

# 23

YEARS of

## Organic Growth Discipline Focus



	IFRS value (\$ million)	Year-over-year % change	Revenue (\$ million)	Year-over-year % change	Stock price (\$)	Year-over-year % change
2000	90	n/a	7.7	n/a	4.9	n/a
2001	105	17%	11.1	44%	5.4	10%
2002	145	38%	15.2	37%	3.1	(43%)
2003	170	17%	17.0	12%	3.9	25%
2004	178	5%	19.7	16%	6.1	57%
2005	309	74%	23.5	19%	5.2	(14%)
2006	520	68%	30.9	31%	9.9	89%
2007	710	37%	40.4	31%	16.1	62%
2008	625	(12%)	46.3	15%	12.1	(25%)
2009	679	9%	50.8	10%	7.9	(34%)
2010	752	11%	53.1	5%	11.4	44%
2011	911	21%	56.9	7%	17.2	50%
2012	1,052	15%	66.9	18%	31.5	83%
2013	1,149	9%	78.2	17%	30.2	(4%)
2014	1,259	10%	90.6	16%	40.7	35%
2015	1,386	10%	100.4	11%	31.4	(23%)
2016	1,460	5%	100.3	0%	31.1	(1%)
2017	1,632	12%	104.7	4%	37.0	19%
2018	1,866	14%	115.7	11%	48.0	30%
2019	2,040	9%	137.6	19%	63.6	33%
2020	2,183	7%	149.8	9%	71.9	13%
2021	2,616	20%	159.9	7%	104.25	45%
2022	2,818	8%	180.6	13%	106.0	2%
		<b>16%</b>		<b>15%</b>		<b>14%</b>

	NOI (\$ million)	Year-over-year % change	FFO (\$ million)	Year-over-year % change	FFO per share (\$)	Year-over-year % change
2000	5.7	n/a	1.5	n/a	0.18	n/a
2001	7.9	39%	2.1	40%	0.22	22%
2002	11.1	41%	3.0	43%	0.24	9%
2003	10.9	(2%)	2.3	(23%)	0.33	38%
2004	11.6	6%	2.2	(4%)	0.26	(21%)
2005	13.8	19%	1.0	(55%)	0.11	(58%)
2006	18.3	33%	1.3	30%	0.14	27%
2007	24.7	35%	5.0	285%	0.46	229%
2008	26.6	8%	3.8	(24%)	0.20	(57%)
2009	31.3	18%	5.5	45%	0.46	130%
2010	33.2	6%	7.7	40%	0.75	63%
2011	37.3	12%	11.4	48%	1.08	44%
2012	44.9	20%	15.2	33%	1.45	34%
2013	52.0	16%	19.1	26%	1.83	26%
2014	60.0	15%	25.6	34%	2.45	34%
2015	67.3	12%	30.0	17%	3.06	25%
2016	64.0	(5%)	26.2	(13%)	2.74	(11%)
2017	64.4	1%	25.6	(2%)	2.91	6%
2018	72.2	12%	29.6	16%	3.35	15%
2019	86.3	20%	39.3	33%	4.27	27%
2020	93.0	8%	43.7	11%	4.66	9%
2021	97.8	5%	47.5	9%	5.08	9%
2022	109.7	12%	52.8	11%	5.65	11%
		<b>14%</b>		<b>17%</b>		<b>16%</b>

### DOUBLE-DIGIT

year-over-year growth  
Q3 2023 vs. Q3 2022



**18%**

RENTAL REVENUE



**22%**

NOI



**32%**

FFO

### SAME STORE RESULTS



**13%**

SAME STORE NOI



**10%**

SAME STORE  
RENTAL REVENUE

Q3 2023

For the three and nine months ended  
June 30, 2023 and 2022

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## Forward-Looking Information

Certain statements contained herein constitute "forward-looking statements" as such term is used in applicable Canadian securities laws. These statements relate to analysis and other information based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. In particular, statements concerning estimates related to the effect of rising interest rates on the Corporation, the effect that inflation will have on: (i) the Corporation's tenants and the effect on credit risk; and (ii) the cost of renovations and other expenses, disruptions effecting the global supply chain and energy and agricultural markets (including as a result of geopolitical turmoil including Russia's invasion of Ukraine), future acquisitions, dispositions and capital expenditures, future vacancy rates, increase of rental rates and rental revenue, future income and profitability, timing of refinancing of debt, access to low-cost long-term Canada Mortgage and Housing Corporation ("CMHC") insured mortgage loans, the potential changes in interest and mortgage rates, the potential changes in inflation rates, the effect of pandemics and governmental responses thereto on the Corporation and the economy, completion timing and costs of renovations, benefits of renovations, funds to be expended on renovations in fiscal year 2023 and the sources thereof, increased funds from operations and cash flow, minimization of operating costs, the Corporation's liquidity and financial capacity, improved rental conditions, the period of time required to stabilize a property, future climate change impact, the Corporation's strategy and goals and the steps it will take to achieve them, the Corporation's anticipated funding sources to meet various operating and capital obligations, key accounting estimates and assumptions used by the Corporation, the attraction and hiring of additional personnel, the effect of changes in legislation on the rental market, expected cyclical changes in cash flow, net operating income and operating margins, the effect of environmental regulations on financial results, the handling of any future conflicts of interests of directors or officers and other factors and events described in this document should be viewed as forward-looking statements to the extent that they involve estimates thereof. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions of future events or performance (often, but not always, using such words or phrases as "expects" or "does not expect," "is expected," "anticipates" or "does not anticipate," "plans," "estimates" or "intends"; or stating that certain actions, events or results "may," "could," "would," "might" or "will" be taken, occur or be achieved) are not statements of historical fact and should be viewed as forward-looking statements.

Such forward-looking statements are not guarantees of future events or performance and by their nature involve known and unknown risks, uncertainties and other factors, including those risks described in the Corporation's AIF, dated December 8, 2022 under the heading "Risk Factors," that may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others, the effect of inflation on consumers and tenants, the effect of rising mortgage and interest rates on the Corporation, including its financing costs, the duration and severity of pandemics, public health measures (including travel and post-secondary restrictions), disruptions in global supply chains, labour shortages, the length and severity of geopolitical conflict and the occurrence of additional global turmoil and its effects on global markets and supply chains, costs and timing of the development or renovation of existing properties, availability of capital to fund stabilization programs, other issues associated with the real estate industry including availability of labour and costs of renovations, supply chain issues, fluctuations in vacancy rates, general economic conditions, competition for tenants, unoccupied units during renovations, rent control, fluctuations in utility and energy costs, carbon tax increases, environmental and other liabilities, effects of climate change, credit risks of tenants, fluctuations in interest and mortgage rates, availability of capital, changes in legislation and regulatory regime applicable to the corporation, loss of key personnel, a failure to realise the benefit of acquisitions and/or renovations, the effects of severe weather events on the Corporation's properties, cyber-attacks, climate change, uninsured losses, fluctuations in the capital markets and the trading price of the Common Shares, conflicts of interest of the Corporation's directors and officers, and other such business risks as discussed herein. This is not an exhaustive list of the factors that may affect Mainstreet's forward-looking statements. Other risks and uncertainties not presently known to the Corporation could also cause actual results or events to differ materially from those expressed in its forward-looking statements.

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include, among others, the impact of economic conditions in Canada and globally including as a result of inflation, interest rate increases, pandemics, supply shortages and geopolitical turmoil, the Corporation's future growth potential, prospects and opportunities, the direction of the residential rental environment, trends in interest and mortgage costs, access to capital markets to fund (at acceptable costs), the future growth program to enable the Corporation to refinance debts as they mature, changes in tax laws, mortgage rules and other temporary legislative changes in respect of pandemics or otherwise, and the availability of purchase opportunities for growth in Canada.

Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance actual results will be consistent with these forward-looking statements and no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur at all, or if any of them do so, what benefits that Mainstreet will derive from them. As such, undue reliance should not be placed on forward-looking statements. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A.

Forward-looking statements are based on management's beliefs, estimates and opinions on the date the statements are made, and the Corporation undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions should change except as required by applicable securities laws.

Management closely monitors factors that could cause actual actions, events, or results to differ materially from those described in forward-looking statements and will update those forward-looking statements where appropriate in its annual and quarterly financial reports.

This MD&A includes forward-looking information about prospective results of operations, financial position or cash flows, based on assumptions about future economic conditions and courses of action and that is not presented in the format of a historical balance sheet, income statement or cash flow statement ("Financial Outlook"). Actual results may vary from the Financial Outlook summarized in this MD&A. Management of the Corporation has approved the Financial Outlook as of July 20, 2023. The Financial Outlook has been included in this MD&A to provide readers with disclosure regarding the Corporation's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the Financial Outlook may not be appropriate for other purposes.

## KEY METRICS | Q3 2023 PERFORMANCE HIGHLIGHTS

### Rental Revenue

From operations	Up 18% to \$53.9 million (vs. \$45.5 million in Q3 2022)
From same asset properties	Up 10% to \$48.2 million (vs. \$43.8 million in Q3 2022)

### Net Operating Income (NOI)

From operations	Up 22% to \$34.0 million (vs. \$27.9 million in Q3 2022)
From same asset properties	Up 13% to \$30.6 million (vs. \$27.2 million in Q3 2022)

### Funds from operations (FFO)<sup>1</sup>

FFO	Up 32% to \$17.8 million (vs. \$13.5 million in Q3 2022)
FFO per basic share	Up 33% to \$1.91 (vs. \$1.44 in Q3 2022)

### Operating Margin

From operations	63% (vs. 61% in Q3 2022)
From same asset properties	64% (vs. 62% in Q3 2022)

### Net profit

	Net profit of \$34.2 million (vs. \$21.8 million in Q3 2022, including change in fair value of \$23.8 million in Q3 2023 vs. \$10.9 million in Q3 2022)
Net profit per basic share	Net profit per share of \$3.67 (vs. \$2.34 in Q3 2022)

### Total Capital Expenditures

Stabilized Units	\$6.2 million (vs. \$3.67 million in Q3 2022)
	372 properties (14,481 units) out of 442 properties (16,934 units)

### Total Acquisition

During Q3 2023	\$17.7 million 130 units (vs. \$24.1 million 210 units in Q3 2022)
Subsequent to Q3 2023	3 commercial units (\$3.6 million) in Calgary
YTD Acquisition 2023	1,042 units (\$125.4 million) in Calgary, Edmonton, Nelson, Penticton, Prince George, Saskatoon and Winnipeg

### Vacancy rate

From operations	4.7% (vs. 7.3% in Q3 2022)
From same asset properties	4.3% (vs. 6.7% Q3 2022)
Vacancy rate as of July 20, 2023	4.5% excluding unrentable units

### Fair Market Value

	Up 6% to \$3.0 billion (vs. & \$2.82 billion in FY 2022)
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### Total Units

Q3 2023	Increased 7% to 17,001 units <sup>2</sup> (vs 15,964 units in FY 2022)
As of July 20, 2023	17,004 units ( includes 67 units held for sale)

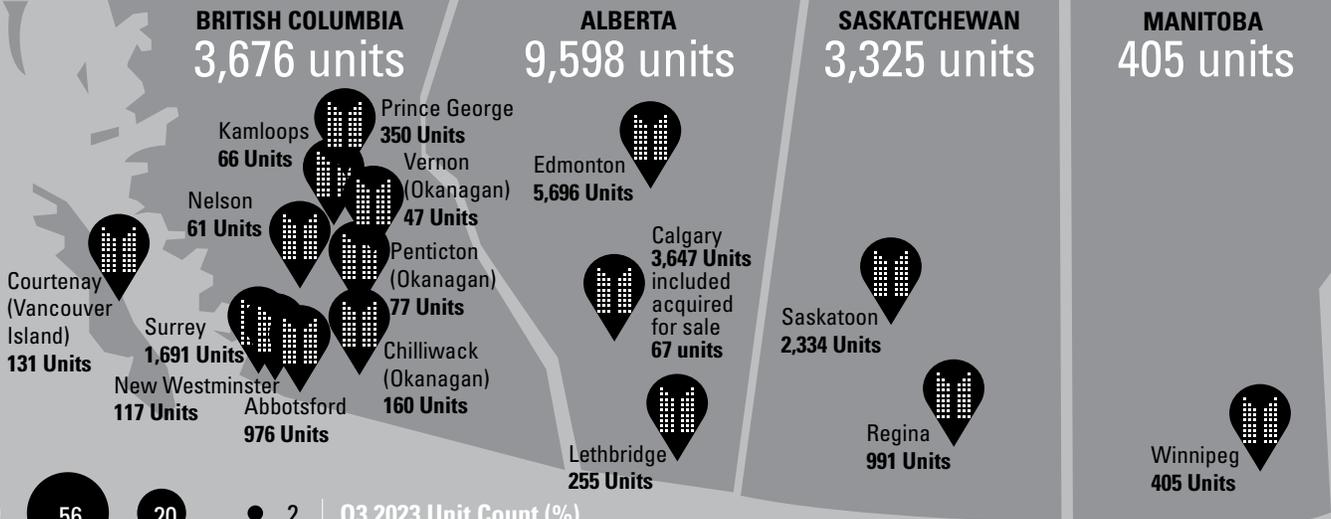
1. See "Non-IFRS Measures" and Note (1) in MANAGEMENT'S DISCUSSION AND ANALYSIS to the table titled "Summary of Financial Results" for additional information regarding FFO and a reconciliation of FFO to net profit, the most directly comparable IFRS measurement.

2. Including 67 condo units acquired and held for resale.

**Mainstreet Equity Corp. ("Mainstreet" or the "Corporation") is a Canadian real estate company focused on acquiring and managing mid-market rental apartment buildings primarily in Western Canada. Listed on the TSX since 2000, Mainstreet creates value by purchasing under-performing properties, renovating them to a branded standard, improving operating efficiencies and repositioning them in the market for greater returns. And, improving the lives of Canadians through affordable housing.**

For additional information about Mainstreet Equity Corp., see the Corporation's profile at SEDAR ([www.sedar.com](http://www.sedar.com)).

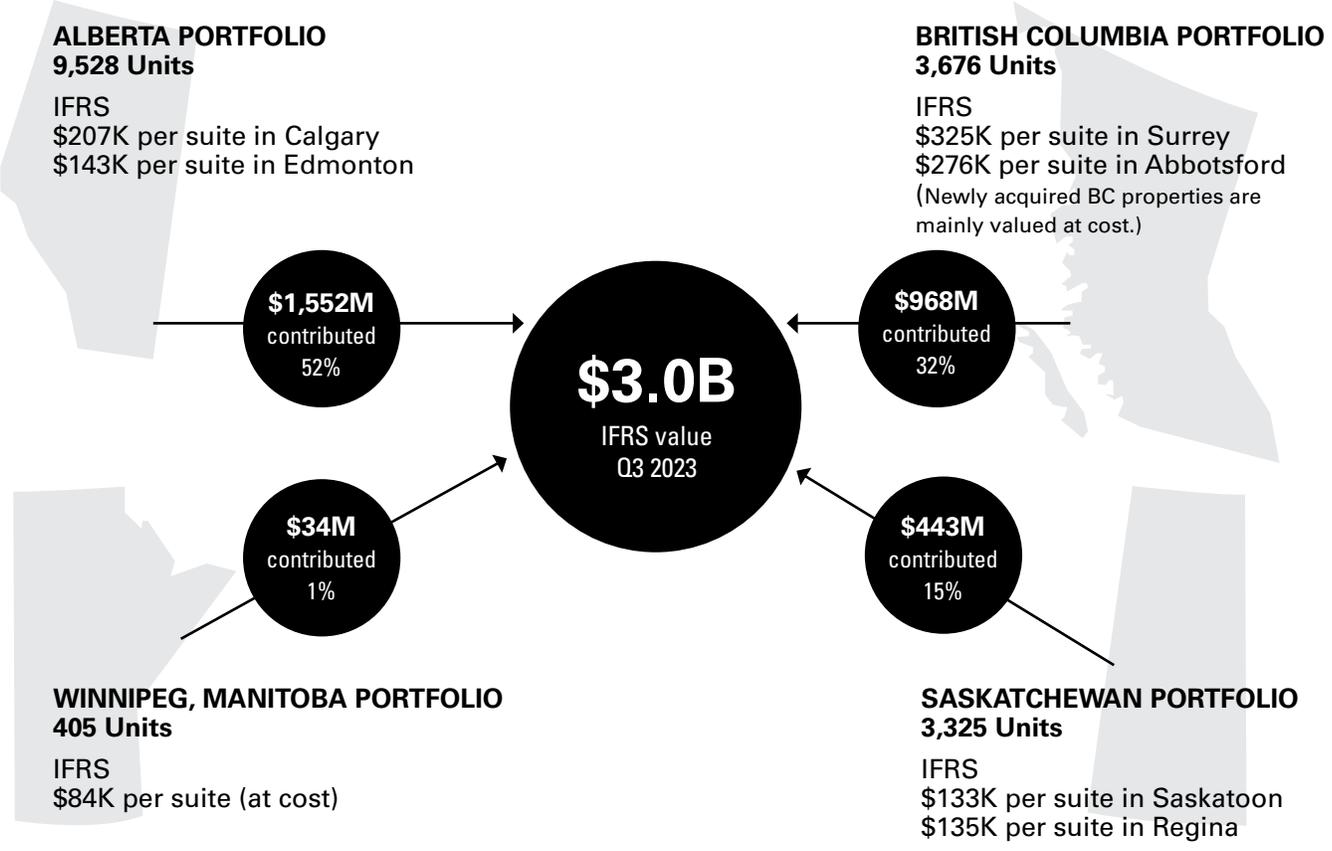
# DIVERSIFIED PORTFOLIO YTD



22	56	20	● 2	Q3 2023 Unit Count (%)
28	54	16	● 2	Q3 2023 NOI Contribution (%)
32	52	15	● 1	Q3 2023 IFRS Value (%)
BC	AB	SK	MB	

**17,004** TOTAL UNITS YTD

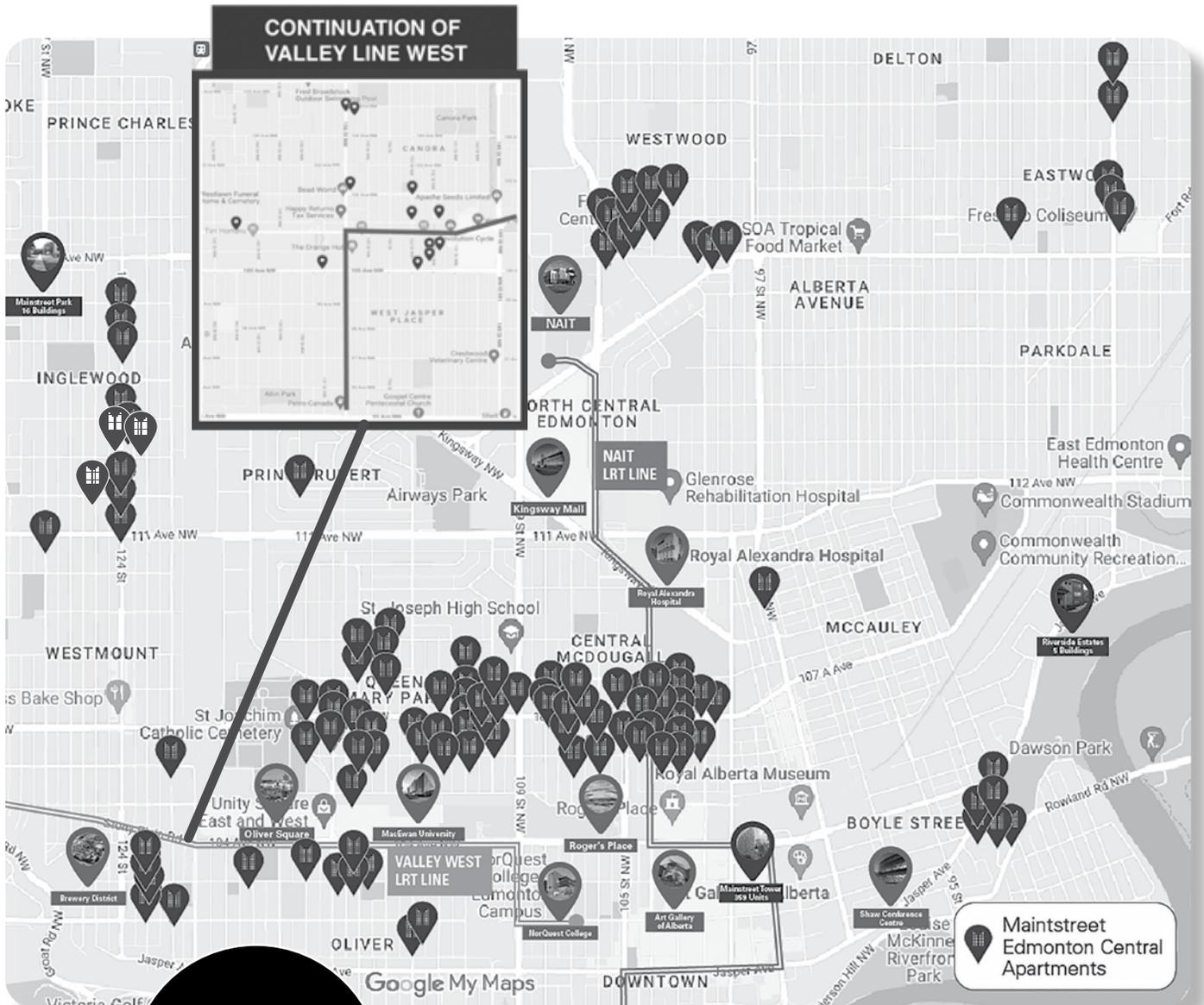
Including 67 broken condo suites acquired for resale. 5 development lots and 6 commercial buildings.



# CLUSTER STRATEGY

## Edmonton // ICE DISTRICT

This map displays Mainstreet's Edmonton holdings, the largest in Mainstreet's portfolio. Strategically concentrated in the most popular areas of inner-city Edmonton, our clusters include properties in the city's famous ICE District and the Arts District, high-density student housing by the University of Alberta and student housing near NAIT, MacEwan University, and NorQuest College, and every other part of the inner city where millennials want to be. Property clusters are also on major transit routes and along the LRT lines.



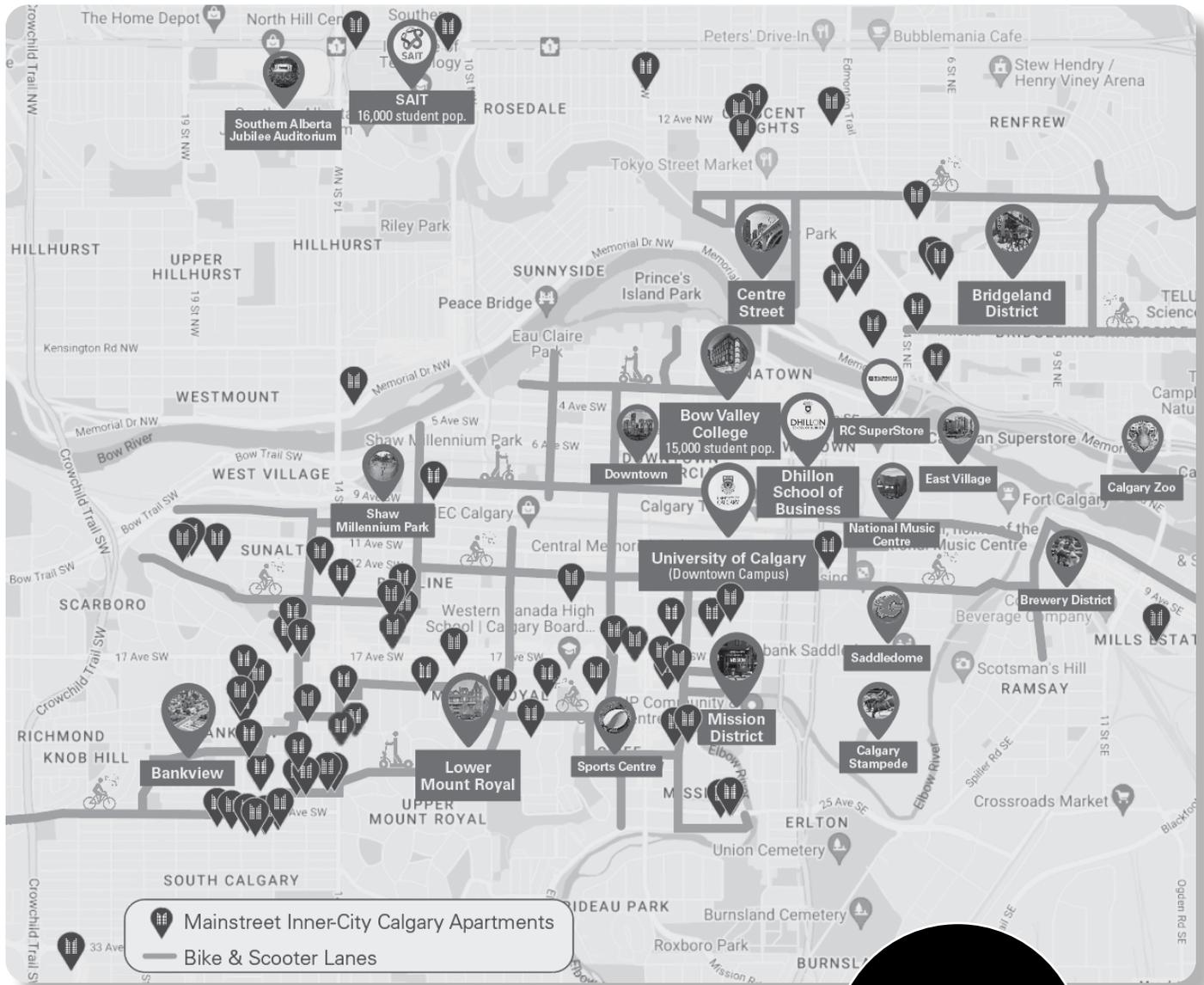
**5,696**  
YTD TOTAL UNITS  
EDMONTON\*

\* Includes Fort Saskatchewan

# CLUSTER STRATEGY

## Calgary // INNER-CITY

Looking at this map of Mainstreet's Calgary properties, the strategic value of clustering is clear. Our holdings are concentrated in the areas of the city that our customers care most about: the city core where all of the nightlife and dining is; close to schools where students need to be; and throughout central communities where our customer's lives are taking place, from work to school. Properties are on major transit routes, LRT lines, and on Calgary's extensive bike paths.



**3,647**  
YTD TOTAL UNITS  
CALGARY\*

\*Includes 67 condo units acquired for resale.

# CLUSTER STRATEGY

## Regina // GOLDEN MILE

Map of Mainstreet's Regina portfolio. Mainstreet's Regina holdings are concentrated in the city center, specifically in the popular Golden Mile area near great shopping and amenities, and within a short trip to post-secondary institutions. These are very walkable and cyclable areas where customers can park their cars and forget about them.



**991**  
YTD TOTAL UNITS  
REGINA

## MESSAGE FROM THE PRESIDENT & CEO

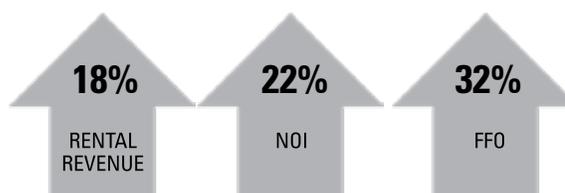
For the three and nine months ended June 30, 2023 and 2022

**The Mainstreet Mission:** We remain passionately committed to being a crucial provider of quality, affordable homes for Canadians, offering renovated apartments and customer services at a mid-market rental rate around \$1,000.

In Q3 2023, Mainstreet achieved double-digit, year-over-year growth across all key operating metrics for the seventh consecutive quarter. Funds from operations (“FFO”) increased 32%, net operating income (“NOI”) grew 22% and rental revenues rose 18%. Same-asset revenue and NOI also accelerated, increasing 10% and 13%, respectively. Even with inflationary pressures, operating margins improved to 63%, up from 61% in 2022.

### Seventh Consecutive Quarterly Double-Digit Growth

Year-Over-Year  
Q3 2023 vs. Q3 2022



We believe these highly positive results reflect the proven success of Mainstreet’s value-add business model. By strictly adhering to our 100% organic, non-dilutive growth strategy, Mainstreet has continued to create shareholder value throughout the economic cycle, including in periods of high volatility. Under this model, we leverage our sizeable liquidity position (\$307 million) and historically low-cost financing to acquire underperforming apartment buildings. Once acquired, we rapidly reposition units through renovations to optimize operating income. Since Mainstreet began trading on the TSX in 2000, we have expanded our portfolio from a handful of rental units to over 17,000, and reached \$3 billion in assets while avoiding any equity dilution (excluding small volumes of exercised share options). During that same period, our stock value has increased more than 3,500%.

Magnifying the success of Mainstreet’s countercyclical strategy is the strong macro fundamentals of the broader rental market, where a structural supply-demand imbalance has persisted. Canada’s population is growing fast—the country expected to accept a record-high 1.5 million new comers in 2022 (including 431,645 new permanent residents, 608,420 work permits under the Temporary Foreign Worker Program and International Mobility Program, and 551,405 study permits, based on Immigration, Refugees and Citizenship Canada)—at a time when new rental market supply is flat (the number of purpose-built rental units in the country increased by just 400,000 in the last decade, up to a total 2.2 million). As a result, vacancy rates have fallen to an all-time low of 1.9% in 2022, according to CMHC data. Those figures are particularly low in the provinces where Mainstreet operates: In Vancouver, rental vacancies remain among the lowest in the country at 0.9%, while vacancies in Calgary and Edmonton are expected to fall between 2023 and 2025, down to 1.2% and 1.3%, respectively (Statistics Canada).

We believe this core trend is evident in our Q3 performance, both on an overall and same-asset basis. Combined with high rates of in-migration into Western provinces and the steep cost of home ownership, we believe such trends further establish the rental market as an inherently reliable and resilient asset class. With Mainstreet’s current average rental rates are among the most affordable in the mid-market sector, Mainstreet remains well positioned to meet this high demand while continuing our role as a crucial provider of affordable living in Western Canada. As we enter the final quarter of 2023, our management team sees ample opportunity to continue building on this advantaged position as we pursue acquisitions and boost NOI through our stabilization process.

## CHALLENGES

Despite major opportunities for growth, rising costs continue to pose a challenge to Mainstreet. Primarily, higher interest rates raise the cost of any new debt. Mainstreet has spent years establishing a long-term debt position to fortify itself against eventual rate increases. By securing early finance pre-matured debts and agreeing to pay higher up-front borrowing costs on certain mortgages, we extended our obligations over longer periods (10 years instead of the typical five). Mainstreet has in turn locked in 99% of our debt into fixed-term debt with an average maturity and interest rate of 6.2 years and 2.69%, respectively. Recognizing that inflationary periods are often transitory in nature, we have strategically negotiated for shorter-term open mortgages that provide flexibility for early renewal when and if interest rates fall.

Inflationary pressures also increase the cost of everything from labour to materials. Canadian job vacancies have come down from their peak in Q2 2022, according to Statistics Canada, but competition for talent remains fierce. This has raised Mainstreet’s labour costs and made hiring more challenging. That said, Mainstreet has managed to limit its exposure to shortages through various avenues including foreign worker programs.

Major fixed expenses like property taxes (up 2%), insurance, and utilities (up 13%) also remain high. Carbon taxes, which place the financial burden on property owners, are scheduled to rise annually, from \$65 per tonne today to \$170 by 2030. We have addressed higher energy costs by securing various longer-term natural gas contracts, pursuant to which Mainstreet currently pays well below current spot prices. We also managed to reduce our insurance costs more than 13% for fiscal 2023 by obtaining improved premium rates and coverage.

Mainstreet continues our efforts to counteract inflation and rising interest rates. Although higher costs erode our operating margins and negatively impact our bottom line, some of the financial burden will ultimately be passed onto tenants through soft rent increases.

**OUTLOOK**

**Rental market continues to tighten**

We expect average rental rates across Canada to rise as demand continues to outpace supply. However, we believe supply shortages in the real estate market, combined with inflation and rising interest rate, will continue to deter first-time home buyers and incentivize renters. High immigration rates will also underpin those market fundamentals, a trend we view as unlikely to change given the federal government’s indication that immigration and international students are a bedrock of its plan to grow the economy.

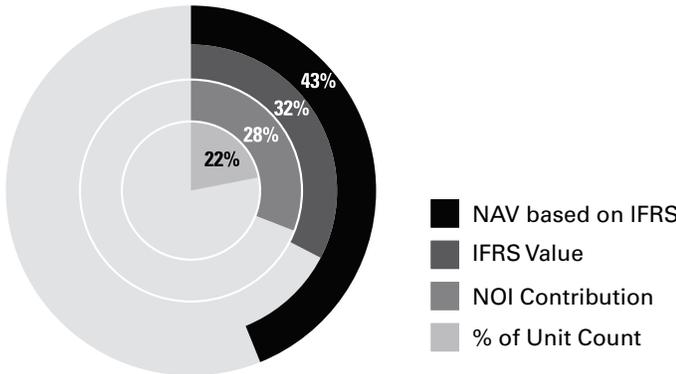
**Accelerated acquisitions**

Our team continues to see risk-adjusted opportunities for growth supported by our large liquidity position, as higher interest rates could force more distressed sellers onto the market. Such dynamics create growth potential through opportunistic acquisitions. As ever, we will maintain our strategy of countercyclical growth by acquiring assets only when it prioritizes true value creation. As in past quarters, our acquisition efforts will continue to emphasize portfolio diversification, evidenced by our recent expansion into the Winnipeg market.

**BC remains a standout**

We expect Vancouver/Lower Mainland will continue to drive growth and performance. Vacancies in the region remain among the lowest in the country while rental rates are among the highest. British Columbia has become central to Mainstreet’s portfolio, accounting for approximately 42% of our estimated net asset value (“NAV”) based on IFRS value. With an average monthly mark-to-market gap of \$638 per suite per month, 98% of our customers in the region are below the average market rent. According to our estimates, that translates into approximately \$26 million in NOI growth potential after accounting for tenancy turnover and gradual rent increases.

**British Columbia Portfolio Diversification Q3 2023**



## Western bound

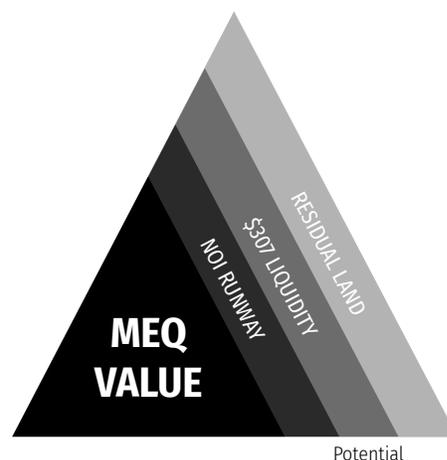
Alberta had an in-migration rate of 51,700 in Q1 2023, as improved economic prospects and relatively affordable housing drew a near-record number of newcomers to the province. The figure is comparable to the last two quarters of 2022, when Alberta had the largest influx of international and interprovincial migrants in its history. We believe high in-migration rates will in turn continue to push housing prices upward. Benchmark home prices rose 1.5% in Calgary and 1.6% in Edmonton in June as a flood of people entered Alberta. Saskatchewan's provincial in-migration also grew sharply, with 5,700 people coming to the province in Q4, compared with 2,500 the year prior.

## Closing the NOI gap

Current market conditions create a rare opportunity for Mainstreet. Our stabilization rates are higher than average due to our high rate of acquisitions in recent quarters, while our vacancy rates are lower than average (4.7%, including our unstabilized properties which accounted for 14% of our portfolio). This discrepancy provides substantial opportunity for Mainstreet to continue extracting value from existing assets by aggressively repositioning units.

## Turning intangibles to tangibles

Over our 23-year history, Mainstreet has strategically built up an extensive portfolio of 800+ buildings in desirable neighborhoods that we believe offers significant intangible value. Management is in the early stages of exploring a three-pronged plan to potentially capitalize on adding more value to our existing assets at low cost. This strategy involves three key pillars: turning unused/residual space within existing buildings into new units; exploring zoning and density relaxations to assess the excess 'capacity/density' to expand/build new within the existing land footprint; or subdividing residual lands to maximize useable space. While the plan is currently conceptual in nature, we view it as yet another aspect of Mainstreet's inherent value proposition over the long term. Given the ongoing housing shortage in Canada, our management team believes now is the ideal time for Mainstreet to explore such possibilities, particularly as we aim to align our goals with policymakers, who are increasingly seeking densification options in order to reduce housing costs.



## RUNWAY ON EXISTING PORTFOLIO

- Pursuing our 100% organic, non-dilutive growth model:** Using our strong potential liquidity position, estimated at \$307 million, we believe there is significant opportunity to continue acquiring underperforming assets at attractive valuations.
- Boosting NOI:** As of Q3 2023, 14% of Mainstreet's portfolio was going through the stabilization process. Once stabilized, we remain confident same-asset revenue, vacancy rates, NOI and FFO will be meaningfully improved. We are cautiously optimistic that we can boost cash flow in coming quarters. In the BC market alone, we estimate that the potential upside based on mark-to-market gaps for NOI growth is approximately \$26 million. The Calgary market in particular also has substantial room for rent-to-market catch up.
- Buying back shares at a discount:** We believe MEQ shares continue to trade below their true NAV, and that ongoing macroeconomic volatility could intensify that trend.

[Signed]

"Bob Dhillon"  
President & CEO  
Calgary, Alberta  
July 20, 2023



### Mainstreet: a model of security in times of inflation

Our management team has taken decisive steps to protect against rising interest rates, to the extent that 99% of Mainstreet debt is locked in at low rates (average 2.69% and over long-term maturities (average 6.02 years). Mainstreet has attempted to deal with the risk of inflation and the correlated increase in interest rates by locking its debt into short-term interim financing and will revert back to the corporations baseline longer-term debt strategy once interest rates reduce.

**Average interest rate 2.69%**

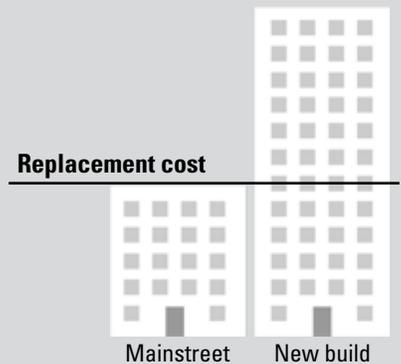
**Average term to maturity 6.02 years**

Total number of  
outstanding shares  
**9,318,818**

Management,  
Directors,  
& Officers  
shareholder  
ownership  
**49%**

### Leveraging the supply-demand imbalance

Inflation, like everything else, drives up the cost of building new rental properties. We believe this only deepens Mainstreet's leading position in the rental market, given that we have built our portfolio through the acquisition of existing properties at prices well below replacement cost (or, the cost of developing new rental properties). That market dynamic is central to the value-added proposition Mainstreet offers.



### A key provider of Millennial inner-city living

Mainstreet's apartment portfolio is built around centralized, inner-city clusters that are highly appealing to students and young people given their close proximity to transit, entertainment, essential services, and other amenities. These areas include Edmonton's ICE district and university hubs, Calgary's central core, Regina's Parliamentary sector and key regions in Surrey and Abbotsford, BC.



### Embracing technology

Mainstreet has continued to create efficiencies through investments in digital platforms and other software-enabled technology that improves our operations.



### A RESPONSIBLE CORPORATE CITIZEN

Mainstreet is deeply committed to maintaining the highest standards of social responsibility. Throughout the war in Ukraine, we have taken in displaced newcomers. During the Covid-19 pandemic, we waived rental payments for struggling tenants; delayed rent increases; halted evictions; and allocated additional financial resources toward safety provisions to support our customers. We believe the social benefits of such actions far outweigh any short-term financial losses.

# Decade of Dedication

We deeply appreciate our people, and want thank some of our most dedicated for a decade of team work.

OVER 23 YEARS >

"At Mainstreet, we don't have staff or employees; we have a team. Not just people working in the same building, but people working together for the same purpose: providing quality affordable homes. Our team's dedication is reflected in the optimistic faces of refugee families starting over, in those of young students just starting out who have found an affordable place to call home with Mainstreet. Our team makes home happen. We are proud to have built one of the world's most inclusive companies, a place with an open-door policy that ensures transparency and open communication across our team because we know you win the game by passing the ball over, not up or down.

We are proud of our team."



**Bob Dhillon**

Founder, President & CEO



CREE ENGLISH MANDARIN CANTONESE ARABIC FRENCH RUSSIAN POLISH CROATIAN GRE  
TAGALOG SOMALI SHANGHAINES AMHARICA TIGRINYA TELUGU BANGALA ITALIAI



< OVER 8 YEARS

ENGLISH PUNJABI HINDI URDU GERMAN SPANISH KOREAN JAPANESE PORTUGUESE NEPALESE  
THAI GUJARATI CZECH ROMANIAN PATOIS HAKKA ARMENIAN UKRAINIAN KAZAKH

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*The following Management's Discussion and Analysis ("MD&A") provides an explanation of the financial position, operating results, performance and outlook of Mainstreet Equity Corp. ("Mainstreet" or the "Corporation") as at and for the three and nine months ended June 30, 2023 and 2022. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic and political conditions. Additionally, other events may occur that could affect the Corporation in the future. This MD&A should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements and accompanying notes for the three and nine months ended June 30, 2023 and 2022 and audited consolidated financial statements and the accompanying notes for the fiscal years ended September 30, 2022 and 2021. The interim condensed consolidated financial statements of the Corporation have been prepared in compliance with International Accounting Standards ("IAS") 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and adopted by the Chartered Professional Accountants of Canada ("CPA"). This MD&A has been reviewed and approved by the Audit Committee and Board of Directors of the Corporation and is effective as of July 20, 2023. All amounts are expressed in Canadian dollars. Additional information regarding the Corporation including the Corporation's annual information form ("AIF") is available under the Corporation's profile at SEDAR ([www.sedar.com](http://www.sedar.com)).*

*Unless indicated otherwise, reference herein to 2023 and 2022 refers to the three and nine months periods ended June 30, 2023 and 2022, respectively.*

### NON-IFRS MEASURES

Mainstreet prepares and releases unaudited interim condensed consolidated financial statements and audited consolidated annual financial statements in accordance with IFRS. In this MD&A and in any earnings releases, as a complement to results provided in accordance with IFRS, Mainstreet also discloses and discusses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS. These non-IFRS measures are recommended by the Real Property Association of Canada's ("REALPAC"), a leading national industry association of investment real estate. These include funds from operations ("FFO") and FFO per share. FFO is widely accepted as a supplemental measure of the performance of Canadian real estate entities, and management believes these non-IFRS measures are relevant measures to maintain comparability in operating performance. FFO is defined as profit before change in fair value, deferred income taxes and depreciation of property and equipment excluding depreciation of items which are not uniquely significant to the real estate industry (for example, computers or vehicles). These non-IFRS measures may not be comparable to similarly titled measures reported by other issuers. The Non-IFRS measures should not be construed as alternatives to net profit (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of Mainstreet's performance. Reconciliation of FFO to profit, the most directly comparable IFRS measure is provided in the table and the footnotes thereto, under the heading "Review of Financial & Operating Results – Summary of Financial Results".

### OPERATIONS OVERVIEW

**Rent collection:** Mainstreet's rent collection remains strong and are generally in line with the average rent collected by the same day of the previous month. As of July 20, 2023, Mainstreet has collected 99% of total rents for July 2023 and 99.3% of total rents for June 2023.

**Leasing and tenant support:** Mainstreet has leveraged its technological investment in the Yardi System which enables paperless leasing processes. The Yardi System significantly improved Mainstreet's operational efficiencies and competitive edge. Mainstreet believes in timely, transparent communication and provides regular updates to both its tenants and team members, through various channels.

**Team Member Support:** The Corporation maintains a high level of personal protective equipment for its team members. Mainstreet continues to utilize virtual showing capabilities and ensures on-going regular communication with its leadership and operational teams to assess and support any needs of its team members.

**Acquisitions:** Mainstreet continued its acquisition activity in 2023 and has actively taken advantages of opportunities to acquire undervalued assets. In Q3 2023, Mainstreet acquired \$17.7 million (130 units including two commercial units) in new acquisitions in Alberta, British Columbia and Saskatchewan. Subsequent to June 30, 2023, Mainstreet acquired an additional \$3.6 million (3 commercial units) in new acquisitions in the Province of Alberta resulting in year-to-date acquisitions in the amount of \$125.4 million (1,042 units including 5 commercial units).

**Refinancing:** Mainstreet continues to reposition its unstabilized properties and continues to have access to mortgage debt. In Q3 2023, the Corporation financed 14 clear title properties for an additional net funding of \$42.4 million at an average interest rate of 3.82%.

**Liquidity:** Liquidity is an important measure of the availability of sufficient cash to fund ongoing business activities, and capital and liability commitments. Liquidity is defined to include cash and cash equivalents on hand plus estimated new financings of clear title assets and financings of maturing mortgages, assuming current lending criteria remains mainly unchanged. Mainstreet estimates it will have access to approximately \$307 million in available liquidity in remaining of FY 2023, which management believes is sufficient for its operations, including to address any remaining inherent uncertainty surrounding disruption from the pandemic, supply chain disruptions, inflation, interest rate increases and rent control measures, all while continuing to support its stakeholders.

## **EFFECT OF MARKET FORCES ON MAINSTREET**

The Corporation saw substantial improvement in its overall occupancy trend in 2022 and the first part of 2023, mainly as a result of an increase in rentals in all markets and is cautiously optimistic that this trend will continue for the remainder of 2023. There is a risk that the Corporation could be adversely affected due to market changes particularly in supply, inflation, interest rates and regional rent controls. Canada saw significant inflation in the latter part of 2022, effects of which have continued to be felt in the first half of 2023, against the backdrop of sustained higher housing process, substantial supply constraints and geopolitical conflicts, all of which have increased prices for energy and agricultural markets. There has also been significant disruption to the global supply chain in the current year, including as a result of Russia's ongoing invasion of Ukraine. Further, as labour and material shortages persist, the expected onset of new supply of rental housing may take longer as construction completion times are extended. All of this increases the supply risk to the Corporation.

Previously, the Corporation had seen the mortgage interest rate for a 10-year fixed CHMC mortgage remain at a low level which has provided an opportunity for the Corporation to obtain financing at lower interest rates when mortgages matured and needed to be renewed. The Corporation took advantage of this opportunity and fixed 100% of its long term debt into fixed rate debts, of which 99% are fixed as CMHC insured mortgages at an average interest rate of 2.69%. However, the mortgage rate for a 10-year fixed CHMC mortgage has increased by almost 150 basis points since the end of the prior financial year. The Corporation will continue to monitor interest rates and will need to consider the same in making decisions when its mortgages mature and need to be renewed.

Please refer to the section titled "Risk Assessment and Management" in this MD&A.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RESPONSIBILITY

Sustainability and social responsibility have been an important part of Mainstreet's culture and values for many years. Mainstreet continues to take steps to: (i) ensure it is a responsible steward of the environment by improving the energy efficiency of its properties and reducing its environmental footprint, (ii) attract and retain the best employees, (iii) create a safe and healthy environment for all of its employees and residents, (iv) build strong relationships with its tenants and the communities in which they live, and (v) maintain transparent and open communication with its employees, tenants and investors.

The following sets forth some of the programs and practices that Mainstreet already has in place to foster a positive impact in its business.

### ENVIRONMENTAL

The Corporation is continuously looking for ways to make its operations more sustainable and has taken positive steps in furtherance of this goal, including:

- Adopting a policy to obtain a Phase 1 environmental report conducted by independent environmental consultants for newly acquired and financed buildings and committing to implement the recommendations wherever possible to improve its environmental practices;
- Decreasing energy and water consumption by utilizing LED lights, as well as low flush toilets and water conserving shower heads;
- Replacing windows, roofs, sidings, old appliances and boilers with new energy efficient alternatives whenever possible, to further reduce water and energy consumption;
- Utilizing sub-metering to encourage residents to be more efficient in utility usage;
- Currently conducting a review in respect of installing charging stations for electric vehicles on Mainstreet's properties; and
- Continuously looking for, and participating in, new energy saving programs, including utilizing new energy saving devices wherever possible and working towards further quantifying the results with certain applied metrics.



Bird e-Scooters parked on a branded parking pad outside an inner-city Calgary Mainstreet building.

Mainstreet's partnership with Bird drives home our commitment to sustainability.



Mainstreet purchases buildings along bike paths and retrofit the properties with bike racks and scooter parking pads to empower our tenants to live sustainably without sacrificing convenience, and demonstrate that we understand what they're looking for.

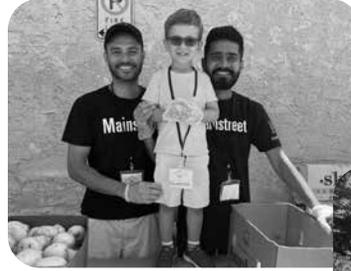
### SOCIAL COMMUNITY INVESTMENT

The Corporation strives to give back in a number of meaningful ways, including the following initiatives:

- Participating in various housing assistance programs designed to assist those who have lost their homes due to natural disasters, such as wildfires or through conflicts, such as Syrian, Afghan and Ukrainian refugees;
- Partnering with various social organizations such as Calgary Housing, the Mustard Seed and the Homeless Society, to provide affordable housing for those members of the community who may not otherwise be able to access affordable and secure housing; and
- Working with various social assistant program such as, Calgary's Love with Humanity Association, to make food donations and install food banks in Mainstreet's buildings to provide supports to residents and communities experiencing financial challenges.



In July 2023, Mainstreet joined **Telus'** initiative of giving back to the community of Edmonton.



In July 2023, Mainstreet volunteers joined Love with Humanity Association to distribute fresh produce to over 300 people living in our buildings and community. Mainstreet continues to be a partner with Love with Humanity Association by placing food resources on our properties. (Trevella, Falcon, Elbow)



## TEAM ENGAGEMENT

The Corporation creates a positive experience for team members through numerous programs, including:

- Prioritizing training and development, by offering learning opportunities to team members both internally, through on the job training, and in academic settings, to facilitating internal advancement and promotions wherever possible;
- Providing annual evaluations of its team member's performance, for the purpose of identifying and supporting career growth and development opportunities for such team members;
- Offering a healthy and safe work environment by providing all team members with competitive medical benefits, short and long-term disability plans, and life insurance plans. The Corporation has set up occupational health and safety committees with representatives in all cities where the Corporation's team members are located that meet regularly to assist in safety trainings and inspections;
- Working to ensure that all human resource policies and practices are non-discriminatory and actively promote a diverse workforce, as evidenced by the diversity of the Corporation's management team;
- Adopting a whistle-blower policy, the details of which can be found in each employee's handbook, to empower and encourage its team members to report their concerns and complaints regarding the accuracy and integrity of the Corporation's accounting, auditing and financial reporting or any violations or possible violations of applicable laws, rules or regulations or the Corporation's Code of Business Conduct and Ethics, in a confidential manner without fear of reprisal;

## GOVERNANCE

The Corporation is committed to maintaining the highest ethical standards through a strong governance framework and an experienced Board of Directors. The Corporation has a diverse and gender-balanced executive leadership team and a well-rounded and experienced Board of Directors, which adheres to the highest standards of governance.

The Corporation has developed a clear business strategy and organizational structure, which sets out clearly the roles and accountabilities of each team member of the organization. The Corporation has ensured that it has the proper resources for its members to succeed in implementing its business strategy, including in respect of human resources, specialized skills, organizational infrastructure, technology and financial resources.

The Board of Directors has constituted a number of committees to assist it in achieving the highest standards of governance, including an audit committee, executive committee, a human resources committee, a risk management committee, a safety committee and a cyber security committee.

In addition, the Corporation has set up internal health and safety committees in each location it operates out of to ensure the healthiest environment possible in all of the properties owned by the Corporation.

## BUSINESS OVERVIEW

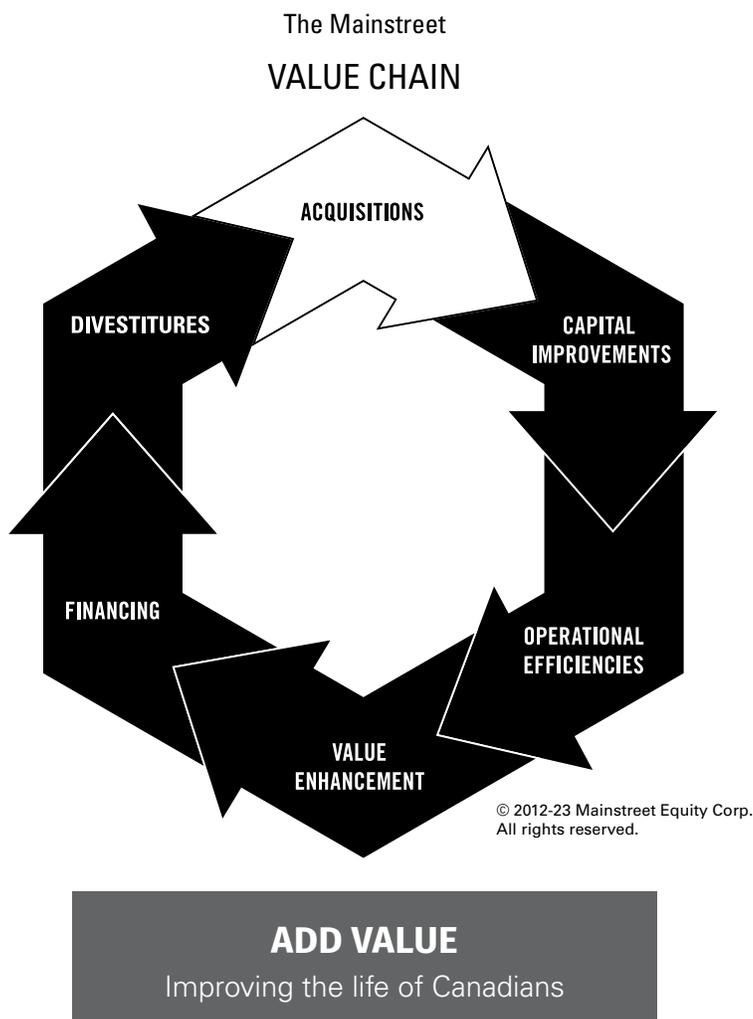
Based in Calgary, Alberta, Mainstreet is a Canadian real estate corporation focused on the acquisition, redevelopment, repositioning and management of mid-market rental apartment buildings in six major Canadian markets: British Columbia (including Vancouver Lower Mainland, Vancouver Island, Okanagan, and Northern BC), Calgary (including the City of Airdrie, the City of Lethbridge, and the Town of Cochrane), Edmonton (including the City of Fort Saskatchewan), Saskatoon, Regina and Winnipeg.

Mainstreet is listed on the Toronto Stock Exchange (“TSX”) and its common shares are traded under the symbol “MEQ”.

## BUSINESS STRATEGY

Mainstreet’s goal is to become Canada’s leading provider of affordable mid-sized, mid-market rental accommodations – typically properties with fewer than 100 units. In pursuit of this goal, the Corporation adheres to its six-step “Value Chain” business model:

- **Acquisitions:** Identify and purchase underperforming rental units at prices well below replacement costs;
- **Capital improvements:** Increase the asset value of Mainstreet’s portfolio by renovating acquired properties;
- **Operational efficiencies:** Minimize operating costs through professional management, efficient technology and energy-saving equipment;
- **Value enhancement:** Reposition renovated properties in the market as Mainstreet branded products for higher rents, and build and sustain customer loyalty through high levels of service;
- **Financing:** Maintain a sound capital structure with access to low-cost, long-term Canada Mortgage and Housing Corporation (“CMHC”) insured mortgage loans; and
- **Divestitures:** Occasionally sell mature real estate properties to redirect capital into newer, higher potential properties.



## INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements of the Corporation prepared in conjunction with this MD&A have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standard Board (“IFRS”).

### Investment properties

Investment properties are properties held to earn rental income and are initially measured at cost. Cost includes the initial purchase price and any direct attributable expenditure related to the acquisition and improvement of the properties. All costs associated with upgrading the quality and extending the economic life of the investment properties are capitalized as an additional cost of investment properties.

After initial recognition, the Corporation adopts the fair value model to account for the carrying value of investment properties in accordance with International Accounting Standard (“IAS”) 40 Investment Property (“IAS 40”).

## Method used in determining the Fair Value of investment properties

Fair value is determined based on a combination of internal and external valuation processes. Gains and losses arising from differences between current period fair value and the sum of previous measured fair value and capitalized costs as described above are recorded in profit and loss in the period in which they arise.

For the Corporation's financial reporting, external valuations are obtained from independent qualified real estate appraisers who are members of the Appraisal Institute of Canada and have appropriate qualifications and experience in the valuation of the Corporation's investment properties in the relevant locations. In addition, the Corporation has established an internal valuation model, which is based on the same assumptions and valuation techniques used by the external valuation professionals. The Corporation groups its investment properties in each city by their types and geographic locations. Samples are selected in each group for independent appraisal. The appraised values of the samples selected are compared with their carrying values. The percentage changes in values of those samples selected were applied to the whole population of each group in determination of the fair value of investment properties of the Corporation as of June 30, 2023 and September 30, 2022. Properties are selected on a rotational basis and approximately 40% of the Corporation's portfolio is externally valued annually.

The fair values are most sensitive to changes in net operating income and capitalization rates. Mainstreet's total portfolio is valued at \$3.0 billion as of June 30, 2023 (\$2.8 billion as of September 30, 2022). The following is the breakdown of market value by city and average capitalization rates used in determining the fair value of investment properties at June 30, 2023 and September 30, 2022, respectively.

As of June 30, 2023	Number of properties	Number of units	Market value (\$ million)	Average value per unit (\$000)	Average capitalization rate as at June 30, 2023
Lower Mainland, British Columbia (Note 1)	30	2,944	\$ 878	\$ 298	3.78%
British Columbia excluding Lower Mainland (Note 2)	15	732	90	123	4.32%
Calgary, Alberta (Note 3)	111	3,832	749	195	5.38%
Edmonton, Alberta (Note 4)	161	5,696	804	141	5.69%
Saskatoon, Saskatchewan	59	2,334	310	133	5.55%
Regina, Saskatchewan	62	991	133	134	6.07%
Winnipeg, Manitoba	4	405	34	84	5.79%
<b>Total investment properties</b>	<b>442</b>	<b>16,934</b>	<b>\$ 2,998</b>	<b>\$ 177</b>	<b>5.01%</b>

Note (1) – includes the City of Abbotsford, the City of Chilliwack, the City of New Westminister and the City of Surrey

Note (2) – includes the City of Courtenay, the City of Kamloops, the City of Penticton, the City of Prince George, the City of Vernon and the City of Nelson

Note (3) – includes the City of Lethbridge, the Town of Cochrane and the City of Airdrie

Note (4) – includes the City of Fort Saskatchewan

As of September 30, 2022	Number of properties	Number of units	Market value (\$ million)	Average value per unit (\$000)	Average capitalization rate as at Sep. 30, 2022
Lower Mainland, British Columbia (Note 1)	30	2,944	\$ 863	\$ 293	3.68%
British Columbia excluding Lower Mainland (Note 2)	9	480	63	131	4.35%
Calgary, Alberta (Note 3)	101	3,537	686	194	5.07%
Edmonton, Alberta (Note 4)	157	5,496	752	137	5.42%
Saskatoon, Saskatchewan	59	2,333	318	136	5.47%
Regina, Saskatchewan	62	991	126	127	5.48%
Winnipeg, Manitoba	3	114	10	88	5.79%
<b>Total investment properties</b>	<b>421</b>	<b>15,895</b>	<b>\$ 2,818</b>	<b>\$ 177</b>	<b>4.79%</b>

Note (1) – includes the City of Abbotsford, the City of Chilliwack, the City of New Westminister and the City of Surrey

Note (2) – includes the City of Courtenay, the City of Kamloops, the City of Penticton, the City of Prince George and the City of Vernon

Note (3) – includes the City of Lethbridge, the Town of Cochrane and the City of Airdrie

Note (4) – includes the City of Fort Saskatchewan

## ACQUISITIONS & GROWTH

(000s of dollars)

	Three months ended June 30,		Nine months ended June 30,	
	2023	2022	2023	2022
	Calgary, Edmonton, Penticton, Prince George, and Saskatoon	Calgary, Fort Saskatchewan, Prince George, and Winnipeg	Calgary, Edmonton, Penticton, Prince George, Nelson, Saskatoon and Winnipeg	Calgary, Edmonton, Fort Saskatchewan, Lethbridge, Prince George, Regina, Saskatoon, and Winnipeg
Number of rental units	130	210	1,039	745
Total costs	\$ 17,711	\$ 24,142	\$ 121,868	\$ 83,532
Average price per apartment unit	\$ 136	\$ 115	\$ 117	\$ 112

Employing a strict set of criteria, Mainstreet identifies and acquires underperforming rental properties in major residential centres in Western Canada that offer the potential to enhance the Corporation's asset value and its long-term revenues through increased rental rates. In Q3 2023, Mainstreet acquired 130 investment property units in the Provinces of Alberta, British Columbia and Saskatchewan for a total consideration of \$17.7 million. Since Mainstreet's previous financial year-end (September 30, 2022), the Corporation has grown its portfolio of investment properties by 7%.

As of June 30, 2023, Mainstreet's portfolio included 16,928 units in its investment properties, 6 units in freestanding commercial properties and 67 units in a property being held for sale. The portfolio excludes two regional office buildings and two warehouses which are classified as property and equipment. In 2022, the Corporation converted two investment property units into office space and as such these units have been reclassified as property and equipment. Mainstreet's investment properties include townhouses, garden-style apartments, concrete mid-rise and high-rise apartments and condo suites. As of June 30, 2023, a total of 95% of Mainstreet's units in its investment properties were rented, while 3% were being renovated and the remaining 2% were left vacant, primarily in the Province of Saskatchewan.

Since 1997, the Corporation's investment property portfolio has increased from 10 to 442 properties, while the fair value of the investment properties within this portfolio has grown from approximately \$17 million to \$3.0 billion as of June 30, 2023.

The following table demonstrates the growth of the Corporation by region since the end of the previous financial year ended September 30, 2022.

	Number of units as at Oct. 1, 2022	Acquisitions/disposition 6 months ended Jun. 30, 2023	Number of units as at Jun. 30, 2023	%Growth
Lower Mainland, British Columbia (Note 1)	2,944	159	3,103	5%
British Columbia excluding Lower Mainland (Note 2)	480	93	573	19%
Calgary, Alberta (Note 3)	3,537	295	3,832	8%
Edmonton, Alberta (Note 4)	5,496	200	5,696	4%
Saskatoon, Saskatchewan	2,333	1	2,334	–
Regina, Saskatchewan	991	–	991	–
Winnipeg, Manitoba	114	291	405	255%
Investment properties	15,895	1,039	16,934	7%
Property held for sale – Calgary, Alberta	69	(2)	67	(3%)

Note (1) – includes the City of Abbotsford, the City of Chilliwack, the City of New Westminister and the City of Surrey

Note (2) – includes the City of Courtenay, the City of Kamloops, the City of Penticton, the City of Prince George, the City of Vernon and the City of Nelson

Note (3) – includes the City of Lethbridge, the Town of Cochrane and the City of Airdrie

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## CAPITAL IMPROVEMENTS

Mainstreet's "Value Chain" business philosophy focuses on creating value in capital assets by renovating newly-acquired properties and enhancing operating efficiencies. Every property and rental unit is upgraded to meet Mainstreet's brand standard, which creates an attractive product while reducing operating costs and enhancing long-term asset value. Capital investment also includes expenses incurred on turnover units.

In Q3 2023, the Corporation spent \$6.2 million (2022 – \$5.2 million) on capital improvements, of which \$5.3 million (2022 – \$4.1 million) was for upgrading stabilized properties and improving other holdings – specifically for exterior upgrades such as new roofs, windows, balconies, siding and insulation. These expenditures also covered mechanical and interior upgrades such as new boilers, flooring and paint to address the balance of non-renovated units and to maintain the condition of properties in the current portfolio. Mainstreet currently plans to spend an estimated total of \$6.5 million on capital improvement during the remainder of fiscal year 2023, however these plans may be revised depending upon the economic conditions during 2023. These improvements are expected to be financed through existing cash balances, funds from operations and ongoing refinancing of existing properties. Mainstreet expects to complete most of the renovations of its existing properties within the next 6 to 24 months. Revenue and income are expected to increase over time as more units are renovated and reintroduced to the market at anticipated higher rental rates.

Uncertainties affecting future revenue and income include the rate of turnover of existing tenants, supply chain disruptions, increased inflation, the availability of renovation workers and building materials, increases in labour and material costs, and increases in interest rates. All of these uncertainties could have a material impact on the timing and cost of completing these capital improvements.

## REVIEW OF FINANCIAL & OPERATING RESULTS

### Summary of financial results

(000s of dollars except per share amounts)

	Three months ended June 30,			Nine months ended June 30,		
	2023	2022	% change	2023	2022	% change
Gross revenue	\$ 54,774	\$ 45,717	20%	\$ 155,841	\$ 133,521	17%
<b>Net profit and total comprehensive income</b>	<b>34,196</b>	<b>21,835</b>	<b>57%</b>	<b>69,918</b>	<b>64,221</b>	<b>9%</b>
Change in fair value	23,821	10,896	119%	38,730	36,180	7%
Gain from disposal of assets	190	3,219	(94%)	190	3,947	(95%)
Depreciation	151	183	(17%)	449	529	(15%)
Deferred income tax expense	7,509	5,571	35%	16,212	12,663	28%
Funds from operations – Non IFRS Measurement (Note 1)	\$ 17,845	\$ 13,474	32%	\$ 47,659	\$ 37,286	28%
Interest income	(876)	(220)	298%	(1,528)	(351)	335%
General and administrative expenses	4,690	3,756	25%	13,167	10,934	20%
Financing costs	12,293	10,844	13%	35,023	31,538	11%
Depreciation (computer and vehicle)	47	58	(19%)	138	149	(7%)
<b>Net operating income</b>	<b>\$ 33,999</b>	<b>\$ 27,912</b>	<b>22%</b>	<b>\$ 94,459</b>	<b>\$ 79,556</b>	<b>19%</b>
Operating margin from operations	63%	61%		61%	60%	
Profit per share						
Basic and fully diluted	\$ 3.67	\$ 2.34	57%	\$ 7.50	\$ 6.87	9%
Funds from operations per share						
Basic and fully diluted	\$ 1.91	\$ 1.44	33%	\$ 5.11	\$ 3.99	28%
Weighted average number of shares						
Basic and fully diluted	9,318,818	9,341,202		9,320,996	9,343,879	
Total Assets	\$3,084,859	\$2,832,422				
Total Long term liabilities	\$1,554,464	\$1,616,038				

1. FFO is calculated as profit before change in fair value, deferred income taxes and depreciation of property and equipment excluding depreciation of items which are not uniquely significant to the real estate industry (such as computers or vehicles). FFO is a widely accepted supplemental measure of a Canadian real estate company's performance but is not a recognized measure under IFRS. The IFRS measurement most directly comparable to FFO is profit (for which reconciliation is provided above). FFO should not be construed as an alternative to profit or cash flow from operating activities, determined in accordance with IFRS, as an indicator of Mainstreet's performance. Readers are cautioned that FFO may differ from similar calculations used by other comparable entities. Management believes FFO is useful for readers to determine the operating performance. This information is critical for the Corporation to maintain comparability in operating performance.

## REVENUE

In Q3 2023, revenue primarily consisted of rental and ancillary revenue totalling \$53.9 million (2022 – \$45.5 million) and interest income. Overall, rental revenue increased 18% as compared to Q3 2022, which is discussed and analysed in the session entitled "Rental Operations" below.

## NET PROFIT

For the three and nine months ended June 30, 2023, Mainstreet reported a net profit of \$34.2 million (\$3.67 per basic share) and \$69.9 million (\$7.50 per basic share) as compared to a net profit of \$21.8 million (\$2.34 per basic share) and \$64.2 million (\$6.87 per basic share) in 2022, including a fair value gain of \$23.8 million in Q3 2023 compared to a fair value gain of \$10.9 million in Q3 2022, which will be further discussed and analysed below.

Net profit is further analysed as follows:

(000s of dollars)

	Three months ended June 30,			Nine months ended June 30,		
	2023	2022	% change	2023	2022	% change
Funds from operations – Non IFRS measurement (see Note 1 previous table)	\$ 17,845	\$ 13,474	32%	\$ 47,659	\$ 37,286	28%
Change in fair value	23,821	10,896	119%	38,730	36,180	7%
Gain from disposal of assets	190	3,219	(94%)	190	3,947	(95%)
Depreciation	(151)	(183)	(17%)	(449)	(529)	(15%)
Deferred income tax expense	(7,509)	(5,571)	35%	(16,212)	(12,663)	28%
<b>Net profit and total comprehensive income – IFRS measurement</b>	<b>\$ 34,196</b>	<b>\$ 21,835</b>	<b>57%</b>	<b>\$ 69,918</b>	<b>\$ 64,221</b>	<b>9%</b>

Funds from operations in Q3 2023 are further discussed and analysed below.

In Q3 2023, Mainstreet realized a fair value gain of \$23.8 million, compared with a fair value gain of \$10.9 million in Q3 2022. This was mainly due to changes as identified below:

## Change in Fair value

(000s of dollars)

	Three months ended June 30,		Nine months ended June 30,	
	2023	2022	2023	2022
Lower Mainland, BC (Note 1)	\$ 3,110	\$ 7,890	\$ 14,360	\$ 31,590
BC excluding Lower Mainland (Note 2)	(308)	(28)	(349)	(43)
Calgary (Note 3)	13,245	(4,403)	16,255	(659)
Edmonton (Note 4)	9,275	11,162	26,672	12,564
Saskatoon	(1,842)	619	(8,582)	6,616
Regina	6,540	921	7,680	1,531
Winnipeg	(16)	(37)	(341)	(37)
	30,004	16,124	55,695	51,562
Gain on disposal	–	–	–	324
Capital expenditure	(6,183)	(5,228)	(16,965)	(15,706)
<b>Change in fair value</b>	<b>\$ 23,821</b>	<b>\$ 10,896</b>	<b>\$ 38,730</b>	<b>\$ 36,180</b>

Note (1) – includes the City of Abbotsford, the City of Chilliwack, the City of New Westminister and the City of Surrey

Note (2) – includes the City of Courtenay, the City of Kamloops, the City of Penticton, the City of Prince George, the City of Vernon and the City of Nelson

Note (3) – includes the City of Lethbridge, the Town of Cochrane and the City of Airdrie

Note (4) – includes the City of Fort Saskatchewan

The fair value gain represented the change in the market value of the Corporation's investment properties over the three and nine month periods ended June 30, 2023 and 2022. The amount of change was determined by the market value of Mainstreet's investment properties at the quarter-end dates of June 30, 2023 and 2022, which was regarded as a non-operating expense.

## FUNDS FROM OPERATIONS – NON IFRS MEASUREMENT

Management believes that FFO is also a meaningful performance measurement for a real estate company's operating performance. FFO excludes changes in fair value, deferred income taxes and depreciation of property and equipment excluding depreciation of items which are not uniquely significant to the real estate industry (for example, computers and vehicles). Mainstreet generates FFO from three sources: rental and ancillary revenue from investment properties, sale of properties acquired for resale purposes, and the periodic sale of investment properties. Mainstreet generally reinvests the proceeds from the latter into investment properties with greater potential for long-term returns.

Mainstreet's FFO increased by 32% to \$17.8 million in Q3 2023, compared with \$13.5 million in Q3 2022. The increase in FFO for Q3 2023 was mainly attributable to increased rental revenue, which will be discussed and analysed in the following section entitled "Rental Operations"

See "Non-IFRS Measures" and Note (1) to the table titled "Summary of Financial Results" for additional information regarding FFO and a reconciliation of FFO to net profit, the most directly comparable IFRS measurement.

## GENERAL & ADMINISTRATIVE ("G&A") EXPENSES

G&A expenses mainly include corporate costs such as office overhead, legal and professional fees and salaries. G&A expenses increased by 25% to \$4.7 million in Q3 2023 as compared to \$3.8 million in Q3 2022, mainly due to increased professional and personnel expenses. The Corporation continues to build up its management team in anticipation of continued growth in its core operating regions.

## FINANCING COSTS

(000s of dollars)

	Three months ended June 30,			Nine months ended June 30,		
	2023	2022	% change	2023	2022	% change
Mortgage interest	\$ 10,634	\$ 9,363	14%	\$ 30,042	\$ 27,217	10%
Amortization of deferred financing cost	1,659	1,481	12%	4,981	4,321	15%
Financing costs	\$ 12,293	\$ 10,844	13%	\$ 35,023	\$ 31,538	11%

Mortgage interest expenses increased by 14% to \$10.6 million in Q3 2023 from \$9.4 million in Q3 2022.

The rise was mainly attributable to an increase in mortgage loans from refinancing of maturing and new clear title mortgages after the completion of stabilization process. In Q3 2023, the Corporation financed 14 clear title properties for an additional net funding of \$42.4 million at an average interest rate of 3.82%.

As noted above, the mortgage rate for a 10-year fixed CHMC mortgage has increased by almost 150 basis points since the end of the prior financial year.

## RENTAL OPERATIONS

(000s of dollars except per unit data)

Three months ended June 30	Total Portfolio			Same Asset			Acquisition		
	2023	2022	% change	2023	2022	% change	2023	2022	% change
Rental and ancillary revenue	\$ 53,898	\$ 45,497	18%	\$ 48,221	\$ 43,821	10%	\$ 5,677	\$ 1,676	239%
Operating expenses	19,899	17,585	13%	17,574	16,604	6%	2,325	981	137%
Net operating income	\$ 33,999	\$ 27,912	22%	\$ 30,647	\$ 27,217	13%	\$ 3,352	\$ 695	382%
Operating margin	63%	61%		64%	62%		59%	41%	
Average vacancy rate	4.7%	7.3%	(36%)	4.3%	6.7%	(35%)	7.6%	22.3%	(66%)
Weighted average number of units	16,890	15,738	7%	15,081	15,081	–	1,809	657	175%
Average rental rate per unit per month	\$ 1,064	\$ 964	10%	\$ 1,066	\$ 969	10%	\$ 1,046	\$ 850	23%
Average operating expense per unit per month	\$ 393	\$ 372	6%	\$ 388	\$ 367	6%	\$ 428	\$ 498	(14%)

(000s of dollars except per unit data)

Nine months ended June 30	Total Portfolio			Same Asset			Acquisition		
	2023	2022	% change	2023	2022	% change	2023	2022	% change
Rental and ancillary revenue	\$154,313	\$ 133,170	16%	\$141,580	\$ 129,813	9%	\$ 12,733	\$ 3,357	279%
Operating expenses	59,854	53,614	12%	54,129	51,570	5%	5,725	2,044	180%
Net operating income	\$ 94,459	\$ 79,556	19%	\$ 87,451	\$ 78,243	12%	\$ 7,008	\$ 1,313	434%
Operating margin	61%	60%		62%	60%		55%	39%	
Average vacancy rate	4.5%	7.8%	(42%)	4.2%	7.4%	(43%)	7.8%	25.3%	(69%)
Weighted average number of units	16,459	15,448	7%	15,081	15,081	–	1,378	367	275%
Average rental rate per unit per month	\$ 1,042	\$ 958	9%	\$ 1,043	\$ 956	9%	\$ 1,027	\$ 1,016	1%
Average operating expense per unit per month	\$ 404	\$ 386	5%	\$ 399	\$ 380	5%	\$ 462	\$ 619	(25%)

The vacancy rate decreased to 4.7% in Q3 2023, from 7.3% in Q3 2022, mainly due to strong rental demand in the Corporation's core markets, including Alberta and Saskatchewan. Since Q4 2022, the Corporation had seen strong rental housing demand throughout its overall portfolio, as a result of a significant increase in inter-provincial migration, immigration, and foreign and domestic students, especially in the provinces of Alberta and Saskatchewan. As of June 2023, vacancy in Mainstreet's Calgary portfolio was at 1.5%.

As an overall result, the average monthly rental rate increased 10% to \$1,064 per unit in Q3 2023, compared with \$964 per unit in Q3 2022. Overall rental and ancillary revenue increased 18% to \$53.9 million in Q3 2023 as compared to \$45.5 million in Q3 2022. This was mainly due to the decrease in vacancy rate, rental rate increase, reduced tenant concessions and the continued growth of the Corporation's portfolio as the average number of units owned by the Corporation increased 7% over the year.

For same asset properties, which refer to properties owned by the Corporation for the entire twelve-month periods ended June 30, 2023 and 2022, rental and ancillary revenue increased 10% to \$48.2 million in Q3 2023 from \$43.8 million in Q3 2022. The average monthly rental rate increased to \$1,066 per unit in Q3 2023, from \$969 per unit in Q3 2022. The vacancy rate decreased to 4.3% in Q3 2023, from 6.7% in Q3 2022, mainly due to strong demand in the provinces of Alberta and Saskatchewan.

Mainstreet's overall operating expenses increased 13% to \$19.9 million in Q3 2023, from \$17.6 million in Q3 2022, due mainly to the increased number of apartment units.

Both the overall and same asset operating expenses on a per unit basis increased by 6%, mainly as a result of higher utilities and repair and maintenance expenses in Q3 2023.

As a result, overall net operating income increased 22% to \$34.0 million in Q3 2023, from \$27.9 million in Q3 2022, and net operating margins increased to 63% in Q3 2023, from 61% in Q3 2022.

For same asset properties, net operating income increased 13% to \$30.6 million in Q3 2023, from \$27.2 million in Q3 2022. The net operating margins increased to 64% in Q3 2023, from 62% in Q3 2022.

## RENTAL OPERATIONS BY PROVINCE

Mainstreet manages and tracks the performance of rental properties in each of its geographic markets.

### British Columbia

Mainstreet achieved an 11% increase in rental revenue in its British Columbia portfolio in Q3 2023 primarily due to the Corporation's diversification strategy, which drove further expansion into British Columbia's market in 2022 and 2023, and an increase in monthly rents on turnovers of units. Mainstreet achieved 7% growth in its BC portfolio in Q3 2023. The average vacancy rate increased to 1.8% in Q3 2023 from 0.8% in Q3 2022. This is still an above-average occupancy rate, which can be largely attributed to the overall economic performance of British Columbia, which is among the strongest in the country, according to data published by Statistics Canada. As a result, due to this high occupancy rate, rental revenue per unit increased to \$1,186 per month in Q3 2023 from \$1,141 per month in Q3 2022.

Operating expenses per unit increased 8% to \$313 per month in Q3 2023 compared with \$290 per month in Q3 2022, due mainly to increased repair and maintenance expenses of newly acquired unstabilized properties and higher property tax and utility expense. As a result, net operating income increased 10%, and net operating margins decreased to 74% in Q3 2023 from 75% in Q3 2022.

(000s of dollars except per unit data)

	Three months ended June 30,			Nine months ended June 30,		
	2023	2022	% change	2023	2022	% change
Rental and ancillary revenue	\$ 13,000	\$ 11,699	11%	\$ 37,575	\$ 33,830	11%
Operating expenses	3,430	2,971	15%	10,381	9,274	12%
Net operating income	\$ 9,570	\$ 8,728	10%	\$ 27,194	\$ 24,556	11%
Weighted average number of units	3,655	3,419	7%	3,523	3,315	6%
Average rent per unit per month	\$ 1,186	\$ 1,141	4%	\$ 1,185	\$ 1,134	4%
Operating cost per unit per month	\$ 313	\$ 290	8%	\$ 327	\$ 311	5%
Average vacancy rate	1.8%	0.8%		1.3%	0.8%	
Operating margin	74%	75%		72%	73%	

### Alberta

Mainstreet achieved 6% growth in its Alberta portfolio in Q3 2023 and the weighted average number of rental units grew to 9,505 units, compared with 8,940 units in Q3 2022. The rental income increased by 20% to \$30.5 million in Q3 2023 from \$25.4 million in Q3 2022. The average vacancy rate decreased to 4.6% in Q3 2023 from 8.8% in Q3 2022, mainly due to strong demand for apartment rentals in the province. Rental revenue per unit increased 13% to \$1,069 per month in Q3 2023 from \$946 per month in Q3 2022 mainly due to improved occupancy rates and increased rental rates in Q3 2023.

Operating expenses per unit increased 4% to \$423 per month in Q3 2023 compared to \$406 per month in Q3 2022 due mainly to increased utility expenses in Q3 2023. As a result, net operating income increased by 27% to \$18.4 million in Q3 2023 from \$14.5 million in Q3 2022, and net operating margin increased to 60% in Q3 2023 from 57% in Q3 2022.

(000s of dollars except per unit data)

	Three months ended June 30,			Nine months ended June 30,		
	2023	2022	% change	2023	2022	% change
Rental and ancillary revenue	\$ 30,475	\$ 25,364	20%	\$ 87,750	\$ 74,074	18%
Operating expenses	12,076	10,894	11%	36,217	32,512	11%
Net operating income	\$ 18,399	\$ 14,470	27%	\$ 51,533	\$ 41,562	24%
Weighted average number of units	9,505	8,940	6%	9,352	8,771	7%
Average rent per unit per month	\$ 1,069	\$ 946	13%	\$ 1,043	\$ 938	11%
Operating cost per unit per month	\$ 423	\$ 406	4%	\$ 430	\$ 412	4%
Average vacancy rate	4.6%	8.8%		4.5%	10.0%	
Operating margin	60%	57%		59%	56%	

## Saskatchewan

Mainstreet achieved an 14% increase in its rental revenues in its Saskatchewan portfolio in Q3 2023 and a growth of 2% in its portfolio in Q3 2023. The average vacancy rate was 6.3% in Q3 2023 compared to 9.9% Q3 2022. As a result, rental revenue per unit increased to \$939 per month in Q3 2023 from \$835 per month in Q3 2022.

Operating expenses per unit increased 8% to \$399 per month in Q3 2023, from \$371 per month in Q3 2022 due mainly to increased utility and repair and maintenance expenses in Q3 2023. As a result, net operating income increased 18% and net operating margins increased to 58% in Q3 2023 from 56% in Q3 2022.

(000s of dollars except per unit data)

	Three months ended June 30,			Nine months ended June 30,		
	2023	2022	% change	2023	2022	% change
Rental and ancillary revenue	\$ 9,363	\$ 8,199	14%	\$ 27,113	\$ 24,735	10%
Operating expenses	3,979	3,646	9%	12,375	11,551	7%
Net operating income	\$ 5,384	\$ 4,553	18%	\$ 14,738	\$ 13,184	12%
Weighted average number of units	3,325	3,274	2%	3,324	3,269	2%
Average rent per unit per month	\$ 939	\$ 835	12%	\$ 906	\$ 841	8%
Operating cost per unit per month	\$ 399	\$ 371	8%	\$ 414	\$ 393	5%
Average vacancy rate	6.3%	9.9%		7.1%	8.7%	
Operating margin	58%	56%		54%	53%	

## Manitoba

Mainstreet successfully entered the Manitoba market in 2021 with the acquisition of an 87-unit complex in downtown Winnipeg and has subsequently expanded further in 2022 and 2023. The average vacancy rate increased to 17.3% in Q3 2023 from 9.5% in Q3 2022, as more unstabilized units were acquired in 2023 requiring substantial renovations. As a net result, rental revenue per unit was \$872 per month in Q3 2023 compared to \$739 per month in Q3 2022.

Operating expenses per unit increased to \$341 per month in Q3 2023 compared to \$233 in Q3 2022, as a result net operating income increased by 301% to \$0.6 million in Q3 2023 from \$0.2 million in Q3 2022 and net operating margin decreased to 61% in Q3 2023 from 69% in Q3 2022.

(000s of dollars except per unit data)

	Three months ended June 30,			Nine months ended June 30,		
	2023	2022	% change	2023	2022	% change
Rental and ancillary revenue	\$ 1,060	\$ 235	351%	\$ 1,875	\$ 531	253%
Operating expenses	414	74	459%	881	277	218%
Net operating income	\$ 646	\$ 161	301%	\$ 994	\$ 254	291%
Weighted average number of units	405	106	282%	260	93	180%
Average rent per unit per month	\$ 872	\$ 739	18%	\$ 801	\$ 634	26%
Operating cost per unit per month	\$ 341	\$ 233	46%	\$ 376	\$ 331	14%
Average vacancy rate	17.3%	9.5%		14.1%	17.1%	
Operating margin	61%	69%		53%	48%	

## SUMMARY OF QUARTERLY RESULTS

(000s of dollars except per share amounts)

	Jun. 30 2023	Mar. 31 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021
Rental revenue								
British Columbia	\$ 12,762	\$ 12,258	\$ 11,865	\$ 11,666	\$ 11,498	\$ 11,015	\$ 10,698	\$ 10,517
Alberta	30,096	29,064	27,472	26,357	25,117	24,338	23,774	23,269
Saskatchewan	9,236	8,857	8,680	8,380	8,116	8,157	8,123	8,043
Manitoba	897	549	253	254	228	160	133	141
Total rental Revenue	\$ 52,991	\$ 50,728	\$ 48,270	\$ 46,657	\$ 44,959	\$ 43,670	\$ 42,728	\$ 41,970
Ancillary revenue	907	825	592	746	538	753	522	486
Interest income	876	117	535	425	220	75	56	30
Total revenue from operations	\$ 54,774	\$ 51,670	\$ 49,397	\$ 47,828	\$ 45,717	\$ 44,498	\$ 43,306	\$ 42,486
Change in fair value	\$ 23,821	\$ 11,986	\$ 2,923	\$ 50,710	\$ 10,896	\$ 24,191	\$ 1,093	\$ 32,915
<b>Profit (loss) from operations</b>	<b>\$ 34,196</b>	<b>\$ 20,720</b>	<b>\$ 15,002</b>	<b>\$ 56,315</b>	<b>\$ 21,835</b>	<b>\$ 29,982</b>	<b>\$ 12,404</b>	<b>\$ 39,652</b>
Net profit (loss) per share								
– Basic & Diluted	\$ 3.67	\$ 2.22	\$ 1.61	\$ 6.03	\$ 2.34	\$ 3.21	\$ 1.33	\$ 4.24
Same assets rental and ancillary revenue								
British Columbia	\$ 12,015	\$ 11,893	\$ 11,596	\$ 11,503	\$ 11,258	\$ 11,174	\$ 10,881	\$ 9,665
Alberta	26,840	26,262	25,748	25,182	24,181	23,674	23,463	21,191
Saskatchewan	9,189	8,825	8,650	8,469	8,190	8,306	8,198	7,957
Manitoba	177	193	192	198	192	163	133	–
Total same assets rental and ancillary revenue	\$ 48,221	\$ 47,173	\$ 46,186	\$ 45,352	\$ 43,821	\$ 43,317	\$ 42,675	\$ 38,813
Same assets vacancy rate	4.3%	4.2%	4.2%	4.9%	6.7%	7.8%	7.6%	7.6%
Same assets net operating income								
British Columbia	\$ 9,043	\$ 8,484	\$ 8,639	\$ 8,720	\$ 8,488	\$ 8,000	\$ 7,766	\$ 7,627
Alberta	16,242	15,050	15,270	15,097	14,045	12,891	13,657	13,127
Saskatchewan	5,288	4,508	4,718	5,095	4,559	4,376	4,243	4,582
Manitoba	74	41	94	141	125	52	41	–
Total same assets net operating income	\$ 30,647	\$ 28,083	\$ 28,721	\$ 29,053	\$ 27,217	\$ 25,319	\$ 25,707	\$ 25,336
Net operating income	\$ 33,999	\$ 30,357	\$ 30,103	\$ 30,109	\$ 27,912	\$ 25,728	\$ 25,916	\$ 27,442
Funds from operations of stabilized properties – Non-IFRS measurement (Note 1)	\$ 15,382	\$ 11,838	\$ 12,868	\$ 13,085	\$ 11,521	\$ 9,730	\$ 11,016	\$ 12,193
Funds from operations – Non-IFRS measurement	\$ 17,845	\$ 14,144	\$ 15,670	\$ 15,538	\$ 13,474	\$ 11,342	\$ 12,470	\$ 14,001
Funds from operations of stabilized properties per share – Non-IFRS measurement								
– Basic & Diluted	\$ 1.65	\$ 1.27	\$ 1.38	\$ 1.40	\$ 1.23	\$ 1.04	\$ 1.18	\$ 1.30
Funds from operations per share – Non-IFRS measurement (Note 1)								
– Basic & Diluted	\$ 1.91	\$ 1.52	\$ 1.68	\$ 1.66	\$ 1.44	\$ 1.21	\$ 1.33	\$ 1.50
Average vacancy rate								
British Columbia	1.8%	1.3%	0.8%	1.1%	0.8%	0.7%	0.8%	0.9%
Alberta	4.6%	4.4%	4.4%	5.6%	8.8%	11.0%	10.3%	11.8%
Saskatchewan	6.3%	7.3%	7.8%	9.6%	9.9%	8.3%	7.8%	9.2%
Manitoba	17.3%	14.8%	10.2%	10.2%	9.5%	17.2%	24.5%	19.9%
Total average vacancy rate	4.7%	4.5%	4.4%	5.5%	7.3%	8.3%	7.8%	8.7%

1. See “Non-IFRS Measures” and Note (1) to the table titled “Summary of Financial Results” for additional information regarding FFO and a reconciliation of FFO to net profit, the most directly comparable IFRS measurement.

Highlights of the Corporation's financial results for the third quarter ended June 30, 2023:

- Rental and ancillary revenue increased to \$53.9 million, compared to \$51.6 million in Q2 2023 and \$45.5 million in Q3 2022.
- Average vacancy rate for the quarter was 4.7%, compared with 4.5% in Q2 2023 and 7.3% in Q3 2022.
- Change in fair value for the quarter was a gain of \$23.8 million, compared with a gain of \$12.0 million in Q2 2023 and a gain of \$10.9 million in Q3 2022.
- Funds from operations for the quarter were \$17.8 million, a 26% increase from \$14.1 million in Q2 2023 and an 32% increase from \$13.5 million in Q3 2022. See "Non-IFRS Measures".
- Net operating income for the quarter was \$34.0 million, a 12% increase from \$30.4 million in Q2 2023 and a 22% increase from \$27.9 million in Q3 2022.
- Mainstreet's same asset vacancy rate was 4.3% in Q3 2023, a slight increase from 4.2% in Q2 2023 and a decreased from 6.7% in Q3 2022. Same asset revenues were \$48.2 million in Q3 2023, an increase from \$47.2 million in Q2 2023 and \$43.8 million in Q3 2022.
- Net operating income on a same asset basis for the quarter was \$30.6 million, a 9% increase from \$28.1 million in Q2 2023 and a 13% increase from \$27.2 million in Q3 2022.
- Funds from operations related to stabilized properties were \$15.4 million in Q3 2023, a 30% increase from \$11.8 million in Q2 2023 and a 34% increase from \$11.5 million in Q3 2022. See "Non-IFRS Measures"

## STABILIZED PROPERTIES

The Corporation focuses on the acquisition of underperforming properties, renovating them and repositioning the renovated properties in the market at current market rents. Underperforming properties have typically been poorly managed, with substantial deferred maintenance and rents that are often well below current market rental rates.

The Corporation refers to such underperforming properties acquired as "unstabilized properties"; and to the process of renovating and repositioning those acquired unstabilized properties as the "stabilization process". After completion of the stabilization process, such properties are referred to as "stabilized properties". The period of time required for the completion of renovations and repositioning of renovated properties at current market rents depends on the condition of the properties acquired, the amount of renovation work required to bring the property up to Mainstreet's standards and the applicability of rent control legislation to those properties, according to the provinces in which they are acquired.

Based upon the Corporation's past experience, the average period required for the stabilization process is approximately two years in provinces without statutory rent controls, such as the provinces of Alberta and Saskatchewan. In British Columbia, due to applicable statutory rent controls, the allowable annual rent increase for existing tenants is determined by the Tenancy Board of the province of British Columbia (thereby potentially decreasing tenant turnover rate and delaying rent increases to current market levels). For this reason, past experience suggests the average stabilization process in British Columbia is approximately three years.

As of June 30, 2023, 372 properties (14,481 units) out of 442 properties (16,934 units) were stabilized. The following table summarizes the change of the Corporation's stabilized and unstabilized units since the beginning of fiscal year 2023.

	Oct. 1, 2022	%	Acquisition/ Creation	Number of units stabilized	Jun. 30, 2023	%
Stabilized Units	13,618	86%	–	863	14,481	86%
Unstabilized Units	2,277	14%	1,039	(863)	2,453	14%
Total Investment Properties Units	15,895	100%	1,039	–	16,934	100%

The following table summarizes the Corporation's stabilization progress since the beginning of fiscal year 2023.

	Oct. 1, 2022	No. of units stabilized during the period	No. of unstabilized units acquired/created during the period	June 30, 2023
Numbers of unstabilized units held for renovation	2,277	(863)	1,039	2,453
<b>Number of months</b>				
Average time spent on stabilization	13	23	5	14
Estimated remaining time for stabilization	15	–	25	16

During the three and nine months ended June 30, 2023, the Corporation acquired 295 unstabilized units in Calgary, Alberta; acquired 200 unstabilized units in Edmonton, Alberta; acquired 15 unstabilized units in Penticton, British Columbia; acquired 176 unstabilized units in Prince George, British Columbia; acquired 61 unstabilized units in Nelson, British Columbia; acquired 1 unstabilized unit in Saskatoon, Saskatchewan; and acquired 291 unstabilized units in Winnipeg, Manitoba. Some acquired assets require substantial renovation and had rental rates that are considered well below the market for stabilized units. The Corporation has stabilized 863 units in 2023, meaning that renovation work is substantially completed, resulting in rent increases to or near current market levels.

### FUNDS FROM OPERATIONS OF STABILIZED PROPERTIES

For Q3 2023, FFO of Mainstreet's stabilized property portfolio amounted to \$15.4 million (\$1.65 per basic share and per fully diluted share). See "Non-IFRS Measures".

(000s of dollars except per share amounts)

	Three months ended June 30, 2023			Nine months ended June 30, 2023		
	Stabilized properties	Non-stabilized properties	Total	Stabilized properties	Non-stabilized properties	Total
Rental and ancillary rental income	\$ 46,621	\$ 7,277	\$ 53,898	\$ 136,804	\$ 17,509	\$ 154,313
Property operating expenses	16,974	2,925	19,899	51,944	7,910	59,854
<b>Net operating income</b>	<b>\$ 29,647</b>	<b>\$ 4,352</b>	<b>\$ 33,999</b>	<b>\$ 84,860</b>	<b>\$ 9,599</b>	<b>\$ 94,459</b>
Operating margin	64%	60%	63%	62%	55%	61%
Vacancy rate	4.3%	6.7%	4.7%	4.3%	5.8%	4.5%
Interest income	\$ (751)	\$ (125)	\$ (876)	\$ (1,311)	\$ (217)	\$ (1,528)
General & administrative expenses	3,173	1,517	4,690	9,162	4,005	13,167
Financing cost	11,803	490	12,293	33,281	1,742	35,023
Depreciation (computer and vehicle)	40	7	47	117	21	138
Funds from operations – Non-IFRS measurement	\$ 15,382	\$ 2,463	\$ 17,845	\$ 43,611	\$ 4,048	\$ 47,659
Depreciation			\$ 151			\$ 449
Fair value gain			23,821			38,730
Gain on disposal			190			190
Deferred income tax expense			7,509			16,212
<b>Net profit and total comprehensive income</b>			<b>\$ 34,196</b>			<b>\$ 69,918</b>
Funds from operations per share – Non-IFRS measurement						
Funds from operations per share						
– basic & diluted	\$ 1.65	\$ 0.26	\$ 1.91	\$ 4.68	\$ 0.43	\$ 5.11
Weighted average number of shares						
– basic & diluted			9,318,818			9,320,996

(000s of dollars except per share amounts)

	Three months ended June 30, 2022			Nine months ended June 30, 2022		
	Stabilized properties	Non-stabilized properties	Total	Stabilized properties	Non-stabilized properties	Total
Rental and ancillary rental income	\$ 39,841	\$ 5,656	\$ 45,497	\$ 118,361	\$ 14,809	\$ 133,170
Property operating expenses	14,857	2,728	17,585	46,278	7,336	53,614
<b>Net operating income</b>	<b>\$ 24,984</b>	<b>\$ 2,928</b>	<b>\$ 27,912</b>	<b>\$ 72,083</b>	<b>\$ 7,473</b>	<b>\$ 79,556</b>
Operating margin	63%	52%	61%	61%	50%	60%
Vacancy rate	6.6%	11.8%	7.3%	7.1%	12.7%	7.8%
Interest income	\$ (190)	\$ (30)	\$ (220)	\$ (308)	\$ (43)	\$ (351)
General & administrative expenses	3,270	486	3,756	9,641	1,293	10,934
Financing cost	10,333	511	10,844	30,079	1,459	31,538
Depreciation (computer and vehicle)	50	8	58	128	21	149
Funds from operations – Non-IFRS measurement	\$ 11,521	\$ 1,953	\$ 13,474	\$ 32,543	\$ 4,743	\$ 37,286
Depreciation			\$ 183			\$ 529
Fair value gain			10,896			36,180
Gain on disposal			3,219			3,947
Deferred income tax expense			5,571			12,663
<b>Net profit and total comprehensive income</b>			<b>\$ 21,835</b>			<b>\$ 64,221</b>
Funds from operations per share – Non-IFRS measurement						
Funds from operations per share						
– basic & diluted	\$ 1.23	\$ 0.21	\$ 1.44	\$ 3.48	\$ 0.51	\$ 3.99
Weighted average number of shares						
– basic & diluted			9,341,202			9,343,879

In Q3 2023, FFO of the stabilized property portfolio increased 34% to \$15.4 million as compared to \$11.5 million in Q3 2022, while the number of stabilized units increased 6% to 14,481 units as of June 30, 2023 compared to 13,601 units as of June 30, 2022. The increase in FFO for stabilized properties was due to the improved vacancy rates during the quarter.

(000s of dollars)

	Three months ended June 30,			Nine months ended June 30,		
	2023	2022	% change	2023	2022	% change
FFO of stabilized properties (Note 2)	\$ 15,382	\$ 11,521	34%	\$ 43,611	\$ 32,543	34%
Number of stabilized units	14,481	13,601	6%	14,123	13,538	4%

2. See “Non-IFRS Measures” and Note (1) to the table titled “Summary of Financial Results” for additional information regarding FFO and a reconciliation of FFO to net profit, the most directly comparable IFRS measurement.

## LIQUIDITY & CAPITAL RESOURCES

Access to liquidity is important as it allows the Corporation to implement its overall strategy. Liquidity is an important measure of the availability of sufficient cash to fund ongoing business activities and capital and liability commitments. Liquidity is defined to include cash and cash equivalents on hand plus estimated new financings of clear title assets and up-financings of maturing mortgages, assuming current lending criteria remains mainly unchanged. With the COVID-19 pandemic, current inflation and the increase in interest rates, the importance of liquidity has been magnified even more.

The mortgage rate for a 10-year fixed CHMC mortgage has increased by almost 150 basis points since the end of the prior financial year. The Corporation will continue to cautiously monitor this trend in interest rates and will need to consider the same in making decisions when its mortgages mature and need to be renewed.

### ***Working Capital Requirement***

Mainstreet requires sufficient working capital to cover day-to-day operating and mortgage expenses as well as income tax payments. In Q3 2023, after payments of all required expenses, the Corporation generated funds from operations of \$17.8 million.

Management expects funds generated from operations will continue to grow in the long term when more units are renovated and re-introduced to the market at higher rental rates, and Management believes that these funds should be sufficient to meet the Corporation's working capital requirements on a year-to-year basis going forward. As of June 30, 2023, potential working capital deficiency is being managed through the available liquidity under banking facilities as well as the ongoing financing of mortgages payable, which is discussed and analysed in the session entitled "Financing" below.

### ***Other Capital Requirements***

Mainstreet also needs sufficient capital to finance continued growth and capital improvement. In Q3 2023, the Corporation spent approximately \$24.0 million on acquisitions and capital improvements. Management expects the following capital resources to be sufficient to meet the capital requirements on a year-to-year basis.

### **Financing**

Debt financing after property stabilization and maturity of initial loans is a cornerstone of Mainstreet's business strategy. Management believes this unlocks the value added through stabilization and liberates capital for future growth.

Management also believes this mitigates the risk of anticipated interest rate hikes and minimizes the costs of borrowing. Mainstreet continually refinances as much floating and maturing debt as possible into long-term debt, primarily CMHC insured mortgages.

In Q3 2023, the Corporation financed 14 clear title properties for an additional net funding of \$42.4 million at an average interest rate of 3.82%.

The mortgage rate for a 10-year fixed CMHC mortgage has increased by almost 150 basis points since the end of the prior financial year. The Corporation will continue to cautiously monitor this trend in interest rates and will need to consider the same in making decisions when its mortgages mature and need to be renewed.

As of June 30, 2023, the Corporation owned title to 77 clear title properties and five development lots having an aggregate fair value of approximately \$343 million.

High commodity prices and global supply chain constraints have pushed inflation up, with the consumer price index (CPI) being 2.8% in June 2023. In response the Bank of Canada has significantly increased interest rates during the current financial year. It remains unclear if further increases in the interest rates will occur and for how long higher interest rates will continue for. Mainstreet has attempted to deal with the risk of inflation and the correlated increase in interest rates by locking its debt into long-term maturities.

If required, Mainstreet believes it could raise additional capital funds through mortgage financing at competitive rates under which these clear title properties would be pledged as collateral.

The Corporation's policy for capital risk management is to keep a debt-to-fair value of investment properties ratio under 70%. The current ratio is approximately 50%, which Management believes will leave considerable room to raise additional funds from refinancing if the need arises.

### **Banking Facility**

Effective January 2014, the Corporation was granted a banking facility to a maximum of \$85 million with a syndicate of chartered financial institutions. The facility is secured by a floating charge against the Corporation's assets and carries an interest rate of prime plus 1.15%. The facility requires monthly interest payments and is renewable every three years subject to the mutual agreement of the lenders and the Corporation. The Corporation has extended the maturity date to December 2, 2025. As at June 30, 2023, the Corporation has drawn \$Nil (September 30, 2022 – \$Nil) against this credit facility.

Additionally, the Corporation entered into a \$45 million revolving credit facility with a third-party financial institution, which carries an interest rate equal to the prime rate. As at June 30, 2023, the Corporation has drawn \$0.3 million (September 30, 2022 – \$Nil) against this credit facility.

Both facilities contain financial covenants to maintain an overall funded debt to gross book value ratio of not more than 65% and debt service ratio of not less than 1.2. As of June 30, 2023, the Corporation's overall funded debt to gross book value ratio and debt service coverage ratio are 50% and 1.62, respectively.

## CONTRACTUAL OBLIGATIONS

As of June 30, 2023, the Corporation had the following contractual obligations, which are anticipated to be met using the existing revolving credit facility, funds from operations and proceeds from the refinancing of maturing and floating mortgage loans.

## PAYMENTS DUE BY PERIOD

Estimated principal payments required to retire the mortgage obligations as of June 30, 2023 are as follows:

(000s of dollars)

Years ending June 30,	Amount
2024	\$ 240,536
2025	160,967
2026	131,515
2027	223,411
2028	119,472
Subsequent	699,627
	1,575,528
Deferred financing cost	(36,940)
	\$ 1,538,588

## LONG-TERM DEBT

(000s of dollars)

	Amount	% of debt	Average interest rate (%)
Fixed rate debt			
– CMHC-insured	\$ 1,560,309	99%	2.69%
– non-CMHC-insured	15,219	1%	3.47%
Total debt	1,575,528	100%	2.69%
Deferred financing costs	(36,940)		
	\$ 1,538,588		

Mainstreet's long-term debt consists of low-rate, fixed-term mortgage financing. All individual mortgages are secured with their respective real estate assets. Based largely on the fair value of properties, Management believes this financing reflects the strength of its property portfolio. The maturity dates for this debt are staggered to mitigate overall interest rate risk.

As of June 30, 2023, total mortgages payable were \$1,539 million compared to \$1,433 million on September 30, 2022, an increase resulting from financing and acquisition activity during the nine months ended June 30, 2023.

As of June 30, 2023, Management believes the Corporation's financial position to be stable, with overall mortgage levels reported at 50% of the fair value of investment properties. About 99% of the Corporation's mortgage portfolio was CMHC-insured, providing Mainstreet with what management believes are interest rates lower than those available through conventional financing.

To maintain cost-effectiveness and flexibility of capital, Mainstreet continually monitors short-term and long-term interest rates. When doing so is expected to provide a benefit, the Corporation intends to convert short-term floating-rate debt to long-term, CMHC-insured fixed-rate debt.

## MORTGAGE MATURITY SCHEDULE

(000s of dollars)

Maturing during the following financial year end	Balance maturing	% of debt maturing	Weighted average rate on expiry (%)
2023	86,604	5%	3.38%
2024	129,616	8%	3.36%
2025	140,625	9%	3.63%
2026	262,962	17%	2.37%
2027	75,895	5%	3.13%
Subsequent	879,826	56%	2.44%
	\$ 1,575,528	100%	2.69%

The average maturing term of mortgage loans is 6.02 years as of June 30, 2023, compared to 6.15 years as of September 30, 2022.

## INTERNAL CONTROLS

Disclosure controls and procedures (“DC&P”) are designed to provide reasonable assurance that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. DC&P are also designed to include controls and procedures designed to ensure that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Corporation’s Management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

The preparation of this information is supported by an internal control and procedure framework designed by Management to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control and procedure framework related to the Corporation’s Internal Control over Financial Reporting (“ICFR”) and DC&P were designed in accordance with Risk Management and Governance – Guidance on Control, published by the Canadian Institute of Chartered Accountants and the requirements of National Instrument 52-109 of the Canadian Securities Administrators entitled, “Certification of Disclosure in Issuer’s Annual and Interim Filings”.

As at June 30, 2023, Mainstreet determined that there were no material weaknesses in the design of its ICFR or DC&P. Mainstreet’s Management evaluated, or caused to be evaluated under its supervision, the effectiveness of its ICFR and DC&P as at June 30, 2023. Based on this evaluation, Management has concluded that the Corporation’s ICFR and DC&P were effective as at June 30, 2023.

As at June 30, 2023, Mainstreet has confirmed that it has designed DC&P to provide reasonable assurance that information required to be disclosed by Mainstreet in its annual filings, interim filings, or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation and includes controls and procedures designed to ensure that information required to be disclosed by Mainstreet in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to Mainstreet’s management, including its certifying officer, as appropriate to allow timely decisions regarding required disclosure. No changes were made to the Corporation’s DC&P during the quarter ended June 30, 2023.

As at June 30, 2023, Mainstreet confirmed it had designed its ICFR to provide reasonable assurances regarding the reliability of the financial reporting and the preparation of financial statements and information for external purposes in accordance with IFRS and that the ICFR operated effectively throughout the reported period. The Corporation may, from time to time, make changes aimed at enhancing their effectiveness and ensuring that these systems evolve with the Corporation’s business. There were no changes in the Corporation’s ICFR during the quarter ended June 30, 2023, which have materially affected, or are reasonably likely to materially affect, the Corporation’s ICFR.

## Financial Instruments & Risk Management

### *Fair value of financial assets and liabilities*

The Corporation's financial assets and liabilities comprise restricted cash, cash and cash equivalents, trade and other receivables, mortgages payable, trade and other payables, and refundable security deposits. Fair values of financial assets and liabilities, summarized information related to risk management positions, and discussion of risks associated with financial assets and liabilities are presented as follows.

The fair values of restricted cash, cash and cash equivalents, trade and other receivables, trade and other payables, and refundable security deposits approximate their carrying amounts due to the short-term maturity of those instruments.

The fair values of mortgages receivable and payable are determined using the current market interest rates as discount rates, the net present value of principal balances and future cash flows over the terms of the mortgages. In identifying the appropriate level of fair value, the Corporation performs a detailed analysis of financial assets and liabilities. The inputs used to measure fair value determine different levels of the fair value hierarchy categorized as follows:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3: Values based on valuation techniques for which any significant input is not based on observable market data.

The fair values of financial assets and liabilities were as follows:

(000s of dollars)

		June 30, 2023		September 30, 2022	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets:</b>					
Restricted cash	Level 2	\$ 4,599	\$ 4,599	\$ 3,901	\$ 3,901
Cash and cash equivalents	Level 2	49,106	49,106	44,560	44,560
Trade and other receivables	Level 2	2,008	2,008	1,547	1,547
<b>Financial liabilities:</b>					
Mortgages payable	Level 2	1,538,588	1,465,688	1,433,453	1,359,828
Trade and other payables	Level 2	9,734	9,734	9,909	9,909
Refundable security deposits	Level 1	\$ 6,762	\$ 6,762	\$ 5,821	\$ 5,821

\* Refundable security deposits for Alberta and Saskatchewan are considered as restricted cash as they are held in trust bank accounts and subject to the contingent rights of third parties.

See also the Notes to the Corporation's audited consolidated financial statements for the fiscal years ended September 30, 2022 and 2021 (the "Annual Financial Statements") for additional information regarding financial assets and the risks associated therewith.

### **Risk Associated with Financial Assets & Liabilities**

The Corporation is exposed to risks arising from its financial assets and liabilities. These include market risk related to interest rates, credit risk and liquidity risk. For detailed explanations of these risks, refer to the section entitled "Risk Assessment and Management".

## SHARE CAPITAL

### Authorized:

Unlimited number of common voting shares with no par value

Unlimited number of preferred shares with no par value

Issued, outstanding and fully paid:

	Nine months ended June 30, 2023		Year ended September 30, 2022	
	Number of common shares	Amount	Number of common shares	Amount
Issued and outstanding				
– beginning of the period	9,326,718	\$ 26,441	9,345,218	\$ 26,494
Shares purchased for cancellation	(7,900)	(22)	(18,500)	(53)
Issued and outstanding				
– end of the period	9,318,818	\$ 26,419	9,326,718	\$ 26,441

All common shares share an equal right to dividends.

On June 1, 2023, Mainstreet announced that it had obtained approval from the Toronto Stock Exchange (“TSX”) to repurchase up to 474,499 common shares of the Corporation under a Normal Course Issuer Bid (“NCIB”) commencing June 3, 2023. The current NCIB expires on June 2, 2024. The Corporation’s previous NCIB expired on May 31, 2023.

During the three and nine months ended June 30, 2023 and 2022, the Corporation purchased and cancelled Nil (2022 – 9,200) and 7,900 (2022 – 9,200) common shares at an average price of Nil (2022 – \$112.94) and \$116.33 (2022 – \$112.94) respectively, per common share under its NCIB.

From time to time the market price of the common shares may not reflect their underlying value, and in such circumstances, Management believes that the acquisition of its common shares for cancellation is in the best interest of Mainstreet. The acquisition returns capital to shareholders in a tax-efficient manner that is accretive to net asset value. Mainstreet will continue to assess on an ongoing basis whether purchases of its common shares under the NCIB are warranted.

## STOCK OPTIONS

The Corporation has no issued and outstanding stock options. Since March 24, 2017, the Corporation was unable to grant any further options under the Corporation’s prior stock option plan. Upon the expiration or exercise of all remaining issued and outstanding stock options under the Corporation’s prior stock option plan, the plan expired in accordance with the terms thereof. The Corporation has not adopted a new stock option plan at this time.

## Shareholder Rights Plan

Effective February 21, 2013, the Board of Directors of the Corporation approved the adoption of a shareholder rights plan agreement (the “Rights Plan”) dated February 21, 2013 between the Corporation and Computershare Trust Company of Canada. The Rights Plan was ratified and approved by shareholders of the Corporation on March 21, 2013 and subsequently amended and renewed by the shareholders of the Corporation on March 18, 2016, March 29, 2019 and March 11, 2022. The Rights Plan was most recently amended to amend the definition of “Expiration Time” from 2022 to 2025. The Rights Plan will expire at the termination of the annual general meeting of shareholders of the Corporation scheduled for the 2025 fiscal year unless otherwise renewed at or prior to that time.

Immediately upon the Rights Plan coming into effect, one right (“Right”) was issued and attached to each common share of the Corporation outstanding and will continue to attach to each common share subsequently issued.

The Rights will separate from the common shares of the Corporation and will be exercisable on the close of business on the 10th trading day after the earlier of the date on which a person has acquired 20% or more of, or a person commences or announces a take over bid for, the Corporation’s outstanding common shares, other than an acquisition pursuant to a Permitted Bid or a Competing Permitted Bid as such terms are defined under the Rights Plan.

The acquisition by a person of 20% or more of the common shares of the Corporation is referred to as a “Flip In Event”. When a Flip In Event occurs, each Right (except for Rights beneficially owned by an Acquiring Person or certain transferees of an Acquiring Person, which Right will be void pursuant to the Rights Plan) becomes a right to purchase from the Corporation, upon exercise thereof, in accordance with the terms of the Rights Plan, that number of common

shares having an aggregate market price on the date of consummation or occurrence of such Flip In Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price. The Exercise Price for the Rights provided in the Rights Plan is \$100. As an example, if at the time of the Flip-in Event the Common Shares have a market price of \$25, the holder of each Right would be entitled to receive \$200 (twice the Exercise Price) in market value of the Common Shares (8 Common Shares) for \$100, i.e.: at a 50% discount.

Certain exemptions exist under the Rights Plans for Portfolio Managers and Grandfathered Persons as such terms are defined in the Rights Plan.

A complete copy of the Rights Plan as amended and renewed, including the specific provisions thereof, is available under the Corporation's profile filed on SEDAR.

### **Key accounting estimates and assumptions**

The following are the key accounting estimates and assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- i) Significant estimates used in determining the fair value of investment properties include capitalization rates, market rent, vacancy rate, net operating income and operating expenses. A change to any one of these inputs could significantly alter the fair value of an investment property. Please refer to Note 3 to the interim condensed consolidated financial statements for a sensitivity analysis;
- ii) Significant estimates used in determining the fair value of financial instruments include the discount rate used to discount the future cash flows of mortgages for similar loans with similar credit ratings and the same maturities. Please refer to Note 12 to the interim condensed consolidated financial statements;
- iii) Allocation of purchase cost in the acquisition of investment properties is based on information from industry practice and entity specific history;
- iv) Allocation of purchase cost in the acquisition of property and equipment into different components, estimation of useful life and impairment, are based on information from industry practice and entity specific history; and
- v) The amount of temporary differences between the book carrying value of the assets and liabilities versus the tax basis values and the future income tax rate at which these differences will be realized.

Actual results could differ from estimates.

### **Transactions with Related Parties**

- a) The President and Chief Executive Officer is paid a commission at commercial rates in his capacity as a licensed broker for certain property transactions conducted by the Corporation in its normal course of business. Commissions are determined on an exchange value basis. Except in very limited circumstances, these commissions are paid by the selling third party or third parties to the transaction. The commissions received by the President and Chief Executive Officer during the three and nine months ended June 30, 2023, amounted to \$87,755 (2022 – \$76,250) and \$347,114 (2022 – \$300,368).

These commissions form part of the CEO's annual compensation. Each year the Chief Executive Officer is entitled to receive an annual performance bonus based upon pre-determined performance goals and discretionary bonus amounts determined by the board of directors. In making such determination, the board of directors takes in consideration the amount of commissions paid to the Chief Executive Officer during each year, such that once determined, that portion of the annual performance bonus paid in cash to the CEO by the Corporation amounts to the difference between the amount of the CEO's annual performance bonus determined by the board of directors, if any, less the amount of commissions paid to the Chief Executive Officer during that year. As a result, the actual portion of the discretionary bonus, if any, paid by the Corporation each year to the Chief Executive Officer will be reduced by the amount of third party paid commissions to the Chief Executive Officer during that year.

- b) The Corporation paid legal and professional fees and reimbursements for the three and nine months ended June 30, 2023, amounting to \$82,512 (2022 – \$50,307) and \$298,302 (2022 – \$368,319) to a law firm of which a director and officer of the Corporation is a Senior Associate. As at June 30, 2023, the amounts payable to the law firm were \$811 (September 30, 2022 – \$315). These fees were incurred at amounts which in management's opinion approximate fair market value that would be incurred by a third-party law firm.

## **Off Balance Sheet Arrangements**

No off balance sheet arrangement was made by the Corporation for 2023.

## **Subsequent Events**

Subsequent to quarter-ended June 30, 2023, the Corporation acquired additional 3 commercial units in the Province of Alberta for a total consideration of \$3.6 million.

## **Risk Assessment and Management**

Management defines risk as the evaluation of the probability that an event that could negatively affect the financial condition or results of the Corporation may happen in the future. The following section describes specific and general risks that could affect the Corporation. As it is difficult to predict whether any risk will occur or what its related consequences might be, the actual effect of any risk on the business of the Corporation could be materially different than anticipated. The following discussion of risk does not include all possible risks as there may be other risks of which the Corporation is currently unaware. Please also see the risks which are summarized in the Corporation's Annual Information Form for the year ended September 30, 2022 ("AIF").

### **Inflation, Labour Shortages and Supply Chain Risk**

There is a risk that the Corporation could be adversely affected due to market changes particularly in supply, inflation, interest rates and regional rent controls. Canada saw significant inflation in the latter part of 2022 with the effects of inflation continuing to be felt in the first half of 2023, against the backdrop of sustained higher housing process, substantial supply constraints and geopolitical conflicts, all of which have increased prices for energy and agricultural markets. There has also been significant disruption to the global supply chain in the past year, including as a result of Russia's ongoing invasion of Ukraine, further disrupting global recovery as economies emerge from the impact of the pandemic. Further, as labour and material shortages persist, the expected onset of new supply of rental housing may take longer as construction completion times are extended. All of this increases the supply risk to the Corporation.

### **Interest Rate Risk**

The Corporation is exposed to interest rate risk to the extent of any upward or downward revision in prime lending rates. Increases in the interest rate, such as those seen throughout 2022 and 2023, have the potential to adversely affect the profitability of the Corporation. The Corporation attempts to mitigate this risk by staggering the maturity dates for its mortgages. The majority of Mainstreet's mortgages and fixed-rate mortgage financings are insured by Canada Mortgage and Housing Corporation ("CMHC") under the National Housing Association ("NHA") mortgage program. This added level of insurance offered to lenders allows the Corporation to receive the best possible financing and interest rates, and significantly reduces the potential for a lender to call a loan prematurely.

Previously, the Corporation had seen the mortgage interest rate for a 10-year fixed CHMC mortgage remain at a low level which has provided an opportunity for the Corporation to obtain financing at lower interest rates when mortgages matured and needed to be renewed. The Corporation took advantage of this opportunity and fixed 100% of its long-term debt into fixed rate debts, of which 99% are fixed as CMHC insured mortgages at an average interest rate of 2.69%. However, the mortgage rate for a 10-year fixed CHMC mortgage has increased by almost 150 basis points since the beginning of the financial year. The Corporation will continue to cautiously monitor this trend in interest rates, and will need to consider the same in making decisions when its mortgages mature and need to be renewed.

### **Vacancy Risk**

The Corporation is subject to tenant vacancy risk when, in some markets and under certain economic conditions, housing/condominiums are affordable, financing is readily available and interest rates are low, making it easier for renters to become homebuyers. This increases vacancy rates and decreases rental revenue cash flow.

Vacancy rates can also be affected negatively by increased supply of multi-family units in the Corporation's core markets. Numerous other residential developers and apartment owners compete for potential tenants. Although it is Mainstreet's strategy to own multi-family residential properties in premier locations in each market in which it operates, some of the apartments or its competitors may be newer, better located or offer lower rents. In addition, an increase in alternative housing could have a material adverse effect on the Corporation's ability to lease units and in the rents charged and could adversely affect the Corporation's revenues and ability to meet its obligations.

Accordingly, the Corporation's performance will always be affected by the supply and demand for multi-family rental real estate in Western Canada. The potential for reduced rental revenue exists in the event that Mainstreet is not able to maintain its properties at a high level of occupancy, or in the event of a downturn in the economy, which could result in lower rents or higher vacancy rates. Mainstreet has minimized these risks by:

- attempting to increase customer satisfaction;
- diversifying its portfolio across Western Canada, thus lowering its exposure to regional economic swings;
- acquiring properties only in desirable locations, where vacancy rates for properties are higher than city-wide averages but can be reduced by repositioning the properties through better management and selective upgrades;
- holding a balanced portfolio which includes a variety of multi-family building types including high-rise, townhouse, garden and walk-ups, each with its own market niche;
- maintaining a wide variety of suites, including bachelor suites, one, two and three bedroom units;
- building a broad and varied customer base, thereby avoiding economic dependence on larger-scale tenants;
- focusing on affordable multi-family housing, which is considered a stable commodity;
- advertising and offering competitive market pricing to attract new tenants;
- developing a specific rental program characterized by rental adjustments that are the result of enhanced services and superior product; and
- developing regional management teams with significant experience in the local marketplace, and combining this experience with its existing operations and management expertise.

### **Economic Uncertainty**

Any worldwide or regional economic slowdown, capital market uncertainty and international political credit crisis or uncertainty could adversely impact the business and the future profitability of the Corporation. During any period of economic uncertainty tenants may experience financial difficulty and may default in payment of rent or possibly look for less expensive accommodations thereby having a corresponding longer-term impact on rental and vacancy rates. In addition, Mainstreet's ability to obtain financing or renegotiate line of credit financing may be negatively affected.

In addition, Russia's ongoing invasion of Ukraine has contributed to global economic uncertainty, including further disruptions to the global supply chain and increased prices for energy and agricultural markets, further disrupting global recovery from the pandemic and increasing inflation.

While it appears that Western Canada's economic growth rate is starting to recover, it is uncertain how strong this recovery will be in the short term, which may result in a tempering of housing and rental demand and a decline in net migration with a corresponding impact on the Corporation's rental and occupancy levels. Another unknown is the impact of various recently enacted or pending government initiatives, including increases to operating costs resulting from carbon tax legislation and the implementation of new climate change plans at both the provincial and federal government levels. However, the prairie provinces have seen some economic growth in recent months, with increased oil prices and a diversification of their economy.

### **Utilities and Tax Risk**

Mainstreet's business is exposed to fluctuating utility and energy costs such as electricity and natural gas (heating) prices as well as exposure to significant increases in property taxes. Utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. In recent years, water and sewer costs have increased significantly, as have other forms of direct and indirect "taxes" imposed by various municipalities. Any significant increase in these costs that cannot be passed on to the tenant / customer may have a significant impact on the operations of the Corporation.

Management continues to monitor all these costs very closely. In order to mitigate these risks, the Corporation has implemented the following steps:

- where possible, electrical sub-metering devices have been installed, passing on the responsibility for electrical charges to the end tenant / customer;
- where possible, direct metering conversion programs have been implemented which effectively introduced a volume-based consumption system rather than a flat rate, in turn lowering operating costs for the Corporation;

- in other cases, rents have been, or will be adjusted upward to cover increased costs; and
- where possible, the Corporation enters into long term supply contracts at a fixed price.

For example, Mainstreet has entered into a fixed rate natural gas contract at \$2.66 per GJ in Alberta with a maturity date of February 1, 2024, and in Surrey, British Columbia, Mainstreet has completed a water meter conversion program for all its properties.

In addition, over the past few years, municipal property taxes have increased as a result of revaluations of municipal properties and their inherent tax rates. These revaluations may result in significant increases in some property assessments due to enhancements, which often are not represented on the Corporation's balance sheet as such representations are contrary to existing IFRS reporting standards. To address these risks, the Corporation has a team of property reviewers who, with the assistance of outside consultants, constantly review property tax assessments and, if warranted, appeal them. While it is not unusual for the Corporation to receive property tax refunds and / or adjustments, due to uncertainty of the timing and the amount of the refunds or adjustments, these amounts are only reported when they are actually received.

### **Risks of Real Estate Property Ownership**

Real estate investments and projects are, generally, subject to numerous risks depending on the nature and location of the property that can affect attractiveness and sale ability of real estate assets to potential purchasers or other investors, or the owner's use of such real estate assets, all of which are beyond the control of the Corporation. Such risks include:

- the highly competitive nature of the real estate industry;
- changes in general economic conditions (such as the availability and cost of the property or widespread fluctuations in adjacent property values);
- changes in general or local conditions (such as the supply of competing real estate assets or the possibility of competitive overbuilding or the inability to obtain full occupancy or other usage of any real estate assets);
- governmental regulation, rules or policies (such as increased taxation on the sale of or profits from real estate property, environmental legislation or municipal approvals for usage, development or subdivision); and
- changes in costs or operating expenses anticipated for real estate assets.

Each segment in the real estate industry is capital intensive and is typically sensitive to interest rates. Any proceeds generated by the sale of real estate assets depend upon general economic conditions and, accordingly, the ability to repay its financing may be affected by changes in those conditions. The Corporation will be required to make certain significant expenditures in respect of its business including, but not limited to, the payment of property taxes, mortgage payments, property management costs, insurance costs and related charges which must be made regardless of whether real estate assets are producing sufficient income to service such expenses. If the Corporation is unable or unwilling to meet the payment obligations on such loans, losses could be sustained as a result of the exercise by the lenders of their rights of foreclosure or sale. As a result, the Corporation's ability to make interest payments or distributions of cash could be adversely affected.

In addition, real estate property investments are relatively illiquid. This illiquidity will tend to limit the ability of the Corporation to vary its property portfolio promptly in response to changes in economic or investment conditions. If the Corporation were required to quickly liquidate its assets, there is risk that the Corporation would realize sale proceeds of less than the stated value of the properties of the Corporation. The Corporation's property portfolio is concentrated in British Columbia, Alberta and Saskatchewan. As a result, economic and real estate conditions in Western Canada will significantly affect the Corporation's revenues and the value of its properties.

### **Renovation Risks**

The Corporation is subject to the financial risk of having unoccupied units during extended periods of renovations. During renovations, these properties are unavailable for occupancy and do not generate income. Certain significant expenditures, including property taxes, maintenance costs, interest payments, insurance costs and related charges must be made throughout the period of ownership of real estate property regardless of whether the property is producing revenue. Delays in the renovation of a building or individual apartment units as a result of labour and material shortages and similar risks, could delay the renting of such building or units resulting in an increased period of time where the building is not producing revenue or produces less revenue than a fully tenanted building. As the Corporation intends to source labour from other countries and renovation supplies directly from manufacturers in China and elsewhere, the

Corporation will be subject to related immigration expenses, possible changes in laws related to the use of migrant or immigrant labour, shipping risks and delays, and currency fluctuations, all of which may result in unexpected or higher costs or possible delays. The Corporation intends to address these risks by acquiring financing to fund renovations, staggering renovations and by carrying out a detailed capital expenditures budget to monitor its cash position on a monthly basis. However, recent and possible new changes in federal immigration laws related to migrant or immigrant labour may have a negative impact regarding mitigating an increase in labour costs and expenses.

In addition, high commodity prices and global supply chain constraints have pushed inflation up, with the consumer price index (CPI) being 2.8% in June 2023, and it is unclear how long this upward pressure will continue. This may result in higher costs in respect of renovations.

## Pandemic and Other Diseases Risk

The COVID-19 pandemic has illustrated the substantial impact a pandemic can have on the economy. Uncertain economic conditions resulting from this or any pandemic may, in the short or long term, have a materially adverse impact on the Corporation's tenants and/or capital markets, both of which could materially adversely affect the Corporation's operations and financial performance. It remains difficult to reliably estimate the impact of pandemics or other diseases on the financial results and condition of the Corporation in future periods.

In particular: (i) in the event that new travel bans or limitations on in person post-secondary classes are implemented in the future as a result of pandemics, similar decreases in the operations and financial performance of the Corporation may occur; (ii) in the event of any requirements to defer the eviction of tenants who do not pay their rent, or an inability by the Corporation to increase rent in certain of its markets, imposed by government authorities in response to future pandemics or other health emergencies, there may result in an increase in its bad debt expense and the Corporation be exposed to an increased credit risk; (iii) future pandemics may result in uncertainty and impact valuations of the Corporation's properties; and (iv) should the Corporation be required to take actions as a result of a future pandemic, such actions may cause interruption to the Corporation's business; these actions may include increased administration, maintenance and repair expenses, increased cleaning and maintenance of the property, increased communication and technology costs and increased costs related to obtaining personal protection equipment for team members, temporary closures of the Corporation's administrative offices and moves to remote working, temporary or long-term adverse impacts on the Corporation's supply chain and labour and the potential of increased network vulnerability and risk of data loss resulting from increased use of remote access and removal of data from the Corporation's facilities.

## Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in a financial loss for the Corporation. The Corporation is exposed to credit risk as some tenants may experience financial difficulty and may default in payment of rent in the current economic environment. However, the Corporation attempts to minimize possible risks by conducting in-depth credit assessments of all tenants and collecting security deposits from tenants. The Corporation's tenants are numerous, which also reduces the concentration of credit risk. As tenants' rent is due at the beginning of the month, all amounts in accounts receivable are considered overdue by the Corporation. As of June 30, 2023, rents due from current tenants amounted to \$765,000 (September 30, 2022 – \$1,080,000). The possibility of not receiving payment of rent due from current tenants was covered by security deposits of \$6.8 million (September 30, 2022 – \$5.8 million) and provisions for bad debts of \$160,000 (September 30, 2022 – \$160,000).

The aging bands of rents due from current tenants as at June 30, 2023 and September 30, 2022 are outlined in the table below:

(000s of dollars)

	Jun. 30, 2023	Sep. 30, 2022
0-30 days	\$ 543	\$ 699
31-60 days	104	171
61-90 days	53	24
Over 90 days	65	186
<b>Total rents due from current tenants</b>	<b>\$ 765</b>	<b>\$ 1,080</b>

In relation to cash, cash equivalents and restricted cash, the Corporation believes that its exposure to credit risk is low. The Corporation places its cash, cash equivalents and restricted cash only with Schedule 1 and provincial crown corporation Canadian financial institutions.

## **Liquidity Risk**

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its financial obligations. The Corporation manages its liquidity risk by monitoring forecast cash flows on a regular basis to meet expected operating expenses, by maintaining adequate banking facilities, by managing mortgage debt secured by its investment properties and by matching the maturity profiles of assets and liabilities. Please see "Liquidity and Capital Resources" above.

An investment in real estate is relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit the Corporation's ability to divest itself of certain of its properties promptly in response to changing economic, investment or other conditions. If the Corporation was to be required to quickly liquidate its real property, the proceeds to the Corporation might be significantly less than the aggregate carrying or net asset value of its properties or less than what would be expected to be received under normal circumstances, which could have an adverse effect on the Corporation's financial condition and financial performance. Illiquidity may also result from legal or contractual restrictions on the resale of properties. In addition, in recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and, during an economic recession, the Corporation may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the Corporation to dispose of properties at lower prices in order to generate sufficient cash for operations. There can be no assurance that the fair market value of any properties held by the Corporation will not decrease in the future.

## **Financing Risk**

Mainstreet anticipates that it will make substantial capital expenditures for the acquisition of properties in the future. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Mainstreet. Moreover, future activities may require Mainstreet to alter its capitalization significantly. The inability of Mainstreet to access sufficient capital for its operations could have a material adverse effect on Mainstreet's financial condition, the result of its operations or its overall prospects.

## **Disclosure Controls & Procedures on Internal Control over Financial Reporting Risk**

Mainstreet's business could be adversely impacted if it has deficiencies in its disclosure controls and procedures or internal control over financial reporting. The design and effectiveness of Mainstreet's disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While Management continues to review the design and effectiveness of Mainstreet's disclosure controls and procedures and internal control over financial reporting, Mainstreet provides no assurance that its disclosure controls and procedures or internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, particularly material weaknesses, in internal control over financial reporting which may occur in the future could result in misstatements of Mainstreet's results of operations, restatements of its financial statements, a decline in the share price, or otherwise materially adversely affect Mainstreet's business, reputation, results of operation, financial condition or liquidity.

## **Reliance on Key Employees**

Mainstreet's success depends in large measure on certain key executive personnel. The loss of the services of such key personnel could have a material adverse effect on the Corporation. Mainstreet does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations are likely to be of central importance. In addition, competition for qualified personnel in the industry is intense, and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Mainstreet.

## **Income Tax Risk**

Mainstreet intends to file all required income tax returns and believes that it will be in full compliance with the provisions of the Income Tax Act (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of Mainstreet, whether by re-characterization and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

## Market Risks

The economic performance and value of the Corporation's investments in real estate assets will be subject to all of the risks associated with investing in real estate, including, but not limited to:

- changes in the national, regional, provincial and local economic climates;
- local conditions, including an oversupply of properties or a reduction in demand for properties;
- the attractiveness of all or parts of real estate assets to renters or purchasers;
- competition from other available real estate assets; and
- changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes.

The Corporation's performance will be affected by the supply and demand for property in its geographic area(s) of ownership. Key drivers of demand include employment levels, population growth, demographic rents and consumer confidence. The potential for reduced rental revenue exists in the event that demand diminishes or supply becomes overabundant thereby driving down prices for real estate assets.

## Acquisitions Risks

Mainstreet's growth depends in large part on identifying suitable acquisition opportunities, pursuing such opportunities and consummating acquisitions. It is not possible to manage all risks associated with such acquisitions in the terms and conditions contained in commercial agreements pertaining to such acquisitions. The real estate assets may be subject to unknown, unexpected or undisclosed liabilities that may materially and adversely affect the Corporation's operations, financial condition and results. The representations and warranties, if any, given by arm's length third parties to the Corporation may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Moreover, real estate assets acquired by the Corporation may not meet expectations of operational or financial performance due to unexpected costs associated with developing an acquired property, as well as the general investment risks inherent in any real estate investment.

## Appraisals of Properties

An appraisal is an estimate of market value and caution should be used in evaluating data with respect to appraisals. It is a measure of value based on information gathered in the investigation, appraisal techniques employed and quantitative and qualitative reasoning, leading to an opinion of value. The analysis, opinions and conclusions in an appraisal are typically developed based on and in conformity with, interpretations of the guidelines and recommendations set forth in the Canadian Uniform Standards of Professional Appraisal Practice. Appraisals are based on various assumptions of future expectations of property performance and while the appraiser's internal forecast of net income for the properties appraised are considered to be reasonable at that time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

## Environmental, Health and Safety Risks

Under various environmental, health and safety laws, ordinances and regulations, the current or previous owner or operator of properties acquired or refinanced by the Corporation, may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such properties. These costs could be substantial. Such laws could impose liability whether or not the Corporation knew of, or was responsible for, the presence of such hazardous or toxic substances when it acquired a property.

The presence of hazardous or toxic substances, or the failure to remove or remediate such substances, if any, or restrictions imposed by environmental, health and safety laws on the manner in which such properties may be operated or developed could adversely affect the Corporation's ability to sell such properties and could potentially also result in claims against the Corporation.

Environmental, health and safety laws provide for sanctions for non compliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental, health and safety laws and common law principles could be used to impose liability for release of and exposure to hazardous substances into the air. Third parties may seek recovery from real property owners or operators for personal injury or property damage associated with exposure to released hazardous substances. In addition, third parties may seek recovery from the Corporation in the event of an outbreak of COVID-19 or other illness in a property owned by the Corporation. The cost of defending against claims of liability, of complying with environmental, health and safety regulatory requirements, of remediating any contaminated property or of paying personal injury claims could be substantial.

The Corporation may be subject to liability for undetected pollution or other environmental hazards against which it cannot insure, or against which it may elect not to insure where premium costs are disproportionate to the Corporation's perception of relative risk. Such factors may have an adverse impact on the Corporation.

Mainstreet has policies and procedures to review and monitor environmental exposure, including the completion of environmental audits in connection with the Corporation's due diligence procedures when looking at potential acquisitions when the Corporation deems advisable.

### **Cyber Security Risk**

Cyber security has become an increasingly important issue for corporations and businesses. A cyber-attack is an intentional attack which can include gaining unauthorized access to information systems to disrupt business operations, corrupt data or steal confidential information. Such an attack could compromise Mainstreet, its employees and tenants' confidential information, and third parties with whom Mainstreet interacts and may result in negative consequences, including remediation costs, loss of revenue, data corruption, additional regulatory scrutiny, litigation and reputational damages. As a result, Mainstreet has implemented processes, procedures and controls to help mitigate these cyber-security risks, but these measures do not guarantee that cyber-attack can be totally avoided due to ever increasing sophistication of all forms of cyber-attacks.

### **Climate Change Risk**

There is growing risk that an increase in global average temperatures due to emissions of greenhouse gases and other human activities have or will cause significant changes in weather patterns and increase the frequency and severity of climate stress events. Climate change, including the impact of global warming, creates physical and financial risk. Physical risks from climate change include an increase in sea level and changes in weather conditions, such as an increase in intense precipitation and extreme heat events, as well as tropical and non-tropical storms.

Mainstreet owns buildings in locations that may be susceptible to climate stress events or adverse localized effects of climate change, such as sea-level rise and increased storm frequency or intensity. The occurrence of one or more natural disasters, such as hurricanes, fires, floods, and earthquakes (whether or not caused by climate change), could cause considerable damage to its properties, disrupt operations and negatively impact Mainstreet's financial performance. To the extent these events result in significant damage to or closure of one or more of Mainstreet's buildings, its operations and financial performance could be adversely affected through lost tenants and an inability to lease or re-lease the space. In addition, these events could result in significant expenses to restore or remediate a property, increases in fuel (or other energy) prices or a fuel shortage, increases in the costs of insurance if they result in significant loss of property or other insurable damage, and the introduction of or increases in climate change taxes such as provincial or federal carbon taxes or cap and trade taxes.

### **No History of Dividends**

Mainstreet has not declared or paid any dividends on its common shares since its incorporation. Any decision to pay dividends on the shares will be made by the board of directors on the basis of the Mainstreet's earnings, financial requirements and other conditions existing at such future time. The dividend policy of Mainstreet is established by the directors and is subject to change at the discretion of the directors. The recourse of shareholders who disagree with the dividend policy or any change in policy is limited and could require such shareholders to seek to replace the directors. Other than pursuant to corporate law and compliance with the provisions of its banking facility, there is no restriction that could prevent Mainstreet from paying dividends or another form of distribution in respect of the common shares.

### **Workforce Availability**

Mainstreet's ability to provide services to its existing tenants is somewhat dependent on the availability of well-trained employees and contractors to service such tenants as well as complete required maintenance and capital upgrades on its buildings. The Corporation must also balance requirements to maintain adequate staffing levels while balancing the overall cost to the Corporation.

Within Mainstreet, its most experienced employees are employed full-time; this full-time force is supplemented by, seasonal and full-time immigrant labour, additional part-time employees, and specific contract services needed by the Corporation. Mainstreet constantly reviews existing overall market factors to ensure that its compensation program is in line with existing levels of responsibility and, if warranted, adjusts the program accordingly. Mainstreet also encourages employees' feedback in these areas to ensure existing programs are meeting their personal needs.

## **Uninsured Losses**

The Corporation carries comprehensive general liability, fire, flood, earthquake, tornado, natural disaster, extended coverage, rental loss and vacancy insurance with policy specifications, limits and deductibles customarily carried for similar properties. However, there are certain types of risks, generally of a catastrophic nature, such as wars, terrorist attacks or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, the Corporation could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

From time to time the Corporation may be subject to lawsuits as a result of the nature of its business. The Corporation intends to maintain business and property insurance policies in amounts and with such coverage and deductibles as are deemed appropriate, based on the nature and risks of the businesses, historical experience and industry standards. However, there can be no assurance that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against the Corporation that is not covered by, or in excess of, the Corporation's insurance could materially affect the Corporation's operating results and financial condition, which would have an adverse effect on the Corporation. Claims against the Corporation, regardless of their merit or eventual outcome, will require the Corporation's management to devote time to matters unrelated to the operation of the business.

## **Substitutions for Residential Rental Units**

Demand for residential rental properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. Recently, interest rates offered by financial institutions for financing home ownership have been at low levels. If the interest rates offered by financial institutions for home ownership financing remain low, demand for rental properties may be adversely affected. A reduction in the demand for rental properties may have a material adverse effect on the Corporation's ability to lease suites and on the rents charged. This, in turn, may have a material adverse effect on the Corporation's business, cash flows, financial condition and results from operations.

## **Litigation Risks**

In the normal course of the Corporation's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries or illness, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Corporation and as a result, could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results from operations. Even if the Corporation prevails in any such legal proceeding, the proceedings could be costly and time consuming and may divert the attention of management and key personnel from the Corporation's business operations, which could have a material adverse effect on the Corporation's business, cash flows, financial condition and results of operations and ability to make dividends to shareholders.

## **Regulatory Risks and Adverse Changes in Law**

The Corporation is subject to laws and regulations governing the ownership and leasing of real property, zoning, building standards, landlord/tenant relationships, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, municipal or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the Corporation (including with retroactive effect). Any changes in the laws to which the Corporation is subject could materially affect its rights and title to its assets. It is not possible to predict whether there will be any further changes in the regulatory regimes to which the Corporation is subject or the effect of any such changes on its business.

Increases in real estate taxes and income, service and transfer taxes, or introductions of new taxes such as previously or to be enacted carbon taxes, cannot always be passed through to residents or users in the form of higher rents, and may adversely affect the Corporation's operating expenses and to pay amounts due on its debt. Similarly, changes or interpretations of existing laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions, as well as changes in laws affecting development, construction and safety requirements, may result in significant unanticipated expenditures, which could have a material

adverse effect on the Corporation. Further, residential landlord/tenant laws in certain provinces may provide tenants with the right to bring certain claims to the applicable judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the Corporation may, in the future, incur capital expenditures, which may not be fully recoverable from tenants.

## **Rent Control**

The Corporation may be subject to legislation that exists or is enacted in certain jurisdictions, which restricts the right of landlords to increase rents charged to tenants. As a result, the inability to adjust rents to address higher operating costs or to improve margins on certain properties may have an adverse effect on the returns available from such properties.

Currently, the Corporation operates in Canada in the provinces of Alberta, British Columbia, Saskatchewan and Manitoba. Neither Alberta nor Saskatchewan is subject to rent control legislation; however, under Alberta rent legislation, a landlord is only entitled to increase rents once every twelve months.

Under British Columbia's rent control legislation, a landlord is entitled to increase the rent for existing tenants once every twelve months by no more than the "guideline amount" established by regulations. The guideline amount effective January 1, 2022 was 1.5% and effective January 1, 2023 is 2%. When a unit is vacant, however, the landlord is entitled to lease the unit to a new tenant at market rental amount, after which annual increases are limited to the applicable guideline amount. The landlord may also be entitled to a greater increase in rent for a unit under certain circumstances, including, for example, where extra expenses have been incurred as a result of a renovation of that unit.

Under Manitoba's rent control legislation, a landlord is entitled to increase the rent for existing and new tenants once every twelve months at the set anniversary date of the particular unit, by no more than the "guideline limit" established by the provincial government. During COVID-pandemic, the rent amounts were frozen with the rent increase guideline limit set at 0% until December 31, 2023.

To manage this risk, prior to entering a market where rent controls are in place, extensive time is spent researching existing rules, and, where possible, the Corporation will ensure it utilizes employees who are experienced in working in these controlled environments. In addition, the Corporation adjusts forecast assumptions on new acquisitions to ensure they are reasonable given the rent control environment.

## **Operational Risks**

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed infrastructure, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal or regulatory proceedings. Mainstreet endeavours to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and, if deemed necessary, improvements are implemented.

## **Public Market Risk**

It is not possible to predict the price at which Mainstreet's common shares will trade and there can be no assurance that an active trading market for the common shares will be sustained. The common shares will not necessarily trade at values determined solely by reference to the value of the properties of the Corporation. Accordingly, the common shares may trade at a premium or a discount to the value implied by the value of the Corporation's properties. The market price for common shares may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the Corporation.

### **Potential Conflicts of Interest**

Mainstreet may be subject to various conflicts of interest because of the fact that directors and officers of the Corporation are engaged in other real estate-related business activities. The Corporation may become involved in transactions which conflict with the interests of the foregoing. Directors may from time-to-time deal with persons, firms, institutions or corporations with which the Corporation may be dealing, or which may be seeking investments similar to those desired by the Corporation. The interests of these persons could conflict with those of the Corporation. In addition, from time to time, these persons may compete with Mainstreet for available investment opportunities. Directors and officers of the Corporation are required to disclose material interests in material contracts and transactions and to refrain from voting thereon. See also "Transactions with Related Parties" above and "Interests of Management and Others in Material Transaction" in Mainstreet's AIF.

## CHALLENGES

Despite major opportunities for growth, rising costs continue to pose a challenge to Mainstreet. Primarily, higher interest rates raise the cost of any new debt. Mainstreet has spent years establishing a long-term debt position to fortify itself against eventual rate increases. By securing early finance pre-matured debts and agreeing to pay higher up-front borrowing costs on certain mortgages, Mainstreet extended its obligations over longer periods (10 years instead of the typical five). Mainstreet has in turn locked in 99% of its debt into fixed-term debt with an average maturity and interest rate of 6.2 years and 2.69%, respectively. Recognizing that inflationary periods are often transitory in nature, management has strategically negotiated for shorter-term open mortgages that provide flexibility for early renewal when and if interest rates fall.

Inflationary pressures also increase the cost of everything from labour to materials. Canadian job vacancies have come down from their peak in Q2 2022, according to Statistics Canada, but competition for talent remains fierce. This has raised Mainstreet's labour costs and made hiring more challenging. That said, Mainstreet has managed to limit its exposure to shortages through various avenues including foreign worker programs.

Major fixed expenses like property taxes (up 2%), insurance, and utilities (up 13%) also remain high. Carbon taxes, which place the financial burden on property owners, are scheduled to rise annually, from \$65 per tonne today to \$170 by 2030. Management has addressed higher energy costs by securing various longer-term natural gas contracts, pursuant to which Mainstreet currently pays well below current spot prices. The Corporation also managed to reduce its insurance costs more than 13% for fiscal 2023 by obtaining improved premium rates and coverage.

Mainstreet continues its efforts to counteract inflation and rising interest rates. Although higher costs erode its operating margins and negatively impact the bottom line, some of the financial burden will ultimately be passed onto tenants through soft rent increases.

## OUTLOOK

### Rental market continues to tighten

Management expects average rental rates across Canada to rise as demand continues to outpace supply. However, Mainstreet believes supply shortages in the real estate market, combined with inflation and rising interest rate, will continue to deter first-time home buyers and incentivize renters. High immigration rates will also underpin those market fundamentals, a trend the Corporation views as unlikely to change given the federal government's indication that immigration and international students are a bedrock of its plan to grow the economy.

### Accelerated acquisitions

Mainstreet's team continues to see risk-adjusted opportunities for growth supported by Mainstreet's large liquidity position, as higher interest rates could force more distressed sellers onto the market. Such dynamics create growth potential through opportunistic acquisitions. As ever, the Corporation will maintain its strategy of countercyclical growth by acquiring assets only when it prioritizes true value creation. As in past quarters, the Corporation's acquisition efforts will continue to emphasize portfolio diversification, evidenced by Mainstreet's recent expansion into the Winnipeg market.

### BC remains a standout

Mainstreet expects Vancouver/Lower Mainland will continue to drive growth and performance. Vacancies in the region remain among the lowest in the country while rental rates are among the highest. British Columbia has become central to Mainstreet's portfolio, accounting for approximately 42% of Mainstreet's estimated net asset value ("NAV") based on IFRS value. With an average monthly mark-to-market gap of \$638 per suite per month, 98% of Mainstreet's customers in the region are below the average market rent. According to the Corporation's estimates, that translates into approximately \$26 million in NOI growth potential via mark to market gaps after accounting for tenancy turnover and gradual rent increases.

## Western bound

Alberta had an in-migration rate of 51,700 in Q1 2023, as improved economic prospects and relatively affordable housing drew a near-record number of newcomers to the province. The figure is comparable to the last two quarters of 2022, when Alberta had the largest influx of international and interprovincial migrants in its history. Mainstreet believes high in-migration rates will in turn continue to push housing prices upward. Benchmark home prices rose 1.5% in Calgary and 1.6% in Edmonton in June as a flood of people entered Alberta. Saskatchewan's provincial in-migration also grew sharply, with 5,700 people coming to the province in Q4, compared with 2,500 the year prior.

## Closing the NOI gap

Current market conditions create a rare opportunity for Mainstreet. The Corporation's stabilization rates are higher than average due to its high rate of acquisitions in recent quarters, while Mainstreet's vacancy rates are lower than average (4.7%, including unstabilized properties which accounted for 14% of portfolio). This discrepancy provides substantial opportunity for Mainstreet to continue extracting value from existing assets by aggressively repositioning units.

## Turning intangibles to tangibles

Over Mainstreet's 23-year history, the Corporation has strategically built up an extensive portfolio of 800+ buildings in desirable neighborhoods that management believes offers significant intangible value. Management is in the early stages of exploring a three-pronged plan to potentially capitalize on adding more value to Mainstreet's existing assets at low cost. This strategy involves three key pillars: turning unused/residual space within existing buildings into new units; exploring zoning and density relaxations to assess the excess 'capacity/density' to expand/build new within the existing land footprint; or subdividing residual lands to maximize useable space. While the plan is currently conceptual in nature, management views it as yet another aspect of Mainstreet's inherent value proposition over the long term. Given the ongoing housing shortage in Canada, management team believes now is the ideal time for Mainstreet to explore such possibilities, particularly as the Corporation aims to align its goals with policymakers, who are increasingly seeking densification options in order to reduce housing costs.

## RUNWAY ON EXISTING PORTFOLIO

- 1. Pursuing 100% organic, non-dilutive growth model:** Using Mainstreet's strong potential liquidity position, estimated at \$307 million, management believes there is significant opportunity to continue acquiring underperforming assets at attractive valuations.
- 2. Boosting NOI:** As of Q3 2023, 14% of Mainstreet's portfolio was going through the stabilization process. Once stabilized, management remains confident same-asset revenue, vacancy rates, NOI and FFO will be meaningfully improved. Management is cautiously optimistic that Mainstreet can boost cash flow in coming quarters. In the BC market alone, management estimates that the potential upside based on mark-to-market gaps for NOI growth is approximately \$26 million. The Alberta market in particular also has substantial room for rent-to-market catch up.
- 3. Buying back shares at a discount:** management believes MEQ shares continue to trade below their true NAV, and that ongoing macroeconomic volatility could intensify that trend.

## ADDITIONAL INFORMATION

Additional information about Mainstreet, including its AIF, is available on the Corporation's website at [www.mainst.biz](http://www.mainst.biz) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## INTERM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(\$000s of Canadian dollars)

	Jun. 30, 2023	Sep. 30, 2022
<b>Assets</b>		
<b>Non-current assets</b>		
Investment properties [Note 3]	\$ 2,998,132	\$ 2,817,905
Property and equipment	7,039	7,346
Intangible assets	1,115	1,031
	<b>3,006,286</b>	<b>2,826,282</b>
<b>Current assets</b>		
Property held for sale [Note 4]	12,302	12,508
Prepaid assets	8,278	2,725
Prepaid current income tax	110	110
Trade and other receivables	2,008	1,547
Restricted cash	4,599	3,901
Inventory	2,170	1,859
Cash and cash equivalents	49,106	44,560
	<b>78,573</b>	<b>67,210</b>
<b>Total Assets</b>	<b>\$ 3,084,859</b>	<b>\$ 2,893,492</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Mortgages payable [Note 5]	\$ 1,304,693	\$ 1,321,072
Deferred tax liabilities	249,771	233,559
	<b>1,554,464</b>	<b>1,554,631</b>
<b>Current liabilities</b>		
Mortgages payable [Note 5]	233,895	112,381
Trade and other payables	9,734	9,909
Refundable security deposits	6,762	5,821
Bank indebtedness [Note 6]	255	–
	<b>250,646</b>	<b>128,111</b>
<b>Total Liabilities</b>	<b>1,805,110</b>	<b>1,682,742</b>
<b>Equity</b>		
Share capital [Note 7]	26,419	26,441
Retained earnings	1,253,330	1,184,309
<b>Total Equity</b>	<b>1,279,749</b>	<b>1,210,750</b>
<b>Total Liabilities and Equity</b>	<b>\$ 3,084,859</b>	<b>\$ 2,893,492</b>

See accompanying notes to these interim condensed consolidated financial statements.

[Signed]

[Signed]

"Bob Dhillon, Director"

"Joe Amantea, Director "

July 20, 2023

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT AND TOTAL COMPREHENSIVE INCOME

Unaudited

(\$000s of Canadian dollars, except per share amounts)

	Three months ended June 30, 2023	Three months ended June 30, 2022	Nine months ended June 30, 2023	Nine months ended June 30, 2022
Rental revenue [Note 8]	\$ 52,991	\$ 44,959	\$ 151,989	\$ 131,357
Ancillary revenue	907	538	2,324	1,813
Total rental and ancillary revenue	53,898	45,497	154,313	133,170
Property operating expenses [Note 9]	19,899	17,585	59,854	53,614
Net operating income	33,999	27,912	94,459	79,556
Financing costs [Note 10]	12,293	10,844	35,023	31,538
General and administrative expenses [Note 9]	4,690	3,756	13,167	10,934
Depreciation	198	241	587	678
Interest income	(876)	(220)	(1,528)	(351)
	16,305	14,621	47,249	42,799
Profit before change in fair value and income tax	17,694	13,291	47,210	36,757
Change in fair value [Note 3]	23,821	10,896	38,730	36,180
Gain from disposal of assets	190	3,219	190	3,947
Profit before income tax	41,705	27,406	86,130	76,884
Deferred income tax expense (recovery)	7,509	5,571	16,212	12,663
Net profit and total comprehensive income	\$ 34,196	\$ 21,835	\$ 69,918	\$ 64,221
Profit per share				
– basic and fully diluted [Note 11]	\$ 3.67	\$ 2.34	\$ 7.50	\$ 6.87

See accompanying notes to these interim condensed consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(\$000s of Canadian dollars)

	Share Capital	Retained Earnings	Total Shareholders' Equity
Balance, October 1, 2021	\$ 26,494	\$ 1,065,815	\$ 1,092,309
Shares purchased for cancellation	(26)	(1,013)	(1,039)
Profit for the period	–	64,221	64,221
Balance, June 30, 2022	\$ 26,468	\$ 1,129,023	\$ 1,155,491
Balance, October 1, 2022	\$ 26,441	\$ 1,184,309	\$ 1,210,750
Shares purchased for cancellation [Note 7]	(22)	(897)	(919)
Profit for the period	–	69,918	69,918
Balance, June 30, 2023	\$ 26,419	\$ 1,253,330	\$ 1,279,749

See accompanying notes to these interim condensed consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASHFLOWS

Unaudited

(\$000s of Canadian dollars)

Nine months ended June 30,	2023	2022
<b>Cash obtained from (used in) operating activities</b>		
Net profit	\$ 69,918	\$ 64,221
Adjustments for:		
Depreciation	587	678
Change in fair value	(38,730)	(36,180)
Deferred income tax expense	16,212	12,663
Gain from disposal of assets	(190)	(3,947)
Financing costs [Note 10]	35,023	31,538
Deferred financing costs incurred	(3,011)	(6,184)
Interest paid on mortgages [Note 10]	(30,042)	(27,217)
Cash from operating activities before changes in non-cash working capital	49,767	35,572
Change in working capital		
Prepaid assets	(5,553)	(2,216)
Trade and other receivables	(461)	(4,458)
Inventory	(311)	(119)
Restricted cash	(698)	(183)
Trade and other payables	1,307	699
Refundable security deposits	941	322
Cash from operating activities	44,992	29,617
<b>Financing activities</b>		
Bank indebtedness	255	–
Financing of investment properties	122,908	144,688
Mortgage principal repayments	(21,332)	(20,133)
Mortgage payments upon refinancing	(4,478)	(40,353)
Repurchase of shares	(919)	(1,039)
Cash from financing activities	96,434	83,163
<b>Investing activities</b>		
Purchase of and additions to investment properties [Note 3]	(136,912)	(101,524)
Purchase of and additions to property and equipment	(73)	(776)
Purchase of and additions to intangible assets	(291)	(98)
Proceeds from disposal	520	14,081
Purchase of and additions to property held for sale	(124)	(185)
Cash used in investing activities	(136,880)	(88,502)
<b>Net (decrease) increase in cash and cash equivalents</b>	4,546	24,278
<b>Cash and cash equivalents, beginning of period</b>	44,560	19,224
<b>Cash and cash equivalents, end of period</b>	\$ 49,106	\$ 43,502
<b>Cash and cash equivalents are comprised of:</b>		
Cash	\$ –	\$ –
Short-term deposits	49,106	43,502
	\$ 49,106	\$ 43,502

See accompanying notes to these interim condensed consolidated financial statements.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended June 30, 2023 and 2022

(Thousands of Canadian dollars, except share and per share amounts and amounts within narrative)

### 1. GENERAL

Mainstreet Equity Corp. (the "Corporation") is a Canadian real estate corporation, incorporated under the Business Corporations Act (Alberta), focused on acquiring and managing mid-market residential rental apartment buildings in major markets primarily in Western Canada. The registered office and head office of the Corporation are located at 1413 2nd Street SW Calgary, Alberta T2R 0W7 and 305 10th Avenue SE Calgary, Alberta T2G 0W2, respectively. Navjeet (Bob) Dhillon, President and Chief Executive Officer of the Corporation, owns approximately 46% of the outstanding common shares of the Corporation.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) Statement of compliance

The interim condensed consolidated financial statements of the Corporation have been prepared in compliance with International Accounting Standards ("IAS") 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and adopted by the Chartered Professional Accountants of Canada ("CPA"). Accordingly, certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed and, therefore, these financial statements should be read in conjunction with the annual audited consolidated financial statements for the fiscal year ended September 30, 2022.

#### b) Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair value. The consolidated financial statements are prepared on a going concern basis and have been prepared in Canadian dollars which is the functional currency rounded to the nearest thousand. The accounting policies set out below have been applied consistently in all material respects.

#### c) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, MEQ Asset Management Corp. All inter-company transactions, balances, revenue and expenses have been eliminated on consolidation.

#### d) Key accounting estimates and assumptions

The following are the key accounting estimates and assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- i) Significant estimates used in determining the fair value of investment properties include capitalization rates, market rent, vacancy rate, net operating income and operating expenses. A change to any one of these inputs could significantly alter the fair value of an investment property. Please refer to Note 3 for sensitivity analysis;
- ii) Significant estimates used in determining the fair value of financial instruments include the discount rate used to discount the future cash flows of mortgages for similar loans with similar credit ratings and the same maturities. Please refer to Note 12;
- iii) Allocation of purchase cost in the acquisition of investment properties is based on information from industry practice and entity specific history;
- iv) Allocation of purchase cost in the acquisition of property and equipment into different components, estimation of useful life and impairment, are based on information from industry practice and entity specific history; and
- v) The amount of temporary differences between the book carrying value of the assets and liabilities versus the tax basis values and the future income tax rate at which these differences will be realized.

Actual results could differ from estimates.

#### e) Government Grant

The Corporation receives government supplement to assist in providing affordable rental suites to low income-earning individuals. Government supplements are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and that the grants will be received. In accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance ("IAS 20"), the supplement is being recognized in rental revenue on a consistent basis and evenly over the periods of the grant that offered to the affordable suites.

### 3. Investment properties

(000s of dollars)

	Nine months ended Jun. 30, 2023	Year ended Sep. 30, 2022
Balance, beginning of year	\$ 2,817,905	\$ 2,616,154
Additions related to acquisitions	124,656	91,772
Building improvements	16,965	23,873
Reclass to property and equipment	–	(580)
Property held for resale	(124)	(204)
Change in fair value	38,730	86,890
Balance, end of year	\$ 2,998,132	\$ 2,817,905

The Corporation has established an internal valuation model, which is based on the same assumptions and valuation techniques used by the external valuation professionals. The Corporation groups its investment properties in each city by their types and geographic locations. Samples are selected in each group for independent appraisal. The fair value of the sampled investment properties held by the Corporation as of June 30, 2023 and September 30, 2022, were determined through external valuations obtained from independent qualified real estate appraisers who are members of the Appraisal Institute of Canada and have appropriate qualifications and experience in the valuation of the Corporation's investment properties in the relevant locations. The appraised values of the samples selected are compared with their appraised values of the previous corresponding financial quarters. The percentage changes in values of those samples selected were applied to the whole population of each group in determination of the fair value of investment properties of the Corporation as of June 30, 2023 and September 30, 2022. Properties are selected on a rotational basis and approximately 40% of the Corporation's portfolio is externally valued annually. For the three month period ended June 30, 2023, a fair value gain of \$23.8 million was recorded on the financial statement as a result of changes in the fair value of investment properties based on the most recent market conditions in the reporting periods.

In arriving at an appropriate capitalization rate for each property, the Corporation has applied qualitative adjustments to the recent sales of comparable properties in a similar market. The average capitalization rates used in determining the fair value of investment properties are set out below:

	Jun. 30, 2023	Sep. 30, 2022
Lower Mainland, BC	3.78%	3.68%
BC excluding Lower Mainland	4.32%	4.35%
Calgary, Alberta	5.38%	5.07%
Edmonton, Alberta	5.69%	5.42%
Saskatoon, Saskatchewan	5.55%	5.47%
Regina, Saskatchewan	6.07%	5.48%
Winnipeg, Manitoba	5.79%	5.79%
Investment properties-weighted average capitalization rate	5.01%	4.79%

The Corporation uses the direct capitalization method to determine a fair value, which requires that an estimated forecasted net operating income ("NOI") be divided by a capitalization rate ("Cap Rate"). As such, changes in both NOI and Cap Rate would significantly alter the fair value of investment properties. The tables below set out the impact of changes in both NOI and Cap Rate on the Corporation's fair values.

#### As at Jun 30, 2023

Net operating income	-3%	-1%	As estimated	+1%	+3%
	\$ 145,522	\$ 148,523	\$ 150,023	\$ 151,523	\$ 154,524
Capitalization rate					
-0.25%	4.76%	\$ 59,059	\$ 122,094	\$ 153,612	\$ 185,129
Cap rate used	5.01%	\$ (93,495)	\$ (33,606)	\$ 2,998,132	\$ 26,284
+0.25%	5.26%	\$ (231,548)	\$ (174,505)	\$ (145,984)	\$ (117,462)
		\$ (60,419)			

As at September 30, 2022

		-3%	-1%	As estimated	+1%	+3%
Net operating income		\$ 130,682	\$ 133,377	\$ 134,724	\$ 136,071	\$ 138,766
Capitalization rate						
-0.25%	4.54%	\$ 60,559	\$ 119,909	\$ 149,584	\$ 179,259	\$ 238,609
Cap rate used	4.79%	\$ (89,674)	\$ (33,421)	\$ 2,817,905	\$ 22,831	\$ 79,083
+0.25%	5.04%	\$ (225,003)	\$ (171,541)	\$ (144,810)	\$ (118,079)	\$ (64,617)

Investment properties with a fair value of \$2,656 million (September 30, 2022 – \$2,486 million) are pledged as security against the Corporation's mortgages payable.

#### 4. PROPERTY HELD FOR SALE

During the year ended September 30, 2021, the Corporation acquired a property with 136 units for resale purposes in Calgary, Alberta. The Corporation has sold 69 units as of June 30, 2023. The Corporation expects to dispose of the remaining units within the next 12 months, and consequently, the asset is presented within the current assets section.

#### 5. MORTGAGES PAYABLE

Mortgages payable bear interest at a weighted average interest rate of 2.69% (September 30, 2022 – 2.57%) per annum and are payable in monthly principal and interest installments totaling \$5.9 million (September 30, 2022 – \$5.4 million), maturing from 2023 to 2032 and are secured by specific charges against specific investment properties, having a fair value of \$2,656 million (September 30, 2022 – \$2,486 million).

(000s of dollars)

	Jun. 30, 2023	Sep. 30, 2022
Non-current	\$ 1,304,693	\$ 1,321,072
Current	233,895	112,381
	\$ 1,538,588	\$ 1,433,453

The following table reconciles the changes in cash flows from financing activities for long-term debt:

(000s of dollars)

	Jun. 30, 2023	Sep. 30, 2022
Opening balance	\$ 1,433,453	\$ 1,357,177
Financing of investment properties	122,908	144,688
Mortgage assumed to purchase investment properties	6,067	–
Mortgage principal repayments	(21,332)	(27,354)
Mortgage payments upon refinancing	(4,478)	(40,353)
Deferred financing cost	1,970	(705)
Closing balance	\$ 1,538,588	\$ 1,433,453

Estimated principal payments required to retire the mortgage obligations as of June 30, 2023 are as follows:

(000s of dollars)

Years ending June 30,	Amount
2024	\$ 240,536
2025	160,967
2026	131,515
2027	223,411
2028	119,472
Subsequent	699,627
	1,575,528
Deferred financing cost	(36,940)
	\$ 1,538,588

## 6. BANK INDEBTEDNESS

Effective January 2014, the Corporation was granted a banking facility to a maximum of \$85 million with a syndicate of chartered financial institutions. The facility is secured by a floating charge against the Corporation's assets and carries an interest rate of prime plus 1.15%. The facility requires monthly interest payments and is renewable every three years subject to the mutual agreement of the lenders and the Corporation. The Corporation has extended the maturity date to December 2, 2025. As at June 30, 2023, the Corporation has drawn \$Nil (September 30, 2022 – \$Nil) against this credit facility.

Additionally, in 2022, the Corporation entered a \$45 million revolving credit facility with a third-party financial institution, which carries an interest rate equal to the prime rate. As at June 30, 2023, the Corporation has drawn \$0.3 million (September 30, 2022 – \$Nil) against this credit facility.

Both facilities contain financial covenants to maintain an overall funded debt to gross book value ratio of not more than 65% and debt service ratio of not less than 1.2. As of June 30, 2023, the Corporation's overall funded debt to gross book value ratio and debt service coverage ratio are 50% and 1.62, respectively.

## 7. SHARE CAPITAL

### Authorized:

Unlimited number of common voting shares with no par value

Unlimited number of preferred shares with no par value

Issued, outstanding and fully paid:

	Nine months ended June 30, 2023		Year ended September 30, 2022	
	Number of common shares	Amount	Number of common shares	Amount
Issued and outstanding				
– beginning of the period	9,326,718	\$ 26,441	9,345,218	\$ 26,494
Shares purchased for cancellation	(7,900)	(22)	(18,500)	(53)
Issued and outstanding				
– end of the period	9,318,818	\$ 26,419	9,326,718	\$ 26,441

All common shares have an equal right to dividends.

On June 1, 2023, Mainstreet announced that it had obtained approval from the Toronto Stock Exchange ("TSX") to repurchase up to 474,499 common shares of the Corporation under a Normal Course Issuer Bid ("NCIB") commencing June 3, 2023. The current NCIB expires on June 2, 2024. The Corporation's previous NCIB expired on May 31, 2023.

During the three and nine months ended June 30, 2023 and 2022, the Corporation purchased and cancelled Nil (2022 – 9,200) and 7,900 (2022 – 9,200) common shares at an average price of Nil (2022 – \$112.94) and \$116.33 (2022 – \$112.94) respectively, per common share under its NCIB.

## 8. REVENUE FROM INVESTMENT PROPERTIES

The components of revenue from investments properties are as follows:

(000s of dollars)

	Three months ended June 30		Nine months ended June 30	
	2023	2022	2023	2022
Rental revenue	\$ 52,597	\$ 44,623	\$ 150,847	\$ 130,378
Other rental revenue (1) (2)	394	336	1,142	979
	\$ 52,991	\$ 44,959	\$ 151,989	\$ 131,357

(1) Consists of revenues from parking and recovery of certain operating costs.

(2) The Corporation recognized a government grant of \$150,000 for rental supplement purposes from The Manitoba Housing and Renewal Corporation during the quarter. The rental supplement is recognized as other rental revenue on a consistent basis and recognized evenly over the periods.

## 9. EXPENSES BY NATURE

The components of property operating expenses and general and administrative expenses are as follows:

(000s of dollars)

	Three months ended June 30		Nine months ended June 30	
	2023	2022	2023	2022
Salaries, wages and employee benefits	\$ 8,363	\$ 6,942	\$ 23,768	\$ 20,235
Utility	6,897	5,649	21,322	18,193
Property tax	4,456	4,092	13,346	12,354
Repair and maintenance	1,551	1,541	5,045	4,603
Insurance	1,345	1,341	3,687	3,926
Other	987	1,000	3,234	2,918
Legal and other professional expenses	696	496	1,724	1,519
Advertising and Marketing	294	280	895	800
<b>Total Operating and G&amp;A expenses</b>	<b>\$ 24,589</b>	<b>\$ 21,341</b>	<b>\$ 73,021</b>	<b>\$ 64,548</b>

## 10. FINANCING COSTS

The components of financing costs are as follows:

(000s of dollars)

	Three months ended June 30		Nine months ended June 30	
	2023	2022	2023	2022
Mortgage interest	\$ 10,634	\$ 9,363	\$ 30,042	\$ 27,217
Amortization of deferred financing cost	1,659	1,481	4,981	4,321
<b>Financing costs</b>	<b>\$ 12,293</b>	<b>\$ 10,844</b>	<b>\$ 35,023</b>	<b>\$ 31,538</b>

## 11. PROFIT PER SHARE

Basic profit per share is calculated using the weighted average number of common shares outstanding during the period.

The treasury stock method of calculating the diluted profit per share is used.

The following table sets forth the computation of basic and diluted profit per share:

(000s of dollars, except share and per share amounts)

	Three months ended June 30		Nine months ended June 30	
	2023	2022	2023	2022
<b>Numerator</b>				
Net profit	\$ 34,196	\$ 21,835	\$ 69,918	\$ 64,221
<b>Denominator</b>				
For basic profit per share				
Weighted average shares	9,318,818	9,341,202	9,320,996	9,343,879
Dilutive effect of stock options	–	–	–	–
For diluted profit per share	9,318,818	9,341,202	9,320,996	9,343,879
<b>Profit per share</b>				
– basic	\$ 3.67	\$ 2.34	\$ 7.50	\$ 6.87
– diluted	\$ 3.67	\$ 2.34	\$ 7.50	\$ 6.87

## 12. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

### Fair value of financial assets and liabilities

The Corporation's financial assets and liabilities comprise restricted cash, cash and cash equivalents, trade and other receivables, mortgages payable, trade and other payables, and refundable security deposits. Fair values of financial assets and liabilities, summarized information related to risk management positions, and discussion of risks associated with financial assets and liabilities are presented as follows.

The fair values of restricted cash, cash and cash equivalents, trade and other receivables, trade and other payables, and refundable security deposits approximate their carrying amounts due to the short-term maturity of those instruments.

The fair values of mortgage payable are determined using the current market interest rates as discount rates, the net present value of principal balances and future cash flows over the terms of the mortgages. In identifying the appropriate level of fair value, the Corporation performs a detailed analysis of the financial assets and liabilities. The inputs used to measure fair value determine different levels of the fair value hierarchy categorized as follows:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3: Values based on valuation techniques for which any significant input is not based on observable market data.

The fair values of financial assets and liabilities were as follows:

(000s of dollars)

		June 30, 2023		September 30, 2022	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets:</b>					
Restricted cash	Level 2	\$ 4,599	\$ 4,599	\$ 3,901	\$ 3,901
Cash and cash equivalents	Level 2	49,106	49,106	44,560	44,560
Trade and other receivables	Level 2	2,008	2,008	1,547	1,547
<b>Financial liabilities:</b>					
Mortgages payable	Level 2	1,538,588	1,465,688	1,433,453	1,359,828
Trade and other payables	Level 2	9,734	9,734	9,909	9,909
Refundable security deposits	Level 1	\$ 6,762	\$ 6,762	\$ 5,821	\$ 5,821

The Corporation's non-financial assets comprise investment properties. The fair values of non-financial assets were as follows:

(000s of dollars)

		June 30, 2023		September 30, 2022	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>Non-financial assets:</b>					
Investment properties	Level 3	\$2,998,132	\$2,998,132	\$ 2,817,905	\$ 2,817,905

## 13. RISK ASSOCIATED WITH FINANCIAL ASSETS AND LIABILITIES

The Corporation is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk relating to interest rates, credit risk and liquidity risk.

### Market risk

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices.

### ***Inflation, Labour Shortages and Supply Chain Risk***

There is a risk that the Corporation could be adversely affected due to market changes particularly in supply, inflation, interest rates and regional rent controls. Canada saw significant inflation in the latter part of 2022 with the effects of inflation continuing to be felt in the first half of 2023, against the backdrop of sustained higher housing process, substantial supply constraints and geopolitical conflicts, all of which have increased prices for energy and agricultural markets. There has also been significant disruption to the global supply chain in the past year, including as a result of Russia's ongoing invasion of Ukraine, further disrupting global recovery as economies emerge from the impact of the pandemic. Further, as labour and material shortages persist, the expected onset of new supply of rental housing may take longer as construction completion times are extended. All of this increases the supply risk to the Corporation.

### ***Interest rate risk***

The Corporation is exposed to interest rate risk to the extent of any upward or downward revision in prime lending rates. Increases in the interest rate, such as those seen throughout 2022 and 2023, have the potential to adversely affect the profitability of the Corporation. The Corporation attempts to mitigate this risk by staggering the maturity dates for its mortgages. The majority of Mainstreet's mortgages and fixed-rate mortgage financings are insured by Canada Mortgage and Housing Corporation ("CMHC") under the National Housing Association ("NHA") mortgage program. This added level of insurance offered to lenders allows the Corporation to receive the best possible financing and interest rates, and significantly reduces the potential for a lender to call a loan prematurely.

Previously, the Corporation had seen the mortgage interest rate for a 10-year fixed CHMC mortgage remain at a low level which has provided an opportunity for the Corporation to obtain financing at lower interest rates when mortgages matured and needed to be renewed. The Corporation took advantage of this opportunity and fixed 100% of its long-term debt into fixed rate debts, of which 99% are fixed as CMHC insured mortgages at an average interest rate of 2.69%. However, the mortgage rate for a 10-year fixed CHMC mortgage has increased by almost 150 basis points since the beginning of the financial year. The Corporation will continue to cautiously monitor this trend in interest rates and will need to consider the same in making decisions when its mortgages mature and need to be renewed.

### ***Credit risk***

Credit risk is the risk that the counterparty to a financial asset will default resulting in a financial loss for the Corporation. The Corporation is exposed to credit risk as some tenants may experience financial difficulty and may default in payment of rent. However, the Corporation attempts to minimize possible risks by conducting in-depth credit assessments of all tenants and collecting security deposits from tenants. The Corporation's tenants are numerous which also reduces the concentration of credit risk. As tenants' rent is due at the beginning of the month, all amounts in accounts receivable are considered overdue by the Corporation. As of June 30, 2023, rents due from current tenants amounted to \$765,000 (September 30, 2022 – \$1,080,000). The possibility of not receiving payment of rent due from current tenants was covered by security deposits of \$6.8 million (September 30, 2022 – \$5.8 million) and provisions for bad debts of \$160,000 (September 30, 2022 – \$160,000).

The aging bands of rents due from current tenants as at June 30, 2023 and September 30, 2022 are outlined in the table below:

(000s of dollars)

	Jun. 30, 2023	Sep. 30, 2022
0-30 days	\$ 543	\$ 699
31-60 days	104	171
61-90 days	53	24
Over 90 days	65	186
Total rents due from current tenants	\$ 765	\$ 1,080

In relation to cash, cash equivalents and restricted cash, the Corporation believes that its exposure to credit risk is low. The Corporation only places its cash, cash equivalents, and restricted cash with reputable Canadian chartered financial institutions.

### ***Liquidity Risk***

Liquidity risk is the risk the Corporation will encounter difficulties in meeting its financial obligations. The Corporation manages its liquidity risk by monitoring forecast and cash flows on a regular basis to meet expected operational expenses, by maintaining adequate banking facilities, by managing mortgage debt secured by its investment properties, and by matching the maturity profiles of financial assets and liabilities.

The timing of cash outflows relating to financial liabilities as at June 30, 2023 are outlined in the table below:

(000s of dollars)

	1 year	2 years	3 years	4 years	Beyond 4 years	Total
Mortgages payable	\$ 240,536	160,967	131,515	223,411	819,099	\$1,575,528
Mortgage interest payable	42,455	34,576	29,004	25,738	63,872	195,645
Trade and other payables	9,734	–	–	–	–	9,734
Refundable security deposits	\$ 6,762	–	–	–	–	\$ 6,762

The timing of cash outflows relating to financial liabilities as at September 30, 2022 are outlined in the table below:

(000s of dollars)

	1 year	2 years	3 years	4 years	Beyond 4 years	Total
Mortgages payable	\$ 118,619	152,357	84,429	265,178	851,780	\$1,472,363
Mortgage interest payable	37,828	34,050	29,154	26,970	79,230	207,232
Trade and other payables	9,909	–	–	–	–	9,909
Refundable security deposits	\$ 5,821	–	–	–	–	\$ 5,821

### ***Pandemic and Other Disease Risk***

The COVID-19 pandemic has illustrated the substantial impact a pandemic can have on the economy. Uncertain economic conditions resulting from this or any pandemic may, in the short or long term, have a materially adverse impact on the Corporation's tenants and/or capital markets, both of which could materially adversely affect the Corporation's operations and financial performance. It remains difficult to reliably estimate the impact of pandemics or other diseases on the financial results and condition of the Corporation in future periods.

## **14. GUARANTEES, CONTINGENCIES AND COMMITMENTS**

In the normal course of business, the Corporation may enter into various agreements that may contain features that meet the definition of guarantees, contingencies or commitments in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets ("IAS 37") that contingently require the Corporation to make payments to the guaranteed party based on: (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty; (ii) failure of another party to perform under an obligating agreement; or (iii) failure of a third party to pay its indebtedness when due.

In the ordinary course of business, the Corporation provides indemnification commitments to counterparties in transactions such as credit facilities, leasing transactions, service arrangements, director and officer indemnification agreements and sales of assets. These indemnification agreements require the Corporation to compensate the counterparties for costs incurred as a result of changes in laws and regulations (including tax legislation) or as a result of litigation claims or statutory sanctions that may be suffered by counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based on the contract and do not provide any limit on the maximum potential liability. Historically, the Corporation has not made any significant payments under such indemnifications and no amount has been accrued in these consolidated financial statements with respect to these indemnification commitments.

In the normal course of operations, the Corporation will become subject to a variety of legal and other claims against the Corporation. Management and the Corporation's legal counsel evaluate all claims on their apparent merits and accrue management's best estimate of the estimated costs to satisfy such claims. Management believes that the outcome of legal and other claims filed against the Corporation will not be material.

As of June 30, 2023, and September 30, 2022, no amounts have been recorded and none are required to be disclosed in the consolidated financial statements with respect to guarantees, contingencies and commitments.

## 15. RELATED PARTY TRANSACTIONS

- a) The President and Chief Executive Officer is paid a commission at commercial rates in his capacity as a licensed broker for certain property transactions conducted by the Corporation in its normal course of business. Commissions are determined on an exchange value basis. Except in very limited circumstances, these commissions are paid by the selling third party or third parties to the transaction. The commissions received by the President and Chief Executive Officer during the three and nine months ended June 30, 2023, amounted to \$87,755 (2022 – \$76,250) and \$347,114 (2022 - \$300,368).

These commissions form part of the CEO's annual compensation. Each year the Chief Executive Officer is entitled to receive an annual performance bonus based upon pre-determined performance goals and discretionary bonus amounts determined by the board of directors. In making such determination, the board of directors takes in consideration the amount of commissions paid to the Chief Executive Officer during each year, such that once determined, that portion of the annual performance bonus paid in cash to the CEO by the Corporation amounts to the difference between the amount of the CEO's annual performance bonus determined by the board of directors, if any, less the amount of commissions paid to the Chief Executive Officer during that year. As a result, the actual portion of the discretionary bonus, if any, paid by the Corporation each year to the Chief Executive Officer will be reduced by the amount of third party paid commissions to the Chief Executive Officer during that year.

- b) The Corporation paid legal and professional fees and reimbursements for the three and nine months ended June 30, 2023, amounting to \$82,512 (2022 – \$50,307) and \$298,302 (2022 – \$368,319) to a law firm of which a director and officer of the Corporation is a Senior Associate. As at June 30, 2023, the amounts payable to the law firm were \$811 (September 30, 2022 – \$315). These fees were incurred at amounts which in management's opinion approximate fair market value that would be incurred by a third-party law firm.

## 16. SEGMENTED INFORMATION

The Corporation specializes in multi-family residential housing and operates primarily within one business segment in three provinces located in Canada. The following summary presents segmented financial information for the Corporation's continuing operations by geographic location:

(000s of dollars)

### RENTAL OPERATIONS

	Three months ended June 30,		Nine months ended June 30,	
	2023	2022	2023	2022
<b>BRITISH COLUMBIA</b>				
Rental revenue	\$ 12,615	\$ 11,363	\$ 36,453	\$ 32,815
Other rental revenue	147	135	432	396
Ancillary revenue	238	201	690	619
Property operating expenses	3,430	2,971	10,381	9,274
Net operating income	9,570	8,728	27,194	24,556
Change in fair value	1,403	7,231	11,018	29,480
<b>ALBERTA</b>				
Rental revenue	\$ 29,860	\$ 24,923	\$ 85,960	\$ 72,670
Other rental revenue	236	194	672	559
Ancillary revenue	379	247	1,118	845
Property operating expenses	12,076	10,894	36,217	32,512
Net operating income	18,399	14,470	51,533	41,562
Change in fair value	18,855	3,229	32,075	1,776
<b>SASKATCHEWAN</b>				
Rental revenue	\$ 9,225	\$ 8,109	\$ 26,741	\$ 24,372
Other rental revenue	11	7	32	24
Ancillary revenue	127	83	340	339
Property operating expenses	3,979	3,646	12,375	11,551
Net operating income	5,384	4,553	14,738	13,184
Change in fair value	3,678	529	(3,773)	5,077
<b>MANITOBA</b>				
Rental revenue	\$ 897	\$ 228	\$ 1,693	\$ 521
Other rental revenue	–	–	6	–
Ancillary revenue	163	7	176	10
Property operating expenses	414	74	881	277
Net operating income	646	161	994	254
Change in fair value	(115)	(93)	(590)	(153)
<b>TOTAL</b>				
Rental revenue	\$ 52,597	\$ 44,623	\$ 150,847	\$ 130,378
Other rental revenue	394	336	1,142	979
Ancillary revenue	907	538	2,324	1,813
Property operating expenses	19,899	17,585	59,854	53,614
Net operating income	33,999	27,912	94,459	79,556
Change in fair value	23,821	10,896	38,730	36,180
Gain from disposal of assets	190	3,219	190	3,947
Unallocated revenue*	876	220	1,528	351
Unallocated expenses**	24,690	20,412	64,989	55,813
<b>Profit for the period</b>	<b>\$ 34,196</b>	<b>\$ 21,835</b>	<b>\$ 69,918</b>	<b>\$ 64,221</b>

\* Unallocated revenue represents interest income and other income.

\*\* Unallocated expenses include general and administrative expenses, mortgage interest, financing cost, depreciation and deferred income taxes.

(000s of dollars)

## IDENTIFIABLE ASSETS AND LIABILITIES

	June 30, 2023	Sept. 30, 2022
<b>BRITISH COLUMBIA</b>		
Investment properties	\$ 967,569	\$ 925,867
Property and equipment	23	28
Mortgages payable	334,886	337,356
Refundable security deposits	2,073	1,927
<b>ALBERTA</b>		
Investment properties	\$ 1,552,619	\$ 1,437,752
Property and equipment	6,132	6,403
Mortgages payable	928,821	818,649
Refundable security deposits	3,675	3,156
<b>SASKATCHEWAN</b>		
Investment properties	\$ 443,444	\$ 444,315
Property and equipment	881	914
Mortgages payable	274,881	277,448
Refundable security deposits	873	696
<b>MANITOBA</b>		
Investment properties	\$ 34,500	\$ 9,971
Property and equipment	3	1
Mortgages payable	–	–
Refundable security deposits	141	42
<b>TOTAL</b>		
Investment properties	\$ 2,998,132	\$ 2,817,905
Property and equipment	7,039	7,346
Mortgages payable	1,538,588	1,433,453
Refundable security deposits	6,762	5,821

## IDENTIFIABLE ACQUISITION AND CAPITAL EXPENDITURES

	Nine months ended June 30, 2023	Year ended Sept. 30, 2021
BRITISH COLUMBIA	\$ 30,685	\$ 23,752
ALBERTA	82,981	79,863
SASKATCHEWAN	2,904	9,745
MANITOBA	25,122	2,820
<b>TOTAL</b>	<b>\$ 141,692</b>	<b>\$ 116,180</b>

## 17. CAPITAL MANAGEMENT

The Corporation defines capital that it manages as the aggregate of its shareholders' equity and mortgages payable and, on occasion, bank loans or lines of credit when drawn on. The Corporation's total capital resources as at June 30, 2023 amounted to \$2,818 million (September 30, 2022 – \$2,644 million).

The Corporation aims to manage its capital resources to maintain financial strength and to maximize its financial flexibility by maintaining strong liquidity and by utilizing alternative sources of capital including equity and mortgages.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages the capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The total managed capital for the Corporation is summarized below:

(000s of dollars)

	Jun. 30, 2023	Sep. 30, 2022
Mortgages payable	\$ 1,538,588	\$ 1,433,453
Total equity	1,279,749	1,210,750
Total capital	\$ 2,818,337	\$ 2,644,203

The Corporation's policy for capital risk management is to maintain a debt to fair value of investment properties ratio, as defined below, of no greater than 70%. The ratio as at June 30, 2023 is approximately 50% (September 30, 2022 – 49%) which leaves a sufficient additional capacity for the Corporation to raise additional funds from refinancing before it reaches its internal target ratio of 70%.

The debt to fair value ratios were as follows:

(000s of dollars)

	Jun. 30, 2023	Sep. 30, 2022
Mortgages payable	\$ 1,538,588	\$ 1,433,453
Bank indebtedness	255	–
Cash and cash equivalents	49,106	44,560
Total debts	\$ 1,489,737	\$ 1,388,893
Investment properties	\$ 2,998,132	\$ 2,817,905
Debt to fair value ratio	50%	49%

In managing the capital requirements of the Corporation, management makes assessments of the capital and liquid resources required to ensure the going concern status of the Corporation. Management believes that the existing liquid resources, funds to be generated from operations, and funds to be raised through the financing and refinancing of debt will be sufficient to support the Corporation's operations on a going concern basis.

## 18. SUBSEQUENT EVENTS

Subsequent to quarter-ended June 30, 2023, the Corporation acquired additional 3 commercial units in the Province of Alberta for a total consideration of \$3.6 million.

## 19. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on July 20, 2023.

## CORPORATE INFORMATION

### OFFICERS

#### *President & CEO*

Bob Dhillon  
Calgary, AB

#### *Chief Financial Officer*

Trina Cui  
Calgary, AB

#### *Secretary*

Joe Amantea  
Calgary, AB

### BOARD OF DIRECTORS

Joe Amantea  
Calgary, AB

Ron B. Anderson  
Vancouver, BC

Bob Dhillon  
Calgary, AB

Karanveer Dhillon  
San Francisco, CA

Rich Grimaldi  
Westport, CT

John Irwin  
London, ON

### DIRECTORS' COMMITTEES

#### **Executive Committee**

Joe Amantea  
Calgary, AB

Ron B. Anderson  
Vancouver, BC

Bob Dhillon  
Calgary, AB

#### **Audit Committee**

##### *Chair*

John Irwin  
London, ON

Rich Grimaldi  
Westport, CT

Ron B. Anderson  
Vancouver, BC

#### **Executive Compensation Committee**

##### *Chair*

Ron B. Anderson  
Vancouver, BC

Joe Amantea  
Calgary, AB

#### **Risk Management Committee**

##### *Chair*

Ron B. Anderson  
Vancouver, BC

Rich Grimaldi  
Westport, CT

#### **Safety Committee**

##### *Chair*

John Irwin  
London, ON

Joe Amantea  
Calgary, AB

#### **Cyber Security Committee**

##### *Chair*

Karanveer Dhillon  
San Francisco, CA

Rich Grimaldi  
Westport, CT

### REGISTRAR & TRANSFER AGENT

Computershare  
800, 324 – 8 Avenue SW  
Calgary, AB

### AUDITORS

PwC  
Suncor Energy Centre  
111 – 5 Ave. SW,  
Suite 3100, East Tower  
Calgary, AB

### SOLICITORS

WBA LLP  
1413 – 2 St. SW  
Calgary, AB

Borden, Ladner & Gervais LLP  
Centennial Place, East Tower  
1900, 520 – 3 Avenue SW  
Calgary, AB

### BANKERS

Royal Bank of Canada  
339 8th Avenue SW  
Calgary, AB

ATB  
Suite 600, 444 –7 Ave SW  
Calgary, AB

TD Canada Trust  
335 – 4 Ave SW  
Calgary, AB

### INVESTOR RELATIONS

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### Financial Inquiries

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### HEAD OFFICE

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Calgary, AB T2G 0W2

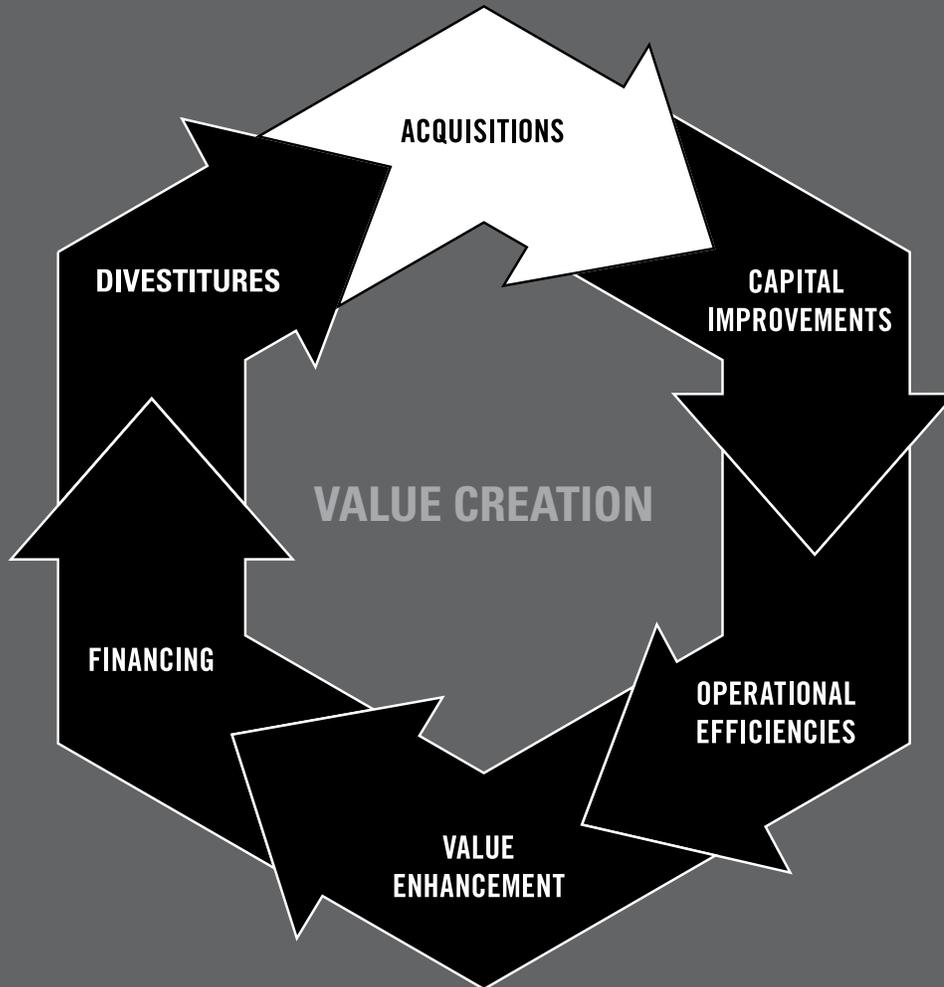
Tel: 403 215-6060  
Fax: 403 266-8867

E-mail:  
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Web site: www.mainst.biz

### STOCK EXCHANGE

Toronto Stock Exchange  
Trading symbol: MEQ

## THE MAINSTREET VALUE CHAIN



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How do we create value? By relying on the business model that Mainstreet pioneered in the mid-market rental apartment space, the “Mainstreet Value Chain”. It focuses on value creation by acquiring underperforming assets, renovating them to our higher standard and repositioning them in the market at a higher rent. As a result, the value of the property increases substantially due to the improved conditions of buildings and the higher rents that they can attract. This enables Mainstreet to unlock the value created by financing the stabilized property using long-term, low-interest CMHC insured mortgages. The capital that is unlocked by that process can then be used to fund additional growth. **Since the day of incorporation in May 1997, we have grown our portfolio from 272 units with appraised values of \$17 million to 17,004 units (YTD) with appraised values of approximately \$3.0 billion with minimal equity dilution.**