



March 21, 2025

FILED VIA SEDAR+

TO: Ontario Securities Commission
British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
The Manitoba Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission
Registrar of Securities, Prince Edward Island
Securities Commission of Newfoundland and Labrador

Dear Sirs/Mesdames:

**Dream Residential Real Estate Investment Trust (the “REIT”)
Revised Annual Report and Annual Consolidated Financial Statements
SEDAR+ Project Numbers 06242175 and 06242203**

We are filing a revised annual report and annual consolidated financial statements for the year ended December 31, 2024, which are to supersede the original versions that were filed with the securities regulatory authorities listed above on February 19, 2025. The original annual report was filed under SEDAR+ Project No. 06242175, and the annual consolidated financial statements were filed under SEDAR+ Project No. 06242203.

The refiling of the financial statements is a result of an administrative amendment made to the auditor's report, which does not impact the consolidated financial statements or auditor's opinion. Readers of the annual report and annual consolidated financial statements should refer to the revised version of the auditor's report in its entirety, rather than the original version contained in the documents filed on February 19, 2025. There were no other changes to the annual report and annual consolidated financial statements.

Sincerely,

Dream Residential Real Estate Investment Trust



Independent auditor's report

To the Unitholders of Dream Residential Real Estate Investment Trust

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dream Residential Real Estate Investment Trust and its subsidiaries (together, the REIT) as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The REIT's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2024 and 2023;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for 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 consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the REIT in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2500, Toronto, Ontario, Canada M5J 0B2
T.: +1 416 863 1133, F.: +1 416 365 8215, Fax to mail: ca_toronto_18_york_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="254 567 876 609">Valuation of investment properties</p> <p data-bbox="254 630 876 829"><i>Refer to note 2 – Material accounting policy information, note 3 – Critical accounting judgments, estimates and assumptions in applying accounting policies, note 4 – Investment properties and note 20 – Fair value measurements to the consolidated financial statements.</i></p> <p data-bbox="254 861 876 1375">The REIT measured its investment properties at fair value as at December 31, 2024, and these assets were valued at \$400.5 million. At the end of each reporting period, management internally determines the fair value of investment properties using the direct capitalization method with reference to current contracted sales prices for similar properties that are available for sale, independent property appraisals and market conditions existing at the reporting date using generally accepted market practices. The significant assumptions used in the direct capitalization method are the capitalization rates and the stabilized net operating income (stabilized NOI). Critical judgments are made by management in respect of the determination of fair values of investment properties.</p> <p data-bbox="254 1407 876 1787">We considered this a key audit matter due to i) significant audit effort required to assess the fair value of investment properties; ii) the critical judgments by management when determining the fair value of investment properties, including the development of the significant assumptions; and iii) a high degree of complexity in assessing audit evidence to support the significant assumptions developed by management. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of real estate valuation.</p>	<p data-bbox="876 567 1513 640">Our approach to addressing the matter included the following procedures, among others:</p> <ul data-bbox="876 651 1513 1407" style="list-style-type: none"><li data-bbox="876 651 1513 756">• Tested how management determined the fair value of investment properties, which included the following:<ul data-bbox="876 766 1513 1407" style="list-style-type: none"><li data-bbox="876 766 1513 840">– Evaluated the appropriateness of the direct capitalization method.<li data-bbox="876 850 1513 945">– Tested the underlying data used in the valuations that are significant to the fair value of investment properties.<li data-bbox="876 955 1513 1092">– Evaluated the reasonableness of stabilized NOIs by comparing them to underlying accounting records and/or external market and industry data, as applicable.<li data-bbox="876 1102 1513 1197">– Evaluated the reasonableness of the capitalization rates by comparing them to external market and industry data.<li data-bbox="876 1207 1513 1407">– For certain investment properties, professionals with specialized skill and knowledge in the field of real estate valuation assisted in evaluating the reasonableness of the significant assumptions used by management.



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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 the REIT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the REIT or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the REIT's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the REIT's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the REIT as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee-Anne Kovacs.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 19, 2025

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of U.S. dollars)

	Note	December 31, 2024	December 31, 2023
Assets			
NON-CURRENT ASSETS			
Investment properties	4, 20	\$ 400,502	\$ 398,310
Restricted funds		522	312
Other non-current assets		213	190
		401,237	398,812
CURRENT ASSETS			
Amounts receivable	5	1,778	816
Prepaid expenses and other current assets		1,267	1,355
Cash and cash equivalents		5,382	10,943
		8,427	13,114
Total assets		\$ 409,664	\$ 411,926
Liabilities			
NON-CURRENT LIABILITIES			
Debt	6, 20	\$ 138,835	\$ 137,632
Deferred Unit Incentive Plan	2, 17, 18	265	320
		139,100	137,952
CURRENT LIABILITIES			
Class B Units	16	23,039	47,326
Amounts payable and accrued liabilities	7, 22	6,657	8,397
Debt	6, 20	19	—
Deferred Unit Incentive Plan	2, 17, 18	360	219
		30,075	55,942
Total liabilities		169,175	193,894
Equity			
Unitholders' equity	12	150,864	128,179
Retained earnings	12	89,625	89,853
Total equity		240,489	218,032
Total liabilities and Unitholders' equity		\$ 409,664	\$ 411,926

See the accompanying notes to the consolidated financial statements.

On behalf of the Board of Trustees of Dream Residential Real Estate Investment Trust:

"Fahad Khan"

FAHAD KHAN
Trustee

"Vicky Schiff"

VICKY SCHIFF
Trustee

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of U.S. dollars)

	Note	Year ended December 31,	
		2024	2023
Investment properties revenue	8	\$ 47,990	\$ 47,561
Investment properties operating expenses	9	(22,802)	(22,711)
Net rental income		25,188	24,850
Other income			
Interest and other income		211	337
		211	337
Other expenses			
General and administrative	10, 22	(3,829)	(3,458)
Interest expense – debt	11	(7,371)	(7,427)
Interest expense – Class B Units	16	(1,677)	(2,944)
Debt settlement costs and costs on disposal of investment property	6	—	(632)
		(12,877)	(14,461)
Fair value adjustments			
Fair value adjustments to investment properties	4, 20	(8,173)	(25,834)
Fair value adjustments to financial instruments	18	2,008	259
		(6,165)	(25,575)
Net income (loss) and comprehensive income (loss)		\$ 6,357	\$ (14,849)

See the accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of U.S. dollars)

Year ended December 31, 2024	Note	Number of Trust Units	Unitholders' equity	Retained earnings	Total
Balance at January 1, 2024		12,645,268	\$ 128,179	\$ 89,853	\$ 218,032
Class B Units exchanged for Trust Units	16	3,319,119	22,540	—	22,540
REIT Units issued for DUIP	17	22,224	145	—	145
Net income and comprehensive income		—	—	6,357	6,357
Distributions paid and payable	14	—	—	(6,585)	(6,585)
Balance at December 31, 2024		15,986,611	\$ 150,864	\$ 89,625	\$ 240,489

Year ended December 31, 2023		Number of Trust Units	Unitholders' equity	Retained earnings	Total
Balance at January 1, 2023		12,776,418	\$ 129,265	\$ 110,026	\$ 239,291
Cancellation of REIT A Units under NCIB	13	(150,758)	(1,225)	—	(1,225)
Cancellation costs		—	(3)	—	(3)
REIT Units issued for DUIP	17	19,608	142	—	142
Net loss and comprehensive loss		—	—	(14,849)	(14,849)
Distributions paid and payable	14	—	—	(5,324)	(5,324)
Balance at December 31, 2023		12,645,268	\$ 128,179	\$ 89,853	\$ 218,032

See the accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of U.S. dollars)

	Note	Year ended December 31,	
		2024	2023
Generated from (utilized in) operating activities			
Net income (loss)		\$ 6,357	\$ (14,849)
Non-cash items:			
Debt settlement costs	6	—	632
Fair value adjustments on investment properties	4, 20	8,173	25,834
Fair value adjustments on financial instruments	18	(2,008)	(259)
Deferred compensation expense	17	500	434
Interest expense – debt	11	7,371	7,427
Interest expense – Class B Units	16	1,677	2,944
Change in non-cash working capital	15	(3,490)	(891)
		18,580	21,272
Generated from (utilized in) investing activities			
Proceeds from disposal of investment property, net of transaction costs		—	8,777
Investments in building improvements	4	(10,095)	(15,937)
Insurance proceeds received	4	78	1,157
		(10,017)	(6,003)
Generated from (utilized in) financing activities			
Distributions on Units	14	(6,469)	(5,328)
Interest paid – debt	11	(5,912)	(5,936)
Interest paid – Class B Units	16	(1,793)	(2,944)
Borrowings, net of financing cost additions	6	15,000	14,221
Lump sum repayments	6	(14,950)	(11,004)
Lump sum repayments on property dispositions	6	—	(3,609)
Debt settlement costs paid	6	—	(146)
Cancellation of REIT A Units under NCIB	13	—	(1,225)
		(14,124)	(15,971)
Decrease in cash and cash equivalents		(5,561)	(702)
Cash and cash equivalents, beginning of period		10,943	11,645
Cash and cash equivalents, end of period		\$ 5,382	\$ 10,943

See the accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

(all dollar amounts in thousands of U.S. dollars)

Note 1

ORGANIZATION

Dream Residential Real Estate Investment Trust (the “REIT” or “Dream Residential REIT”) is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario (the “Declaration of Trust”). The consolidated financial statements of the REIT include the accounts of the REIT and its subsidiaries.

The Trust Units of the REIT are listed on the Toronto Stock Exchange (“TSX”) in U.S. dollars under the symbol “DRR.U”, and in Canadian dollars under the symbol “DRR.UN”. The address of the REIT’s registered office is 30 Adelaide Street East, Suite 301, Toronto, Ontario, Canada M5C 3H1. The REIT’s consolidated financial statements were authorized for issuance by the Board of Trustees on February 19, 2025, after which they may only be amended with the Board of Trustees’ approval.

Note 2

MATERIAL ACCOUNTING POLICY INFORMATION

The following describes the material accounting policies used in the preparation of these consolidated financial statements:

Basis of presentation

These consolidated financial statements are prepared on a going-concern basis and have been presented in U.S. dollars, which is the functional currency of the REIT, and all amounts are rounded to the nearest thousand unless otherwise indicated. These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and using accounting policies described herein.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Dream Residential REIT and its subsidiaries. Subsidiaries are consolidated from the date of acquisition, the date on which the REIT obtains control, and continue to be consolidated until the date such control ceases. Control exists when the REIT is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

Amendments to IAS 1

The International Accounting Standards Board has issued amendments to IAS 1, “Presentation of Financial Statements” (“IAS 1”). The amendments to IAS 1 clarify how to classify debt and other liabilities as current or non-current. The amendments to IAS 1 apply to annual reporting periods beginning on or after January 1, 2024. The REIT may be required to settle liabilities arising from vested deferred trust units on demand by the Unitholders and does not have the right to defer settlement of such liabilities for a period of more than 12 months from the reporting date. As a result of these amendments, the REIT has adopted these amendments effective January 1, 2024 and classified vested deferred trust units where there is no right to defer settlement as current liabilities in the consolidated financial statements for the current period. Consistent with the requirements of IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors” (“IAS 8”), the amendments must be applied retrospectively and, as such, the prior year comparative period has been restated to conform to the current period presentation. The following table outlines the impact of the reclassifications:

	As at January 1, 2023				As at December 31, 2023			
	As reported	Reclassification	As reclassified		As reported	Reclassification	As reclassified	
Current liabilities								
Deferred Unit Incentive Plan	\$ —	\$ 138	\$ 138		\$ —	\$ 219	\$ 219	
Non-current liabilities								
Deferred Unit Incentive Plan	\$ 155	\$ (138)	\$ 17		\$ 539	\$ (219)	\$ 320	

As a result of these amendments, the REIT has also provided expanded disclosures regarding the covenants it is subject to under its debt obligations in Note 6 of the consolidated financial statements.

Investment properties

Investment properties comprise multi-residential properties held to earn rental income or capital appreciation or both. Investment properties include land, building and building improvements, as well as certain furniture and equipment. Investment properties are initially measured at cost, including related transaction costs in connection with asset acquisitions. Subsequent to initial recognition, investment properties are measured at their estimated fair value. Gains or losses arising from changes in fair value are included in net income in the consolidated statements of comprehensive income (loss). When an investment property is disposed of, including investment properties held for sale, the asset is derecognized when control of the property is transferred. Any transaction costs arising on derecognition of an investment property are included in net income in the consolidated statements of comprehensive income (loss) during the reporting period the asset is derecognized.

At the end of each reporting period, management internally determines the fair value of investment properties using the direct capitalization method. The significant assumptions used in the direct capitalization method are the capitalization rates and the stabilized net operating income (“stabilized NOI”).

Expenditures are capitalized to the property only when it is probable that future economic benefits associated with the expenditure will flow to the REIT and the cost of the item can be measured reliably. Repairs and maintenance costs are recorded in investment properties operating expenses when incurred.

Deferred Unit Incentive Plan

As described in Note 17, the REIT has a Deferred Unit Incentive Plan that provides for the granting of deferred trust units and income deferred trust units to trustees, officers, employees, employees and officers of affiliates, and service providers, including the asset managers.

Over the vesting period, deferred trust units are recorded as a liability, and compensation expense is recognized based on the fair value of the units. Once vested, the liability is remeasured at each reporting date at amortized cost, based on the fair value of the corresponding Trust Units, with changes in fair value recognized in the consolidated statements of comprehensive income (loss) as a fair value adjustment to financial instruments.

Financial instruments

DESIGNATION OF FINANCIAL INSTRUMENTS

The following table summarizes the REIT’s classification and measurement of financial assets and financial liabilities in accordance with IFRS 9, “Financial Instruments” (“IFRS 9”):

	Classification and measurement
Financial assets	
Amounts receivable	Financial asset at amortized cost
Restricted funds	Financial asset at amortized cost
Cash and cash equivalents	Financial asset at amortized cost
Financial liabilities	
Mortgages payable	Financial liability at amortized cost
Revolving credit facility	Financial liability at amortized cost
Class B Units	Financial liability at amortized cost
Deferred Unit Incentive Plan	Financial liability at amortized cost
Amounts payable and accrued liabilities	Financial liability at amortized cost

FINANCIAL ASSETS

Impairment

The REIT recognizes an allowance for expected credit losses for all financial assets not held at fair value through profit or loss. For amounts receivable, the REIT applies the simplified approach Expected Credit Loss (“ECL”) model permitted by IFRS 9, which requires expected lifetime losses to be recognized upon initial recognition of the receivables. To measure the expected losses, the REIT has established a provision matrix that is based on its historical credit loss experience based on days past due adjusted for forward-looking factors specific to the tenant and the economic environment. The REIT will usually consider a financial asset in default when contractual payment is over 90 days past due but will also consider other factors such as alternative repayment negotiated with tenants. However, in certain cases, the REIT may also consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full. The results of the simplified approach ECL model are used to reduce the carrying amount of the financial asset, and the

changes in the measurement of the provision for impairment are recognized in net income in the consolidated statements of comprehensive income (loss) within operating expenses. Amounts receivable are written off where there is no reasonable expectation of recovery.

FINANCIAL LIABILITIES

Class B Units

The issued and authorized capital of the REIT's subsidiary, DRR Holdings LLC ("Holdco LLC"), consists of Class A units ("Class A Units") and Class B units ("Class B Units"). All of the Class A Units will be indirectly held by the REIT. The Class B Units are, in all material respects, economically equivalent to the Trust Units and are redeemable under certain circumstances by the holder thereof for cash or Trust Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by Holdco LLC and as directed by the REIT in its sole discretion, and therefore, are considered puttable instruments in accordance with IAS 32, "Financial Instruments: Presentation" ("IAS 32"). The Class B Units have been classified as financial liabilities at amortized cost. The distributions on Class B Units are accounted for as interest expense in the consolidated statements of comprehensive income (loss) in the period in which they become payable.

Equity

The REIT is authorized to issue an unlimited number of Trust Units. Each Trust Unit represents a proportionate undivided beneficial ownership interest in the REIT, is transferable and entitles the holder to an equal participation in distributions of the REIT, rights of redemption and voting rights. Under IAS 32, the Trust Units are considered a puttable financial instrument because of the holder's option to redeem Trust Units, generally at any time, subject to certain restrictions, at a redemption price per unit calculated based on a formula determined by the Amended and Restated Declaration of Trust. The REIT has determined the Trust Units can be presented as equity and not as financial liabilities because the Trust Units have all of the features to be classified as an equity instrument.

Leases

The REIT has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low value. Those payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis and are recorded in the consolidated statement of comprehensive income (loss). Short-term leases are identified as those with a lease term of less than one year from lease commencement date or the underlying asset is of a low value determined by the REIT. All of the REIT's leases fall into these categories, therefore no right-of-use asset or lease liability have been set up on the consolidated statement of financial position.

Revenue recognition

RENTAL INCOME

IFRS 16, "Leases" ("IFRS 16") applies to rental income earned from leases. Terms of leases are generally one year or less and management accounts for tenant leases as operating leases, given that it has retained substantially all of the risks and benefits of ownership of investment properties. Rental revenue from investment properties includes base rents and other rental revenue. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in investment properties, is recorded for the difference between the rental revenue recognized and the contractual amount received. Other rental revenues are recorded as earned.

REVENUE FROM CONTRACTS WITH CUSTOMERS

The REIT has obligations to provide ongoing services related to leases which are contract revenues within the scope of IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). This ancillary service revenue includes utility recoveries, property expense recoveries, pet fees, amenity fees, and parking. The performance obligation for ancillary services is satisfied over time, and revenue is recognized when earned as services are performed. Management applies the practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Income taxes

CANADIAN MUTUAL FUND STATUS

The REIT qualifies as a mutual fund trust pursuant to the *Income Tax Act* (Canada). Under current tax legislation, a mutual fund trust that is not a Specified Investment Flow-Through Trust ("SIFT") pursuant to the *Income Tax Act* (Canada) is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to unitholders. The REIT intends to continue to qualify as a mutual fund trust that is not a SIFT trust pursuant to

the *Income Tax Act* (Canada), and to make the necessary distributions to not be subject to Canadian or U.S. federal income tax.

U.S. REIT STATUS

The REIT is classified as a U.S. corporation for U.S. federal income tax purposes under current Treasury Regulations as a result of the asset acquisition that took place on May 6, 2022. Further, pursuant to section 7874 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) the REIT is treated as a U.S. corporation for all purposes under the Code and, as a result, it is permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding it is organized as a Canadian entity. In general, a company that elects real estate investment trust status, distributes at least 90% of its real estate investment trust taxable income to its unitholders in any taxable year, and complies with certain other requirements is not subject to U.S. federal income taxation to the extent of the income it distributes. If it fails to qualify as a real estate investment trust in any taxable year, it will be subject to U.S. federal income tax at regular corporate income tax rates on its taxable income. Even if it qualifies for taxation as a real estate investment trust, it may be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed income. The REIT has reviewed the real estate investment trust requirements and has determined that it qualifies as a real estate investment trust under the Code and expects to continue to do so. Accordingly, no provision for U.S. federal income or excise taxes has been made with respect to the income of the REIT.

Accounting for levies imposed by government

IFRS Interpretation Committee (“IFRIC”) 21, “Levies” (“IFRIC 21”), provides guidance on accounting for levies in accordance with IAS 37, “Provisions, Contingent Liabilities and Contingent Assets”. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The REIT has recorded the full amount of annual realty tax liabilities and the corresponding expense at the point in time when the realty tax obligation is imposed.

Foreign currencies

The consolidated financial statements are presented in U.S. dollars, which is the functional currency of the REIT and the presentation currency for the consolidated financial statements.

Note 3

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

The preparation of the consolidated financial statements of the REIT requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

The following are the critical accounting judgments used by management to make judgments, estimates and assumptions in the application of the accounting policies to the REIT that have the most significant effect on the amounts in the consolidated financial statements of the REIT:

Revenue recognition

Management exercises judgment in determining which revenue streams that arise from lease agreements are in the scope of IFRS 15 and which are not. Specifically, management considers whether a revenue stream related to a lease agreement is for the lease of an asset or is for the provision of a distinct service. Revenues related to distinct services are determined to be in the scope of IFRS 15 while the former are in the scope of IFRS 16.

Investment properties

Critical judgments are made in respect of the fair values of investment properties. At the end of each reporting period, management internally determines the fair value of investment properties using the direct capitalization method with reference to current contracted sales prices for similar properties that are available for sale, independent property appraisals and market conditions existing at the reporting date using generally accepted market practices. The independent appraisers are experienced, nationally recognized and qualified in the professional valuation of investment properties in their respective geographic areas. Judgment is applied in determining the extent and frequency of obtaining independent appraisals.

The fair values of investment properties are dependent on estimates regarding stabilized NOI and capitalization rates applicable to those assets with adjustments for items such as average lease-up costs, vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items. The determination of stabilized NOI incorporates various assumptions including those regarding contractual rents, expected future market rents, renewal rates and maintenance costs. Capitalization rates reflect market uncertainties and are based on the location, size and quality of the asset and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

The carrying value of the REIT's investment properties reflects management's best estimate for the highest and best use at December 31, 2024, incorporating expected future cash flows, discount rates and other applicable market information.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment property.

Future accounting policy changes

IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18")

IFRS 18 will replace IAS 1, "Presentation of Financial Statements", introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency for users. The REIT is currently assessing the detailed implications of applying the new standard on the consolidated financial statements. The REIT will apply the new standard from its effective date of January 1, 2027.

IFRS 9 and IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7")

In May 2024, amendments to IFRS 9 and IFRS 7 were issued. The amendments clarify the timing of recognition and derecognition for a financial asset or financial liability, including clarifying that a financial liability is derecognized on the settlement date. Further, the amendments introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date, if specific conditions are met. The amendments also require additional disclosures for financial instruments with contingent features and investments in equity instruments classified at fair value through other comprehensive income. These amendments are effective for annual reporting periods beginning on or after January 1, 2026. The REIT is in the process of assessing the impact of these new standards.

Note 4

INVESTMENT PROPERTIES

The following table reconciles the carrying value for investment properties for the years ended December 31, 2024 and December 31, 2023:

	Year ended December 31, 2024	Year ended December 31, 2023
Balance, beginning of period	\$ 398,310	\$ 418,230
Add (deduct):		
Disposals	—	(9,000)
Building improvements	10,965	16,071
Insurance proceeds	(600)	(1,157)
Fair value adjustments to investment properties	(8,173)	(25,834)
Balance, end of period	400,502	398,310
Change in unrealized fair value included in net loss for the period		
Change in fair value of investment properties	\$ (8,173)	\$ (25,834)

Valuations of externally appraised properties

The following table summarizes the investment properties valued by qualified external valuation professionals for the years ended December 31, 2024 and December 31, 2023:

	Year ended December 31, 2024	Year ended December 31, 2023
Investment properties valued by qualified external valuation professionals	\$ 124,500	\$ 132,650
Number of investment properties valued by qualified external valuation professionals	6	5
Percentage of the total value of investment properties valued by qualified external valuation professionals	31%	33%

Fair value adjustments to investment properties

When performing fair value assessments for its investment properties, the REIT incorporates a number of factors, including recent market transactions, recent leasing activity, market vacancy, leasing costs and other information obtained from market research and recently completed sales. The fair value of the investment properties as at December 31, 2024 represents the REIT's best estimate based on internally and externally available information as at the end of the reporting period.

The fair value methodology for the REIT's investment properties is considered Level 3, as significant unobservable inputs are required to determine fair value. The fair values of the investment properties are derived from the direct capitalization method.

In June of 2024, there was a fire at a property in the Greater Dallas-Fort Worth region. Based on current information, the estimated damage to the property is \$2.0 million. Costs associated with remediation and rebuild are expected to be fully covered by insurance, less a \$0.3 million deductible, as well as lost income from business interruption insurance. During the year ended December 31, 2024, \$0.6 million of insurance proceeds was recorded as restricted funds in the consolidated financial statements. The REIT will draw down these funds as the repairs progress. During the year ended December 31, 2024, \$0.1 million related to repairs have been completed and \$0.1 million of insurance proceeds have been received and recorded in cash and cash equivalents. The fair value adjustments to investment properties in the statement of comprehensive income (loss) for the year ended December 31, 2024 includes a \$1.9 million loss related to the fire.

In September of 2024, there was a fire at a property in the Greater Cincinnati region. Based on current information, the total estimated damage to the property is \$1.5 million. Costs associated with remediation and rebuild are expected to be fully covered by insurance, less a \$0.3 million deductible, as well as lost income from business interruption insurance. During the year ended December 31, 2024, \$0.1 million related to repairs have been recorded in the consolidated financial statements. The fair value adjustments to investment properties in the statement of comprehensive income (loss) for the year ended December 31, 2024 includes a \$1.4 million loss related to the fire.

Assumptions used in the valuation of investment properties using the direct capitalization method

The following table summarizes the unobservable inputs used to value the REIT's investment properties:

<i>Capitalization rates:</i>	December 31, 2024	December 31, 2023
Minimum	5.50%	5.15%
Maximum	6.55%	6.60%
Weighted average	5.84%	5.63%

Sensitivities on assumptions

Generally, an increase in stabilized net operating income ("NOI") will result in an increase to the fair value of an investment property. An increase in the direct capitalization rate will result in a decrease to the fair value of an investment property. The direct capitalization rate magnifies the effect of a change in NOI, with a lower rate resulting in a greater impact to the fair value of an investment property than a higher rate.

The following sensitivity table outlines the potential impact on the fair value of investment properties assuming a change in the weighted average capitalization rate of 25 basis points (“bps”) as at December 31, 2024:

	Impact of change to weighted average capitalization rates	
	+25 bps	-25 bps
Increase (decrease) in value	\$ (16,451)	\$ 17,923

Note 5

AMOUNTS RECEIVABLE

	December 31, 2024	December 31, 2023
Tenant and other receivables ⁽¹⁾	\$ 1,830	\$ 861
Less: Provision for impairment of tenant and other receivables	(52)	(45)
Total	\$ 1,778	\$ 816

(1) Tenant and other receivables is net of \$911 (December 31, 2023 - \$877) receivables written off during the period as uncollectible.

The carrying value of amounts receivable approximates fair value as the REIT expects to realize these amounts within the next 12 months. The REIT determines the provision of impairment of tenant and other receivables using historical information, probability of collection, lease terms, the tenants’ financial condition and other factors.

The REIT leases residential properties to tenants under operating leases. All leases have a remaining term of 12 months or less.

Note 6

DEBT

	December 31, 2024	December 31, 2023
Mortgages ⁽¹⁾⁽²⁾	\$ 123,854	\$ 137,632
Revolving Credit Facility	15,000	—
Total Debt	138,854	137,632
Less: Current portion	(19)	—
Non-current debt	\$ 138,835	\$ 137,632

(1) Net of financing costs \$300 (December 31, 2023 - \$289).

(2) Secured by charges on specific investment properties.

Continuity of debt

The following table provides a continuity of mortgages payable and the revolving credit facility for the years ended December 31, 2024 and December 31, 2023:

	Year ended December 31, 2024		
	Mortgages	Revolving credit facility	Total
Balance as at January 1, 2024	\$ 137,632	\$ —	\$ 137,632
Cash items:			
Borrowings	—	15,000	15,000
Lump sum repayments	(14,950)	—	(14,950)
Non-cash items:			
Amortization of deferred financing costs	267	—	267
Amortization of fair value discount on acquired mortgages	905	—	905
Balance as at December 31, 2024	\$ 123,854	\$ 15,000	\$ 138,854

Year ended December 31, 2023

	Mortgages		Revolving credit facility		Total
Balance as at January 1, 2023	\$	136,621	\$	—	\$ 136,621
Cash items:					
Borrowings		14,437		—	14,437
Lump sum repayments		(11,004)		—	(11,004)
Lump sum repayments on investment property disposition		(3,609)		—	(3,609)
Financing costs additions		(216)		—	(216)
Non-cash items:					
Amortization of deferred financing costs		260		—	260
Amortization of fair value discount on acquired mortgages		880		—	880
Debt settlement costs ⁽¹⁾		263		—	263
Balance as at December 31, 2023	\$	137,632	\$	—	\$ 137,632

(1) Includes write-offs of financing costs and fair value adjustments associated with a mortgage refinancing completed during Q1 2023 and a mortgage discharged upon disposal of an investment property in Q4 2023.

The REIT's weighted average effective interest rate on mortgages payable at December 31, 2024 is 5.13%. The maturity dates on the mortgages payable as at December 31, 2024 range from 2025 to 2033.

Mortgages payable

As at December 31, 2024, there are nine mortgages, which have a contractual weighted average interest rate of 3.99% and a face value of \$129,059. As at December 31, 2023, there were 11 mortgages, which had a contractual weighted average interest rate of 4.0% and a face value of \$144,009. The mortgages are generally interest-only and are all fixed rate and secured by first charges on the investment properties.

On December 31, 2024, the REIT repaid in full two mortgages totalling \$15.0 million with a contractual weighted average interest rate of 4.05% secured by two properties in the Greater Cincinnati region by drawing on the revolving credit facility.

The following table details the scheduled maturities of principal and interest on all outstanding borrowings as of December 31, 2024:

	Mortgage balances due at maturity	Scheduled principal repayments on mortgages	Total principal obligation for mortgages	Revolving credit facility	Contractual interest payments	Total contractual commitments for debt
2025	—	19	19	—	6,140	6,159
2026	—	79	79	—	6,138	6,217
2027	19,828	115	19,943	15,000	4,609	39,552
2028	10,835	223	11,058	—	4,224	15,282
Thereafter	97,783	177	97,960	—	5,957	103,917
Total	\$ 128,446	\$ 613	\$ 129,059	15,000	\$ 27,068	\$ 171,127
Plus: Unamortized financing costs			(1,086)			
Plus: Unamortized fair value discount on acquired mortgages			(4,119)			
Total mortgages			\$ 123,854			

Revolving Credit Facility

The REIT has a \$70,000 senior secured revolving credit facility (the "Credit Facility"), which was amended and extended on April 4, 2024 to a new maturity date of March 28, 2027. Total financing fees of \$438 related to the origination and amendment of the Credit Facility have been capitalized and recognized as service fees on a straight-line basis, resulting in amortization of the deferred financing costs of \$87 for the year ended December 31, 2024, which has been recorded in interest expense on debt. The Credit Facility is secured by four of the REIT's investment properties and a general security agreement over the assets of the REIT.

	Maturity date	Interest rates on drawings	Face interest rate	Borrowing capacity	Drawings	Letters of credit	Amount available
Formula-based maximum not to exceed \$70,000	March 28, 2027	Prime + 0.75% or SOFR + 1.85%	6.10%	\$ 70,000	\$ (15,000)	\$ —	\$ 55,000

The REIT's credit facility contains three financial covenants which are tested quarterly following each reporting date, as follows:

- Debt to total assets ratio – The REIT must maintain a maximum specified ratio of its total debt and its total assets, each as defined in the amended agreement.
- Interest coverage ratio – The REIT must maintain a minimum specified ratio of EBITDA, as defined in the amended agreement, to total interest payments required under the REIT's consolidated debt obligations.
- Total net worth – The REIT must maintain a minimum amount of equity, as defined in the amended agreement.

There have been no breaches of the REIT's financial covenants.

The carrying amount of the REIT's debt subject to periodic compliance with financial covenants as at December 31, 2024 is \$15,000.

Note 7

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2024	December 31, 2023
Trade payables	\$ 162	\$ 836
Accrued distributions payable	689	688
Accrued interest	444	496
Tenant security deposits	475	750
Rent received in advance	297	331
Accrued expenses and other liabilities	4,590	5,296
Total	\$ 6,657	\$ 8,397

Note 8

INVESTMENT PROPERTY REVENUE

The following table shows the breakdown of investment property revenue that is all earned in the United States:

	Year ended December 31,	
	2024	2023
Rental revenue	\$ 42,440	\$ 42,226
Ancillary income	3,449	3,214
Other income	2,101	2,121
Total	\$ 47,990	\$ 47,561

Note 9

INVESTMENT PROPERTY OPERATING EXPENSES

	Year ended December 31,	
	2024	2023
Operating and maintenance expense	\$ 10,290	\$ 11,329
Realty tax expense and insurance	8,554	7,676
Utilities	3,958	3,706
Total	\$ 22,802	\$ 22,711

Note 10

GENERAL AND ADMINISTRATIVE EXPENSES

	Note	Year ended December 31,	
		2024	2023
Salaries and benefits		\$ 813	\$ 746
Deferred compensation expense	17	500	434
Professional fees and general corporate expenses ⁽¹⁾		1,526	1,242
Asset management fees	22	990	1,036
Total		\$ 3,829	\$ 3,458

(1) Includes professional fees, corporate management and overhead-related costs, public reporting costs, and Board of Trustees' fees and expenses.

Note 11

INTEREST EXPENSE – DEBT

Interest expense incurred and charged to income is recorded as follows:

		Year ended December 31,	
		2024	2023
Interest expense incurred, at contractual rate of debt	\$	5,865	\$ 5,944
Amortization of deferred financing costs – mortgages		267	260
Amortization of deferred financing costs – Credit Facility		87	98
Amortization of fair value discount on acquired mortgages		905	880
Credit Facility fees		247	245
Total	\$	7,371	\$ 7,427

Note 12

EQUITY

Dream Residential REIT Trust Units

	December 31, 2024		December 31, 2023	
	Number of Trust Units	Amount	Number of Trust Units	Amount
Unitholders' equity	15,986,611	\$ 150,864	12,645,268	\$ 128,179
Retained earnings	—	89,625	—	89,853
Total equity	15,986,611	\$ 240,489	12,645,268	\$ 218,032

Dream Residential REIT is authorized to issue an unlimited number of Trust Units. Trust Units represent an undivided beneficial interest in the REIT and in distributions made by the REIT. No Trust Unit has preference or priority over any other. Each Trust Unit entitles the holder to one vote at all meetings of Unitholders.

During the year ended December 31, 2024, a total of 3,319,119 Class B Units were exchanged for an equivalent number of Trust Units at a total market value of \$22,540.

Note 13

NORMAL COURSE ISSUER BID

On January 4, 2024, the TSX accepted a notice filed by the REIT to renew its prior NCIB for a one-year period. Under the NCIB, the REIT has the ability to purchase for cancellation a maximum of 1,174,446 of its Trust Units. The renewed NCIB commenced on January 8, 2024 and remained in effect until January 7, 2025.

On January 14, 2025, the TSX accepted a noticed filed by the REIT to renew its prior NCIB for a one-year period. Under the bid, the REIT will have the ability to purchase for cancellation up to a maximum of 1,506,457 of its Trust Units (the "Trust Units") (representing 10% of the Trust's public float of 15,064,579 Units as of December 31, 2024) through the facilities of the TSX. The bid commenced on January 16, 2025 and will remain in effect until the earlier of January 15, 2026 or the date on which the REIT has purchased the maximum number of Trust Units permitted under the bid. Daily repurchases will be limited to 2,603 Units, representing 25% of the average daily trading volume of the Trust Units on the TSX during the prior six calendar months (being 10,413 Units per day), other than purchases pursuant to applicable block purchase exceptions. As of December 31, 2024, the number of issued and outstanding Units was 15,986,611.

In connection with the renewal of its normal course issuer bid, the REIT has established an automatic securities purchase plan (the “Plan”) with its designated broker to facilitate the purchase of Units under the NCIB at times when the REIT would ordinarily not be permitted to purchase its Units due to regulatory restrictions or self-imposed blackout periods. Purchases will be made by the REIT’s broker based upon the parameters prescribed by the TSX and the terms of the parties’ written agreement. Outside of such restricted or blackout periods, the Trust Units may also be purchased in accordance with management’s discretion. The Plan has been pre-cleared by the TSX and will terminate on January 15, 2026.

During the year ended December 31, 2024, there were no Trust Units purchased for cancellation under the NCIB (December 31, 2023 – 150,758 Trust Units for a total of \$1,225).

Subsequent to December 31, 2024, there were no Trust Units purchased for cancellation under the NCIB.

Note 14

DISTRIBUTIONS

The Amended and Restated Declaration of Trust provides the Board of Trustees with the discretion to determine the distributions payable, from time to time, out of income of the REIT, net realized capital gains of the REIT, the capital of the REIT or otherwise. Monthly distribution payments to Unitholders are payable on or about the 15th day of the following month.

The following table summarizes distribution payments for the years ended December 31, 2024 and December 31, 2023:

	Year ended December 31,	
	2024	2023
Paid in cash	\$ (6,469)	\$ (5,328)
Add: Payable at December 31, 2023 (December 31, 2022)	443	447
Deduct: Payable at December 31, 2024 (December 31, 2023)	(559)	(443)
Total distributions paid or payable	\$ (6,585)	\$ (5,324)

The following table summarizes our monthly distributions paid and payable subsequent to December 31, 2024:

Date distribution announced	Month of distribution	Date distribution was paid or is payable	Distribution per Trust Unit	Total distribution paid or payable
December 18, 2024	December 2024	January 15, 2025	\$ 0.035	\$ 559
January 22, 2025	January 2025	February 14, 2025	0.035	559

Note 15

SUPPLEMENTARY CASH FLOW INFORMATION

The following table outlines the components of the changes in non-cash working capital under operating activities:

	Year ended December 31,	
	2024	2023
Amounts receivable	\$ (962)	\$ 104
Prepaid expenses and other current assets	88	(305)
Other non-current assets	(110)	(33)
Amounts payable and accrued liabilities	(2,818)	(747)
Restricted funds	312	90
Total	\$ (3,490)	\$ (891)

Note 16

CLASS B UNITS

The REIT has the following Class B Units outstanding:

	Year ended December 31, 2024		Year ended December 31, 2023	
	Number of Class B Units	Amount	Number of Class B Units	Amount
Beginning balance	7,011,203	\$ 47,326	7,011,203	\$ 47,677
Class B Units issued	—	—	—	—
Class B Units exchanged for Trust Units	(3,319,119)	(22,540)	—	—
Remeasurement of carrying value	—	(1,747)	—	(351)
Total Class B Units	3,692,084	\$ 23,039	7,011,203	\$ 47,326

The Class B Units are economically equivalent to Trust Units and are entitled to receive distributions equal to those provided to holders of Trust Units. These Class B Units have been classified as a financial liability in accordance with IFRS and measured at amortized cost.

During the year ended December 31, 2024, the REIT incurred \$1,677 (December 31, 2023 – \$2,944) in distributions on the Class B Units, which is included in interest expense in the consolidated statements of comprehensive income (loss).

During the year ended December 31, 2024, the REIT recognized remeasurement of carrying value gains on the Class B Units in the amount of \$1,747 (December 31, 2023 – \$351). Any gains or losses recognized on the remeasurement of the carrying value of the Class B Units is included in the fair value adjustments to financial instruments in the consolidated statements of comprehensive income (loss).

On February 12, 2024, a total of 3,278,128 Class B Units were exchanged for an equivalent number of Trust Units at a total market value of \$22.3 million.

On September 5, 2024, a total of 40,991 Class B Units were exchanged for an equivalent number of Trust Units at a total market value of \$0.3 million.

Note 17

DEFERRED UNIT INCENTIVE PLAN

On May 6, 2022, the REIT adopted a Deferred Unit Incentive Plan (the “Plan”), a long-term equity-based incentive compensation plan. The Plan provides for the granting of deferred trust units to: (i) trustees, officers and employees of the REIT; (ii) employees and officers of affiliates of the REIT; and (iii) service providers of the REIT (including the asset managers) and employees of such service providers. Deferred trust units are granted at the discretion of the Board of Trustees and, unless otherwise specified in the applicable award agreement, will vest: (i) immediately on the date of grant to trustees; (ii) over a five-year period, pursuant to which one-fifth of the deferred trust units will vest on each anniversary date of grant for the officers; and (iii) over a three-year period, pursuant to which one-third of the deferred trust units will vest on each anniversary date of grant for the remaining participants, respectively. Deferred trust units are notional units with a fair value based on the Trust Units’ closing trading price.

Compensation expense related to the granting of deferred trust units is determined based on the fair value of the award at the expected grant dates using the issuance price of the deferred trust units. The compensation expense is recorded within general and administrative expenses.

The following table provides a continuity of the Plan activity for the years ended December 31, 2024 and December 31, 2023:

	Year ended December 31,	
	2024	2023
Balance, beginning of period	\$ 539	\$ 155
Deferred compensation expense	500	434
REIT Units issued for vested deferred trust units	(145)	(142)
Remeasurement of carrying value of deferred trust units	(261)	92
Cash settlement of deferred trust units	(8)	—
Balance, end of period	\$ 625	\$ 539

	December 31, 2024	December 31, 2023
Outstanding and payable at beginning of year	\$ 79,781	\$ 29,827
Granted	74,725	68,129
Income deferred trust units	7,267	3,843
REIT A Units issued	(22,224)	(19,608)
REIT A units settled in cash	(2,837)	(2,405)
Forfeited	(1,154)	(5)
Outstanding and payable at end of year	\$ 135,558	\$ 79,781

	December 31, 2024		December 31, 2023	
	Grant price range	Number of units granted ⁽¹⁾	Grant Price range	Number of units granted ⁽¹⁾
Deferred trust units granted	\$ 6.29–7.31	74,725	\$ 6.91–8.74	68,129

(1) Includes 62,877 deferred trust units granted to key management personnel and trustees as at December 31, 2024 (December 31, 2023 - 57,479)

Note 18

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Year ended December 31,	
	2024	2023
Remeasurement of carrying value of Class B Units	\$ 1,747	\$ 351
Remeasurement of carrying value of deferred trust units	261	(92)
Total	\$ 2,008	\$ 259

Note 19

RISK MANAGEMENT

Risks arising from financial instruments

IFRS 7 places emphasis on disclosures about the nature and extent of risks arising from financial instruments and how management manages those risks, including market, credit and liquidity risks.

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, foreign currency risk and other market price risk.

i. Interest rate risk

There is interest rate risk associated with the REIT's fixed rate debt due to the expected requirement to refinance such debts in the year of maturity. The REIT is exposed to variable rate debt on its drawings on the Credit Facility. The REIT is exposed to the variability in market interest rates and credit spreads on maturing debt to be renewed and the variability of interest rates on its variable rate debt. In order to manage exposure to interest rate risk, management endeavours to manage maturities of fixed rate debt, match the nature of the debt with the cash flow characteristics of the underlying asset and undertake hedging strategies when appropriate. As at December 31, 2024, all mortgages payable are fixed rate debt and the nearest mortgage maturity is in 2027. As at December 31, 2024, we have \$15.0 million drawn on our revolving credit facility.

The following interest rate sensitivity table outlines the potential impact of a 100 bps change in the interest rate on variable rate financial assets and liabilities:

	Amounts as at December 31, 2024	Interest rate risk			
		-100 bps		+100 bps	
		Income	Equity	Income	Equity
Financial assets					
Cash and cash equivalents	\$ 5,382	\$ (54)	\$ (54)	\$ 54	\$ 54
Financial liabilities					
Revolving credit facility	\$ 15,000	\$ 150	\$ 150	\$ (150)	\$ (150)

ii. Currency risk

Currency risk is the risk that an investment's value will fluctuate due to changes in currency exchange rates. The REIT's financial statement presentation currency is the U.S. dollar and operations are located in the U.S. As the REIT's Head Office is in Canada, there are certain transactions completed in Canadian dollars. However, these transactions are minimal and therefore do not expose the REIT to significant currency risk.

iii. Other market price risk

Other market price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads. The REIT has no significant exposure to other market price risk as it does not hold equity securities or commodities.

Credit Risk

Credit risk arises from the possibility that tenants in investment properties may not fulfill their lease or contractual obligations. Management mitigates credit risk exposure by evaluating the creditworthiness of new residents and obtaining security deposits wherever permitted. The maximum exposure to credit risk at the reporting date is the carrying value of the tenant receivables. Cash and cash equivalents carry minimal credit risk as all funds are maintained with highly reputable financial institutions.

Liquidity Risk

Liquidity risk is the risk that there will be difficulty in meeting financial obligations as they become due. Accordingly, there is a liquidity risk that management would be unable to dispose of illiquid assets in a timely way in response to changing economic or investment conditions. The liquidity of the assets in the REIT is also subject to macroeconomic, financial, competitive and other factors that are beyond management's control. Management manages maturities of debt and monitors the repayment dates to ensure sufficient capital will be available to cover obligations as they become due. As at December 31, 2024, current liabilities exceeded current assets by \$21,648. However, management does not believe that Class B Units cause or increase liquidity risk as Holdco LLC, as directed by the REIT, can elect for any redemptions to be in cash or Trust Units. Management manages liquidity risk by maintaining adequate cash and cash equivalent balances to ensure sufficient capital will be available to cover financial obligations as they become due.

Note 20

FAIR VALUE MEASUREMENTS

Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, management maximizes the use of observable inputs. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. Management's policy is to recognize transfers between fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the periods presented, no transfers were made among Levels 1, 2 and 3.

The following tables summarize fair value measurements recognized or disclosed in the consolidated financial statements by class of asset or liability and categorized by level according to the significance of the inputs used in making the fair value measurements.

Investment properties

The accounting policy of the REIT, as indicated in Note 2, is applied in determining the fair value of investment properties by using the direct capitalization method. As a result, these measurements are classified as Level 3 in the fair value hierarchy as summarized in the following table:

	Note	Carrying value as at	Fair value as at December 31, 2024		
		December 31, 2024	Level 1	Level 2	Level 3
Investment properties	4	\$ 400,502	—	—	\$ 400,502

	Note	Carrying value as at	Fair value as at December 31, 2023		
		December 31, 2023	Level 1	Level 2	Level 3
Investment properties	4	\$ 398,310	—	—	\$ 398,310

Valuations of investment properties are most sensitive to changes in capitalization rates. Investment properties are valued on a highest-and-best-use basis.

The significant assumptions in the valuation of investment properties are as follows:

Direct capitalization method

- Capitalization rates – based on actual location, size and quality of the properties and taking into account any available market data at the valuation date.
- Stabilized NOI – normalized property operating revenues less property operating expenses.

Investment properties valuation process

Management is responsible for determining the fair value measurements included in the consolidated financial statements. At the end of each reporting period, management internally determines the fair value of investment properties using the direct capitalization method with reference to current contracted sales prices for similar properties that are available for sale, independent property appraisals and market conditions existing at the reporting date using generally accepted market practices.

Financial instruments

The following table outlines the financial instruments carried at amortized cost where the carrying value does not approximate fair value:

	Note	Carrying value as at	Fair value as at December 31, 2024		
		December 31, 2024	Level 1	Level 2	Level 3
Mortgages payable	6	\$ 123,854	—	—	\$ 122,840
Revolving credit facility	6	15,000	—	—	15,000

	Note	Carrying value as at	Fair value as at December 31, 2023		
		December 31, 2023	Level 1	Level 2	Level 3
Mortgages payable	6	\$ 137,632	—	—	\$ 137,465
Revolving credit facility	6	—	—	—	—

As at December 31, 2024 and December 31, 2023, amounts receivable, cash and cash equivalents, amounts payable, and accrued liabilities were carried at amortized cost, which approximates fair value due to their short-term nature.

Mortgages

The fair value of mortgages as at December 31, 2024 is determined by discounting the expected cash flows of each mortgage using market discount rates. The discount rates are determined using the U.S. Department of the Treasury benchmark bond yield for instruments of similar maturity adjusted for the REIT's specific credit risk. In determining the adjustment for credit risk, management considers market conditions, the fair value of the investment properties by which mortgages are secured, and other indicators of the REIT's creditworthiness. As a result, these measurements are classified as Level 3 in the fair value hierarchy.

Revolving Credit Facility

The revolving Credit Facility is priced at prevailing market interest rates plus the REIT's specific credit spread. Since the interest rate on the variable component of the revolving Credit Facility fluctuates with changes in market rates, the fair value

of the revolving Credit Facility is equivalent to amounts drawn on the facility. Because the applicable interest rate is a combination of market rates plus a Trust-specific spread, these are Level 3 measurements in the fair value hierarchy.

Note 21

CAPITAL MANAGEMENT

The REIT's capital consists of mortgages payable, revolving credit facility, Class B Units and Unitholders' equity. Management's policy is to preserve a strong capital base so as to maintain consistent and sustainable unitholder distributions, service debt obligations, fund capital expenditure requirements and provide the resources needed to acquire new income properties.

Various debt ratios and cash flow metrics are used to ensure capital adequacy and to monitor capital requirements. The primary ratios used for assessing capital management are net total debt-to-net total assets and the interest coverage ratio. Other significant indicators include unencumbered investment properties, weighted average interest rate, average term to maturity of debt and variable rate debt as a percentage of total debt. These indicators assist the REIT in assessing whether the debt level maintained is sufficient to provide adequate cash flows for Unitholders' distributions and capital expenditures requirements and for evaluating the need to raise funds for further expansion. Certain mortgages payable and the revolving Credit Facility have debt covenant requirements that are monitored by the REIT to ensure there are no defaults. These covenants include loan-to-value ratios, interest coverage ratios and debt service coverage ratios. These covenants are measured at the subsidiary limited liability company level. For the years ended December 31, 2024 and December 31, 2023, there were no events of default on any of the REIT's obligations under its Credit Facility or mortgages.

The REIT's equity consists of units in which the carrying value is impacted by earnings and unitholder distributions. Amounts retained in excess of the distributions are used to service debt obligations and fund capital expenditures and working capital requirements. Management monitors distributions to ensure adequate resources are available by comparing the sum of distributions on Trust Units and Class B Units to cash flows generated from (utilized in) operating activities.

Note 22

RELATED PARTY TRANSACTIONS

Pauls Services Agreement

On May 6, 2022, the REIT entered into a services agreement (the "Pauls Services Agreement") with Pauls Realty Services, LLC ("Pauls Asset Manager"), a subsidiary of Pauls Capital, LLC ("Pauls"). Pursuant to the Pauls Services Agreement, Pauls Asset Manager and its affiliates will provide certain administrative services to us on an as needed and cost recovery basis.

Dream Services Agreement

On May 6, 2022, the REIT entered into a services agreement (the "Dream Services Agreement") with Dream Asset Management Corporation, a subsidiary of Dream. Pursuant to the Dream Services Agreement, Dream Unlimited Corp. ("Dream") and its affiliates provide certain administrative services to us on an as needed and cost recovery basis.

Asset Management Agreement

On May 6, 2022, the REIT entered into an asset management agreement (the "Asset Management Agreement" or the "AMA") with Dream DRR Asset Management LLC and Pauls Asset Manager. Dream DRR Asset Management LLC subsequently assigned its interest in the AMA to an affiliate, DRR Asset Management LP ("Dream Asset Manager" – together with Pauls Asset Manager, the "Asset Managers"). Pursuant to the Asset Management Agreement, the Asset Managers provide the REIT with a range of asset management services. In return, the Asset Managers are entitled to the following fees, to be allocated 50% to Dream Asset Manager and 50% to Pauls Asset Manager or in such other proportions as the Asset Managers shall advise from time to time:

- An asset management fee calculated and payable on a monthly basis, equal to 0.25% of the purchase price of the properties (which in respect of the Initial Properties was determined on May 6, 2022);
- An incentive fee calculated and payable on an annual basis, equal to the product of: (i) the weighted average number of issued and outstanding Trust Units and Class B Units, multiplied by (ii) 15% of the amount by which DRR FFO per Unit (as defined in the AMA) exceeds the hurdle amount initially determined at \$0.72 per unit, and which increases annually by 50% of the increase in the U.S. consumer price index ("CPI");
- A capital expenditure fee payable on a quarterly basis, equal to the difference between: (i) 5% of hard construction costs incurred on all capital projects in respect of a direct investment property in excess of \$1,000, excluding (A) work done on behalf of tenants or maintenance capital expenditures, and (B) construction costs incurred in connection with a development or redevelopment project where the Asset Managers or one of their affiliates is paid a

development fee, and (ii) the amount of any development fee or cost recovery paid by the REIT in a fiscal year in respect of any development or redevelopment of a direct investment property pursuant to a development agreement entered into with a third-party developer;

- An acquisition fee equal to: (i) 1% of the purchase price of a property on the first \$100,000 of properties acquired in each fiscal year, (ii) 0.75% of the purchase price of the property on the next \$100,000 of properties acquired in each fiscal year, and (iii) 0.50% of the purchase price of a property in excess of \$200,000 of properties acquired in each fiscal year; and
- A financing fee equal to the actual expenses incurred in supplying services related to financing transactions.

The AMA has an initial term ending May 6, 2032 and is automatically renewed for further five-year terms unless and until terminated in accordance with its terms. The AMA may be terminated by the Asset Managers at any time after the initial term, upon 180 days' notice. In connection with such termination, all accrued fees under the AMA, including the incentive fee, are payable to the Asset Managers. In such circumstances, the incentive fee is calculated as if all the REIT's properties were sold on the applicable date.

Agreements with Dream

The following table summarizes the fees incurred and costs to be reimbursed to Dream for the years ended December 31, 2024 and December 31, 2023:

	Year ended December 31,	
	2024	2023
Incurring under the AMA:		
Asset management fee (included in general and administrative expenses)	\$ 444	\$ 455
Capital expenditure fee (included in investment properties)	155	266
Expense reimbursements related to financing arrangements	81	76
Total costs incurred under the AMA	680	797
Total costs reimbursed under the Dream Services Agreement	\$ 288	\$ 212

The following table summarizes the amounts due to Dream as at December 31, 2024 and December 31, 2023:

	December 31, 2024	December 31, 2023
Amounts due to Dream	\$ 301	\$ 251

Distributions payable to Dream

	December 31, 2024	December 31, 2023
Interest on Class B Units payable to Dream ⁽¹⁾	\$ 54	\$ 54
Distributions payable to Dream ⁽²⁾	27	27

(1) Interest payable on Class B Units is in relation to the 1,548,921 Class B Units held by Dream as at December 31, 2024.

(2) Distributions payable is in relation to the 784,614 Trust Units held by Dream as at December 31, 2024.

As at December 31, 2024, Dream and its subsidiaries own 784,614 Trust Units and 1,548,921 Class B Units, representing approximately 11.9% ownership in the REIT.

Agreements with Pauls

The following table summarizes our fees incurred and costs to be reimbursed to Pauls for the years ended December 31, 2024 and December 31, 2023:

	Year ended December 31,	
	2024	2023
Incurred under the AMA:		
Asset management fee (included in general and administrative expenses)	\$ 444	\$ 455
Capital expenditure fee (included in investment properties)	155	266
Expense reimbursements related to financing arrangements	21	50
Total costs incurred under the AMA	620	771
Total costs reimbursed under the Pauls Services Agreement	\$ 285	\$ 230

The following table summarizes the amounts due to Pauls as at December 31, 2024 and December 31, 2023:

	December 31, 2024	December 31, 2023
Amounts due to Pauls	\$ 186	\$ 282

Distributions payable to Pauls

	December 31, 2024	December 31, 2023
Interest on Class B Units payable to Pauls ⁽¹⁾	\$ 46	\$ 46
Distributions payable to Pauls ⁽²⁾	20	20

(1) Interest payable on Class B Units is in relation to the 1,321,843 Class B Units held by Pauls and its subsidiaries as at December 31, 2024.

(2) Distributions payable is in relation to the 576,923 Trust Units held by Pauls and its subsidiaries as at December 31, 2024.

As at December 31, 2024, Pauls and its subsidiaries own 576,923 Trust Units and 1,321,843 Class B Units, representing approximately 9.6% ownership in the REIT.