Q4 2021 Investor Newsletter

ALL ISLAND EQUITY | REIT

March 31, 2022

Message from Management

Management is pleased to report on the 2021 outcomes, both in terms of achieved growth and financial results. The residential portfolio increased to 830 units from 405 the year before. We expanded our core markets to the Okanagan and Victoria through portfolio purchases, while continuing to add infill purchases in existing markets. The Okanagan's market dynamics are similar to Vancouver Island, and we were able to expand where we have existing property management capabilities in place through Devon Properties. We entered the competitive Victoria market with a leasehold portfolio purchase. Although the REIT is the freehold owner of the land, 189 of the 307 units of the portfolio are occupied by unrelated leasehold owners. The right to occupy these units expire in 2074, at which point all rights revert to the REIT. The properties are in core downtown areas, and the current land appraisals on these properties far exceed the purchase price paid. More information is available in the financial statement notes.

Most of the REIT's purchases occurred in the last quarter of 2021, resulting in rental revenues not increasing in direct proportion to property values. Including fair value increases, property values increased from $94M to $199M between 2020 and 2021, while rental revenues increased from $6.4M to $8.0M. Management estimates that if there are no changes to the existing portfolio, rental revenues will reach around $13M for 2022.

This growth was achieved through the combination of $29M equity raises and $68M mortgage closings throughout the year. Management wants to express their gratitude to Integral Wealth Securities, whose efforts secured the equity financing. Management also took full advantage of opportunities in the interest rate market while it lasted. Although the REIT's LTV target is 50%, Management intentionally pursued higher leverage while interest rates were favourable, locking it in for 10-years where possible. Overall, our portfolio is well positioned to maintain a steady yield even if interest rates increase.

Our portfolio was revalued higher by $9.7M. This was achieved through the combination of value-add activities where rents are increased on turnover and valuation capitalization rates decreasing. The remaining fair value increase represents three properties that were sold during the year. These sales triggered a $1M taxable capital gain, which flows through to investors. Those investors who do not have their holdings in registered accounts will have to report these gains on their tax returns. All the required information is available on the T3 slips that were distributed to relevant investors.

This all culminated in a NAV per Unit increase of 10.8% to $15.92. Distributions are maintained at 3% of NAV per Unit, resulting in a proportional increase to these allocations.

Management continues to believe in the fundamentals of investing in our core markets and will continue to grow the portfolio in an accretive manner. Management is taking a more conservative approach in the short term, considering the recent movement in interest rates. While our acquisition pipeline is still robust with value-add opportunities, we do believe that capitalization rates could soon stabilize and possibly increase in the medium term. Although such movements could adversely affect property values, they present an opportunity to increase yields for those buyers who know their markets well.

$15.92
NAV per Unit

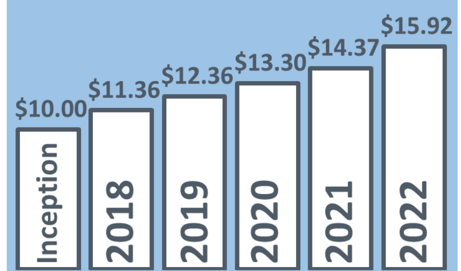
3%
Annual Distribution

11.94¢
Quarterly Payment Per Unit

Mar. 31
Record Date

Early-Apr.
Next Distribution

NAV per Unit Growth



52%
Loan to Value(1)

$199M
Value of Investment Properties(1)

$2.43M
2021 Net Operating Income

94%
2021 AFFO Payout Ratio Estimate(2)

Annualized Return(3)

1 Year	12.8%
3 Years	11.2%
Inception	12.9%

ALL ISLAND EQUITY | REIT Q4 2021 Investor Newsletter

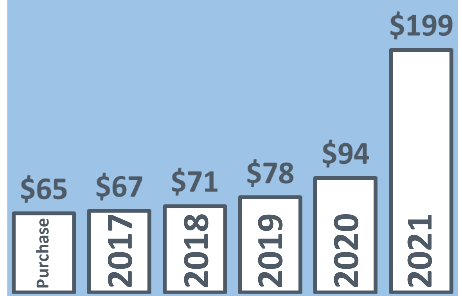
About All Island Equity REIT

AIE REIT is a diversified real estate investment trust with the primary mandate of owning income producing properties in British Columbia with $199 million of assets in Vancouver Island and the interior. The portfolio consists of 830 apartment units and 58,035 square feet of commercial space.

The REIT is a tax-efficient investment vehicle that aims to pay a steady stream of distributions primarily generated through rental income on stabilized real estate assets. In addition to distributions, the value of REIT units is directly linked to the underlying value of the portfolio, which is independently appraised annually.

To contact us and find out more visit: http://allislandequityreit.com/

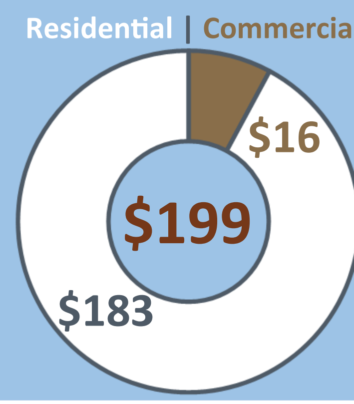
Investment Property Value (millions)



26 26 26 28 33 42

Property Count

Portfolio (millions)



Glossary of Terms

Available Funds from Operation (AFFO): Net Operating Income less General and Administrative Expenses, Net Interest, and Maintenance Capital Expenditure.

AFFO Payout Ratio: Estimated full year AFFO as a percentage of estimated full year distributions made to unitholders.

Inception: AIE REIT was established in May 2017 with the acquisition of a $65 million portfolio in the Comox Valley, excluding two commercial properties that were sold shortly after completion.

Loan to value (LTV): Aggregate of outstanding mortgage balances, plus amounts drawn on the line of credit, divided by carrying value of investment properties, based on IFRS accounting standards.

Management: Management of All Island Equity REIT.

Net Asset Value (NAV): Aggregate value of the trust Property, less the aggregate value of the trust's liabilities, subject to valuation rules set and estimates made by the trust from time to time.

Trust or AIE REIT: All Island Equity REIT, a Real Estate Investment Trust.

(1) As of December 31, 2021.

(2) AFFO Payout ratio is a subjective non-IFRS measure used to evaluate the Trust's ability to cover its distributions.

(3) An annualized return based on a single unit investment in the AIE REIT, inclusive of unit price changes and distributions.

ALL ISLAND EQUITY REIT
Consolidated Financial Statements

Year Ended December 31, 2021 and December 31, 2020
Expressed in Canadian Dollars
(except for unit and per unit amounts)

To the Unitholders of All Island Equity REIT:

Opinion

We have audited the consolidated financial statements of All Island Equity REIT and its subsidiaries (the "REIT"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of earnings, changes in unitholders' equity and cash flows for the years then ended, and notes to the 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 REIT as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 REIT in accordance with the ethical requirements that are relevant to our audits 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 REIT'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 REIT or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the REIT'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.

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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 REIT’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 REIT’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 REIT 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the REIT to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Vancouver, British Columbia

February 28, 2022

MNP LLP

Chartered Professional Accountants

Page

Independent Auditor's Report

Consolidated Financial Statements

Expressed in Canadian Dollars

As at December 31	**2021**	**2020**
ASSETS		
Non-current assets		
Investment properties (Note 4)	$199,011,887	$93,537,695
Properties under development for use	-	172,235
	199,011,887	93,709,930
Current assets		
Cash and cash equivalents (Note 9)	1,266,366	5,934,611
Trade and other receivables (Note 9)	74,465	53,853
Prepaid expenses and deposits (Note 9)	502,252	867,799
	1,843,084	6,856,263
Total assets	**$200,854,971**	**$100,566,193**
LIABILITIES AND UNITHOLDERS' EQUITY		
Non-current liabilities		
Long term portion of loans (Note 5, 9)	87,365,352	38,206,452
	87,365,352	38,206,452
Current liabilities		
Trade payables and accruals (Note 9,10)	705,563	383,067
Security deposits (Note 9)	507,407	251,393
Deferred revenue (Note 9)	3,092	-
Current portion of long-term loans (Note 5, 9)	14,925,297	3,769,671
	16,141,358	4,404,130
Total liabilities	103,506,710	42,610,582
Unitholders' equity (Note 6)	97,348,260	57,955,611
Total liabilities & unitholders' equity	**$200,854,971**	**$100,566,193**

Nature of operations and basis of presentation (Note 1 and 2)
Subsequent events (Note 13)

Approved on behalf of the Trustee of All Island Equity REIT

"Garth Lyle Busch" **-Director** "Bernard Adrian Vanderhorst" **-Director**

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

Expressed in Canadian Dollars

For the years ended December 31	**2021**	**2020**
Rental revenues	$8,030,053	$6,388,322
Property operating expenses	(3,280,178)	(2,502,918)
EARNINGS FROM PROPERTY OPERATIONS	4,749,875	3,885,404
Administration fees and other expenses (Note 10)	(599,773)	(463,360)
Professional fees	(102,563)	(150,117)
OTHER EXPENSES	(702,336)	(613,476)
Interest expense (Note 5)	(1,423,925)	(1,190,421)
Amortization of mortgage transaction cost (Note 5)	(200,949)	(94,758)
Interest income	4,364	14,721
NET INTEREST EXPENSES	(1,620,510)	(1,270,458)
NET OPERATING INCOME	2,427,030	2,001,470
Fair value adjustments to investment properties (Note 4)	10,196,231	3,999,881
OTHER INCOME	10,196,231	3,999,881
NET EARNINGS FOR THE YEAR	**$12,623,261**	**$6,001,351**
Weighted average number of trust units		
Basic and diluted	**4,368,200**	**3,830,123**

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

All Island Equity REIT
Consolidated Statements of Changes in Unitholders' Equity
Expressed in Canadian Dollars

	Number of Class A PAY units	Number of Class F PAY units	Number of Class A DRIP units	Number of Class F DRIP units	Total Units	Total
Balance as of January 1, 2020	183,350	555,786	1,095,683	1,928,565	3,763,384	**$50,040,461**
Unit Issuance – Raised (Note 6a)	684	30,008	85,849	110,684	227,225	**3,022,093**
Unit Issuance – Distribution (Note 6c)	-	-	23,742	61,353	85,095	**1,131,765**
Distribution – Paid	-	-	-	-	-	**(291,144)**
Distribution - Trailer fees	-	-	-	-	-	**(150,999)**
Distribution – DRIP	-	-	-	-	-	**(1,131,765)**
Unit Redemptions (Note 6b)	(8,647)	(6,117)	(20,060)	(6,495)	(41,319)	**(544,479)**
Class Switch	(5,809)	91,071	(59,143)	(26,119)	-	-
Employee Bonus Units	-	-	-	-	-	-
Unit Issuance Costs	-	-	-	-	-	**(121,670)**
Net earnings for the year	-	-	-	-	-	**6,001,351**
Balance as of December 31, 2020	**169,578**	**670,748**	**1,126,072**	**2,067,987**	**4,034,385**	**$57,955,611**

	Number of Class A PAY units	Number of Class F PAY units	Number of Class A DRIP units	Number of Class F DRIP units	Total Units	Total
Balance as of January 1, 2021	169,578	670,748	1,126,072	2,067,987	4,034,385	**$57,955,611**
Unit Issuance - Raised (Note 6a)	147,968	101,523	1,017,577	756,026	2,023,094	**29,071,861**
Unit Issuance - Distribution (Note 6c)	-	-	29,931	75,646	105,577	**1,517,142**
Distribution – Paid	-	-	-	-	-	**(395,627)**
Distribution - Trailer fees	-	-	-	-	-	**(253,462)**
Distribution – DRIP	-	-	-	-	-	**(1,517,142)**
Unit Redemptions (Note 6b)	(3,328)	(18,718)	(24,309)	(2,299)	(48,654)	**(694,201)**
Class Switch	82,385	66,541	(216,711)	67,785	-	-
Employee Bonus Units	-	-	-	-	-	-
Unit Issuance Costs	-	-	-	-	-	**(959,183)**
Net earnings for the year	-	-	-	-	-	**12,623,261**
Balance as of December 31, 2021	**396,603**	**820,094**	**1,932,559**	**2,965,146**	**6,114,402**	**$97,348,260**

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

Expressed in Canadian Dollars

Years ended December 31	**2021**	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$12,623,261	$6,001,351
Items not affecting cash:		
Accretion of mortgage transaction costs (Note 5)	200,949	94,758
Fair value adjustment to investment properties (Note 4)	(10,196,231)	(3,999,881)
Changes in non-cash working capital items:		
Increase in receivables	(20,612)	(7,062)
Decrease (Increase) in prepaid expenses	365,547	(738,865)
Increase (Decrease) in accounts payable and accruals	494,731	(74,564)
Increase in security deposits	256,014	74,244
Increase (Decrease) in deferred revenue	3,092	(45,228)
Net cash received from operating activities	3,726,751	1,304,752
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of new investment property (Note 4)	(97,781,059)	(10,717,681)
Proceeds from sale of properties (Note 4)	4,045,233	-
Properties under development for use	-	(172,235)
Capital additions to investment properties (Note 4)	(1,542,135)	(721,133)
Net cash used in investing activities	(95,277,961)	(11,611,049)
CASH FLOWS FROM FINANCING ACTIVITIES		
Gross proceeds from issuance of units (Note 6)	29,071,861	3,022,093
Cash distribution (Note 6)	(649,089)	(442,143)
Unit redemption (Note 6)	(694,201)	(544,479)
Issuance costs and commissions (Note 6)	(959,183)	(121,670)
Mortgage proceeds received (Note 5)	67,847,051	12,279,604
Mortgage transaction costs (Note 5)	(1,481,820)	(480,261)
Repayment of mortgages (Note 5)	(6,251,654)	(4,192,840)
Net cash received from financing activities	86,882,965	9,520,302
Net change in cash and cash equivalents	**(4,668,245)**	(785,995)
Cash and cash equivalents, beginning of year	**5,934,611**	6,720,606
CASH AND CASH EQUIVALENTS, END OF YEAR	**$1,266,366**	$5,934,611

Supplementary cash flow information in Note 11

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

1. NATURE OF OPERATIONS

All Island Equity REIT (the "REIT") is a limited purpose, unincorporated open-ended investment trust, governed by the terms and conditions of a Declaration of Trust dated March 1, 2017, as amended on May 29, 2018, and by the general laws of trusts and the laws of British Columbia, Canada. The principal office of the REIT is located at 450A Wentworth St, Nanaimo, BC V9R 3E1.

The REIT commenced operations on May 14, 2017. The principal activities of the REIT are the ownership and management of a diversified portfolio of retail and commercial mixed-use properties.

COVID-19 (coronavirus) has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the REIT as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the future variants and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the REIT has put risk mitigation processes in place the full extent of the impact of COVID-19 is unknown. We anticipate that this outbreak may cause changes in tenant demand, disruptions in procurement, affect staff, and increased government regulations, all of which may negatively impact the REIT's business and financial condition.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") incorporating interpretations issued by the IFRS Interpretations Committee ("IFRICs") and effective for the year ended December 31, 2021.

These consolidated financial statements for the year ended December 31, 2021 were authorized for issue by the Board of Directors of the Trustee (the "Board") on February 28, 2021.

b. Basis of measurement

These consolidated financial statements have been prepared on a going concern basis, under historic cost convention, except for investment properties which have been measured at fair value.

The preparation of these consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the REIT's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3(L).

c. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the REIT and all subsidiaries' functional currency. All amounts presented have been rounded to the nearest dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of consolidation

The consolidated financial statements comprise the financial statements of the REIT and its subsidiaries, over which the REIT has control. Control exists when the REIT has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial statements of subsidiaries are consolidated from the date that control commences and continue to be consolidated until the date that control ceases.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with those used by other members of the group.

Intra-group transactions and balances are eliminated in preparing the consolidated financial statements. The consolidated financial statements reflect the financial position, results of operations and cash flows of the REIT, its 100% owned subsidiary, All Island Equity REIT Limited Partnership (the “REIT LP”) (collectively, the “Limited Partnership”), and all related bare trust nominee companies.

The REIT has entered into an agreement with this party in the form of a limited partnership. After adopting IFRS 10, *Consolidated Financial Statements*, and IFRS 11, *Joint Arrangements*, the REIT determined that it has control over the Limited Partnership.

B. Property acquisitions and business combinations

Where property is acquired, management considers the substance of the agreement in determining whether the acquisition represents an asset acquisition or a business combination. The basis of the judgment is set out in Note 3(L).

Where such acquisitions are not determined to be a business combination, they are treated as an asset acquisition. The cost to acquire the property is allocated between the identifiable assets acquired and liabilities assumed based on their relative fair values at the acquisition date. Otherwise, acquisitions are accounted for as a business combination.

All acquisitions to date have been determined to be asset acquisitions.

C. Investment properties

Investment properties comprise of properties held to earn rental revenue or for capital appreciation or both. Investment properties are measured initially at cost including directly attributable expenditures. Acquisition costs include transfer taxes, professional fees for legal services, acquisition fees and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment properties are measured using the fair value model. The REIT defines fair value to be the value a third party is willing to pay, in an arm’s length transaction, for an investment property. Therefore, the fair value of recently acquired investment property would be the purchase price. Any subsequent valuations performed on an investment property, after acquisition date, would be the new basis for the fair value recorded on the investment property. Gains or losses arising from changes in fair values are included in the consolidated statement of earnings in the year which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Investment properties (continued)

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the consolidated statements of earnings in the year of retirement or disposal. Gains or losses on the disposal of investment property are recognized through fair value adjustments to investment properties and are determined as the difference between net disposal proceeds and the carrying value of the asset on the date the transaction occurred.

D. Properties under development for use

Properties under development for use are carried at cost and are not subject to depreciation. Cost includes initial acquisition costs, project costs, professional fees, management fees, and interest during the development period. The development period ends when the assets are available for use and construction is complete or proceeding with the development is no longer considered viable. Upon completion or termination, properties under development for use are transferred to the appropriate asset classes.

E. Cash and cash equivalents

Cash consists of cash on hand and cash held at banks. Cash equivalents include guaranteed investment certificates that are readily redeemable into cash with original maturities of three months or less from the purchase date.

F. Equity issuances and redemption

Issuances of units are recorded as increases in equity equal to the gross proceeds received while redemption of units are recorded as decreases in equity equal to the amount paid, calculated in accordance with the Trust Declaration. Incremental costs directly attributable to the issuance of new units are recorded as reductions in equity as unit issuance costs.

G. Revenue recognition

Rental revenue is recognized in income on a straight-line basis over the lease term subject to ultimate collection being reasonably assured in accordance with IFRS 16.

Revenues, including recoveries of specified operating expenses, in accordance with the terms of the lease agreements, parking and other incidental income are recognized when they are earned in accordance with IFRS 15.

H. Net earnings per unit

Basic net earnings per unit have been calculated based on the weighted average number of units outstanding.

I. Financial instruments

All financial instruments are initially measured at fair value on the Statement of Financial Position. Subsequent measurement of the financial instrument is based on their respective classification. For financial assets, the subsequent measurement is based on the REIT’s business model for managing the asset and the cash flow characteristics of the asset. The REIT’s financial assets are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest and are therefore measured at amortized cost. Interest income from these financial assets is included in interest income using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Financial instruments (continued)

Financial asset/liability	Measurement
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Trade payables and accruals	Amortized cost
Security deposits	Amortized cost
Loans	Amortized cost

Amortized cost
Financial assets and liabilities are initially recognized at their fair value. Fair value is determined by recent arm's length market transactions for the same instrument/approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date.

The financial assets and liabilities are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts and payments for liabilities are exactly discounted over the expected life of the financial asset or financial liability, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset or a financial liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method or any difference between that initial amount and the maturity amount, and for financial assets, adjusted for any loss allowances. Net gains and losses from changes in fair value are recognized in profit (loss) upon derecognition or impairment.

Impairment of financial assets
Financial assets carried at amortized cost are assessed at each reporting date on whether they are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The REIT applies the expected credit loss ("ECL") approach in determining provisions for financial assets carried at amortized cost. The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. The approach that the REIT has taken for trade receivables is a provision matrix approach whereby lifetime expected credit losses are recognized based on aging characterization and credit worthiness of the tenants. Specific provisions may be used where there is information that a specific tenant's expected credit losses have increased. The specific accounts are only written off once all the collection avenues have been explored or when legal bankruptcy has occurred.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the REIT considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the REIT's historical experience and informed credit assessment and including forward-looking information. The credit risk on a financial asset is considered to have increased significantly if it is more than 90 days past due.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the consolidated statement of earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Income taxes

The REIT qualifies as a "mutual fund trust" under the Income Tax Act (Canada) and as a Real Estate Investment Trust ("REIT") eligible for the 'REIT Exemption' in accordance with the rules affecting the tax treatment. Pursuant to the Declaration of Trust, the Board intends to distribute or designate all taxable income to the unitholders of the REIT and to deduct such distributions and designations for Canadian Income Tax purposes. Accordingly, the REIT is not taxable on its income provided all of its taxable income is distributed to the unitholders.

K. Fair value

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. In certain circumstances, the initial fair value may be based on other observable current market transactions, without modification or on a valuation technique using market-based inputs.

Fair value measurements recognized in the consolidated statement of financial position are categorized in accordance with the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

The REIT measures investment properties at fair value at the end of each reporting period. Management estimates the fair value of its investment properties using the direct capitalization income method. For the direct capitalization income method, the fair value is determined by applying a capitalization rate to stabilized net operating income. The result is further adjusted for potential leasing costs, capital expenditures, and costs to stabilize income. Since significant adjustments are made to key inputs, the REIT measures the fair value under level 3 of the fair value hierarchy.

L. Significant accounting judgments and estimates

Judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities are reviewed on an ongoing basis. Actual results may differ from these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Significant accounting judgments and estimates (continued)

a. Judgments

In the process of applying the REIT's accounting policies, management has made the following critical judgments, which have the most significant effects on the amounts recognized in the consolidated financial statements:

(i) Asset acquisitions

The REIT acquires individual investment properties. At the time of acquisition, the REIT considers whether or not the acquisition represents the acquisition of a business. IFRS 3, Business Combinations ("IFRS 3"), is only applicable if it is considered that a business has been acquired. According to IFRS 3, a business is an integrated set of activities is acquired in addition to the property. More specifically, consideration is made to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the property (e.g., maintenance, cleaning, security, bookkeeping, etc.).

When the acquisition of a property does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized. All acquisitions to date have been determined to be asset acquisitions.

(ii) Lease contracts

The REIT has entered into property leases on its investment property portfolio as the lessor. The REIT makes judgments in determining whether certain leases, in particular those leases with long contractual terms, are operating or finance leases. The REIT must assess each lease separately against land and building. The REIT has determined that all of its leases of land and buildings are operating leases as the REIT retained substantially all of the risks and benefits of ownership of its investment properties.

b. Estimates

The significant areas of estimation include the following:

Valuation of investment properties

The fair value of the investment properties is determined by management, using recognized valuation techniques supported, in certain instances, by independent real estate valuation experts.

The determination of the fair value of the investment properties requires the use of estimates such as future cash flows from assets (based on the review of anticipated cash flows involving assumptions relating to occupancy, rental rates and residual value, and overall repair and condition of the property) and capitalization rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Significant accounting judgments and estimates (b. Estimate) (continued)

The following approaches, either individually or in combination, are used by management, together with the appraisals, in their determination of the fair value of the investment properties:

The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.

The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews each appraisal obtained and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above. Where an appraisal is not obtained at the reporting date, management reviews the approaches described above, for each investment property, and estimates the fair value.

The significant assumptions used by management in estimating the fair value of investment property are set out in Note 4.

M. Provisions

Provisions are recognized by the REIT when: i) the REIT has a present legal or constructive obligation as a result of past events; ii) it is probable that an outflow of resources will be required to settle the obligation; and iii) the amount can be reasonably estimated. If the time value of money is material, provisions are discounted using a current rate that reflects the risk profile of the liability, and the increase to the provision due to the passage of time will be recognized as interest expenses.

N. Standards, Amendments and Interpretations Adopted

IFRS 16 Leases (Amendment)

In March 2021, the International Accounting Standards Board (IASB) issued amendments to IFRS 16 Leases to extend the availability of the exemption for COVID-19-related rent concessions by one year to June 30, 2022. The amendments were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in April 2021. The exemption applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided that the other conditions for applying the practical expedient are met. The amendments are effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted, including in financial statements not yet authorized for issue at March 31,2021.

Expressed in Canadian Dollars

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

O. New and revised IFRS standards in issue but not effective yet

New accounting standards adopted
The listing below includes issued standards, amendments, and interpretations that the REIT reasonably expects to be applicable at a future date and intends to adopt when they become effective.

Interest Rate Benchmark Reform: Amendments to IFRS 9 and IFRS 7

In September 2019, IASB issued Phase 1 of its amendments to IFRS 9 – Financial Instrument sand IFRS 7 – Financial Instruments: Disclosures, to amend certain requirements for hedge accounting and provide relief during the period of uncertainty arising from the phase out of interest rate benchmarks (e.g. interbank offered rates [“IBOR”s]). These amendments modify hedge accounting requirements, allowing entities to assume that the interest rate benchmark on which the cash flows of the hedged item and the hedging instrument are based are not altered as a result of IBOR reform, thereby allowing hedge accounting to continue. Mandatory application of the amendments ends at the earlier of when the uncertainty regarding the timing and amount of interest rate benchmark-based cash flows is no longer present and the discontinuation of the hedging relationship. Phase 2 of the IASB’s project on IBOR is underway and will address transition from IBOR. The Phase 1 amendments will be effective for annual periods beginning on or after January 1, 2020, with early adoption permitted. The REIT does not expect any potential impact of these amendments on hedge accounting relationships.

Insurance Contracts

In May 2017, the International Accounting Standards Board (“IASB”) issued IFRS 17 – Insurance Contracts (“IFRS 17”), that replaces IFRS 4 – Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021. In June 2019, the IASB proposed an amendment to IFRS 17 providing a deferral of one year of the effective date to January 1, 2022. Early adoption is permitted. The REIT does not except any potential impact of this standard.

4. INVESTMENT PROPERTIES

The balance of the investment properties as at December 31, 2021 and December 31, 2020 is as follows:

As at December 31,	**2021**	2020
Balance, beginning of year	**$93,537,695**	$78,099,000
Purchase of new investment properties	**97,781,059**	10,717,681
Capital additions	**1,542,135**	691,104
Disposal of investment properties	**(4,045,233)**	-
Changes in fair value adjustments to investment properties	**10,196,231**	4,029,910
Balance, end of year	**$199,011,887**	$93,537,695

As of 31 December 2021, Investment Properties included Leasehold Properties (note 7) valued at $25,431,750. These properties were measured at cost, including directly attributable expenditures. The REIT believes this to be the fair value of the properties since they were acquired on November 16, 2021. The REIT estimates the freehold value of the Leasehold Properties to be $85,931,812. The difference between the estimated freehold value and the fair value implies that value of the Leasehold Obligation is $60,500,062.

Expressed in Canadian Dollars

4. INVESTMENT PROPERTIES (continued)

The fair value of investment property acquired recently is the purchase price plus directly attributable expenditures and capital additions since acquisition. Subsequently, the fair value of the investment properties is determined on a fair value basis.

In arriving at their estimates of market values, management and the independent appraisers will use their market knowledge and professional judgment and will not rely solely on historical transactional comparisons.

The appraisals will be performed annually by accredited independent appraisers with recognized and relevant professional qualifications and with recent experience in the location and category of the investment property being valued. Management will review each appraisal and ensure that the assumptions used are reasonable and the final fair value amount will reflect those assumptions, which are used in the determination of the fair values of the properties.

The significant assumptions made to the fair value of the investment properties as at December 31, 2021 and December 31, 2020 are set out below:

For December 31, 2021	Weighted average	Range
Capitalization rate (%)	4.18%	3.00% - 6.25%
Net operating income ($)	$8,327,130	$15,565 - $953,877

For December 31, 2020	Weighted average	Range
Capitalization rate (%)	4.91%	4.15% - 6.61%
Net operating income ($)	$4,596,000	$15,175 - $622,627

Valuations determined by the income method are most sensitive to changes in capitalization rates and net operating income (NOI). The table below summarizes the sensitivity of the fair value of investment properties to changes in the capitalization rate and changes in NOI as at December 31, 2021 and 2020.

		Change in NOI				
As at December 31, 2021		**-2.00%**	**-1.00%**	**As reported**	**1.00%**	**2.00%**
Change in Capitalization Rate	**-0.50%**	22,488,150	24,748,354	27,008,558	29,268,763	31,528,967
	-0.25%	8,412,993	10,529,573	12,646,154	14,762,734	16,879,314
	As reported	(3,980,238)	(1,990,119)	-	1,990,119	3,980,238
	0.25%	(14,976,021)	(13,098,104)	(11,220,187)	(9,342,270)	(7,464,353)
	0.50%	(24,798,103)	(23,020,411)	(21,242,720)	(19,465,028)	(17,687,336)

		Change in NOI				
As at December 31, 2020		**-2.00%**	**-1.00%**	**As reported**	**1.00%**	**2.00%**
Change in Capitalization Rate	**-0.50%**	8,514,018	9,555,362	10,596,706	11,638,050	12,679,394
	-0.25%	3,043,281	4,028,801	5,014,321	5,999,842	6,985,362
	As reported	(1,870,754)	(935,377)	-	935,377	1,870,754
	0.25%	(6,308,948)	(5,418,859)	(4,528,769)	(3,638,680)	(2,748,591)
	0.50%	(10,337,225)	(9,488,241)	(8,639,256)	(7,790,272)	(6,941,287)

Expressed in Canadian Dollars

4. LOANS

Loans are recorded at amortized cost and are secured by first charges on the REIT's investment properties, with a carrying and fair value of $102,290,649 and $104,355,468, respectively (2020 - $41,976,123 and $42,760,071). Included in loans are unamortized mortgage transaction costs, which are amortized over the term of each mortgage using the effective interest rate method.

As at December 31,	**2021**	2020
Balance, beginning of year	**41,976,123**	34,274,862
Mortgage Proceeds Received	**67,847,051**	12,279,604
Mortgage Payments - Principal	**(6,251,654)**	(4,192,840)
Mortgage Payments - Interest	**(1,423,925)**	(1,190,421)
Interest Expense	**1,423,925**	1,190,421
Mortgage transaction cost paid	**(1,481,820)**	(480,261)
Amortization of mortgage transaction cost	**200,949**	94,758
Balance, end of year	**102,290,649**	41,976,123

Detailed summary:

As at December 31,	**2021**	2020
CMLS Financial Ltd. mortgage loan, bearing interest at 3.26%, payable in monthly blended installment payments of $20,197, with a term expiring on June 1, 2022, secured by certain investment properties	**$3,627,614**	$3,750,356
Less: unamortized mortgage transaction costs	**(2,789)**	(9,485)
	3,624,826	3,740,871
Coast Capital Savings Credit Union term loans, bearing interest between 3.15% to 3.47%, payable in total monthly blended installment payments of $63,474, with terms expiring on June 1, 2022, secured by certain investment properties	**9,944,053**	11,089,292
Less: unamortized mortgage transaction costs	**(3,040)**	(10,340)
	9,941,013	11,078,952
Industrial Alliance Financial Group term loans, bearing interest between 3.40% to 3.45%, payable in total monthly blended installment payments of $21,854, with terms expiring between December 1, 2021 and April 1, 2022, secured by certain investment properties	**-**	3,687,067
Less: unamortized mortgage transaction costs	**-**	(2,451)
	-	3,684,616
Vancity loans, bearing interests at 3.99%, payable in a total monthly blended installment payment of $2,760, with terms expiring April 25, 2021, secured by certain investment properties	**-**	490,384
Less: unamortized mortgage transaction costs	**-**	(19,386)
	-	470,998

Expressed in Canadian Dollars

5. LOANS (continued)

People's Trust loans, bearing interest between 1.69% to 3.22%, payable in total monthly blended installment payments of $84,965, with terms expiring ranging from March 1, 2028 to June 1, 2030, secured by certain investment properties	**24,262,936**	19,177,921
Less: unamortized mortgage transaction costs	**(678,483)**	(569,288)
	23,584,452	18,608,633
People's Trust bridge facility, bearing interest of 3.75%, paying interest only, expected to roll into a group of 10-year CMCH mortgages in 2022, secured by certain investment properties	**31,500,000**	-
Less: unamortized mortgage transaction costs	**(457,124)**	-
	31,042,873	-
RBC loan, bearing interest at 1.80%, payable in a total monthly blended installment payment of $19,147, with term expiring July 1, 2030, secured by certain investment properties	**4,415,930**	4,565,051
Less: unamortized mortgage transaction costs	**(154,795)**	(172,998)
	4,261,135	4,392,053
National Bank loan, bearing interest at 1.80%, payable in a total monthly blended installment payment of $18,188, with term expiring March 1, 2031, secured by certain investment properties	**4,218,312**	-
Less: unamortized mortgage transaction costs	**(162,021)**	-
	4,056,292	-
Coastal Community Credit Union loans, bearing interest at 2.90%, payable in total monthly blended installment payments of $22,225, with term expiring November 5, 2026, secured by certain investment properties	**5,079,393**	-
Less: unamortized mortgage transaction costs	**(89,517)**	-
	4,989,877	-
Scotiabank loans, bearing interest at 2.73% for year one to three, thereafter increasing to 3.20% until maturity, payable in total monthly blended installment payments of $56,490, with term expiring December 2, 2026, secured by certain investment properties	**12,270,907**	-
Less: unamortized mortgage transaction costs	**(171,551)**	-
	12,099,356	-
MCAP loans, bearing interest at 2.61%, payable in total monthly blended installment payments of $40,976, with term expiring December 1, 2031, secured by certain investment properties	**9,036,323**	-
Less: unamortized mortgage transaction costs	**(345,499)**	-
	8,690,824	-
	$102,290,649	$41,976,123

Current portion of unamortized mortgage transaction costs	**$ (282,969)**	$ (119,418)
Current portion of long-term debt	**15,208,266**	3,889,089
Long term portion of unamortized mortgage transaction costs	**(1,781,850)**	$(664,529)
Long-term portion of long-term debt	**89,147,202**	38,870,982
	$102,290,649	$41,976,123

Expressed in Canadian Dollars

5. LOANS (continued)

During the year ended December 31, 2021, the REIT incurred interest expense of $1,423,925 (2020 - $1,190,421) and amortization expense of $200,949 (2020 - $94,758). Under the terms of the loan agreements, the REIT is required to comply with certain loan covenants. As at December 31, 2021 and 2020, all covenants were met.

Principal repayments based on scheduled repayments to be made on the long-term debt are as follows as of December 31, 2021:

2022	$15,208,266
2023	1,697,756
2024	1,742,504
2025	1,763,709
Thereafter	83,943,233
	$104,355,468

6. UNITHOLDERS' EQUITY

Under the Declaration of Trust, the REIT is authorized to issue unlimited number of redeemable REIT units without par value. The Trustee will have the power and authority, from time to time, for and on behalf of the REIT, to create one or more classes or series of units on such terms and conditions as may be determined by the Trustee. All the units in any class or series will have the same rights, benefits and other attributes and will rank equally with every other unit in such class or series.

The REIT currently has two classes of units being Class A and Class F Units. All units of each class are entitled to participate equally with respect to all distributions made by the REIT to the unitholders, including distributions of net income and net realized capital gains, if any. All Class A units allow for a trailer fee (an annual fee which may be paid by the REIT to registered securities dealers and exempt market dealers) of up to 1% of the Net Asset Value.

Unitholders can elect to either receive distribution in cash or participate in the Distribution Reinvestment Plan ("DRIP"). The DRIP allows holders of REIT units to have all cash distributions from the REIT reinvested in additional units of the same classes of units held. Unitholders can switch between receiving distribution in cash or participating DRIP at their discretion. Cash undistributed by the REIT upon the issuance of additional units under the DRIP will be invested in the REIT to be used for future property acquisitions, capital improvements, reducing liabilities, and working capital.

As at December 31, 2021, total unitholders equity was $97,348,260 (2020 - $57,955,611) which consists of unitholder contributions, distributions declared, DRIP units issued, issuance costs and net earnings for the year ended December 31, 2021.

Expressed in Canadian Dollars

6. UNITHOLDERS' EQUITY (continued)

a. Unit Issuance

The REIT issued the following units:

for the year ended 31 December, 2021	Units Issued	Gross Proceeds	Price Per Unit
Class A PAY	147,968	$2,126,300	$14.37
Class F PAY	101,523	1,458,886	14.37
Class A DRIP	1,017,577	14,622,581	14.37
Class F DRIP	756,026	10,864,094	14.37
Total	**2,023,094**	**$29,071,861**	**$14.37**

for the year ended 31 December, 2020	Units Issued	Gross Proceeds	Price Per Unit
Class A PAY	684	$9,097	$13.30
Class F PAY	30,008	399,106	13.30
Class A DRIP	85,849	1,141,792	13.30
Class F DRIP	110,684	1,472,097	13.30
Total	**227,225**	**$3,022,093**	**$13.30**

b. Unit Classification and redemption rights

The REIT presents Units as equity, notwithstanding the fact that the Units meet the definition of a financial liability. Under IAS 32,*Financial Instruments: Presentation* (IAS 32), the Units are considered a puttable financial instrument because of the holder's option to redeem the Units, generally at any time, subject to certain restrictions, the redemption price per unit is equal to the Net Asset Value Per Unit as determined on the Valuation Date which immediately precedes the Redemption Date, subject to any administration and processing fees that may be determined and applied by the Trustee, in its sole discretion, from time to time.

The total amount payable by the REIT in any calendar month will not exceed amount payable by the Trust by cash payment in respect of the redemption of Units for the calendar quarter in which the Redemption Date occurs will not exceed $50,000; and (b) the total amount payable by the Trust by cash payment in respect of the redemption of Units in any twelve month period ending at the end of the calendar quarter in which the Redemption Date occurs will not exceed 1/4 of 1% of the aggregate Subscription Price of all Units that were issued and outstanding at the start of such twelve month period.

Expressed in Canadian Dollars

6. UNITHOLDERS' EQUITY (continued)

The REIT has determined the Units can be presented as equity and not financial liabilities because the REIT Units have all of the following features, as defined in IAS 32 (hereinafter referred to as the "puttable exemption"):

- Units entitle the holder to a pro rata share of the REIT's net assets in the event of its liquidation. Net assets are those assets that remain after deducting all other claims on the assets;
- Units are the class of instruments that are subordinate to all other classes of instruments as they have no priority over other claims to the assets of the REIT on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments;
- All instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- Apart from the contractual obligation for the REIT to redeem the Units for cash or another financial asset, the Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the REIT, and it is not a contract that will or may be settled in the REIT's own instruments;
- The total expected cash flows attributable to the Units over their lives are based substantially on the profit or loss, and the change in the recognized net assets and unrecognized net assets of the REIT over the life of the Units; and
- Units are initially recognized at the fair value of the consideration received by the REIT. Any transaction costs arising on the issuance of Units are recognized directly in unitholders' equity as a reduction of the proceeds received.

The REIT redeemed the following units:

for the year ended 31 December,	2021		2020	
	Units Redeemed	Redemption Amount	Units Redeemed	Redemption Amount
Class A PAY	3,328	$47,823	8,647	$115,005
Class F PAY	18,718	265,759	6,117	81,357
Class A DRIP	24,309	347,586	20,060	261,731
Class F DRIP	2,299	33,033	6,495	86,386
Total	48,654	$694,201	41,319	$544,479

Expressed in Canadian Dollars

6. UNITHOLDERS' EQUITY (continued)

c. Distributions

The REIT's Declaration of Trust endeavours to maintain quarterly distribution payments to unitholders. The REIT determines the distribution rate by, among other considerations, its assessment of cash flows as determined using adjusted cash flows from operating activities of its Limited Partnerships. The distribution rate is determined by the Board, at their sole discretion, based on what they consider appropriate given the circumstances of the REIT. Distributions may be adjusted for amounts paid in prior periods if the actual adjusted cash flows from operating activities for those prior periods are greater or less than the estimates used for those prior periods. In addition, the Board may declare distributions out of the income, net realized capital gains, net recapture income and capital of the REIT to the extent such amounts have not already been paid, allocated or distributed.

The REIT distributed the following:

for the year ended 31 December, 2021	Distributions Declared	Distributions Reinvested	Units Issued through DRIP	Trailer Fee Paid
Class A PAY	$115,255	$0	-	$38,418
Class F PAY	318,790	-	-	215,044
Class A DRIP	645,148	430,103	29,931	-
Class F DRIP	1,087,038	1,087,038	75,646	-
Total	**$2,166,231**	**$1,517,142**	**105,577**	**$253,462**

for the year ended 31 December, 2020	Distributions Declared	Distributions Reinvested	Units Issued through DRIP	Trailer Fee Paid
Class A PAY	$69,385	$0	-	$20,080
Class F PAY	241,839	-	-	130,919
Class A DRIP	446,691	315,772	23,742.27	-
Class F DRIP	815,993	815,993	61,352.84	-
Total	**$1,573,908**	**$1,131,765**	**85,095**	**$150,999**

7. OPERATING LEASES – REIT AS LESSOR

The REIT has entered into leases with tenants on its investment property portfolio. The leases typically have initial lease terms ranging between one and five years with periodic upward revision of the rental charge according to the prevailing market conditions.

Future minimum lease payments for commercial tenants under non-cancellable operating leases in the aggregate and for each of the following periods are as follows:

	2021	2020
Within one year	**$804,676**	$982,974
Two to five years	**1,500,486**	1,937,220
Over five years	**400,171**	504,563
	$2,705,333	$3,424,758

As all residential tenants have signed lease agreement that are one year in duration and is extendable on a month-to-month basis after one year, the minimal lease payments associated with these residential tenants have been excluded from the table above.

7. OPERATING LEASES – REIT AS LESSOR (continued)

VICTORIA LEASEHOLD PORTFOLIO

On November 16th, 2021, the REIT purchased the freehold interest in a portfolio consisting of five properties in Victoria, BC. Four of the properties ("Leasehold Properties") have head leases registered on title that mature on 31 December 2073 ("Leasehold Obligation").

These head leases are sub-leased to individual suites ("Lessee Units") in accordance with the terms and conditions of the leasehold contract. The contract allows the owners ("Lessees") of each sub-leased unit to occupy the Lessee Units until the maturity of the head lease. On maturity, the right to occupy the Lessee Units lapses and the Leasehold Obligation ceases. In aggregate, 276 Lessee Units are registered on title, of which the REIT owns 87. The remaining 189 units are owned by unrelated third parties.

To administer the Leasehold Obligation, the REIT incorporated two entities that act as the lessors in the head leases ("Lessors"). These entities have no economic interest in the properties and cannot make a profit or a loss. They act as a trust entity that incurs operating expenses on behalf of and allocates costs to the Lessee Units. These entities are not consolidated.

Under the terms of the lease, the Lessee Units do not pay rent but are responsible for all costs related to the property incurred by the Lessor, acting reasonably ("Operating Costs"). These costs include all amounts payable, including capital expenditures, during the year.

Prior to the commencement of each calendar year, the Lessor must provide the Lessees an estimate of the Operating Costs for the upcoming year. Each Lessee must pay 12 equal monthly payments of the estimated costs to the Lessor ("Monthly Assessments") on the first of each month. If the actual Operating Costs exceed the estimate for that calendar year, the Lessees pay their share of the difference ("Shortfall"). If the actual Operating Expenses are less than estimated, the Lessee's share of operating expenses for the following year are reduced accordingly ("Excess").

The REIT recognizes any expenses incurred and obligations to or from the Lessor entities as it relates to its ownership of its 87 Lessee Units. The REIT may also be required to fund temporary Shortfalls until funds are recovered from the Lessees. The REIT recognizes these transactions as loans to the Lessor. For the year ended 31 December 2021, $37,428 in expenses were allocated to the REIT as Monthly Assessments. At December 31, 2021, the REIT had loaned $24,061 to the Lessors.

Supplementary information is provided following the notes to the consolidated financial statements.

8. CAPITAL MANAGEMENT

The REIT defines capital as the aggregate of unitholders' equity and long-term debt. The REIT's objectives in managing capital are to maintain a level of capital that complies with investment and debt restrictions pursuant to the offering memorandum, complies with existing debt covenants, funds its business strategies and builds long-term unitholders' value. The REIT's capital structure is approved by the Board through its periodic reviews. The REIT is not subject to externally imposed capital requirements.

Expressed in Canadian Dollars

9. FINANCIAL INSTRUMENTS

Fair value of financial instruments

For certain REIT financial instruments, including cash and cash equivalents, trade and other receivables, trade payable and accruals and security deposits, the carrying amounts approximate their fair values due to the immediate or short-term maturity of these financial instruments; which is in accordance with level 1 fair value hierarchy (as set out in Note 3(k).

The fair values of debt are determined by discounting the future contractual cash flow under current financing arrangements at discount rates that represent borrowing rates presently available to the REIT for loans with similar terms and maturity and measured under level 2 fair value hierarchy (as set out in Note 3 (k)) since the discount rates are either provided by the lenders or are observable on the open market.

The following table presents the carrying amounts and fair values of the REIT's financial instruments:

As at December 31,	**2021**		2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**$1,266,366**	**$1,266,366**	$5,934,611	$5,934,611
Trade and other receivables	**74,465**	**74,465**	53,853	53,853
Trade payable and accruals	**705,563**	**705,563**	383,066	383,066
Security deposits	**507,407**	**507,407**	251,393	251,393
Loans	**102,290,649**	**104,355,468**	41,976,123	42,760,071

Financial risk management

The Board of the REIT has the overall responsibility for the establishment and oversight of the REIT's risk management framework. The REIT's risk management policies are established to identify and analyze the risks faced by the REIT, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the REIT's activities.

In the normal course of business, the REIT is exposed to several risks from its use of financial instruments. These risks, and the actions taken to manage them, are as follows:

a. Credit risk

Credit risk is the risk of financial loss to the REIT if a tenant or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the REIT's receivables from tenants.

The REIT's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The REIT minimizes the risk by checking tenants' credit histories, requesting security deposits and initiating a prompt collection process.

9. FINANCIAL INSTRUMENTS (continued)

a. Credit risk (continued)

Trade and other receivables are comprised primarily of current balances owing and the REIT has not experienced any significant receivable write-offs. The REIT performs frequent reviews of its receivables and has determined there is no significant provision for doubtful accounts as at December 31, 2020 and 2019. The table below shows trade receivables due from tenants:

Aged trade receivables	**December 31, 2021**	**December 31, 2020**
Current	$56,409	$2,727
Past due 31 – 60 days	-	9,556
Past due 61 – 90 days	266	35,087
Past due 90+ days	17,790	6,484
	$74,465	**$53,853**

The REIT places its cash and cash equivalents with Canadian financial institutions with high credit ratings, credit ratings are actively monitored, and these financial institutions are expected to meet their obligations.

b. Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The REIT will be exposed to interest rate risk on the fixed rate debt it carries against the investment properties as at December 31, 2021 and December 31, 2020 at maturity.

c. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The REIT is not subject to foreign currency risk as the REIT's financial instruments are denominated in Canadian dollars.

d. Liquidity risk

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they fall due. Real estate property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT was required to liquidate a real estate property investment, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property.

The REIT's approach to managing liquidity is to ensure that it will have sufficient cash available to meet those liabilities which are not expected to be refinanced when they come due. As at December 31, 2021, the REIT reasonably expects that all mortgages with maturities in 2022 will be refinanced, and has sufficient cash on hand to settle all other current liabilities.

The following are the contractual maturities of financial liabilities as at December 31, 2021.

	Amortized cost	Due in 1 year	Over 1 year
Trade payable and accruals	$705,563	$705,563	-
Loans	$102,290,649	$14,925,297	$87,365,352

9. FINANCIAL INSTRUMENTS (continued)

e. Environmental risk

The REIT is subject to various federal, provincial/state and municipal laws relating to the environment. These laws could result in liability for the costs of removal and remediation of certain hazardous substances or waste released or deposited on or in investment properties or disposed of at other locations. Failure to remove or remediate such substances, if any, could adversely affect the ability to sell real estate, or to borrow using real estate as collateral, and could potentially result in claims or other proceedings. The REIT is not aware any material non-compliance with environmental laws at any properties. The REIT is also not aware of any material pending or threatened investigations or actions by environmental regulatory authorities in connection with, or conditions at, the properties. The REIT has policies and procedures to review and monitor environmental exposure, and has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly, and the REIT may become subject to more stringent environmental laws and regulations that could have an adverse effect on the financial condition or results of operations.

f. Redemption risk

Redemptions will be paid by way of a cash payment no later than the last day of the calendar month following the calendar quarter in which the redemption date occurs, subject to the following limitations:

a) the total amount payable by the REIT by cash payment in respect of the redemption of units for the calendar quarter in which the redemption date occurs will not exceed $50,000; and
b) the total amount payable by the REIT by cash payment in respect of the redemption of units in any twelve month period ending at the end of the calendar quarter in which the redemption date occurs will not exceed 1/4 of 1% of the aggregate subscription price of all units that were issued and outstanding at the start of such twelve month period.

If any of the conditions in (a) and (b) immediately above preclude the payment of the redemption price in cash, and the REIT does not, in its sole discretion, waive such limitation, payment will be made in specie.

Payment of Redemption Price in Specie

If any of the conditions in (a) and (b) immediately above preclude the payment of the Redemption Price in cash, and the Trustee does not, in its sole discretion, waive such limitation in respect of all Units tendered for redemption in any particular calendar quarter, the Redemption Price shall be paid and satisfied by way of any of the following methods to be selected by the Trustee, using its sole discretion:

a. the issuance and delivery of a number of Trust Notes, each in the principal amount of $100, having an aggregate principal amount equal to the redemption price per Unit multiplied by the number of Units tendered for redemption;

b. a distribution in specie to the Unitholder of a number of LP Units having an aggregate value determined on the redemption date based on the redemption price of the LP Units under the terms and conditions of the Limited Partnership Agreement, equal to the redemption price per Unit multiplied by the number of Units tendered for redemption; or

c. a distribution in specie to the Unitholder of a number of Debt Securities (each in the principal amount of $100) having an aggregate principal amount equal to the redemption price per Unit multiplied by the number of Units tendered for redemption.

To date, all redemption requests have been paid by way of cash payment.

9. FINANCIAL INSTRUMENTS (continued)

g. Lease rollover risk

Lease rollover risk arises from the possibility that the REIT may have trouble renewing leases as they expire or in re-leasing space vacated by tenants upon lease expiry. The REIT endeavors to sign long term leases with commercial tenants to minimize lease rollover risk. At December 31, 2021, the occupancy rate across all of the commercial properties is 94.1% (2020 – 88.80%). For any vacant space, the REIT uses qualified third-party leasing agents to actively market the space.

10. RELATED PARTY TRANSACTIONS

The REIT's related parties consist of its subsidiaries, directors, and key members of management. These transactions were in the normal course of operations and were measured at fair value, which represented the amount of consideration established and agreed to by the related parties.

Transactions with All Island Equity Management Inc. (the "Manager")

The Manager is related to the REIT by virtue of having officers and directors in common with the REIT. The Manager is also the General Partner of the Limited Partnership.

As of December 31, 2021, the Limited Partnership Agreement states that net income or loss of the Limited Partnership from the ordinary course of operations of the properties will be allocated as follows:

- Firstly, 0.01% to each of the General Partner to a maximum of $100 per annum; and
- Secondly, the balance of net income or loss shall be allocated to the REIT, as the sole Limited Partner.

From inception to date no net income or loss was allocated, nor any payments made or are due to the Manager under any provision contained within the Limited Partnership Agreement.

In connection with the services provided by the Manager under the Management Agreement with the REIT LP, the following amounts will be payable to the Manager:

a. An acquisition fee equal to 1.00% of the gross purchase price of each property (or interest in a property), plus GST if applicable, payable to the Manager upon completion of the purchase of each such property (or interest in a property).

For the year ended December 31, 2021, the Manager was entitled to charge acquisition fees totaling $937,050 (2020 - $105,600) plus GST, if applicable, of which $468,525 (2020 - $nil) was paid to the Manager, and $468,525 (2020 - $105,600) was waived during the year.

b. An asset management fee up to 0.50% of the Gross Asset Value (2021 - $122,438,518 and 2020 - $91,157,043) (defined as the fair market value of all assets of the Trust, as measured on the financial statements of the Trust as at the end of each month) payable quarterly, no later than the last day of each quarter. The Manager may waive the obligation of the REIT LP to pay all or any portion of the asset management fee for any year or any one or more months within any such year, provided that the waiver of the obligation shall not act as a waiver of such obligation in subsequent years.

For the year ended December 31, 2020, the Manager was entitled to charge asset management fees totaling $612,877 (2020 - $455,847) plus GST, if applicable, of which $281,744 (2020 - $248,373) was paid to the Manager, and $331,133 (2020 - $207,474) was waived during the year. At December 31, 2021, the REIT had a payable to the Manager of $10,565.

10. RELATED PARTY TRANSACTIONS (continued)

Transactions with All Island Equity Services Inc. (the "Trustee")

The Trustee is related to the REIT by virtue of having officers and directors in common with the REIT. The Trustee has no business activities other than acting as Trustee of the Trust.

During the years December 31, 2021 and 2020, there were no transactions with the Trustee.

During the years December 31, 2021 and 2020, the REIT paid director fees of $70,636 (2020 - $47,088). At December 31, 2021, the REIT had a payable to the Trustee of $397.

11. SUPPLEMNTARY CASH FLOW INFORMATION

Non-cash transaction

The REIT issued 105,577 Units (2020 – 85,095) as part of the DRIP program, of which 29,931 was issued as Class A DRIP (2020 – 23,742) and 75,646 was issued as a Class F DRIP (2020 – $61,353), for a total value of $1,517,142 (2020- $1,131,765) of distributions reinvested (Note 6).

12. SEGMENTED DISCLOSURE

The REIT operates in one business segment, being the owning and operating of investment properties in Canada. As at December 31, 2021, the REIT operates forty-two investment properties located in British Columbia, Canada.

13. SUBSEQUENT EVENTS

The REIT obtained a certificate of insurance from CMHC dated 24 December 2021 over the properties in the Okanagan portfolio and entered into a commitment letter with People's Trust to convert the bridge facility of $31,500,000 into a 10-year mortgage with a principal amount of $32,163,137 at an interest rate of 2.96%. The mortgage is expected to close by March 2021.

Subsequent to December 31, 2021, the REIT redeemed 590 Class A DRIP and 2,488 Class F DRIP units for a total payment of $44,224 to unitholders.

14. COMPARATIVE FIGURES

Comparative figures have been re-classified to conform to current presentation. Specifically, rental expenses and administrative expenses have been condensed for clarity on the consolidated statement of earnings.

Expressed in Canadian Dollars

UNAUDITED SUPPLEMENTARY INFORMATION: VICTORIA LEASEHOLD PORTFOLIO

The following unaudited information supplements the consolidated statements of financial position in reference to Note 7 – Operating Leases- REIT: Victoria Leasehold Portfolio.

The freehold interests in the four properties with existing head leases were purchased on November 16, 2021, therefore, the REIT had limited involvement in the operations for the year ended December 31, 2021. The following information is provided as supplementary for the year ended December 31, 2021, to provide information and to show the obligations assumed by the REIT. In subsequent years, the information will be included in the Notes to Financial Statements - Operating Leases – REIT: Victoria Leasehold Portfolio.

On incorporation of the new entities that act as Lessors, these entities assumed the obligations of the previous lessor. The annual operational information and obligations assumed by the REIT are summarized below:

For the year ended 31 December, 2021	**Edgemont**	**El Mirador**	**Ocean Villa**	**Villa Royale**
Opening Excess / (Shortfall)	($29,169)	$41,811	($8,476)	$56,159
Monthly Assessments	238,000	324,000	220,000	515,000
Special Assessments	29,520	-	-	-
Other Income	9,365	26,081	8,840	21,955
Total Receipts	276,885	350,081	228,840	536,955
Total Payments	266,417	350,495	243,504	564,203
Closing Excess / (Shortfall)	**($18,701)**	**$41,397**	**($23,140)**	**$15,108**

At 31 December, 2021	**Edgemont**	**El Mirador**	**Ocean Villa**	**Villa Royale**
Bank	$290	$40,597	$10,418	$15,108
Account Payable	(862)	-	-	-
Accounts Receivable	872	800	442	-
Loans to / (from) related parties	($19,000)	$0	($34,000)	$0