskiwin	$39,344	$1,239	37.8%
Winnipeg	$35,706	$797	26.8%
Yorkton	$36,799	$992	32.3%

The "30% Rent Rule" is a popular guideline used to determine what percentage of income should be allocated towards rent. Avenue Living understands the challenging circumstances renters typically face trying to juggle a family, work and on-going monthly expenses. Avenue Living's average annualized rent to income ratio is ~32%, which meets the popular 30% guideline. Avenue Living's average monthly rent is competitive and affordable, especially relative to other Canadian cities.

Average Monthly Rent for Rental Apartments



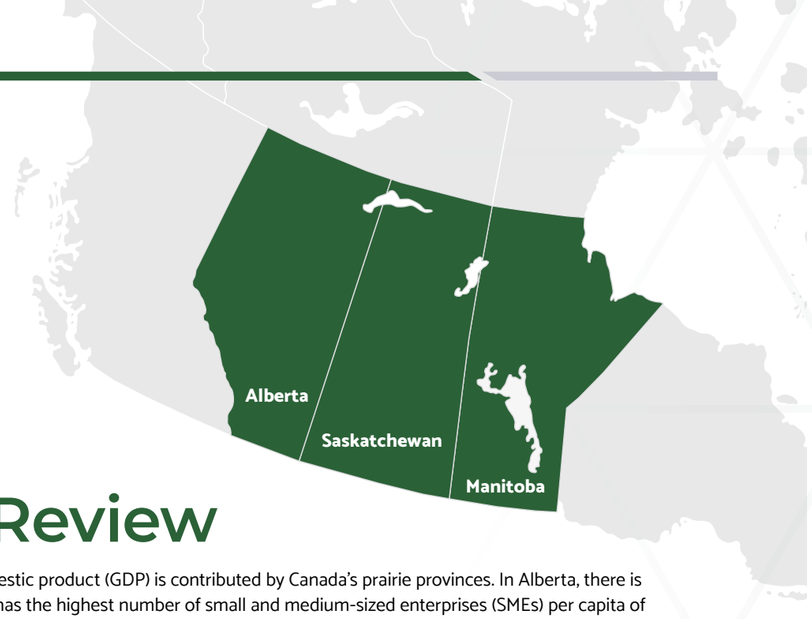
Source: CMHC October 2019, Avenue Living RentRoll March 2020

Cost of Renting vs Owning

In the comparison below, the assumptions were based on the purchase of a home with a mortgage of $296,000 at a 5-year fixed interest rate of 3.5% with a 25-year amortization. The scenario compares the total cost of home ownership at $2,318 to the cost of renting at $1,239. On an annual basis, renting saves nearly $13,000 per year and is for many a necessary choice due to financial constraints such as down payments, mortgage qualification as well as declining interest in long-term financial commitments related to housing.

Owning	
Mortgage Payment	$1,484
Property Tax	$166
Utilities	$350
Insurance	$68
Repairs & Maintenance	$250
Total	**$2,318**

Renting	
Rent	$1,100
Surcharges	$24
Utilities	$75
Insurance	$20
Parking	$20
Total	**$1,239**

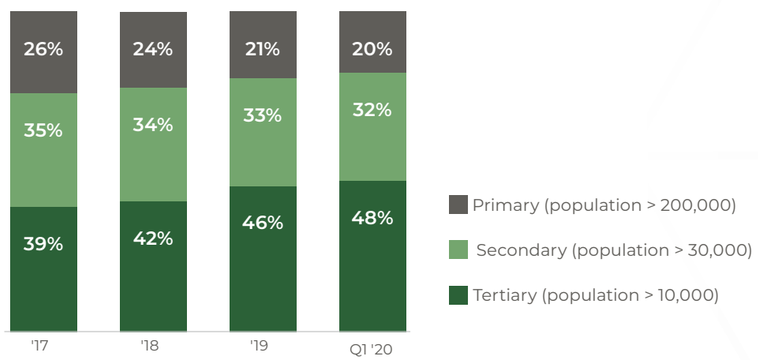


Portfolio Review

Nearly 23% of Canada's real gross domestic product (GDP) is contributed by Canada's prairie provinces. In Alberta, there is a strong entrepreneurial mindset, as it has the highest number of small and medium-sized enterprises (SMEs) per capita of any Canadian province. The top five sectors of SMEs are: 1) construction; 2) professional, scientific, & technical services 3) retail trade; 4) health care and social assistance; and, 5) others (Government of Canada. Economic Overview, 2018). In 2018, mining, quarrying, and oil and gas extraction contributed 17% to Saskatchewan's GDP; almost 83% of GDP contribution came from other industries, including, real estate, agriculture, construction, and health care & social assistance (Statista. Distribution of gross domestic product of Saskatchewan, 2018). Manitoba has strong construction and manufacturing sectors that contribute to its diverse economy.

Avenue Living is diversified between primary, secondary, and tertiary markets. Investments are made into markets across the Prairie Provinces that display strong economic fundamentals along with a diversified employment base to avoid reliance on the performance of the oil and gas sector. Over the last two years, due to favorable market dynamics and availability of assets at prices below replacement value, Avenue Living has opportunistically increased its presence across primary markets. Exposure to primary markets enables portfolio diversification, thus reducing the risk profile. Avenue Living has considerable market penetration in secondary and tertiary markets. Secondary and tertiary markets benefit from the traffic of surrounding towns and act as 'trading hubs' which bolster economic activity and relevance of the smaller markets.

Diversification Across Markets



Sources: 2016 Statistics Canada, CMHC, Avenue Living, Government of Canada

Avenue Living's portfolio at April 30, 2020:

Alberta	Brooks	Calgary	Camrose	Edmonton[1]	Lethbridge	Llyodminson	Medicine Hat	Red Deer	Wetaskiwin
% of Portfolio	3.8%	6.7%	3.8%	16.2%	7.3%	8.3%	10.7%	1.0%	4.8%
# of Properties	14	11	24	63	26	28	33	4	21
# of Suites	316	565	317	1,354	615	691	893	84	401
Total Rental Universe	686	40,689	929	69,883	2,738	2,226	2,383	5,316	765
Avenue Living Penetration	46.1%	0.7%	34.1%	1.9%	22.5%	31.0%	37.5%	1.6%	52.4%
Population	14,451	1,239,220	18,742	932,546	92,729	31,410	63,260	100,418	12,655
Trading Population	25,311	1,438,160	19,191	1,364,394	120,987	35,729	78,380	103,481	12,994
Trading Population Multiplier	1.8x	1.2x	1.0x	1.5x	1.3X	1.1X	1.2x	1.0X	1.0x

Saskatchewan	Moose Jaw	Prince Albert	Regina	Saskatoon	Swift Current	Yorton
% of Portfolio	2.9%	2.8%	6.9%	14.2%	2.8%	4.8%
# of Properties	7	11	30	51	11	19
# of Suites	243	235	577	1,187	235	406
Total Rental Universe	1,262	1,985	13,640	14,202	873	760
Avenue Living Penetration	19.3%	11.8%	4.2%	8.4%	26.9%	53.4%
Population	33,890	35,926	215,376	246,376	16,604	16,343
Trading Population	36,108	45,673	245,228	307,367	19,099	19,477
Trading Population Multiplier	1.8x	1.3x	1.1x	1.2x	1.2x	1.2x

Manitoba	Winnipeg
% of Portfolio	3.2%
# of Properties	1
# of Suites	256
Total Rental Universe	60,629
Avenue Living Penetration	0.4%
Population	705,244
Trading Population	801,177
Trading Population Multiplier	1.1X

[1]Includes Sherwood Park in the calculation of the current portfolio
Sources: 2016 Statistics Canada, CMHC, Avenue Living
Trading multiplier methodology has changed from prior years, as the result of information regarding integration of 'trading hubs' with the current city derived from communing data

Environmental, Social & Governance (ESG) Practices

Avenue Living's Continued Commitment to Making a Positive Impact

In 2019, Avenue Living made progress around several key areas focused on our environmental footprint, social investment, and governance framework. We believe it is our Duty of Care and we are committed to contributing to the growth and sustainability of our communities. Avenue Living is proud to enrich the lives of its residents and surrounding communities through various initiatives. Avenue Living also follows strict governance frameworks to ensure prudent capital allocation and diligent value creation.

Environmental

Product Review

Avenue Living has undergone diligent processes to ensure that our internal maintenance staff and external cleaning crews have access to eco-friendly cleaning products and continue to utilize EPA regulated products. Further, to divert waste from our landfills, Avenue Living invests into more durable and long-lasting building products that do not necessitate frequent replacement.

Reducing Energy Usage

Buildings and units are being retrofitted with low-flow toilets and water outlets as they become available to reduce water usage. In 2019 over 32,000 LED light bulbs were installed in common areas and suites across our portfolio reducing the electricity burden. High-efficiency furnaces along with better roof insulation and boiler units provide further reduced energy consumption. In addition, there are advances to waste management processes and local recycling programs.

Social

Advocacy for our Residents

Avenue Living follows and keeps current on residential tenancy acts across the various markets we operate in. Residents are provided with a Resident Handbook that outlines and explains all rights and responsibilities.

Health & Safety Assessment

The health and safety of our staff, residents, and communities are a key priority. Through 2019, Avenue Living set up systems and processes to allow us to become agile and adaptable as and when concerns arise. This includes initiatives such as our Occupational Health and Safety Committee, and most recently our work from home policy and increased efforts on common area cleaning in response to the COVID-19 pandemic.

People & Culture

We are committed to investing in our employees through training programs which have led to the creation of Avenue Living University – our internal E-learning platform. In addition, our onboarding process underwent a thorough overhaul as we are proud to showcase our values and instill the Avenue Living culture to new team members.

Community Engagement

A favorite event for residents and Avenue staff alike is the Resident Appreciation Community BBQ. During summer months, Avenue Living staff visit properties throughout our markets to host free community BBQ's, to show appreciation for residents. Another local favorite is the Avenue Living community re-naming initiative, where we have engaged with residents to support the re-naming of newly acquired buildings.

Community Involvement

By supporting and assisting local not for profits, social agencies, and other organizations, Avenue Living is committed to positively impacting our resident communities and believes that community growth and health supports our success. Over the 2019 fiscal year, the Avenue Living group proudly supported local not for profits, social agencies, and other organizations by contributing over $130,000 to the community.

Feeding Friends Campaign in Medicine Hat

Ten percent of the Medicine Hat community use the food bank regularly, and with our footprint in the community, we can make a difference. Avenue Living employees took the initiative to launch the #AvenueGiving campaign and organize a food drive and fundraiser, which resulted in a total of $15,000 raised, including a $5,000 donation from Avenue Living to kick off the initiative.

Indigenous Arts in Wetaskiwin

For Alberta Culture Days, the Wetaskiwin and District Heritage Museum held a special event to open the Connect 4 exhibit, featuring Canada's Indigenous Group of Seven artists. As one of five sponsors, Avenue Living's Wetaskiwin Mall was honoured to be part of a select group to support such an important initiative celebrating Canadian Indigenous art, culture and history.

Ride Don't Hide in Calgary

In the summer of 2019, Avenue Living sponsored the Canadian Mental Health Association's eighth annual Ride Don't Hide fundraising bike ride in Springbank. Ride Don't Hide is the largest mental health bike ride in Canada with almost 10,000 riders and hundreds more family members, friends and volunteers across Canada all contributing to raising more than $2 million each year.

Governance

Independence

One way Avenue Living facilitates the exercise of independent oversight of management is to ensure the majority of the Board of Trustees is independent from management of the Trust. The Board of Trustees currently has five Trustees, three of which are independent of the Trust's management.

Conflict of Interests

Avenue Living has implemented governance policies and procedures to identify and manage conflicts of interest. The policies require full disclosure of actual and potential conflicts and, where appropriate, the approval of the independent trustees of the conflict matter.

Risk Assessment

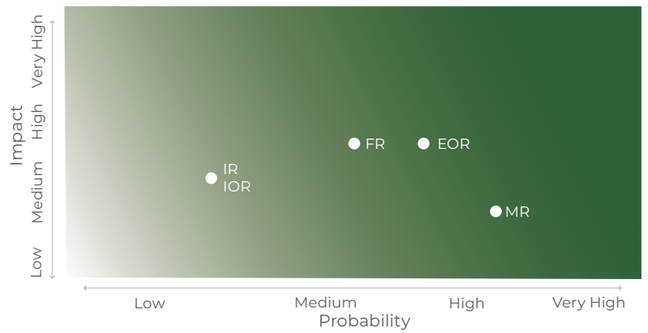
Avenue Living faces a variety of risks that are common to many real estate and asset management groups. With an actively changing landscape, we can never eliminate all risk, but we do pride ourselves with our risk assessment processes to manage and understand as many of the risks that we can.

Trustees

Name of Trustee	Independent Status	Biographies
Anthony Giuffre	Not Independent	Mr. Giuffre is the Chief Executive Officer of the Asset Manager and a Trustee. Mr. Giuffre has over 25 years of start-up business experience, of which 16 years of experience is in commercial and residential real estate investment business, totaling a value of over $1 billion in transactions. He is a co-founder and part owner of the Initial GP, the Avenue GP, the Asset Manager and the Property Manager. Mr. Giuffre is a board member of the Canadian Olympic Foundation and has also completed 16 Ironman competitions. Mr. Giuffre holds a Bachelor of Arts from the University of Calgary.
Shelley Allchurch	Not Independent	Ms. Allchurch has over 20 years of experience in real estate and commercial law, primarily focused on corporate governance, and the purchase, sale and financing of real estate transactions. Ms. Allchurch acts as Corporate Secretary of the Trust, the Partnership, the Asset Manager and the Property Manager Ms. Allchurch has a Bachelor of Laws degree from the University of Alberta and is a member of the Law Society of Alberta.
Dr. Brian David Brodie	Independent	Dr. Brodie is a physician practicing medicine in Chilliwack, British Columbia. Dr. Brodie has been a director of the Canadian Medical Association since 2010 and since 2013 has served as Chair. Dr. Brodie has previously served as President of the British Columbia Medical Association and as honorary treasurer of the Canadian Medical Association.
Sidney John (Jack) Coldwell	Independent	Mr. Coldwell is Chartered Professional Accountant with more than forty (40) years of public practice accounting and tax experience. Mr. Coldwell has extensive experience as an owner-operator of apartment buildings in Calgary and a developer of recreational properties in southern France. Mr. Coldwell has previously acted as controller for an oil and gas services company which he also co-founded. Mr. Coldwell has previously served on the board of directors of the Calgary Heritage Authority.
Robert R. Verbuck	Independent	Mr. Verbuck is a Senior Partner with Burstall LLP, a corporate law firm in Calgary, Alberta. He has over 20 years experience practicing primarily in the areas of securities and corporate law with a focus on corporate finance and mergers & acquisitions. Mr. Verbuck holds a Bachelor of Arts degree from the University of Western Ontario and a Bachelor of Laws degree from the University of Toronto. He acts as a director, corporate secretary and/or counsel to a number of private and public companies across various sectors, ranging from upstream oil and gas, energy services, LNG, renewables, cannabis, technology and property development. Mr. Verbuck is a member of the Law Society of Alberta and the Law Society of Ontario.

Risk Management

Risk Assessment – Risk Heat Map



The risk heat map illustrates the relative positioning of the organization's principal risks after mitigation. Definitions and further details of each risk are ocated in the appendix of the report.

Principal Risks and Uncertainties

1. Investment Risks

Avenue Living is exposed to various investment risks; Acquisition Risk as growth depends in large part on identifying suitable acquisition opportunities, pursuing such opportunities and consummating acquisition; and, Appraisal Risk, as the organization relies on appraisals to measure the value of assets. We have ranked the probability of impact as low, and the impact on the business as medium-low. We foresee there being uncertainty in the overall market, but there being minimal impact to our business as we can control and mitigate risk by utilizing the prudent underwriting and due diligence processes that are used by Avenue Living, and by utilizing the knowledge of our internal investment committee.

- Acquisition Risk
- Appraisals of Properties

Mitigation

- Prudent Underwriting
- Multiple Due Diligence sign off levels
- Project Engineer evaluations on all acquisitions
- Utilization of an investment committee

2. Financial Risks

Avenue Living has exposure to various financial risks, including Liquidity, Credit, Income Tax, Utilities, Energy, & Property Tax Risk. We have ranked financial risk as medium for both probability and impact. Credit risk is higher than usual given the increase in unemployment due to the current market conditions; we are able to mitigate this risk with our strong internal credit policies & processes, and by continuing to focus on our key demographic of workforce housing, which won't be as affected by the changing market condition.

Principal Risks Overview	Label	Impact	Probability
1. Investment Risk	IR	Low-Med	Low
2. Finance Risk	FR	Med	Med
3. Market Risk	MR	Low	High
4. Internal Operations Risk	IOR	Low-Med	Low
5. External Operations Risk	EOR	Med	Med-High

- Liquidity Risk
- Credit Risk
- Utilities, Energy, and Property Tax Risk
- Income Tax Risk

Mitigation

- Measuring macroeconomic and internal risk metrics
- Active membership in industry and professional bodies
- Strong internal credit policies and processes defining the level of acceptable credit risk
- Workforce Housing tenant base – essential workers

3. Market Risks

Economic slowdown, consumer preference changes, stock market uncertainty and international political crisis or uncertainty could all adversely impact the business and affect the future profitability of Avenue Living. While we have ranked the probability high, the impact observed by the business will be low. We are able to mitigate market risk by measuring customer satisfaction, reviewing operational KPIs, and by analyzing market conditions. Additionally, our position in the market enables us to be the preferred choice of tenants looking for affordable quality units.

- Economic Uncertainty
- Interest Rate Risk
- Substitution for Residential Rental Units
- Vacancy Risks
- Rent Control

Mitigation

- Measuring macroeconomic and internal risk metrics
- Conducting annual resident surveys to measure customer satisfaction
- Monthly reviews of lease expiries, lease breaks, applications, and rents
- Internal training program focused on creating a resident focused culture

4. Internal Operational Risks

Avenue living relies on key executive personnel and the availability of well-trained employees and contractors. The loss of services of these team members may negatively affect the business. We have ranked the probability low, and the potential impact as medium low. Through measurement of key employee KPIs, employee feedback surveys, careful succession planning, and the development of an innovative training program, we are able to effectively mitigate internal operational risks.

- Reliance on Key Employees
- Workforce Availability
- Potential Conflicts of Interest

Mitigation

- Key employee KPIs and succession planning
- Conducting employee feedback surveys
- Innovative training program – including virtual reality, online training portals, and an in-house training team

5. External Operational Risks

Disruption to operations may occur from the failure to react effectively to external factors, threats, and hazards. External operational risks have been given a medium-high probability and a medium potential impact to the business. The organization has effective business continuity plans in the event of a crisis – such as the COVID-19 crisis. The Operations, Health, and Safety team carefully monitors external factors, threats, and hazards to both the internal team and resident pool and ensures the appropriate policies and procedures are in place to mitigate risk.

- Operational, Health, and Safety Matters
- General Uninsured Losses

Mitigation

- OH&S (Operations, Health, and Safety) team completes regular reviews of procedures, policies, and legislation
- Environmental audits included on the due diligence of potential acquisitions
- Business continuity plans are in place in the event of a crisis

2019 Achievements

Acquisitions

Avenue Living's investments are targeted towards stabilized, well-located assets with immediate NOI contribution. New acquisitions typically offer value-add opportunities and the ability to increase monthly rents with minor capital expenditure requirements.

In 2019, Avenue Living successfully acquired 1,117 doors (14 acquisitions ranging in size from 12 to 164 doors) throughout the Prairies. Acquisitions totaled 655 doors in Alberta and 462 doors in Saskatchewan for a total purchase price of approximately $144 million. 66% of the units are in primary markets and 34% in secondary markets and the average acquisition price per door in Alberta and Saskatchewan was $125,756 and $131,158, respectively.

Market	Units	Purchase Price
Edmonton	212	$26,553,000
Lethbridge	96	$11,442,000
Medicine Hat	183	$20,100,000
Calgary	80	$15,100,000
Red Deer	84	$9,175,000
Regina	164	$16,675,000
Saskatoon	278	$41,420,000
Prince Albert	20	$2,500,000
Total	**1,117**	**$142,965,000**

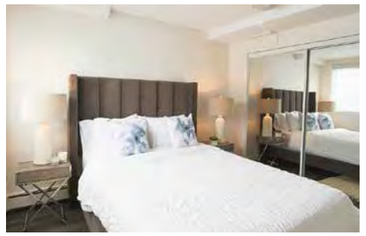
	Beaumont Manor	Berkely Square	Charles Manor	Edmonton Portfolio	Greenland Townhomes	Hawkwood Apartments	Heritage Place
City	Edmonton	Lethbridge	Edmonton	Edmonton	Calgary	Red Deer	Prince Albert
Units	21	96	17	114	80	18	20
Buildings	1	4	1	8	10	1	1
Occupancy as of Dec. 2019	86%	95%	94%	69%	86%	89%	95%
Purchase Price	$2,541,000	$11,442,000	$1,530,000	$14,841,000	$15,100,000	$1,975,000	$2,500,000
Capitalization Rate (in-Place vs. Stabilized)	5.3% - 6.4%	5.3% - 6.5%	5.8% - 6.7%	4.1% - 5.9%	4.9% - 5.7%	5.7% - 6.8%	6.5% - 6.7%

	Hillside Apartments	Mayfair Manor	The Regent	Regina Portfolio	Saskatoon Portfolio	Scherer Portfolio	Spruce Arms
City	Red Deer	Medicine Hat	Edmonton	Regina	Saskatchewan	Medicine Hat	Sherwood Park
Units	66	92	12	164	278	91	48
Buildings	3	1	1	8	11	5	2
Occupancy as of Dec. 2019	88%	95%	94%	97%	85%	87%	80%
Purchase Price	$7,200,000	$10,400,000	$1,392,000	$16,675,000	$41,420,000	$9,555,000	$6,249,000
Capitalization Rate (in-Place vs. Stabilized)	5.1% - 6.4%	4.9% - 7.0%	5.5% - 6.6%	5.2% - 6.4%	5.2% - 5.9%	5.5% - 6.1%	4.1% - 5.9%

"How does that impact our residents? I feel like when our buildings look good there's certainly a pride of ownership on our side, but also a pride for people in living in the building. It looks new and fresh. That makes a difference."
Neal Shannon, SVP Capital Projects

Capital Projects: 2019 Renovation Program

During 2019, we invested approximately $88.5 million into over 340 core assets. Avenue Living believes that investing in safe and community-oriented environments will lead to increased resident satisfaction. We strive to provide our residents with reliable standard of quality, that they are proud of by giving them not only what they need but also what they desire in a home. Avenue Living's capital spending demonstrates our ongoing commitment to provide affordable and secure housing for residents.



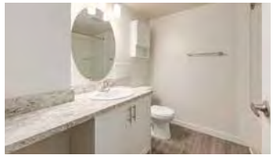
Avenue Living has leveraged the internal maintenance and capital projects teams in order to reduce the cost of renovations. Utilizing our strong internal talent pool, we have an increased ability to control the quality of our products. Strategic advantages were achieved through the partnership with local contractors and Home Depot. The integration with Home Depot allows Avenue Living to leverage Home Depot's supply chain and construction knowledge.

Standard of Quality

Our in-suite upgrade program yields strong first impressions from new tenants. Curb appeal drives more demand for rental viewings and rental revenue increases warranted further capital investment. Unit upgrades use materials with greater durability and longevity, installation of energy efficient appliances, water fixtures and lighting, and the use of contemporary designs and finishes. Avenue Living believes high standards of quality and consistent unit specifications will lead to a better overall experience for residents.

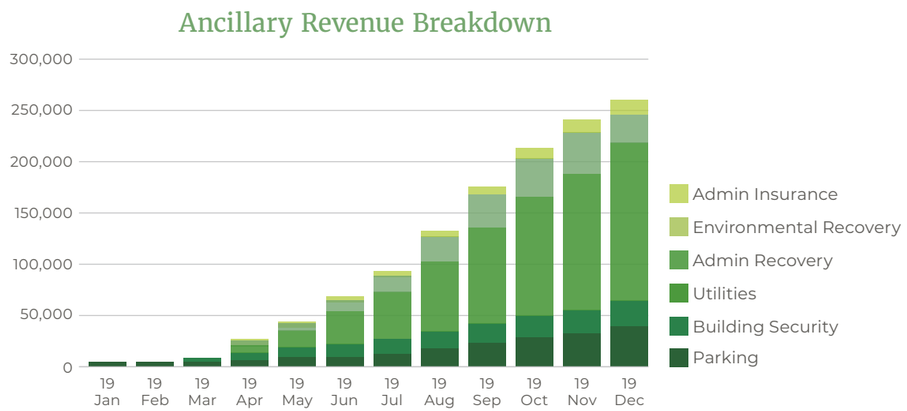
To better showcase the value of Avenue Living's suites, furnished show suites are implemented at major sites to attract quality clients and increase lead conversion from showing to lease signing.

Premier



Ancillary Revenue Program

In March 2019, in response to the rising costs of doing business, Avenue Living established the ancillary revenue program in order to provide convenient add-on features for our residents. Examples include the ability to have Avenue Living cover residents' monthly utility costs for a fixed monthly rate and taking advantage of our reduced renters insurance rates.



The cost recovery programs enable us to deliver exceptional service and provide requested value-add projects for our residents such as cutting-edge security camera installation and monitoring. We find our residents are keen to contribute towards projects that improve their overall living standard.

Required Fees ($24-$50/unit/month)

- Administration Fee
- Environmental Recovery Fee
- Security Charge

Optional Fees ($15-$360/unit/month)

- Utility Program
- Parking
- Insurance Admin Fee

Ancillary fees have been widely accepted by our residents and continue to grow month over month as we both acquire new residents and revew existing leases. In Q4 2019, the average ancillary revenue on new leases represented 9.5% of gross rent, increasing from 7.3% in Q3, 5.4% in Q2 and 5.1% in Q1 2019.

Technological Advancements and Integrations

Avenue Living has developed innovative strategies to provide residents and prospects with exceptional service and experiences. In 2019, we launched a new website that focuses on further improving the customer experience through an upgraded interface, online portal for scheduling showings, and 3D virtual tours of suites. Additionally, we transitioned to provide electronic leasing to both prospective and current tenants through YUHU Inc. The successful launch of the website and focus on our electronic offerings enabled the team to remotely assist prospective residents during the ongoing COVID-19 pandemic.

2020 initiatives include the migration to the Yardi Systems, Inc (Yardi) platform; Yardi is one of the leading technology software providers for the real estate industry. The migration will include the setup and development of the Yardi E-learning solution, which will enable Avenue Living to make further investments into the training of our team members. We believe that investments into our team will have a direct impact on the experiences of our residents.

Training is expected to further improve through our partnership with Circuit Stream Inc. The hands-on training in a virtual reality environment ensures we deliver a consistent experience and product for our residents.

YARDI CIRCUIT STREAM yuhu Inspiring Belonging

Employee Development and Excellence in Customer Service

Avenue Living is dedicated to the development of its employees and has engaged the Disney Institute to support the continued refinement of our corporate culture, improved internal communication and employee engagement with the overarching goal to increase service standards.
To increase efficiency of delivery as well as absorption of the materials provided to our employees, Avenue Living has created the Avenue Living University (ALU).

ALU is an e-learning platform facilitating compliance and governance in all functions across the company. Avenue Living's human capital is driven by and improved through centralized deployment of training units to enhance alignment with core values and service standards.

All departments directly involved with sourcing, developing, safekeeping and advancing our most important asset – our employees – continuously develop strategies and training units to guide every single employee to advance organizational and personal success.

Case Study

Greystone Manor

Market:	Regina	**Pre Capex FMV:**	$2,495,706	**Cap Rate:**	5.70%
# of Units:	24	**Post Capex FMV:**	$3,493,773	**Cap Rate:**	5.95%

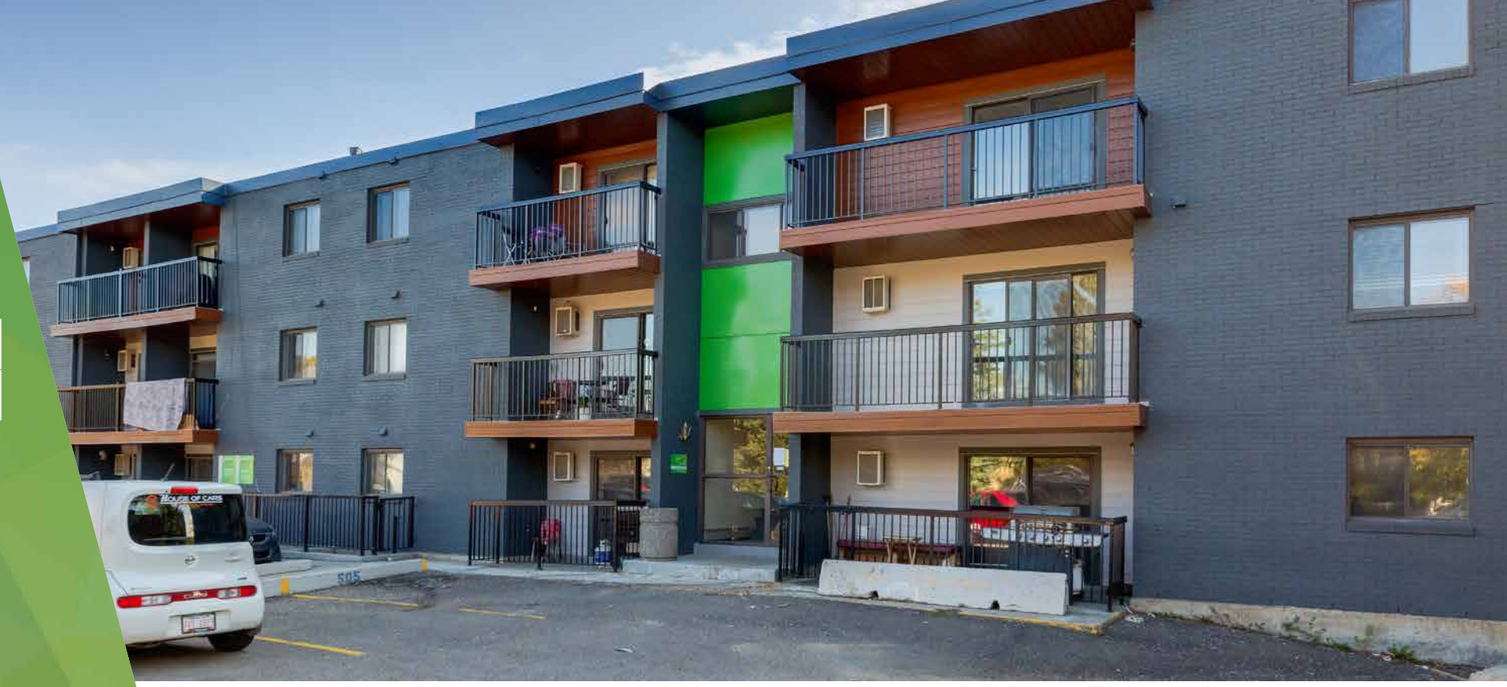
Capex	Invested Capital	Added FMV	ROI
Return	$400,000	$998,067	150%

Rents	Pre-Capex	Post-Capex	Increase
Avg. Gross	$813	$1,050	29%

Post-Capex

Pre-Capex

Opportunity	Capex Initiative
• Greystone Manor is in one of the trendiest and most desirable areas in Regina • Considered an A grade location within our portfolio of buildings • Identified large gaps in our current net rents vs. competition in same targeted area who are offering a renovated product including common areas and curb appeal	• Improved curb appeal through the installation of new siding and windows to refresh the overall look of the asset • Upgraded common area and modernized suites



Post-Capex

Pre-Capex

Case Study

Heritage House

Market:	Medicine Hat	**Pre Capex FMV:**	$7,025,000	**Cap Rate:**	5.76%
# of Units:	48	**Post Capex FMV:**	$7,864,585	**Cap Rate:**	5.54%

Capex	Invested Capital	Added FMV	ROI
Return	$249,606	$839,585	236%

Rents	Pre-Capex	Post-Capex	Increase
Avg. Gross	$986	$1,037	5%

Opportunity	Capex Initiative
• Located on the edge of a ravine in one of Medicine Hat's most desirable areas, Heritage House boasts many high-end houses in the immediate neighborhood. • Building exterior had gotten stale and did not keep up with the upscale demographic of the area. Improving exterior finishing's allows us to attract higher income earners at a premium rent.	• New siding, windows, and common area modernized the look of the building • Parking lot and concrete repair are in planning stages for 2020 to further improve the asset and rents.

3. 2019 Financial Review

Disclosures

Advisories

The following review of key performance indicators and financial highlights should be read in conjunction with the cautionary statement regarding forward-looking information below, as well as the Avenue Living (2014) LP audited consolidated financial statements and notes thereto for the years ended December 31, 2019, and 2018. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This review is intended to provide readers with management's assessment of the performance of Avenue Living as well as its financial position and prospects. All amounts in the review are in Canadian Dollars unless otherwise noted.

Cautionary statement regarding forward-looking information

Certain statements in this Investor Report constitute "forward-looking statements". In some cases, forward-looking statements can be identified using words such as "may", "will", "should", "expect", "plan", "target", "anticipate", "believe", "estimate", "potential", "continue" or the negative of these terms or other comparable terminology, and by discussions of strategies that involve risks and uncertainties. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated or implied, or those suggested by any forward-looking statements, including: competition, national and regional economic conditions and the availability of capital to fund further investments in Avenue Living's business. Further information regarding these risks, uncertainties and other factors may be found under the heading "Risk Management" in this report.

Forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events may not occur. Although Management believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that future results, levels of activity, performance or achievements will occur as anticipated. Neither Avenue Living nor any other person assumes responsibility for the accuracy and completeness of any forward-looking statement, and no one has any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, circumstances, or such other factors that affect this information, except as required by law. The forward-looking statements in this Investor Report are provided for the limited purpose of enabling current investors to evaluate their investment in Avenue Living. Readers are cautioned that such statements may not be appropriate and should not be used for any other purpose.

Non-GAAP and additional GAAP measures

Certain measures in this review do not have any standardized meaning as prescribed by generally accepted accounting principles ("GAAP") and are, therefore, considered non-GAAP measures. These measures are provided to enhance the reader's overall understanding of Avenue Living's current financial condition. They are included to provide investors and management with an alternative method for assessing Avenue Living's operating results in a manner that is focused on the performance of Avenue Living's ongoing operations and to provide a more consistent basis for comparison between periods. These measures include widely accepted measures of performance for Canadian real estate investment trusts; however, the measures are not defined by IFRS. In addition, the definitions of these measures are subject to interpretation by the preparers of financial statements and may not be applied consistently between real estate entities. Please refer to definitions of non-GAAP and additional GAAP measures, including net operating income ("NOI"), revenue efficiency ("RevEff", page 32), debt to fair value ratio and debt coverage ratio in this financial review. The following review is for the financial results of Avenue Living for the years ended December 31, 2019 and 2018.

2019 Financial Review

2019 Summary of Highlights

- Investment capex program including suite renovations, common areas and curb appeal started in 2018 with total spend of $125 million on asset improvements ($88.5 million in 2019)
- Renovations included 4300+ suite turns through the year and was concluded in Q1 2020
- Total revenue including ancillaries grew by 27.4% YoY to $68.9 million from $54.1 million in 2018, driven by same door performance and new unit acquisitions
- Increased NOI by 26.0% to $35.7 million YoY vs $28.3 million on an overall basis
- Same-door NOI increased by 13.8% in fiscal 2019 demonstrating continued success of the investment capex program
- Increased unit count by 16% through acquisition of 1,117 additional doors for $144 million through the year
- Total net rent (incl. ancillary charges) increase of 13.6% YoY

Despite local and global headwinds, 2019 was a strong and transformative year for Avenue Living. With the raise of $121.5 million (as of December 31, 2019) of new and reinvested equity, Avenue Living optimized the platform through continued investment in operations, investment capital expenditures and acquisitions predominantly in primary markets to position Avenue Living with a stronger and more resilient balance sheet.

Avenue Living invested significantly in its asset base over the course of late 2018, throughout 2019 and into early 2020. The improvements span across interiors and exteriors with a focus on quality and durable materials. Avenue Living has demonstrated that the program continues to translate into positive financial results including the 2019 fair value gains of $40.4 million on its existing properties. In the multi-family industry it is commonly accepted that the stabilization of significant renovations can take anywhere from 12 – 24 months post completion of the renovations which can take up to 6 months. The average natural vacancy over the course of 2019 was 6.1%, with an average renovation vacancy of 15%, demonstrating the continued positive absorption of newly renovated inventory. Avenue Living anticipates to realize additional revenue from the existing portfolio by leasing up the newly renovated units at the increased rental rates over the course of 2020 and 2021. As units become available from new acquisitions or same door inventory, management will determine if further value can be added through additional capital investment. Market rents have improved to $1,121 in 2019 from $1,050 in 2018, with net rents of $924 in 2019 vs. $813 in 2018. Concession expenses in Q4 of 2019 were down to 13.2% from 16% in Q4 of 2018.

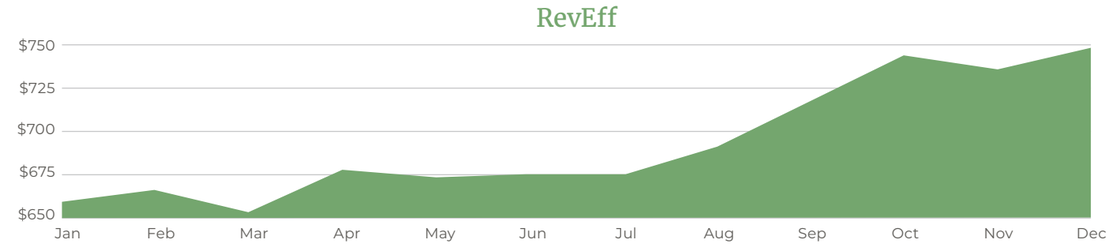
	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Natural Vacancy (avg)	11.4%	6.6%	4.3%	6.9%	5.2%	5.1%	7.0%
Reno Vacancy (avg)	5.5%	14.8%	16.7%	14.4%	16.9%	17.0%	11.5%
Occupancy (avg)	83.1%	78.6%	79.0%	78.7%	77.9%	77.9%	80.3%
Optimal Rent (avg)[1]	$999	$1,003	$1,016	$1,028	$1,038	$1,047	$1,057
Concession Expense	21.1%	19.2%	16.0%	14.7%	13.1%	12.8%	13.2%
Total Net Rent (avg)	$749	$762	$813	$839	$874	$898	$924
Unit Count (ending)	6,099	6,643	6,973	7,158	7,563	7,960	8,090
Portfolio Growth (Q/Q%)		8.9%	5.0%	2.7%	5.7%	5.2%	1.6%
Total Revenue (ending)	$13,059,745	$12,936,080	$14,469,597	$15,143,887	$16,340,722	$17,674,929	$19,736,099
Revenue Growth (Q/Q%)		-0.9%	11.8%	4.7%	7.9%	8.2%	11.7%

[1]Optimal rents are a blend of historical leased market rents and asking market rents. Current market rent for the portfolio as of Dec 31 2019 was $1,121.

Revenue Opportunities

There are various factors that provide room for organic growth within the existing portfolio. The significant investment of capital in our portfolio and resulting renovation vacancy has caused a short-term sacrifice of rent revenue that Avenue Living expects to capture over the course of 2020/2021. In order to increase occupancy of newly renovated buildings it is sometimes beneficial to provide short term lease incentives which are subsequently eliminated after achieving desired occupancy. Avenue Living has been able to decrease the overall level of incentives from a peak of 22% to an average of 13% in 2019 despite the difficult economic environment, while keeping natural vacancy levels steady. We attribute this to the quality and level of service we offer throughout our repositioned portfolio.

Avenue Living measures the efficiency of its revenue-generating capacity through our revenue efficiency metric, RevEff, which is calculated by multiplying average net rents by average occupancy. The product of this calculation represents the sensitivity of toggling the correct ratio between increasing rents and occupancy. This internal measure removes the volatility of short-term fluctuations of any one performance metric and provides a fulsome view of portfolio revenue over a given time period.



The portfolio's loss-to-lease, defined as the difference between the portfolio's current occupied rents and estimated market rents net of current incentives, equates to an annualized amount of $6.2 million. The portfolio's mark-to-market is the quantum of current incentives offered on the portfolio. The mark-to-market varies due to seasonality and occupancy levels at any given time. The YE mark-to-market was an average of $130 per door, representing an additional $12.6 million in revenue potential as leases are signed at higher rates. These metrics, while non-GAAP measures, are helpful in identifying future earnings potential and rent performance.

Province	Market Rent Dec 2019	Market Rent Including Incentive Dec 31 2019	Occupied Rent Dec 31 2019	Loss to Lease	Annualized Loss-to-Lease	Mark-to-Market	Annualized Mark-to-Market
Alberta	$1,145	$1,022	$956	($66)	($3,626,520)	($123)	($6,711,324)
Saskatchewan	$1,110	$958	$895	($64)	($2,503,245)	($152)	($5,980,500)
Manitoba	$839	$864	$819	($45)	($138,468)	$24	$74,880
Grand Total	**$1,121**	**$991**	**$927**	**($65)**	**($6,268,232)**	**($130)**	**($12,616,944)**

1. YE average ancillary lease charges of $40 are included in the occupied and market rents

Operating Expense Management

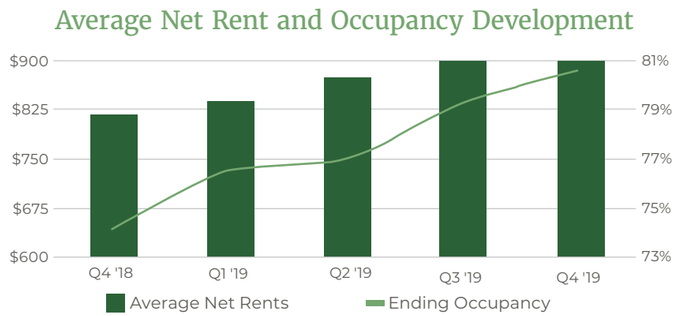
Operating expenses are managed closely to balance service levels and associated costs. Inflationary pressures and increased maintenance schedules for cleaning and landscaping contributed to a higher allocation of cost toward repairs and maintenance of 11.0% in 2019 (2018 – 7.9%). Third parties are engaged to assist in insurance and property tax assessment negotiations to reduce costs, and utilities are managed inhouse to optimize spending while finding solutions to reduce exposure.

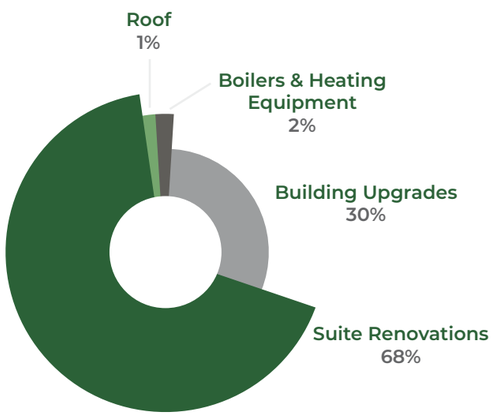
For the year ended December 31		2019	% of Total Property Operating Expense		2018	% of Total Property Operating Expense
Property operating expenses:						
Utilities	$	10,348,978	31.1%	$	7,891,414	30.6%
Property taxes		7,543,306	22.7%		6,098,165	23.6%
Repairs and Maintenance		3,648,941	11.0%		2,034,362	7.9%
Other expenses		11,695,995	35.2%		9,763,286	37.9%
Total Property operating expenses	$	33,237,220	100%	$	25,787,227	100%
Average operating expense per unit per month[1]	$	367		$	343	

Capital Expenditures

In fiscal 2019, over 4,300 suites across the portfolio were renovated through a combination of in-house and third party contractors and a number of buildings underwent substantial common area and curbside renovations through the year. Over 1.5 million square feet of vinyl plank flooring was installed, over 20,000 gallons of paint were used, and 32,000 LED light bulbs were mounted.

Avenue Living was able to raise rents significantly with minimal impact to both natural and overall occupancy as suites were improved through the capex program and residents embraced the convenient ancillary offers, which have further boosted total revenue.





In 2019, the average Canada Mortgage and Housing Corporation (CMHC) market rent increased 1.4% in Alberta, 1.0% in Saskatchewan, and 3.1% in Manitoba over the course of the year. Avenue Living's rents have increased by 13.6% (including ancillary charges) over the same period due to the success of the renovation and ancillary program.

Annual building improvement expenditures include a mix of maintenance capital and value enhancement upgrades. Maintenance improvements extend the life of the building; these include parking, fire safety, landscaping, roof and boiler upgrades. Value enhancement upgrades are investments in building improvements that are expected to result in higher rents and increased efficiencies and include suite and common area upgrades and energy efficiency investments. In 2019, 97% of capital spend was directed toward value enhancements on interiors and exteriors.

		2019		2018
Balance, beginning of year,	$	1,052,115,443	$	852,467,352
Acquisitions		114,328,334		123,808,594
Building improvements		88,525,365		38,758,034
Fair value gain		49,168,790		37,081,463
Balance, end of year	$	1,334,137,932	$	1,052,115,443

Fair Value Gains

On a same door basis YoY, Avenue Living's NOI increased by 13.8%. The NOI improvement is largely attributable to the asset repositioning and improvement strategy set out in 2018 and implemented throughout 2019. Overall NOI improved 26% as a result of growth through accretive acquisitions. Between the quality of the assets and improvements to the resident experience and service level, Avenue Living was able to raise rental rates across the portfolio without causing a drop in occupancy.

Fair value gains in 2019 totaled $40.4 million on same door properties. These gains are in addition to $82.9 million in capex spent on these same doors representing a 48.7% ROI on capital spent. Total value increase YoY for same door properties was $123.3 million.

New properties were purchased for $144.4 million and $5.6 million was subsequently spent in capex. These accretive acquisitions and subsequent capex increased the value of these properties, leading to a fair value gain of $8.8 million on the new doors.

Total fair value gains were $49.2 million on $88.5 million of capex. This reflects fair value gains of 56% on each dollar of capex spent.

Improved quality of the assets and extended useful life of the properties contribute to lower capitalization rates (cap rates) supported by the overall market conditions. Cap rates moved to a weighted average of 5.78% in 2019 from 6.01% in 2018. Renovations warranted rent increases and resulted in higher NOI and value of the assets. 44% of the investment properties were assessed by certified appraisers to determine fair values as at December 31, 2019.

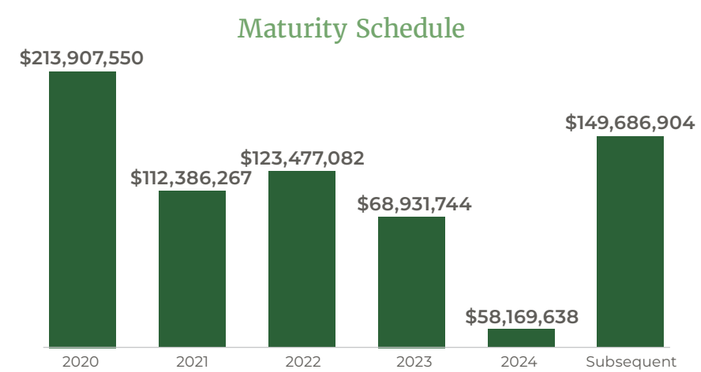
December 31, 2018	Low	High	Weighted Average
Alberta	4.72%	6.67%	5.94%
Saskatchewan and Manitoba	5.00%	6.77%	6.13%
Overall	4.72%	6.77%	6.01%

December 31, 2019	Low	High	Weighted Average
Alberta	4.57%	7.42%	5.70%
Saskatchewan and Manitoba	4.51%	6.67%	5.91%
Overall	4.51%	7.42%	5.78%

Mortgage Debt

In 2019, mortgage debt increased to $718,856,421 from $605,091,306 as a result of acquisitions, refinancings, and investment into capital projects. As of December 31, 2019, Loan to value has decreased from 61% at December 31, 2018 to 59.4%. The target ratio for the portfolio is <60%, in line with peers and considered a conservative amount of leverage. Debt service coverage ratio (DSCR) at YE 2019 was 1.07x with an interest coverage of 1.68x. DSCR was 1.0x in 2018.

The weighted average cost of debt was 3.86% on mortgages, an increase of 65bps from 2018 due to a higher yield curve during 2019 that saw refinancing at higher rates, offset by longer terms with the advantage of longer amortization periods. Avenue Living staggers mortgage maturities across a diverse array of lenders and maturity dates. The maturity schedule is outlined in the graph below:



DSCR calculation	Dec 2019
Revenue	$6,675,486
Expenses (trailing 12 months)	$2,896,748
Adjusted NOI	**$3,778,738**
Total P&I payments	$3,543,985
DSCR	**1.07x**

4. Financial Statements

Avenue Living (2014) LP

Consolidated Financial Statements

December 31, 2019

avenueliving

Independent auditor's report

To the Unitholders of **Avenue Living (2014) LP**

Opinion

We have audited the consolidated financial statements of **Avenue Living (2014) LP** [the "Partnership"], which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of net income and total comprehensive income, consolidated statements of changes in net assets attributable to unitholders and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Partnership as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Calgary, Canada
April 24, 2020

Chartered Professional Accountants

Avenue Living (2014) LP

Consolidated Statements of Financial Position

As at December 31	Note		2019		2018
Assets					
Non-current assets					
Investment properties	**4**	**$**	**1,334,137,932**	$	1,052,115,443
Property and equipment	**5**		**289,327**		436,099
Advances to affiliated entities	**6,18**		**25,439,750**		17,831,961
			1,359,867,009		1,070,383,503
Current assets					
Prepaid assets and deposits	**7**		**2,776,665**		1,855,496
Trade and other receivables	**8**		**5,273,230**		2,340,374
Restricted cash – tenants' security deposits			**3,312,292**		2,902,730
Restricted cash – savings	**10**		**5,020,888**		-
Cash and cash equivalents			**2,021,816**		6,011,871
			18,404,891		13,110,471
Total assets		**$**	**1,378,271,900**	$	1,083,493,974
Liabilities					
Non-current liabilities					
Mortgages	**9**	**$**	**504,948,871**	$	393,539,889
Subordinated debt and operating lines	**10**		**46,285,379**		14,174,866
Lease obligations	**11**		**19,622**		75,905
Deferred tax liabilities	**12**		**1,357,369**		879,105
			552,611,241		408,669,765
Current liabilities					
Current portion of mortgages	**9**		**213,907,550**		211,551,417
Current portion of subordinated debt and operating lines	**10**		**27,765,839**		22,301,379
Current portion of lease obligations	**11**		**22,563**		131,988
Trade and other payables	**13**		**15,902,301**		6,994,138
Refundable - tenants' security deposits			**3,312,292**		2,902,730
Advances from affiliated entities	**6,18**		**4,572,491**		2,406,720
			265,483,036		246,288,372
Total liabilities excluding net assets attributable to unitholders		**$**	**818,094,277**	$	654,958,137
Net assets attributable to unitholders		**$**	**560,177,623**	$	428,535,837

See accompanying notes to the consolidated financial statements

Avenue Living (2014) LP

Consolidated Statement of Net Income and Total Comprehensive Income

For the years ended December 31	Note		2019		2018 (restated – note 2(p))
Rental revenue	**20**	**$**	**62,300,966**	**$**	47,751,210
Ancillary rental income	**21**		**6,594,671**		6,340,604
			68,895,637		54,091,814
Property operating expenses			**33,237,220**		25,787,227
Net operating income			**35,658,417**		28,304,587
Interest income			**957,513**		200,711
			36,615,930		28,505,298
Interest expense			**27,578,544**		24,648,428
Amortization of deferred financing costs			**3,486,822**		2,911,275
General and administrative expenses			**1,971,857**		939,260
Depreciation			**197,820**		239,118
			33,235,043		28,738,081
Income (loss) before other items and income tax expense			**3,380,887**		(232,783)
Fair value gain on investment properties	**4**		**49,168,790**		37,081,463
Income before income tax expense			**52,549,677**		36,848,680
Income tax (expense) recovery	**12**		**(478,263)**		315,567
Net income and total comprehensive income		**$**	**52,071,414**	**$**	37,164,247

See accompanying notes to the consolidated financial statements

Avenue Living (2014) LP

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

	Note		Total net assets attributable to unitholders (restated – note 2(p))
Balance, January 1, 2018		$	224,266,613
Units issued	**14**		179,160,402
Reinvestments of distributions by unitholders	**14**		337,471
Units redeemed	**14**		(40,009)
Distributions to unitholders	**14**		(12,352,887)
Net income for the year			37,164,247
Balance, December 31, 2018		**$**	**428,535,837**
Units issued	**14**		**110,370,112**
Reinvestments of distributions by unitholders	**14**		**2,699,696**
Units redeemed	**14**		**(9,966,900)**
Distributions to unitholders	**14**		**(23,532,536)**
Net income for the year			**52,071,414**
Balance, December 31, 2019		**$**	**560,177,623**

See accompanying notes to the consolidated financial statements

Avenue Living (2014) LP

Consolidated Statement of Cash Flows

For the years ended December 31		2019		2018 (restated – note 2(p))
Operating activities				
Net income	$	**52,071,414**	$	37,164,247
Items not affecting cash:				
Interest expense		**27,578,544**		24,648,428
Interest paid		**(26,805,949)**		(24,978,735)
Amortization of deferred financing costs		**3,486,822**		2,911,275
Depreciation		**197,820**		239,118
Fair value gain		**(49,168,790)**		(37,081,463)
Income tax expense (recovery)		**478,263**		(315,567)
		7,838,124		2,587,303
Changes in working capital related to:				
Prepaid assets		**(921,169)**		(233,444)
Trade and other receivables		**(2,932,856)**		1,040,005
Trade and other payables		**8,165,911**		515,518
Cash provided by operating activities		**12,150,010**		3,909,382
Financing activities				
Advances from affiliated entities		**2,165,771**		1,918,547
Proceeds from mortgage financing		**286,526,441**		151,080,300
Mortgage repayments		**(170,677,802)**		(85,403,726)
Proceeds from (repayments of) subordinated debt and operating lines (net)		**38,224,478**		(60,467,961)
Deferred financing costs incurred		**(6,250,193)**		(2,140,497)
Capital lease repayments		**(165,708)**		(166,647)
Distributions to unitholders		**(23,532,536)**		(12,352,887)
Issuance of limited partner units		**110,370,112**		179,144,620
Reinvestments of distributions by unitholders		**2,699,696**		337,471
Redemption of limited partner units		**(9,966,900)**		(40,009)
Cash provided by financing activities		**229,393,359**		171,909,211
Investing activities				
Purchase of investment properties		**(144,328,334)**		(123,808,594)
Additions to investment properties		**(88,525,365)**		(38,758,034)
Purchase of property and equipment		**(51,048)**		-
Advances to affiliated entities		**(7,607,789)**		(10,257,424)
Investment in restricted cash		**(5,020,888)**		-
Cash used in investing activities		**(245,533,424)**		(172,824,052)
Net (decrease) increase in cash		**(3,990,055)**		2,994,541
Cash and cash equivalents, beginning balance		**6,011,871**		3,017,330
Cash and cash equivalents, ending balance	$	**2,021,816**	$	6,011,871

See accompanying notes to the consolidated financial statements

1 GENERAL

Avenue Living (2014) LP (the "Limited Partnership") is a limited partnership formed under the laws of the Province of Alberta. The Limited Partnership became a limited partnership effective on December 29, 2014, the date of filing of its registration of Limited Partnership. The General Partner of the Limited Partnership is Boulevard Real Estate Equities Ltd. ("Boulevard" or the "GP"), a corporation formed under the laws of the Province of Alberta. The Limited Partnership was established on December 29, 2014.

On December 31, 2014 (the "Effective Date"), the Limited Partnership acquired significantly all of the assets and liabilities of Boulevard as part of a transaction that was approved by shareholders of Boulevard at a special meeting held on December 31, 2014. In exchange for the net assets of $154,430,496 of Boulevard, Boulevard received a 0.001% interest in the Limited Partnership and 154,430,496 general partnership units of the Limited Partnership.

Also, on the Effective Date holders of $47,622,032 of subordinated debt elected to exchange their debt for 47,622,032 limited partnership units.

The Limited Partnership acquires and manages mid-market multi-family residential rental properties in primary and secondary markets across the Canadian Prairies, as well as commercial properties in the same markets. The registered office and head office of the Limited Partnership are located at 4820 – Richard Road SW, Calgary, Alberta T3E 6L1.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The consolidated financial statements of the Limited Partnership have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair value. The consolidated financial statements are prepared on a going concern basis and have been prepared in Canadian dollars. The accounting policies set out below have been applied consistently in all material respects.

c) Basis of consolidation

The consolidated financial statements include the accounts of the Limited Partnership, and its wholly owned subsidiaries, 1587069 Alberta ULC and 1702769 Alberta Ltd. All inter-entity transactions, balances, revenue and expenses have been eliminated on consolidation.

d) Revenue recognition

Rental revenue from an investment property is recognized when a tenant begins occupancy of a rental unit and rent is due. Any rental incentive offered is amortized over the term of the tenancy lease. Residential leases are typically for one-year terms or less and the Limited Partnership retains all of the benefits and risks of ownership of its rental properties and therefore accounts for leases with its tenants as operating leases.

Ancillary rental income comprises revenue from laundry facilities, parking income, and other miscellaneous income and is recognized as earned. IFRS 15 requires revenue recognized from customer contracts (non-lease components) to be disclosed separately from its other sources of revenue (notes 20 and 21).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Limited Partnership and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is scoped out of IFRS 15 and addressed under IFRS 9, *Financial Instruments* ("IFRS 9") (as discussed in note 2(l)).

Gain or loss from the sale of investment properties is recognized when the title passes to the purchaser and all or substantially all of sale proceeds are receivable.

e) Investment properties

Investment properties include multi-family residential properties and commercial properties held to earn rental income and capital appreciation and are initially measured at cost. Cost includes purchase price, any directly attributable expenditure related to the acquisition (excluding transaction costs related to a business combination) and improvements made to the properties. All costs associated with upgrading and extending the economic life of the investment properties are capitalized as an additional cost of the investment properties.

Subsequent to initial recognition, investment properties are recorded at fair value, determined based on valuations performed by independent third-party qualified appraisers or available market evidence in accordance with International Account Standards ("IAS") 40, *Investment Property* ("IAS 40"). Fair value is determined based on a combination of internal and external processes. Gains and losses arising from differences between current period fair value and the sum of previously measured fair value and capitalized costs, as described above, are recorded in profit and loss in the period in which they arise.

The fair values of investment properties are assessed and reassessed by independent third-party qualified appraisers in normal course as part of the Limited Partnership's acquisition and refinancing activities. In addition, the Limited Partnership has established an internal valuation model, which applies the estimated changes in market conditions of the underlying assumptions used since the last appraisal, based on newer appraisals and other market transactions in the same markets, to determine the fair value of investment properties for subsequent reporting periods.

Investment properties are reclassified to non-current assets held for sale when the criteria set out in IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations* are met.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Prior to its disposal, the carrying value is adjusted to reflect the fair value as outlined in the purchase and sale agreement. This adjustment shall be recorded as a fair value gain (loss). Any remaining gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Excess land represents land owned by the Limited Partnership located contiguous to land included as investment property. The Limited Partnership has the ability to develop additional multi-family residential buildings or commercial buildings on this land or sell it separately from the investment property at a later date. Excess land is held for capital appreciation, therefore treated as investment property and recorded in accordance with IAS 40 as outline above.

f) Business combinations

In accordance with IFRS 3, *Business Combinations*, the acquisition of an asset or group of assets is recorded as a business combination if the assets acquired and liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Limited Partnership. Building and other asset acquisitions that meet the above definition are recorded as business combinations and the acquisition method of accounting for these transactions is applied. Building and other asset acquisitions that do not meet the above definition are recorded as an asset addition based on the purchase price.

g) Net assets attributable to unitholders

i) Statement of Financial Position Presentation
In accordance with IAS 32, *Financial Instruments: Presentation* ("IAS 32"), puttable instruments are generally classified as financial liabilities. Limited Partnership units are puttable instruments, meeting the definition of financial liabilities in IAS 32. There are exception tests within IAS 32 which could result in classification as equity; however, the Limited Partnership units do not meet the exception requirements. Therefore, no instrument qualifies for equity classification on the Statement of Financial Position pursuant to IFRS. The classification of all units as financial liabilities with presentation as net assets attributable to unitholders does not alter the underlying economic interest of the unitholders in the net assets and net operating results attributable to unitholders.

ii) Statement of Financial Position Measurement
Limited Partnership units are carried on the Consolidated Statement of Financial Position at net asset value. Although puttable instruments classified as financial liabilities are generally required to be remeasured to fair value at each reporting period, the alternative presentation as net assets attributable to unitholders reflects that, in total, the interests of the unitholders is limited to the net assets of the Limited Partnership. Distributions to unitholders are recorded in the Consolidated Statement of Changes in Net Assets Attributable to Unitholders in the period that they are declared.

h) Property and equipment

Tangible assets that are held for use in the production or supply of goods and services, for rent to others, or for administrative purposes and are expected to be used during more than one period, except when other accounting standards require or permit a different accounting treatment, are recorded using the cost model in accordance with IAS 16, *Property, Plant and Equipment* ("IAS 16") which requires, after initial recognition that the tangible assets be carried at their costs less accumulated depreciation and any accumulated impairment losses. Depreciation is recognized in a manner that reflects the pattern in which the future economic benefits of the assets are expected to be realized and consumed by the Limited Partnership.

Property and equipment are depreciated at rates designed to depreciate the cost of the assets over their estimated useful lives as follows:

Equipment	4% to 30% – declining balance
Furniture	20% – declining balance
Computer	30% – declining balance
Vehicle	25% – declining balance

The method of depreciation and estimated useful lives of property and equipment are periodically evaluated by management and any changes are accounted for as a change in accounting estimates in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

i) Impairment of assets

All assets, except for those identified as not within the scope of IAS 36, *Impairment of Assets* ("IAS 36") are assessed for indications of impairment at the end of each financial reporting period. Should an indication of impairment exist, the recoverable amount of the asset is estimated. The recoverable amount is defined in IAS 36 as the higher of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted. Where the carrying amount of an asset exceeds the recoverable amount determined, an impairment loss is recognized in the statement of comprehensive income and the remaining useful life of the assets will be re-assessed. Should this impairment loss be determined to have reversed in a future period, a reversal of the impairment loss is recorded in profit or loss. The reversal of an impairment loss will not increase the carrying value of the assets to a value greater than its original carrying value (net of amortization).

j) Income taxes

The Limited Partnership is not a taxable entity and all of its taxable income is distributed to its partners. This exemption does not apply to the corporate subsidiaries of the Limited Partnership that are subject to income tax.

Income taxes include current and deferred income taxes of subsidiaries. Current tax is the expected tax payable or receivable in the taxable profit or loss for the current reporting period and any adjustment in respect of previous periods. Taxable profit differs from profit as reported in the statement of net profit and total comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The tax rates used in calculating current income tax have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the tax bases used for income tax purposes. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that deduction, tax credits and tax losses can be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to temporary differences when they reverse. The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax asset will be recovered. Where applicable, current and deferred income taxes relating to items recognized directly in equity or comprehensive income are also recognized directly in equity or comprehensive income, respectively.

k) Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Limited Partnership has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a discounted rate that reflects current market assessment of the time value of money and the risks and uncertainties specific to the obligation.

Provisions are re-measured at each reporting date using a current and relevant discount rate. The increase in the provision due to the passage of time is recognized as a financing cost.

l) Financial instruments

Financial instruments are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at fair value through profit or loss, which are recognized immediately in profit and loss, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into the following specified categories, which are defined and measured as follows:

Classification	Definition	Measurement
Financial assets at amortized cost	Non-derivative financial assets within a business model whose objective is to hold financial assets in order to collect contractual cash flows and 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.	Measured at amortized cost using the effective interest rate method less impairment. (1) (2)
Financial asset at fair value through other comprehensive income	Non-derivative financial assets within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and 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.	Measured at fair value through other comprehensive income.
Financial assets at fair value through profit or loss ("FVTPL")	Either held for trading or designated as at FVTPL as discussed below: - Classified as held for trading if: it has been acquired principally for the purpose of selling it in the near term; or, on initial recognition, it is part of a portfolio of identified financial instruments that the Limited Partnership manages together and has a recent actual pattern of short-term profit taking; or, it is a derivative that is not designated and effective as a hedging instrument. - Classified as FVTPL upon initial recognition if: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group that is managed and its performance is evaluated on a fair value basis; or it forms part of a contract containing one or more embedded derivatives.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.

(1) The effective interest rate method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the instrument or where appropriate, a shorter period, to the net carrying amount on initial recognition.

(2) Financial assets, other than those at FVTPL, are required to use an expected credit loss impairment model. The expected credit loss model requires the Limited Partnership to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in the credit risk since initial recognition of the financial asset. It results in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual loss event.

The Limited Partnership's financial assets are as follows:

Financial assets	Classification	Measurement
Trade and other receivables	Amortized cost	Amortized cost
Restricted cash – savings	Amortized cost	Amortized cost
Restricted cash – tenants' security deposits	Amortized cost	Amortized cost
Advances to affiliated entities	Amortized cost	Amortized cost
Cash and cash equivalents	Amortized cost	Amortized cost

The Limited Partnership derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the assets to another entity or when the carrying value is reduced by impairment loss.

Financial liabilities

Financial liabilities are classified into the following specified categories which are defined and measured as follows:

Classification	Definition	Measurement
Financial liabilities at amortized cost	All financial liabilities as subsequently measured at amortized cost.	Measured at amortized cost using the effective interest rate less impairment. (3)
Financial liabilities at FVTPL	Either held for trading or designated as at FVTPL as discussed below: - Classified as held for trading if: it has been acquired principally for the purpose of repurchasing it in the near term; or, on initial recognition, it is part of a portfolio of identified financial instruments that the Limited Partnership manages together and has a recent actual pattern of short-term profit taking; or it is a derivative that is not designated and effective as a hedging instrument. - Classified as FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial liabilities form part of a group which is managed and its performance is evaluated on a fair value basis; or it forms part of a contract containing one or more embedded derivatives.	Stated at fair value, with gains or losses arising on measurement recognized in profit or loss.

(3) The effective interest rate method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Limited Partnership's financial liabilities are as follows:

Financial liabilities	Classification	Measurement
Mortgages	Amortized cost	Amortized cost
Subordinated debt and operating lines	Amortized cost	Amortized cost
Obligations under capital leases	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Advances from affiliated entities	Amortized cost	Amortized cost
Refundable - tenants' security deposits	Amortized cost	Amortized cost

m) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and short-term interest-bearing deposits with an original maturity date of 90 days or less.

n) Critical judgment in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see note 2(o) below) that have been made in applying the Limited Partnership's accounting policies that have the most significant effect on the reported amounts in the consolidated financial statements:

a. Determining the extent and frequency of engaging independent, third party appraisals and establishing an internal valuation model to measure fair value of investment properties;
b. Determining whether the acquisition of investment properties represents the acquisition of an asset or a business; and
c. Determining the tax rate applicable to the Limited Partnership's current and deferred income taxes and identifying the temporary differences in respect of which deferred income taxes are recognized.

o) Key accounting estimates and assumptions

The following are the key accounting estimates and assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that has significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results could differ from estimates.

a. Significant estimates used in determining the fair value of investment properties include capitalization rates and net operating income. A change to any one of these inputs could significantly alter the fair value of an investment property (see note 4 for sensitivity analysis);
b. Management reviews the aging profile of trade receivables on a customer-by-customer basis at least at the end of each reporting year and a provision for impairment loss on trade receivables is maintained based on the expected credit loss calculation. Specific allowance may be created for individual tenants in exceptional circumstances. Bad debts are written off against the provision; and
c. The amount of temporary differences between the book carrying value of the assets and liabilities versus the tax base values and the future income tax rate at which these differences will be realized.

p) Change in accounting policy

Certain figures for the year ended December 31, 2018 have been restated from their previous presentation. Specifically, the Limited Partnership adopted a change in accounting policy that was applied retrospectively resulting in $12,352,887 of distributions to unitholders for the year ended December 31, 2018 to be restated from their previous presentation in the Consolidated Statement of Net Income and Total Comprehensive Income to the Consolidated Statement of Changes in Net Assets Attributable to Unitholders. This change was made to provide users of the financial statements of the Limited Partnership with more relevant information regarding the capital activity of the Limited Partnership, and to bring the Limited Partnership's presentation of distributions to unitholders in line with industry peers.

Income before income tax expense, as well as net income and total comprehensive income on the Consolidated

Statement of Net Income and Total Comprehensive Income, previously reported as $24,495,793 and $24,811,360 respectively for the year ended December 31, 2018, have been revised to $36,848,680 and $37,164,247, respectively.

Distributions to unitholders are now presented on the Consolidated Statement of Changes in Net Assets Attributable to Unitholders, with balances for the year ended December 31, 2018 revised to the following presentation:

As at December 31, 2018

	As previously reported	Revision	Revised
Net income and total comprehensive income	$24,811,360	$12,352,887	$37,164,247
Distribution to unitholders	-	(12,352,887)	(12,352,887)
	$24,811,360	-	$24,811,360

As well, for presentation purposes only, reinvestments of distributions by unitholders totaling $337,471 for the year ended December 31, 2018 have been separately disclosed from units issued of $179,160,402 on the Consolidated Statement of Changes in Net Assets Attributable to Unitholders, as well as on the Consolidated Statement of Cash Flows.

3 APPLICATION OF NEW IFRS STANDARDS

IFRS 16 – *Leases*

IFRS 16 replaces IAS 17 *Leases* and related interpretations and is effective for periods beginning on or after January 1, 2019. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

The Limited Partnership has elected to apply the retrospective method by setting right-of-use assets based on the lease liability at the date of initial application, adjusted by the amount of any prepaid or accrued lease payments. There was no significant impact on the Limited Partnership's consolidated financial position with the adoption of IFRS 16.

4 INVESTMENT PROPERTIES

		December 31, 2019		December 31, 2018
Balance, beginning of year	**$**	**1,052,115,443**	$	852,467,352
Acquisitions		**144,328,334**		123,808,594
Building improvements		**88,525,365**		38,758,034
Fair value gain		**49,168,790**		37,081,463
Balance, end of year	**$**	**1,334,137,932**	$	1,052,115,443

The fair values of investment properties are assessed and re-assessed by third party qualified appraisers in normal course as part of the Limited Partnership's acquisition and refinancing strategies. The appraisers are independent valuation firms not related to the Limited Partnership and employ valuation professionals who are members of the Appraisal Institute of Canada who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. For the year ended December 31, 2019, appraisals were performed for 44% (2018 – 100%) of the portfolio.

In determining the appropriate classes of investment properties in order to determine the fair value measurement, the Limited Partnership has considered the nature, characteristics and risk of its properties. The classification of investment properties is based primarily on the geographical location of the asset. Below is a continuity schedule based on investment property classes:

		Alberta		Saskatchewan and Manitoba		Total
		$		$		$
December 31, 2017	$	448,871,383	$	403,595,969	$	852,467,352
Acquisitions		123,808,594		-		123,808,594
Building improvements		21,212,651		17,545,383		38,758,034
Fair value gain		32,108,126		4,973,337		37,081,463
December 31, 2018	$	626,000,754	$	426,114,689	$	1,052,115,443
Acquisitions		**83,204,849**		**61,123,485**		**144,328,334**
Building improvements		**49,866,171**		**38,659,194**		**88,525,365**
Fair value gain		**45,255,215**		**3,913,575**		**49,168,790**
December 31, 2019	**$**	**804,326,989**	**$**	**529,810,943**	**$**	**1,334,137,932**

The direct capitalization method is used to convert an estimate of a single year's stabilized net operating income ("SNOI") expectancy into an indication of value in one direct step by dividing the SNOI estimated by an appropriate capitalization rate ("Cap Rate"). In addition, the Limited Partnership has established an internal valuation model, which applies the estimated changes in market conditions to the underlying assumptions used since the last appraisal based on newer appraisals and other market transactions in the same markets to determine the fair value of investment properties for its subsequent reporting periods.

The average range of capitalization rates used in determining the fair value of investment properties are set out below:

December 31, 2018	Range		Weighted
	Low	High	Average
Alberta	4.72 %	6.67 %	5.94%
Saskatchewan and Manitoba	5.00 %	6.77 %	6.13%
Overall	4.72 %	6.77 %	6.01%

December 31, 2019	**Range**		**Weighted**
	Low	**High**	**Average**
Alberta	**4.57%**	**7.42%**	**5.70%**
Saskatchewan and Manitoba	**4.51%**	**6.76%**	**5.91%**
Overall	**4.51%**	**7.42%**	**5.78%**

The direct capitalization method requires that an estimated forecasted SNOI be divided by a Cap Rate to determine a fair value. Accordingly, changes in both SNOI and Cap Rate would significantly alter the fair value of investment properties. The tables below show the impact of changes in both SNOI and Cap Rate and the resulting increase (decrease) in fair values of investment properties as at each date indicated:

December 31, 2019

			- 3.0 %	**- 1.0 %**	**As estimated**	**+ 1.0 %**	**+ 3.0 %**
Stabilized net operating income		**$**	**74,820,685**	**76,363,380**	**77,134,727**	**77,906,074**	**79,448,769**
Capitalization rate							
- 0.25 %	**5.53%**		**18,463,017**	**46,351,696**	**60,296,036**	**74,240,375**	**102,129,055**
Cap Rate used	**5.78%**		**(40,024,137)**	**(13,341,378)**	**Nil**	**13,341,381**	**40,024,139**
+ 0.25%	**6.03%**		**(93,662,908)**	**(68,086,103)**	**(55,297,701)**	**(42,509,298)**	**(16,932,494)**

All investment properties are pledged as security against the Limited Partnership's mortgages payable (note 9).

5 PROPERTY AND EQUIPMENT

The carrying amount of property and equipment is as follows:

Cost	Equipment	Furniture	Computer	Vehicle	Right-of-use assets	Total
December 31, 2017	$ 719,351	$ 61,308	$ 216,555	$ 187,824	$ 548,648	$ 1,733,686
Additions	-	-	-	-	-	-
December 31, 2018	$ 719,351	$ 61,308	$ 216,555	$ 187,824	$ 548,648	$ 1,733,686
Additions	**54**	**-**	**50,994**	**-**	**-**	**51,048**
December 31, 2019	**$ 719,405**	**$ 61,308**	**$ 267,549**	**$ 187,824**	**$ 548,648**	**$ 1,784,734**

Accumulated Depreciation	Equipment	Furniture	Computer	Vehicle	Right-of-use assets	Total
December 31, 2017	$ 480,626	$ 26,078	$ 116,021	$ 156,958	$ 278,786	$ 1,058,469
Additions	90,119	8,061	38,349	30,866	71,723	239,118
December 31, 2018	$ 570,745	$ 34,139	$ 154,370	$ 187,824	$ 350,509	$ 1,297,587
Additions	**38,280**	**5,433**	**40,232**	**-**	**113,875**	**197,820**
December 31, 2019	**$ 609,025**	**$ 39,572**	**$ 194,602**	**$ 187,824**	**$ 464,384**	**$ 1,495,407**

Net book value	Equipment	Furniture	Computer	Vehicle	Right-of-use assets	Total
December 31, 2018	$ 148,606	$ 27,169	$ 62,185	$ -	$ 198,139	$ 436,099
December 31, 2019	**$ 110,380**	**$ 21,736**	**$ 72,947**	**$ -**	**$ 84,264**	**$ 289,327**

6 ADVANCES TO (FROM) AFFILIATED ENTITIES

As at December 31, 2019, $25,439,750 (2018 - $17,831,961) was receivable from affiliated entities, and $4,572,491 (2018 - $2,406,720) was payable by the Limited Partnership to affiliated entities (note 18). Included in advances to affiliated entities are $2.5 million of promissory notes at 4.0% interest due from Avenue Living Communities Ltd. (“Communities”). Additionally, a promissory note for $1.0 million at 4% interest that is due from Avenue Living Asset Management Ltd. (“Asset Manager”) is netted against balances owing by the Limited Partnership to Asset Manager in advances from affiliated entities. Communities and Asset Manager are related to the Limited Partnership by virtue of common control.

Refer to note 16 for the Limited Partnership’s exposure to credit risk in relation to its loan balances with affiliated entities.

7 PREPAID ASSETS AND DEPOSITS

	December 31, 2019	December 31, 2018
Prepaid expenses	**$ 2,479,343**	$ 1,707,683
Utility and other deposits	**297,322**	147,813
	$ 2,776,665	$ 1,855,496

8 TRADE AND OTHER RECEIVABLES

Trade and other receivables

Trade receivables comprise amounts due from tenants and other receivables comprise other amounts due in the next 12 months. Other receivables include refundable deposits made for the acquisition of investment properties that had not been completed as of the reporting date.

Aging profile		**December 31, 2019**		December 31, 2018
Less than 30 days	**$**	**276,606**	$	293,623
Past due for between 31 and 90		**620,781**		419,163
Past due 91 days or longer		**716,388**		631,938
Other receivables (note 18)		**4,876,321**		2,015,460
Total gross trade receivables		**6,490,096**		3,360,184
Provision for impairment of trade receivables		**(1,216,866)**		(1,019,810)
Current trade and other receivables, net	**$**	**5,273,230**	$	2,340,374

Provision for impairment of trade receivables

A reconciliation of the beginning and ending carrying amounts of the Limited Partnership's provision for impairment of trade receivables is as follows:

		December 31, 2019		December 31, 2018
Balance at beginning of year	**$**	**(1,019,810)**	$	**(559,708)**
Provision for impairment recognized during the year		**(3,017,210)**		**(3,937,498)**
Trade receivables written off during the year		**2,820,154**		**3,477,396**
Balance at end of year	**$**	**(1,216,866)**	$	**(1,019,810)**

Refer to note 16 for the Limited Partnership's exposure to credit risk in relation to its trade and other receivables and how the Limited Partnership accounts for past due balances.

9 MORTGAGES

Mortgages bear interest at a weighted average interest rate of 3.86% (2018 – 3.21%) per annum as at December 31, 2019 and are payable in monthly principal and interest or interest only installments totaling $3,543,985 (2018 – $2,918,802) maturing from 2019 to 2029 and are secured by specific charges against specific investment properties, having a fair value of $1,334,137,932 (2018 – $1,052,115,443). As at December 31, 2019, unamortized deferred financing charges totaled $7,702,764 (2018 – $5,417,337). Certain of these mortgages contain financial covenants. On an ongoing basis, the Limited Partnership monitors these financial covenants for compliance.

MORTGAGES		**December 31, 2019**		December 31, 2018
Non-current	**$**	**504,948,871**	$	393,539,889
Current		**213,907,550**		211,551,417
	$	**718,856,421**	$	605,091,306

Estimated principal mortgage payments required as of December 31, 2019 are as follows:

Year		Amount
2020	$	**213,907,550**
2021		**112,386,267**
2022		**123,477,082**
2023		**68,931,744**
2024		**58,169,638**
Subsequent		**149,686,904**
		726,559,185
Deferred financing charges		**(7,702,764)**
	$	**718,856,421**

10 SUBORDINATED DEBT AND OPERATING LINES

Subordinated debt and operating line agreements bear interest at a weighted average interest rate of 8.69% per annum as at December 31, 2019 (2018 – 8.48%) and mature from 2020 to 2024. The subordinated debt (excluding operating lines) has fixed terms and maturity dates and is largely secured by specific charges against specific investment properties.

The Limited Partnership has overdraft facilities with a chartered bank in the amount of $15 million, which are due on demand and charge an interest rate equal to the bank's prime rate plus 2.5%. As part of the terms of these facilities, the Limited Partnership is required to hold $5 million of restricted cash in an account with the chartered bank (2018 - $nil). As of December 31, 2019, $14.1 million was drawn on this facility (2018 - $nil), which is included in the current balance of subordinated debt and operating lines. As at December 31, 2019, deferred financing charges totaling $780,779 (2018 – $301,392) were outstanding.

SUBORDINATED DEBT AND OPERATING LINES		**December 31, 2019**		December 31, 2018
Non-current	**$**	**46,285,379**	$	14,174,866
Current		**27,765,839**		22,301,379
	$	**74,051,218**	$	36,476,245

Estimated subordinated debt and operating line repayments required as of December 31, 2019 are as follows:

Year		Amount
2020	$	**27,765,839**
2021		**43,782,164**
2022		**186,244**
2023		**3,097,750**
		74,831,997
Deferred financing charges		**(780,779)**
	$	**74,051,218**

11 LEASE OBLIGATIONS

Lease obligations are secured against the various pieces of equipment they relate to. Equipment leased related to the investment properties is included in the cost base of the related property; all other leases are capitalized to property and equipment as right-of-use assets. The leases carry interest of 9.3% (2018 – 8.2%) per annum. Estimated lease payments are as follows:

		December 31, 2019		December 31, 2018
2019	**$**	**-**	$	142,031
2020		**25,002**		62,831
2021		**12,852**		12,852
2022		**8,264**		8,280
Minimum lease payments	**$**	**46,118**	$	225,994
Less: interest portion at a rate of 9.3% (2018 – 8.2%)		**3,933**		18,101
Net minimum lease payments		**42,185**		207,893
Less: current portion		**(22,563)**		(131,988)
	$	**19,622**		75,905

12 INCOME TAXES

Current income tax

As at December 31, 2019 the Limited Partnership had no current taxes payable.

Deferred income tax

The Limited Partnership is not a taxable entity and all of its taxable income is distributed to its partners. This exemption does not apply to the corporate subsidiaries of the Limited Partnership that are subject to income tax.

On July 31, 2015 through the acquisition of 1587069 Alberta ULC, the Limited Partnership acquired $1,002,365 of deferred tax liability. During the year ended December 31, 2019 the Limited Partnership recognized a deferred tax expense of $478,263 (2018 – recovery of $315,567) related to changes in the tax basis of its assets. The majority of the deferred tax balances are for book to tax differences.

13 TRADE AND OTHER PAYABLES

		December 31, 2019		December 31, 2018
Trade payables	**$**	**9,224,488**	$	4,387,284
Accrued interest		**2,470,068**		1,697,460
GST payable		**206,030**		278,983
Unearned revenue		**1,001,721**		630,411
Redemptions of Preferred Units (Series 2014) payable (note 14)		**2,999,994**		-
	$	**15,902,301**	$	6,994,138

14 PARTNERS' CAPTIAL

Authorized:

Class	Authorized	Issued
Preferred Units (Series 2014)	85,000,000	82,000,006
Common Units (Series 2014)	Unlimited	158,600,497
Class A Units	Unlimited	285,779,726
Class B Units	Unlimited	Nil
Class C Units	Unlimited	Nil
Class M Units	1,000	1,000

The Limited Partnership Agreement as amended and restated on September 18, 2019 amended various terms of the existing Limited Partnership Agreement. Namely, the extinguishment date related to the Preferred Units (Series 2014) was extended from December 31, 2019 to December 31, 2022 and the terms of the Common Units (Series 2014) were amended to no longer provide for automatic extinguishment. Additionally, conversion features on the Preferred Units (Series 2014) and Common Units (Series 2014) were amended as described below.

Preferred Units (Series 2014) are redeemable and will be extinguished after December 31, 2022 if no notice is provided by the holder during the specified period as outlined in the Amended and Restated Limited Partnership Agreement. Extinguished units will be exchanged for cash at a value and on such date as determined pursuant to the Amended and Restated Limited Partnership Agreement. Under the amendments approved in 2019, the Preferred Units (Series 2014) contain a redemption feature which allows those holders who wish to redeem all or a portion of their investment before December 31, 2022 to do so up to an aggregate maximum total redemption of $3,000,000 per quarter. During the year ended December 31, 2019, 2,999,994 Preferred Units (Series 2014) were redeemed (2018 – nil) for total consideration of $2,999,994 (2018 - $nil), which was payable at December 31, 2019 (2018 - $nil) and was paid subsequent to December 31, 2019. Preferred Units (Series 2014) outstanding at December 31, 2019 are 82,000,006 (2018 – 85,000,000).

Common Units (Series 2014) are not redeemable. After December 31, 2022 Common Units (Series 2014) may be re-designated from time to time at the option of the holder into Class C Units at value determined pursuant to the Amended and Restated Limited Partnership Agreement. The Class C Units are redeemable at the option of the holder. Common Units (Series 2014) outstanding at December 31, 2019 are 158,600,497 (2018 – 158,600,497).

Class A Units are redeemable. The redemption feature is limited to a maximum of $50,000 per month and is subject to the discretion of the GP. During the year ended December 31, 2019, 110,370,112 Class A units were issued (2018 – 179,160,402) for total consideration of $110,370,112 (2018 – $179,160,402), and 6,966,906 units were redeemed (2018 – 40,009) for total consideration of $6,966,906 (2018 – $40,009). During the year ended December 31, 2019, 2,699,696 Class A units were issued (2018 – 337,471) as part of reinvestments by unitholders for proceeds of $2,699,696 (2018 – $337,471). Class A Units outstanding at December 31, 2019 are 285,779,726 (2018 – 179,676,824).

The rights, restrictions and privileges of each series of Class B Units will be determined at time of issue.

Class C Units will be issued in exchange for the equivalent value of Common Units (Series 2014) and are redeemable with limitations.

The Asset Manager, as holder of the Class M Units, is entitled to a 5.0% carried interest on all distributions made by the Partnership on all of the other units, with the exception of the Preferred Units (Series 2014). Class M units are not entitled to an interest in the capital of the Partnership of any other class of units other than the Class M units. Class M units are redeemable at the option of the holder.

All classes of units share in the net income or loss of the Limited Partnership in accordance with their proportionate interest.

Distributions to limited partnership unit holders

Pursuant to the Amended and Restated Limited Partnership Agreement, holders of limited partnership units are entitled to receive distributions monthly with unpaid amounts compounded quarterly, made on each distribution date at the sole discretion of the GP. For the year ended December 31, 2019 the Limited Partnership made distributions of $23,532,536 (2018 – $12,352,887).

Distributions to general partnership unit holders

Pursuant to the Amended and Restated Limited Partnership Agreement, holders of general partnership units are entitled to receive distributions. For the year ended December 31, 2019 the Limited Partnership made distributions of $nil (2018 – nil).

15 FINANCIAL INSTRUMENT AND RISK MANAGEMENT

Fair value of financial assets and liabilities

The Limited Partnership's financial assets and liabilities are comprised of trade and other receivables, restricted cash – tenants' security deposits, advances to affiliated entities, cash and cash equivalents, mortgages, subordinated debt and operating lines, obligations under capital lease, advances from affiliated entities, trade and other payables, and refundable - tenants' security deposits. Fair values of financial assets and liabilities, summarized information related to risk management positions, and discussion of risks associated with financial assets and liabilities are presented as follows.

The fair values of trade and other receivables, restricted cash – tenants' security deposits, cash and cash equivalents, trade and other payables, advances from affiliated entities, and refundable - tenants' security deposits approximate their carrying amounts due to the short-term maturity of those instruments.

The fair value of advances to affiliated entities cannot be determined as they are due on demand and have no fixed terms of repayment.

The fair values of mortgages and subordinated debt and operating lines are determined using the current market interest rates as discount rates, the net present value of principal balances and future cash flows over the terms of the mortgages and subordinated debt and operating lines.

In identifying the appropriate level of fair value, the Limited Partnership performs a detailed analysis of the financial assets and liabilities. The inputs used to measure fair value require different levels of the fair value hierarchy categorized as follows:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3: Values based on valuation techniques for which any significant input is not based on observable market data.

The fair values of financial assets and liabilities and fair value hierarchy of assets and liabilities in the consolidated statement of financial position are as follows:

		December 31, 2019		December 31, 2018	
	Hierarchy	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Non-financial assets:					
Investment properties	Level 3	**$ 1,334,137,932**	**$ 1,334,137,932**	$ 1,052,115,443	$ 1,052,115,443
Financial assets:					
Trade and other receivables	N/A	**5,273,230**	**5,273,230**	2,340,374	2,340,374
Restricted cash – tenants' security deposits	N/A	**3,312,292**	**3,312,292**	2,902,730	2,902,730
Restricted cash – savings	N/A	**5,020,888**	**5,020,888**	-	-
Cash and cash equivalents	N/A	**2,021,816**	**2,021,816**	6,011,871	6,011,871
Financial liabilities:					
Mortgages	Level 3	**718,856,421**	**715,649,230**	605,091,306	602,087,971
Subordinated debt and operating lines	Level 3	**74,051,218**	**74,051,218**	36,476,245	36,476,245
Obligations under capital lease	N/A	**42,185**	**42,185**	207,893	207,893
Trade and other payables	N/A	**15,902,301**	**15,902,301**	6,994,138	6,994,138
Refundable - tenants' security deposits	N/A	**3,312,292**	**3,312,292**	2,902,730	2,902,730

16 RISK ASSOCIATED WITH FINANCIAL ASSETS AND LIABILITIES

The Limited Partnership is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk relating to interest rates, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices.

Interest rate risk

The Limited Partnership is exposed to interest rate risk to the extent of any upward or downward revision in lending rates. Mortgages and subordinated debt and operating lines totaling $207,689,423 are subject to renewal in the next 12-month period. Changes in interest rates have the potential to adversely affect the profitability of the Limited Partnership. However, the Limited Partnership attempts to mitigate this risk by staggering the maturity dates for its mortgages.

Approximately 8.93% (2018 – 11.38%) of the Limited Partnership's mortgages are insured by CMHC under the National Housing Association mortgage program. This added level of insurance offered to lenders allows the Limited Partnership to receive the best possible financing and interest rates, and significantly reduces the potential for a lender to call a loan prematurely. A 1.0% change in the prime lending rate would have resulted in a change of $562,582 interest expense for the year ended December 31, 2019.

Credit risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in a financial loss for the Limited Partnership. The Limited Partnership is exposed to credit risk as a result of its advances to affiliated entities, and trade and other receivables. These balances comprise loans with affiliated entities due on demand and promissory notes, as well as accounts receivable from tenant receivables. As at December 31, 2019, no balance relating to loans and promissory notes with affiliated entities was past due (2018 – $nil).

In relation to loans with affiliated entities due on demand and promissory notes, the Limited Partnership's exposure to credit risk is low given the assured collection of these balances.

In regard to tenant receivables, the Limited Partnership is exposed to credit risk as some tenants may experience financial difficulty and may default on payment of rent. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Limited Partnership attempts to minimize possible risks by conducting in depth credit assessments of all prospective tenants, collecting security deposits from tenants, and utilizing internal and third-party collection services. The Limited Partnership's tenants are numerous which reduces the concentration of credit risk. As tenants' rent is due at the beginning of the month, all amounts in accounts receivable are considered overdue by the Limited Partnership. As of December 31, 2019, rents due from current tenants amounted $1,613,775 (2018 – $1,369,559). The possibility of not receiving payment of rent due from current tenants was covered by provisions for impairment of $1,216,866 (2018 – $1,019,810) as well as by security deposits held related to overdue accounts.

The Limited Partnership uses a provision matrix to measure the expected credit loss of trade receivables from tenants, which comprise a very large number of small balances. A provision matrix specifies fixed provision rates depending on the number of days that a trade receivable is past due. These rates are based on historical data and management's view of economic conditions over the expected lives of the receivables. Management will review and assess past due receivables to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. Tenant receivable balances exceeding 90 days are typically written off to bad debt expense. The amount written off is recognized in the consolidated statement of net income and total comprehensive income under property operating expenses. Subsequent recoveries of amounts previously written off are credited against property operating expenses during the period of settlement.

In relation to cash, the Limited Partnership believes that its exposure to credit risk is low. The Limited Partnership places its cash and cash equivalents only with reputable Canadian chartered financial institutions.

Liquidity risk

Liquidity risk is the risk the Limited Partnership will encounter difficulties in meeting its financial liability obligations. The Limited Partnership manages its liquidity risk by monitoring forecasts and cash flows on a regular basis to meet expected operating expenses, by maintaining adequate banking facilities, and by matching the maturity profiles of financial assets and liabilities.

The timing of cash outflows relating to financial liabilities are outlined in the table below:

	1 year	2 years	3 years	4 years	Thereafter	Total
Mortgages	$ 213,907,550	$ 112,386,267	$ 123,477,082	$ 68,931,744	$ 207,856,542	$ 726,559,185
Obligations under capital leases	22,563	11,614	8,008	-	-	42,185
Trade and other payables	15,902,301	-	-	-	-	15,902,301
Refundable – tenant's security deposits	3,312,292	-	-	-	-	3,312,292
Subordinated debt and operating lines	27,765,839	43,782,164	186,244	3,097,750	-	74,831,997
Advances from affiliated entities	4,572,491	-	-	-	-	4,572,491

17 GUARANTEES, CONTINGENCIES, COMMITMENTS

In the normal course of business, the Limited Partnership may enter into various agreements that may contain features that meet the definition of guarantees, contingencies, and commitments in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* that contingently requires the Limited Partnership to make payments to the guaranteed party based on:

i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty;
ii) failure of another party to perform under an obligating agreement; or
iii) failure of a third party to pay its indebtedness when due.

In the ordinary course of business, the Limited Partnership provides indemnification commitments to counterparties in transactions such as credit facilities, leasing transactions, service arrangements, director and officer indemnification agreements and sales of assets. These indemnification agreements require the Limited Partnership to compensate the counterparties for costs incurred as a result of changes in laws and regulations (including tax legislation) or as a result of litigation claims or statutory sanctions that may be suffered by a counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based on the contract and do not provide any limit on the maximum potential liability. Historically, the Limited Partnership has not made any significant payments under such indemnifications and no amount has been accrued in these consolidated financial statements with respect to these indemnification commitments.

In the normal course of operations, the Limited Partnership will become subject to a variety of legal and other claims against the Limited Partnership. Management and the Limited Partnership's legal counsel evaluate all claims on their apparent merits and accrue management's best estimate of the estimated costs to satisfy such claims. Management believes that the outcome of legal and other claims filed against the Limited Partnership will not be material.

As of December 31, 2019 and 2018, no amounts have been recorded and none are required to be disclosed in the consolidated financial statements with respect to guarantees, contingencies and commitments.

18 RELATED PARTY TRANSACTIONS

During 2017, the Limited Partnership disposed of its internal property management and asset management functions to Communities and Asset Manager for $2.5 million and $1.0 million respectively. These balances are included in advances to affiliated entities and advances from affiliated entities, respectively, at December 31, 2019 and 2018 (see note 6).

Included in advances to affiliated entities is $15,778,575 of expenses the Limited Partnership paid on behalf of Communities (2018 – $8,378,228). Effective October 27, 2017, Communities was contracted to provide property management services to the Limited Partnership and its subsidiaries. Communities earned property management fees totaling $2,875,635 (2018 – $2,163,610) and reimbursement of direct and indirect property expenses totaling $4,625,770 (2018 – $518,973) during the year ended December 31, 2019, which is netted in advances to affiliated entities. Certain of these amounts are included in property operating expenses on the consolidated statement of income and total comprehensive income, and costs of a capital nature are included in investment properties on the consolidated statement of financial position. The outstanding balance of these amounts included in advances to affiliated entities is $14,269,697 (2018 – $5,992,527).

Also, effective October 27, 2017, Asset Manager is contracted to provide strategic asset management services to the Limited Partnership. Asset Manager earned asset management fees totaling $12,814,748 during the year ended December 31, 2019 (2018 – $7,542,225) which is included in the advances from affiliated entities. Netted against advances from affiliated entities are $11,433,902 of expenses the Limited Partnership paid on behalf of the Asset Manager (2018 – $3,849,568). Additionally, the Limited Partnership paid expenses on behalf of the

Asset Manager during the year ended December 31, 2017 relating to the formation and start-up of Avenue Living Real Estate Core Trust totaling $833,902, which is included in other receivables (see note 8). The Asset Manager holds 1,000 Class M Units in the Limited Partnership (see note 14). The unpaid balance to the Asset Manager included in the advances from affiliated entities as at December 31, 2019 is $4,787,566 (2018 – $3,406,720).

Also included in advances to affiliated entities is $263,800 (2018 – $921,459) of various general and administrative costs paid by the Limited Partnership on behalf of Avenue Living Real Estate Core Trust.

In 2019, the Limited Partnership paid for $nil (2018 – $103,938) of expenses on behalf of Nexus Asset Group Inc. ("Nexus"). Nexus is related by virtue of common ownership. The balance owing to the Limited Partnership by Nexus is $5,472,423 (2018 - $4,676,316), which is included in advances to affiliated entities.

During 2016, the Limited Partnership entered into a loan agreement with Avenue Living Real Estate Opportunity LP ("ALREO") which is related through common control. The loan is payable on demand and bears interest of 10.00% per annum. As at December 31, 2019, $nil (2018 – $3,011,397) is outstanding and payable and is included in subordinated debt and operating lines (note 10). During the year ended December 31, 2019, the loan earned interest of $77,087 (2018 – $581,908), the unpaid balance of accrued interest for the period then ended is $23,835 (2018 – $105,266), included in advances to affiliated entities. Also, during 2016 the Limited Partnership was contracted to provide property management services to ALREO. During the year ended December 31, 2019, the Limited Partnership earned fees net of expenses paid on behalf of ALREO of $1,077,177 (2018 – $2,348,355). The unpaid balance of these amounts also included in advances to affiliated entities totaled $1,482,369 (2018 – $429,026).

Also during 2019, the Limited Partnership acquired certain properties from ALREO for total purchase price of $36,475,000 (2018 – $30,600,000).

The Limited Partnership was contracted to provide administrative and support services for Avenue Living Agricultural Land LP ("Ag Lands"), related by virtue of common control, which totaled $nil the year ended December 31, 2019 (2018 – $39,338). The unpaid balance of these amounts including expenses paid on behalf of the Limited Partnership as at December 31, 2019 is $1,743 (2018 – $46,743), included in the advances to affiliated entities.

As at December 31, 2019, the balance owing from other related entities totaled $1,449,718 (2018 – $3,265,890), included in advances to affiliated entities. The Limited Partnership also has a balance owing to other related entities totaling $784,926 (2018 – $nil) included in advances from affiliated entities. These advances to and from affiliated entities are related by virtue of common control and have no fixed terms of repayment and are non-interest-bearing.

19 PERSONNEL

Key management personnel of the Limited Partnership, during the periods ended December 31, 2019 and 2018, comprised one Director and one executive who is not a Director. The remuneration of the Limited Partnership's key management personnel for the years ended December 31, 2019 and 2018 is as follows:

		December 31, 2019		December 31, 2018
Short-term benefits	**$**	**365,917**	$	315,417

20 RENTAL REVENUE

As lessor, the Limited Partnership leases residential rental properties under operating leases generally with a term of not more than 12 months. Rental incentives may be offered as part of a rental agreement and the costs associated with these incentives are amortized over the term of the lease and netted against rental revenue. As such, rental revenue represents all lease revenue earned from the Limited Partnership's operating leases and totaled $62,300,966 for the year ended December 31, 2019 (2018 – $47,751,210).

The breakdown of rental revenue between lease and non-lease components is as follows:

		December 31, 2019		December 31, 2018
Lease component of rental revenue	**$**	**54,892,560**	$	43,344,817
Non-lease component of rental revenue		**7,408,406**		4,406,393
	$	**62,300,966**	$	47,751,210

21 ANCILLARY RENTAL INCOME

Ancillary rental income comprises the following:

		December 31, 2019		December 31, 2018
Revenue from coin laundry machines	$	**926,965**	$	799,455
Parking revenue		**215,117**		54,907
Move-out revenue		**2,059,027**		1,832,594
Other (fees and charges) (note 18)		**3,393,562**		3,653,648
	$	**6,594,671**	$	6,340,604

22 OPERATING LEASES

As lessor, the Limited Partnership leases multi-family residential rental properties and commercial properties. Residential leases are typically for one-year terms or less. Commercial property leases typically have terms between 3 to 5 years, with an option to extend for a further period.

The future minimum lease payments under operating leases in the aggregate and for each of the following periods are as follows:

		2019
2020	**$**	**42,506,000**
2021		**616,322**
2022		**527,161**
2023		**339,339**
Thereafter		**863,407**
	$	**44,852,229**

23 SUBSIDIARIES AND INVESTMENTS

All of the Limited Partnership's corporate investments are Canadian and ownership interest is outlined below:

Entity	Type	Relationship
1587069 Alberta ULC	Unlimited liability company	100% owned by the Limited Partnership
1707015 Alberta ULC	Unlimited liability company	100% owned by 1587069 Alberta ULC

24 CAPITAL MANAGEMENT

The Limited Partnership defines capital that it manages as the aggregate of its retained earnings and mortgages and subordinated debt and operating lines net of surplus cash and on occasion, bank loan or lines of credit when drawn on. The Limited Partnership's total capital resources amounted to $790,885,823 (2018 – $635,555,680).

The Limited Partnership sets the amount of capital in proportion to risk. The Limited Partnership manages the capital structure and makes adjustments based on changes in economic conditions and the risk characteristics of the underlying assets. Generally, the Limited Partnership uses short term financing during the stabilization process when acquiring new investment properties. Once stabilized, the Limited Partnership refinances the investment property using longer term mortgage financing.

The total managed capital for the Limited Partnership is summarized below:

		December 31, 2019		December 31, 2018
Mortgages and subordinated debt and operating lines	**$**	**792,907,639**	$	641,567,551
Less: Surplus cash		**(2,021,816)**		(6,011,871)
Managed capital	**$**	**790,885,823**	$	635,555,680

The Limited Partnership's policy for capital risk management is to maintain a debt to fair value of investment properties ratio of no greater than 75%. The market value basis for the policy is based on investment properties and investment in joint venture.

		December 31, 2019		December 31, 2018
Investment properties	**$**	**1,334,137,932**	$	1,052,115,443
Managed capital		**790,885,823**		635,555,680
Excess fair value over debt	**$**	**543,252,109**	$	416,559,763
Debt to fair value ratio		**59.3%**		60.4%

In managing the capital requirement, management assesses the capital and liquid resources required to ensure the going concern of the Limited Partnership's operations. As of December 31, 2019, the Limited Partnership has a cash balance of $2,021,816 (2018 – $6,011,871). Management believes that the existing liquid resources and funds raised through refinancing and issuances of units are sufficient to support the Limited Partnership's operation on a going concern basis.

25 SUBSEQUENT EVENTS

Subsequent to year-end, the Limited Partnership issued 36,500,255 Class A Units for proceeds of $36,500,255. The Limited Partnership also issued 1,464,874 Class A units pursuant to the distribution reinvestment plan for proceeds of $1,464,874. Redemption proceeds of $7,346,188 were paid or were payable for the redemption of 7,346,188 Class A units subsequent to year end. Total distributions of $9,387,070 have been paid subsequent to December 31, 2019.

Subsequent to December 31, 2019, the Limited Partnership acquired investment properties with 287 units for a total purchase price of $52,933,949. New mortgages secured by these properties total $42,440,850, maturing from 2021 through 2022. The Limited Partnership has also placed $1,400,065 in deposits on investment properties totaling 689 units, which are under contract for a purchase price of $109,990,000.

Subsequent to year-end, the Limited Partnership refinanced certain mortgages for net proceeds of $25,307,804. The new mortgages bear interest at a weighted average interest rate of 4.02% per annum maturing from 2021 to 2030 and are secured by specific charges against specific investment properties.

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which could impact the Limited Partnerships' operations. As there is significant uncertainty around the breadth and duration of the economic disruption and effects related to COVID-19, the Limited Partnership is unable to determine if the pandemic will have a material impact to its consolidated financial position, operations or cash flows in the future. The Limited Partnership continues to actively monitor and proactively manage the collection of receivables from tenants, relationships with lenders, loan covenants, leasing and retention activity, and liquidity requirements for ongoing operations.

26 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on April 24, 2020.

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