FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(In US Dollars)

Flagship Communities Real Estate Investment Trust
Condensed Consolidated Interim Statements of Financial Position (Unaudited)
(In thousands of US dollars)

	Note		September 30, 2023		December 31, 2022 (Audited)
Current Assets					
Cash and cash equivalents		**$**	**5,922**	$	16,926
Tenant and other receivables, net	4		**1,432**		873
Prepaids and other assets	5		**2,750**		2,844
Lender escrow deposits	6		**5,213**		2,295
Total current assets			**15,317**		22,938
Other non-current assets	7		**164**		100
Investment properties	8, 23		**873,595**		770,043
Property and equipment, net	9		**4,335**		3,727
Note receivable - related party	16		**2,460**		2,460
			880,554		776,330
Total Assets		**$**	**895,871**	$	799,268
Current Liabilities					
Trade and other payables		**$**	**1,443**	$	409
Line of credit	10		**6,000**		10,000
Other liabilities	11		**12,924**		9,711
Mortgages payable, net	12		**758**		732
Total current liabilities			**21,125**		20,852
Mortgages payable, net	12		**350,952**		331,830
Class B Units	13, 23		**83,814**		88,785
Other non-current liabilities	14		**168**		56
			434,934		420,671
Total Liabilities			**456,059**		441,523
Unitholders' Equity					
Unitholder's equity	15		**439,812**		357,745
Total Liabilities and Unitholders' Equity		**$**	**895,871**	$	799,268

See accompanying notes to the condensed consolidated interim financial statements.

Flagship Communities Real Estate Investment Trust

Condensed Consolidated Interim Statements of Net Income and Comprehensive Income (Unaudited)

(In thousands of US dollars)

	Note	For the three months ended September 30, 2023	2022	For the nine months ended September 30, 2023	2022
Rental revenue and related income	17	**$ 18,154**	$ 15,042	**$ 52,291**	$ 43,098
Property operating expenses	18	**6,324**	5,194	**17,813**	14,532
Net Operating Income		**11,830**	9,848	**34,478**	28,566
Other Expenses/(Income)					
General and administrative	19	**2,340**	1,887	**6,645**	5,381
Finance costs from operations	20	**3,565**	2,954	**10,438**	7,758
Accretion of mark-to-market adjustment on mortgages payable	12	**(257)**	(257)	**(772)**	(772)
Depreciation	9	**103**	76	**288**	209
Other (income)		**(85)**	(73)	**(236)**	(137)
Fair value adjustment - Class B Units	13	**(6,985)**	(1,915)	**(7,226)**	(23,552)
Distributions on Class B Units		**785**	732	**2,337**	2,194
Fair value adjustment - investment properties	8	**(16,541)**	(8,458)	**(43,495)**	(5,796)
Fair value adjustment - unit based compensation	22	**(75)**	(8)	**(87)**	(85)
Net Income and Comprehensive Income		**$ 28,980**	$ 14,910	**$ 66,586**	$ 43,366

See accompanying notes to the condensed consolidated interim financial statements.

Flagship Communities Real Estate Investment Trust
Condensed Consolidated Interim Statements of Changes in Unitholders' Equity (Unaudited)
(In thousands of US dollars)

	Note	Units		Units		Distributions		Cumulative Net Income		Total Unitholders' Equity
Balance, December 31, 2021		**14,141,185**	**$**	**221,489**	**$**	**(6,141)**	**$**	**107,346**	**$**	**322,694**
Net income and comprehensive income		-		-		-		43,366		43,366
Distributions	15	-		-		(5,676)		-		(5,676)
Balance, September 30, 2022		**14,141,185**	**$**	**221,489**	**$**	**(11,817)**	**$**	**150,712**	**$**	**360,384**
Balance, December 31, 2022		**14,141,185**	**$**	**221,489**	**$**	**(13,772)**	**$**	**150,028**	**$**	**357,745**
Units issued, net of issuance costs	15	1,350,871		21,863		-		-		21,863
Net income and comprehensive income		-		-		-		66,586		66,586
Distributions	15	-		-		(6,382)		-		(6,382)
Balance, September 30, 2023		**15,492,056**	**$**	**243,352**	**$**	**(20,154)**	**$**	**216,614**	**$**	**439,812**

See accompanying notes to the condensed consolidated interim financial statements.

Flagship Communities Real Estate Investment Trust
Condensed Consolidated Interim Statements of Cash Flows (Unaudited)
(In thousands of US dollars)

	Note	For the nine months ended September 30, 2023	2022
Cash flow provided by operating activities			
Net income and comprehensive income		**$ 66,586**	$ 43,366
Add (deduct):			
Unit based compensation		**473**	270
Finance costs from operations		**10,438**	7,758
Accretion of mark-to-market adjustment on mortgages payable		**(772)**	(772)
Depreciation		**288**	209
Loss on sale of property and equipment		**16**	14
Interest received		**(131)**	(81)
Fair value adjustments		**(50,808)**	(29,433)
Distributions declared on Class B Units		**2,337**	2,194
Change in non-cash working capital	24	**70**	(129)
		28,497	23,396
Cash flow provided by financing activities			
Proceeds from issuance of Units, net of costs		**21,863**	-
Distributions paid to Unitholders		**(6,319)**	(5,676)
Distributions paid to Class B Unitholders		**(2,331)**	(2,192)
Change in line of credit		**(4,000)**	1,000
Proceeds from mortgages payable		**7,995**	60,770
Issuance costs associated with financing activities		**(318)**	(854)
Repayment of mortgages payable		**(545)**	(415)
Interest paid		**(9,892)**	(7,729)
		6,453	44,904
Cash flow (used in) investing activities			
Cash paid for investment property acquisitions		**(31,528)**	(68,345)
Cash paid for other non-current assets		**(64)**	(902)
Cash received for investment property disposal		**2,418**	1,453
Capital expenditures on investment properties		**(15,999)**	(9,976)
Cash paid for property and equipment		**(918)**	(1,317)
Cash received for property and equipment disposal		**6**	10
Interest received		**131**	81
		(45,954)	(78,996)
Increase in cash and cash equivalents		**(11,004)**	(10,696)
Cash and cash equivalents, beginning of period		**16,926**	15,451
Cash and cash equivalents, ending of period		**$ 5,922**	$ 4,755

See accompanying notes to the condensed consolidated interim financial statements.

1. Nature of Operations

Flagship Communities Real Estate Investment Trust (the "REIT" or the "Trust") is an unincorporated, open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario. The registered office of the REIT is located at 199 Bay Street, Suite 4000, Toronto, ON, M5L 1A9. The head office of the REIT is located at 467 Erlanger Road, Erlanger, Kentucky 41018, United States.

The REIT was formed on August 12, 2020, and the operations of the REIT commenced on October 7, 2020 when it completed an initial public offering ("IPO"), for the purpose of owning and operating a portfolio of income-producing manufactured housing communities ("MHCs") located in the United States.

The Units of the REIT trade on the Toronto Stock Exchange in U.S. dollars under the symbol "MHC.U" and in Canadian dollars under the symbol "MHC.UN".

As at September 30, 2023, the REIT owns 74 (December 31, 2022 - 69) MHCs located across Arkansas, Illinois, Indiana, Kentucky, Missouri, Ohio, and Tennessee.

2. Basis of Presentation

(A) Statement of compliance

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements were approved by the Board of Trustees on November 14, 2023.

(B) Basis of presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties, class B units ("Class B Units") of the REIT's subsidiary, Flagship Operating, LLC, restricted units ("RUs") and deferred trust units ("DTUs"), which have been measured at fair value.

The condensed consolidated interim financial statements are presented in thousands of U.S. dollars, which is the REIT's functional currency.

(C) Principles of consolidation

The REIT consolidates its interest in entities in which it has control. Control is defined by the power to govern an entity's financial and operating policies so as to be able to obtain benefits from its activities. These condensed consolidated interim financial statements comprise the financial statements of the REIT and its subsidiaries, including, Flagship Operating, LLC, which owns Legacy Properties GP, LLC and Flagship Properties, LLC. Subsidiaries are entities controlled by the REIT. The financial statements of the subsidiaries are prepared for the same reporting periods as the REIT using consistent accounting policies. All intercompany balances, transactions and unrealized (gains) losses arising from intercompany transactions are eliminated upon consolidation.

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

3. Material Accounting Policies

The condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS, as issued by the IASB. The condensed consolidated interim financial statements follow the same accounting policies as described in the consolidated financial statements for the year ended December 31, 2022. There have been no changes to material accounting policies.

4. Tenant and Other Receivables, Net

		As at September 30, 2023		As at December 31, 2022
Tenant receivables	**$**	**777**	$	717
Other receivables		**707**		266
Allowance for doubtful accounts		**(52)**		(110)
Total	**$**	**1,432**	$	873

The change in expected credit loss provision of tenant and other receivables was as follows:

		For the nine months ended September 30, 2023		For the year ended December 31, 2022
Allowance for doubtful accounts, opening balance	**$**	**110**	$	36
Change in expected credit loss provision		**(58)**		74
Allowance for doubtful accounts, ending balance	**$**	**52**	$	110

Tenant receivables include lot rent, utilities, miscellaneous fees, and other recoverable charges. An allowance for credit losses is maintained for estimated losses resulting from the inability of tenants to meet obligations under lease agreements. The REIT actively reviews receivables and determines the potentially uncollectible accounts on a per-tenant basis. A tenant receivable is written down to its estimated realizable value when the REIT has reason to believe that the tenant will not be able to fulfill its obligations under the lease agreement.

5. Prepaids and Other Assets

The REIT's prepaids and other assets consist of the following:

	Note		**As at September 30, 2023**		As at December 31, 2022
Prepaid insurance		**$**	**469**	$	1,336
Deferred issuance costs	15		**194**		475
Other prepaids and deposits			**2,087**		1,033
Total		**$**	**2,750**	$	2,844

6. Lender Escrow Deposits

Escrows for real estate taxes, insurance, capital repairs, and interest are maintained under the control of the mortgagor for payment on behalf of the REIT. As at September 30, 2023 and December 31, 2022, the REIT had lender escrow deposits of $5,213 and $2,295, respectively.

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

7. Other Non-Current Assets

Other non-current assets include funds held in escrow for future investment property acquisitions, as well as deferred issuance costs related to the re-establishment of the base shelf prospectus dated June 7, 2023. As at September 30, 2023 and December 31, 2022, the REIT had other non-current assets of $164 and $100, respectively.

8. Investment Properties

A reconciliation of the carrying value for investment properties at the beginning and end of the reporting period is set out below:

	For the nine months ended September 30, 2023	For the year ended December 31, 2022
Investment properties, opening balance	**$ 770,043**	$ 670,523
Capital expenditures	**15,999**	16,095
Acquisition of investment properties *(1)*	**46,476**	77,300
Disposal of investment properties *(2)*	**(2,418)**	(1,827)
Fair value adjustment - investment properties	**43,495**	7,952
Investment properties, ending balance	**$ 873,595**	$ 770,043

During the nine months ended September 30, 2023, the REIT had the following investment property activity:

(1) On February 28, 2023, the REIT acquired a 20-acre manufactured housing resort community from a related party, Empower Park, LLC ("Empower"), for $16 and 120,598 Class B Units. Investment property acquired totaled $2,309.

(1) On May 4, 2023, the REIT acquired three MHCs, located in the REITs existing markets in Arkansas, Indiana and Tennessee, comprising 660 lots for $20,841. Investment property acquired totaled $21,068.

(1) On September 19, 2023, the REIT acquired a MHC, located in the REITs existing market of Evansville, Indiana, comprising 309 lots for $12,693 from a mortgage payable and $10,902 in cash. Investment property acquired totaled $23,099.

(2) During the nine months ended September 30, 2023 the REIT disposed of 120 rental homes totaling $2,418. Disposal of these rental homes was at fair value resulting in no (gain) loss recognized in the consolidated statements of net income and comprehensive income.

During the nine months ended September 30, 2022, the REIT had the following investment property activity:

(1) On February 15, 2022, the REIT acquired a 13-acre manufactured housing resort community from a related party, Empower, for $7,533 and 37,448 Class B Units. Investment property acquired totaled $8,238.

(1) On April 29, 2022, the REIT acquired a manufacturing housing community in Riverton, Illinois which included 103 lots and 74 rental homes for $6,318. Investment property acquired totaled $6,361.

(1) On May 18, 2022, the REIT acquired and combined two manufacturing housing communities in Florence, Kentucky which included 345 lots for $22,522. Investment property acquired totaled $22,659.

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

(1) On September 22, 2022, the REIT acquired two manufacturing housing communities in Louisville, Kentucky and Bloomington, Illinois which included 584 lots and 97 rental homes for $8,600 from a mortgage payable and $22,923 in cash. Total consideration paid was $31,523. Investment property acquired totaled $31,784.

(2) During the nine months ended September 30, 2022 the REIT disposed of 104 rental homes totaling $1,453. Disposal of these rental homes was at fair value resulting in no (gain) loss recognized in the consolidated statements of net income and comprehensive income.

The REIT used a combination of internal valuation methodologies and external appraisals to value the investment properties as at September 30, 2023 and December 31, 2022.

A significant change in occupancy rates, rents or capitalization rates per annum would result in a significant change in the fair value of the MHCs.

Due to elevated estimation uncertainty as a result of the current economic environment the REIT monitors market trends and changes in the economic environment on the valuation of its investment properties. If there are changes in the critical and key assumptions used in valuing the investment properties, in regional, national or international economic conditions, including but not limited to heightened inflation, rising interest rates, general economic slowdown or significant residual effects of the COVID-19 pandemic, the fair value of investment properties may change materially.

Key metrics of the capitalization rates applicable to the REIT's MHCs were as follows:

Capitalization Rates	**As at September 30, 2023**	As at December 31, 2022
High	**7.00 %**	7.00 %
Low	**4.50 %**	4.50 %
Weighted Average	**4.83 %**	4.80 %
% Change		
+ 0.025	**4.95 %**	4.99 %
- 0.025	**(5.50) %**	(5.54) %
$ Change		
+ 0.025	**$40,914**	$36,499
- 0.025	**($45,448)**	($40,569)

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

9. Property and Equipment, Net

	Autos & Trucks	Equipment - Office and Maintenance	Furniture and Fixtures	Head Office Building and Land	Farm Land and Improvements	Total
Cost						
As at December 31, 2021	**$ 144**	**$ 1,434**	**$ 19**	**$ 782**	**$ 339**	**$ 2,718**
Additions	1	776	142	411	191	1,521
Disposals	(26)	-	-	-	-	(26)
As at December 31, 2022	**$ 119**	**$ 2,210**	**$ 161**	**$ 1,193**	**$ 530**	**$ 4,213**
Additions	61	721	89	-	47	918
Disposals	(25)	-	-	-	-	(25)
As at September 30, 2023	**$ 155**	**$ 2,931**	**$ 250**	**$ 1,193**	**$ 577**	**$ 5,106**
Accumulated depreciation						
As at December 31, 2021	**$ 4**	**$ 180**	**$ -**	**$ 11**	**$ 3**	**$ 198**
Additions	16	230	12	27	5	290
Disposals	(2)	-	-	-	-	(2)
As at December 31, 2022	**$ 18**	**$ 410**	**$ 12**	**$ 38**	**$ 8**	**$ 486**
Additions	$ 13	229	20	19	7	288
Disposals	(3)	-	-	-	-	(3)
As at September 30, 2023	**$ 28**	**$ 639**	**$ 32**	**$ 57**	**$ 15**	**$ 771**
Net book value						
As at December 31, 2021	$ 140	$ 1,254	$ 19	$ 771	$ 336	$ 2,520
As at December 31, 2022	$ 101	$ 1,800	$ 149	$ 1,155	$ 522	$ 3,727
As at September 30, 2023	**$ 127**	**$ 2,292**	**$ 218**	**$ 1,136**	**$ 562**	**$ 4,335**

10. Line of Credit

On May 12, 2021 the REIT entered into a revolving line of credit ("Line of Credit"), secured by the investment property of two MHCs, for $5,000.

On December 22, 2022 the REIT renewed the Line of Credit, increasing the Line of Credit by $5,000, and adding two additional resort communities as collateral, taking the total available capacity to $10,000.

The Line of Credit matures on December 23, 2025 and incurs interest at Prime plus 0.50%. As at September 30, 2023 and December 31, 2022 there was $6,000 and $10,000 outstanding on the Line of Credit and unamortized deferred issuance costs were $51 and $57, respectively. The Line of Credit requires the REIT to comply with various covenants all of which the REIT was in compliance with as at September 30, 2023.

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

11. Other Liabilities

	As at September 30, 2023	As at December 31, 2022
Property related accruals	$ 4,555	$ 2,816
Finance costs payable	1,000	601
Tenant security deposits	3,296	2,903
Distributions payable	987	918
Unearned revenue	2,357	2,018
Unit based compensation payable	729	455
Total	$ 12,924	$ 9,711

12. Mortgages Payable, Net

Mortgages payable are shown net of unamortized mark-to-market adjustments and unamortized deferred issuance costs. The balances are as follows:

	As at September 30, 2023	As at December 31, 2022
Mortgages payable	$ 349,839	$ 329,696
Unamortized mark-to market adjustment	4,028	4,800
Unamortized deferred issuance costs	(2,157)	(1,934)
Total mortgages payable	351,710	332,562
Less: current portion	(758)	(732)
Amount classified as non-current portion	$ 350,952	$ 331,830

The REIT's weighted average contractual annual interest rate on its mortgages payable as at September 30, 2023 and December 31, 2022 was approximately 4.09% and 3.78%, respectively, which excludes the impact of the amortization of the mark-to-market adjustment and amortization of deferred issuance costs.

The REIT's mortgages payable consists of both fixed rate mortgages and variable rate mortgages.

The mortgages payable balances as at September 30, 2023, excluding unamortized mark-to-market adjustments and unamortized deferred issuance costs, are due as follows:

For the year ended December 31,	Principal payments
2023	$ 245
2024	21,460
2025	820
2026	867
2027	1,226
Thereafter	325,221
Total	$ 349,839

The REIT's mortgages payable contains customary representations, warranties, and events of default, which require the REIT to comply with affirmative and negative covenants. As at September 30, 2023, the REIT was in compliance with all financial covenants relating to its mortgages payable.

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

Cash flows and non-cash changes related to the mortgages payable, net are as follows:

		For the nine months ended September 30, 2023		For the year ended December 31, 2022
Mortgages payable, net, opening balance	**$**	**332,562**	$	259,111
Cash Flows				
Proceeds from mortgages payable		**7,995**		59,460
Issuance costs associated with financing activities		**(318)**		(1,355)
Repayment of mortgages payable		**(545)**		(594)
		339,694		316,622
Non-Cash Changes				
Acquisition of investment property (Note 8)		**12,693**		16,909
Accretion of mark-to-market adjustment on mortgages payable		**(772)**		(1,029)
Amortization of deferred issuance costs		**95**		60
Mortgages payable, net, ending balance	**$**	**351,710**	$	332,562

13. Class B Units

The fair value as at September 30, 2023 and December 31, 2022 was calculated using the Unit closing price.

As at September 30, 2023 and December 31, 2022, distributions payable on Class B Units was $262 and $256, respectively.

For the periods presented, the following table presents the outstanding Class B Units and the change in fair value of the Class B Units.

	Class B Units		Value
Class B Units, December 31, 2021	**5,432,940**	**$**	**104,856**
Class B units issued (Note 8)	37,448		697
Class B units redeemed	(3,357)		(54)
Fair value adjustment	-		(16,714)
Class B Units, December 31, 2022	**5,467,031**	**$**	**88,785**
Class B units issued (Note 8)	120,598		2,255
Fair value adjustment	-		(7,226)
Class B Units, September 30, 2023	**5,587,629**	**$**	**83,814**

14. Other Non-Current Liabilities

Other non-current liabilities consists of vested and unvested RUs. The REIT does not have any RUs settling in the next 12 months. As at September 30, 2023 and December 31, 2022, the REIT had other non-current liabilities of $168 and $56, respectively.

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

15. Unitholders' Equity

The REIT is authorized to issue an unlimited number of Units. Units are ordinary trust units of the REIT, each of which represents a unitholders' proportionate undivided beneficial interest and voting rights in the REIT.

	Number of Units		Value
Units outstanding, December 31, 2021	**14,141,185**	**$**	**221,489**
Units outstanding, December 31, 2022	**14,141,185**		**221,489**
Units issued on ATM offering closed March 22, 2023 *(3)*	1,176,471		20,000
Units issued on ATM offering closed May 23, 2023 *(4)*	174,400		2,965
Less: issuance costs *(5)*			(1,102)
Units outstanding, September 30, 2023	**15,492,056**	**$**	**243,352**

Transaction costs relating to equity offerings and over-allotment options were charged directly to transaction expense.

(1) On May 17, 2022, the REIT filed a supplement to its base shelf prospectus, dated May 7, 2021, and entered into an equity distribution agreement for the purpose of completing at-the-market equity offering(s) (the "ATM Offering"). Pursuant to the ATM Offering, the REIT may issue Units, from time to time, up to an aggregate amount of $50,000.

Following the lapsing of the REIT's previous short form base shelf prospectus dated May 7, 2021, the REIT filed a new base shelf prospectus dated June 7, 2023. Subsequently, the REIT re-established the ATM Offering pursuant to a new prospectus supplement dated June 28, 2023.

As at September 30, 2023 and December 31, 2022 the REIT has issued 1,350,871 and Nil Units under the ATM Offering and related deferred issuance costs, including those related to re-establishment of the base shelf prospectus, were $328 and $475.

(2) On November 14, 2022 the REIT announced that the Board of Trustees approved a 5% increase to its cash distribution to unitholders to $0.0468 per Unit per month or $0.562 per Unit per year. The new monthly cash distribution commenced with the November 2022 distribution, paid in December 2022.

(3) On March 22, 2023, pursuant to the ATM Offering, the REIT raised gross proceeds of $20,000 through the issuance of 1,176,471 Units at a price of $17.00 per Unit.

(4) On May 23, 2023, pursuant to the ATM Offering, the REIT raised gross proceeds of $2,965 through the issuance of 174,400 Units at a price of $17.00 per Unit.

(5) Issuance costs relating to the ATM Offering, including underwriters' fees and other costs directly associated, were approximately $1,102 and were charged directly to unitholders' equity.

For the nine months ended September 30, 2023 and the year ended December 31, 2022 the REIT declared distributions to unitholders of record in the amount of $6,382 ($0.0468 per Unit per month) and $7,631 ($0.0446 per Unit per month until the December 15, 2022 distribution at which time the amount increased to $0.0468 per Unit per month), respectively. Total distributions payable as at September 30, 2023 and December 31, 2022 was $725 and $662, respectively.

16. Related Party Transactions

The REIT and Empower, an entity majority-owned by the REIT's Chief Executive Officer and Chief Investment Officer, entered into certain agreements that govern the relationships between such parties and their affiliates. Empower will acquire and develop MHCs that do not meet the REIT's investment criteria and conduct home sales, including sales of manufactured homes located on investment properties, under the ''You Got it Homes'' brand.

Transactions between the REIT and Empower are governed by the Services Agreement (see "Arrangements with Empower — Services Agreement" in the Initial Public Offering Prospectus) or agreements relating directly to the specific transaction.

The condensed consolidated interim financial statements include the following related party transactions:

(1) On July 2, 2021 the REIT entered into a promissory note ("Note Receivable-Related Party") in the amount of $2,460 with Empower. The Note Receivable-Related Party includes monthly interest only payments and matures on July 2, 2031 at which time the entire principal balance and any unpaid interest is due. The Note Receivable-Related Party incurs interest at the Prime rate. For the three and nine months ended September 30, 2023, interest revenue, included in other (income) on the consolidated statements of net income and comprehensive income, was $50 and $147 ($36 and $81 for the three and nine months ended September 30, 2022).

(2) On February 15, 2022 the REIT acquired a 13-acre manufactured housing resort community from a related party, Empower, for $7,533 and 37,448 Class B Units. The number of Class B Units issued was calculated by reference to the volume-weighted average closing price of a Unit for the 10 trading days prior to the date of closing which was $16.70. Total consideration paid was $8,230.

(3) On February 28, 2023 the REIT acquired a 20-acre manufactured housing resort community from a related party, Empower, for $16 and 120,598 Class B Units. The number of Class B Units issued was calculated by reference to the volume-weighted average closing price of a Unit for the 10 trading days prior to the date of closing which was $18.60. Total consideration paid was $2,271.

(4) Payroll and benefits include $432 and $1,595 incurred to key management personnel during the three and nine months ended September 30, 2023, respectively, which includes short-term employee payroll and benefits, and RUs ($297 and $1,220 for the three and nine months ended September 30, 2022).

(5) For the three and nine months ended September 30, 2023, the REIT billed Empower a total of $463 and $1,440, of which $415 and $1,311 was payroll and benefits, $33 and $100 was management fees, and $15 and $29 was other miscellaneous items, respectively ($433 and $1,087; $377 and $959; $34 and $68; $22 and $60 for the three and nine months ended September 30, 2022, respectively). These amounts are recorded as an offset to the expense in which they relate, or in the case of management fees, in other (income), on the consolidated statements of net income and comprehensive income. As at September 30, 2023 and December 31, 2022, the REIT had a receivable, included in tenant and other receivables, net, from Empower of $479 and $224, respectively.

(6) For the three and nine months ended September 30, 2023 and 2022, the REIT was billed for services provided by related parties that included HVAC, paving/concrete repair and landscape services. As at September 30, 2023 and December 31, 2022, the REIT had total accounts payable and accrued liabilities due to related parties of $448 and $148, respectively.

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

The following table breaks out billings for each related party.

Company Name	Ownership & Control	Description of Services	For the three months ended September 30, 2023	For the three months ended September 30, 2022	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Call Now HVAC	50% owned by the REIT's Chief Executive Officer ("CEO") and Chief Investment Officer ("CIO"). Managing member of the entity is a non-related party	Provides HVAC services to various properties including installing new air conditioning units as well as servicing existing units.	**$ 132**	$ 119	**$ 375**	$ 316
BG3	100% owned by the brother of the REIT's CEO.	Provides landscaping services to properties.	**$ 261**	$ 139	**$ 545**	$ 312
Empower Park	Wholly owned by the REIT's CEO and CIO.	Acquires and develops MHCs that do not meet the REIT's investment criteria, conducts sales of manufactured homes located on the REIT's investment properties and conducts sales of manufactured homes to the REIT for use in the REIT's rental fleet. The REIT has agreed to pay floor plan interest on homes located on the REIT's investment properties and reimburse Empower for any losses on home sales within the REIT's investment properties.	**$ 1,588**	$ 1,500	**$ 6,896**	$ 2,595
Total			**$ 1,981**	$ 1,758	**$ 7,816**	$ 3,223

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

17. Revenues

The REIT's revenues consist of rental revenue and related income, including reimbursements of utility costs. Rental revenue and related income is generated from leasing investment properties to tenants under short term non-cancellable leases that convert to month-to-month leases after one year. No tenant accounted for more than 10% of the REIT's total rental revenue for the three and nine months ended September 30, 2023 or 2022, respectively.

	For the three months ended September 30,				For the nine months ended September 30,			
		2023		2022		**2023**		2022
Rental revenue	**$**	**15,307**	$	12,728	**$**	**44,739**	$	36,831
Utilities reimbursement		**2,211**		1,715		**5,783**		4,704
Fee income		**576**		541		**1,600**		1,369
Other		**60**		58		**169**		194
Total	**$**	**18,154**	$	15,042	**$**	**52,291**	$	43,098

18. Property Operating Expenses

Property operating expenses incurred and charged to net income and comprehensive income are recorded as follows:

	For the three months ended September 30,				For the nine months ended September 30,			
		2023		2022		**2023**		2022
Utility costs	**$**	**2,196**	$	1,742	**$**	**6,226**	$	5,037
Payroll and benefits		**1,360**		1,157		**3,992**		3,092
Taxes and insurance		**1,524**		1,248		**4,303**		3,657
Repairs and maintenance		**577**		469		**1,364**		1,191
Other property-based costs		**667**		578		**1,928**		1,555
Total	**$**	**6,324**	$	5,194	**$**	**17,813**	$	14,532

19. General and Administrative Expenses

General and administrative expenses incurred and charged to net income and comprehensive income are recorded as follows:

	For the three months ended September 30,				For the nine months ended September 30,			
		2023		2022		**2023**		2022
Payroll and benefits	**$**	**1,232**	$	1,033	**$**	**3,513**	$	3,099
Legal / Consulting		**165**		140		**544**		396
Audit and tax fees		**162**		98		**494**		287
Taxes and insurance		**180**		152		**523**		379
Trustee fees		**122**		134		**361**		336
Travel		**171**		137		**456**		378
Other		**308**		193		**754**		506
Total	**$**	**2,340**	$	1,887	**$**	**6,645**	$	5,381

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

20. Finance Costs

Finance costs incurred and charged to net income and comprehensive income are as follows:

	For the three months ended September		For the nine months ended September	
	2023	2022	**2023**	2022
Interest expense	**$ 235**	$ 206	**$ 771**	$ 486
Interest - mortgages	**3,302**	2,723	**9,572**	7,241
Amortization of deferred issuance costs	**28**	25	**95**	31
Total	**$ 3,565**	$ 2,954	**$ 10,438**	$ 7,758

21. Employee Benefit Plan

Management of the REIT has adopted a defined contribution plan ("Plan") under Internal Revenue Service code section 401(k) for all eligible employees. A participant may elect to defer up to the maximum percentage of compensation permissible under code section 401(k). Management of the REIT elects to match employee deferrals under the Basic Safe Harbor Match: The REIT matches 100% of the first 3% of each employee's contributions and 50% of the next 2%. Employer matching contributions to the Plan totalled $75 and $238 during the three and nine months ended September 30, 2023 ($30 and $97 during the three and nine months ended September 30, 2022).

22. Unit-based Compensation

(A) Restricted Units

Under the Equity Incentive Plan, RUs can be issued to better align the interests of the recipient with the interests of Unitholders and to facilitate the retention of key employees through long term ownership of Units. The number of RUs to be awarded to a recipient is equal to (i) the monetary value of the award, (ii) divided by the volume-weighted average closing price of a Unit on the TSX for the five trading days immediately preceding the date of grant. RUs are granted at the discretion of the executive team, with approval from the Board of Trustees, and vest over six years in equal installments.

For the periods presented, the following table summarizes the number of RUs outstanding.

	Number of Units
Units outstanding, December 31, 2021	**-**
Restricted Unit issuance *(1)*	62,346
Distribution reinvestment	734
Units forfeited	(622)
Units outstanding, December 31, 2022	**62,458**
Restricted Unit issuance *(2)*	123,236
Distribution reinvestment	1,898
Units Forfeited	(2,630)
Units outstanding, September 30, 2023	**184,962**

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

(1) On August 19, 2022 the REIT granted 62,346 RUs at a fair value of $16.07 per RU for a total grant date fair value of $1,002.

(2) On August 17, 2023 the REIT granted 123,236 RUs at a fair value of $16.23 per RU for a total grant date fair value of $2,000.

For the periods presented, the following table summarizes the RUs activity.

		As at September 30, 2023		As at December 31, 2022
Restricted Units, opening balance	**$**	**56**	$	-
Payroll and benefits		**151**		56
Fair value adjustment - unit based compensation		**(39)**		-
Restricted Units, ending balance	**$**	**168**	$	56

As at September 30, 2023 and December 31, 2022, 11,138 and 3,470 RUs are recorded in Other non-current liabilities, respectively. Of the 11,138 and 3,470 RUs recorded in Other non-current liabilities, 10,251 and Nil are fully vested.

(B) Deferred Trust Units

Under the Equity Incentive Plan, non-employee trustees have the option to elect to receive up to 100% of trustee fees, which are otherwise payable in cash, in the form of DTUs. Accordingly, the number of DTUs to be awarded to a non-employee trustee is equal to (i) the value of the trustee fees that the non-employee trustee elects to receive in the form of DTUs, (ii) divided by the volume-weighted average closing price of a Unit on the TSX for the five trading days immediately preceding the date of grant. DTUs are granted on the first day of the month following the quarter in which they were earned. Once made, elections are irrevocable for the year in respect of which they are made and are effective for subsequent calendar years until terminated by the non-employee trustee. DTUs granted to non-employee trustees vest immediately upon grant.

For the periods presented, the following table summarizes DTU activity and the number of DTUs outstanding.

	Number of Units		Value
Units outstanding, December 31, 2021	**11,210**	**$**	**214**
Trustee fees	21,375		359
Distribution reinvestment	740		13
Settlement *(3)*	(4,760)		(76)
Fair value adjustment - unit based compensation	-		(55)
Units outstanding, December 31, 2022	**28,565**	**$**	**455**
Trustee fees *(1)*	18,661		305
Distribution reinvestment *(2)*	1,057		17
Fair value adjustment - unit based compensation	-		(48)
Units outstanding, September 30, 2023	**48,283**	**$**	**729**

(1) Trustee fees related to the issuance of DTU for the three and nine months ended September 30, 2023 were $104 and $305, resulting in 6,497 and 18,661 DTUs being issued, respectively ($98 and $261, resulting in 6,364 and 14,880 DTUs being issued for the three and nine months ended September 30, 2022, respectively).

(2) Distributions, that would otherwise be payable in cash, resulted in additional DTUs of 421 and 1,057 being issued for the three and nine months ended September 30, 2023, respectively (DTUs of 228 and 481 for the three and nine months ended September 30, 2022).

(3) On December 19, 2022, in connection with the resignation of one non-employee trustee, 4,760 DTUs were settled at $15.96, the volume-weighted average closing price of a Unit on the TSX for the five trading days immediately preceding the date of settlement.

23. Fair Value Measurement

The following summarizes the significant methods and assumptions used in estimating fair values of the REIT's financial instruments and non-financial assets, or the significant methods and assumptions related to financial instruments carried at amortized cost where carrying value approximates fair value:

The carrying values of the REIT’s short-term financial assets and liabilities, except for DTUs which are carried at fair value, are carried at amortized cost which approximate their fair values due to their short periods to maturity.

The Note Receivable – Related Party is carried at amortized cost, which approximates fair value. The effective interest rate method exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount on initial recognition.

The investment properties are carried at fair value which is estimated using the direct capitalization method. The direct capitalization method analyzes the relationship of one year’s stabilized net operating income to total MHC value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in MHC value over an investment horizon (Level 3).

As at September 30, 2023 and December 31, 2022 the RUs, DTUs, and Class B Units are carried at fair value which is estimated based on the market trading price of a Unit (Level 1).

The mortgages payable, net are carried at amortized cost. For disclosure purposes, the fair value of the mortgages payable as at September 30, 2023 and December 31, 2022 was estimated by discounting expected cash flows using a rate of 6.15% and 5.89%, respectively, which is the expected rate available for debt of similar terms at the end of each respective period (Level 2).

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

The following tables summarizes the categories and fair values of the REIT's financial instruments.

	Fair value as at September 30, 2023		
	Level 1	**Level 2**	**Level 3**
Financial Assets and Liabilities			
Investment properties	-	-	$ 873,595
RUs	$ (168)	-	-
DTUs	$ (729)	-	-
Class B Units	$ (83,814)	-	-
Mortgages payable	-	$ (288,904)	-

	Fair value as at December 31, 2022		
	Level 1	**Level 2**	**Level 3**
Financial Assets and Liabilities			
Investment properties	-	-	$ 770,043
RUs	$ (56)	-	-
DTUs	$ (455)	-	-
Class B Units	$ (88,785)	-	-
Mortgages payable	-	$ (254,440)	-

24. Changes in Non-cash Working Capital

Changes in non-cash working capital are recorded as follows:

	For the nine months ended September 30,	
	2023	2022
Tenant and other receivables, net	**$ (559)**	$ (119)
Prepaids and other assets	**94**	$ 54
Lender escrow deposits	**(2,918)**	$ (2,274)
Trade and other payables	**1,034**	$ (217)
Other liabilities	**2,419**	$ 2,427
Change in non-cash working capital	**$ 70**	$ (129)

25. Segment Reporting

The REIT owns, manages and operates multifamily properties located in the United States. Management, when measuring the REIT's performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the REIT has a single reportable segment for disclosure purposes in accordance with IFRS.

26. Commitment and Contingencies

The REIT is subject to claims and litigation in the ordinary course of business. Management does not believe that any such claim or litigation will have a material adverse effect on the business, assets, or results of operations of the REIT.

27. Capital Management

The REIT's policy is to maintain an appropriate capital base to support ongoing operations, maintain creditor and market confidence and sustain future developments of the business. Capital consists of cash and cash equivalents, mortgages payable, net, Class B Units and unitholders' equity. The REIT monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also making appropriate distributions to the unitholders on a regular basis.

28. Financial Risk Management

The REIT's risk exposure and the impact on the REIT's financial instruments are summarized below:

(A) Credit Risk

Financial instruments that potentially subject the REIT to significant concentrations of credit risk consist principally of cash and cash equivalents, tenant and other receivables, net, and Note Receivable – Related Party. The only debtor to comprise more than 10% of the REITs outstanding tenant and other receivables, net balance as at both September 30, 2023 and December 31, 2022 was a related party debtor (See Note 16). Additionally, the Note Receivable – Related Party accounted for 25.07% and 12.14% of the aforementioned financial instruments, respectively. The REIT regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss. Credit risk arises from the possibility that residents in investment properties may not fulfill their lease or contractual obligations. The REIT mitigates its credit risks by attracting residents of sound financial standing and by diversifying its mix of residents. It also monitors resident payment patterns and discusses potential resident issues with property managers on a regular basis. Cash carries minimal credit risk as all funds are maintained with reputable financial institutions. The related party receivable, included in tenant and other receivables, net, and the Note Receivable – Related Party also carries minimal credit risk due to the nature of the relationship of the debtor to the REIT. The carrying amount of financial assets represents the maximum credit exposure.

(B) Liquidity risk

The REIT is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The REIT manages maturities of the fixed and variable rate mortgages payable and monitors the repayment dates to ensure sufficient capital will be available to cover obligations. The REIT constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. The REIT expects to be able to meet all obligations as they become due using some or all of the following sources of liquidity - cash flow generated from property operations; property-specific mortgages; existing cash and cash equivalents on hand; and available capacity on lines of credit. All of the REIT's financial liabilities are due within one year except for mortgages payable.

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

The following table provides information on the carrying balance and the non-discounted contractual maturities of financial liabilities of the REIT as at September 30, 2023. Contractual Interest for variable rate loans and borrowings is calculated using the respective actual contractual interest rates as of September 30, 2023.

As at September 30, 2023	Carrying Amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	5+ years
Trade and other payables	$ 1,443	$ 1,443	$ 1,443	$ -	$ -	$ -
Other liabilities	12,924	12,924	12,924	-	-	-
Mortgages payable	351,710	483,147	15,032	47,433	66,796	353,886
Total	**$ 366,077**	**$ 497,514**	**$ 29,399**	**$ 47,433**	**$ 66,796**	**$ 353,886**

As at December 31, 2022	Carrying Amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	5+ years
Trade and other payables	$ 409	$ 409	$ 409	$ -	$ -	$ -
Other liabilities	9,711	$ 9,711	$ 9,711	-	-	-
Mortgages payable	332,562	444,539	13,384	24,778	61,464	344,913
Total	**$ 342,682**	**$ 454,659**	**$ 23,504**	**$ 24,778**	**$ 61,464**	**$ 344,913**

(C) Interest rate risk

The REIT is exposed to interest rate risk as a result of its mortgages; however, this risk is mitigated through management's strategy to primarily structure its mortgages in fixed-rate arrangements. The REIT may, from time to time, enter into mortgages with variable rates as a way to quickly raise capital as opportunities arise.

The REIT also structures its financings so as to stagger the maturities of its debt, minimizing the exposure to interest rate volatility in any one year. The REIT does not have any mortgages maturing in the next 12 months.

29. Subsequent Events

On October 16, 2023, the REIT acquired a 62 site manufactured housing resort community in Lakeview, Ohio for approximately $3,000. The community also includes 62 boat slips, three wave runner docks and a clubhouse.