ANNUAL REPORT TO UNITHOLDERS - DECEMBER 31, 2021

SKYLINE APARTMENT REIT

SKYLINE APARTMENT REIT

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

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

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OVERVIEW

$4.03 B Fair Value of Investment Properties (18.60% increase) (As at December 31, 2021)	**21,382** Residential Units Across Canada (As at December 31, 2021)	**89.45%** Forward FFO Payout Ratio (As at December 31, 2021)
$26.25 Current Unit Value (As at April 30, 2022)	**$1.05** Annual Distribution per Unit (As at April 30, 2022)	**4.00%** Annual Distribution Yield (As at April 30, 2022)
15.41% Annualized Return 1 yr (As at April 30, 2022)	**19.29%** Annualized Return 5 yr (As at April 30, 2022)	**14.80%** Annualized Return Since Inception (As at April 30, 2022)

415 rue Sicard, Mascouche, QC

SKYLINE GROUP OF COMPANIES AWARDS

SHELLDALE FAMILY GATEWAY

Shelldale Family Gateway 2021 Volunteer of the Year – R. Jason Ashdown, Co-Founder & Chief Sustainability Officer, Skyline Group of Companies

Presented to a community member representing Shelldale Family Gateway's mission, making a substantial positive impact, and contributing to the betterment of the Shelldale Family Gateway community.

IPOANS 2021 Awards

IPOANS 2021 Innovation & Excellence Awards – Winner, Property Manager of the Year (Ashley Morine) – Skyline Living

Recognizing an IPOANS member's Property Manager who demonstrates innovation, teamwork, leadership skills, and excellence by continuously going above and beyond their duties.

BEST MANAGED COMPANIES Platinum member

Best Managed Companies – Platinum Member – Skyline Group of Companies

Platinum Member Winners have retained their Best Managed Companies status for seven years. They demonstrate leadership in strategy, capabilities and innovation, culture and commitment, and financials.

2021 AWARDS

CFAA 2021 Rental Housing Awards:
Winner, Off-Site Employee of the Year (Kevin McIntosh) – Skyline Living

Recognizing an individual employee nominated by their employer who has demonstrated excellence and professionalism in the rental housing industry.

Winner, Property Manager of the Year (Karolina Bagienski) – Skyline Living

Recognizing a staff member who solved a long-standing problem seen to be intractable or handled one or more difficult issues with great skill and tact.

RHB Magazine 2021 "The Annual" Edition – Canada's Top 10 REITs List (#5) – Skyline Apartment REIT

Skyline Apartment REIT ranked #5 in Canada (number of apartment suites owned and managed within its portfolio). RHB "The Annual" is "the complete market perspective for the Canadian rental housing industry."

TOP 10

Canadian Property Management Magazine 2021 "Who's Who" Ranking – Top 10 Apartment Owners & Managers (#7) – Skyline Apartment REIT

Skyline Apartment REIT ranked among Canada's Top 10 owners and managers of apartment real estate, based on total square footage within its portfolio.

2021 CANADIAN HR AWARDS FINALIST

2021 Canadian HR Awards – Finalist, Gallagher Award for HR Team of the Year (500+ employees) – Skyline Group of Companies

Skyline made the finals for this award recognizing a team that has excelled within the HR function and across their business by partnering with different business functions.

2021 WINNER

FRPO 2021 MAC Awards:
Winner, Environmental Excellence -Skyline Group of Companies

Presented to a rental housing provider that demonstrates excellence in the areas of energy and water conservation, waste management, net zero/ positive developments, or other sustainable initiatives.

Winner, Impact Award - Skyline Living

Recognizing a rental housing provider that has achieved extraordinary social outcomes related to one initiative or project in Ontario. 2021 was the inaugural year for the Impact Award category.

HeForShe at U of G IMPACT AWARD WINNER

University of Guelph 2021 HeForShe Impact Award – Skyline Group of Companies

Recognizing a Guelph-Wellington region business that actively promotes and improves gender equality, resulting in positive change within the organization and greater community.

SUSTAINABILITY AT SKYLINE GROUP OF COMPANIES

2021 SUSTAINABILITY HIGHLIGHTS

Environmental

1,286 trees and shrubs planted
in partnership with Tree Canada, with 105 Skyline volunteers participating in tree planting events.

41,819 MWh[1]
in clean energy generated by Skyline-owned solar assets. Equivalent to electricity use by 3,645[2] homes for one year.

90,000 tonnes
of organic waste capable of being diverted from landfill and converted to nearly 25,000 MWh of clean energy annually at Skyline Clean Energy Fund's biogas facility acquired in 2021 (one of Canada's largest). Equivalent to electricity use by 2,179[2] homes for one year.

Social

$260,000+
raised through Coldest Night of the Year, annual Golf Tournament, and Season's Givings campaigns.

900+ hours
donated by Skyline staff by way of volunteerism or participation on external non-profit boards and the Kindle supportive housing project.

420 tenancies saved
through R.I.S.E. (Reach, Impact, Support, Elevate) program and provided a total of $55,467 in financial relief/grocery gift cards.

Governance

80 points achieved
in Investor Net Promoter Score (NPS) - a 16% improvement from 2020, indicating high satisfaction of investors with Skyline's business practices, including ESG practices.

10 awards won
in recognition of company ESG practices and apartment buildings designed with sustainable features.

Launched internal 15-member ESG Taskforce
responsible for strategic development and monitoring of Skyline's ESG goals across all levels of the organization.

[1]A megawatt-hour (MWh) is a unit of energy equal to one megawatt of power sustained for one hour.
[2]Calculated using Natural Resource Canada's Greenhouse Gas equivalencies calculator:
https://oee.nrcan.gc.ca/corporate/statistics/neud/dpa/calculator/ghg-calculator.cfm#results

OUR FOCUS AREAS FOR 2022

Environmental	Expand organic and ewaste diversion programs across our properties	Install 800+ EV chargers at Skyline properties	Establish a formal tree planting program across the group of companies
Social	Exceed our 2021 fundraising total	Reach 80% usage of Skyline's Volunteer Day	Increase visibility of our R.I.S.E. Tenant Assistance program
Governance	Develop a centralized ESG database	Establish an employee ESG Training Program	Prepare to submit to Global ESG Benchmark for Real Assets (GRESB) in 2023

OUR SUSTAINABILITY PARTNERS

Tenants
Rent from us

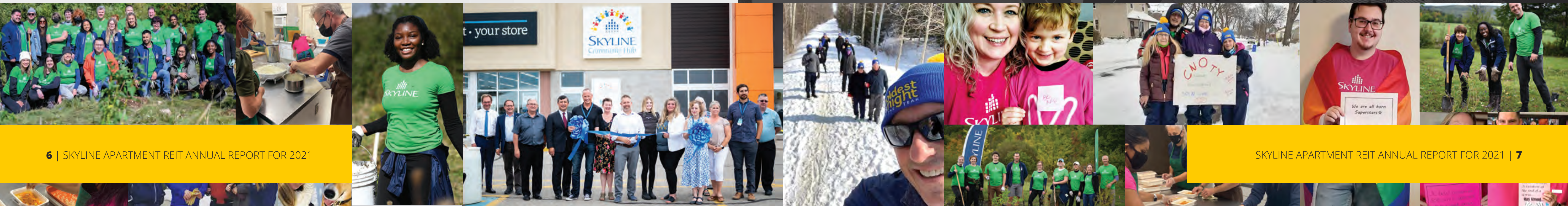
Employees
Work with us

Investors
Invest with us

Communities
Grow stronger with us

Suppliers
Build with us

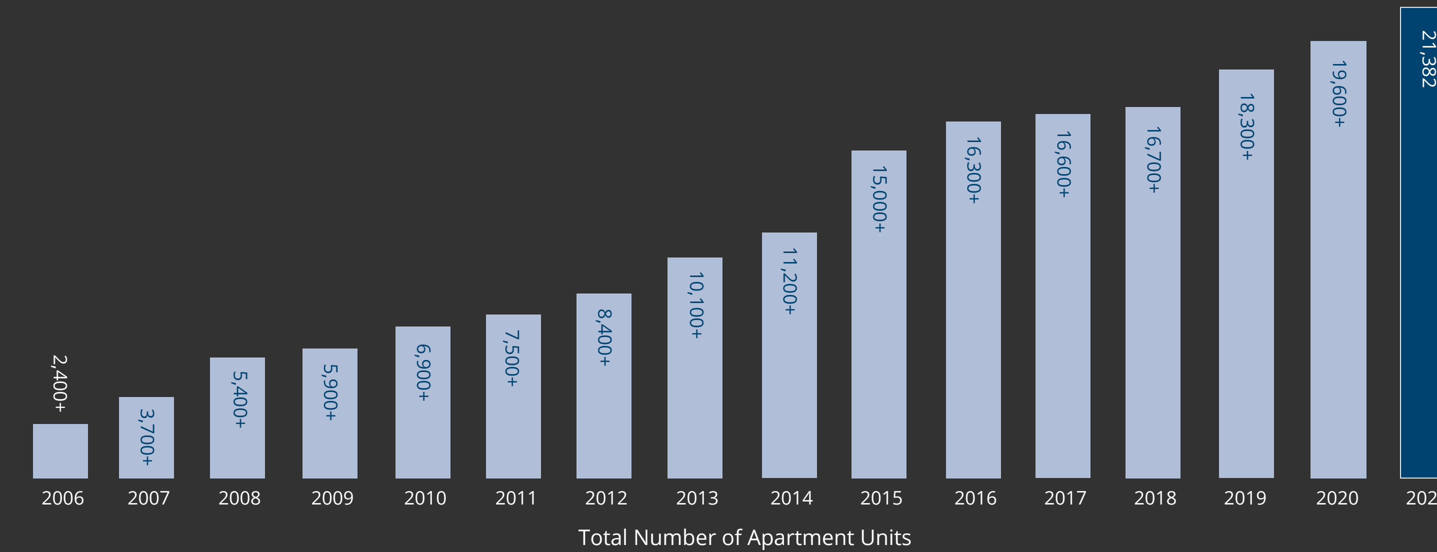
View Skyline's 2022 Sustainability Plan at
SkylineGroupOfCompanies.ca/Sustainability

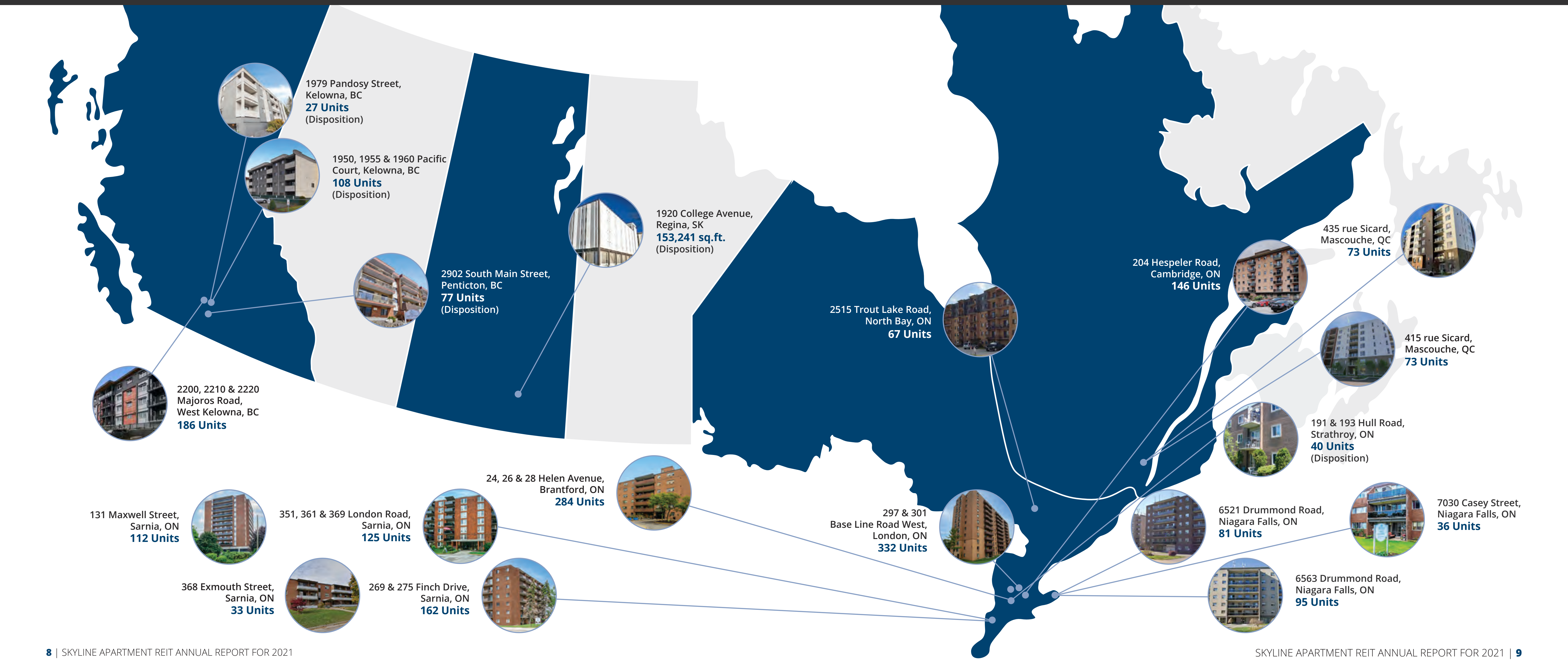


2021 TRANSACTIONS

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 CORE PURPOSE

To provide meaningful value and an exceptional experience for each of our stakeholders, while developing strong, supportive, and sustainable communities.

OUR MISSION

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

OUR P.R.I.D.E. VALUES

Professionalism
Respect
Integrity
Drive
Efficiency

Carrington View Apartments,
2200, 2210 & 2220 Majoros, Road, BC

CEO ADDRESS TO UNITHOLDERS

The year 2022 marks more than 30 years since my father helped my brother Martin and I buy our first student house in Guelph, ON. Shortly thereafter, at a party in that very house, we met our business partner, R. Jason Ashdown, and the rest is history.

In starting our real estate business, we agreed that our most substantial risk was interest rates. In the early days, we struggled with the choice between floating our interest rates or fixing them for the longer term. At that time, rates were decreasing, so floating would seemingly be the winning choice. However, we'd be able to sleep better knowing we had eliminated interest rate risk at the cost of marginal gains. We chose in favour of that peace of mind.

Fast forward to the past two years, which have seen the largest money printing period by both the Canadian and USA governments since we started this business. Inflation is upon us, and to an extent that we haven't seen before. Our biggest risk remains the same as it was more than 30 years ago: interest rates. However, our diligent strategizing in the past has trained us for these times.

We have always taken the stance that, as stewards of our investors' money, we must mitigate risk of things we cannot control; this includes interest rates as well as taxes, utilities, and other variables. We have spent our careers working diligently on those expenses; during the past two years we've especially focused on early "blending-and-extending" of our mortgages, pushing out the expiry of those terms as long as we can (usually 10 years). As an investor in one or more of Skyline's investments, you can be assured that we are prioritizing the mitigation of any potential risk accompanying the recent inflation we've seen.

Inflation may require a great deal of attention on the cost side, but there is plenty to be optimistic about, as inflation brings opportunity as well. Rents are one of our greatest hedges against inflation. Apartment rents are mostly protected by modest increases by tenants who stay; however, we can adjust the rent to market rates upon turnover when the tenant moves out. Retail and industrial rental rates are contractual obligations that may be fixed for longer terms than their residential counterparts, but as the market rent escalates for those retail and industrial units, the potential increases coil up and become realized once the terms on those rental contracts expire.

Within each of Skyline's three REITs, we have rents that are, in most cases, below what the market is currently achieving, but are being realized monthly upon turnover and renewal of leases. I know that I would rather own an investment with substantial growth opportunity than the opposite in a deflationary or stagnant environment—because rising rents bring rising property values to realization. The same holds true for our clean energy infrastructure assets within Skyline Clean Energy Fund; why not hedge against rising utility costs by investing in utility-scale assets? There, too, we will continually negotiate higher gas and electricity rates based on projects we buy at a fixed price today. As all the components that comprise a physical asset increase in value, so too does the approximately $7 billion enterprise value of the assets we hold across our four funds.

With the current market environment, now is an optimal time to own physical assets that will appreciate in value. Skyline's investments hedge against inflation due to the rents and rates that can be earned and present an opportunity for a rise in the assets' underlying value.

Through all the events, large and small, that we've seen over the 30-plus years we have owned and managed assets, we have continued our strategy to mitigate the risks we cannot control and capitalize on opportunities that present themselves. That strategy has stood us in great stead, and it is the reason why each of our four funds has provided historical growth and stability since its inception.

"As all the components that comprise a physical asset increase in value, so too does the approximately $7 billion enterprise value of the assets we hold across our four funds."

Jason Castellan

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

PRESIDENT'S REPORT

In many of my conversations over the past two years, I've found myself referring to the time period before March 2020 as "pre-COVID," and any time after that as "during COVID." I am sure that is the case with many of you as well. I am optimistic that we will soon be using the term "post-COVID." I hope that each of you, along with your families and loved ones, have navigated the past two years successfully. At Skyline Apartment REIT, our teams have done an exceptional job in keeping our business operating smoothly and keeping our staff and residents safe.

While some business sectors were extremely hard hit during the past 28 months, others flourished. Everyone is aware of the overall economic impact which has elevated the housing market to record levels and made housing affordability a key political agenda item, both provincially and federally. While pricing of single-family residential real estate (homes and cottages) has risen to unprecedented levels, multi-family real estate (such as apartment buildings) continues to rise steadily at a consistent growth rate. Skyline Apartment REIT continues to follow this "steady as she goes" model as it has since its inception in 2006. Our existing tenancies span from 0-30 years. As suites turn over, we continue to see a steady rise in income growth with a long runway into the future. Our business strategy aligns with the tortoise, not the hare: we aim to achieve our goals at a consistent pace. Further, being a private REIT, this investment is well insulated from the emotions that can drive volatility within other sectors.

2021 was another year of steady progression for Skyline Apartment REIT. The REIT successfully completed $431 million in acquisitions and developments which added 1,881 residential suites to the REIT's portfolio. The majority of the REIT's acquisitions were in communities where the REIT is already established, further strengthening our position in these key markets. In addition to acquisitions, the REIT had four disposition transactions totalling $79.18 million. These strategic sales included a 154,000 square foot office building in Regina, SK; two 20-unit buildings in Strathroy, ON; and three aging assets in BC, for a total of 255 residential suites. As we continue to add new build product to the REIT, we will seek opportunities to dispose of less desirable assets, in turn unlocking the equity for redeployment to create accretive income. The REIT's 2021 dispositions surfaced $43 million of equity.

Through steady income growth and high demand for multi-residential investment in Canada, Skyline Apartment REIT's Unit Value has increased 10.5% over the past year: from $23.75/Unit to $26.25/Unit. As this Unit Value increase is primarily driven by rent growth, operational efficiency, and a slightly lower Weighted Average Mortgage Rate over 2020, the REIT's distributable income increased from $0.97/Unit to $1.05/Unit over the past year. This represents an 8.2% increase in distributions per Unit to our investors.

As we have done over the past few years, we continue to purchase and develop an increasing amount of new build apartments. This strategy will continue for the next several years as projects are completed. With the current demand for institutional-quality buildings in the market, we continue to find greater value in new builds than in competing on the national stage for older properties that require a significant amount of capital expenditures and a longer runway to cross our desired yield threshold. However, we will continue to acquire older "value-add" stock when it makes sense; these properties are acquired through the REIT's relationships with vendors and agents and are often non-marketed transactions.

As the Canadian housing market has skyrocketed over the past several years, the gap between rental rates and housing prices is one of the largest among the G7 countries. While many economists suggest Canada's home prices have surpassed fundamental value, our rental prices remain an extremely affordable alternative to home ownership. The Skyline Apartment REIT portfolio has a current average rent of less than $1,300/month and a Mark to Market gap of approximately $270/suite. As a Skyline Apartment REIT investor, this factor that gives me great comfort when I look ahead to the future stability of the REIT.

Throughout 2021, mortgage rates remained low; the REIT rounded out the year with a Weighted Average Mortgage Rate of 2.68%. At this rate, the REIT currently has an average length of mortgage maturity of more than five years. We have seen rates rise through Q1 2022 and we will continue to seek the most advantageous financing options to provide stable returns and value to our Unitholders.

As we look ahead to the balance of 2022 and beyond, our management team will continue to acquire accretive properties, source the best financing options, seek operational efficiencies, practice strategic property dispositions, and redeploy the equity for greater income growth, so we can be proactive as market conditions change. Our commitment to you, the Unitholder, is to surface value through real estate in an ethically, socially, and environmentally responsible way. On behalf of the Skyline Apartment REIT team, I would like to thank all of our Unitholders for your continued support.

"As suites turn over, we continue to see a steady rise in income growth with a long runway into the future . . . further, being a private REIT, this investment is well insulated from the emotions that can drive volatility within other sectors."

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 REIT

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. Mr Breadner continues to be the Chairman of family owned R and S Trailer Leasing Ltd.; one of Canada's largest transport trailer leasing companies and trailer sales organizations.

Edward (Ted) Perlmutter

Ted Perlmutter is a seasoned commercial real estate lawyer and was a partner for 25 years in one of Canada's preeminent law firms: Blake, Cassels & Graydon LLP. Having an in-depth experience in leading highly complex transactions in the public and private sectors including development financing of infrastructure, Mr. Perlmutter built a reputation for developing and successfully executing innovative approaches. Mr. Perlmutter is a sought-after counsel on complex real estate issues. He holds a Master of Laws degree from the London School of Economics.

Jeffrey Neumann

Jeff Neumann is the broker and co-owner of Coldwell Banker Neumann Real Estate in Guelph, Ontario. Since 1996, Mr. Neumann has developed Coldwell Banker Neumann Real Estate into a local industry leader, with over 80 salespeople averaging over $650 million in sales per year. Mr. Neumann has also 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 Chartered Professional Accountant, having spent years as a partner at BDO Canada LLP until 2016. Her expertise extends to the fields of finance, merger and acquisition transactions, leadership, and governance. She is a member of the Chartered Professional Accountants of Ontario (1987), holds the ICD.D designation from the Institute of Corporate Directors (2015), and is a graduate of the University of Waterloo (1984). In addition to serving as a Skyline Apartment REIT Trustee, Susan currently sits on the boards of Kindred Credit Union, where she is Board Chair, and TSX Trust Company, where she is Chair of the Audit Committee.

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, 2021, 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, 2022, 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, 2021 and 2020, 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 January 22, 2022 (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 "**Exempt Market Dealer**") 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 2021, Skyline Apartment REIT was paying monthly distributions to Unitholders of $0.0850 per unit, or $1.02 on an annual basis. At December 31, 2021, approximately 36.9% 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, 2021, occupancy in the multi-residential suites was 96.2% and in the commercial units was 85.6%.
- **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, 2021, average monthly multi-residential rent was $1,373.65 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 2021, 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 2018 through 2021. Management is focused on maintaining or increasing same property NOI year over year. For the year 2021, same property NOI was $153.5 million, an increase of 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 2021, Skyline Apartment REIT generated $80.6 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 2021, Skyline Apartment REIT's FFO payout ratio was 83.05%.
- **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 2021, Skyline Apartment REIT's portfolio leverage ratio was 65.51% (against historical cost) and 52.55% (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.

2021 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 2021.
- The value of REIT units grew from $23.75 to $25.50 on August 1, 2021 and as of February 25, 2022 grew again to $26.25 per unit (a 10.53% year-over-year increase).
- Average Monthly Rents increased to $1,373.65 per residential unit, from $1,307.00.
- Weighted Average Interest rates dropped to 2.68% from 2.85% year-over-year, on $2.1B of outstanding mortgages as at December 31, 2021.
- Year-over-year FFO grew $0.11 (10.38%) on a per unit basis, from $1.06 to $1.17.

Financial Highlights **($ thousands, except where noted)**	**2021**	**2020**
Property revenues	$303,281	$264,547
Direct property expenses	(138,754)	(122,074)
Net operating income ("NOI")	**$164,527**	**$142,473**
Net income	**$273,955**	**$161,536**
Funds from operations ("FFO")	**$80,555**	**$69,638**
Weighted average units outstanding	68,628,914	65,575,048
FFO per unit (weighted average)	**$1.17**	**$1.06**
Forward distribution rate per unit	**$1.05**	**$0.97**
Forward FFO payout ratio	**83.05%**	**89.24%**
Forward normalized FFO payout ratio (1)	**89.45%**	**91.51%**

(1) As of April 30, 2022, utilizing a distribution rate of $1.05 per unit (up from $0.97)

Property Portfolio

At December 31, 2021, through active portfolio management; the portfolio consisted of 21,382 residential suites and 514,175 square feet of commercial space, geographically well-diversified across 59 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, 2021**	**Average Occupied Monthly Rents**	**Occupancy %**
Residential		
Alberta	$1,381.44	85.1%
BC	1,610.66	98.4%
Manitoba	1,631.84	96.9%
New Brunswick	1,121.07	98.4%
Nova Scotia	1658.25	98.7%
Ontario	1,143.58	97.2%
Quebec	1,068.71	98.4%
Residential Portfolio Average	**$1,373.65**	**96.2%**
Commercial	**$1.41 psf**	**85.6%**

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.

Acquisitions And Dispositions

Acquisitions Completed During the Year Ended December 31, 2021
($ thousands, except where noted)

Purchase Date	Number of Units	Region	Type	Acquisition Price	Mortgage Funding
Feburary 1, 2021	73	Mascouche	Residential	$20,565	$-
March 31, 2021	n/a	Welland	Land	2,000	-
April 28, 2021	33	Sarnia	Residential	3,350	2,425
April 15, 2020	186	West Kelowna	Residential	54,056	45,947
April 30, 2021	162	Sarnia	Residential	25,000	15,000
April 30, 2021	125	Sarnia	Residential	22,750	13,400
April 30, 2021	36	Niagara Falls	Residential	6,500	4,200
April 30, 2021	112	Sarnia	Residential	25,900	11,551
April 30, 2021	3	Sarnia	Residential	250	-
June 4, 2021	n/a	Gravenhurst	Land	1,368	-
July 26, 2021	67	North Bay	Residential	9,000	4,636
July 28, 2021	73	Mascouche	Residential	20,991	17,470
August 31, 2021	n/a	Lindsay	Land	4,000	-
September 7, 2021	332	London	Residential	64,500	39,667
September 7, 2021	284	Brantford	Residential	66,500	40,886
September 7, 2021	146	Cambridge	Residential	42,250	25,714
September 16, 2021	176	Niagara Falls	Residential	40,111	29,879
December 1, 2021	73	Mascouche	Residential	21,705	17,365
Total	**1,881**			**$430,796**	**$268,142**

Dispositions Completed During the Year Ended December 31, 2021
($ thousands, except where noted)

Purchase Date	Number of Units	Region	Sale Price	Cash Proceeds	Mortgage Funding
Feburary 1, 2021	40	Residential	$ 5,900	$ 4,101	$ 1,799
March 31, 2021	153 sqft	Commercial	28,250	11,854	16,396
April 28, 2021	3	London	276	276	-
April 15, 2020	108	BC Residential	22,574	14,356	8,218
April 30, 2021	27	BC Residential	6,961	6,961	-
April 30, 2021	77	BC Residential	15,215	5,497	9,718
Total	**255**		**$79,176**	**$43,045**	**$36,131**

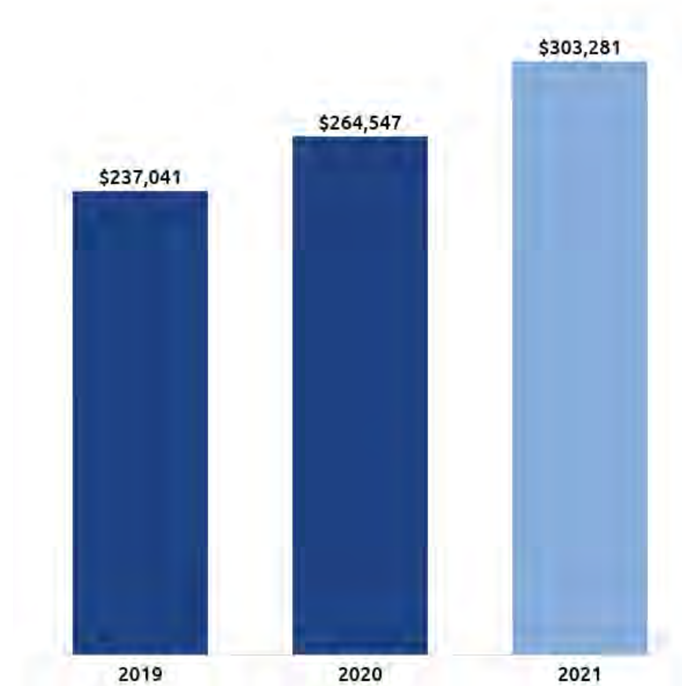
2021 Operating Highlights

Regional Highlights **($ thousands, except where noted)**	**2021**		**2020**		**Increase (Decrease)**		
Portfolio	**NOI**	**NOI Margin (%)**	**NOI**	**NOI Margin (%)**	**Revenue Change (%)**	**Expense Change (%)**	**NOI Change (%)**
Eastern Ontario	**$15,984**	**55.1%**	**$13,741**	**52.4%**	23%	23%	16%
Northern Ontario	**$12,686**	**46.5%**	**10,989**	**48.1%**	38%	41%	6%
South Western Ontario	**$79,918**	**50.1%**	**74,847**	**54.4%**	18%	23%	9%
Quebec	**$13,003**	**57.5%**	**10,466**	**56.9%**	38%	38%	24%
Eastern Canada	**$9,569**	**55.4%**	**7,883**	**53.5%**	34%	41%	21%
Western Canada	**$33,367**	**60.4%**	**24,547**	**57.0%**	55%	53%	32%
Total	**$164,527**	**54.2%**	**$142,473**	**53.9%**	28%	30%	15%

Operating Results **($ thousands, except where noted)**	**2020**	**%***	**2019**	**%***
Property revenues				
Residential rent	$288,097	95.0%	$246,964	93.4%
Commercial rent	15,184	5.0%	16,948	6.4%
Condominium sales	-	0.0%	635	0.2%
Total property revenues	**$303,281**	**100%**	**$264,547**	**100%**
Direct property expenses				
Property taxes	38,176	27.5%	34,705	28.4%
Other direct property costs	70,048	50.5%	59,159	48.5%
Utilities	30,530	22.0%	27,792	22.8%
Condominium cost of sales	-	0.0%	418	0.3%
Total direct property expenses	**$138,754**	**45.8%**	**$122,074**	**46.1%**
Net operating income ("NOI")	**$164,527**	**54.2%**	**$142,473**	**53.9%**

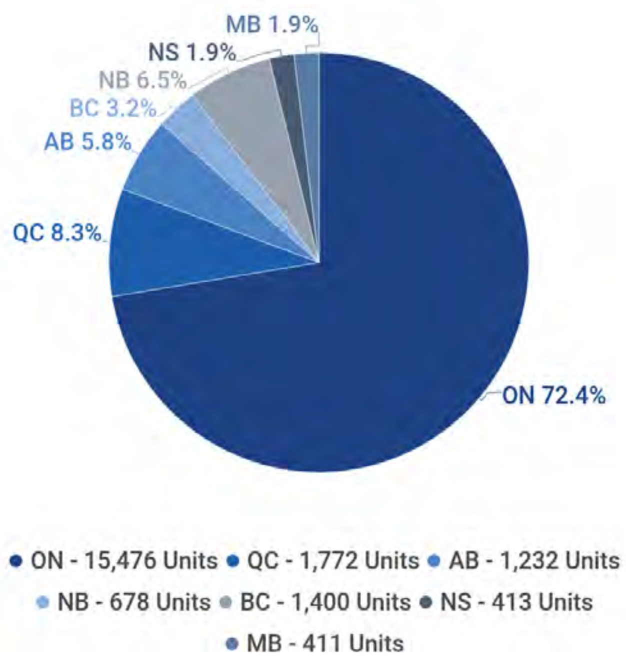
* As a percentage of property revenues

OPERATING REVENUES
($ Thousands)

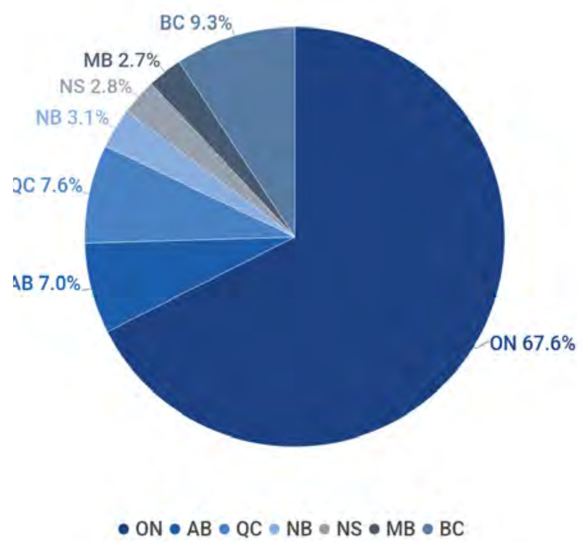


NET OPERATING INCOME
($ Thousands)

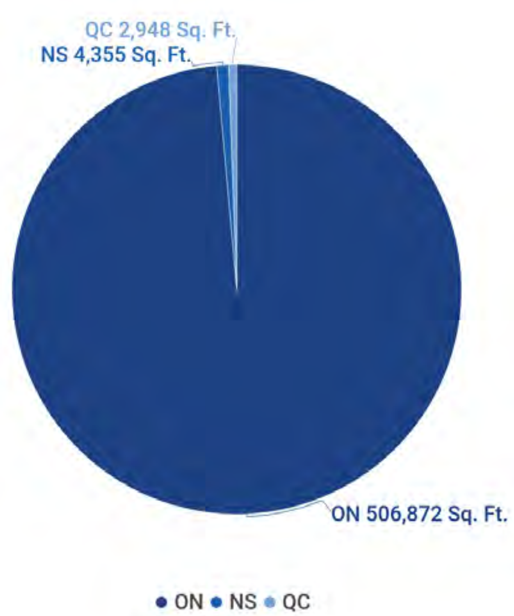
Residential Unit Breakdown by Province



Residential Rent Breakdown by Province



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)**	**2021**	**2020**
Profit & loss		
Property revenues	$303,281	$264,547
Direct property expenses	(138,754)	(122,074)
Net operating income ("NOI")	**$164,527**	**$142,473**
Finance costs	(82,395)	(78,963)
REIT & other expenses	(18,341)	(15,136)
Interest income	-	8
Fair value gain in disposed properties	11,697	-
Fair value gain	198,467	113,154
Net income	**$273,955**	**$161,536**
Non-cash add-backs:		
Distributions on partnership units included in finance costs	$16,764	$21,256
Fair value gain on disposed properties	(11,697)	-
Fair value gain	(198,467)	(113,154)
Funds from operations ("FFO")	**$80,555**	**$69,638**

(continued on next page)

Payout Ratios ($ thousands, except where noted)	2021	2020
Funds from operations ("FFO")	**$80,555**	**$69,638**
Weighted average REIT units and LP units outstanding	68,628,914	65,575,048
Total distributions declared	$80,672	$80,501
Less: General Partner sharing distributions on the sale of investment properties	(2,747)	0
Less: General Partner sharing distributions	(11,025)	(18,355)
Total distributions declared to REIT and LP Unitholders	**$66,900**	**$62,146**
Less: special distributions	-	-
FFO per unit (weighted average)	**$1.17**	**$1.06**
FFO payout ratio [1]	**83.05%**	**89.24%**
Forward distribution rate per unit	**$1.05** [2]	**$0.97** [2]
Forward normalized FFO payout ratio (1)	**89.45%**	**91.51%**

[1] Excludes distributions to the General Partner
[2] As of April 30, 2022

Distributions to Unitholders/Shareholders and Payout Ratio

During 2021, Skyline Apartment REIT paid monthly distributions to Unitholders of $0.0850 per Unit, or $1.02 per Unit on an annual basis.

At December 31, 2021, approximately 36.9% of the REIT's Units were enrolled in the Distribution Re-Investment Plan. Distributions made to Unitholders during 2021, amounted to $66.9 million, of which $24.7 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)	2021	2020
Distributions declared	**$66,900**	**$62,146**
Funded by:		
Income	100.00%	100.00%
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.

2021 realized fair value gains on held investment properties of $223.9 million over 2020's carrying value.

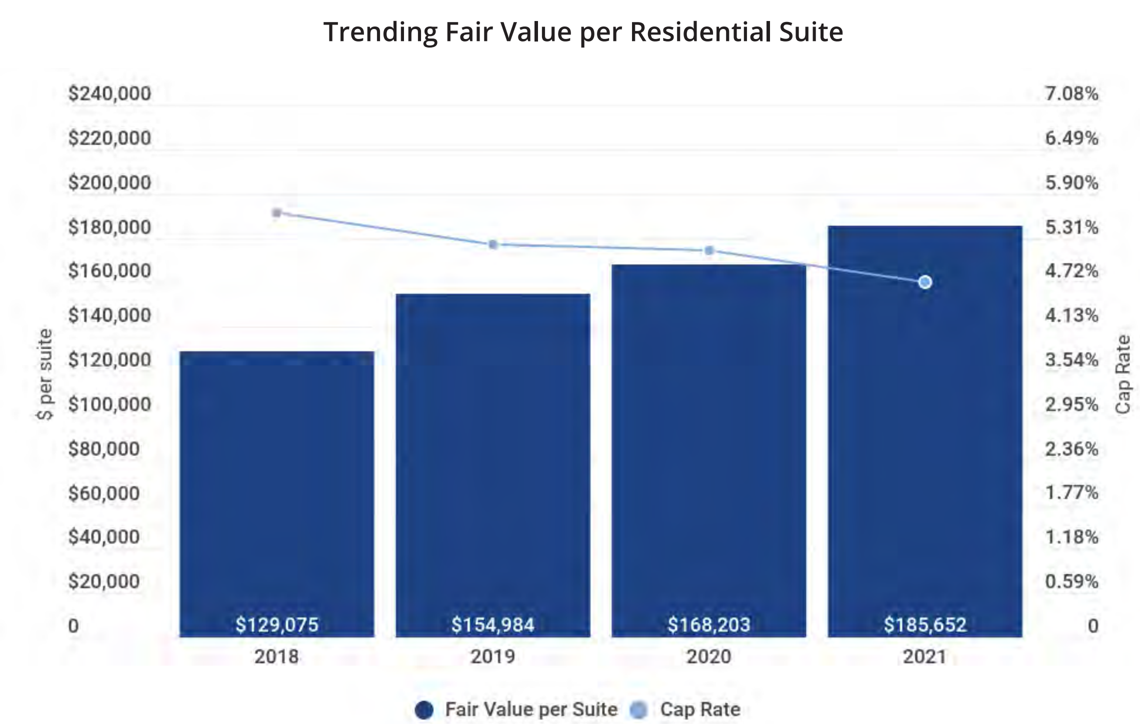
Fair Value of Investment Properties (under IFRS 13) ($ thousands, except where noted)	2021	2020
Balance, beginning of year	**$3,395,811**	**$2,928,181**
Acquisitions through purchase of investment properties	430,796	305,666
Additions through capital expenditures on existing investment properties	140,843	64,107
Disposals through sale of investment properties	(69,770)	-
Change in Assets held for sale	(94,185)	(26,750)
Fair value gain on investment properties and disposed properties	223,896	124,607
Balance, end of year	**$4,027,391**	**$3,395,811**

The following table reconciles the cost base of investment properties to their fair value:

Fair Value of Investment Properties (under IFRS 13) ($ thousands, except where noted)	2021	2020
Cost	$3,156,367	$2,736,986
Cumulative fair value adjustment	871,024	658,825
Fair Value	**$4,027,391**	**$3,395,811**

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)	2021	2020	2019	2018
Fair value of investment properties	$4,027,391	$3,395,811	$2,928,181	$2,249,919
Less: fair value of commercial properties	$(57,775)	$(82,715)	$(86,240)	$(90,370)
Fair value of residential properties	$3,969,616	$3,313,096	$2,841,941	$2,159,549
Total residential suites at year end	21,382	19,697	18,337	16,731
Fair value per suite	**$185,652**	**$168,203**	**$154,984**	**$129,075**
Increase (decrease) in fair value per suite(%)	**10.37%**	**8.53%**	**20.07%**	**8.76%**
Weighted average implied capitalization rate	4.73%	5.14%	5.22%	5.65%
Increase (decrease) in cap rate (year-over-year)(%)	(7.98%)	(1.53%)	(7.61%)	2.54%
Net operating income ("NOI")	$164,527	$142,473	$131,370	$118,200
Increase in NOI (year-over-year)(%)	15.48%	8.45%	11.14%	9.25%
NOI Margin (% of total revenue)	54.25%	53.86%	55.42%	54.10%



Capital Expenditures

During 2021, Skyline Apartment REIT acquired 1,881 apartment units through the acquisition of 18 new properties for a total investment (inclusive of closing costs) of $430.8 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 $140.8 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, 2021 is summarized in the following chart:

Mortgage Summary **($ thousands, except where noted)**	**2021**	**2020**
Mortgages payable	$2,116,429	$1,847,842
Line of credit	99,390	58,491
Total Debt	**$2,215,819**	**$1,906,333**
Limited partnership units	77,720	64,134
Unitholders' equity	1,762,740	1,406,913
Total capital	**$4,056,279**	**$3,377,380**
Mortgage debt to historical cost	65.51%	67.46%
Mortgage debt to fair value	52.55%	54.42%
Total debt to historical cost	68.59%	69.59%
Total debt to fair value	55.02%	56.14%
Weighted average mortgage interest rate	2.68%	2.85%
Weighted average mortgage term to maturity	5.62 yrs	5.72 yrs

Mortgages Payable **($ thousands, except where noted)**	**Future minimum principal payments**	**% of total mortgages**
2022	**$290,898**	13.7%
2023	**219,753**	10.4%
2024	**167,068**	7.9%
2025	**258,998**	12.2%
2026	**168,833**	8.0%
Thereafter	**1,086,591**	51.3%
Less: Mortgages related to assets held for sale	**(75,712)**	-3.58%
Total mortgages payable as of December 31, 2021	**$2,116,429**	**100.0%**

Investment Summary

During 2021, 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, August, June and December 2021. During the year, the REIT received net proceeds of $147.5 million through new investments and DRIP enrolment, net of redemptions.

During 2021, Management purchased for cancellation and/or redeemed units for $43.6 million at 100% of Unit Book value.

REIT Unitholders - Investment Activity ($ thousands, except where noted)	2021		2020	
	Number of Units	Amount ($)	Number of Units	Amount ($)
REIT units outstanding, beginning of year	**63,213,674**	**$805,454**	**61,478,733**	**$769,386**
Proceeds from REIT units issued	6,771,062	166,291	2,140,314	44,947
Exchange of LP units	6,154	146	-	-
Units issued through DRIP	970,832	23,542	1,063,085	21,899
Units issued through EUPP	47,156	1,136	54,813	1,134
Redemptions - REIT units	(1,808,900)	(43,450)	(1,523,271)	(31,912)
Redemptions - REIT units (exchanged LP units)	(6,154)	(146)	-	-
REIT units outstanding, end of year	**69,193,824**	**$952,973**	**63,213,674**	**$805,454**
Weighted average REIT units outstanding	**65,577,999**		**62,521,056**	

LP Unitholders - Investment Activity ($ thousands, except where noted)	2021		2020	
	Number of Units	Amount ($)	Number of Units	Amount ($)
LP units outstanding, beginning of year	**3,053,992**	**$64,134**	**3,053,992**	**$52,681**
Proceeds from LP units issued	-	-	-	-
Units issued through DRIP	-	-	-	-
Redemptions - LP units (exchanged to REIT units)	(6,154)	(146)	-	-
Change in fair value	-	13,732	-	11,453
LP units outstanding, end of year	**3,047,838**	**$77,720**	**3,053,992**	**$64,134**
Weighted average LP units outstanding	**3,050,915**		**3,053,992**	

Unitholder Taxation

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

Regular Distributions	2021
Dividends	0%
Other Income	0%
Capital Gains	0%
Return of Capital	100%
TOTAL	**100%**

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)**	**2021**	**2020**
General Partner sharing on income	$11,025	$18,355
General Partner sharing on dispositions	$2,747	$-
Total General Partner sharing on distributions	**$13,772**	**$18,355**

Management Services

Fees paid during the past two years are as follows:

Management Fees **($ thousands, except where noted)**	**2021**	**2020**
Asset management fees	$6,646	$5,720
Wealth management fees	5,601	4,597
Underwriting management fees	2,164	2,327
Total Management Fees	**$14,411**	**$12,644**

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, 2022, Skyline Apartment REIT completed the following:

Subsequent to year end, RELP acquired two properties in Halifax, Nova Scotia, one property in Woodstock, Ontario, one property in Guelph, Ontario, one property in Lindsay, Ontario, one property in London, Ontario and one property in Peterborough, Ontario with an aggregate cost of $190,000. RELP will be assuming a mortgage of $58,083 on this acquisition.

Subsequent to year end, RELP sold one property in Guelph, Ontario for proceeds of $13,725 and one property in Langford, British Columbia for proceeds of $66,300. An additional property in Langford, British Columbia, and two properties in Vernon, British Columbia were also sold for proceeds of $63,700. The aggregate gain on these dispositions is $23,375, from which $4,675 is expected to be paid to Skyline Incorporated (a related party).

Effective February 25, 2022, the price per unit for newly issued units and units to be redeemed increased to $26.25 from $25.50 and the distribution rate per unit increased to $1.05 per unit from $1.02 per unit.

Subsequent to year end, the following investment activity occurred:

REIT Unitholders - 2022 Investment Activity (to date) **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
REIT units outstanding, January 1, 2022	**69,193,824**	**$952,973**
Proceeds from REIT units issued	1,856,055	47,329
Exchange of LP units	-	-
Units issued through DRIP	271,680	6,997
Units issued through EUPP	11,036	291
Redemptions - REIT units	(414,727)	(10,782)
Redemptions - REIT units (exchanged LP units)	-	-
REIT units outstanding, April 30, 2022	**70,917,868**	**$996,808**
Weighted average REIT units outstanding	**69,623,455**	

LP Unitholders - 2022 Investment Activity (to date) **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
LP units outstanding, January 1, 2022	**3,047,838**	**$77,720**
Proceeds from LP unit issued	-	-
Units issued through DRIP	-	-
Redemptions - LP unit	-	2,286
LP units outstanding, April 30, 2022	**3,047,838**	**$80,006**
Weighted average LP units outstanding	**3,047,838**	

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Chartered Professional Accountants

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, 2021 and December 31, 2020 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, 2021 and December 31, 2020 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.

GUELPH OFFICE 103-197 HANLON CREEK BLVD, GUELPH, ON • TEL: 519-822-9933 • FAX: 519-822-9212 • RLB.CA

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.

RLB LLP

Guelph, Ontario
March 23, 2022

Chartered Professional Accountants
Licensed Public Accountants

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

(in thousands of Canadian dollars)

	2021	2020
ASSETS		
Investment properties (note 6)	$ 4,027,391	$ 3,395,811
Assets held for sale (note 7)	121,070	26,881
Property, plant and equipment (note 9)	4,647	4,538
Inventory (note 3 (h))	2,888	2,888
Other assets (note 10)	8,486	4,736
Accounts receivable (note 15)	7,219	5,180
Cash (note 15)	25,450	3,410
	$ 4,197,151	$ 3,443,444
LIABILITIES AND UNITHOLDERS' EQUITY		
Mortgages payable (notes 11, 15)	$ 2,116,429	$ 1,847,842
Limited partnership units (notes 15, 18)	77,720	64,134
Due to related parties (note 12)	4,098	9,249
Liabilities related to assets held for sale (note 7)	79,378	18,773
Tenant deposits	20,631	18,147
Accounts payable and accrued liabilities (note 15)	36,765	19,895
Revolving credit facilities (note 15)	99,390	58,491
	2,434,411	2,036,531
Unitholders' equity (page 6)	1,762,740	1,406,913
	$ 4,197,151	$ 3,443,444

_______________ Trustee _______________ Trustee

See notes to the consolidated financial statements

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021

(in thousands of Canadian dollars)

	2021	2020
OPENING BALANCE	$ 1,406,913	$ 1,269,114
Proceeds from units issued (note 17)	166,291	44,947
Units issued through distribution reinvestment plan (note 17)	24,678	23,033
Exchange of Class B, C and D limited partnership units (notes 12, 17)	146	0
Income and comprehensive income for the year	273,955	161,536
Issuance costs (note 12)	(1,739)	(560)
Redemptions (note 17)	(43,596)	(31,912)
Distributions paid	(63,908)	(59,245)
CLOSING BALANCE	$ 1,762,740	$ 1,406,913

See notes to the consolidated financial statements

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

(in thousands of Canadian dollars)

	2021	2020
PROPERTY REVENUES		
Residential rent	$ 288,097	$ 246,964
Commercial rent	15,184	16,948
Condominium sales	0	635
	303,281	264,547
DIRECT PROPERTY EXPENSES		
Property taxes	38,176	34,705
Other direct property costs	70,048	59,159
Utilities	30,530	27,792
Condominium cost of sales	0	418
	138,754	122,074
NET PROPERTY INCOME	164,527	142,473
OTHER INCOME AND EXPENSES		
Financing costs (note 13)		
Interest paid on debt	65,631	57,707
Distributions on partnership units	16,764	21,256
Administrative expenses	5,413	4,192
Asset management fees (note 12)	6,646	5,720
Wealth management fees (note 12)	5,601	4,597
Amortization	681	627
Interest and other income	0	(8)
	100,736	94,091
INCOME BEFORE THE UNDERNOTED	63,791	48,382
Fair value gain	212,199	124,607
Fair value gain on disposed properties	11,697	0
Fair value loss on limited partnership units	(13,732)	(11,453)
	210,164	113,154
INCOME AND COMPREHENSIVE INCOME for the year	$ 273,955	$ 161,536

See notes to the consolidated financial statements

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

(in thousands of Canadian dollars)

	2021	2020
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Income and comprehensive income for the year	$ 273,955	$ 161,536
Items not requiring an outlay of cash:		
Amortization (note 9)	681	627
Amortization of financing costs (note 13)	4,753	3,934
Financing costs in operations (note 13)	77,638	74,763
Fair value gain	(212,199)	(124,607)
Fair value gain on the disposal of assets	(11,697)	0
Fair value loss on limited partnership units	13,732	11,453
	146,863	127,706
Changes in non-cash working capital		
Inventory	0	405
Other assets	(3,814)	533
Accounts receivable	(1,978)	(1,978)
Tenant deposits	2,847	1,605
Accounts payable and accrued liabilities	18,054	8,198
	161,972	136,469
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Advances to related parties (note 12)	(5,151)	(12,552)
Mortgages payable (net repayments and advances) (note 11)	362,850	363,253
Mortgages discharged due to sale of investment properties (note 11)	(39,958)	0
Interest paid on mortgages payable (note 13)	(57,055)	(51,705)
Distributions paid on partnership units (notes 12, 13, 18)	(16,764)	(21,256)
Net revolving credit facility proceeds (repayment) (note 15)	40,899	(12,599)
Interest paid on revolving credit facility (note 13)	(3,819)	(1,317)
Bank overdraft repayments (note 15)	0	(2,136)
Interest paid on short term loan (note 13)	0	(485)
Proceeds from units issued (net of distribution reinvestment plan) (note 17)	166,291	44,947
Issuance costs (note 12)	(1,739)	(560)
Redemption of units (note 17)	(43,596)	(31,912)
Distributions paid (net of distribution reinvestment plan)	(39,230)	(36,212)
	362,728	237,466
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to investment properties (note 6)	(571,639)	(369,773)
Proceeds on disposition of investment properties (note 6)	69,770	0
Additions to property, plant and equipment (note 9)	(791)	(752)
	(502,660)	(370,525)
INCREASE IN CASH for the year	22,040	3,410
CASH, beginning of year	3,410	0
CASH, end of year	$ 25,450	$ 3,410

See notes to the consolidated financial statements

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, 2021, RELP owned two hundred and thirty-three (2020 - two hundred and nineteen) multi-residential investment properties and five (2020 - 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, 2021 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, 2021 (including comparatives) were approved for issue by the Board of Trustees on March 23, 2022.

(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.

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:

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES (continued)

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.

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”.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES (continued)

While a property is classified as unstabilized, costs incurred for repairs and maintenance in excess of $425 (2020 - $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 $810 (2020 - $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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. Current assets or disposal groups held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

(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.

(d) FINANCIAL INSTRUMENTS

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

Asset/Liability	Classification/Measurement
Cash	Amortized cost
Accounts receivable	Amortized cost
Mortgages payable	Amortized cost
Due to related parties	Amortized cost
Limited partnership units	Fair value through profit or loss
Accounts payable and accrued liabilities	Amortized cost
Revolving credit facilities	Amortized cost

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) FINANCIAL INSTRUMENTS (continued)

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 the entity loses control of all or part of the assets.

Skyline Apt. REIT’s financial assets are all classified as amortized cost and include cash and accounts 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.

Skyline Apt. REIT’s financial liabilities are all classified as amortized cost and include mortgages payable, due to related parties, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) FINANCIAL INSTRUMENTS (continued)

Financial Liabilities (continued)
Skyline Apt. REIT's financial liabilities classified as financial liabilities at FVTPL include the limited partnership units. These financial liabilities are measured initially and subsequently at fair value and any gains or losses arising on remeasurement are recognized in net income.

(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.

(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.

. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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:

<u>Level 1 inputs</u>
Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

<u>Level 2 inputs</u>
Inputs other than quoted prices (included in Level 1) that are observable for the asset or the liability, either directly or indirectly.

<u>Level 3 inputs</u>
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.

(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.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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 1 - In February 2021, 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 accounting policy information.

IAS 8 - In February 2021, the IASB issued an amendment to IAS 8 - Accounting policies, changes in accounting estimates and errors which will be effective for years beginning on or after January 1, 2023. The amended standard clarifies the difference between an accounting estimate and an accounting policy.

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 28 - In May 2020, the IASB issued an amendment to IAS 28 - Investments in Associates and Joint Ventures. 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. The effective date has been deferred indefinitely.

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.

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

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.

(in thousands of Canadian dollars, except per unit amounts)

6. INVESTMENT PROPERTIES

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

	2021	2020
Balance at beginning of the year	$ 3,395,811	$ 2,928,181
Acquisitions through purchase of investment properties	430,796	305,666
Additions through capital expenditure on existing investment properties	140,843	64,107
Disposals through sale of investment properties	(69,770)	0
Change in assets held for sale (note 7)	(94,185)	(26,750)
Fair value gain on investment properties and disposed properties	223,896	124,607
Balance at end of the year	$ 4,027,391	$ 3,395,811

The following table reconciles the cost base of investment properties to their fair value:

	2021	2020
Cost	3,156,367	2,736,986
Cumulative fair value adjustment	871,024	658,825
Fair value	$ 4,027,391	$ 3,395,811

Asset acquisitions:

During the year ended December 31, 2021, Skyline Apt. REIT acquired eighteen investment properties (2020 - sixteen) 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:

	2021	2020
Acquisition cost of investment properties	$ 430,796	$ 305,666
Mortgages payable	(268,142)	(203,841)
Total identifiable net assets settled by cash	$ 162,654	$ 101,825

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:

	2021	2020
Less than one year	$ 299,432	$ 269,886
Between one and three years	6,234	14,307
More than three years	1,074	775
	$ 306,740	$ 284,968

(in thousands of Canadian dollars, except per unit amounts)

6. INVESTMENT PROPERTIES (continued)

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, 2021, 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, 2021 and December 31, 2020.

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 7.58% (2020 - 8.40%) and for residential properties is 4.69% (2020 - 5.06%). The overall weighted average capitalization rates for Skyline Apt. REIT's investment properties is 4.73% (2020 - 5.14%).

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

	Residential		Commercial	
	2021	2020	2021	2020
Minimum	3.47%	4.43%	5.80%	5.94%
Maximum	6.50%	6.50%	8.56%	9.15%

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

In 2021, Skyline Apt. REIT valued $1,945,921 of its investment properties (including properties held for sale) internally (2020 - $1,836,821). 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 $1,780,170 (2020 - $1,279,640). In 2021, 48.1% (2020 - 54.7%) of the cost base of the investment properties was valued internally and 51.9% (2020 - 45.3%) was valued externally. The acquisitions during 2021 were valued at $422,235 (2020 - $306,100). Actual results may differ from these estimates and may be subject to material adjustment within the next fiscal year.

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, 2021:

As of December 31, 2021

Capitalization Rate Sensitivity Increase (Decrease)	Overall Capitalization Rate	Fair Value of Investment Properties	Fair Value Variance	% Change
(1.00)%	3.73%	$ 5,107,120	$ 1,079,729	26.81%
December 31, 2021	4.73%	$ 4,027,391	$ 0	0.00%
1.00%	5.73%	$ 3,324,530	$ (702,861)	(17.45)%

(in thousands of Canadian dollars, except per unit amounts)

7. ASSETS HELD FOR SALE

As at December 31, 2021, there were five properties held for sale (2020 - one property held for sale). The assets and liabilities associated with this investment property held for sale are as follows:

	2021	2020
ASSETS		
Investment properties	$ 120,935	$ 26,750
Other assets	115	51
Property, plant and equipment	1	0
Accounts receivable	19	80
	121,070	26,881
LIABILITIES		
Mortgages payable	75,712	16,654
Tenant deposits	363	0
Accounts payable and accrued liabilities	3,303	2,119
	79,378	18,773
NET ASSETS HELD FOR SALE	$ 41,692	$ 8,108

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, 2021, Skyline Apt. REIT is in a co-ownership agreement with Upper Montney Limited Partnership where Skyline Apt. REIT has a 50% ownership interest (2020 - 50%) in an investment property in Dawson Creek, British Columbia.

9. PROPERTY, PLANT AND EQUIPMENT

December 31, 2021	Cost	Accumulated Amortization	Carrying Amount
Computer equipment	$ 2,513	$ 1,772	$ 741
Equipment	515	360	155
Owner-occupied property by RELP - building	3,631	383	3,248
Owner-occupied property by RELP - land	503	0	503
	$ 7,162	$ 2,515	$ 4,647

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	503	0	503
	$ 6,383	$ 1,845	$ 4,538

(in thousands of Canadian dollars, except per unit amounts)

10. OTHER ASSETS

The components of other assets are as follows:

	2021	**2020**
Lender holdback	$ 81	$ 65
Note receivable	38	41
Prepaid expenses	2,640	2,081
Deposits on investment properties	5,727	2,549
	$ 8,486	$ 4,736

The note receivable of $38 (2020 - $41) 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 2.68% (2020 - 2.85%) are $2,100,311 (2020 - $1,818,079). Mortgages bearing variable interest rates with an average variable rate of 2.95% (2020 - 3.82%) are $16,118 (2020 - $29,763). Included in mortgages payable are second mortgages of $43,174 (2020 - $23,535), which bear fixed interest rates. Also included in mortgages payable is an interest rate swap agreement of $42,000 (2020 - $nil), which bears a fixed interest rate as well as construction loans of $16,118 (2020 - $nil) which bear a variable interest rate Mortgages have maturity dates ranging between 2022 and 2031. All mortgages are denominated in Canadian dollars.

Future minimum principal payments on mortgage obligations are as follows:

	2022	$ 290,898
	2023	219,753
	2024	167,068
	2025	258,998
	2026	168,833
	Thereafter	1,086,591
		2,192,141
Less: Mortgages related to assets held for sale:		(75,712)
		$ 2,116,429

(in thousands of Canadian dollars, except per unit amounts)

11. MORTGAGES PAYABLE (continued)

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

	2021	2020
Mortgages payable, beginning of year	$ 1,847,842	$ 1,497,309
Proceeds from new mortgages	543,446	644,073
Repayment of existing mortgages	(198,012)	(252,404)
Transaction costs related to mortgages	(22,542)	(28,416)
Total changes from financing cash flows	322,892	363,253
Change in mortgages payable on assets held for sale	(59,058)	(16,654)
Amortization of financing costs	4,753	3,934
Financing costs included in operations	57,055	51,705
Interest paid	(57,055)	(51,705)
Total liability-related changes	(54,305)	(12,720)
Mortgages payable, end of year	$ 2,116,429	$ 1,847,842

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, 2021, a distribution would be payable if the investment properties were sold. At December 31, 2021, there were distributions payable of $4,098 (2020 - $9,249) which is included in due to related parties.

<u>Distributions paid</u>
Skyline Apt. REIT paid the following distributions to related parties:

	2021	2020
Skyline Management Inc. (limited partner)	$ 2,435	$ 2,359
Skyline Incorporated (GP)	13,772	18,355
	$ 16,207	$ 20,714

Skyline Apt. REIT has an asset management agreement with Skyline Apartment Asset Management Inc., and an exempt market dealer agreement with Skyline Wealth Management Inc. Skyline Apartment Asset Management Inc. and Skyline Wealth Management Inc. are controlled by individuals who also control Skyline Incorporated.

(in thousands of Canadian dollars, except per unit amounts)

12. RELATED PARTY TRANSACTIONS (continued)

Fees payable under the asset management agreement are 2% of adjusted gross revenue. Fees payable under the exempt market dealer 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 $1,714 (2020 - $560) were paid under the exempt market dealer agreement during the year and are included in issuance costs.

Fees paid during the year are as follows:

	2021	2020
Asset management fees	$ 6,646	$ 5,720
Wealth management fees	5,601	4,597
	$ 12,247	$ 10,317

Due to related parties
Amounts due to related parties are unsecured, non-interest bearing and have no set terms of repayment. The balance consists of the following:

	2021	2020
Skyline Incorporated	$ 4,098	$ 9,249

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

Purchases from related parties
During 2021, RELP purchased land to develop an investment property from Skyline Retail Real Estate Limited Partnership for $1,368.

Class B LP Units
Skyline Management Inc. ("SMI") holds 2,482,639 (2020 - 2,482,639) Class B limited partnership units of RELP, that are exchangeable for Skyline Apt. REIT units and have a market value of $63,307 at December 31, 2021 (2020 - $52,135). SMI was required to hold 90% of the exchangeable units (or REIT upon exchange) until June 2021, subject to limited exceptions. As of June 2021, the requirement has expired but remains subject to limited exceptions. SMI is controlled by Skyline Incorporated.

13. FINANCING COSTS

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

	2021	2020
Mortgage interest	$ 57,055	$ 51,705
Deferred financing costs	4,753	3,934
Interest expense on other loans	0	485
Interest expense on revolving credit facility	3,819	1,317
Distribution paid on LP Units	2,992	2,901
Distribution paid to GP on the sale of investment properties	2,747	0
Distribution paid to GP	11,025	18,355
Interest on tenant deposits	4	266
	$ 82,395	$ 78,963

(in thousands of Canadian dollars, except per unit amounts)

14. 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, 2021**			**December 31, 2020**		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Investment properties	$ 0	$ 0	$ 4,027,391	$ 0	$ 0	$ 3,395,811
Assets held for sale	0	0	121,070	0	0	26,881
	$ 0	$ 0	$ 4,148,461	$ 0	$ 0	$ 3,422,692
Liabilities						
Mortgages payable	$ 0	$ 2,108,566	$ 0	$ 0	$ 1,910,271	$ 0
Limited partnership units	0	0	77,720	0	0	64,134
	$ 0	$ 2,108,566	$ 77,720	$ 0	$ 1,910,271	$ 64,134

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, 2021 and December 31, 2020, there were no transfers between Level 1, Level 2 and Level 3 assets.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using year end market rates for debt of similar terms and credit risks.

15. 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.

(in thousands of Canadian dollars, except per unit amounts)

15. FINANCIAL RISK MANAGEMENT (continued)

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, 2021

	Carrying Amount	Income -1%	Partners' Equity -1%	Income +1%	Partners' Equity +1%
Revolving credit facility	$ 99,390	$ 994	$ 994	$ (994)	$ (994)
Mortgages payable, maturing within one year	190,093	1,901	1,901	(1,901)	(1,901)
	$ 289,483	$ 2,895	$ 2,895	$ (2,895)	$ (2,895)

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	117,023	1,170	1,170	(1,170)	(1,170)
	$ 175,514	$ 1,755	$ 1,755	$ (1,755)	$ (1,755)

(in thousands of Canadian dollars, except per unit amounts)

15. FINANCIAL RISK MANAGEMENT (continued)

i) Market risk (continued)

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:

	2021	2020
Allowance for doubtful accounts beginning of year	$ 986	$ 229
Provision for impairment of trade receivables	458	846
Reversal of provision for impairment	(391)	(89)
Allowance for doubtful accounts end of year	$ 1,053	$ 986

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.

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.

15. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk (continued)

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

RELP and Skyline Apt. REIT have entered into the following financing agreements:

a. Operating line of credit of $25,000 (2020 - $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, 2021, the total drawn on the operating line of credit by Skyline Apt. REIT was $19,390 (2020 - $19,397). The operating line of credit bears interest at prime plus 1.25% (2020 - prime plus 1.5%).

b. Revolving credit facility of $100,000 (2020 - $60,000) available for use to finance the ongoing working capital requirements of the combined group, which is maintained by Skyline Apt. REIT. At December 31, 2021, the total drawn on the revolving credit facility by Skyline Apt. REIT was $80,000 (2020 - $39,094). The revolving credit facility bears interest at prime plus 1.1% (2020 - prime plus 1.5%) or, at the option of the borrower, a fixed rate equal to the floating bankers acceptance rate plus 2.1% (2020 - floating bankers acceptance rate plus 2.3%) for a 30 day or 90 day term.

c. Non-revolving credit facility of $22,575 (2020 - $nil) to assist with the financing of the servicing, construction and related soft costs for the 160 Lancaster development project and a letter of credit facility of $3,000 (2020 - $nil) available for use to finance the municipal and sundry requirements for the 160 Lancaster development project. The facilities bear interest at prime plus 0.5%. At December 31, 2021, the total drawn on the non-revolving credit facility is $13,310 (2020 - $nil) and the total drawn on the letter of credit facility is $nil (2020 - $nil).

d. Non-revolving credit facility of $34,312 (2020 - $nil) to assist with the financing of the servicing, construction and related soft costs for the 1200 and 1250 Southfield Drive development project and a letter of credit facility of $3,000 (2020 - $nil) available for use to finance the municipal and sundry requirements for the 1200 and 1250 Southfield Drive development project. The facilities bear interest at prime plus 0.5%. At December 31, 2021, the total drawn on the non-revolving credit facility is $2,808 (2020 - $nil) and the total drawn on the letter of credit facility is $nil (2020 - $nil).

(in thousands of Canadian dollars, except per unit amounts)

15. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk (continued)

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

	2021	2020
Revolving credit facility, beginning of year	$ 58,491	$ 71,090
Net proceeds (repayments) to revolving credit facility	40,899	(12,599)
	99,390	58,491
Financing costs included in operations	3,819	1,316
Interest paid	(3,819)	(1,316)
Total liability-related changes	0	0
Revolving credit facility, end of year	$ 99,390	$ 58,491

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 1.2 or higher. At December 31, 2021, 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:

	2021	2020
Bank overdraft, beginning of year	$ 0	$ 2,136
Net (repayments) proceeds from bank overdraft	0	(2,136)
Bank overdraft, end of year	$ 0	$ 0

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 $8,659 (2020 - 1.6% to 6.7%, instalments of $7,778), maturing from 2022 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 1.6 % to 6.1%, payable in monthly instalments of principal and interest of approximately $186 (2020 - 2.8% to 6.1%, instalments of $146), maturing from 2022 to 2028, and are secured by specific charges against specific investment properties.

(in thousands of Canadian dollars, except per unit amounts)

15. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk (continued)

Financial liabilities and their obligations are as follows:

December 31, 2021	On demand	Less than one year	One to five years	More than five years	**Total**
Mortgages payable	$ 0	$ 190,093	$ 777,168	$ 1,149,168	$ 2,116,429
Limited partnership units	77,720	0	0	0	77,720
Due to related parties	0	4,098	0	0	4,098
Revolving credit facilities	19,390	80,000	0	0	99,390
Accounts payable and accrued liabilities	0	36,765	0	0	36,765
	$ 97,110	$ 310,956	$ 777,168	$ 1,149,168	$ 2,334,402

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
Due to related parties	0	9,249	0	0	9,249
Revolving credit facility	38,491	20,000	0	0	58,491
Accounts payable and accrued liabilities	0	19,895	0	0	19,895
	$ 50,490	$ 218,302	$ 718,159	$ 1,012,660	$ 1,999,611

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 17% (2020 - 31%) of commercial revenue. This tenant is under lease until 2023 with three five-year renewal options.

(in thousands of Canadian dollars, except per unit amounts)

16. 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, 2021, the loan to value ratio was 53% (2020 - 54%), which is within Skyline Apt. REIT's stated policy of 70% or less. Subsequent to December 31, 2021, 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.

17. 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 12, 2021 Skyline Apt. REIT increased the price per unit for newly issued units and units to be redeemed to $23.75 from $21.00. On August 1, 2021 Skyline Apt. REIT increased the price per unit for newly issued units and units to be redeemed to $25.50 from $23.75. The units issued and outstanding are as follows:

	2021 Units	**2020 Units**
Units outstanding, beginning of year	63,213,674	61,478,733
Exchange of limited partnership units	6,154	0
Units issued	6,771,062	2,140,314
Distribution reinvestment plan	1,017,988	1,117,898
Redemptions during the year	(1,815,054)	(1,523,271)
Units outstanding, end of year	69,193,824	63,213,674

18. LIMITED PARTNERSHIP UNITS

At December 31, 2021 there are 2,520,139 (2020 - 2,520,139) Class B limited partnership units of RELP. RELP's Class B limited partnership units, representing an aggregate fair value of $64,264 at December 31, 2021 (2020 - $52,923), 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 177,280 (2020 - 179,844), representing an aggregate fair value of $4,521 at December 31, 2021 (2020 - $3,777), and Class D limited partnership units of 350,419 (2020 - 354,009), representing an aggregate fair value of $8,936 at December 31, 2021 (2020 - $7,434) share the same characteristics of the Class B limited partnership units described above.

(in thousands of Canadian dollars, except per unit amounts)

18. LIMITED PARTNERSHIP UNITS (continued)

A reconciliation of movements in limited partnership units to cash flows arising from financing activities is as follows:

	2021	2020
Limited partnership units, beginning of year	$ 64,134	$ 52,681
Redemptions of limited partnership units	(146)	0
Financing costs included in operations	2,992	2,901
Distribution interest paid	(2,992)	(2,901)
Total liability-related changes	0	0
Changes in fair value	13,732	11,453
Limited partnership units, end of year	$ 77,720	$ 64,134

19. 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.

20. 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. While some uncertainty still exists around the future impact of COVID-19 on the timing and amounts of realizable cash flows and assets, the impact of COVID-19 has largely been immaterial for the years ended December 31, 2021 and December 31, 2020.

21. SUBSEQUENT EVENTS

Subsequent to year end, RELP acquired two properties in Halifax, Nova Scotia, one property in Woodstock, Ontario, one property in Guelph, Ontario, one property in Lindsay, Ontario, one property in London, Ontario and one property in Peterborough, Ontario with an aggregate cost of $190,000. RELP will be assuming a mortgage of $58,083 on this acquisition.

Subsequent to year end, RELP sold one property in Guelph, Ontario for proceeds of $13,725 and one property in Langford, British Columbia for proceeds of $66,300. An additional property in Langford, British Columbia, and two properties in Vernon, British Columbia were also sold for proceeds of $63,700. The aggregate gain on these dispositions is $23,375, from which $4,675 is expected to be paid to Skyline Incorporated (a related party).

Effective February 25, 2022, the price per unit for newly issued units and units to be redeemed increased to $26.25 from $25.50 and the distribution rate per unit increased to $1.05 per unit from $1.02 per unit.


SKYLINE
APARTMENT REIT