



North Point
6971, 9873, 6975 Island Highway North, Nanaimo BC



**SKYLINE
APARTMENT
REIT 2020**

ANNUAL REPORT TO UNITHOLDERS, DECEMBER 31 2020

Grounded in real estate,
powered by people
and **growing** for the future...



From left to right: **Jason Castellan**, Co-Founder & Chief Executive Officer; **Wayne Byrd**, Chief Financial Officer; **Danny Cobban**, Vice President, Skyline Apartment Asset Management Inc.; **Matthew Organ**, President, Skyline Asset Management Inc.; **BJ Santavy**, Vice President, Skyline Living; **Martin Castellan**, Co-Founder & Chief Administrative Officer; **R. Jason Ashdown**, Co-Founder & Chief Sustainability Officer.

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OVERVIEW

\$3.39 B

Fair Value of Investment Properties
(15.97% increase)
(As at December 31, 2020)

19,697

Residential Units Across Canada
(As at December 31, 2020)

91.51%

Forward FFO
Payout Ratio
(As at December 31, 2020)

\$23.75

Current Unit Value
(As at April 30, 2021)

\$0.97

Annual Distribution per Unit
(As at April 30, 2021)

4.08%

Annual Distribution Yield
(As at April 30, 2021)

18.63%

Annualized Return 1 yr
(As at April 30, 2021)

18.30%

Annualized Return 5 yr
(As at April 30, 2021)

14.69%

Annualized Return Since Inception
(As at April 30, 2021)

Lake Country Lofts
10650 Bottom Wood Lake Road, Lake Country, BC

AWARDS



Best Managed Companies – Gold Standard Winner 2020

Skyline Group of Companies was recognized as one of Canada's Best Managed Companies, a designation that continues to be the mark of excellence for Canadian-owned and managed companies with revenues over \$25 million. Businesses are evaluated on adaptation amid changing market conditions, embracing innovation, and employee engagement.



CFAA 2020 Awards – Winner, Rental Housing Provider of the Year (over 7,500 suites) & Rental Development of the Year (low-rise)

Skyline Living accepted two awards from the Canadian Federation of Apartment Associations (CFAA). Rental Housing Provider of the Year recognizes exceptional leadership in the rental housing industry. Rental Development of the Year recognizes a company that has achieved excellence in the development of a new rental housing project.



Centre Wellington Chamber of Commerce Awards of Excellence 2020 – Winner, Corporate Citizen of the Year

Skyline Group of Companies was awarded Corporate Citizen of the Year from the Centre Wellington Chamber of Commerce. Skyline received the award for its efforts surrounding Skyline Community Hub, a centralized workspace for community support organizations located in Fergus, ON.



Growth List – Winner, 2020

Skyline Group of Companies ranked No. 379 on the 32nd annual Growth List, the definitive ranking of Canada's Fastest-Growing Companies. The 2020 Growth List ranked Canadian businesses on five-year revenue growth, customer service and marketing tactics, innovation, social responsibility, sustainability, and response to COVID-19.



Victoria Real Estate Board Commercial Building Awards – Winner, Commercial-Retail

Skyline Retail REIT won in the category of Commercial-Retail for its Evergreen Centre plaza at 6660 Sooke Road in Sooke, BC. Judging criteria are based on overall exterior design, how the project answers a developmental need within the community, and aspects of the project that promote environmental conservation and sustainability.



FRPO 2020 MAC Awards – Winner, Community Service Award of Excellence

Skyline Group of Companies accepted the Community Service award, which recognizes a company that has gone above and beyond to give back to the communities it operates in. Skyline was judged on its involvement in its communities through volunteer activities, charitable contributions, and other service projects or events.

SKYLINE GROUP OF COMPANIES' SUSTAINABILITY EFFORTS

LOOKING BACK

Below are just some highlights of Skyline's sustainability efforts this past year:

- Announced a **new permanent supportive housing project** in partnership with non-profit landlord Kindle Communities and the Guelph Community Health Centre (Guelph CHC), with land valued at **\$1M+** donated by Skyline Apartment REIT and construction/development oversight facilitated by SkyDevco Inc.
- **Raised \$137,000** for non-profit organizations with programs supporting youth mental health, through our "Fore-Go Golf for Youth Mental Health" video campaign.
- Continued to invest in renovation at **Skyline Community Hub** in Fergus, ON, in preparation for Canadian Mental Health Association Waterloo-Wellington (CMHA WW) and Integrated Youth Services Network (IYSN)'s tenancies in 2021. Skyline has invested more than **\$1M** in the Hub to date.
- Re-branded and re-launched Skyline Living's tenant assistance program as R.I.S.E. (Reach, Impact, Support, Elevate) and **provided \$61.5K+ in rent relief and grocery gift cards**. Since January 1, 2020, Skyline Living has **saved 311 tenancies** through the program.
- **Launched an internal Skyline Leadership Development Program** for staff, to help develop and empower Skyline's next generation of leaders, as well as a New Manager Training Program for newly promoted leaders, and Masters Training Program for front-line staff.

LOOKING AHEAD

Skyline's focus areas for 2021:

Environmental

- Reducing and diverting waste
- Producing clean energy
- Finding and applying both new and established sustainable technologies and goods

Social

- Investing in community partnerships across Canada
- Creating a culture of diversity and inclusion
- Supporting and encouraging volunteerism, wellness, safety, and giving

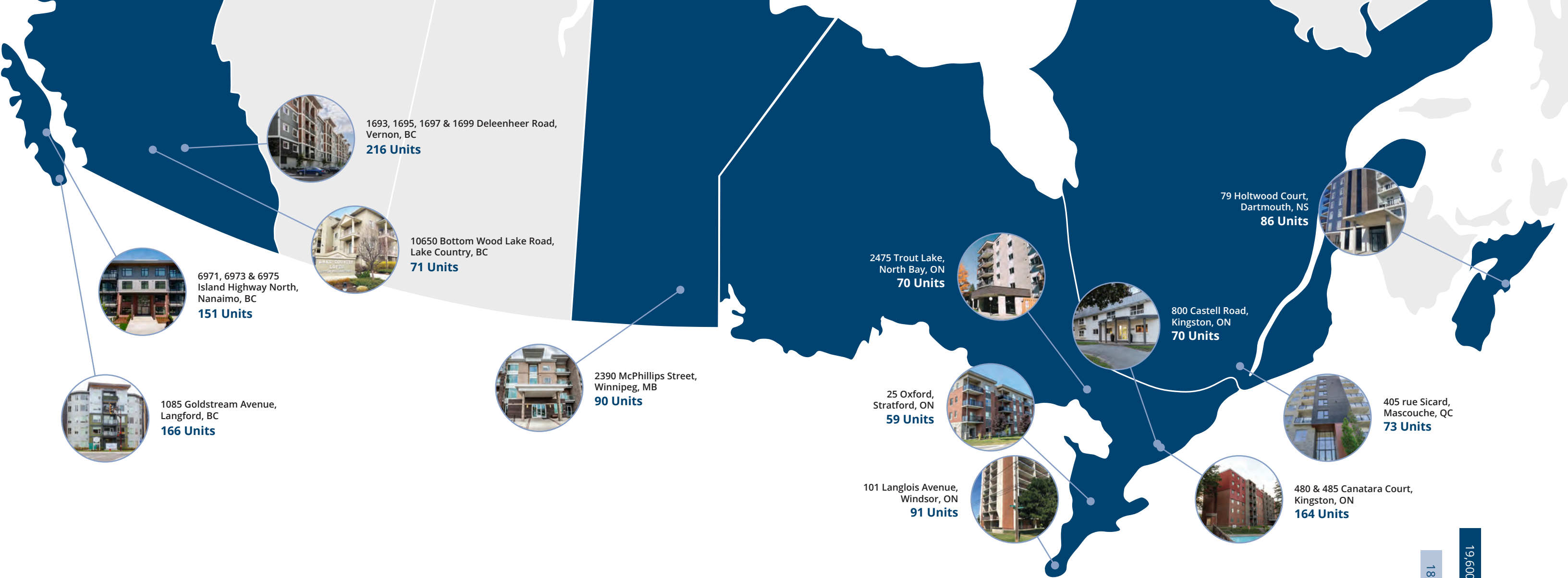
Governance

- Upholding a code of conduct and supportive policies for our people
- Surveying stakeholders and collecting data to ensure accountability as we work toward our goals
- Ensuring company policies and procedures reflect our sustainability objectives

Our Sustainability Partners include our tenants, employees, investors, suppliers, and communities.

Together, we're working toward effecting positive change from coast to coast.

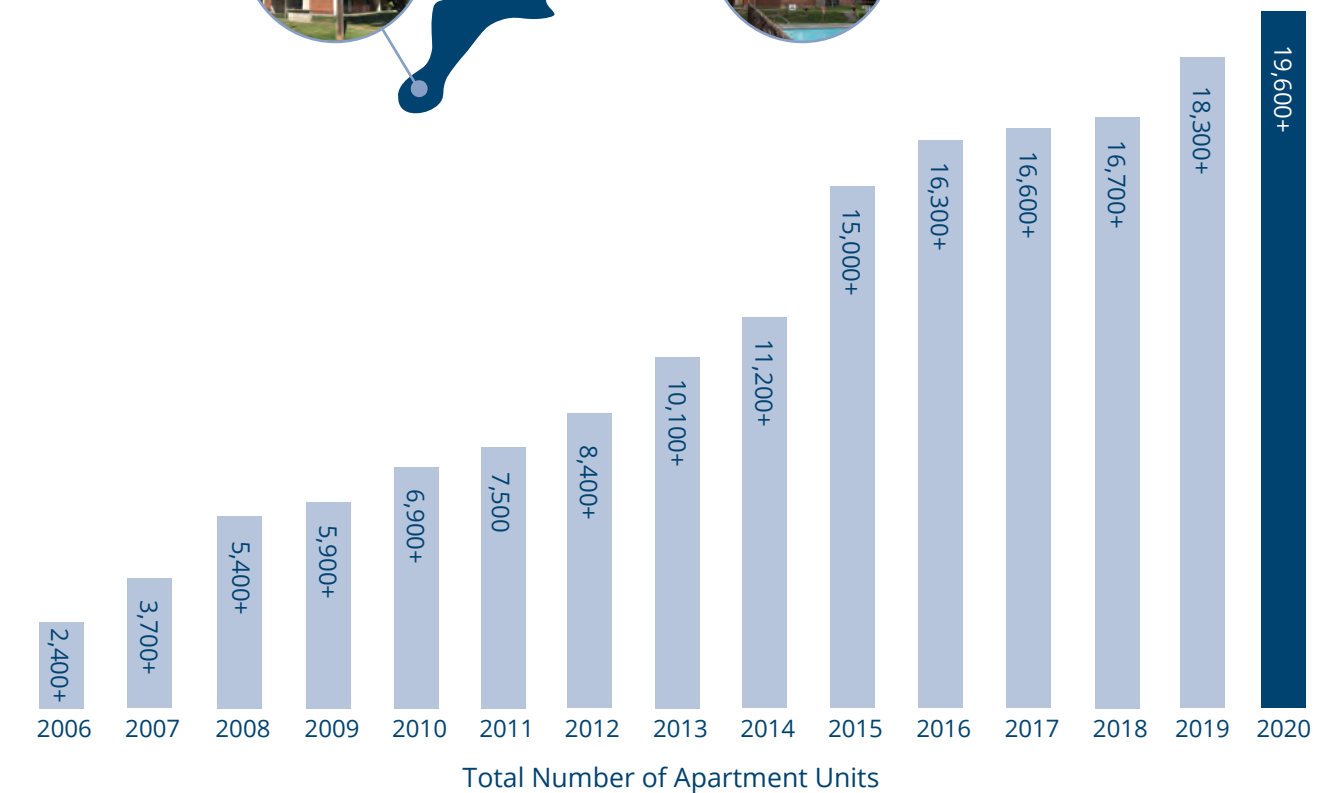
View Skyline's 2021 Sustainability Plan at [SkylineGroupOfCompanies.ca/Sustainability](https://www.skylinegroupofcompanies.ca/Sustainability)



2020 TRANSACTIONS

Skyline Apartment REIT is one of Canada's leading private multi-residential real estate portfolios.

The REIT is comprised of multi-residential buildings across Canada with an impressive track record of consistently delivering monthly distributions to its investors.



Our Purpose

We exist to create meaningful value and an exceptional experience for each of our stakeholders, and to develop strong, supportive communities.

Our PRIDE Values

Professionalism
Respect
Integrity
Drive
Efficiency

Our Mission

We bring passion, energy, and determination to make a positive impact with every interaction.



CEO ADDRESS TO UNITHOLDERS

In previous Annual Reports, my address to Unitholders has primarily consisted of a recap of the past year for Skyline, followed by a future outlook for the upcoming year. This year has already been well-documented through various daily, weekly, and monthly communications summarizing the resiliency of our Funds. As those communications noted, Skyline's successful performance in 2020 can be credited to our incredibly hard-working and adaptive staff, the deep character of our tenants, the cooperation of our fearless suppliers, and you, our investors, who have been unwavering in your support. Thanks to the efforts of the entire "Skyline network," we have collectively powered through what must have been the most unbelievable year in many of our lives—I can certainly say that was true for me.

Although we hear reports of other countries making great headway in recovery, our situation continues to varying degrees across the provinces—which can only mean the end is near for Canadians. With that in mind, I must now turn my attention to 2021. With well-established, well-positioned, and highly tangible assets held within the Funds, I believe Skyline has a

unique opportunity for growth in 2021 and the years to come.

At the time I write this address, lumber prices are up 600% (yes, six times) from April 2020. Likewise, steel is up 160%, and copper 208%. At the same time, we're seeing the prices of corn, soy, vegetables, and other crops at all-time highs, which is reflected in the rising prices of food. We know that these pressures are the simple economics of more money in circulation that is chasing the same "stuff," whether those items or services are "needs" or "wants."

We know first-hand why there is more money in circulation: it is the money our government, and governments around the world, have printed to subsidize those whose income and accessibility to basic needs have been disrupted by business and workplace closures, and by stay-at-home orders. I approach this from an objective standpoint, not a critical one, knowing that many of our tenants were among those deeply affected by these closures. We also believe that Skyline is well-positioned for growth in these circumstances. Our four Funds are

comprised of the aforementioned "stuff" that fulfills basic needs. Skyline Apartment REIT supplies living spaces; Skyline Commercial REIT supplies places of employment, essential manufacturing, and last mile logistics; Skyline Retail REIT supplies places to buy essential items such as food and medical supplies; and Skyline Clean Energy Fund supplies electricity generation.

We are witnessing inflationary pressures on the building blocks of the assets within our portfolios—steel, wood, copper, glass, etc.—which is enhancing the values of the assets themselves, most of which were acquired long before this inflation, and at much lower prices than today. That increase in value is supported by higher rents (another result of more money in circulation), which have risen dramatically in major markets, trickling down into secondary and tertiary markets as well. For these reasons, and from time to time, we will continue to look at the opportunity to surface value by selling assets in areas where rents and values have risen faster than others, and redeploying the cash in markets where we believe we will realize the same benefits – which


may result in confirming the value created is real and our strategy is sound. At the end of the day, this is the same simple "sell high, buy low" strategy that we have always enacted with great success.

Although in many aspects of our lives it seems like everything has changed, I can say that very little has changed in terms of how we fundamentally operate at Skyline. We continue to evolve into a more and more dynamic company as situations and times change, but all for the better. As cash becomes diluted due to government deficits being funded by money printing, we aim to buy, own, and operate, on your behalf, more of the same "stuff" that has proven to be historically stable and resilient through the many black swan events we have endured over the decades. We found ourselves in the midst of one of those events in 2020 and continue through it today, but with our Fund strategy, we had already braced ourselves for the battle. We have come out the other side bigger, better, and stronger to the benefit of all Skyline stakeholders, including you, our valued investors. Thank you for your support of Skyline.



Jason Castellan

Co-Founder & Chief Executive Officer
Skyline Group of Companies



From left to right: **Jason Castellan**, Co-Founder & Chief Executive Officer; **Wayne Byrd**, Chief Financial Officer; **R. Jason Ashdown**, Co-Founder & Chief Sustainability Officer; **Martin Castellan**, Co-Founder & Chief Administrative Officer.

PRESIDENT'S REPORT

In the 15 years since Skyline Apartment REIT was launched, 2020 has proven to be the most challenging year yet, with COVID-19 having affected every business and individual either from a physical, mental, or financial health standpoint. As procedures and restrictions were updating by the hour, we needed to constantly learn, and adjust, to keep the wheels on the bus in a situation that no one was prepared for.

Despite its challenges, 2020 was a successful year for Skyline Apartment REIT. We completed \$306MM in new acquisitions and developments, adding a total of 1,289 residential suites to the portfolio.

It would be an understatement to say that the eve of April 1, 2020 (the first rent day after the initial COVID-19 shutdowns in Canada) was an unsettling time. Over the next few weeks, as we observed that rent was being paid, some of the stress dissipated—and then grew again as we neared the May 1 rent day. By the fourth month of the pandemic, I realized we were going to get through this (perhaps with a few battle scars). Looking at the bigger picture, I saw that this was going to be a success story for Skyline Apartment REIT.

The year was very challenging for all of our employees, particularly our Skyline Living staff working on the front lines at our properties. Our 500+ Resident Managers, Assistant Resident Managers, Leasing Agents, Cleaners, and Maintenance staff worked tirelessly to ensure our properties were clean, well-maintained, and well-occupied throughout

the year. Our tenants also contributed to our success by demonstrating helpfulness, cooperation, patience, and respect throughout this trying time, both for our staff and for one another. I give my sincere thanks to each and every one of those individuals; we could not have navigated the past year successfully without them. Because of their ongoing efforts, I believe that although 2020 was a challenging year, it was also a rewarding one.

Despite its challenges, 2020 was a successful year for Skyline Apartment REIT. We completed \$306MM in new acquisitions and developments, adding a total of 1,289 residential suites to the portfolio. In addition to expanding the REIT's holdings in five provinces and 11 communities, these acquisitions allowed us to further increase our geographical diversification with the expansion into three new cities: Lake Country, BC; Nanaimo, BC; and Mascouche, QC. We continue to seek accretive opportunities in carefully targeted markets to add further value for our Unitholders.

Throughout the past year, mortgage rates have remained at historic lows. This has had a positive effect on the REIT's Weighted Average Mortgage Rate (WAMR) as new mortgages are placed, and existing mortgages are renewed. We continually monitor these rates and carefully analyze any favourable opportunities to renew mortgages early. To mitigate the risk of negative impact on cashflow, we also continue to stagger the mortgage terms on our assets to ensure no more than 20% of the total mortgages come due each year. At the end of 2020, the REIT's Weighted Average Mortgage Rate was 2.85%, a 39 basis point decrease from 3.25% at the end of 2019. This decrease, using the current mortgage balances, represents approximately \$7.4MM in annual interest savings, thus providing increased income resulting in increased value to Unitholders.

After a brief pause in Spring 2020, the residential housing market surged to unprecedented levels for

the balance of the year and continues to do so for the first half of 2021. While Skyline Apartment REIT's valuation is purely mathematical in that it is based on income—versus a residential purchase which is often driven by emotion—the increase in the price of an average home does affect the average rental rates of our properties. When residential home prices rise, rental rates tend to follow suit. The effect is not as immediate, but it is ultimately impactful in adding value to the Unitholder.

The REIT realizes this value when an existing tenant moves out, and we rent the suite to a new tenant for an increased rental rate that is reflective of the current market. This is the REIT's way of capturing more income on traditional, older assets with long-standing tenants. By injecting capital into those older properties to upgrade common areas and suites, the REIT is able to realize the Mark to Market income gap once a new resident moved in. Given the current environment, the Mark to Market gap is extremely favourable. Over the past year, it has contributed to growth in the REIT's value, which has resulted in the recent 13.1% increase in Unit Value from \$21.00 to \$23.75 per Unit.

As we look ahead to the balance of 2021 and beyond, I continue to see many exciting opportunities

for Skyline Apartment REIT. The demand for residential housing remains very strong, and we are well-positioned in the correct geographical areas to further expand our holdings and add value for Unitholders. We continue to explore new development projects within our group as well as with our strategic partners. By year-end 2021, the REIT will have over 1,000 suites under construction. I expect this trend to continue for the next several years as we strive to fill the ever-growing demand for quality rental product. The baby boomer generation comprises a significant portion of our target demographic across our assets, and we have enjoyed success in designing and building projects that cater to this group. Newly constructed buildings offer tenants the quality and amenities they are looking for, giving us a competitive advantage within many of the communities we operate in. Whether for an existing or new development, we will always seek accretive acquisitions within strong, diligently analyzed markets.

I want to thank each of you for your continued support and for standing with Skyline throughout these unprecedented times. Your commitment to us is valued, and our commitment to you, the Unitholder, remains steadfast.



Matthew Organ
President,
Skyline Apartment REIT

SENIOR MANAGEMENT



Jason Castellan
Co-Founder &
Chief Executive Officer,
Skyline Group of
Companies



Martin Castellan
Co-Founder &
Chief Administrative
Officer, Skyline Group of
Companies



R. Jason Ashdown
Co-Founder &
Chief Sustainability Officer,
Skyline Group of
Companies



Wayne Byrd, CPA, CMA
Chief Financial Officer,
Skyline Group of
Companies



Matthew Organ
President, Skyline
Apartment Asset
Management Inc.



BJ Santavy
Vice President,
Skyline Living



Danny Cobban
Vice President,
Skyline Apartment Asset
Management Inc.



Krish Vadivale
Vice President,
Finance,
Skyline Group of
Companies



Pete Roden
Vice President, Skyline
Mortgage Financing Inc.



Karyn Sales
General Counsel,
Skyline Group
of Companies

INDEPENDENT TRUSTEES

Jonathan Halpern



Jonathan Halpern, CPA, CA, is currently the President of Metropolitan Equities Limited, a privately owned family office, and real estate investment company. Prior thereto, Mr. Halpern was a senior manager with an international accounting firm specializing in real estate and small business. Mr. Halpern has also served on the management committee of a national commercial flooring distributor. Mr. Halpern is a member of Chartered Professional Accountants of Ontario and Manitoba, and holds a Bachelor of Commerce (Honours) degree with Distinction with the University of Manitoba. Mr. Halpern also sits on the Board of Trustees for Skyline Commercial REIT and Skyline Retail REIT.

Robert V. Breadner



Robert V. Breadner is President and Owner of Breadner Trailer Sales Amalgamated, a private holding and investment company, which maintains equity positions in various private businesses. A 1977 BBA graduate of Sir Wilfred Laurier University, Mr. Breadner was the former President and owner of Breadner Trailer Sales Limited, North America's Largest Transport Trailer Distributorship with dealerships across Canada, whose sales exceeded \$250 million in 2000. After being awarded Ontario's Entrepreneur of the Year in 1996, as well as having Breadner Trailer Sales named one of Canada's 50 best companies four years in a row, Mr. Breadner sold the business in 2001.

Edward (Ted) Perlmutter



Edward (Ted) Perlmutter is a seasoned commercial real estate lawyer, and was a senior partner at Blake, Cassels & Graydon LLP for 25 years. With in-depth experience in leading highly complex transactions in the public and private sectors, he enjoys a reputation for developing and successfully executing innovative approaches. Mr. Perlmutter is a sought-after independent legal counsel on complex real estate issues and projects. He holds a Master of Laws degree from the London School of Economics.

Jeffrey Neumann



Jeff Neumann is the broker owner of Coldwell Banker Neumann Real Estate in Guelph, ON. Since 1996, Mr. Neumann has developed Coldwell Banker Neumann Real Estate into a local industry leader, with over 50 full-time salespeople averaging over \$400 million in sales per year. Mr. Neumann has been an active real estate investor in both the apartment and office sectors. His experience and breadth of knowledge in a broad range of real estate matters - including acquisitions, financing, management, development, and dispersal - leaves him uniquely positioned to serve on the Skyline Apartment REIT Board of Trustees.

Susan Taves



Susan Taves is a Business Advisor with expertise in the areas of finance, operations, strategic thinking, and leadership. Susan was a senior partner at BDO Canada LLP until January 2016, when she concluded 30 years in public practice. As a Chartered Accountant (1987), she is sought after by companies of all sizes and industries to assess and conclude buy/sell/ownership transactions. She is on the Board of Directors at Kindred Credit Union, and has volunteered significant time over her career to Boards such as University of Waterloo Affiliated College, Habitat for Humanity, and United Way (Kitchener and London). Susan is a Corporate Director (2015), having completed the University of Toronto Rotman - ICD Directors Education Program, and is a graduate of the University of Waterloo.



405 rue Sicard, Mascouche, QC

FINANCIAL REPORTING

Forward-Looking Disclaimer

The following Management's Discussion and Analysis ("MD&A") of the results of operations and conditions for the year ended December 31, 2020, should be read in conjunction with Skyline Apartment Real Estate Investment Trust's ("Skyline Apartment REIT" or the "REIT") audited consolidated financial statements. Certain statements in this MD&A could be considered forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the REIT's control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions, the financial condition of tenants, our ability to refinance maturing debt, rental risks, including those associated with the ability to rent vacant suites, our ability to source and complete accretive acquisitions, and interest rates.

The information in this MD&A is based on information available to Management as of April 30, 2021, except where otherwise noted. Skyline Apartment REIT does not undertake to update any such forward-looking information whether as a result of new information, future events, or otherwise.

In some instances, forward-looking information can be identified by the use of terms such as "may", "should", "expect", "will", "anticipate", "believe", "intend", "estimate", "predict", "potentially", "starting", "beginning", "begun", "moving", "continue", or other similar expressions concerning matters that are not historical facts. Forward-looking statements in this MD&A include, but are not limited to, statements related to acquisitions or dispositions, development activities, future maintenance expenditures, financing and the availability of financing, tenant incentives, and occupancy levels.

Non-IFRS Measures

Skyline Apartment REIT releases audited consolidated annual financial statements in accordance with International Financial Reporting Standards ("IFRS"). In this MD&A, as a complement to results provided in accordance with IFRS, Skyline Apartment REIT also discloses and discusses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS. These include net operating income ("NOI"), Funds from Operations ("FFO") and applicable per Unit amounts and payout ratios (collectively, the "Non-IFRS Measures").

These Non-IFRS Measures are further defined and discussed in the "Key Performance Indicators" and "Funds from Operations" sections of this MD&A. Since NOI and FFO are not measures recognized under IFRS, they may not be comparable to similarly titled measures reported by other issuers. Skyline Apartment REIT has presented the Non-IFRS measures because Management believes these Non-IFRS measures are relevant measures of the ability of Skyline Apartment REIT to earn revenue and to evaluate Skyline Apartment REIT's performance. A reconciliation of the Non-IFRS measures is provided in the "FFO Payout Ratio" section. The Non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of Skyline Apartment REIT's performance or the sustainability of our distributions.

MD&A Overview

This MD&A focuses on key areas from the consolidated financial statements and pertains to major known risks and uncertainties relating to the real estate industry, in general, and the Trust's business, in particular. This discussion should not be considered all-inclusive as it excludes changes that may occur in general economic, political, and environmental conditions. Additionally, other elements may or may not occur, which could affect the organization in the future. To ensure that the reader is obtaining the best overall perspective, this discussion should be read in conjunction with the material contained in the audited consolidated financial statements for the years ended December 31, 2020, and 2019, along with all other information regarding Skyline Apartment REIT publicly posted by the REIT or its affiliates. It is not our intent to reproduce information that is located in these other reported documents, but rather to highlight some of the key points and refer you to these documents for more detailed information.

Business Overview

Skyline Apartment REIT is an unincorporated, open-ended investment trust created by a declaration of trust made as of June 1, 2006, and amended and restated as of October 6, 2020 (the "Declaration of Trust" or "DOT") and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. Skyline Apartment REIT earns income from investments in a diversified portfolio of multi-unit residential properties and a complement of commercial properties located in Canada.

Management Strategy

As managers of Skyline Apartment REIT; employees of Skyline Living (the "Operations Manager"), Skyline Apartment Asset Management Inc. (the "Asset Manager") and Skyline Wealth Management Inc. (the "Wealth Manager") implement their unique values and proprietary strategies as they fulfill their responsibilities. The REIT's mandate is clear and focused on the following strategies:

- **Customer Satisfaction** - Management strives to keep all customers satisfied and as long-term tenants by creating an environment that is clean and comfortable within each property. By developing a sense of community within the properties through various programs, turnover and vacancy should be reduced. This may, in turn, create demand for people wanting to live in Skyline Apartment REIT's buildings. Through the reduction of costs associated with tenant turnover and through higher demand that allows for increased rents, net income should grow accordingly.
- **Maintenance and Repair Programs** - Management is fundamentally driven by efficiencies and cost-effective programs that are accretive to Skyline Apartment REIT's short-term and long-term value proposition. Management has positioned Skyline Apartment REIT to take full advantage of efficiency programs and capital investments that will attract customers and enhance the overall value of the portfolio.
- **Quality On-Site Building Staff** - Management believes that the success of a property, from both financial and customer satisfaction standpoints, starts with the attitudes and work ethic of the on-site building staff. From being the first point of contact, to providing ongoing attention to each customer's needs, the building staff represents Skyline Apartment REIT at every touchpoint. As well as being attentive and dedicated, Management will also seek on-site staff that are skilled in many areas in order to reduce the requirement and added costs for outside trades for ordinary day-to-day repairs and maintenance.
- **Detailed Financial Reporting** - Management utilizes sophisticated financial tools to maximize Skyline Apartment REIT's income and to measure the effectiveness of cost control and other efficiency programs. Management distributes in-depth financial reporting to those involved and who have a direct impact on the financial success and control of those particular incomes and expenses.
- **Strategic Debt Management** - The Asset Manager works diligently to seek out financing opportunities to optimize Skyline Apartment REIT's leveraged returns. Attention to staggered mortgage maturities and financing terms, within maximum leverage amounts set out in the Declaration of Trust, ensures that Skyline Apartment REIT's exposure to fluctuating interest rates over the short and long term are both minimized and utilized to the greatest benefit. The Asset Manager may also make use of operating lines of credit for capital expenditures and acquisitions to improve the overall returns of Skyline Apartment REIT.
- **Enhancement of Skyline Apartment REIT's Portfolio** - The Asset Manager is always looking at opportunities to maximize Skyline Apartment REIT's portfolio value. Properties that are 'mature' and that are no longer adding value to Skyline Apartment REIT may be sold or repositioned, if there is a market for an enhanced property. The Asset Manager will continue to diversify the portfolio by purchasing properties in what they believe to be thriving communities that will continue to strengthen Skyline Apartment REIT's broadened footprint that will reduce the risk of portfolio instability that may arise in any one particular community.
- **Communications** - The Wealth Manager delivers current and relevant information to prospective and existing Unitholders in order to keep them informed and engaged. Ongoing communications occur through regular mass email updates, online postings to the investor-only website portal and quarterly newsletters that are included with Unitholders' quarterly statements. Communications cover relevant topics as they relate to Skyline Apartment REIT, including; new acquisitions and dispositions, existing property repositioning, the launch of new Offering Memorandums, special investor events, and general corporate news.

Key Performance Indicators

To meet its objectives and to evaluate the success of its strategies, Skyline Apartment REIT uses several key operating and performance indicators:

- **Distributions** - During 2020, Skyline Apartment REIT was paying monthly distributions to Unitholders of \$0.0792 per unit, or \$0.95 on an annual basis. At December 31, 2020, approximately 37.1% of the REIT's Units were enrolled in the Distribution Re-Investment Plan ("DRIP").
- **Occupancy** - Management is focused on achieving occupancy levels that exceed the overall averages for the geographic regions in which Skyline Apartment REIT operates, without sacrificing the maximization of rental income. At December 31, 2020, occupancy in the multi-residential suites was 95.1% and in the commercial units was 88.1%.
- **Average Monthly Rents** - Through ongoing and active management, the highest possible average monthly rents are targeted in each geographic region and at each individual property. At December 31, 2020, average monthly multi-residential rent was \$1,307.63 per suite.
- **Loss to Lease** - Through the management of the key indicators of "occupancy" and "average monthly rents", Management also monitors "Loss to Lease" which is defined as the net positive or negative variance of actual rents against market rents. Management strives to minimize the Loss to Lease margin.
- **Net Operating Income ("NOI")** - This is defined as operating revenues less operating expenses and is a key measure of operating performance. It is a key non-International Financial Reporting Standards ("IFRS") financial measure of the operating performance of Skyline Apartment REIT. For the year 2020, Skyline Apartment REIT's NOI margin was 53.9%.
- **Same Property Net Operating Income** - This is defined as operating revenues less operating expenses for properties, which were held for the same periods in 2017 through 2020. Management is focused on maintaining or increasing same property NOI year over year. For the year 2020, same property NOI was \$102.0 million, an increase of 12.5% over the prior year.
- **Funds from Operations ("FFO")** - FFO is a measure of operating performance based on the funds generated by the business before Re-Investment or provision for other capital needs. As Skyline Apartment REIT's portfolio matures, Management is targeting long-term that its distributions will be fully funded from FFO. For the year 2020, Skyline Apartment REIT generated \$69.6 million in FFO.
- **Payout Ratio** - To ensure that Skyline Apartment REIT retains sufficient cash to meet its capital improvement and leasing objectives, Management strives to maintain an appropriate FFO payout ratio over the year. Management is targeting a 100% FFO payout ratio. For the year 2020, Skyline Apartment REIT's FFO payout ratio was 89.24%.
- **Active Portfolio Management** - Insofar as good opportunities exist that are accretive, Management will continue to acquire income-producing, multi-unit residential real estate for the portfolio. Further active management in the identification of properties that are well-positioned for successful accretive, repositioning strategies. The inverse is also true, where properties are deemed mature and non-accretive and where additional value-enhancing improvements will not further improve these properties, they will be positioned for sale.
- **Financing** - Management is continually managing and planning its financing strategies for the portfolio. This ensures that the portfolio is well-positioned to mitigate interest rate uncertainty as well as to responsibly ladder the maturities of the portfolio's mortgages over the long term.
- **Loan to Value ("LTV")** - The portfolio is regularly evaluated based upon key leverage ratios, comprised of mortgage debt, total indebtedness, historical cost, and fair value in accordance with IFRS 13 – Fair Value ("IFRS 13"). Loan to value ratios are shown on both a historical cost and market value basis. The Declaration of Trust requires that the overall leverage ratio not exceed 70% Loan to IFRS Fair Value. However, it is Management's objective to keep the portfolio at a more conservative level of approximately 60% leverage based upon fair value. At the close of 2020, Skyline Apartment REIT's portfolio leverage ratio was 67.46% (against historical cost) and 54.42% (against IFRS 13 valuation).

Goals And Objectives Of Skyline Apartment REIT

In accordance with the Declaration of Trust, the goals and objectives of Skyline Apartment REIT are:

1. to provide REIT Unitholders with stable and growing cash distributions, payable monthly and, to the extent reasonably possible, tax-deferred, from investments in a diversified portfolio of income-producing, multi-unit residential properties located in Canada;
2. to maximize REIT Unit value through the ongoing management of Skyline Apartment REIT's assets, through the future acquisition, repositioning, and disposition of properties; and
3. to maintain a REIT that satisfies the REIT exception under the Specified Investment Flow Through ("SIFT") legislation in order to provide certainty to Unitholders with respect to taxation of distributions.

2020 Highlights

- The REIT grew its portfolio of investment properties from \$2.93 billion to \$3.39 billion (a 15.9% increase) over the course of 2020.
- As of February 12, 2021, the value of REIT units grew from \$21.00 to \$23.75 per unit (a 13.1% year-over-year increase).
- As of February 12, 2021, distributions per unit increased from \$0.95 to \$0.97 annually.
- Average Monthly Rents increased to \$1,307 per suite, from \$1,079.
- Weighted Average Mortgage Rates dropped to 2.85% from 3.25% year-over-year, on \$1.8 billion of outstanding mortgages as at December 31, 2020.
- Year-over-year FFO grew \$0.02 (2.0%) on a per unit basis, from \$1.04 to \$1.06.

Financial Highlights (\$ thousands, except where noted)	2020	2019
Property revenues	\$264,547	\$237,041
Direct property expenses	(122,074)	(105,671)
Net operating income ("NOI")	\$142,473	\$131,370
Net income	\$161,536	\$283,954
Funds from operations ("FFO")	\$69,638	\$65,402
Weighted average units outstanding	65,575,048	63,082,770
FFO per unit (weighted average)	\$1.06	\$1.04
Forward distribution rate per unit	\$0.97	\$0.95
FFO payout ratio	89.24%	90.84%
Forward normalized FFO payout ratio ⁽¹⁾	91.51%	91.35%

⁽¹⁾As of April 30, 2021, utilizing a distribution rate of \$0.97 per unit (up from \$0.95)

Property Portfolio

At December 31, 2020, through active portfolio management; the portfolio consisted of 19,697 residential suites and 666,697 square feet of commercial space, geographically well-diversified across 58 communities and 7 Canadian provinces.

The REIT continues to look at further expanding and enhancing the portfolio in markets across Canada.

Portfolio Average Monthly Rent & Occupancy (By Province) As at December 31, 2020	Average Occupied Monthly Rents	Occupancy %
Residential		
Alberta	\$1,378.49	90.7%
BC	1,453.15	92.7%
Manitoba	1,577.39	95.5%
New Brunswick	1,071.89	98.1%
Nova Scotia	1,556.43	96.8%
Ontario	1,094.64	96.4%
Quebec	1,021.38	95.6%
Residential Portfolio Average	\$1,307.63	95.1%
Commercial	\$1.32 psf	88.1%

NOTE: This reporting format does not include the weighting of information by unit type.

Through its active property management strategies and proactive capital investment programs, Skyline Apartment REIT strives to achieve the highest possible average monthly rent in accordance with the local market conditions. Management also strives, through a focused, hands-on approach to its business, to achieve occupancies that are in line with, or higher than, market conditions in each of the geographical regions in which Skyline Apartment REIT operates while enhancing the overall qualitative profile of its resident base.

There were no dispositions during the year 2020.

Acquisitions And Dispositions

Acquisitions Completed During the Year Ended December 31, 2020 (\$ thousands, except where noted)

Purchase Date	Number of Units	Region	Type	Acquisition Price	Mortgage Funding
March 3, 2020	71	North BC Residential	Residential	\$20,000	\$14,521
April 14, 2020	164	Mid-East Residential	Residential	24,000	16,000
April 14, 2020	70	Mid-East Residential	Residential	8,000	5,676
April 15, 2020	55	North Central Residential	Residential - Development	24,041	15,790
June 29, 2020	166	West BC Residential	Residential	52,050	39,335
July 16, 2020	216	North BC Residential	Residential	57,000	50,126
October 5, 2020	90	Manitoba Residential	Residential	19,400	16,531
November 2, 2020	59	Mid-West Residential	Residential	16,500	13,822
November 4, 2020	70	Northern Residential	Residential	6,225	4,669
November 26, 2020	91	East Windsor Residential	Residential	10,850	7,150
December 8, 2020	86	Atlantic Residential	Residential	25,600	20,221
December 17, 2020	151	West BC Residential	Residential	42,000	-
Total	1,289			\$305,666	\$203,841

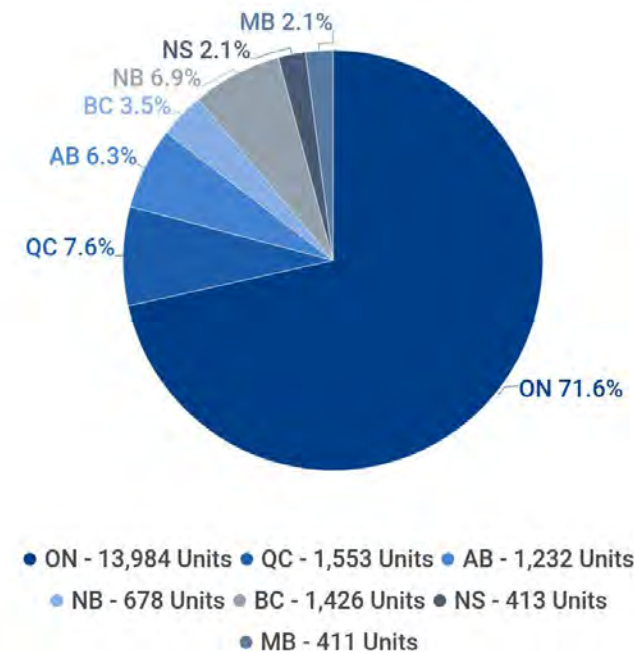
2020 Operating Highlights

Regional Highlights (\$ thousands, except where noted)	2020		2019		Increase (Decrease)		
	NOI	NOI Margin (%)	NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Eastern Ontario	\$13,741	52.4%	\$12,950	54.9%	11%	18%	6%
Northern Ontario	\$10,989	48.1%	\$8,752	47.9%	25%	25%	26%
South Western Ontario	\$74,847	54.4%	\$72,013	52.1%	5%	7%	4%
Quebec	\$10,466	56.9%	\$9,484	57.6%	12%	14%	10%
Eastern Canada	\$7,883	53.5%	\$7,408	57.6%	15%	26%	6%
Western Canada	\$24,547	57.0%	\$20,763	59.9%	24%	33%	18%
Total	\$142,473	53.9%	\$131,370	55.4%	11%	14%	8%

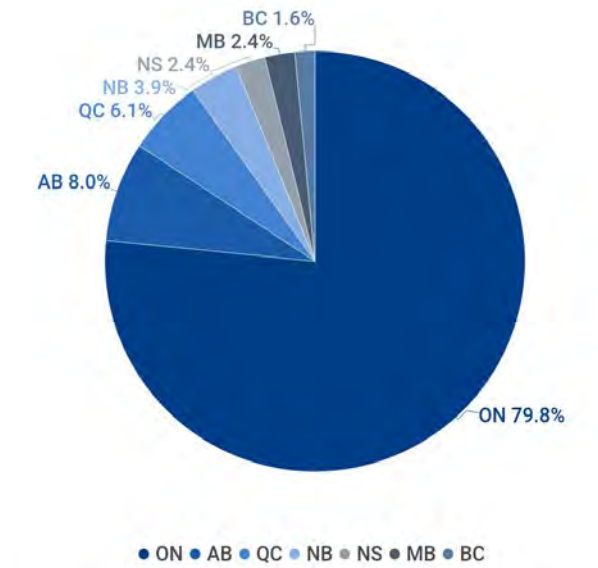
Operating Results (\$ thousands, except where noted)	2020	%*	2019	%*
Property revenues				
Residential rent	\$246,964	93.4%	\$218,436	92.2%
Commercial rent	16,948	6.4%	18,300	7.7%
Condominium sales	635	0.2%	305	0.1%
Total property revenues	\$264,547	100%	\$237,041	100%
Direct property expenses				
Property taxes	34,705	28.4%	31,524	29.8%
Other direct property costs	59,159	48.5%	48,310	45.7%
Utilities	27,792	22.8%	25,628	24.3%
Condominium cost of sales	418	0.3%	209	0.2%
Total direct property expenses	\$122,074	46.1%	\$105,671	44.6%
Net operating income ("NOI")	\$142,473	53.9%	\$131,370	55.4%

* As a percentage of property revenues

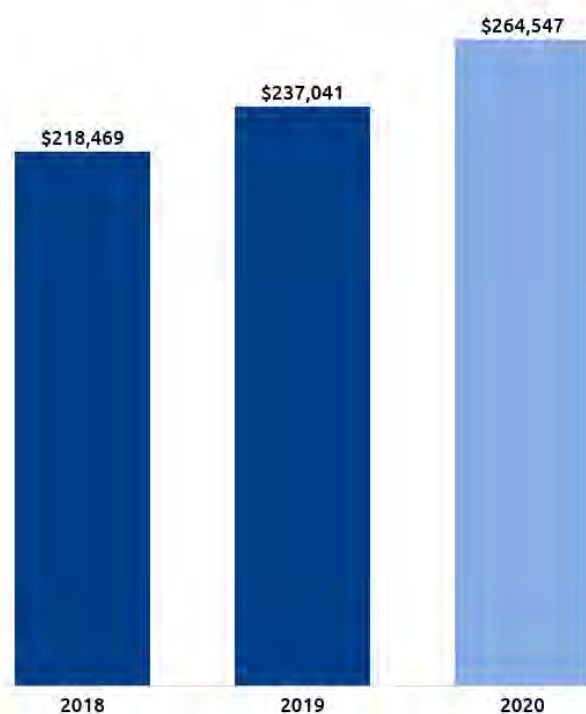
Residential Unit Breakdown by Province



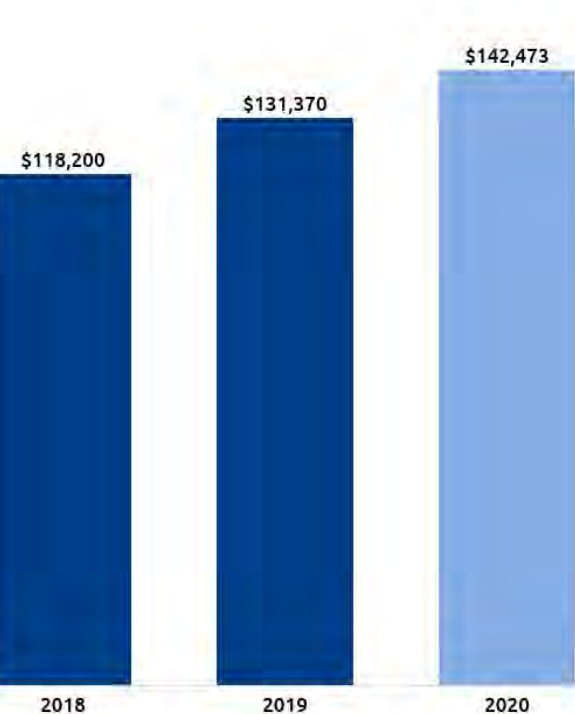
Residential Rent Breakdown by Province



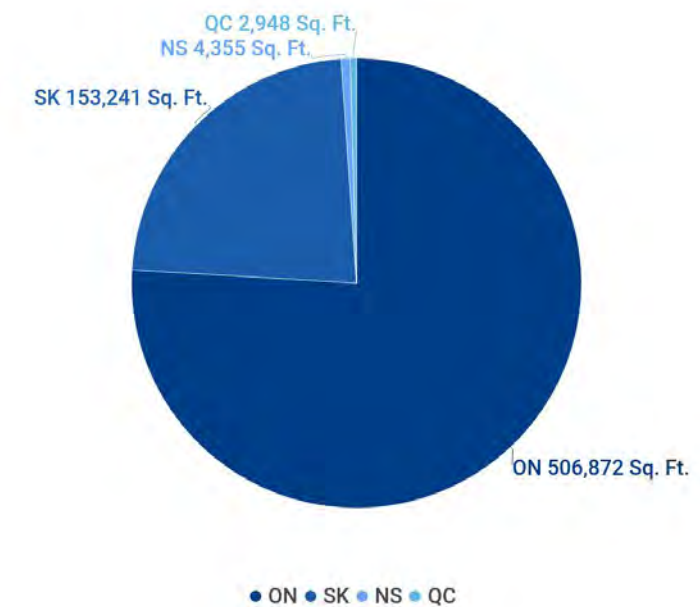
OPERATING REVENUES
(\$ Thousands)



NET OPERATING INCOME
(\$ Thousands)



Commercial Sq. Ft. Breakdown by Province



Funds From Operations

FFO is a measure of operating performance based on the funds generated by the business before investment or provision for other capital needs. This non-IFRS measure is a broadly-used performance measure for real estate investment trusts. However, it does not have a standardized industry definition, and therefore, it may not be relied upon as a comparable indicator to other REITs that use a similar term. As Skyline Apartment REIT's portfolio matures, Management is targeting that its distributions will be fully funded from FFO; while recognizing that the un-stabilized properties in the portfolio have a short-term impact on performance, and thus FFO, available for distributions. During this period, it is considered a normal course of business for Management to be refinancing properties for operating cash flows and capital investment funds. Additionally, normal course of business includes the selling of mature assets for income and value crystallization.

Payout ratios compare total and normalized distributions declared to these non-IFRS measures. Management considers these ratios to also be important measures of the sustainability of distributions. Management continues to target reduced reliance on disposition proceeds or surplus equity realized through refinancing to supplement distribution flows.

Payout Ratios

A reconciliation of net income to FFO is as follows:

Payout Ratios (\$ thousands, except where noted)	2020	2019
Profit & loss		
Property revenues	\$264,547	\$237,041
Direct property expenses	(122,074)	(105,671)
Net operating income ("NOI")	\$142,473	\$131,370
Finance costs	(78,963)	(62,842)
REIT & other expenses	(15,136)	(13,750)
Interest income	8	79
Fair value gain in disposed properties	-	2,066
Fair value gain	113,154	227,031
Net income	\$161,536	\$283,954
Non-cash add-backs:		
Distributions on partnership units included in finance costs	\$21,256	\$10,545
Fair value gain on disposed properties	-	(2,066)
Fair value gain	(113,154)	(227,031)
Funds from operations ("FFO")	\$69,638	\$65,402

(continued on next page)

Payout Ratios (\$ thousands, except where noted)	2020	2019
Funds from operations ("FFO")	\$69,638	\$65,402
Weighted average REIT units and LP units outstanding	65,575,048	63,082,770
Total distributions declared	\$80,501	\$67,055
Less: General Partner sharing distributions	(18,355)	(7,647)
Total distributions declared to REIT and LP Unitholders	\$62,146	\$59,408
Less: special distributions	-	-
Normalized distributions declared to Unitholders ⁽¹⁾	\$62,146	\$59,408
FFO per unit (weighted average)	\$1.06	\$1.04
FFO payout ratio ⁽¹⁾	89.24%	90.84%
Forward distribution rate per unit	\$0.97 ⁽²⁾	\$0.95

⁽¹⁾ Excludes distributions to the General Partner

⁽²⁾ As of April 30, 2021

Distributions to Unitholders/Shareholders and Payout Ratio

During 2020, Skyline Apartment REIT paid monthly distributions to Unitholders of \$0.0792 per Unit, or \$0.95 per Unit on an annual basis.

At December 31, 2020, approximately 37.1% of the REIT's Units were enrolled in the Distribution Re-Investment Plan. Distributions made to Unitholders during 2020, amounted to \$62.1 million, of which \$23.0 million was retained through the DRIP.

In order to maintain a consistent cycle of monthly distributions, the REIT may, from time to time, use proceeds from dispositions and refinancing's as well as funds from the operating line of credit. It is Management's long-term objective to continually reduce its reliance on disposition proceeds and to eliminate its reliance on refinancing proceeds for supplementing distribution cash flows.

Distribution Sources (\$ thousands, except where noted)	2020	2019
Distributions declared	\$62,146	\$59,408
Funded by:		
Income	100.00%	100.00%
Building dispositions	-	-
Refinance proceeds	-	-
Special distributions declared	-	-
Funded by:		
Income	-	-
Building dispositions	-	-
Refinance proceeds	-	-

Investment Properties

Since the adoption of IFRS reporting, this method of reporting impacts the consolidated financial statements of Skyline Apartment REIT and its subsidiary most significantly in the areas of Investment Properties and Amortization.

Under IFRS, management considers its properties to be Investment Properties under International Accounting Standard ("IAS") 40-Investment Property ("IAS 40"). Investment Properties are properties held to earn rental income or for capital appreciation, or both. Management has elected the Fair Value Model to measure its investment properties on the balance sheet and record any unrealized gain (or loss) on the income statement.

The following is Management's approach to the Fair Value of the portfolio's investment properties:

- Group the portfolio into segments that identify geographic locations as well to group the portfolio by property characteristics. This will allow Management to apply the same metrics to similar properties.
- Engage third party market appraisals for a portion of its portfolio which comprises at least 20% of the number of properties which make up at least 25% of the gross book value of the portfolio. The balance of the properties will undergo an internal valuation which will be verified by a comparative appraisal and audited by RLB LLP (the Apartment REIT's Auditor).

- Properties must be appraised by a third party at least once every five years.
- Properties will not be appraised by a third party within 18 months of acquisition (unless it is necessary for mortgage financing).
- Properties will not be required to be appraised in a year, if within the next 12 months it is scheduled for mortgage maturity.

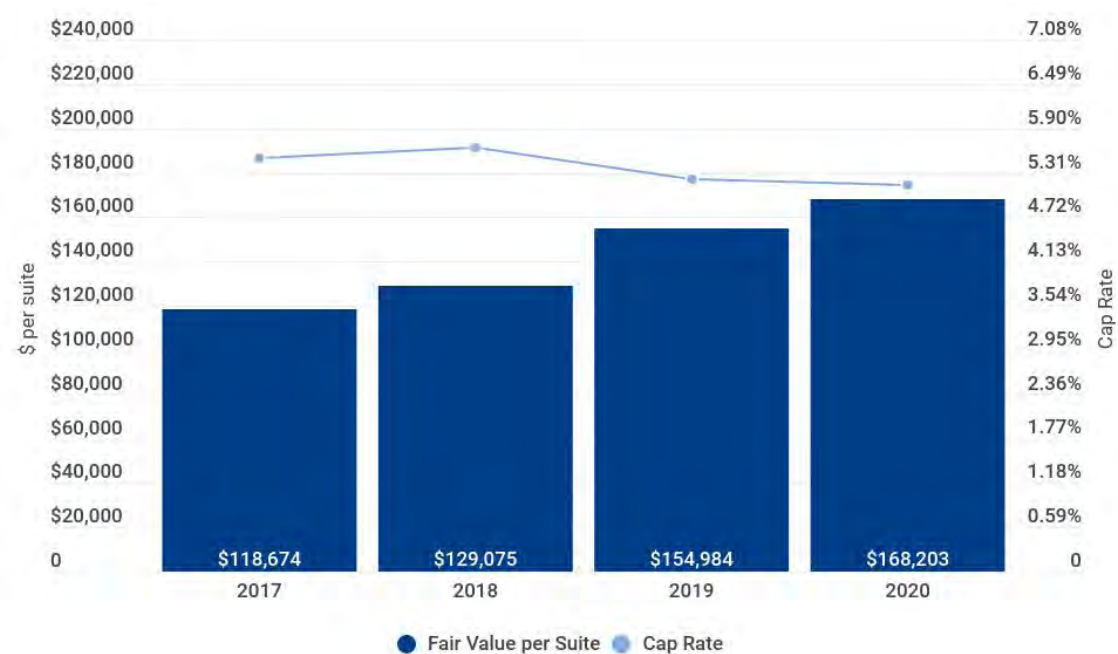
2020 realized fair value gains on held investment properties of \$124.6 million over 2019's carrying value.

Fair Value of Investment Properties (under IFRS 13) (\$ thousands, except where noted)	2020	2019
Balance, beginning of year	\$2,928,181	\$2,249,919
Acquisitions through purchase of investment properties	305,666	382,291
Additions through capital expenditures on existing investment properties	64,107	90,241
Disposals through sale of investment properties	-	(23,480)
Reclassification due to change in use for the property to owner-occupied by RELP	-	(3,718)
Assets held for sale	(26,750)	-
Fair value adjustment on investment properties	124,607	232,928
Balance, end of year	\$3,395,811	\$2,928,181

The following table and graph summarize the REIT's growth in asset value on a trending basis over the past three years, along with the impact that NOI growth and the capitalization rate ("CAP Rate") movement has had on that value.

Trending Fair Value Details (\$ thousands, except where noted)	2020	2019	2018	2017
Fair value of investment properties	\$3,395,811	\$2,928,181	\$2,249,918	\$2,074,133
Less: fair value of commercial properties	(\$82,715)	(\$86,240)	(\$90,370)	(\$107,225)
Fair value of residential properties	\$3,313,096	\$2,841,941	\$2,159,549	\$1,966,908
Total residential suites at year end	19,697	18,337	16,731	16,574
Fair value per suite	\$168,203	\$154,984	\$129,075	\$118,674
Increase (decrease) in fair value per suite(%)	8.53%	20.07%	8.76%	9.36%
Weighted average implied capitalization rate	5.14%	5.20%	5.65%	5.51%
Increase (decrease) in cap rate (year-over-year)(%)	(1.53%)	(7.96%)	2.54%	(5.81%)
Net operating income ("NOI")	\$142,473	\$131,370	\$118,200	\$108,194
Increase in NOI (year-over-year)(%)	8.45%	11.14%	9.25%	10.23%
NOI Margin (% of total revenue)	53.86%	55.42%	54.10%	52.65%

Trending Fair Value per Residential Suite



Capital Expenditures

During 2020, Skyline Apartment REIT acquired 1,289 apartment units through the acquisition of 16 new properties for a total investment (inclusive of closing costs) of \$305.7 million.

With the exception of new development properties acquired; in general, Skyline Apartment REIT is purchasing property at substantially less than current replacement costs and is committed to increasing the value of these assets by investing in capital expenditure initiatives and other programs in order to improve the overall quality of the portfolio and ultimately to sustain and expand the portfolio's future rental income-producing potential over its expected life span.

In correlation with industry peers, Skyline Apartment REIT has two types of capital expenditures: maintenance capital expenditures and stabilizing and value-enhancing capital expenditures. The main difference between these two types of capital expenditures is whether the costs incurred are to maintain existing cash flows, or to achieve the longer-term goal of producing enhanced cash flows and Unitholder distributions.

Maintenance capital expenditures vary with market conditions and are partially related to unit turnover. Management projects that its annual overall maintenance capital expenditures are approximately \$300 per residential suite. These expenditures are in addition to normal repairs and maintenance expenditures which are typically in the range of \$800 per residential suite annually.

Stabilizing and value-enhancing capital expenditures are made with the intention of increasing the productivity of the portfolio. They improve the economic life span and value of the properties and are mainly long-term in nature. The timing of these expenditures varies according to Management's capital plans and they are funded with credit facilities, mortgage advances, refinancing, and equity issuances.

During the year, Management invested \$64.1 million in structural improvements, common area improvements, improvements of existing suites, and portfolio efficiency programs ("PEP") throughout the portfolio. These capital initiatives are completed with the intention of increasing revenues, reducing expenses, maintaining occupancy levels, and increasing overall tenant satisfaction.

Management is committed to the ongoing future maintenance and enhancement of the portfolio.

Capital Structure

"Capital" is defined as the aggregate of debt and Unitholders' equity. Management's objectives with respect to capital is to maintain its ongoing ability to fund its distributions to Unitholders, to meet its repayment obligations under mortgages and other credit facilities, and to ensure there are sufficient funds available to meet the capital requirements of the portfolio.

Skyline Apartment REIT's Declaration of Trust permits the maximum amount of total debt to be 70% of the gross book value of the REIT's assets. Under IFRS reporting, Management still continues to evaluate LTV ratios on both a market value basis and a traditional historical cost basis, whereby historical cost is defined as the acquisition cost of the properties plus the capital improvements expended thereon.

The total capital of Skyline Apartment REIT as at December 31, 2020 is summarized in the following chart:

Mortgage Summary (\$ thousands, except where noted)	2020	2019
Mortgages payable	\$1,847,842	\$1,497,309
Line of credit	58,491	71,090
Total Debt	\$1,906,333	\$1,568,399
Limited partnership units	64,134	52,681
Unitholders' equity	1,406,913	1,269,114
Total capital	\$3,377,380	\$2,890,194
Mortgage debt to historical cost	67.46%	62.49%
Mortgage debt to fair value	54.42%	51.13%
Total debt to historical cost	69.59%	65.46%
Total debt to fair value	56.14%	53.56%
Weighted average mortgage interest rate	2.85%	3.25%
Weighted average mortgage term to maturity	5.72 yrs	4.94 yrs
Mortgages Payable (\$ thousands, except where noted)	Future minimum principal payments	% of total mortgages
2021	164,130	8.8%
2022	244,557	13.1%
2023	188,238	10.1%
2024	138,474	7.4%
2025	186,430	10.0%
Thereafter	942,667	50.6%
Total mortgages payable as of December 31, 2020	\$1,864,496	100.0%

Investment Summary

During 2020, Units of Skyline Apartment REIT were issued under the accredited investor exemption, through the Employee Unit Purchase Plan (“EUPP”) under the employee exemption, and under the Confidential Offering Memorandum released in April 2020. During the year, the REIT received net proceeds of \$36.1 million through new investments and DRIP enrolment, net of redemptions.

During 2020, Management purchased for cancellation and/or redeemed units for \$31.9 million at 100% of Unit Book value.

REIT Unitholders - Investment Activity (\$ thousands, except where noted)	2020		2019	
	Number of Units	Amount (\$)	Number of Units	Amount (\$)
REIT units outstanding, beginning of year	61,478,733	\$769,386	58,002,571	\$709,471
Proceeds from REIT units issued	2,140,314	44,947	3,351,643	57,792
Exchange of LP units	-	-	10,717	185
Units issued through DRIP	1,063,085	21,899	1,365,116	23,408
Units issued through EUPP	54,813	1,134	58,535	1,006
Redemptions - REIT units	(1,523,271)	(31,912)	(1,299,132)	(22,291)
Redemptions - REIT units (exchanged LP units)	-	-	(10,717)	(185)
REIT units outstanding, end of year	63,213,674	805,454	61,478,733	\$769,386
Weighted average REIT units outstanding	62,521,056		60,019,462	
Number of new investors ⁽¹⁾		194		225
Number of repeat investors ⁽²⁾		189		156
Number of redemptions		251		312
New investment average (\$)		137		116
Repeat investment average (\$)		177		165
Redemption average (\$)		-133		-78

⁽¹⁾ Excluding EUPP - Employee Unit Purchase Plan

⁽²⁾ Excluding DRIP - Distribution Reinvestment Plan

LP Unitholders - Investment Activity (\$ thousands, except where noted)	2020		2019	
	Number of Units	Amount (\$)	Number of Units	Amount (\$)
LP units outstanding, beginning of year	3,053,992	52,681	3,064,709	\$49,035
Proceeds from LP units issued	-	-	-	-
Units issued through DRIP	-	-	-	-
Redemptions - LP units (exchanged to REIT units)	-	-	(10,717)	(185)
Change in fair value	-	11,453	-	3,831
LP units outstanding, end of year	3,053,992	64,134	3,053,992	\$52,681
Weighted average LP units outstanding	3,053,992		3,063,308	
Number of new investors		-		-
Number of redemptions		-		2
New investment average (\$)		-		-
Redemption average (\$)		-		(92)

Unitholder Taxation

For taxable Canadian residents, Unitholder distributions were treated as follows for tax purposes:

Regular Distributions	2020
Dividends	0.00%
Other Income	0.00%
Capital Gains	0.00%
Return of Capital	100.0%
TOTAL	100.0%

Related Party Transactions

The executive officers of Skyline Apartment REIT do not receive direct salary compensation from the REIT. Rather, Skyline Incorporated, as General Partner (“GP”) of the REIT, has a 20% deferred interest in the properties (“GP Sharing”). Additionally, the executive officers receive compensation from the management companies to the REIT and Limited Partnership (“Management Services”).

GP Sharing

Distributions under the GP Sharing commence once the equivalent of the total investors' equity has been effectively distributed on a property by property basis. Once triggered, any future income from operations is shared at a ratio of 20% to the GP: 80% to the LP (which indirectly means its investors). In addition, on any disposition, the GP is entitled to 20% of the equity growth of the property net of any outstanding amounts owing to investors. The GP Sharing calculation is done on a per property basis, which incents management to ensure that each property is performing optimally.

GP Sharing (\$ thousands, except where noted)	2020	2019
General Partner sharing on income	\$18,355	\$4,839
General Partner sharing on dispositions	-	\$2,808
Total General Partner sharing on distributions	\$18,355	\$7,647

Management Services

Fees paid during the past two years are as follows:

Management Fees (\$ thousands, except where noted)	2020	2019
Asset management fees	\$5,720	\$5,196
Wealth management fees	4,597	3,680
Underwriting management fees	2,327	1,251
Total Management Fees	\$12,644	\$10,127

The Asset Management Agreement provides for the payment of an annual asset Management Fee to the Asset Manager during the term in an amount equal to 2% of the adjusted gross revenues of the properties, which will be calculated and payable monthly. Under the Asset Management Agreement, the Asset Manager is responsible for employment expenses of its personnel, rent and other office expenses of the Asset Manager, and the expenses of the non-Independent Trustees and officers of Skyline Apartment REIT who are directors, officers, or employees of the Asset Manager or of an affiliate of the Asset Manager (except expenses incurred while attending meetings of the Board of Trustees).

The Wealth Management Agreement provides for the payment of a wealth management fee, payable monthly, equal to 1/12 of 0.3% of Skyline Apartment REIT's equity under management (calculated as the product of the outstanding REIT Units multiplied by the then-market value of one REIT Unit). The Wealth Manager will also be entitled to an equity raise fee equal to a maximum of 1.0% on the capital raised in offerings of REIT Units, subject to adjustment. Under the Wealth Management Agreement, the Wealth Manager is responsible for employment expenses of its personnel, rent, and other office expenses of the Wealth Manager in connection with providing services to Skyline Apartment REIT under the Wealth Management Agreement.

There is an underwriting services arrangement with Skyline Mortgage Financing Inc. (the "Underwriting Manager") Pursuant to such arrangement, the Underwriting Manager provides consulting services to Skyline Retail REIT, Skyline Retail Real Estate LP and its Subsidiaries to assist them in obtaining mortgage financing for the properties upon terms and at rates that are commercially competitive. Skyline Retail Real Estate LP pays the Underwriting Manager the following fees for providing these consulting services 1) for assumptions of mortgages on acquisitions: \$5,000 and 2) for all other mortgages: 50 bps on the mortgage principal. Under the terms of the arrangement, the Underwriting Manager is responsible for employment expenses of its personnel, rent, and other office expenses of the Underwriting Manager incurred in connection with providing its consulting services.

Risks And Uncertainties

Skyline Apartment REIT must adhere to specific operating and investment guidelines as set out in the Declaration of Trust. These guidelines are established to limit to the best extent possible the risks and uncertainties that exist.

Real Property Ownership

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, demand for Apartment premises, competition from other Apartment premises and various other factors.

Certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If Skyline Apartment REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

Real 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 Skyline Apartment REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Skyline Apartment REIT were required to liquidate its real property investments, the proceeds to Skyline Apartment REIT might be significantly less than the aggregate value of its properties on a going concern basis.

Skyline Apartment REIT will be subject to the risks associated with debt financing, including the risk that existing mortgage indebtedness secured by the Properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness.

Tenant Terminations and Financial Stability

Skyline Apartment REIT's Distributable Income would be adversely affected if a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the Existing Properties and any additional properties in which Skyline Apartment REIT acquires an interest were not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed, or the tenant replaced. The terms of any subsequent lease may be less favourable to Skyline Apartment REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced, and substantial costs in protecting Skyline Apartment REIT's investment may be incurred. Furthermore, at any time, a tenant of any of Skyline Apartment REIT's properties may seek the protection of bankruptcy, insolvency, or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to Skyline Apartment REIT. The ability to rent unleased space in the properties in which Skyline Apartment REIT will have an interest will be affected by many factors. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on Skyline Apartment REIT's financial condition.

Revenue Producing Properties

The Properties generate income through rental payments made by the tenants thereof. Upon the expiry of any lease, there can be no assurance that such lease will be renewed, or the tenant replaced. The terms of any subsequent lease may be less favourable to Skyline Apartment REIT than the existing lease.

Competition for Real Property Investments

Skyline Apartment REIT competes for suitable real property investments with individuals, corporations, and institutions (both Canadian and foreign) and other real estate investment trusts which are presently seeking, or which may seek in the future, real property investments similar to those desired by Skyline Apartment REIT. A number of these investors may have greater financial resources than those of Skyline Apartment REIT or operate without the investment or operating restrictions of Skyline Apartment REIT or according to more flexible conditions. An increase

in the availability of investment funds, and an increase in interest in real property investments, may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Competition for Tenants

The real estate business is competitive. Numerous other developers, managers, and owners of properties compete with Skyline Apartment REIT in seeking tenants. The existence of competing developers, managers, and owners and competition for Skyline Apartment REIT's tenants could have an adverse effect on Skyline Apartment REIT's ability to lease space in its properties and on the rents charged.

Interest Rates

It is anticipated that the market price for the REIT Units at any given time may be affected by the level of interest rates prevailing at that time. A rise in interest rates may have a negative effect on the market price of the REIT Units. Changes in interest rates may also have effects on vacancy rates, rent levels, refurbishing costs, and other factors affecting Skyline Apartment REIT's business and profitability.

General Economic Conditions

Skyline Apartment REIT is affected by general economic conditions, local real estate markets, competition from other available rental premises, including new developments, and various other factors. The existence of competing developers, managers and owners and competition for Skyline Apartment REIT's tenants could have an adverse effect on Skyline Apartment REIT's ability to lease space in its properties and on the rents charged, increased leasing and marketing costs and increased refurbishing costs necessary to lease and release space, all of which could adversely affect Skyline Apartment REIT's revenues and, consequently, its ability to meet its obligations. In addition, any increase in the supply of available space in the markets in which Skyline Apartment REIT operates or may operate could have an adverse effect on Skyline Apartment REIT.

General Uninsured Losses

Skyline Apartment REIT carries comprehensive general liability, fire, flood, extended coverage, rental loss, and pollution insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from wars), which are either uninsurable or not insurable on an economically viable basis. Skyline Apartment REIT has insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if economical to do so. Should an uninsured or underinsured loss occur, Skyline Apartment REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its Properties, but Skyline Apartment REIT would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

Availability of Cash Flow

Distributable income may exceed actual cash available to Skyline Apartment REIT from time to time because of items such as principal repayments of debt, tenant inducements, leasing commissions, and capital expenditures, if any. Skyline Apartment REIT may be required to use part of its debt capacity or reduce distributions in order to accommodate such items.

Access to Capital

The real estate industry is highly capital intensive. Skyline Apartment REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms.

Environmental and Climate Change Risk

Environmental and ecological legislation and policies have become increasingly important, and generally restrictive, in recent years. Under various laws, Skyline Apartment REIT could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, may adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against the owner by private plaintiffs. Where a property is purchased, and new financing is obtained, Phase I Environmental Assessments are performed by an independent and experienced environmental consultant. In the case of mortgage assumption, the vendor will be asked to provide a satisfactory Phase I and/or Phase II Environmental Assessment that the Asset Manager will rely upon and/or determine whether an update is necessary.

Unitholder Liability

Because of uncertainties in the law relating to investment trusts, there is a risk, which is considered by counsel to Skyline Apartment REIT to be remote in the circumstance, that a REIT Unitholder could be held personally liable for obligations of Skyline Apartment REIT (to the extent that claims are not satisfied by Skyline Apartment REIT) in respect of contracts which Skyline Apartment REIT enters into and for certain liabilities arising other than out of contract including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trustees intend to cause Skyline Apartment REIT's operations to be conducted in such a way as to minimize any such risk including by obtaining appropriate insurance and, where feasible, attempting to have every material written contract or commitment of Skyline Apartment REIT contain an express disavowal of liability against Unitholders.

Dependence on Key Personnel

The management of Skyline Apartment REIT depends on the services of certain key personnel. The end of employment of any of these key personnel could have a material adverse effect on Skyline Apartment REIT.

Potential Conflicts of Interest

Skyline Apartment REIT may be subject to various conflicts of interest because of the fact that the Trustees and senior officers of Skyline Apartment REIT and the senior officers of the Asset Manager, the Operations Manager and the Wealth Manager are engaged in a wide range of real estate and other business activities. Skyline Apartment REIT may become involved in transactions which conflict with the interests of the foregoing.

The Trustees may, from time to time, deal with persons, firms, institutions or corporations with which Skyline Apartment REIT may be dealing, or which may be seeking investments similar to those desired by Skyline Apartment REIT. The interests of these persons could conflict with those of Skyline Apartment REIT. In addition, from time to time, these persons may be competing with Skyline Apartment REIT for available investment opportunities.

The Skyline Apartment REIT Declaration of Trust contains "conflicts of interest" provisions requiring Trustees to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Tax Related Risks

There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which adversely affects Skyline Apartment REIT or the Unitholders.

In addition, REIT Unitholders may become subject to provincial taxes, such as Ontario Land Transfer Tax, in respect of their REIT Units.

If Skyline Apartment REIT fails or ceases to qualify as a mutual fund trust for purposes of the Tax Act, the tax consequences described under Item 6 "Income Tax Consequences and RRSP Eligibility" would in some respects be materially and adversely different. Such adverse differences would include that if Skyline Apartment REIT did not qualify as a mutual fund trust throughout a taxation year, it would be subject to a special tax under Part XII.2 of the Tax Act for such taxation year to the extent that its designated income (which includes income from real property) is

distributed to a designated beneficiary (which includes non-resident persons and certain tax-exempt persons).

If investments in Skyline Apartment REIT become publicly listed or traded, there can be no assurances that Skyline Apartment REIT will not be subject to the SIFT Rules, as described under “Income Tax Consequences and RRSP Eligibility – SIFT Rules”, at that time.

Skyline Apartment REIT or its subsidiaries may be reassessed for taxes from time to time. Such reassessments together with associated interest and penalties could adversely affect Skyline Apartment REIT.

Since the net income of Skyline Apartment REIT will be distributed on a monthly basis, a purchaser of a REIT Unit may become taxable on a portion of the net income of Skyline Apartment REIT accrued or realized by Skyline Apartment REIT in a month before the time the REIT Unit was purchased but which was not paid or made payable to Unitholders until the end of the month and after the time the REIT Unit was purchased. A similar result may apply on an annual basis in respect of a portion of capital gains accrued or realized in a year before the time the REIT Unit was purchased, but which is paid or made payable to Unitholders at year-end and after the time the REIT Unit was purchased.

The LRE Rules could potentially apply to Skyline Apartment REIT if a person (or group of persons) was to acquire more than 50% of the fair market value of the REIT Units, with the consequences described under Item 6 “Income Tax Consequences and RRSP Eligibility – Taxation of Skyline Apartment REIT”.

Dilution

The number of REIT Units Skyline Apartment REIT is authorized to issue is unlimited. The Skyline Apartment REIT Trustees have the discretion to issue additional REIT Units in other circumstances, pursuant to Skyline Apartment REIT’s various incentive plans. Any issuance of additional REIT Units may have a dilutive effect on the holders of REIT Units.

Liquidity

An investment in REIT Units is an illiquid investment. There is currently no market through which REIT Units may be sold and redemptions are subject to restrictions imposed in the Declaration of Trust and applicable securities regulation. Skyline Apartment REIT is not a “reporting issuer” in any jurisdiction, and a prospectus has not qualified the issuance of REIT Units. Accordingly, investors will be unable to sell their REIT Units, subject to some limited exceptions. See Item 10 – Resale Restrictions. Consequently, holders of REIT Units may not be able to liquidate their investment in a timely manner.

Restrictions on Potential Growth and Reliance on Credit Facilities

The payout by Skyline Apartment REIT of a substantial part of its operating cash flow could adversely affect Skyline Apartment REIT’s ability to grow unless it can obtain additional financing. Such financing may not be available, or renewable, on attractive terms or at all. In addition, if current credit facilities were to be cancelled or could not be renewed at maturity on similar terms, Skyline Apartment REIT could be materially and adversely affected.

Financing

Skyline Apartment REIT is subject to the risks associated with debt financing, including the risk that Skyline Apartment REIT may be unable to make interest or principal payments or meet loan covenants, the risk that defaults under a loan could result in cross defaults or other lender rights or remedies under other loans, and the risk that existing indebtedness may not be able to be refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness. A portion of Skyline’s Acquisition and Operating Facility is at floating interest rates, and accordingly, changes in short-term borrowing will affect Skyline Apartment REIT’s costs of borrowing.

Liquidity

An investment in the Units is an illiquid investment. There is currently no market through which the Units may be sold, and redemptions are subject to restrictions imposed in the Declaration of Trust and applicable securities regulation.

The Trust is not a “reporting issuer” in any jurisdiction, and a prospectus has not qualified the issuance of the Units. Accordingly, investors will be unable to sell the Units, subject to some limited exceptions. Consequently, holders of Units may not be able to liquidate their investment in a timely manner.

Nature of REIT Units

The REIT Units are not the same as shares of a corporation. As a result, the Unitholders will not have the statutory rights and remedies normally associated with share ownership, such as the right to bring “oppression” or “derivative” actions.

Redemptions

The entitlement of Unitholders to receive cash in respect of Units tendered for redemption is subject to a Monthly Limit. Where the Monthly Limit is exceeded, a portion of the Redemption Amount to which the Unitholder would otherwise be entitled shall be paid and satisfied in cash and, subject to receipt of all necessary regulatory approvals, the remainder shall be paid and satisfied by way of issuance to the Unitholder of a Trust Note in accordance with the Declaration of Trust

Unexpected Costs or Liabilities Related to Acquisitions

A risk associated with acquisitions is that there may be an undisclosed or unknown liability concerning the acquired property, and Skyline Apartment REIT may not be indemnified for some or all of these liabilities. Following an acquisition, Skyline Apartment REIT may discover that it has acquired undisclosed liabilities, which may be material. The due diligence procedures performed by the Asset Manager are designed to address this risk. The Asset Manager performs what it believes to be an appropriate level of investigation in connection with the acquisition of properties by Skyline Apartment REIT and seeks through contract to ensure that risks lie with the appropriate party.

Subsequent Events

In the period between year end to April 30, 2021, Skyline Apartment REIT completed the following:

Subsequent to year end, RELP acquired one property in Mascouche, Quebec with an aggregate cost of \$20,150. There is a deposit of \$475 on this property at year end.

Additionally RELP has acquired 8 multi-unit residential properties, 2 in British Columbia and 6 in Ontario, comprised of 765 suites for an aggregate purchase price of approximately \$173 million.

Effective February 12, 2021, the price per unit for newly issued units and units to be redeemed increased to \$23.75 from \$21.00 and the distribution rate per unit increased to \$0.97 per unit from \$0.95 per unit.

Subsequent to year end, the following investment activity occurred:

REIT Unitholders - 2021 Investment Activity (to date) (\$ thousands, except where noted)	Number of Units	Amount (\$)
REIT units outstanding, January 1, 2021	63,213,674	\$805,454
Proceeds from REIT units issued	697,832	16,472
Exchange of LP units	-	-
Units issued through DRIP	337,005	7,756
Units issued through EUPP	11,036	250
Redemptions - REIT units	(738,064)	(16,939)
Redemptions - REIT units (exchanged LP units)	-	-
REIT units outstanding, April 30, 2021	63,521,483	812,993
Weighted average REIT units outstanding	63,212,728	

LP Unitholders - 2021 Investment Activity (to date) (\$ thousands, except where noted)	Number of Units	Amount (\$)
LP units outstanding, January 1, 2021	3,053,992	\$64,134
Proceeds from LP unit issued	-	-
Units issued through DRIP	-	-
Redemptions - LP unit	-	-
LP units outstanding, April 30, 2021	3,053,992	\$64,134
Weighted average LP units outstanding	3,053,992	

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
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YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of: Skyline Apartment Real Estate Investment Trust

Opinion

We have audited the accompanying financial statements of Skyline Apartment Real Estate Investment Trust, which comprise the consolidated statement of financial position as at December 31, 2020 and December 31, 2019 and the consolidated statements of income and comprehensive income, 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 and other explanatory information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Skyline Apartment Real Estate Investment Trust as at December 31, 2020 and December 31, 2019 and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis of 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 Financial Statements section of our report. We are independent of Skyline Apartment Real Estate Investment Trust in accordance with the ethical requirements that are relevant to our audit of the 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 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 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 Skyline Apartment Real Estate Investment Trust's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate Skyline Apartment Real Estate Investment Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Skyline Apartment Real Estate Investment Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

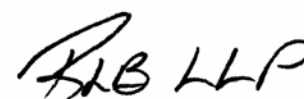
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is 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 judgement 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 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 Skyline Apartment Real Estate Investment Trust'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 Skyline Apartment Real Estate Investment Trust'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 Skyline Apartment Real Estate Investment Trust 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 Group 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Guelph, Ontario
March 24, 2021



Chartered Professional Accountants
Licensed Public Accountants

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

(in thousands of Canadian dollars)

	2020	2019
ASSETS		
Investment properties (note 6)	\$ 3,395,811	\$ 2,928,181
Assets held for sale (note 7)	26,881	0
Property, plant and equipment (note 9)	4,538	4,413
Inventory (note 3 (h))	2,888	3,293
Other assets (note 10)	4,736	5,320
Due from related parties (note 12)	0	18
Accounts receivable (note 16)	5,180	3,300
Cash (note 16)	<u>3,410</u>	<u>0</u>
	<u>\$ 3,443,444</u>	<u>\$ 2,944,525</u>
LIABILITIES AND UNITHOLDERS' EQUITY		
Mortgages payable (notes 11, 16)	\$ 1,847,842	\$ 1,497,309
Limited partnership units (notes 16, 19)	64,134	52,681
Due to related parties (note 12)	9,249	21,819
Liabilities related to assets held for sale (note 7)	18,773	0
Tenant deposits	18,147	16,542
Accounts payable and accrued liabilities (note 16)	19,895	13,834
Bank overdraft (note 16)	0	2,136
Revolving credit facilities (note 16)	<u>58,491</u>	<u>71,090</u>
	<u>2,036,531</u>	<u>1,675,411</u>
Unitholders' equity (page 6)	<u>1,406,913</u>	<u>1,269,114</u>
	<u>\$ 3,443,444</u>	<u>\$ 2,944,525</u>

“Jason Castellan” Trustee

“Jonathan Halpern” Trustee

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(in thousands of Canadian dollars)

	2020	2019
OPENING BALANCE	\$ 1,269,114	\$ 982,427
Proceeds from units issued (note 18)	44,947	57,792
Units issued through distribution reinvestment plan (note 18)	23,033	24,414
Exchange of Class B, C and D limited partnership units (notes 12, 18)	0	185
Income and comprehensive income for the year	161,536	283,954
Issuance costs (note 12)	(560)	(672)
Redemptions (note 18)	(31,912)	(22,476)
Distributions paid	<u>(59,245)</u>	<u>(56,510)</u>
CLOSING BALANCE	<u>\$ 1,406,913</u>	<u>\$ 1,269,114</u>

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(in thousands of Canadian dollars)

	2020	2019
PROPERTY REVENUES		
Residential rent	\$ 246,964	\$ 218,436
Commercial rent	16,948	18,300
Condominium sales	635	305
	<u>264,547</u>	<u>237,041</u>
DIRECT PROPERTY EXPENSES		
Property taxes	34,705	31,524
Other direct property costs	59,159	48,310
Utilities	27,792	25,628
Condominium cost of sales	418	209
	<u>122,074</u>	<u>105,671</u>
NET PROPERTY INCOME	<u>142,473</u>	<u>131,370</u>
OTHER INCOME AND EXPENSES		
Financing costs (note 13)		
Interest paid on debt	57,707	52,297
Distributions on partnership units	21,256	10,545
Administrative expenses	4,192	4,452
Asset management fees (note 12)	5,720	5,196
Wealth management fees (note 12)	4,597	3,680
Amortization	627	422
Interest and other income	(8)	(79)
	<u>94,091</u>	<u>76,513</u>
INCOME BEFORE THE UNDERNOTED	<u>48,382</u>	<u>54,857</u>
Fair value gain (note 14)	124,607	232,928
Fair value loss on limited partnership units	(11,453)	(3,831)
	<u>113,154</u>	<u>229,097</u>
INCOME AND COMPREHENSIVE INCOME for the year	<u>\$ 161,536</u>	<u>\$ 283,954</u>

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(in thousands of Canadian dollars)

	2020	2019
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Income and comprehensive income for the year	\$ 161,536	\$ 283,954
Items not requiring an outlay of cash:		
Amortization (note 9)	627	422
Amortization of financing costs (note 13)	3,934	4,134
Financing costs in operations (note 13)	74,763	58,534
Fair value gain (note 14)	(124,607)	(232,928)
Fair value loss on limited partnership units	11,453	3,831
	<u>127,706</u>	<u>117,947</u>
Changes in non-cash working capital		
Inventory	405	202
Other assets	533	(1,147)
Accounts receivable	(1,978)	(145)
Tenant deposits	1,605	2,116
Accounts payable and accrued liabilities	8,198	(4,875)
	<u>136,469</u>	<u>114,098</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Advances (to) from related parties (note 12)	(12,552)	22,446
Mortgages payable (net repayments and advances) (note 11)	363,253	324,390
Mortgages discharged due to sale of investment properties (note 11)	0	(3,719)
Interest paid on mortgages payable (note 13)	(51,705)	(45,498)
Distributions paid on partnership units (notes 12, 13, 19)	(21,256)	(10,545)
Net revolving credit facility (repayments) proceeds (note 16)	(12,599)	47,081
Interest paid on revolving credit facility (note 13)	(1,317)	(2,081)
Bank overdraft (repayments) proceeds (note 16)	(2,136)	1,538
Interest paid on short term loan (note 13)	(485)	(410)
Proceeds from units issued (net of distribution reinvestment plan) (note 18)	44,947	57,792
Issuance costs (note 12)	(560)	(672)
Redemption of units (note 18)	(31,912)	(22,476)
Distributions paid (net of distribution reinvestment plan)	(36,212)	(32,096)
	<u>237,466</u>	<u>335,750</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to investment properties (note 6)	(369,773)	(472,532)
Proceeds on disposition of investment properties (note 6)	0	23,480
Proceeds on reclassification of owner-occupied property to property, plant and equipment (note 9)	0	3,718
Additions to property, plant and equipment (note 9)	(752)	(4,514)
	<u>(370,525)</u>	<u>(449,848)</u>
INCREASE IN CASH for the year	3,410	0
CASH, beginning of year	<u>0</u>	<u>0</u>
CASH, end of year	<u>\$ 3,410</u>	<u>\$ 0</u>

See notes to the consolidated financial statements

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(in thousands of Canadian dollars, except per unit amounts)

1. NATURE OF BUSINESS

Skyline Apartment Real Estate Investment Trust ("Skyline Apt. REIT") is an unincorporated, open-ended private real estate investment trust established under the laws of the Province of Ontario that was created pursuant to a Declaration of Trust dated June 1, 2006.

Skyline Real Estate Limited Partnership ("RELP") was created on June 1, 2006 as a limited partnership under the laws of the Province of Ontario. The general partner is Skyline Incorporated and the majority limited partner is Skyline Operating Trust. Skyline Operating Trust has issued 100% of its units to Skyline Apt. REIT, and is 100% controlled by Skyline Apt. REIT.

As of December 31, 2020, RELP owned two hundred and nineteen (2019 - two hundred and three) multi-residential investment properties and six (2019 - six) commercial investment properties, all of which are located in Canada.

Skyline Apt. REIT is domiciled in Ontario, Canada. The address of Skyline Apt. REIT's registered office and its principal place of business is 5 Douglas Street, Suite 301, Guelph, Ontario, N1H 2S8.

2. BASIS OF PRESENTATION

(a) STATEMENT OF COMPLIANCE

The consolidated financial statements of Skyline Apt. REIT for the year ended December 31, 2020 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below were consistently applied to all the years presented, unless otherwise noted.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying Skyline Apt. REIT's accounting policies.

The consolidated financial statements are presented in accordance with IAS 1 - Presentation of consolidated financial statements ("IAS 1"). Skyline Apt. REIT has elected to present the Statement of Income and Comprehensive Income in one statement.

The consolidated financial statements for the year ended December 31, 2020 (including comparatives) were approved for issue by the Board of Trustees on March 24, 2021.

(b) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a historical cost basis modified to include the fair value measurement of investment properties and assets held for sale, as set out in the relevant accounting policies.

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(in thousands of Canadian dollars, except per unit amounts)

2. BASIS OF PRESENTATION (continued)

(c) **FUNCTIONAL CURRENCY AND PRESENTATION**

The consolidated financial statements are presented in Canadian dollars, which is also Skyline Apt. REIT's functional currency. All financial information presented in Canadian dollars is rounded to the nearest thousand.

Skyline Apt. REIT presents its consolidated statement of financial position based on the liquidity method, where all assets and liabilities are presented in the ascending order of liquidity.

(d) **USE OF ESTIMATES**

The preparation of these consolidated financial statements requires Skyline Apt. REIT to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimates are revised and the revision affects both current and future periods.

Significant estimates and assumptions include the fair values assigned to investment properties, useful lives of assets to calculate amortization, and allowances for doubtful accounts. Valuation of investment properties is one of the principal estimates and uncertainties of these consolidated financial statements. Refer to note 6 for further information on estimates and assumptions made in the determination of the fair value of investment properties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS and include the following significant accounting policies:

Accounting standards implemented in 2020

On January 1, 2020, Skyline Apt. REIT adopted the revised Conceptual Framework. In March 2018 the IASB issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework). Definitions of financial statement elements were updated, and a new disclosure and presentation section was added. There was no material impact from the adoption of this revised Conceptual Framework.

On January 1, 2020, Skyline Apt. REIT adopted the following amendments to IAS 1 - Presentation of Financial Statements ("IAS 1") and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). The IASB issued Definition of Material (Amendments to IAS 1 and IAS 8) in October 2018. The amendments clarify the definition of "material" and provide guidance to improve consistency for the application of materiality. The amended definition includes the concept of "obscuring" material information and clarifies that materiality is assessed for primary users of general purpose financial statements about a specific reporting entity. There was no material impact from the adoption of these amendments.

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards implemented in 2020 (continued)

On January 1, 2020, Skyline Apt. REIT adopted the following amendments to IFRS 3 - Business Combinations ("IFRS 3"). In October 2018 the IASB issued Definition of a Business (Amendments to IFRS 3). The amendments provide guidance to help companies determine if an acquisition is of a business or a group of assets. The amendments confirm that an acquired set of activities and assets must include both an input and a process that contribute to the ability to create outputs but clarify that the process must be substantive. The amendments also introduce an optional concentration test that facilitates determination of whether a company has acquired a business. There was no material impact from the adoption of these amendments.

(a) INVESTMENT PROPERTIES

Investment properties are properties held to earn rental income and are accounted for using the fair value model, in accordance with IFRS 13 - Fair Value Measurement ("IFRS 13"). Rental income and operating expenses from investment properties are reported within 'revenue' and 'expenses' respectively.

Properties that are held for long term rental yields or for capital appreciation or both, and that are not occupied by Skyline Apt. REIT, are classified as investment properties, in accordance with IAS 40 - Investment Properties ("IAS 40").

In accordance with IFRS 3 - Business Combinations, when Skyline Apt. REIT acquires properties or a portfolio of properties and does not take on or assume employees or does not acquire an operating platform, it classifies the acquisition as an asset acquisition.

In accordance with IAS 40, investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value. Fair value is determined using a combination of external valuation processes and internal valuation techniques that are in accordance with IFRS 13. For properties purchased within one year of the reporting date, the purchase price is considered fair value, unless significant events or changes have occurred to the property that would significantly alter its fair value. Properties appraised by qualified third party appraisers within the past twelve months are not revalued, unless significant changes or events have occurred to the property since the appraisal date. A minimum of 20% of the total number of investment properties that account for at least 25% of the preceding year's total fair value of investment properties are appraised on an annual basis, such that each property is appraised by an independent third party at least once every five years. All other investment properties are valued internally, using market supported financial metrics that are in accordance with IFRS 13, in tandem with current property details including, among other things, rent rolls from current leases and assumptions about rental income from future leases in light of current market conditions, and, any cash outflows that could be expected in respect of the property except for those outflows that relate to liabilities recognized on the statement of financial position. Skyline Apt. REIT also uses extensive market comparable sales to support valuation capitalization rates for different types of assets in different markets. These valuations form the basis for the carrying amounts in the financial statements.

The fair value of investment properties does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES (continued)

Investment properties that are being redeveloped for continuing use as investment property or for which the market has become less active continue to be measured at fair value.

Subsequent expenditures are capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to Skyline Apt. REIT and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Skyline Apt. REIT uses the concept of stabilizing and value enhancing capital expenditures to understand when repairs and maintenance should be capitalized. A "stabilized property" is one that has been owned for a period of at least twenty-four months. All properties owned for a period of less than twenty-four months are referred to as "unstabilized".

While a property is classified as unstabilized, costs incurred for repairs and maintenance in excess of \$300 (not in thousands of Canadian dollars) per annum per suite may be allocated from repairs and maintenance to be capitalized to the cost of the respective building as it is assumed that a future economic benefit will likely be realized from this level of expenditure. Once a property is classified as stabilized, costs incurred for repairs and maintenance in excess of \$800 (not in thousands of Canadian dollars) per annum per suite may be allocated from repairs and maintenance to be capitalized to the cost of the respective building.

Included in the determination of repairs and maintenance are costs incurred in incremental administrative wages for resident managers or on-site staff. Amounts in excess of \$30 (not in thousands of Canadian dollars) per month per suite are allocated from resident manager's wages to repairs and maintenance.

Changes in fair values are recognized in the statement of income and comprehensive income. Investment properties are derecognized when they have been disposed.

Where Skyline Apt. REIT disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income within the fair value adjustment on investment property.

Investment properties are reclassified to "Assets Held for Sale" when the criteria set out in IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations ("IFRS 5") are met (see note 3(b)).

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

As investments are measured at fair value, they are implicitly tested for impairment annually. There is no specific impairment test relating to investment properties other than the fair value methodology.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES (continued)

The initial cost of properties under development includes the acquisition cost of the property, direct development costs, realty taxes and borrowing costs attributable to the development. Borrowing costs associated with direct expenditures on properties under development are capitalized. The amount of capitalized borrowing costs is determined by reference to borrowings specific to the project. Borrowing costs are capitalized from the commencement of the development until the date of practical completion where the property is substantially ready for its intended use. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Practical completion is when the property is capable of operating in the manner intended by Management. Generally, this occurs upon completion of construction and receipt of all necessary occupancy and other material permits. If Skyline Apt. REIT has pre-leased space at or prior to the property being substantially ready for its intended use, and the lease requires tenant improvements which enhance the value of the property, practical completion is considered to occur when such improvements are completed.

(b) ASSETS HELD FOR SALE

In accordance with IFRS 5, non-current assets comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. For this purpose, a sale is highly probable if Management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan.

At the date when an investment property ceases to be classified as held for sale, it is measured at the lower of its carrying amount before it was classified as held for sale, adjusted for any amortization or revaluations that would have been recognized had the investment property not been classified as held for sale, and its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of estimated future cash flows expected to arise from the continuing use and eventual disposal of the investment property.

(c) REVENUE RECOGNITION

Rental revenue includes rents from tenants under leases, property tax and operating cost recoveries, parking income and incidental income. Skyline Apt. REIT has retained substantially all the risks and rewards of ownership of its investment properties and accounts for its rents from tenants as operating leases. Revenue from operating leases is recognized on a straight line basis over the term of the lease.

Tenant inducements are recognized at fair value at the inception of the lease and are amortized through revenue on a straight line basis over the life of the lease.

Sales of condominium units are recognized as revenue as of the date that the sale of the unit is closed.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) FINANCIAL INSTRUMENTS

Skyline Apt. REIT's financial instruments and their respective classification and measurement characteristics, are as follows:

<u>Asset/Liability</u>	<u>Classification/Measurement</u>
Cash	Amortized cost
Accounts receivable	Amortized cost
Mortgages and notes receivable	Amortized cost
Mortgages payable	Amortized cost
Limited partnership units	Fair value through profit or loss
Accounts payable and accrued liabilities	Amortized cost
Bank overdraft	Amortized cost
Revolving credit facilities	Amortized cost

Financial Assets

Financial assets are classified at initial recognition, as either financial assets at fair value through profit or loss ("FVTPL"), or amortized cost. Financial assets that give rise to specified payments of principal and interest are carried at amortized cost when they are held to collect contractual cash flows. All other financial assets are carried at fair value through profit or loss. When financial assets are recognized initially, they are measured at fair value, plus directly attributable transaction costs for those financial assets not subsequently measured at fair value.

Skyline Apt. REIT's financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or substantially all of the risks and rewards of ownership are transferred.

Skyline Apt. REIT's financial assets are all classified as amortized cost and include cash, accounts receivable and mortgages and notes receivable. They are initially recognized at fair value and subsequently measured at amortized cost less provision for impairment.

Provision for impairment is made based on the simplified expected credit loss ("ECL") model. Under the simplified ECL model, Skyline Apt. REIT estimates lifetime expected losses for its receivables at each statement of financial position date based on available information. To measure the expected losses, amounts receivable are grouped based on days past due. The results of the simplified ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized through the profit and loss. Bad debt write-offs occur when RELP determines collection is not possible. If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring in the subsequent period, the impairment loss is reversed to no more than its previous carrying amount by adjusting the allowance. The reversal is recognized through profit and loss. Impaired receivables are derecognized when they become uncollectible.

Financial Liabilities

Financial liabilities are classified at initial recognition as either financial liabilities at FVTPL, or amortized cost, as appropriate. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) FINANCIAL INSTRUMENTS (continued)

Skyline Apt. REIT's financial liabilities are all classified as amortized cost, and include mortgages payable, bank overdraft, revolving credit facilities and accounts payable and accrued liabilities. These financial liabilities are measured initially at fair value and subsequently at amortized cost. The fair value of a non-interest bearing liability is its discounted payment amount. If the due date of the liability is less than one year, discounting is omitted.

Skyline Apt. REIT's mortgages payable consists of the legal liabilities owing pursuant to loans secured by mortgages and premiums and discounts recognized on loans assumed on acquisition of properties, netted against the transaction costs, and the effective interest method of amortization is applied to the premiums, discounts and transaction costs.

(e) INCOME TAXES

Skyline Apt. REIT qualifies as a mutual fund trust and real estate investment trust pursuant to the Income Tax Act. Under current legislation, a real estate investment trust is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided its taxable income is fully distributed to unitholders. Skyline Apt. REIT intends to continue to qualify as a real estate investment trust and to make distributions not less than the amount necessary to ensure the REIT will not be liable to pay income taxes. Accordingly, no provision for income taxes has been made.

(f) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost and amortized on the basis of its estimated useful life using the following methods and rates:

Computer equipment	- 55% declining balance basis
Equipment	- 20% declining balance basis
Owner-occupied property - building	- 4% declining balance basis

Amortization is recorded at 50% of the above rates in the year of addition.

(g) JOINT OPERATIONS

Skyline Apt. REIT considers investments in joint arrangements to be a joint operation when they jointly make operating, financial and strategic decisions over one or more investment property with another party, and have direct rights to the assets and obligations for the liabilities relating to the arrangement. When the arrangement is considered to be a joint operation, Skyline Apt. REIT will include their share of the underlying assets, liabilities, revenue and expenses in their financial results.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) INVENTORY

Inventory includes condominium units that are held for sale by Skyline Apt. REIT and are carried at the lesser of cost and net realizable value. Properties that were initially purchased as investment property for leasing and capital appreciation purposes are held as investment property on the statement of financial position until such time that Management develops the property into a condominium building where the units will be individually sold. At the time of development, the units are transferred from investment property to inventory at their deemed cost, being the fair market value at the time of transfer. Subsequent holding costs related to the property including maintenance, property tax and utilities, are not included in the cost of the inventory. Any income or expenses related to these condominium units are included in the statement of income and comprehensive income in the period they are received or incurred. The deemed cost of the property is allocated to the individual units that are held for sale and expensed at the time of sale of each unit.

(i) DISTRIBUTION REINVESTMENT PLAN (DRIP)

Skyline Apt. REIT has instituted a DRIP whereby unitholders may elect to have their distributions automatically reinvested in additional units. There are no special terms, such as premiums on distribution rates, for plan participants.

(j) FAIR VALUE MEASUREMENT

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 estimating the fair value of an asset or a liability, Skyline Apt. REIT considers the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

Assets and liabilities that are measured at fair value in the statement of financial position are categorized by level according to the significance of the inputs used in making the measurements. The levels of inputs are defined as follows:

Level 1 inputs

Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs

Inputs other than quoted prices (included in Level 1) that are observable for the asset or the liability, either directly or indirectly.

Level 3 inputs

Unobservable inputs for the asset or liability.

Skyline Apt. REIT's policy is to recognize transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) PROVISIONS

Provisions are recognized when Skyline Apt. REIT has a present legal or constructive obligation as a result of past events, 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. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date. Provisions are measured at their present value by discounting the future cash flows from the expected date the obligation is to be settled. The discount rate used reflects current market assessments of the time value of money adjusted by the risk factor specific to the obligation. The unwinding of the discount due to the passage of time is recognized as interest expense.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of Skyline Apt. REIT's financial statements are disclosed below. Skyline Apt. REIT intends to adopt these standards, if applicable, when they become effective.

IAS 1 - In January 2020, the IASB issued an amendment to IAS 1 - Presentation of financial statements which will be effective for years beginning on or after January 1, 2023. The amended standard will update the definition of a liability and the classification of liabilities between current and non-current.

IAS 16 - In May 2020, the IASB issued an amendment to IAS 16 - Property, Plant and Equipment which will be effective for years beginning on or after January 1, 2022. The amended standard will update the elements of the cost of property, plant and equipment as it refers to the costs of testing whether the asset is functioning properly and disclosures surrounding this.

IAS 37 - In May 2020, the IASB issued an amendment to IAS 37 - Provisions, contingent liabilities and contingent assets which will be effective for years beginning on or after January 1, 2022. The amended standard will be updated to include a definition of the costs associated with fulfilling the obligations of an onerous contract.

IFRS 9 - In May 2020, the IASB issued an amendment to IFRS 9 - Financial Instruments which will be effective for years beginning on or after January 1, 2022. The amended standard will update the definition of what constitutes substantially different when referring to the exchange of debt instruments.

IFRS 28 - In May 2020, the IASB issued an amendment to IFRS 28 - Investments in Associates and Joint Ventures which will be effective for years beginning on or after January 1, 2022. The amended standard will update the equity method procedures for recognizing the sale or contribution of assets between an investor and its associate or joint venture.

Skyline Apt. REIT does not expect any significant impact as a result of these amendments.

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5. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Skyline Apt. REIT and its subsidiaries, Skyline Operating Trust and RELP.

Subsidiaries are entities over which Skyline Apt. REIT has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Subsidiaries are fully consolidated from the date control is transferred to Skyline Apt. REIT, and are de-consolidated from the date control ceases. Intercompany transactions between subsidiaries are eliminated on consolidation. All subsidiaries have a reporting date of December 31.

Skyline Apt. REIT carries out a portion of its activities through joint operations and records its proportionate share of assets, liabilities, revenues, expenses and cash flows of all joint operations in which it participates.

6. INVESTMENT PROPERTIES

Changes to the carrying amounts of investment properties presented in the statement of financial position can be summarized as follows:

	2020	2019
Balance at beginning of the year	\$ 2,928,181	\$ 2,249,919
Acquisitions through purchase of investment properties	305,666	382,291
Additions through capital expenditure on existing investment properties	64,107	90,241
Disposals through sale of investment properties	0	(23,480)
Reclassification due to change in use for the property to owner-occupied by RELP (note 9)	0	(3,718)
Assets held for sale (note 7)	(26,750)	0
Fair value gain on investment properties and disposed properties (note 14)	124,607	232,928
Balance at end of the year	<u>\$ 3,395,811</u>	<u>\$ 2,928,181</u>

Asset acquisitions:

During the year ended December 31, 2020, Skyline Apt. REIT acquired sixteen investment properties (2019 - twenty-three) through purchase of assets. The results of these acquisitions are included in these consolidated financial statements from the date of acquisition. The following table outlines the cost, which includes the transaction costs of the assets acquired and the associated liabilities entered into as a result of these acquisitions:

	2020	2019
Acquisition cost of investment properties	\$ 305,666	\$ 382,291
Mortgages payable	(203,841)	(245,399)
Total identifiable net assets settled by cash	<u>\$ 101,825</u>	<u>\$ 136,892</u>

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6. INVESTMENT PROPERTIES (continued)

Future rental income:

Investment properties are subject to operating leases with tenants. Lease contracts are all typically non-cancelable for periods ranging from one year for residential tenants, and one to fifteen years for commercial tenants, from the commencement of the lease. Future minimum rental income from these agreements is as follows:

	2020	2019
Less than one year	\$ 269,886	\$ 235,549
Between one and three years	14,307	21,295
More than three years	<u>775</u>	<u>393</u>
	<u><u>\$ 284,968</u></u>	<u><u>\$ 257,237</u></u>

Fair value disclosure:

Skyline Apt. REIT uses an income approach to perform internal valuation calculations for the purposes of determining the fair market value of investment properties. The same approach is used for those properties with independent third party appraisals. Significant assumptions used for the valuation of the properties include the capitalization rate and the revenue and expenses for each property. As at December 31, 2020, all of Skyline Apt REIT's investment properties were valued using Level 3 inputs. There were no transfers into or out of Level 3 fair value measurements for investment properties held as at December 31, 2020 and December 31, 2019.

Skyline Apt. REIT categorizes its investment properties by region, and each region has a different range of capitalization rates, depending on the specific risk factors for each property in that region. The weighted average capitalization rates for commercial properties is 8.40% (2019 - 7.77%) and for residential properties is 5.06% (2019 - 5.14%). The overall weighted average capitalization rates for Skyline Apt. REIT's investment properties is 5.14% (2019 - 5.22%).

Overall, the capitalization rates for residential properties and commercial properties fall between:

	Residential		Commercial	
	2020	2019	2020	2019
Minimum	4.43%	4.08%	5.94%	5.79%
Maximum	6.50%	6.50%	9.15%	9.23%

Assumptions related to property revenues and expenses are based on the most recent annual results of each property, and where necessary, industry benchmarks.

In 2020, Skyline Apt. REIT valued \$1,836,821 of its investment properties (including properties held for sale) internally (2019 - \$1,924,076). The remainder of the investment property fair value was obtained through third party appraisals, not including those properties acquired during the year. In the year, this amounted to \$1,279,640 (2019 - \$1,004,105). Actual results may differ from these estimates and may be subject to material adjustment within the next fiscal year.

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6. INVESTMENT PROPERTIES (continued)

Fair value sensitivity:

Skyline Apt. REIT's investment properties are classified as Level 3 under the fair value hierarchy, as the inputs in the valuations of these investment properties are not based on observable market data. The following table provides a sensitivity analysis for the weighted average capitalization rate applied as at December 31, 2020:

As of December 31, 2020

Capitalization Rate Sensitivity Increase (Decrease)	Overall Capitalization Rate	Fair Value of Investment Properties	Fair Value Variance	% Change
(1.00)%	4.14%	\$ 4,216,055	\$ 820,244	24.15%
December 31, 2020	5.14%	\$ 3,395,811	\$ 0	0.00%
1.00%	6.14%	\$ 2,842,747	\$(553,064)	(16.29)%

7. ASSETS HELD FOR SALE

As at December 31, 2020, there was one commercial property held for sale (2019 - zero properties held for sale). The assets and liabilities associated with this investment property held for sale are as follows:

	2020	2019
ASSETS		
Investment properties	\$ 26,750	\$ 0
Other assets	51	0
Accounts receivable	<u>80</u>	<u>0</u>
	<u>26,881</u>	<u>0</u>
LIABILITIES		
Mortgages payable	16,654	0
Accounts payable and accrued liabilities	<u>2,119</u>	<u>0</u>
	<u>18,773</u>	<u>0</u>
NET ASSETS HELD FOR SALE	<u>\$ 8,108</u>	<u>\$ 0</u>

8. JOINT OPERATIONS

Skyline Apt. REIT's interests in co-owned investment properties are accounted for based on RELP's share of interest in the assets, liabilities, revenues and expenses of the investment properties. As of December 31, 2020, Skyline Apt. REIT is in a co-ownership agreement with Upper Montney Limited Partnership where Skyline Apt. REIT has a 50% ownership interest (2019 - 50%) in an investment property in Dawson Creek, British Columbia.

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9. PROPERTY, PLANT AND EQUIPMENT

December 31, 2020	Cost	Accumulated Amortization	Carrying Amount
Computer equipment	\$ 1,875	\$ 1,272	\$ 603
Equipment	504	322	182
Owner-occupied property by RELP - building	3,501	251	3,250
Owner-occupied property by RELP - land	<u>503</u>	<u>0</u>	<u>503</u>
	<u>\$ 6,383</u>	<u>\$ 1,845</u>	<u>\$ 4,538</u>

December 31, 2019	Cost	Accumulated Amortization	Carrying Amount
Computer equipment	\$ 1,408	\$ 819	\$ 589
Equipment	505	278	227
Owner-occupied property by RELP - building	3,215	121	3,094
Owner-occupied property by RELP - land	<u>503</u>	<u>0</u>	<u>503</u>
	<u>\$ 5,631</u>	<u>\$ 1,218</u>	<u>\$ 4,413</u>

10. OTHER ASSETS

The components of other assets are as follows:

	2020	2019
Lender holdback	\$ 65	\$ 458
Note receivable	41	44
Prepaid expenses	2,081	1,296
Deposits on investment properties	<u>2,549</u>	<u>3,522</u>
	<u>\$ 4,736</u>	<u>\$ 5,320</u>

The note receivable of \$41 (2019 - \$44) bears interest at a fixed rate of 6% per annum and matures in 2031.

11. MORTGAGES PAYABLE

The mortgages payable are secured by investment properties and letters of credit, in some cases. Mortgages bearing fixed interest with a contractual weighted average rate of 2.85% (2019 - 3.25%) are \$1,818,079 (2019 - \$1,476,771). Mortgages bearing variable interest rates with an average variable rate of 3.82% (2019 - 4.78%) are \$29,763 (2019 - \$20,538). Included in mortgages payable are second mortgages of \$23,535 (2019 - \$52,062), which bear fixed interest rates. Also included in mortgages payable is a mezzanine loan of \$nil (2019 - \$16,538), which bears a variable interest rate. Mortgages have maturity dates ranging between 2021 and 2031. All mortgages are denominated in Canadian dollars.

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11. MORTGAGES PAYABLE (continued)

Future minimum principal payments on mortgage obligations are as follows:

	2021	\$	164,130
	2022		244,557
	2023		188,238
	2024		138,474
	2025		186,430
	Thereafter		<u>942,667</u>
			1,864,496
Less: Mortgages related to assets held for sale:			<u>(16,654)</u>
		\$	<u>1,847,842</u>

A reconciliation of movements in mortgages payable to cash flows arising from financing activities is as follows:

	2020	2019
Mortgages payable, beginning of year	\$ <u>1,497,309</u>	\$ <u>1,172,504</u>
Proceeds from new mortgages	644,073	509,958
Repayment of existing mortgages	(252,404)	(181,880)
Transaction costs related to mortgages	<u>(28,416)</u>	<u>(7,407)</u>
Total changes from financing cash flows	<u>363,253</u>	<u>320,671</u>
Change in mortgages payable on assets held for sale	(16,654)	0
Amortization of financing costs	3,934	4,134
Financing costs included in operations	51,705	45,498
Interest paid	<u>(51,705)</u>	<u>(45,498)</u>
Total liability-related changes	<u>(12,720)</u>	<u>4,134</u>
Mortgages payable, end of year	\$ <u>1,847,842</u>	\$ <u>1,497,309</u>

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12. RELATED PARTY TRANSACTIONS

Related party transactions are measured at fair value.

Skyline Incorporated is the general partner ("GP") of RELP and is entitled to distributions under the limited partnership agreement which commences once the equivalent of the total investors' equity has been effectively distributed on a property by property basis. Once triggered, any future income from operations for the specific property is shared at a ratio of 20% to the general partner and 80% to the LP. In addition, on any disposition, the general partner is entitled to 20% of the equity growth on the property net of any outstanding amounts owing to investors. A provision for the future distributions payable to Skyline Incorporated has not been recorded since the timing and amount of the distributions payable cannot be reasonably estimated. Based on the fair value of the investment properties as at December 31, 2020, a distribution would be payable if the investment properties were sold. At December 31, 2020, there were distributions payable of \$9,249 (2019 - \$2,135) which is included in due to related parties.

Distributions paid

Skyline Apt. REIT paid the following distributions to related parties:

	2020	2019
Skyline Management Inc. (limited partner)	\$ 2,359	\$ 2,348
Skyline Incorporated (GP) on the sale of investment properties	0	2,808
Skyline Incorporated (GP)	<u>18,355</u>	<u>4,839</u>
	<u>\$ 20,714</u>	<u>\$ 9,995</u>

Skyline Apt. REIT has an asset management agreement with Skyline Asset Management Inc., and a wealth management agreement with Skyline Wealth Management Inc. Skyline Asset Management Inc. and Skyline Wealth Management Inc. are controlled by Skyline Incorporated.

Fees payable under the asset management agreement are 2% of adjusted gross revenue. Fees payable under the wealth management agreement include wealth management fees of 0.3% of unitholders' equity, and equity raise fees ranging from 0.5% to 1% of proceeds from units issued and redeemed during the year. Equity raise fees of \$560 (2019 - \$642) were paid under the wealth management agreement during the year and are included in issuance costs.

Fees paid during the year are as follows:

	2020	2019
Asset management fees	\$ 5,720	\$ 5,196
Wealth management fees	<u>4,597</u>	<u>3,680</u>
	<u>\$ 10,317</u>	<u>\$ 8,876</u>

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12. RELATED PARTY TRANSACTIONS (continued)

Due from related parties

Amounts due from related parties are unsecured, non-interest bearing and are due on demand. The balance consists of the following:

	2020	2019
Skyline Real Estate Holdings Inc.	\$ <u>0</u>	\$ <u>18</u>

Skyline Real Estate Holdings Inc. is the bare trustee for some of the income producing properties held in Skyline Apt. REIT.

Due to related parties

The 2019 balance due to Skyline Clean Energy Fund is unsecured, bears interest at 6%, with a commitment fee of 1% and has no set terms of repayment. The balance due to Skyline Incorporated is unsecured, non-interest bearing and has no set terms of repayment. The 2019 balance due to Skyline Commercial Real Estate Investment Trust ("Skyline Commercial REIT") is unsecured, bears interest at 7% and has no set terms of repayment. Skyline Clean Energy Fund and Skyline Commercial REIT are entities that are controlled by a person or persons that qualify as a related person under IAS 24. The balance consists of the following:

	2020	2019
Skyline Clean Energy Fund	\$ 0	\$ 13,686
Skyline Incorporated	9,249	2,135
Skyline Commercial REIT	<u>0</u>	<u>5,998</u>
	<u>\$ 9,249</u>	<u>\$ 21,819</u>

Subsequent to year end, substantially all of these balances were repaid.

Class B LP Units

Skyline Management Inc. ("SMI") holds 2,482,639 (2019 - 2,482,639) Class B limited partnership units of RELP, that are exchangeable for Skyline Apt. REIT units and have a market value of \$52,135 at December 31, 2020 (2019 - \$42,826). SMI is required to hold 90% of the exchangeable units (or REIT upon exchange) until June 2021, subject to limited exceptions. SMI is controlled by Skyline Incorporated.

13. FINANCING COSTS

During the year, Skyline Apt. REIT paid the following financing costs:

	2020	2019
Mortgage interest	\$ 51,705	\$ 45,498
Deferred financing costs	3,934	4,134
Interest expense on other loans	485	410
Interest expense on revolving credit facility	1,317	2,081
Distribution paid on LP Units	2,901	2,898
Distribution paid to GP on the sale of investment properties	0	2,808
Distribution paid to GP	18,355	4,839
Interest on tenant deposits	<u>266</u>	<u>174</u>
	<u>\$ 78,963</u>	<u>\$ 62,842</u>

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14. FAIR VALUE GAIN

The components of the fair value gain were as follows:

	2020	2019
Fair value gain on investment properties	\$ 124,607	\$ 230,862
Fair value gain on disposed properties	<u>0</u>	<u>2,066</u>
	<u>\$ 124,607</u>	<u>\$ 232,928</u>

15. FAIR VALUE MEASUREMENT

Skyline Apt. REIT's financial assets and financial liabilities are carried at amortized costs, which approximate fair value, or FVTPL as applicable. Such fair value estimates are not necessarily indicative of the amounts Skyline Apt. REIT might pay or receive in actual market transactions.

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements is as follows:

As at	December 31, 2020			December 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Investment properties	\$ 0	\$ 0	\$ 3,395,811	\$ 0	\$ 0	\$ 2,928,181
Assets held for sale	<u>0</u>	<u>0</u>	<u>26,881</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,422,692</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,928,181</u>
Liabilities						
Mortgages payable	\$ 0	\$ 1,910,271	\$ 0	\$ 0	\$ 1,500,152	\$ 0
LP Units	<u>0</u>	<u>0</u>	<u>64,134</u>	<u>0</u>	<u>0</u>	<u>52,681</u>
	<u>\$ 0</u>	<u>\$ 1,910,271</u>	<u>\$ 64,134</u>	<u>\$ 0</u>	<u>\$ 1,500,152</u>	<u>\$ 52,681</u>

Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. For investment properties and liabilities measured at fair value as at December 31, 2020 and December 31, 2019, there were no transfers between Level 1, Level 2 and Level 3 assets.

The fair value of the mortgages payable was higher than cost by approximately \$62,429 at December 31, 2020 (December 31, 2019 - fair value was \$2,843 higher than cost) due to changes in the interest rates since the dates on which the individual mortgages were last contracted. The fair value of the mortgages payable has been estimated based on current market rates for mortgages with similar terms and conditions. The fair value of Skyline Apt. REIT's mortgages payable is an amount computed based on the interest rate environment prevailing at December 31, 2020 and December 31, 2019, respectively; the amount is subject to change and the future amounts will converge. There are no additional costs or penalties to Skyline Apt. REIT if the mortgages are held to maturity.

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16. FINANCIAL RISK MANAGEMENT

Financial risks are risks arising from the financial instruments to which Skyline Apt. REIT is exposed during or at the end of the reporting period. Financial risk comprises market risk, credit risk, and liquidity risk. Skyline Apt. REIT considers real estate risk as a financial risk as well, even though investment property is not classified as a financial instrument.

Risk management is carried out by Management and the Board of Trustees of Skyline Apt. REIT. Management identifies and evaluates financial risks and the Board provides oversight on overall risk management, including specific areas such as interest rate risk, liquidity, and investing policies.

Key financial risk management reports are produced on a monthly basis and key indicators are reviewed by Management and the Board of Trustees of Skyline Apartment REIT.

i) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Skyline Apt. REIT's market risks arise from open positions in interest bearing assets and liabilities, to the extent that these are exposed to market fluctuations.

a. Interest rate risk

Skyline Apt. REIT is exposed to interest rate risk arising from its fixed and floating rate mortgages payable. Bank overdraft is at floating interest rates and is exposed to changes in interest rates. Bank loan payable is at floating interest rates and is exposed to changes in interest rates. As fixed rate debt matures and as Skyline Apt. REIT uses additional floating rate debt under revolving credit facilities, Skyline Apt. REIT will be further exposed to cash flow risk.

As part of its risk management policies, Skyline Apt. REIT uses fixed and floating rate mortgages for the majority of its borrowings to allow for better cash flow planning. Skyline Apt. REIT attempts to stagger mortgage renewals at appropriate intervals to mitigate significant interest rate shocks in a given year.

The following table illustrates the sensitivity of income and equity to a reasonably possible change in interest rates of +/- 1%.

December 31, 2020

	Carrying Amount	Income -1%	Partners' Equity -1%	Income +1%	Partners' Equity +1%
Revolving credit facility	\$ 58,491	\$ 585	\$ 585	\$ (585)	\$ (585)
Mortgages payable, maturing within one year	<u>117,023</u>	<u>1,170</u>	<u>1,170</u>	<u>(1,170)</u>	<u>(1,170)</u>
	<u>\$ 175,514</u>	<u>\$ 1,755</u>	<u>\$ 1,755</u>	<u>\$ (1,755)</u>	<u>\$ (1,755)</u>

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16. FINANCIAL RISK MANAGEMENT (continued)

i) Market risk (continued)

a. Interest rate risk (continued)

December 31, 2019

	Carrying Amount	Income -1%	Partners' Equity -1%	Income +1%	Partners' Equity +1%
Bank overdraft	\$ 2,136	\$ 21	\$ 21	\$ (21)	\$ (21)
Revolving credit facility	71,090	711	711	(711)	(711)
Mortgages payable, maturing within one year	<u>113,277</u>	<u>1,133</u>	<u>1,133</u>	<u>(1,133)</u>	<u>(1,133)</u>
	<u>\$ 186,503</u>	<u>\$ 1,865</u>	<u>\$ 1,865</u>	<u>\$ (1,865)</u>	<u>\$ (1,865)</u>

b. Price risk

Skyline Apt. REIT has no significant exposure to price risk with respect to financial instruments as it does not hold any equity securities or commodities.

c. Foreign exchange risk

Skyline Apt. REIT is not subject to foreign exchange risk. All of its financial instruments are denominated in Canadian dollars.

ii) Credit risk

Credit risk is a risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Skyline Apt. REIT has no significant concentrations of credit risk. Credit risk arises from trade receivables, including rental receivables from lessees, mortgage and notes receivable.

An allowance for doubtful accounts is recognized for estimated losses resulting from tenant default on lease obligations. Skyline Apt. REIT actively reviews receivables and determines the potentially uncollectible accounts on a per-tenant basis. An accounts receivable is written down to its estimated recoverable value when there is reason to believe that the tenant will not be able to fulfil their obligations under the lease agreement. Management reviews tenant receivables on a regular basis and reduces carrying amounts through the use of allowance for doubtful accounts and the amount of any loss is recognized in the statement of income and comprehensive income.

The movement in the allowance for doubtful accounts is reconciled as follows:

	2020	2019
Allowance for doubtful accounts beginning of year	\$ 229	\$ 254
Provision for impairment of trade receivables	846	92
Reversal of provision for impairment	<u>(89)</u>	<u>(117)</u>
Allowance for doubtful accounts end of year	<u>\$ 986</u>	<u>\$ 229</u>

Credit risk is managed by reviewing the credit quality of the tenant through credit ratings and references. The maximum exposure to credit risk at the reporting date is equal to the carrying value of each class of financial asset.

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16. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk

Liquidity risk management entails maintaining sufficient cash and credit facilities available to close out market positions. Skyline Apt. REIT ensures flexibility in funding by keeping committed credit lines available, and raising capital from partners when needed.

Skyline Apt. REIT's liquidity position is monitored on a regular basis by Management. A summary table with obligations of financial liabilities presented below is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of the balances due within twelve months generally equal their carrying amounts in the statement of financial position as the impact of discounting is not significant.

The bank overdraft is secured by a general security agreement over some of the investment properties of Skyline Apt. REIT.

Under a financing agreement, RELP and Skyline Apt. REIT have a revolving credit facility of \$35,000 (2019 - \$35,000) available for use to finance the ongoing working capital requirements of the combined group which is maintained by Skyline Apt. REIT. At December 31, 2020, the total drawn on the operating line of credit was \$19,397 (2019 - \$21,090). The operating line of credit bears interest at prime plus 1.5%.

Under a second financing agreement, RELP and Skyline Apt. REIT have a revolving credit facility of \$60,000 (2019 - \$50,000) available for use to finance the ongoing working capital requirements of the combined group, which is maintained by Skyline Apt. REIT. At December 31, 2020, the total drawn on the revolving credit facility by Skyline Apt. REIT was \$39,094 (2019 - \$50,000). The revolving credit facility bears interest at prime plus 1.5% or, at the option of the borrower, a fixed rate equal to the floating bankers acceptance rate plus 2.3% for a 30 day or 90 day term.

A reconciliation of movements in revolving credit facility to cash flows arising from financing activities is as follows:

	2020	2019
Revolving credit facility, beginning of year	\$ 71,090	\$ 24,009
Net (repayments) proceeds to revolving credit facility	<u>(12,599)</u>	<u>47,081</u>
	<u>58,491</u>	<u>71,090</u>
Financing costs included in operations	1,316	2,081
Interest paid	<u>(1,316)</u>	<u>(2,081)</u>
Total liability-related changes	<u>0</u>	<u>0</u>
Revolving credit facility, end of year	<u>\$ 58,491</u>	<u>\$ 71,090</u>

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16. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk (continued)

Under the financing agreements, the combined group of RELP and Skyline Apt. REIT are required to maintain a debt service ratio of 1.20 or higher, an interest coverage ratio of at least 2.00 or higher and unitholder equity of at least \$400,000 plus 75% of contributions received during each subsequent fiscal year. The combined group is also required to maintain a funds from operations effective pay-out ratio not exceeding 105%, a total debt to gross book value ratio not exceeding 65% and a mortgage-ability debt service coverage ratio of 1.25 or higher. At December 31, 2020, the combined group was in compliance with the financing agreements.

A reconciliation of movements in bank overdraft to cash flows arising from financing activities is as follows:

	2020	2019
Bank overdraft, beginning of year	\$ 2,136	\$ 598
Net (repayments) proceeds from bank overdraft	<u>(2,136)</u>	<u>1,538</u>
Bank overdraft, end of year	<u>\$ 0</u>	<u>\$ 2,136</u>

Skyline Apt. REIT's long term debt consists of first mortgages payable bearing interest rates ranging from 1.6% to 6.7% per annum, payable in monthly instalments of principal and interest of approximately \$7,778 (2019 - 2.0% to 6.7%, instalments of \$6,703), maturing from 2021 to 2031 and are secured by specific charges against specific investment properties.

Skyline Apt. REIT's long term debt also includes second mortgages payable bearing interest at rates ranging from 2.8% to 6.1%, payable in monthly instalments of principal and interest of approximately \$146 (2019 - 2.4% to 6.1%, instalments of \$298), maturing from 2021 to 2024, and are secured by specific charges against specific investment properties.

Financial liabilities and their obligations are as follows:

December 31, 2020	On demand	Less than one year	One to five years	More than five years	Total
Mortgages payable	\$ 0	\$ 117,023	\$ 718,159	\$ 1,012,660	\$ 1,847,842
Limited partnership units	11,999	52,135	0	0	64,134
Revolving credit facilities	38,491	20,000	0	0	58,491
Accounts payable and accrued liabilities	<u>0</u>	<u>19,895</u>	<u>0</u>	<u>0</u>	<u>19,895</u>
	<u>\$ 50,490</u>	<u>\$ 209,053</u>	<u>\$ 718,159</u>	<u>\$ 1,012,660</u>	<u>\$ 1,990,362</u>

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16. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk (continued)

December 31, 2019	On demand	Less than one year	One to five years	More than five years	Total
Mortgages payable	\$ 0	\$ 136,726	\$ 682,091	\$ 678,492	\$ 1,497,309
LP units	9,855	0	42,826	0	52,681
Bank overdraft	0	0	0	0	0
Revolving credit facility	36,264	34,826	0	0	71,090
Accounts payable and accrued liabilities	0	13,834	0	0	13,834
	<u>\$ 46,119</u>	<u>\$ 185,386</u>	<u>\$ 724,917</u>	<u>\$ 678,492</u>	<u>\$ 1,634,914</u>

iv) Real estate risk

Skyline Apt. REIT has identified risks associated with the real estate portfolio. The greatest risk is with respect to the fair values of the portfolio due to changes in real estate market conditions, the economic climate, and overall financial health of its tenants.

Skyline Apt. REIT mitigates its exposure to any one tenant as a majority of its investment properties are multi-suite residential which results in a large number of tenants with minimal financial exposure to each. No single residential tenant accounts for 10% or more of Skyline Apt. REIT's residential rental revenue. Skyline Apt. REIT's commercial portfolio has a concentration of risk with a single tenant that represents 31% (2019 - 29%) of commercial revenue. This tenant is under lease until 2023 with three five-year renewal options.

17. CAPITAL RISK MANAGEMENT

Skyline Apt. REIT's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide returns for unitholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Skyline Apt. REIT has the ability to adjust the amount of distributions paid to partners, return capital to partners, issue additional units, refinance existing debt, or sell investment property to reduce debt.

Skyline Apt. REIT monitors capital primarily using a loan to value ratio, which is quotient of mortgages payable to investment properties. As of December 31, 2020, the loan to value ratio was 54% (2019 - 51%), which is within Skyline Apt. REIT's stated policy of 70% or less. Subsequent to December 31, 2020, Skyline Apt. REIT is in compliance with the policy.

During the year, Skyline Apt. REIT did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

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18. UNITHOLDERS' EQUITY

Skyline Apt. REIT is authorized to issue an unlimited number of REIT units. The REIT units are entitled to distributions as and when declared by the Board of Trustees. On February 11, 2020, Skyline Apt. REIT increased the price per unit for newly issued units and units to be redeemed to \$21.00 from \$17.25. The units issued and outstanding are as follows:

	2020 Units	2019 Units
Units outstanding, beginning of year	61,478,733	58,002,571
Exchange of LP units	0	10,717
Units issued	2,140,314	3,351,643
Distribution reinvestment plan	1,117,898	1,423,651
Redemptions during the year	<u>(1,523,271)</u>	<u>(1,309,849)</u>
Units outstanding, end of year	<u>63,213,674</u>	<u>61,478,733</u>

19. LIMITED PARTNERSHIP UNITS

At December 31, 2020 there are 2,520,139 (2019 - 2,520,139) Class B limited partnership units of RELP. RELP's Class B limited partnership units, representing an aggregate fair value of \$52,923 at December 31, 2020 (2019 - \$43,472), are exchangeable on a one-for-one basis into Skyline Apt. REIT units at any time at the option of the holder. Prior to such exchange, distributions will be made on these exchangeable units in an amount equivalent to the distributions which would have been made had the units been exchanged for Skyline Apt. REIT units. Class B limited partnership units are entitled to a pro rata share of the residual net assets remaining after the preferential claims, thereon, of debt holders. RELP's Class C limited partnership units of 179,844 (2019 - 179,844), representing an aggregate fair value of \$3,777 at December 31, 2020 (2019 - \$3,102), and Class D limited partnership units of 354,009 (2019 - 354,009), representing an aggregate fair value of \$7,434 at December 31, 2020 (2019 - \$6,107) share the same characteristics of the Class B limited partnership units described above.

A reconciliation of movements in Class B, C and D limited partnership units to cash flows arising from financing activities is as follows:

	2020	2019
Class B, C and D limited partnership units, beginning of year	<u>\$ 52,681</u>	<u>\$ 49,035</u>
Redemptions of Class B, C and D limited partnership units	<u>0</u>	<u>(185)</u>
Financing costs included in operations	2,901	2,898
Distribution interest paid	<u>(2,901)</u>	<u>(2,898)</u>
Total liability-related changes	<u>0</u>	<u>0</u>
Changes in fair value	<u>11,453</u>	<u>3,831</u>
Class B, C and D limited partnership units, end of year	<u>\$ 64,134</u>	<u>\$ 52,681</u>

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20. SEGMENTED DISCLOSURE

All of Skyline Apt. REIT's assets and liabilities are in, and its revenues are derived from, multi-suite residential and commercial Canadian real estate. Skyline Apt. REIT's investment properties are, therefore, considered by Management to have similar economic characteristics. Thus, Skyline Apt. REIT has one reportable segment for disclosure purposes.

21. IMPACT OF COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 was a global pandemic which has resulted in the federal and provincial governments enacting a series of public health and emergency measures to combat the spread of the virus thus impacting business operations both nationally and internationally. This may impact the timing and amounts realized on Skyline Apt. REIT's cash flows and assets.

22. SUBSEQUENT EVENTS

Subsequent to year end, RELP acquired one property in Mascouche, Quebec with an aggregate cost of \$20,150. There is a deposit of \$475 on this property at year end.

Effective February 12, 2021, the price per unit for newly issued units and units to be redeemed increased to \$23.75 from \$21.00 and the distribution rate per unit increased to \$0.97 per unit from \$0.95 per unit.



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