2023

SKYLINE APARTMENT REIT

ANNUAL REPORT TO UNITHOLDERS - DECEMBER 31, 2023

CONTENTS

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

HIGHLIGHTS

$4.99 B

Fair Value of Investment Properties
(6.55% increase)
(As at December 31, 2023)

21,814

Residential Units Across Canada
(As at December 31, 2023)

100.27%

Normalized FFO Payout Ratio
(As at December 31, 2023)

$27.75

Class A Current Unit Value
(As at April 30, 2024)

$1.11

Class A Annual Distribution per Unit
(As at April 30, 2024)

4.00%

Class A Annual Distribution Yield
(As at April 30, 2024)

4.07%

Annualized Return 1 yr
(As at April 30, 2024)

14.86%

Annualized Return 5 yr
(As at April 30, 2024)

13.81%

Annualized Return
Since Inception
(As at April 30, 2024)

Brookside Apartments
118-120 Tilbury Avenue, Bedford, NS

Class F Current Unit Information (As at April 30, 2024):
$27.75 Unit Value | $1.14 Distribution per Unit | 4.10% Yield

SKYLINE GROUP OF COMPANIES AWARDS

Best Managed Companies

*Platinum Member —
Skyline Group of Companies*

Skyline has retained its Best Managed Companies status for nine years. Platinum Member winners demonstrate leadership in strategy, capabilities and innovation, culture and commitment, and financials.

Canadian Women in Real Estate (CWIRE) Award

*Winner, National Category —
BJ Santavy, Vice President, Skyline Living*

Recognizing visionary leadership and transformative impact in the real estate sector.

Report on Business 2023 Canada's Top Growing Companies

Winner (ranked #409) — Skyline Group of Companies

Showcasing the emerging leaders transforming business today, with winners selected for their ideas, accomplishments, and impact.

CFAA 2023 Rental Housing Awards

Winner, Rental Housing Provider of the Year — Skyline Living

Recognizing a rental housing provider who has demonstrated exceptional leadership in the rental housing industry through an action, exceptional practice, or a dedicated initiative.

RHB Magazine 2023 "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's "The Annual" is "the complete market perspective for the Canadian rental housing industry.

Guelph Chamber of Commerce 2023 Awards of Excellence

*Winner, Sustainability Award —
Skyline Group of Companies*

Recognizing a business or organization in the city of Guelph that has showcased an outstanding commitment to sustainability through operations, development, or processes.

Canadian Property Management Magazine 2023 "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.

Top 10 Industrial Owners & Managers (#8) – Skyline Industrial REIT

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

IPOANS 2023 Innovation & Excellence Awards

*Winner, Community Service —
Skyline Group of Companies*

Commemorating above-and-beyond achievement in community service over the previous year, awarding companies that go the extra mile in helping their surrounding communities.

Waterloo Area Top Employers 2023

Evaluating workplaces in the Kitchener-Waterloo area on eight criteria, including performance management, training and skills development, communications, community involvement, and more.

2023 Canadian HR Awards

*Winner, Rising Star of the Year —
Sarah Yusyp, Director, Human Resources, Skyline Living*

Recognizing HR leaders of the future with 5-10 years of human resources experience and a demonstrated commitment to the function.

Canada's Clean50 Honouree

*Winner — Rob Stein, President,
Skyline Energy*

Recognizing individuals who have done the most to advance climate action in Canada over the past two years.

SUSTAINABILITY AT SKYLINE GROUP OF COMPANIES

2023 SUSTAINABILITY HIGHLIGHTS

191,002 GJ[1] of Renewable Natural Gas (RNG) produced at our Lethbridge, Alberta biogas facility.

$316,600 donated to 41 charitable initiatives across Canada.

6.5 million square feet of Light-emitting Diode (LED) lighting installed at Skyline Industrial REIT properties.

9 sustainability-related awards won, and **3 funds successfully submitted** to GRESB.[2]

74,850,000 kWh[3] of electricity generated by Skyline-owned solar assets.

300 refugee families supported through the Skyline Refugee Program.

4,811 kgs of e-waste collected/diverted from landfill.

23,226,897 kWh[4] of renewable electricity produced at our Elmira, Ontario and Lethbridge, Alberta biogas facilities.

[1] Gigajoule (GJ) is a metric energy measurement used for Renewable Natural Gas (RNG). One GJ of natural gas has the same amount of energy as 27 litres of fuel oil, 39 litres of propane, 26 litres of gasoline or 277 kilowatt hours of electricity. This figure is expressed in accordance with the Fund's percentage ownership of the assets (80%). Source: https://www.nrcan.gc.ca

[2] GRESB: Formerly the Global Real Estate Sustainability Benchmark.

[3] This figure is expressed in accordance with the Fund's percentage ownership of the assets.

[4] This figure is expressed in accordance with the Fund's percentage ownership of the assets (80%).

[5] In 2023, Skyline developed a Climate Change Risk Analysis following ISO 31000 guidelines.

OUR FOCUS AREAS FOR 2024

Exceed 2023 fundraising total for our community partners through Coldest Night of the Year, Spring Hope Food Drive, and Annual Charity Golf Classic.

Continue to use in-house mediated agreements to keep our tenants housed and update Skyline Living's RISE application to make the process easier and more efficient for tenants. Continue working on creating awareness of our RISE program with tenants.

Support charitable organizations through volunteering and monetary donations that focus on eliminating homelessness, food insecurity and supporting mental health in our communities.

Develop a plan to encourage active, healthy living and wellness promotion by offering quarterly wellness activities to our employees and a corporate fitness center discount.

Retrofit exterior lights at Skyline Retail REIT & Skyline Industrial REIT properties to LEDs and work with tenants to do the same for interior lights.

Conduct feasibility studies to determine if solar panels can be installed at select industrial and retail properties.

Maintain our reputation as an equitable, progressive, and highly sought-after place to work by administering a comprehensive benefits and retirement savings plan, recognizing employee milestones, and offering training and development opportunities.

Continue to strive for an inclusive and fair workplace by reviewing internal processes to promote **diversity in leadership** and **equitable compensation**.

Engage residential tenants in environmental awareness by running an Earth Hour campaign focused on reducing utility consumption.

Promote sustainable procurement practices by improving the inventory of our vendor information related to sustainability.

Collaborate with Skyline Retail REIT and Skyline Industrial REIT tenants to promote waste separation and provide an area on each property to allow additional bins where possible.

Reduce contamination of recycling and organic streams by 15% across our residential portfolio.

Investigate the results of our Climate Risk Analysis.[5]

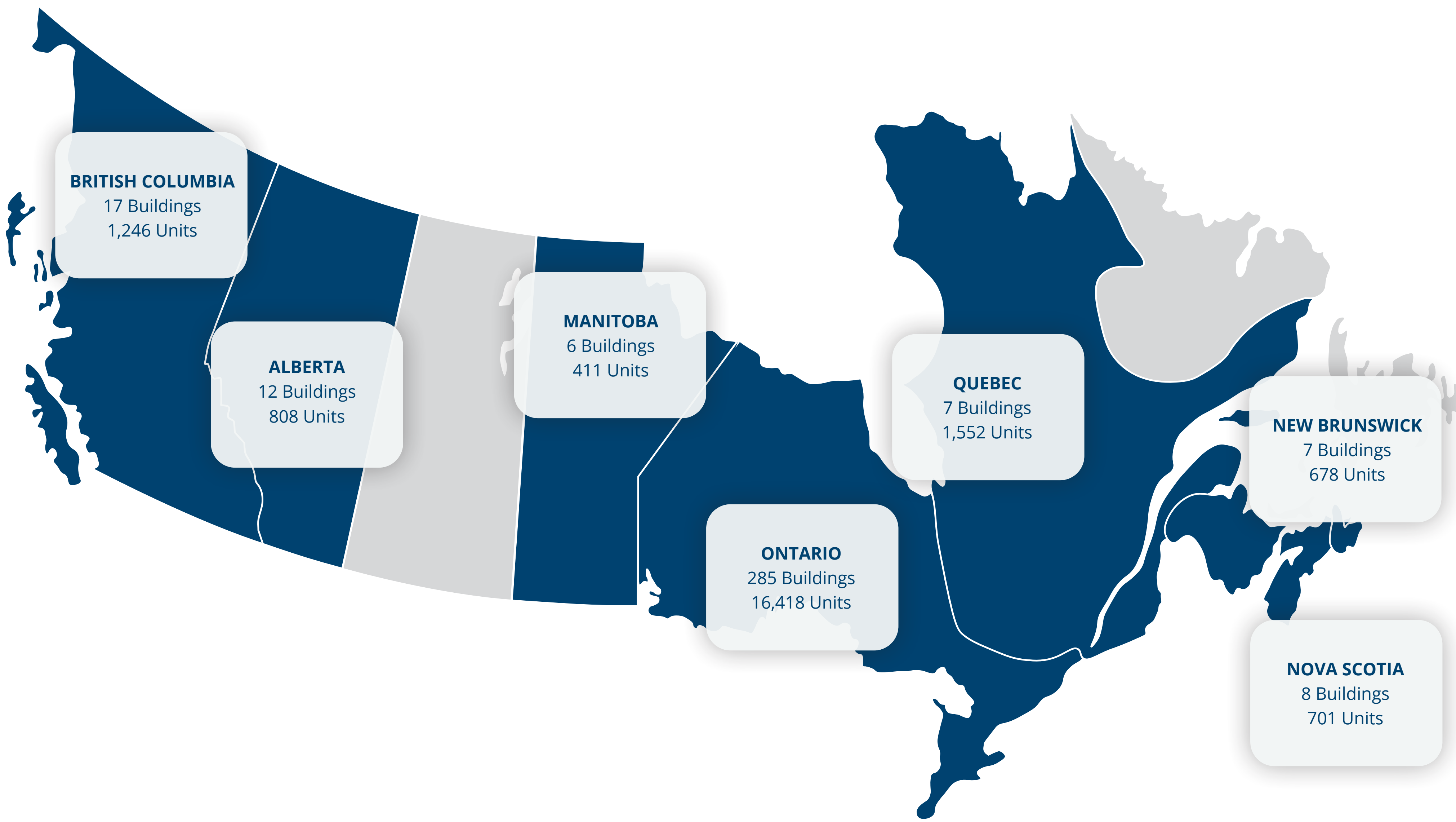
PERTAINS TO ALL SDGs

Submit to the GRESB Benchmark to assess our performance and inform our sustainability strategy across Skyline's REIT portfolios. We aim to increase our inaugural year score by 10% for each REIT.

APARTMENT PORTFOLIO OVERVIEW

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.



ACQUISITION HIGHLIGHTS

QUARTIER 7

465 Rue Sicard, Mascouche, QC
106 Units

RIVERVIEW APARTMENTS

49 Queen Street East, Cambridge, ON
153 Units

BROOKSIDE TERRACE APARTMENTS

118-120 Tilbury Avenue, Bedford, NS
175 Units

MONARCH APARTMENTS

3554-A Ryder Hesjedal Way, Colwood, BC
72 Units

Total Number of Apartment Units

OUR 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

Monarch Apartments
3554-A Ryder Hesjedal Way, Colwood, BC

CEO ADDRESS TO UNITHOLDERS

Skyline's 25th anniversary: a look back—and a look forward

This past January, Skyline turned 25 years old. It was a great time to reflect on the past and remind ourselves of the trials and tribulations we experienced over the years. We shared this moment with our Skyliners, from those who have been there with us from the beginning to our most recent hire. We looked back at and shared with them the phases we went through while evolving this company—from a mere idea, through the student rental years, shifting into apartments, the development of our Funds, building the businesses to service them, and all the memories and learning experiences we had along the way, big and small.

As we reminisced about those years, it brought us to the present day. The momentous occasion of our 25th anniversary not only compelled us to share with all those who helped us get here, but more importantly, it also spurred us to paint a very clear picture as to what the next 25 years will look like. I have learned over the years to stop predicting precisely what we will or will not do. However, in this case, I can say with great certainty that my fellow owners and I will be a major part of Skyline's next 25 years and continue to have a guiding hand in what it will look like as we move forward from here.

These businesses that we operate to service the Funds we all invest in are integral to the successful relationship we have with you, our Unitholders. Time and time again, when we tried, tested, and brought to market a new Fund requiring investment capital, you always stepped up to answer the call so that we could all grow and benefit from these ideas together. We spent a lot of time and hard work developing processes and procedures to make these investments something that would outperform and make us all proud to be a part of—just as you worked hard to earn the capital that is the life blood to secure the assets that make up these investments.

It is obvious—sometimes painfully so— that we take our time to perfect our trade. But because of this, we have become very confident that the "sweat" component we bring to this business relationship with you is first class. We have endured many unexpected and sometimes random economic circumstances, and we learned from them, made adjustments, and came out stronger and better poised for growth every time.

So, what now? With the comfort of not always having to check the rear-view mirror thanks to excellent operations, we are able to focus on looking out the front window as we drive the bus. As for what the road ahead looks like: we aim to set our focus on you, our investors. Sometimes I felt like our work, which continues to perform well by way of returns, was enough. But we can do more for you. We will do more for you. We are more than an asset manager: we are your wealth manager. Starting this year, you will hear more often from us and be in contact more often with us, and we will be inviting you to help us understand what more we can do for you. By us asking, and you sharing that information with us, we will improve your experience and interaction with Skyline.

We have set up this company to hold assets that are multi-generational; that is the way we think and invest ourselves as owners. We also know that just as we want and need a holistic understanding of our own personal investment situation, so too must our investors. In a world where economic information is available at our fingertips, I won't be able to tell you anything macro-economic-related that you don't already know or can't easily find in the many media available to us all. But one thing we can do, that is unique to us, is have stronger personal relationships with each of you—and that is the foundation on which all parts of Skyline have been built.

I look forward to the next 25 years—albeit with the hope that they do not fly by as fast as the last 25—because I want Skyline to be an even more important part of your multi-generational investment plan that we can all share and benefit from together.

"...We have become very confident that the "sweat" component we bring to this business relationship with you is first class. We have endured many unexpected and sometimes random economic circumstances, and we learned from them, made adjustments, and came out stronger and better poised for growth every time."

Jason Castellan

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

PRESIDENT'S REPORT

Dear Unitholders,

I am pleased to present the Skyline Apartment REIT President's Report, outlining the REIT's 2023 activity and providing an outlook to the future.

Year in Review

2023 was a successful year for Skyline Apartment REIT, which successfully completed $276.9 million in acquisitions and developments, which added 648 residential suites to the REIT's portfolio. These acquisitions were added in existing locations to strengthen our position in our key markets in Ontario, Quebec, British Columbia, and Nova Scotia. In addition to acquisitions, the Apartment REIT sold 926 suites of old-stock product, including its Thunder Bay, Ontario portfolio and two properties in Quebec. Further, the REIT sold its sole asset in Airdrie, Aberta, and a 106-suite property in Langford, British Columbia, was sold in a swap for a new-build asset in Cambridge, Ontario. The REIT also sold 130 Macdonell Street in Guelph, Ontario, a 136,000 square foot office building. These dispositions were facilitated in order to strengthen the REIT's portfolio by replacing old-stock buildings with new-build properties, as well as minimizing exposure to non-residential properties.

Rental Market Outlook

The Canadian housing crisis, which remains a hot news and political campaign topic, boils down to an affordability issue. Current construction costs—comprising materials, labour, municipal fees, and approval times—combined with current interest rates, have reduced single-family housing starts back to pre-2019 levels. Single-family homes are the most expensive form of shelter. Personal incomes, combined with mortgage qualification, are barriers to entry into this form of housing, and as a result, supply has retracted.

As apartments are a more affordable form of housing, it is not surprising that their construction has steadily increased over this same period. The demand for excellent quality in rental accommodation is stronger than ever, and I believe this demand will continue. The largest contributor to the country's population growth is immigration, and many newcomers are renting versus buying. The Canada Mortgage and Housing Corporation (CMHC) is forecasting that Canada's housing supply will not keep up with demand and will fall short by an estimated 1.2 million homes by 2030. Rental apartments remain one of the most affordable types of housing, which lends to the growth and stability of not only Skyline Apartment REIT, but also our industry as a whole.

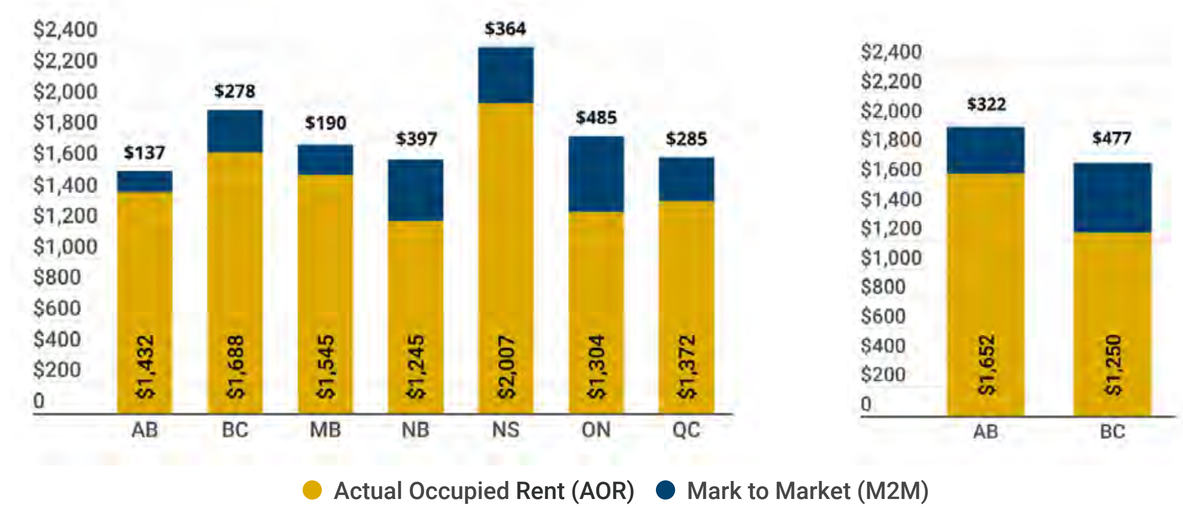
In 2023, to increase rental accommodation, the Federal government removed the GST on new development of multi-family rental housing in Canada. The Ontario provincial government has also eliminated the HST on new rental development. These changes will assist in expanding the REIT's portfolio with further new-build opportunities.

As demand remains strong, rental rates increase, which has proven to be an organic hedge against interest rate hikes and capitalization rate (cap rate) increases over the past year. As a result of income growth far outpacing expenses, Skyline Apartment REIT's Unit Value remained well supported at $27.75, regardless of a 25-basis point cap rate increase to an average rate of 4.95%. The suite turnover rate for the past 12 months remained stable at just over 20%, which allows income growth to be captured as new tenants take occupancy and pay market rates.

The chart below illustrates the REIT's Actual Occupied Rent by Province and the Mark to Market gap which is captured at turnover. In addition, the same stats are shown for properties built pre- and post-2009. Old stock (mostly built in the 1970s) has larger rent gains upon turnover, but these buildings also require a much larger capital spend. The REIT is constantly evolving its strategic acquisition/disposition plan to ensure the strongest results from its property mix.

Actual Occupied Rent (AOR) & Market-to-Market (M2M) By Province

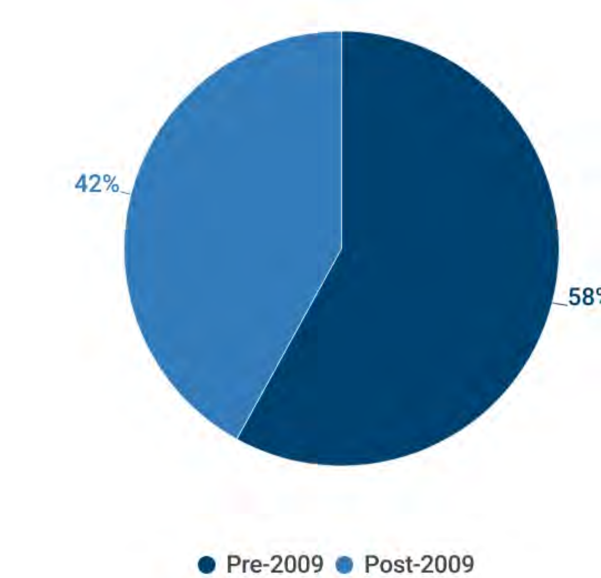
Actual Occupied Rent (AOR) & Market-to-Market (M2M) By Pre/Post 2009



Portfolio Age Distribution by Asset Value

Skyline Apartment REIT is well positioned to benefit from the high demand for quality rental housing for many years to come. Significant income growth potential continues to be unlocked simply by diligent management of the existing portfolio. To optimize the REIT's performance, we will continue to buy and sell properties when advantageous and, over time, cycle out older product for new builds which offer the amenities that attract and retain our desired tenant base.

The pie graph to the right illustrates the age of the portfolio as a percentage of total asset value.



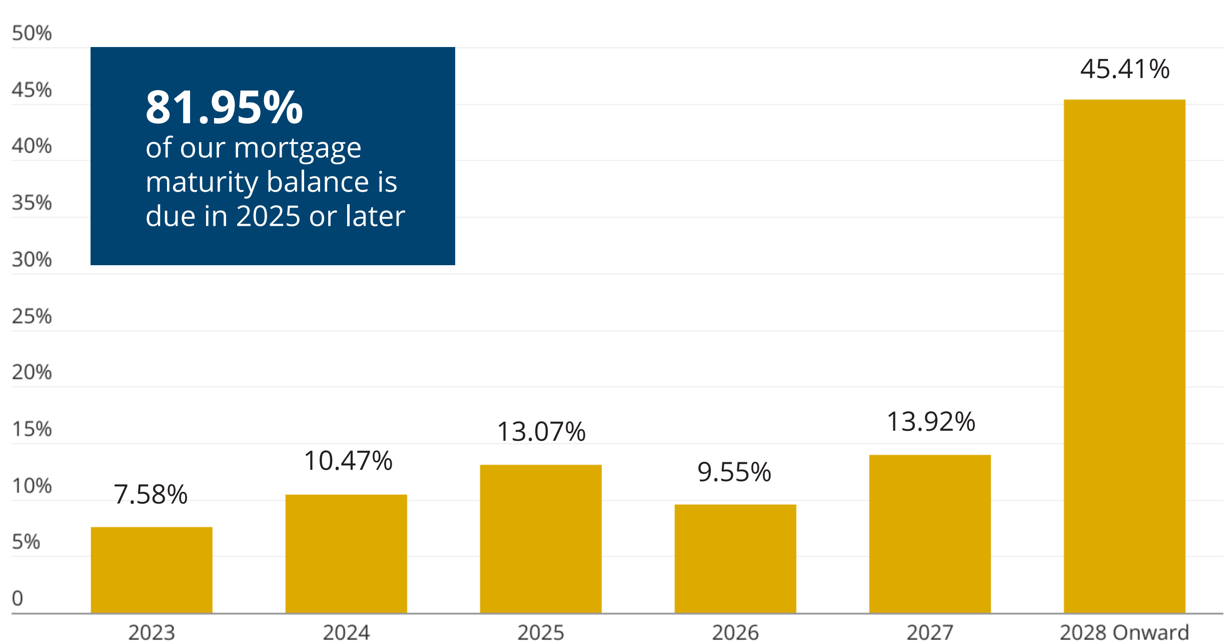
PRESIDENT'S REPORT CONT.

Mortgage Rates

Many economists believe we are now at the top of the interest rate cycle and are poised for Bank of Canada rate reductions in the balance of 2024 and through 2025. We have no control over the rates, but we can manage our debt to mitigate the REIT's exposure. Our strategy has always been to have no more than 20% of the REIT's mortgages come due for renewal in any given year. By staggering the mortgage maturity dates, we have been able to minimize the impact of interest rate risk, which aids in providing stable distributions to our Unitholders. When mortgage rates were at historic lows during the pandemic, debt renewals were often fixed for 7 or 10-year terms. With the higher interest rate environment over the past two years, debt has been locked at 2-5 year terms, with the outlook of rates being more favourable by 2026 and 2027. Skyline Apartment REIT's Weighted Average Mortgage Rate remains very favourable at 3.04%. In 2023, approximately 7.6% of the REIT's mortgages renewed. In 2024, approximately 10.5% of debt comes due for renewal. This will not have a material impact on the REIT's performance, as income growth is forecasted to outpace expense growth, including incremental interest rate expense.

The chart below shows the REIT's mortgage maturity schedule for the next four years and beyond.

Total Mortgage Maturity Balance



Unitholder Outlook

What does all this mean for our Unitholders?

As mentioned, economists believe the Bank of Canada is finished with hikes, inflation has come down, and there are many visible signs to suggest the economy is slowing. You will notice car dealerships are full again; many manufacturers are buying down rates and offering near 0% financing to incentivize buyers. This was not happening two years ago. In addition, a report published by Equifax Canada states there was a 52% increase in mortgage delinquency rates over the past year, and non-mortgage debt delinquency has increased by 28%. These precursors indicate a slowing economy, which ultimately leads to rate cuts.

Skyline Apartment REIT is in a strong position in either market environment. When rates rise, homes are more expensive and rental demand and rates increase. When rates decrease, we benefit from lower borrowing costs. The bottom line is that as Canada faces a housing shortage, an affordability issue, and growing population, rental accommodation remains the lowest-cost form of housing. The basic need of housing (along with food) will always be where people spend their first dollar, not their last, and we are in the business of providing this basic need.

We have a tremendous amount of growth opportunity in the years ahead, combined with the stability of being invested in a business which provides a fundamental need for every individual. We remain committed to providing our Unitholders with steady income growth and stable distributions.

I would like to thank you for your part in another prosperous year for Skyline Apartment REIT, and for your continued support.

"Skyline Apartment REIT is well positioned to benefit from the high demand for quality rental housing for many years to come. Significant income growth potential continues to be unlocked simply by diligent management of the existing portfolio."

Matthew Organ
President,
Skyline Apartment REIT

SENIOR MANAGEMENT

At Skyline Apartment REIT, our goal has always been to produce a steady yield for our investors, while providing safe, clean, and affordable housing with exceptional service to our tens of thousands of tenants. We work hard to build long-lasting relationships with all of our stakeholders.

Back row from left to right: **Andy Coutts**, Vice President, Operations, Skyline Group of Companies; **Danny Cobban**, Vice President, Skyline Apartment REIT; **Matthew Organ**, President, Skyline Apartment REIT; **BJ Santavy**, Vice President, Skyline Living; **Mandi Sweiger**, Vice President, Human Resources, Skyline Group of Companies; **Krish Vadivale**, Vice President, Finance, Skyline Group of Companies;

Front row from left to right: **R. Jason Ashdown,** Co-Founder & Chief Sustainability Officer, Skyline Group of Companies; **Jason Castellan,** Co-Founder & Chief Executive Officer, Skyline Group of Companies; **Martin Castellan,** Co-Founder & Chief Administrative Officer, Skyline Group of Companies; **Wayne Byrd,** Chief Financial Officer, 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 Industrial 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.

2023 FINANCIAL REPORTING

Merewood Apartments
411 & 423 Despard Avenue, Parksville, BC

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, 2023, 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, 2024, 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, 2023 and 2022, 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 August 24, 2023 (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**") and Skyline Wealth Management Inc. (the "**Wealth Manager**") implement their unique values and proprietary strategies as they fulfill their responsibilities. The REIT's mandate is clear and focused on the following strategies:

- **Customer Satisfaction -** Management strives to keep all customers satisfied and as long-term tenants by creating an environment that is clean and comfortable within each property. By developing a sense of community within the properties through various programs, turnover and vacancy should be reduced. This may, in turn, create demand for people wanting to live in Skyline Apartment REIT's buildings. Through the reduction of costs associated with tenant turnover and through higher demand that allows for increased rents, net income should grow accordingly.

- **Maintenance and Repair Programs -** Management is fundamentally driven by efficiencies and cost-effective programs that are accretive to Skyline Apartment REIT's short-term and long-term value proposition. Management has positioned Skyline Apartment REIT to take full advantage of efficiency programs and capital investments that will attract customers and enhance the overall value of the portfolio.

- **Quality On-Site Building Staff -** Management believes that the success of a property, from both financial and customer satisfaction standpoints, starts with the attitudes and work ethic of the on-site building staff. From being the first point of contact, to providing ongoing attention to each customer's needs, the building staff represents Skyline Apartment REIT at every touchpoint. As well as being attentive and dedicated, Management will also seek on-site staff that are skilled in many areas in order to reduce the requirement and added costs for outside trades for ordinary day-to-day repairs and maintenance.

- **Detailed Financial Reporting -** Management utilizes sophisticated financial tools to maximize Skyline Apartment REIT's income and to measure the effectiveness of cost control and other efficiency programs. Management distributes in-depth financial reporting to those involved and who have a direct impact on the financial success and control of those particular incomes and expenses.

- **Strategic Debt Management -** The Asset Manager works diligently to seek out financing opportunities to optimize Skyline Apartment REIT's leveraged returns. Attention to staggered mortgage maturities and financing terms, within maximum leverage amounts set out in the Declaration of Trust, ensures that Skyline Apartment REIT's exposure to fluctuating interest rates over the short and long term are both minimized and utilized to the greatest benefit. The Asset Manager may also make use of operating lines of credit for capital expenditures and acquisitions to improve the overall returns of Skyline Apartment REIT.

- **Enhancement of Skyline Apartment REIT's Portfolio -** The Asset Manager is always looking at opportunities to maximize Skyline Apartment REIT's portfolio value. Properties that are 'mature' and that are no longer adding value to Skyline Apartment REIT may be sold or repositioned, if there is a market for an enhanced property. The Asset Manager will continue to diversify the portfolio by purchasing properties in what they believe to be thriving communities that will continue to strengthen Skyline Apartment REIT's broadened footprint that will reduce the risk of portfolio instability that may arise in any one particular community.

- **Communications -** The Exempt Market Dealer 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 2023, Skyline Apartment REIT was paying monthly distributions to Unitholders of $0.0925 per unit, or $1.11 per unit on an annual basis. At December 31, 2023, approximately 38.9% 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, 2023, occupancy in the multi-residential suites was 95.7% and in the commercial units was 59.5%.

- **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, 2023, average monthly multi-residential rent was $1,394.07 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 2023, Skyline Apartment REIT's NOI margin was 55.8%.

- **Same Property Net Operating Income -** This is defined as operating revenues less operating expenses for properties which were held for the same periods in 2020 through 2023. Management is focused on maintaining or increasing same property NOI year over year. For the year 2023, same property NOI was $102.0 million, an increase of 12.5% over the prior year.

- **Funds from Operations ("FFO") -** FFO is a measure of operating performance based on the funds generated by the business before Re-Investment or provision for other capital needs. As Skyline Apartment REIT's portfolio matures, Management is targeting long-term that its distributions will be fully funded from FFO. For the year 2023, Skyline Apartment REIT generated $86.3 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 2023, Skyline Apartment REIT's FFO payout ratio was 100.27%.

- **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 2023, Skyline Apartment REIT's portfolio leverage ratio was 72.27% (against historical cost) and 55.67% (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.

2023 Highlights

- The REIT grew its portfolio of investment properties from $4.73 billion to $4.99 billion (a 6.55% increase) over the course of 2023.
- As of March 7, 2023, the value of REIT units grew from $26.25 to $27.75 per unit (a 5.71% year-over-year increase).
- Average Monthly Rents as at December 31, 2023 was $1,394.07 per residential unit.
- Weighted Average mortgage interest rate was 3.17%, on $2.66 billion of outstanding mortgages as at December 31, 2023.

Financial Highlights **($ thousands, except where noted)**	**2023**	**2022**
Property revenues	$358,850	$335,691
Direct property expenses	(158,488)	(152,384)
Net operating income ("NOI")	**$200,362**	**$183,307**
Net income	**$33,022**	**$301,355**
Funds from operations ("FFO")	**$86,349**	**$83,325**
Total distributions declared to REIT and LP unitholders	**$86,580**	**$78,223**
Normalized FFO payout ratio	**100.27%**	**93.88%**

Property Portfolio

At December 31, 2023, through active portfolio management; the portfolio consisted of 21,814 residential suites and 253,464 square feet of commercial space, geographically well-diversified across 58 communities and 7 Canadian provinces.

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

Portfolio Average Monthly Rent & Occupancy (By Province) **As at December 31, 2023**	**Average Occupied Monthly Rents**	**Occupancy %**
Residential		
Alberta	$1,462.72	98.3%
BC	1,758.74	93.7%
Manitoba	1,856.22	98.1%
New Brunswick	1,260.09	99.2%
Nova Scotia	1,992.64	98.8%
Ontario	1,329.32	95.2%
Quebec	1,429.48	96.1%
Residential Portfolio Average	**$1,394.07**	**95.7%**
Commercial	**$1.63**	**59.5%**

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, 2023
($ thousands, except where noted)

Purchase Date	Number of Units	Region	Type	Acquisition Price	Mortgage Funding
May 17, 2023	106	Mascouche	Residential	$37,165	$25,161
May 18, 2023	n/a	London	Land	2,700	-
November 9, 2023	175	Bedford	Residential	70,991	64,015
November 16, 2023	153	Cambridge	Residential	83,323	63,661
December 11, 2023	n/a	Collingwood	Land	6,545	-
December 14, 2023	72	Colwood, BC	Residential	34,295	31,365
Total	**506**			**$235,019**	**$184,202**

Dispositions Completed During the Year Ended December 31, 2023
($ thousands, except where noted)

Disposition Date	Number of Units	Region	Sale Price	Cash Proceeds	Mortgage Discharged
April 12, 2023	137 sq ft	Commercial	26,854	10,130	16,724
July 17, 2023	185	Residential	33,050	12,976	20,074
November 1, 2023	127	Residential	17,070	9,481	7,589
November 1, 2023	86	Residential	11,560	8,499	3,061
November 1, 2023	48	Residential	6,450	3,825	2,625
November 1, 2023	48	Residential	6,770	4,145	2,625
November 1, 2023	88	Residential	11,830	7,678	4,152
November 1, 2023	48	Residential	6,770	4,145	2,625
November 1, 2023	48	Residential	6,450	3,825	2,625
November 1, 2023	n/a	Land	600	600	-
November 14, 2023	106	Residential	43,500	23,409	20,091
Decmber 7, 2023	192	Residential	43,700	21,005	22,695
December 13, 2023	248	Residential	38,991	24,828	14,163
Total	**1,224**		**$253,595**	**$134,546**	**$119,049**

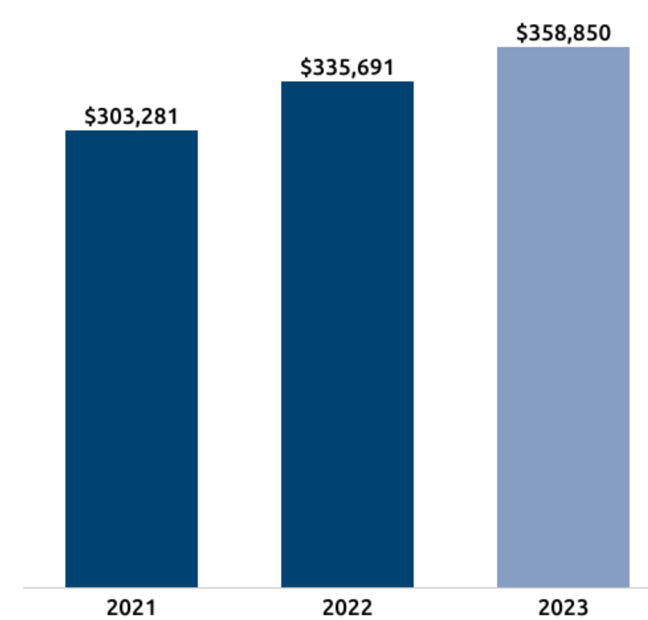
2023 Operating Highlights

Regional Highlights ($ thousands, except where noted)	2023		2022		Increase (Decrease)		
Portfolio	NOI	NOI Margin (%)	NOI	NOI Margin (%)	Revenue Change (%)	Expense Change (%)	NOI Change (%)
Eastern Ontario	$19,651	54%	$18,714	54%	5%	5%	5%
Northern Ontario	$13,397	49%	12,932	48%	1%	-1%	4%
South Western Ontario	$98,811	52%	91,493	51%	6%	5%	8%
Quebec	$17,107	58%	14,422	54%	10%	8%	19%
Eastern Canada	$13,995	62%	11,215	56%	13%	9%	25%
Western Canada	$37,401	75%	34,531	74%	7%	-4%	8%
Total	**$200,362**	**56%**	**$183,307**	**55%**	7%	4%	9%

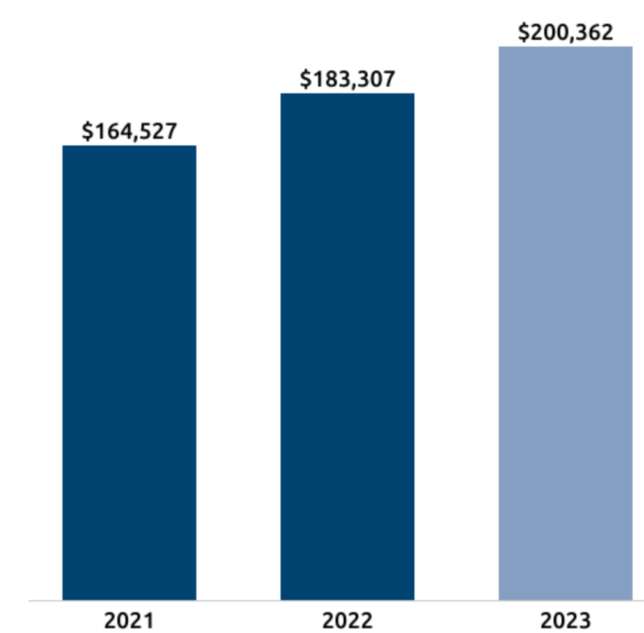
Operating Results ($ thousands, except where noted)	2023	%*	2022	%*
Property revenues				
Residential rent	$351,767	98.0%	$324,430	96.6%
Commercial rent	7,083	2.0%	11,261	3.4%
Total property revenues	**$358,850**	**100%**	**$335,691**	**100%**
Direct property expenses				
Property taxes	42,678	26.9%	41,081	27.0%
Other direct property costs	82,828	52.3%	79,931	52.5%
Utilities	32,982	20.8%	31,372	20.6%
Total direct property expenses	**$158,488**	**44.2%**	**$152,384**	**45.4%**
Net operating income ("NOI")	**$200,362**	**55.8%**	**$183,307**	**54.6%**

* As a percentage of property revenues

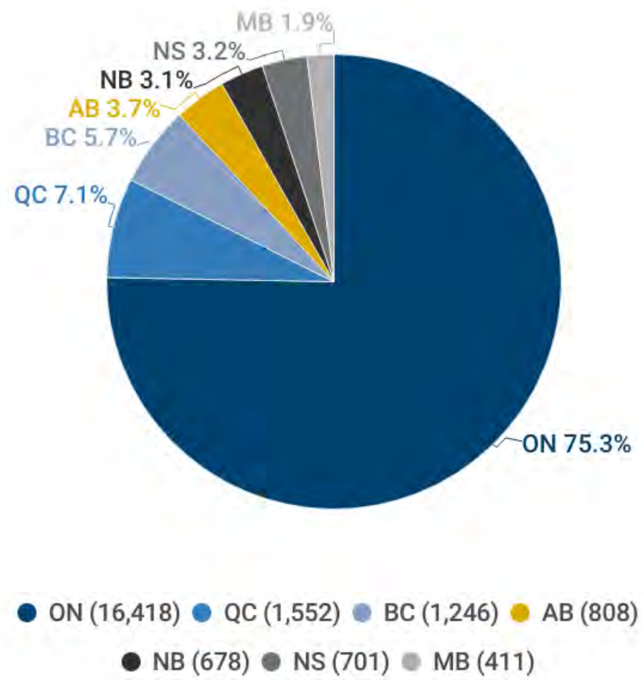
OPERATING REVENUES
($ Thousands)



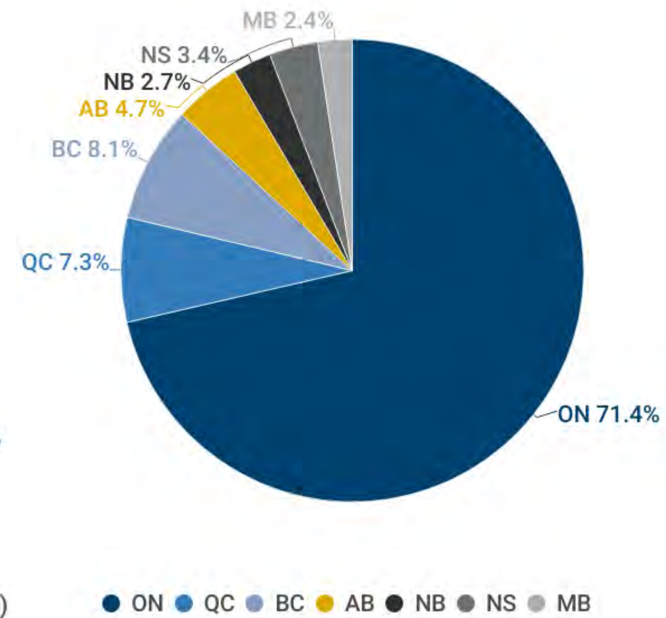
NET OPERATING INCOME
($ Thousands)



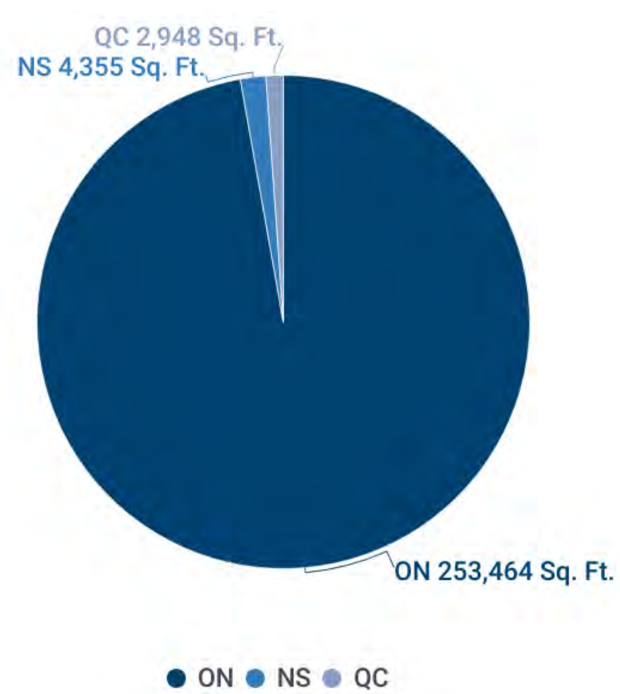
Residential Unit Breakdown by Province



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 refinancings to supplement distribution flows.

Payout Ratios

A reconciliation of net income to FFO is as follows:

Payout Ratios **($ thousands, except where noted)**	**2023**	**2022**
Profit & loss		
Property revenues	$358,850	$335,691
Direct property expenses	(158,488)	(152,384)
Net operating income ("NOI")	**$200,362**	**$183,307**
Finance costs	(144,691)	(102,094)
REIT & other expenses	(16,774)	(22,143)
Interest income	-	-
Fair value gain in disposed properties	48,714	21,631
Fair value gain	55,411	220,654
Asset management internalization cost	(110,000)	-
Net income	**$33,022**	**$301,355**

(continued on next page)

Payout Ratios ($ thousands, except where noted)	2023	2022
Non-cash add-backs:		
Distributions on partnership units included in finance costs	$47,452	$24,255
Fair value gain on disposed properties	(48,714)	(21,631)
Fair value gain	(55,411)	(220,654)
Asset management internalization cost	110,000	-
Funds from operations ("FFO")	**$86,349**	**$83,325**
Total distributions declared	$126,445	$99,252
Less: General Partner sharing distributions on the sale of investment properties	(19,653)	(5,794)
Less: General Partner sharing distributions	(20,212)	(15,235)
Total distributions declared to REIT and LP Unitholders	**$86,580**	**$78,223**
Normalized FFO payout ratio [1]	**100.27%**	**93.88%**

[1] Excludes distributions to the General Partner

Distributions to Unitholders/Shareholders and Payout Ratio

During 2023, Skyline Apartment REIT paid monthly distributions to Unitholders of $0.0925 per Unit, or $1.11 on an annual basis as of December 31, 2023.

Unit Price and Distribution Breakdown	Unit Price	Monthly Rate	Annual Rate	Yield
March 7, 2023	$27.50	$0.0925	$1.1100	4.00%

At December 31, 2023, approximately 38.9% of the REIT's Units were enrolled in the Distribution Re-Investment Plan. Distributions made to Unitholders during 2023, amounted to $86.6 million, of which $33.7 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)	2023	2022
Distributions declared to REIT and LP Unitholders	**$86,580**	**$78,223**
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.

2023 realized fair value gains on held investment properties of $113.1 million over 2022's carrying value.

Fair Value of Investment Properties (under IFRS 13) **($ thousands, except where noted)**	**2023**	**2022**
Balance, beginning of year	**$4,728,065**	**$4,027,391**
Acquisitions through purchase of investment properties	235,019	469,916
Additions through capital expenditures on existing investment properties	150,448	72,278
Disposals through sale of investment properties	(226,741)	(59,999)
Change in Assets held for sale	(8,100)	(26,854)
Fair value gain on investment properties and disposed properties	113,123	245,333
Balance, end of year	**$4,991,814**	**$4,728,065**

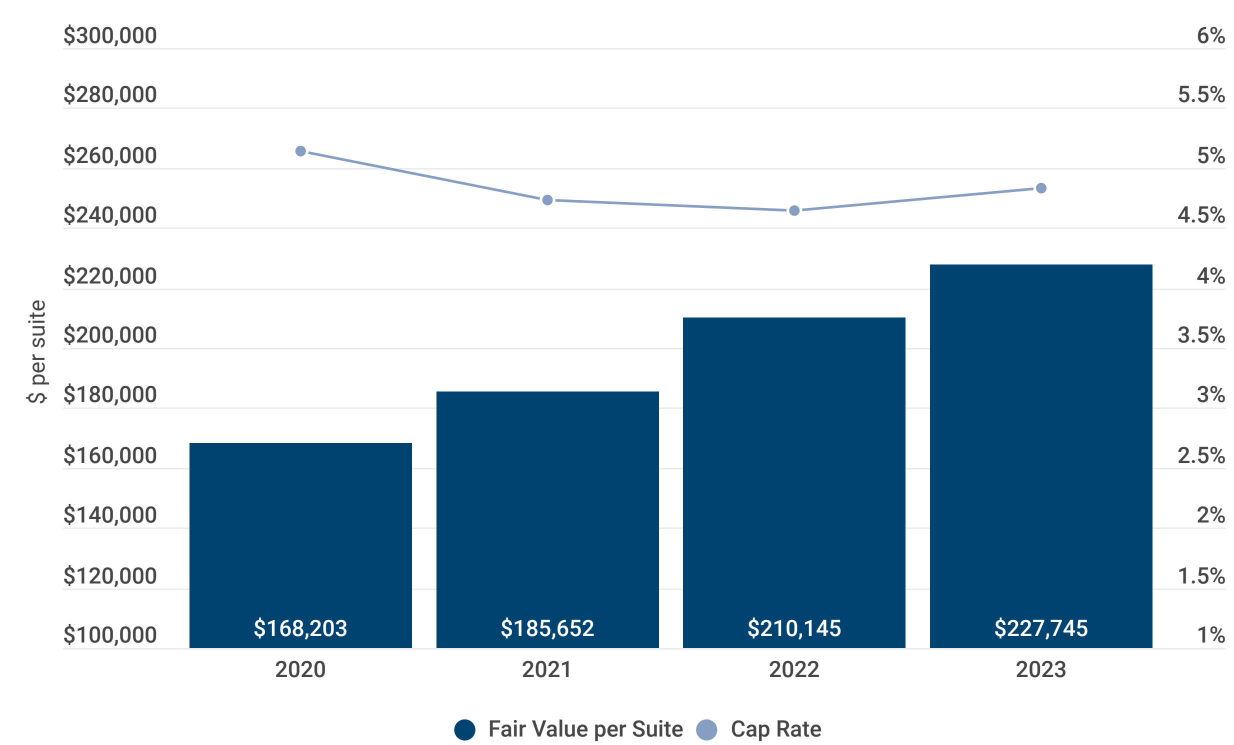
The following table reconciles the cost base of investment properties to their fair value:

Fair Value of Investment Properties (under IFRS 13) **($ thousands, except where noted)**	**2023**	**2022**
Cost	3,829,143	3,629,803
Cumulative fair value adjustment	1,162,671	1,098,262
Fair Value	**$4,991,814**	**$4,728,065**

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)**	**2023**	**2022**	**2021**	**2020**
Fair value of investment properties	$4,991,814	$4,728,065	$4,027,391	$3,395,811
Less: fair value of commercial properties	$(23,780)	$(50,454)	$(57,775)	$(82,715)
Fair value of residential properties	$4,968,034	$4,677,611	$3,969,616	$3,313,096
Total residential suites at year end	21,814	22,259	21,382	19,697
Fair value per suite	**$227,745**	**$210,145**	**$185,652**	**$168,203**
Increase (decrease) in fair value per suite(%)	**8.38%**	**13.19%**	**10.37%**	**8.53%**
Weighted average implied capitalization rate	4.83%	4.64%	4.73%	5.14%
Increase (decrease) in cap rate (year-over-year)(%)	4.09%	-1.90%	-7.98%	-1.53%
Net operating income ("NOI")	$200,362	$183,307	$164,527	$142,473
Increase in NOI (year-over-year)(%)	9.30%	11.41%	15.48%	8.45%
NOI Margin (% of total revenue)	55.83%	54.61%	54.25%	53.86%

Trending Fair Value per Residential Suite



Capital Expenditures

uring 2023, Skyline Apartment REIT acquired 506 apartment units through the acquisition of 7 new properties for a total investment (inclusive of closing costs) of $235.0 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 $150.4 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, 2023 is summarized in the following chart:

Mortgage Summary **($ thousands, except where noted)**	**2023**	**2022**
Mortgages payable	$2,658,778	$2,460,764
Line of credit	120,000	147,573
Total Debt	**$2,778,778**	**$2,608,337**
Limited partnership units	199,666	80,768
Unitholders' equity	2,006,688	2,020,209
Total capital	**$4,985,132**	**$4,709,314**
Mortgage debt to historical cost	69.44%	67.79%
Mortgage debt to fair value	53.26%	52.05%
Total debt to historical cost	72.57%	71.86%
Total debt to fair value	55.67%	55.17%
Weighted average mortgage interest rate	3.17%	2.93%
Weighted average mortgage term to maturity	4.48 yrs	4.99 yrs

Mortgages Payable **($ thousands, except where noted)**	**Future minimum principal payments** [1]	**% of total mortgages**
2024	**310,646**	11.7%
2025	**338,244**	12.7%
2026	**235,807**	8.9%
2027	**345,743**	13.0%
2028	**599,837**	22.6%
Thereafter	**828,553**	31.2%
Less: Mortgages related to assets held for sale	**(52)**	
Total mortgages payable as of December 31, 2023	**$2,658,778**	**100.0%**

[1] Includes regular monthly principal payments in addition to maturing balances

Investment Summary

During 2023, Units of Skyline Apartment REIT were issued under the accredited investor exemption, through the Employee Unit Purchase Plan ("EUPP") under the employee exemption. During the year, the REIT received net proceeds of $33.4 million through new investments and DRIP enrolment, net of redemptions.

During 2023, Management purchased for cancellation and/or redeemed units for $96.7 million at 100% of Unit Book value.

REIT Unitholders - Investment Activity Class A ($ thousands, except where noted)	2023		2022	
	Number of Units	Amount ($)	Number of Units	Amount ($)
Class A units outstanding, beginning of year	**70,471,054**	**$985,228**	**69,193,824**	**$952,973**
Proceeds from REIT units issued	2,921,425	79,713	4,576,683	118,771
Exchange of LP units	3,604	100	-	-
Units issued through DRIP	1,117,052	30,763	1,127,582	29,489
Units issued through EUPP	65,675	1,807	55,155	1,443
Units converted to Class F units	(2,814,412)	(53,828)	-	-
Redemptions - REIT units	(3,464,967)	(95,234)	(4,482,190)	(117,448)
Redemptions - REIT units (exchanged LP units)	-	-	-	-
Class A units outstanding, end of year	**68,299,431**	**$948,549**	**70,471,054**	**$985,228**
Weighted average Class A units outstanding	**68,806,002**		**73,997,045**	

REIT Unitholders - Investment Activity Class F ($ thousands, except where noted)	2023		2022	
	Number of Units	Amount ($)	Number of Units	Amount ($)
Class F units outstanding, beginning of year	**-**	**-**	**-**	**-**
Proceeds from REIT units issued	609,185	16,629	-	-
Units issued through DRIP	41,585	1,153	-	-
Units converted from Class A units	2,814,412	53,828	-	-
Redemptions - REIT units	(49,365)	(1,461)	-	-
Class F units oustanding, end of year	**3,415,817**	**70,149**	**-**	**-**
Weighted average Class F units outstanding	**1,679,804**			

LP Unitholders - Investment Activity ($ thousands, except where noted)	2023		2022	
	Number of Units	Amount ($)	Number of Units	Amount ($)
LP units outstanding, beginning of year	**3,047,838**	**80,768**	**3,047,838**	**77,720**
Proceeds from LP units issued	4,150,943	110,000	-	-
Units issued through DRIP	-	-	-	-
Redemptions - LP units (exchanged to REIT units)	(3,634)	(100)	-	-
Change in fair value	-	8,998	-	3,048
LP units outstanding, end of year	**7,195,147**	**199,666**	**3,047,838**	**80,768**
Weighted average LP units outstanding	**7,196,078**		**3,047,838**	

Unitholder Taxation

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

Regular Distributions	2023
Dividends	0%
Other Income	0%
Capital Gains	4%
Return of Capital	96%
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)**	**2023**	**2022**
General Partner sharing on income	$20,212	$15,235
General Partner sharing on dispositions	$19,653	$5,794
Total General Partner sharing on distributions	**$39,865**	**$21,029**

Management Services

Fees paid during the past two years are as follows:

Management Fees **($ thousands, except where noted)**	**2023**	**2022**
Wealth management fees	$8,155	$7,701
Asset management fees	-	7,160
Underwriting management fees	1,953	1,843
Develpoment service fees	1,042	1,528
Legal service management fees	3,107	1,424
CAPEX Management Fees	1,876	1,197
Solar Asset Management Fees	62	3
Total Management Fees	**$16,195**	**$20,856**

Services of the Asset Manager

Skyline Apt. REIT had an asset management agreement with Skyline Apartment Asset Management Inc. ("SAAMI"). The asset management fees payable under the asset management agreement are 2.5% of adjusted gross revenue. For the year ended December 31, 2023, Skyline Apt. REIT paid to SAAMI $nil in asset management fees (2022 – $7,160).

Services of the Exempt Market Dealer

Skyline Apt. REIT has an exempt market dealer agreement with Skyline Wealth Management Inc. (the "Exempt Market Dealer"). 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 during the year. For the year ended December 31, 2023, Skyline Apt. REIT paid to the Exempt Market Dealer $7,194 in wealth management fees (2022 – $6,617), and $961 in equity raise fees (2022 $1,084).

Services of the Mortgage Underwriting Manager

Skyline Apt. REIT has an arrangement with Skyline Mortgage Finance Inc. (the "Underwriting Manager"), wherein the Underwriting Manager assists Skyline Apt. REIT in obtaining mortgage financing upon terms and rates that are commercially competitive. Skyline Apt. REIT pays the Underwriting Manager $5,000 (not in thousands of Canadian dollars) for each mortgage assumed on acquisition, and 35 bps on mortgage principal for all other mortgages. For the year ended December 31, 2023, Skyline Apt. REIT paid to the Underwriting Manager $1,953 in mortgage underwriting fees (2022 $1,843).

Legal Services Manager

Skyline Apt. REIT had an arrangement with Skyline Asset Management Inc., wherein Skyline Asset Management Inc provided advice to Skyline Apt. REIT on the use of external legal counsel, and managed external legal counsel on behalf of Skyline Apt. REIT (the "Legal Services Arrangement"), the costs for which are approved annually by Skyline Apartment REIT's independent Trustees. Effective March 1, 2022, Skyline Asset Management Inc., transferred the Legal Services Arrangement to Skyline Private Investment Capital Inc. (the "Legal Services Manager"). For the year ended December 31, 2023, Skyline Apt. REIT paid to the Legal Services Manager $3,107 in legal services. Under the Legal Services Arrangement, Skyline Apt. REIT paid to the Legal Services Manager $1,187 for the period from March 1, 2022 to December 31, 2022. Under the Legal Services Arrangement, Skyline Apt. REIT also paid to Skyline Asset Management Inc $237 for the period from January 1, 2022 to February 28, 2022.

Services of the Solar Asset Manager

Skyline Apt. REIT has an arrangement with Skyline Clean Energy Asset Management Inc. (the "Solar Asset Manager"). The solar asset management fees payable under the arrangement are equal to $20 (not in thousands of Canadian dollars) per kilowatt of direct current per annum for each solar system managed by the Solar Asset Manager. For the year ended December 31, 2023, Skyline Apt. REIT paid to the Solar Asset Manager $62 in solar asset management fees (2022 – $3).

Services of the CAPEX Provider

Skyline Apt. REIT has an arrangement with Skyline Capital Projects Management Inc (the "CAPEX Provider"), wherein the CAPEX Provider provides due diligence services on the capital needs of proposed acquisitions, compiles and proposes multi year capital plans for the portfolio, and manages the execution of those capital plans, the costs for which are approved annually by Skyline Apartment REIT's independent Trustees. For the year ended December 31, 2023, Skyline Apt. REIT paid to the CAPEX Provider $1,876 in CAPEX management fees (2022 – $1,197).

Services of the Development Manager

Skyline Apt. REIT has an arrangement with Skydevco Inc (the "Development Manager"), who provides development consulting services to RELP, the costs for which are approved from time to time by Skyline Apartment REIT's independent Trustees. For the year ended December 31, 2023, Skyline Apt. REIT paid to the Development Manager $1,042 in development service fees (2022 – $1,528).

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.

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.

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

Subsequent to year end, the following investment activity occurred:

REIT Unitholders - Investment Activity Class A **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
Class A units outstanding, January 1, 2024	**68,299,431**	**$948,549**
Proceeds from REIT units issued	617,233	17,128
Exchange of LP units	-	-
Units issued through DRIP	369,248	10,247
Units issued through EUPP	27,115	752
Units converted to Class F units	(88,511)	(1,317)
Redemptions - REIT units	(1,468,373)	(40,747)
Redemptions - REIT units (exchanged LP units)	-	-
REIT units outstanding, April 30 ,2024	**67,756,143**	**$934,612**
Weighted average Class A units outstanding	**68,224,360**	

REIT Unitholders - Investment Activity Class F **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
Class F units outstanding, January 1, 2024	**3,415,817**	**$70,149**
Proceeds from REIT units issued	153,785	4,268
Units issued through DRIP	28,854	801
Units converted from Class A units	88,511	1,317
Redemptions - REIT units	(70,126)	(1,607)
REIT units outstanding, April 30, 2024	**3,616,841**	**$74,928**
Weighted average REIT units outstanding	**3,454,385**	

LP Unitholders - Investment Activity **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
LP units outstanding, January 1, 2024	**7,195,147**	**$199,666**
Proceeds from LP Units issued	-	-
Units issued through DRIP	-	-
Redemptions - LP units (exchanged to REIT units)	-	-
Change in fair value	-	-
LP units outstanding, April 30, 2024	**7,195,147**	**$199,666**
Weighted average LP units outstanding	**7,195,147**	

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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, 2023 and December 31, 2022 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 material 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, 2023 and December 31, 2022 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.

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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 20, 2024

Chartered Professional Accountants
Licensed Public Accountants

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

(in thousands of Canadian dollars)

	2023	2022
ASSETS		
Investment properties (note 6)	$ 4,991,814	$ 4,728,065
Assets held for sale (note 7)	8,115	26,997
Property, plant and equipment (note 9)	5,330	6,029
Inventory (note 3 (h))	2,888	2,888
Other assets (note 10)	19,953	15,477
Accounts receivable (note 15)	15,082	8,156
Cash	20,854	417
	$ 5,064,036	$ 4,788,029
LIABILITIES AND UNITHOLDERS' EQUITY		
Mortgages payable (notes 11, 15)	$ 2,658,778	$ 2,460,764
Limited partnership units (notes 15, 18)	199,666	80,768
Due to related parties (note 12)	21,772	13,303
Liabilities related to assets held for sale (note 7)	353	19,354
Tenant deposits	24,949	22,195
Accounts payable and accrued liabilities (note 15)	31,830	23,863
Revolving credit facilities (note 15)	120,000	147,573
	3,057,348	2,767,820
Unitholders' equity (page 6)	2,006,688	2,020,209
	$ 5,064,036	$ 4,788,029

______________________________ 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, 2023

(in thousands of Canadian dollars)

	2023	2022
OPENING BALANCE	$ 2,020,209	$ 1,762,740
Proceeds from units issued (note 17)	96,342	118,771
Units issued through distribution reinvestment plan (note 17)	33,723	30,932
Exchange of Class C limited partnership units (note 17)	100	0
Income and comprehensive income for the year	33,022	301,355
Issuance costs (note 12)	(1,020)	(1,144)
Redemptions (note 17)	(96,695)	(117,448)
Distributions paid	(78,993)	(74,997)
CLOSING BALANCE	$ 2,006,688	$ 2,020,209

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, 2023

(in thousands of Canadian dollars)

	2023	2022
PROPERTY REVENUES		
Residential rent	$ 351,767	$ 324,430
Commercial rent	7,083	11,261
	358,850	335,691
DIRECT PROPERTY EXPENSES		
Property taxes	42,678	41,081
Other direct property costs	82,828	79,931
Utilities	32,982	31,372
	158,488	152,384
NET PROPERTY INCOME	200,362	183,307
OTHER INCOME AND EXPENSES		
Financing costs (note 13)		
Interest paid on debt	97,239	77,839
Distributions on partnership units	47,452	24,255
Administrative expenses	8,498	7,595
Asset management fees (note 12)	0	7,160
Wealth management fees (note 12)	7,194	6,617
Amortization	1,082	771
	161,465	124,237
INCOME BEFORE THE UNDERNOTED	38,897	59,070
Fair value gain	64,409	223,702
Fair value gain on disposed properties	48,714	21,631
Fair value loss on limited partnership units	(8,998)	(3,048)
Asset management internalization cost (note 12)	(110,000)	0
	(5,875)	242,285
INCOME AND COMPREHENSIVE INCOME for the year	$ 33,022	$ 301,355

See notes to the consolidated financial statements

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

(in thousands of Canadian dollars)

	2023	2022
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Income and comprehensive income for the year	$ 33,022	$ 301,355
Items not requiring an outlay of cash:		
Amortization (note 9)	1,082	771
Amortization of financing costs (note 13)	6,608	5,587
Financing costs in operations (note 13)	137,599	96,293
Fair value gain	(64,409)	(223,702)
Fair value gain on the disposal of assets	(48,714)	(21,631)
Fair value loss on limited partnership units	8,998	3,048
Asset management internalization cost (note 12)	110,000	0
	184,186	161,721
Changes in non-cash working capital		
Other assets	(4,389)	(6,976)
Accounts receivable	(6,885)	(961)
Tenant deposits	2,832	1,201
Accounts payable and accrued liabilities	2,207	(10,222)
	177,951	144,763
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Advances from related parties (note 12)	8,469	9,205
Mortgages payable (net repayments and advances) (note 11)	293,539	370,653
Mortgages discharged due to sale of investment properties (note 11)	(115,452)	(94,246)
Interest paid on mortgages payable (note 13)	(77,584)	(65,483)
Distributions paid on partnership units (notes 12, 13, 18)	(47,452)	(24,255)
Net revolving credit facility (repayment) proceeds (note 15)	(27,573)	48,183
Interest paid on revolving credit facility (note 13)	(12,563)	(6,555)
Proceeds from units issued (note 17)	96,342	118,771
Issuance costs (note 12)	(1,020)	(1,144)
Redemption of units (note 17)	(96,695)	(117,448)
Distributions paid (net of distribution reinvestment plan)	(45,270)	(44,065)
	(25,259)	193,616
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to investment properties (note 6)	(385,467)	(542,194)
Proceeds on disposition of investment properties (note 6)	226,741	59,999
Proceeds on disposition of investment properties held for sale (note 6)	26,854	120,935
Additions to property, plant and equipment (note 9)	(383)	(2,152)
	(132,255)	(363,412)
INCREASE (DECREASE) IN CASH for the year	20,437	(25,033)
CASH, beginning of year	417	25,450
CASH, end of year	$ 20,854	$ 417

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, 2023, RELP owned two hundred and forty (2022 - two hundred and forty-six) multi-residential investment properties and three (2022 - four) 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, 2023 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, 2023 (including comparatives) were approved for issue by the Board of Trustees on March 20, 2024.

(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 MATERIAL ACCOUNTING POLICIES

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

Accounting standards implemented in 2023

On January 1, 2023, Skyline Apt. REIT adopted the following amendment to IAS 1 - Presentation of financial statements. The amendment updated the definition of accounting policy information. There is no material impact from the adoption of this amendment.

On January 1, 2023, Skyline Apt. REIT adopted the following amendment to IAS 8 - Accounting policies, changes in accounting estimates and errors. The amendment clarified the difference between an accounting estimate and an accounting policy. There is no material impact from the adoption of this amendment.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES

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

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

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

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

The fair value of an investment property does not reflect future capital expenditures that will improve or enhance the property and does not reflect the related future benefits from the future expenditures 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES (continued)

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES (continued)

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

(b) ASSETS HELD FOR SALE

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(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 and notes 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

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, accounts receivable and mortgage and notes receivable. They are initially recognized at fair value and subsequently measured at amortized cost less provision for impairment.

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(d) FINANCIAL INSTRUMENTS (continued)

Financial Liabilities (continued)

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.

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(h) INVENTORY

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

(i) DISTRIBUTION REINVESTMENT PLAN (DRIP)

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

(j) FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. In estimating the fair value of an asset or a liability, Skyline Apt. REIT considers the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

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

<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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(k) PROVISIONS

Provisions are recognized when Skyline Apt. REIT has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date. Provisions are measured at their present value by discounting the future cash flows from the expected date the obligation is to be settled. The discount rate used reflects current market assessments of the time value of money adjusted by the risk factor specific to the obligation. The unwinding of the discount due to the passage of time is recognized as interest expense.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IAS 1 - In January 2020, the IASB issued an amendment to IAS 1 - Presentation of financial statements which will be effective for years beginning on or after January 1, 2024. The amended standard will update the definition of a liability and the classification of liabilities between current and non-current.

IAS 1 - In October 2022, the IASB issued an amendment to IAS 1 - Presentation of financial statements which will be effective for years beginning on or after January 1, 2024. The amended standard will update the criteria for classifying liabilities with covenants as current or non-current.

IAS 7 - In May 2023, the IASB issued an amendment to IAS 7 - Statement of Cash Flows which will be effective for years beginning on or after January 1, 2024. The amended standard requires the entity to disclose information about its supplier finance arrangements that enables users of the financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. IFRS 7 - Financial Instruments: Disclosures has also been amended for the entity to include disclosures on concentrations of risk in relation to the amended IAS 7 - Statement of Cash Flows.

IAS 28 - In May 2014, 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.

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

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

5. PRINCIPLES OF CONSOLIDATION

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

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

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

6. INVESTMENT PROPERTIES

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

	2023	2022
Balance at beginning of the year	$ 4,728,065	$ 4,027,391
Acquisitions through purchase of investment properties	235,019	469,916
Additions through capital expenditure on existing investment properties	150,448	72,278
Disposals through sale of investment properties	(226,741)	(59,999)
Change in assets held for sale (note 7)	(8,100)	(26,854)
Fair value gain on investment properties and disposed properties	113,123	245,333
Balance at end of the year	$ 4,991,814	$ 4,728,065

Included in investment properties are properties under development with a balance at December 31, 2023 of $142,633 (2022 - $99,847).

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

	2023	2022
Cost	$ 3,829,143	$ 3,629,803
Cumulative fair value adjustment	1,162,671	1,098,262
Fair value	$ 4,991,814	$ 4,728,065

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

6. INVESTMENT PROPERTIES (continued)

Asset acquisitions:

During the year ended December 31, 2023, Skyline Apt. REIT acquired seven investment properties (2022 - twenty) 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:

	2023	2022
Acquisition cost of investment properties	$ 235,019	$ 469,916
Mortgages payable	(184,202)	(235,084)
Total identifiable net assets settled by cash	$ 50,817	$ 234,832

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:

	2023	2022
Less than one year	$ 339,183	$ 321,782
Between one and three years	6,278	7,647
More than three years	811	908
	$ 346,272	$ 330,337

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, 2023, all of Skyline Apt REIT's investment properties were measured 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, 2023 and December 31, 2022.

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 7.26% (2022 - 7.86%) and for residential properties is 4.82% (2022 - 4.60%). The overall weighted average capitalization rates for Skyline Apt. REIT's investment properties is 4.83% (2022 - 4.64%).

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

6. INVESTMENT PROPERTIES (continued)

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

	Residential		Commercial	
	2023	**2022**	**2023**	**2022**
Minimum	4.25%	3.59%	6.04%	5.86%
Maximum	6.75%	6.50%	10.36%	9.49%

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

In 2023, Skyline Apt. REIT valued $2,244,091 of its investment properties (including properties held for sale) internally (2022 - $2,027,734). 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 $2,478,900 (2022 - $2,304,820). In 2023, 48.8% (2022 - 48.7%) of the cost base of the investment properties was valued internally and 51.2% (2022 - 51.3%) was valued externally. The acquisitions during 2023 were valued at $276,923 (2022 - $422,831). 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, 2023:

As of December 31, 2023

Capitalization Rate Sensitivity Increase (Decrease)	Overall Capitalization Rate	Fair Value of Investment Properties	Fair Value Variance	% Change
(1.00)%	3.83%	$ 6,295,160	$ 1,303,346	26.11%
December 31, 2023	4.83%	$ 4,991,814	$ 0	0.00%
1.00%	5.83%	$ 4,135,585	$ (856,229)	(17.15)%

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

7. ASSETS HELD FOR SALE

As at December 31, 2023, there was one property held for sale (2022 - one property held for sale). The assets and liabilities associated with investment properties held for sale as at December 31 are as follows:

	2023	2022
ASSETS		
Investment properties	$ 8,100	$ 26,854
Other assets	13	100
Accounts receivable	2	43
	8,115	26,997
LIABILITIES		
Mortgages payable	52	13,371
Tenant deposits	78	0
Accounts payable and accrued liabilities	223	5,983
	353	19,354
NET ASSETS HELD FOR SALE	$ 7,762	$ 7,643

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, 2023, Skyline Apt. REIT is in a co-ownership agreement with Upper Montney Limited Partnership where Skyline Apt. REIT has a 50% ownership interest (2022 - 50%) in an investment property in Dawson Creek, British Columbia.

9. PROPERTY, PLANT AND EQUIPMENT

December 31, 2023	Cost	Accumulated Amortization	Carrying Amount
Computer equipment	$ 4,068	$ 3,211	$ 857
Equipment	588	436	152
Owner-occupied property by RELP - building	4,503	685	3,818
Owner-occupied property by RELP - land	503	0	503
	$ 9,662	$ 4,332	$ 5,330

December 31, 2022	Cost	Accumulated Amortization	Carrying Amount
Computer equipment	$ 3,836	$ 2,354	$ 1,482
Equipment	588	398	190
Owner-occupied property by RELP - building	4,382	528	3,854
Owner-occupied property by RELP - land	503	0	503
	$ 9,309	$ 3,280	$ 6,029

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

10. OTHER ASSETS

The components of other assets are as follows:

	2023	2022
Lender holdback	$ 30	$ 98
Note receivable	32	35
Mortgage receivable	7,000	7,000
Prepaid expenses	9,809	2,564
Deposits on investment properties	3,082	5,780
	$ 19,953	$ 15,477

The note receivable of $32 (2022 - $35) bears interest at a fixed rate of 6% per annum and matures in 2031.

The mortgage receivable of $7,000 (2022 - $7,000) bears interest at a fixed rate of 4% per annum. Interest only is receivable monthly. Principal is due September 1, 2026. The mortgage receivable is secured by a general assignment of rents and leases, environmental indemnity and a security agreement.

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 3.15% (2022 - 2.93%) are $2,542,117 (2022 - $2,411,133). Mortgages bearing variable interest rates with an average variable rate of 7.44% (2022 - 6.95%) are $116,712 (2022 - $63,002). Included in mortgages payable are second mortgages of $41,842 (2022 - $85,082), which bear fixed interest rates. Also included in mortgages payable are interest rate swap agreements of $57,500 (2022 - $42,000), which bear fixed interest rates, construction credit facilities of $100,612 (2022 - $63,068) which bear variable interest rates, and a vendor takeback loan of $15,000 (2022 - $0) which bears a fixed interest rate. See note 15. Mortgages have maturity dates ranging between 2024 and 2034. All mortgages are denominated in Canadian dollars.

Future minimum principal payments on mortgage obligations are as follows:

2024	$ 310,646
2025	338,244
2026	235,807
2027	345,743
2028	599,837
Thereafter	828,553
	2,658,830
Less: Mortgages related to assets held for sale:	(52)
	$ 2,658,778

(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:

	2023	2022
Mortgages payable, beginning of year	$ 2,460,764	$ 2,116,429
Proceeds from new mortgages	515,436	588,371
Repayment of existing mortgages	(318,417)	(294,985)
Transaction costs related to mortgages	(18,932)	(16,979)
Total changes from financing cash flows	178,087	276,407
Change in mortgages payable on assets held for sale	13,319	62,341
Amortization of financing costs	6,608	5,587
Financing costs included in operations	77,584	65,483
Interest paid	(77,584)	(65,483)
Total liability-related changes	19,927	67,928
Mortgages payable, end of year	$ 2,658,778	$ 2,460,764

12. RELATED PARTY TRANSACTIONS

The following entities transact with Skyline Apt. REIT, and are all controlled by the same shareholders, of which is a person or persons that qualify as a related person under IAS 24 – Related Party Disclosures: Skyline Transfer Funds Inc., Skyline Inc., Skyline Asset Management Inc., Skyline Apartment Asset Management Inc., and Skyline Clean Energy Asset Management Inc.; Skyline Wealth Management Inc., Skyline Mortgage Finance Inc., Skyline Private Investment Capital Inc., Skyline Capital Projects Management Inc., and Skydevco Inc.

Distributions to partners

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, 2023, a distribution would be payable if the investment properties were sold. At December 31, 2023, there were distributions payable of $21,772 (2022 - $13,303) which is included in due to related parties.

Distributions paid

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

	2023	2022
Skyline Management Inc. (limited partner)	$ 2,747	$ 2,627
Skyline Apartment Asset Management Inc. (limited partner)	4,217	0
Skyline Incorporated (GP)	39,865	21,029
	$ 46,829	$ 23,656

12. RELATED PARTY TRANSACTIONS (continued)

Services of the Asset Manager
Skyline Apt. REIT had an asset management agreement with Skyline Apartment Asset Management Inc. ("SAAMI"). The asset management fees payable under the asset management agreement are 2.5% of adjusted gross revenue. For the year ended December 31, 2023, Skyline Apt. REIT paid to SAAMI $nil in asset management fees (2022 – $7,160).

Services of the Exempt Market Dealer
Skyline Apt. REIT has an exempt market dealer agreement with Skyline Wealth Management Inc. (the “Exempt Market Dealer”). 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 during the year. For the year ended December 31, 2023, Skyline Apt. REIT paid to the Exempt Market Dealer $7,194 in wealth management fees (2022 – $6,617), and $961 in equity raise fees (2022 - $1,084)

Services of the Mortgage Underwriting Manager
Skyline Apt. REIT has an arrangement with Skyline Mortgage Finance Inc. (the “Underwriting Manager”), wherein the Underwriting Manager assists Skyline Apt. REIT in obtaining mortgage financing upon terms and rates that are commercially competitive. Skyline Apt. REIT pays the Underwriting Manager $5,000 (not in thousands of Canadian dollars) for each mortgage assumed on acquisition, and 35 bps on mortgage principal for all other mortgages. For the year ended December 31, 2023, Skyline Apt. REIT paid to the Underwriting Manager $1,953 in mortgage underwriting fees (2022 - $1,843).

Legal Services Manager
Skyline Apt. REIT had an arrangement with Skyline Asset Management Inc., wherein Skyline Asset Management Inc provided advice to Skyline Apt. REIT on the use of external legal counsel, and managed external legal counsel on behalf of Skyline Apt. REIT (the “Legal Services Arrangement”), the costs for which are approved annually by Skyline Apartment REIT’s independent Trustees. Effective March 1, 2022, Skyline Asset Management Inc., transferred the Legal Services Arrangement to Skyline Private Investment Capital Inc. (the “Legal Services Manager”). For the year ended December 31, 2023, Skyline Apt. REIT paid to the Legal Services Manager $3,107 in legal services. Under the Legal Services Arrangement, Skyline Apt. REIT paid to the Legal Services Manager $1,187 for the period from March 1, 2022 to December 31, 2022. Under the Legal Services Arrangement, Skyline Apt. REIT also paid to Skyline Asset Management Inc $237 for the period from January 1, 2022 to February 28, 2022.

Services of the Solar Asset Manager
Skyline Apt. REIT has an arrangement with Skyline Clean Energy Asset Management Inc. (the “Solar Asset Manager”). The solar asset management fees payable under the arrangement are equal to $20 (not in thousands of Canadian dollars) per kilowatt of direct current per annum for each solar system managed by the Solar Asset Manager. For the year ended December 31, 2023, Skyline Apt. REIT paid to the Solar Asset Manager $62 in solar asset management fees (2022 – $3).

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

12. RELATED PARTY TRANSACTIONS (continued)

Services of the CAPEX Provider
Skyline Apt. REIT has an arrangement with Skyline Capital Projects Management Inc (the "CAPEX Provider"), wherein the CAPEX Provider provides due diligence services on the capital needs of proposed acquisitions, compiles and proposes multi-year capital plans for the portfolio, and manages the execution of those capital plans, the costs for which are approved annually by Skyline Apartment REIT's independent Trustees. For the year ended December 31, 2023, Skyline Apt. REIT paid to the CAPEX Provider $1,876 in CAPEX management fees (2022 – $1,197).

Services of the Development Manager
Skyline Apt. REIT has an arrangement with Skydevco Inc (the "Development Manager"), who provides development consulting services to RELP, the costs for which are approved from time to time by Skyline Apartment REIT's independent Trustees. For the year ended December 31, 2023, Skyline Apt. REIT paid to the Development Manager $1,042 in development service fees (2022 – $1,528).

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:

	2023	2022
Skyline Incorporated	$ 21,772	$ 13,303

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

Asset management internalization cost
In January 2023, RELP and Skyline Apt. REIT completed an agreement with SAAMI to internalize the asset management function effective January 1, 2023. On closing, RELP acquired SAAMI's asset management business in return for 4,150,943.4 convertible Class E limited partnership units of RELP with a market value of $110,000. These units are exchangeable for Skyline Apt. REIT units and have a current market value of $115,189. The purchase price associated with the internalization did not utilize existing cash resources of RELP, and SAAMI is required to hold 90% of the exchangeable units (or REIT upon exchange) until January 2028, subject to limited exceptions.

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

12. RELATED PARTY TRANSACTIONS (continued)

Class E, F, G, H, I, J and K LP Units
Skyline Management Inc. ("SMI") holds 633,073 (2022 - 633,073) Class F limited partnership units which have a market value of $17,568 at December 31, 2023 (2022 - $16,776), 633,073 (2022 - 633,073) Class G limited partnership units which have a market value of $17,568 at December 31, 2023 (2022 - $16,776), 633,073 (2022 - 633,073) Class H limited partnership units which have a market value of $17,568 at December 31, 2023 (2022 - $16,776), 221,024 (2022 - 211,024) Class I limited partnership units which have a market value of $5,856 at December 31, 2023 (2022 - $5,592) and 372,396 (2022 - 372,396) Class J limited partnership units which have a market value of $10,334 at December 31, 2023 (2022 - $9,868).

SAAMI was issued 4,150,943 Class E limited partnership units on January 1, 2023. During 2023, SAAMI exchanged all of its Class E limited partnership units for 1,022,201 (2022 - 0) Class F limited partnership units which have a market value of $28,366 at December 31, 2023 (2022 - $0), 1,022,201 (2022 - 0) Class G limited partnership units which have a market value of $28,366 at December 31, 2023 (2022 - $0), 1,022,201 (2022 - 0) Class H limited partnership units which have a market value of $28,366 at December 31, 2023 (2022 - $0), 340,659 (2022 - 0) Class I limited partnership units which have a market value of $9,453 at December 31, 2023 (2022 - $0), 403,022 (2022 - 0) Class J limited partnership units which have a market value of $11,184 at December 31, 2023 (2022 - $0), and 340,659 (2022 - 0) Class K limited partnership units which have a market value of $9,453 at December 31, 2023 (2022 - $0).

13. FINANCING COSTS

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

	2023	2022
Mortgage interest	$ 77,584	$ 65,483
Deferred financing costs	6,608	5,587
Interest expense on revolving credit facility	12,563	6,555
Distribution paid on LP Units	7,587	3,226
Distribution paid to GP on the sale of investment properties	19,653	5,794
Distribution paid to GP	20,212	15,235
Interest on tenant deposits	484	214
	$ 144,691	$ 102,094

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.

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

14. FAIR VALUE MEASUREMENT (continued)

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, 2023**			**December 31, 2022**		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Investment properties	$ 0	$ 0	$ 4,991,814	$ 0	$ 0	$ 4,728,065
Assets held for sale	0	0	8,100	0	0	26,854
	$ 0	$ 0	$ 4,999,914	$ 0	$ 0	$ 4,754,919
Liabilities						
Mortgages payable	$ 0	$ 2,529,024	$ 0	$ 0	$ 2,254,512	$ 0
Limited partnership units	0	0	199,666	0	0	80,768
	$ 0	$ 2,529,024	$ 199,666	$ 0	$ 2,254,512	$ 80,768

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, 2023 and December 31, 2022, 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.

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.

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

15. FINANCIAL RISK MANAGEMENT (continued)

i) Market risk (continued)

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, 2023

	Carrying Amount	Income -1%	Partners' Equity -1%	Income +1%	Partners' Equity +1%
Revolving credit facility	$ 120,000	$ 1,200	$ 1,200	$ (1,200)	$ (1,200)
Mortgages payable, maturing within one year	277,551	2,776	2,776	(2,776)	(2,776)
	$ 397,551	$ 3,976	$ 3,976	$ (3,976)	$ (3,976)

December 31, 2022

	Carrying Amount	Income -1%	Partners' Equity -1%	Income +1%	Partners' Equity +1%
Revolving credit facility	$ 147,573	$ 1,476	$ 1,476	$ (1,476)	$ (1,476)
Mortgages payable, maturing within one year	195,458	1,955	1,955	(1,955)	(1,955)
	$ 343,031	$ 3,431	$ 3,431	$ (3,431)	$ (3,431)

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.

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

15. FINANCIAL RISK MANAGEMENT (continued)

ii) Credit risk (continued)

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:

	2023	2022
Allowance for doubtful accounts beginning of year	$ 1,449	$ 1,053
Provision for impairment of trade receivables	248	516
Reversal of provision for impairment	(88)	(120)
Allowance for doubtful accounts end of year	$ 1,609	$ 1,449

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.

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 (2022 - $25,000) available for use to finance the ongoing working capital requirements of the combined group, which is maintained by Skyline Apt. REIT. At December 31, 2023, the total drawn on the operating line of credit by Skyline Apt. REIT was $0 (2022 - $16,573). The operating line of credit bears interest at prime plus 1.25%.

15. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk (continued)

b. Revolving credit facility of $180,000 (2022 - $155,000) and swingline facility of $10,000 (2022 - $10,000) available for use to finance the ongoing working capital requirements of the combined group, which is maintained by Skyline Apt. REIT. At December 31, 2023, the total drawn on the revolving credit facility by Skyline Apt. REIT was $120,000 (2022 - $131,000). The revolving credit facility bears interest at prime plus 1.35% or, at the option of the borrower, a fixed rate equal to the floating bankers acceptance rate plus 2.35% for a 30 day or 90 day term.

c. Construction credit facility of $34,312 (2022 - $34,312) 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 (2022 - $3,000) 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, 2023, the total drawn on the non-revolving credit facility is $32,411 (2022 - $22,259) and the total drawn on the letter of credit facility is $0 (2022 - $0).

d. Construction credit facility of $32,225 (2022 - $32,225) to assist with the financing of the servicing, construction and related soft costs for the 53 and 57 Riverview Drive development project and a letter of credit facility of $3,000 (2022 - $3,000) available for use to finance the municipal and sundry requirements for the 53 and 57 Riverview Drive development project. The facilities bear interest at prime plus 0.5%. At December 31, 2023, the total drawn on the non-revolving credit facility is $26,427 (2022 - $16,418) and the total drawn on the letter of credit facility is $0 (2022 - $0).

e. Construction credit facility of $30,080 (2022 - $30,080) to assist with the financing of the servicing, construction and related soft costs for the 351-431 Talisman Drive development project and a letter of credit facility of $2,500 (2022 - $2,500) available for use to finance the municipal and sundry requirements for the 351-431 Talisman Drive development project. The facilities bear interest at prime plus 0.5%. At December 31, 2023, the total drawn on the non-revolving credit facility is $23,089 (2022 - $13,257) and the total drawn on the letter of credit facility is $0 (2022 - $0).

f. Construction credit facility of $23,249 (2022 - $23,249) to assist with the financing of the servicing, construction and related soft costs for the 300 South Pelham Road development project and a letter of credit facility of $2,000 (2022 - $2,000) available for use to finance the municipal and sundry requirements for the 300 South Pelham Road development project. The non-revolving credit facility bears interest at a rate of prime plus 0.5%, or at the option of the borrower, a fixed rate equal to the floating bankers acceptance rate plus 2.15%. The letter of credit facility bears interest at 1.0% per annum. At December 31, 2023, the total drawn on the non-revolving credit facility is $18,686 (2022 - $11,134) and the total drawn on the letter of credit facility is $0 (2022 - $0).

(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:

	2023	2022
Revolving credit facility, beginning of year	$ 147,573	$ 99,390
Net (repayments) proceeds to revolving credit facility	(27,573)	48,183
	120,000	147,573
Financing costs included in operations	12,563	6,555
Interest paid	(12,563)	(6,555)
Total liability-related changes	0	0
Revolving credit facility, end of year	$ 120,000	$ 147,573

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 a total debt to unitholders' equity ratio no greater than 2.00. The combined group is also required to maintain a funds from operations effective pay-out ratio not exceeding 100%, a total debt to gross book value ratio not exceeding 65% and a mortgage-ability debt service coverage ratio of 1.20 or higher. At December 31, 2023, the combined group was in compliance with the financing agreements.

Skyline Apt. REIT's long term debt consists of first mortgages payable bearing interest rates ranging from 1.6% to 7.7% per annum, payable in monthly instalments of principal and interest of approximately $10,171 (2022 - 1.6% to 6.7%, instalments of $9,505), maturing from 2024 to 2034 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 5.8%, payable in monthly instalments of principal and interest of approximately $230 (2022 - 1.6% to 4.7%, instalments of $231), maturing from 2024 to 2031, 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, 2023	On demand	Less than one year	One to five years	More than five years	**Total**
Mortgages payable	$ 0	$ 277,551	$ 1,492,239	$ 888,988	$ 2,658,778
Limited partnership units	95,996	0	103,670	0	199,666
Due to related parties	0	21,772	0	0	21,772
Revolving credit facilities	0	120,000	0	0	120,000
Accounts payable and accrued liabilities	0	31,830	0	0	31,830
	$ 95,996	$ 451,153	$ 1,595,909	$ 888,988	$ 3,032,046

December 31, 2022	On demand	Less than one year	One to five years	More than five years	**Total**
Mortgages payable	$ 0	$ 195,458	$ 1,138,837	$ 1,126,469	$ 2,460,764
Limited partnership units	80,768	0	0	0	80,768
Due to related parties	0	13,303	0	0	13,303
Revolving credit facility	16,573	131,000	0	0	147,573
Accounts payable and accrued liabilities	0	23,863	0	0	23,863
	$ 97,341	$ 363,624	$ 1,138,837	$ 1,126,469	$ 2,726,271

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. In 2023, no single residential tenant accounts for 10% or more of Skyline Apt. REIT's residential rental revenue or commercial revenue. In 2022, Skyline Apt. REIT's commercial portfolio had a concentration of risk with a single tenant that represented 23% of commercial revenue.

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.

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

16. CAPITAL RISK MANAGEMENT (continued)

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, 2023, the loan to value ratio was 53% (2022 - 52%), which is within Skyline Apt. REIT's stated policy of 70% or less. Subsequent to December 31, 2023, 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 Class A and Class F REIT units. Both classes of REIT units are entitled to distributions as and when declared by the Board of Trustees. On March 7, 2023 Skyline Apt. REIT increased the price per unit for newly issued units and units to be redeemed to $27.75 from $26.50. On March 15, 2023, Skyline Apt. REIT increased the annual distribution rate to $1.11 from $1.09 for Class A REIT units and to $1.13 from $1.1165 for Class F REIT units. The units issued and outstanding are as follows:

Class A Units	**2023 Units**	**2022 Units**
Units outstanding, beginning of year	70,471,054	69,193,824
Exchange of limited partnership units	3,604	0
Units issued	2,921,425	4,576,683
Distribution reinvestment plan	1,182,727	1,182,737
Units converted to Class F units	(2,814,412)	0
Redemptions during the year	(3,464,967)	(4,482,190)
Units outstanding, end of year	68,299,431	70,471,054

Class F Units	**2023 Units**	**2022 Units**
Units outstanding, beginning of year	0	0
Units issued	609,185	0
Distribution reinvestment plan	41,585	0
Units converted from Class A units	2,814,412	0
Redemptions during the year	(49,365)	0
Units outstanding, end of year	3,415,817	0

18. LIMITED PARTNERSHIP UNITS

RELP is authorized to issue an unlimited number of non-voting Class B, C, D, E, F, G, H , I, J and K limited partnership units. These units 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. These units are entitled to a pro rata share of the residual net assets remaining after the preferential claims, thereon, of debt holders.

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

18. LIMITED PARTNERSHIP UNITS (continued)

The limited partnership units outstanding and their aggregate fair values are as follows:

	2023		2022	
Unit Class	**Units Issued**	**Fair Value**	**Units Issued**	**Fair Value**
Class B	37,500	$ 1,041	37,500	$ 994
Class C	173,646	$ 4,819	177,280	$ 4,698
Class D	350,419	$ 9,724	350,419	$ 9,286
Class F	1,655,274	$ 45,934	633,073	$ 16,776
Class G	1,655,274	$ 45,934	633,073	$ 16,776
Class H	1,655,274	$ 45,934	633,073	$ 16,776
Class I	551,684	$ 15,309	211,024	$ 5,592
Class J	775,417	$ 21,518	372,396	$ 9,868
Class K	340,659	$ 9,453	0	$ 0

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

	2023	2022
Limited partnership units, beginning of year	$ 80,768	$ 77,720
Proceeds from issue of LP Units	110,000	0
Redemptions of limited partnership units	(100)	0
	109,900	0
Financing costs included in operations	7,587	3,226
Distribution interest paid	(7,587)	(3,226)
Total liability-related changes	0	0
Changes in fair value	8,998	3,048
Limited partnership units, end of year	$ 199,666	$ 80,768

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.

SKYLINE
APARTMENT REIT