

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 months ended December 31, 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 interim condensed consolidated financial statements and accompanying notes for the three months ended December 31, 2023 and 2022, and the Corporation's audited consolidated financial statements and the accompanying notes for the fiscal years ended September 30, 2023 and 2022. The interim condensed consolidated financial statements of the Corporation have been prepared in compliance with IFRS Accounting Standards (as issued by the International Accounting Standards Board) applicable to preparation of interim financial statements under IAS 34, Interim Financial Reporting. This MD&A has been reviewed and approved by the Audit Committee and Board of Directors of the Corporation and is effective as of February 5, 2024. 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).

Unless indicated otherwise, reference herein to 2023 and 2022 refers to the three months periods ended December 31, 2023 and 2022, respectively.

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 and other geopolitical conflicts), 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, completion timing and costs of renovations, benefits of renovations, funds to be expended on renovations in fiscal year 2024 and the sources thereof, increased funds from operations and cash flow, access to capital, minimization of operating costs, the Corporation's liquidity and financial capacity, the Corporation's intention and ability to make distributions to shareholders in fiscal 2024, improved rental conditions and decreased vacancy rates, 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, the effects of cyber incidents on the Corporation 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 November 30, 2023 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, 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-incidents, 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 February 5, 2024. 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.

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"), FFO before current income taxes, FFO per share and FFO before current income tax 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".

Prior to fiscal 2024 Mainstreet had not incurred any material amounts of current income tax expense. As the calculation of FFO does include current income taxes, Mainstreet has chosen to present FFO in this MDA both before and after current income taxes, so that readers are able to:

- (i) compare FFO before current income taxes to prior quarterly and annual disclosures of FFO by Mainstreet (which did not include current income taxes, as no material current income tax expense was incurred by Mainstreet in prior periods); and
- (ii) also be able to receive the actual FFO for Q1 2024, which is inclusive of current income taxes, and compare the same to other entities that report FFO inclusive of current income taxes.

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 February 5, 2024, Mainstreet has collected 98.6% of total rents for January 2024.

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 the first quarter of 2024 and has actively taken advantage of opportunities to acquire undervalued assets. In Q1 2024, Mainstreet acquired \$45.3 million (361 units) in new acquisitions in Alberta, British Columbia, and Saskatchewan. Subsequent to Q1 2024, Mainstreet acquired an additional \$17.0 million (147 units) in new acquisitions in the Province of Alberta.

Refinancing: Mainstreet continues to reposition its unstabilized properties and continues to have access to mortgage debt. In Q1 2024, the Corporation financed 21 clear title properties for an additional net funding of \$76.7 million at an average interest rate of 4.58%.

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 up-financings of maturing mortgages, assuming current lending criteria remains mainly unchanged with continued access to the Corporation's available line of credit being granted. Mainstreet estimates it will have access to approximately \$418 million¹ in available liquidity in FY2024, which management believes is sufficient for its operations, including to address any remaining inherent uncertainty surrounding disruption from

¹ Including: (i) \$142 million cash-on-hand, (ii) estimated \$146 million expected funds to be raised through up-financing of maturing mortgages and financing of clear titled assets after stabilization and, (iii) a \$130 million line of credit.

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 has seen substantial improvement in its overall occupancy rates since 2023, mainly as a result of an increase in rentals in all markets and is cautiously optimistic that this trend will continue for following periods. There is a risk that the Corporation could be adversely affected due to market changes particularly in supply, inflation, labour force, interest rates and regional rent controls. Canada saw significant inflation 2022 and 2023, effects of which have continued to be felt in 2024. In addition, sustained higher housing process, substantial supply constraints and geopolitical conflicts, have increased prices for energy and agricultural markets and there has also been significant disruption to the global supply chain in recent years, 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.

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.

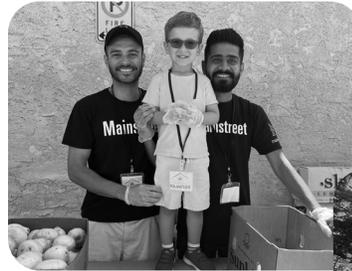
SOCIAL COMMUNITY INVESTMENT

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)



EMPLOYEE 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; and
- 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;



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;
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- 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

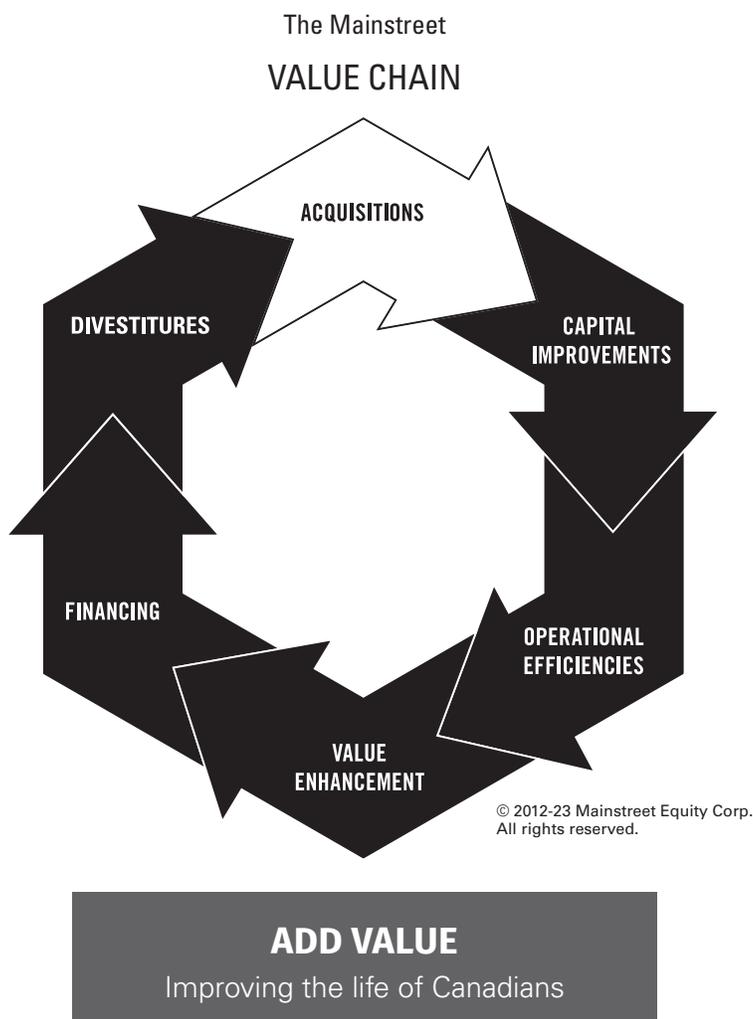
Based in Calgary, Alberta, Mainstreet is a Canadian real estate corporation focused on the acquisition, redevelopment, repositioning and management of mid-market rental apartment buildings in six major Canadian markets: British Columbia (including Vancouver Lower Mainland, Vancouver Island, Okanagan, 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 International Financial Reporting Standards as issued by IFRS Accounting Standards.

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 reviewed and applied to the whole population of each group in determination of the fair value of investment properties of the Corporation as of December 31, 2023 and September 30, 2023. 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 \$3.2 billion as of December 31, 2023 (\$3.0 billion as of September 30, 2023). The following is the breakdown of market value by city and average capitalization rates used in determining the fair value of investment properties at December 31, 2023 and September 30, 2023, respectively.

As at December 31, 2023	Number of properties	Number of units	Market value (\$ million)	Average value per unit (\$000)	Average capitalization rate as at Dec. 31, 2023
Lower Mainland, British Columbia (Note 1)	31	3,033	\$ 925	\$ 305	4.81%
British Columbia excluding Lower Mainland (Note 2)	15	732	96	131	4.87%
Calgary, Alberta (Note 3)	114	3,851	784	204	6.03%
Edmonton, Alberta (Note 4)	168	5,835	836	143	5.73%
Saskatoon, Saskatchewan	60	2,556	345	135	5.61%
Regina, Saskatchewan	62	991	139	140	5.72%
Winnipeg, Manitoba	4	405	35	86	5.79%
Total investment properties	454	17,403	\$ 3,160	\$ 182	5.51%

Note (1) – includes the City of Abbotsford, the City of Chilliwack, the City of Maple Ridge, 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 at September 30, 2023	Number of properties	Number of units	Market value (\$ million)	Average value per unit (\$000)	Average capitalization rate as at Sep. 30, 2023
Lower Mainland, British Columbia (Note 1)	30	2,944	\$ 885	\$ 301	3.77%
British Columbia excluding Lower Mainland (Note 2)	15	732	96	131	4.87%
Calgary, Alberta (Note 3)	112	3,537	761	198	5.94%
Edmonton, Alberta (Note 4)	166	5,799	822	142	5.71%
Saskatoon, Saskatchewan	59	2,334	315	135	5.82%
Regina, Saskatchewan	62	991	138	139	6.01%
Winnipeg, Manitoba	4	405	35	86	5.81%
Total investment properties	448	17,042	\$ 3,052	\$ 179	5.20%

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

ACQUISITIONS & GROWTH

(000s of dollars)

For three months ended December 31,

	2023		2022	
	Calgary, Maple Ridge & Saskatoon		Calgary & Edmonton	
Number of rental units	361		261	
Total costs	\$	45,286	\$	32,992
Average price per apartment unit	\$	125	\$	126

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 Q1 2024, Mainstreet acquired 361 investment property units in the Provinces of Alberta, British Columbia, and Saskatchewan for a total consideration of \$45.3 million. Since Mainstreet's previous financial year-end (September 30, 2023), the Corporation has grown its portfolio of investment properties by 2%.

As of December 31, 2023, Mainstreet's portfolio included 17,394 units in its investment properties, 9 units in freestanding commercial properties and 64 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. Mainstreet's investment properties include townhouses, garden-style apartments, concrete mid-rise and high-rise apartments and condo suites. As of December 31, 2023, a total of 97% of Mainstreet's units in its investment properties were rented, while 1% were being renovated and the remaining 2% were left vacant.

Since 1997, the Corporation's investment property portfolio has increased from 10 to 454 buildings, while the fair value of the investment properties within this portfolio has grown from approximately \$17 million to \$3.2 billion as of December 31, 2023.

The following table demonstrates the growth of the Corporation by region since the end of the previous financial year ended September 30, 2023.

	Number of units as at Oct. 1, 2023	Acquisitions/disposition 3 months ended Dec. 31, 2023	Additional units created 3 months ended Dec. 31, 2023	Number of units as at Dec. 31, 2023	%Growth
Lower Mainland, British Columbia (Note 1)	3,103	89	–	3,192	3%
British Columbia excluding Lower Mainland (Note 2)	573	–	–	573	-
Calgary, Alberta (Note 3)	3,837	14	–	3,851	1%
Edmonton, Alberta (Note 4)	5,799	36	–	5,835	1%
Saskatoon, Saskatchewan	2,334	222	–	2,556	10%
Regina, Saskatchewan	991	–	–	991	–
Winnipeg, Manitoba	405	–	–	405	-
Investment properties	17,042	361	–	17,403	2%
Property held for sale – Calgary, Alberta	65	(1)	–	64	(-2%)

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

Note (2) – includes the City of Courtenay, the City of Kamloops, the City of Nelson, 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

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 Q1 2024, the Corporation spent \$7.4 million (2023 - \$4.4 million) on capital improvements, of which \$6.4 million

(2023 - \$3.4 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 \$30 million on capital improvement during the 2024 fiscal year, however these plans may be revised depending upon economic conditions during fiscal year 2024. 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 December 31,	2023	2022	% change 2022
Gross revenue	\$ 60,120	\$ 49,397	22%
Net profit and total comprehensive income	68,548	15,002	357%
Change in fair value	56,423	2,923	1830%
Gain from disposal of assets	136	–	N/A
Depreciation	353	148	139%
Current income tax expense	1,378	–	N/A
Deferred income tax expense	6,991	3,443	103%
Funds from operations before current income tax - Non IFRS Measurement (Note 1)	\$ 20,711	\$ 15,670	32%
Current income tax expense	1,378	–	N/A
Funds from operations – Non IFRS Measurement (Note 1)	\$ 19,333	\$ 15,670	23%
Interest income	(1,778)	(535)	232%
General and administrative expenses	4,609	3,866	19%
Financing costs	13,459	11,057	22%
Depreciation (computer and vehicle)	44	45	-2%
Net operating income	\$ 37,045	\$ 30,103	23%
Operating margin from operations	63.5%	61.6%	
Profit per share			
Basic and fully diluted	\$ 7.36	1.61	357%
Funds from operations before current income tax per share			
Basic and fully diluted	\$ 2.22	\$ 1.68	32%
Funds from operations per share			
Basic and fully diluted	\$ 2.07	\$ 1.68	23%
Weighted average number of shares			
Basic and fully diluted	9,318,818	9,324,956	
Total Assets	\$ 3,337,072	\$2,916,565	
Total Long term liabilities	\$ 1,780,879	\$1,562,904	

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.

Prior to fiscal 2024 Mainstreet had not incurred any material amounts of current income tax expense. As the calculation of FFO does include current income taxes, Mainstreet has chosen to present FFO in this MDA both before and after current income taxes, so that readers are able to: (i) compare FFO before current income taxes to prior quarterly and annual disclosures of FFO by Mainstreet (which did not include current income taxes, as no material current income tax expense was incurred by Mainstreet in prior periods); and (ii) also be able to receive the actual FFO for Q1 2024, which is inclusive of current income taxes, and compare the same to other entities that report FFO inclusive of current income taxes.

REVENUE

In Q1 2024, revenue primarily consisted of rental and ancillary revenue totalling \$58.3 million (2023 - \$48.9 million) and interest income. Overall, rental revenue increased 19% as compared to Q1 2023, which is discussed and analysed in the session entitled "Rental Operations" below.

NET PROFIT

For the quarter ended December 31, 2023, Mainstreet reported a net profit of \$68.5 million (\$7.36 per basic share) as compared to a net profit of \$15.0 million (\$1.61 per basic share) in 2022, including a change in fair value gain of \$56.4 million in Q1 2024 compared to a fair value gain of \$2.9 million in Q1 2023, which will be further discussed and analysed below.

Net profit is further analysed as follows:

(000s of dollars)

Three months ended December 31,	2023	2022	% change
Funds from operations – Non IFRS measurement (see Note 1 previous table)	\$ 19,333	\$ 15,670	23%
Change in fair value	56,423	2,923	1830%
Gain from disposal of assets	136	–	100%
Depreciation	(353)	(148)	139%
Deferred income tax expense	(6,991)	(3,443)	103%
Net profit and total comprehensive income – IFRS measurement	\$ 68,548	\$ 15,002	357%

Funds from operations in Q1 2024 are further discussed and analysed below.

In Q1 2024, Mainstreet realized a fair value gain of \$56.4 million, compared with a fair value gain of 2.9 million in Q1 2023. This was mainly due to changes as identified below:

(000s of dollars)

Change in Fair value

Three months ended December 31,	2023	2022
Lower Mainland, BC (Note 1)	\$ 22,908	\$ 5,350
BC excluding Lower Mainland (Note 2)	–	–
Calgary (Note 3)	21,055	(2,912)
Edmonton (Note 4)	10,376	7,726
Saskatoon	8,579	(480)
Regina	960	(2,330)
Winnipeg	–	–
	63,878	7,354
Capital expenditure	(7,455)	(4,431)
Change in fair value	\$ 56,423	\$ 2,923

Note (1) – includes the City of Abbotsford, the City of Chilliwack, the City of Maple Ridge, 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 month periods ended December 31, 2023 and 2022. The amount of change was determined by the market value of Mainstreet's investment properties at the quarter-end dates of December 31, 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 23% to \$19.3 million in Q1 2024, compared with \$15.7 million in Q1 2023. Excluding current income tax expense, FFO before current income tax expense increased by 32% to \$20.7 million in Q1 2024, compare with \$15.7 million in Q1 2023. The increase in FFO for Q1 2024 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 19% to \$4.6 million in Q1 2024 as compared to \$3.9 million in Q1 2023, 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 December 31,	2023	2022	% change
Mortgage interest	\$ 11,677	\$ 9,477	23%
Amortization of deferred financing cost	1,782	1,580	13%
Financing costs	\$ 13,459	\$ 11,057	22%

Mortgage interest expenses increased by 23% to \$11.7 million in Q1 2024 from \$9.5 million in Q1 2023.

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 Q1 2024, the Corporation financed 21 clear title properties for an additional net funding of \$76.7 million at an average interest rate of 4.58%.

RENTAL OPERATIONS

(000s of dollars except per unit data)

For three months ended December 31,	Total Portfolio			Same Asset			Acquisition		
	2023	2022	% change	2023	2022	% change	2023	2022	% change
Rental and ancillary revenue	\$ 58,342	\$ 48,862	19%	\$ 53,779	\$ 48,348	11%	\$ 4,563	\$ 514	788%
Operating expenses	21,297	18,759	14%	19,263	18,595	4%	2,034	164	1140%
Net operating income	\$ 37,045	\$ 30,103	23%	\$ 34,516	\$ 29,753	16%	\$ 2,529	\$ 350	623%
Operating margin	63.5%	61.6%		64.2%	61.5%		55.4%	68.1%	
Average vacancy rate	3.3%	4.4%	-25%	3.2%	4.4%	-27%	7.3%	8.1%	-10%
Weighted average number of units	17,261	15,979	8%	15,898	15,898	-	1,116	81	1583%
Average rental rate per unit per month	\$ 1,127	\$ 1,019	11%	\$ 1,128	\$ 1,014	11%	\$ 1,046	\$ 2,115	-47%
Average operating expense per unit per month	\$ 411	\$ 391	5%	\$ 404	\$ 390	4%	\$ 497	\$ 675	-26%

The vacancy rate decreased to 3.3% in Q1 2024, from 4.4% in Q1 2023, mainly due to strong rental demand in the Corporation's operating markets. Since 2023, 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 December 31, 2023, overall vacancy in Mainstreet's portfolio was at 3.3%, which was composed of 2.1% in Calgary, 4.8% in Edmonton, 4.1% in Saskatoon, 1.1% in Regina and 1.5% in British Columbia.

As an overall result, the average monthly rental rate increased 11% to \$1,127 per unit in Q1 2024, compared with \$1,019 per unit in Q1 2023. Overall rental and ancillary revenue increased 19% to \$58.3 million in Q1 2024 as compared to \$48.9 million in Q1 2023. This was mainly due to rental rate increases, reduced tenant concessions, the decrease in vacancy rate and the continued growth of the Corporation's portfolio as the average number of units owned by the Corporation increased 8% over the year.

For same asset properties, which refer to properties owned by the Corporation for the entire twelve-month periods ended December 31, 2023 and 2022, rental and ancillary revenue increased 11% to \$53.8 million in Q1 2024 from 48.3 million in Q1 2023. The average monthly rental rate increased by 11% to \$1,128 per unit in Q1 2024, from \$1,014 per unit in Q1 2023. The vacancy rate decreased to 3.2% in 2023, from 4.4% in Q1 2023, mainly due to strong demand in the provinces of Alberta and Saskatchewan.

Mainstreet's overall operating expenses increased 14% to \$21.3 million in Q1 2024, from \$18.8 million in Q1 2023, due mainly to the increased number of apartment units.

Overall operating expenses on a per unit basis increased by 5%, mainly as a result of higher utility and repair costs in Q1 2024 and higher maintenance expenses of newly acquired unstabilized properties. For same asset properties, operating expenses on a per unit basis increased by 4% to \$404 per unit in Q1 2024.

As a result, overall net operating income increased 23% to \$37.0 million in Q1 2024, from \$30.1 million in Q1 2023, and net operating margins increased to 63.5% in Q1 2024, from 61.6% in Q1 2023.

For same asset properties, net operating income increased 16% to \$34.5 million in Q1 2024, from \$29.8 million in Q1 2023. The net operating margins increased to 64.2% in 2023, from 61.5% in Q1 2023.

RENTAL OPERATIONS BY PROVINCE

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

British Columbia

Mainstreet achieved an 13% increase in rental revenue in its British Columbia portfolio in Q1 2024 primarily due to the Corporation's diversification strategy and an increase in monthly rents on turnovers of units. The Corporation continued its expansion into British Columbia's market in 2023 and Q1 2024, and achieved 9% growth of average unit count in its BC portfolio in Q1 2024. The average vacancy rate increased to 1.5% in Q1 2024 from 0.8% in Q1 2023 due mainly to acquisition of unstabilized assets in 2024. 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 higher rental rates, rental revenue per unit increased to \$1,219 per month in Q1 2024 from \$1,175 per month in Q1 2023.

Operating expenses per unit increased 13% to \$351 per month in Q1 2024 compared with \$310 per month in Q1 2023, due mainly to increased repair and maintenance expenses of newly acquired unstabilized properties and higher property tax and utility expense. Overall, around 33% of the Corporation's BC portfolio is under stabilization. As a result, net operating income increased 9%, and net operating margins decreased to 71% in Q1 2024 from 74% in Q1 2023.

(000s of dollars except per unit data)

For the three months ended December 31,	2023	2022	% change
Rental and ancillary revenue	\$ 13,663	\$ 12,069	13%
Operating expenses	3,936	3,185	24%
Net operating income	\$ 9,727	\$ 8,884	9%
Weighted average number of units	3,737	3,424	9%
Average rent per unit per month	\$ 1,219	\$ 1,175	4%
Operating cost per unit per month	\$ 351	\$ 310	13%

Average vacancy rate	1.5%	0.8%
Operating margin	71%	74%

Alberta

Mainstreet achieved 6% growth in its Alberta portfolio in Q1 2024, with the weighted average number of rental units growing to 9,646 units, compared with 9,117 units in Q1 2023. The rental income increased by 18% to \$32.9 million in Q1 2024 from \$27.8 million in Q1 2023. The average vacancy rate decreased to 3.7% in Q1 2024 from 4.4% in Q1 2023, mainly due to strong demand for apartment rentals in the Province. Rental revenue per unit increased 12% to \$1,136 per month in Q1 2024 from \$1,015 per month in Q1 2023 mainly due to increased rental rates and occupancy rates in Q1 2024.

Operating expenses per unit increased 3% to \$431 per month in Q1 2024 compared to \$419 per month in Q1 2023 due mainly to increased utility expenses in 2024. As a result, net operating income increased by 25% to \$20.4 million in Q1 2024 from \$16.3 million in Q1 2023, and net operating margin increased to 62% in Q1 2024 from 59% in Q1 2023.

(000s of dollars except per unit data)

For three months ended December 31,	2023	2022	% change
Rental and ancillary revenue	\$ 32,877	\$ 27,771	18%
Operating expenses	12,474	11,448	9%
Net operating income	\$ 20,403	\$ 16,323	25%
Weighted average number of units	9,646	9,117	6%
Average rent per unit per month	\$ 1,136	\$ 1,015	12%
Operating cost per unit per month	\$ 431	\$ 419	3%
Average vacancy rate	3.7%	4.4%	
Operating margin	62%	59%	

Saskatchewan

Mainstreet achieved an 22% increase in its rental revenues in its Saskatchewan portfolio in Q1 2024. The average vacancy rate was 3.3% in Q1 2024 compared to 7.8% in Q1 2023. As a result, rental revenue per unit increased 16% to \$1,022 per month in Q1 2024 from \$879 per month in Q1 2023.

Operating expenses per unit increased 5% to \$420 per month in Q1 2024, from \$401 per month in Q1 2023 due mainly to increased utility, repair and maintenance expenses in Q1 2024. As a result, net operating income increased 31% and net operating margins increased to 59% in Q1 2024 from 54% in Q1 2023.

(000s of dollars except per unit data)

For three months ended December 31,	2023	2022	% change
Rental and ancillary revenue	\$ 10,651	\$ 8,764	22%
Operating expenses	4,380	3,994	10%
Net operating income	\$ 6,271	\$ 4,770	31%
Weighted average number of units	3,473	3,324	4%
Average rent per unit per month	\$ 1,022	\$ 879	16%
Operating cost per unit per month	\$ 420	\$ 401	5%
Average vacancy rate	3.3%	7.8%	
Operating margin	59%	54%	

Manitoba

In 2023, Mainstreet successfully expanded further into the Manitoba market with the acquisition of a 291 unit complex building in downtown Winnipeg. The overall average vacancy rate in Manitoba decreased to 8.4% in Q1 2024 from 10.2% in Q1 2023. The rental revenue per unit was \$947 per month in Q1 2024 compared to \$754 per month in Q1 2023.

Operating expenses per unit increased to \$417 per month in Q1 2024 compared to \$386 in Q1 2023 due to stabilization

of unstabilized properties, and as a result net operating income increased by 411% to \$0.6 million in Q1 2024 from \$0.1 million in Q1 2023 and net operating margin increased to 56% in Q1 2024 from 49% in Q1 2023

(000s of dollars except per unit data)

For three months ended December 31,	2023	2022	% change
Rental and ancillary revenue	\$ 1,151	\$ 258	346%
Operating expenses	507	132	284%
Net operating income	\$ 644	\$ 126	411%
Weighted average number of units	405	114	255%
Average rent per unit per month	\$ 947	\$ 754	26%
Operating cost per unit per month	\$ 417	\$ 386	8%
Average vacancy rate	8.4%	10.2%	
Operating margin	56%	49%	

SUMMARY OF QUARTERLY RESULTS²

(000s of dollars except per share amounts)

	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2021	Mar 31, 2021
Rental revenue								
British Columbia	\$ 13,430	\$ 13,033	\$ 12,762	\$ 12,258	\$ 11,865	\$ 11,666	\$ 11,498	\$ 11,015
Alberta	32,509	31,150	30,096	29,064	27,472	26,357	25,117	24,338
Saskatchewan	10,525	9,690	9,236	8,857	8,680	8,380	8,116	8,157
Manitoba	992	941	897	549	253	254	228	160
Total rental Revenue	\$ 57,456	\$ 54,814	\$ 52,991	\$ 50,728	\$ 48,270	\$ 46,657	\$ 44,959	\$ 43,670
Ancillary revenue	886	901	907	825	592	746	538	753
Interest income	1,778	905	876	117	535	425	220	75
Total revenue from operations	\$ 60,120	\$ 56,620	\$ 54,774	\$ 51,670	\$ 49,397	\$ 47,828	\$ 45,717	\$ 44,498
Change in fair value	\$ 56,423	\$ 30,782	\$ 23,821	\$ 11,986	\$ 2,923	\$ 50,710	\$ 10,896	\$ 24,191
Profit (loss) from operations	\$ 68,548	\$ 39,495	\$ 34,196	\$ 20,720	\$ 15,002	\$ 56,315	\$ 21,835	\$ 29,982
Net profit (loss) per share								
– Basic & Diluted	\$ 7.36	\$ 4.24	\$ 3.67	\$ 2.22	\$ 1.61	\$ 6.03	\$ 2.34	\$ 3.21
Same assets rental and ancillary revenue								
British Columbia	\$ 12,837	\$ 12,662	\$ 12,493	\$ 12,381	\$ 12,070	\$ 11,503	\$ 11,258	\$ 11,174
Alberta	30,477	29,370	28,495	27,876	27,272	25,182	24,181	23,674
Saskatchewan	10,240	9,793	9,341	8,955	8,747	8,469	8,190	8,306
Manitoba	225	204	246	262	259	198	192	163
Total same assets rental and ancillary revenue	\$ 53,779	\$ 52,029	\$ 50,575	\$ 49,474	\$ 48,348	\$ 45,352	\$ 43,821	\$ 43,317
Same assets vacancy rate	3.2%	4.2%	4.4%	4.3%	4.4%	4.9%	6.7%	7.8%
Same assets net operating income								
British Columbia	\$ 9,222	\$ 9,869	\$ 9,276	\$ 8,673	\$ 8,885	\$ 8,720	\$ 8,488	\$ 8,000
Alberta	19,168	18,838	17,234	15,890	15,988	15,097	14,045	12,891
Saskatchewan	6,014	5,915	5,374	4,565	4,753	5,095	4,559	4,376
Manitoba	112	117	106	68	127	141	125	52
Total same assets net operating income	\$ 34,516	\$ 34,739	\$ 31,990	\$ 29,196	\$ 29,753	\$ 29,053	\$ 27,217	\$ 25,319
Net operating income	\$ 37,045	\$ 36,848	\$ 33,999	\$ 30,357	\$ 30,103	\$ 30,109	\$ 27,912	\$ 25,728
Funds from operations of stabilized properties – Non-IFRS measurement (Note 1)	\$ 15,908	\$ 18,045	\$ 15,382	\$ 11,838	\$ 12,868	\$ 13,085	\$ 11,521	\$ 9,730

Funds from operations—before current income tax expense – Non-IFRS measurement	\$ 20,711	\$ 21,062	\$ 17,845	\$ 14,144	\$ 15,670	\$ 15,538	\$ 13,474	\$ 11,342
Funds from operations – Non-IFRS measurement	\$ 19,333	\$ 21,062	\$ 17,845	\$ 14,144	\$ 15,670	\$ 15,538	\$ 13,474	\$ 11,342
Funds from operations of stabilized properties per share – Non-IFRS measurement								
– Basic & Diluted	\$ 1.71	\$ 1.94	\$ 1.65	\$ 1.27	\$ 1.38	\$ 1.40	\$ 1.23	\$ 1.04
Funds from operations before current income tax expense per share – Non-IFRS measurement (Note 1)	\$ 2.22	\$ 2.26	\$ 1.91	\$ 1.52	\$ 1.68	\$ 1.66	\$ 1.44	\$ 1.21
Funds from operations per share – Non-IFRS measurement (Note 1)								
– Basic & Diluted	\$ 2.07	\$ 2.26	\$ 1.91	\$ 1.52	\$ 1.68	\$ 1.66	\$ 1.44	\$ 1.21
Average vacancy rate								
British Columbia	1.5%	1.7%	1.8%	1.3%	0.8%	1.1%	0.8%	0.7%
Alberta	3.7%	4.8%	4.6%	4.4%	4.4%	5.6%	8.8%	11.0%
Saskatchewan	3.3%	4.5%	6.3%	7.3%	7.8%	9.6%	9.9%	8.3%
Manitoba	8.4%	12.0%	17.3%	14.8%	10.2%	10.2%	9.5%	17.2%
Total average vacancy rate	3.3%	4.3%	4.7%	4.5%	4.4%	5.5%	7.3%	8.3%

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.

Highlights of the Corporation’s financial results for the first quarter ended December 31, 2023:

- Rental and ancillary revenue increased to \$58.3 million, compared to \$55.7 million in Q4 2023 and \$48.9 million in Q1 2023.
- Average vacancy rate for the quarter was decreased to 3.3%, compared with 4.3% in Q4 2023 and 4.4% in Q1 2023.
- Change in fair value for the quarter was a gain of \$56.4 million, compared with a gain of \$30.8 million in Q4 2023 and a gain of \$2.9 million in Q1 2023.
- Funds from operations for the quarter were \$19.3 million, an 8% decrease from \$21.1 million in Q4 2023 and a 23% increase from \$15.7 million in Q1 2023. See “Non-IFRS Measures”.
- Net operating income for the quarter was \$37.0 million, an 1% increase from \$36.8 million in Q4 2023 and a 23% increase from \$30.1 million in Q1 2023.
- Mainstreet’s same asset vacancy rate for the quarter was 3.2% in Q1 2024, a decrease from 4.2% in Q4 2023 and 4.4% in Q1 2023. Same asset revenues were \$53.8 million in Q1 2024, an increase from \$52.0 million in Q4 2023 and \$48.3 million in Q1 2023.
- Net operating income on a same asset basis for the quarter was \$34.5 million, an 1% decrease from \$34.7 million in Q4 2023 and a 16% increase from \$29.7 million in Q1 2023.
- Funds from operations related to stabilized properties were \$15.9 million in Q1 2024, a 12% decrease from \$18.0 million in Q4 2023 and a 24% increase from \$12.9 million in Q1 2023. 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 December 31, 2023, 401 properties (15,077 units) out of 454 properties (17,403 units) were stabilized. The following table summarizes the change of the Corporation's stabilized and unstabilized units since the beginning of fiscal year 2024.

	Oct. 1, 2023	%	Acquisition/ Creation	Number of units stabilized	Dec. 31, 2023	%
Stabilized Units	14,880	87%	–	197	15,077	87%
Unstabilized Units	2,162	13%	361	(197)	2,326	13%
Total Investment Properties Units	17,042	100%	361	–	17,403	100%

The following table summarizes the Corporation's stabilization progress since the beginning of fiscal year 2024.

	Oct. 1, 2023	No. of units stabilized during the period	No. of unstabilized units acquired/ created during the period	Dec. 31, 2023
Numbers of unstabilized units held for renovation	2,162	(197)	361	2,326
		Number of months		
Average time spent on stabilization	16	23	5	16
Estimated remaining time for stabilization	16	–	24	16

During the three months ended December 31, 2023, the Corporation acquired 14 unstabilized units in Calgary, Alberta; acquired 36 unstabilized units in Edmonton, Alberta; acquired 89 unstabilized units in Maple Ridge, British Columbia; and acquired 222 unstabilized unit in Saskatoon, Saskatchewan. Some acquired assets require substantial renovation and had rental rates that are considered well below the market for stabilized units. The Corporation has stabilized 197 units in Q1 2024, meaning that renovation work is substantially completed, resulting in rent increases to or near current market levels.

FUNDS FROM OPERATIONS OF STABILIZED PROPERTIES

For Q1 2024, FFO of Mainstreet's stabilized property portfolio amounted to \$15.9 million (\$1.71 per basic share and per fully diluted share). See "Non-IFRS Measures".

(000s of dollars except per share amounts)

For three months ended December 31, 2023	Stabilized properties	Non-stabilized properties	Total
Rental and ancillary rental income	\$ 50,739	\$ 7,603	\$ 58,342
Property operating expenses	18,244	3,053	21,297
Net operating income	\$ 32,495	\$ 4,550	\$ 37,045
Operating margin	64%	60%	63%
Vacancy rate	3.2%	4.0%	3.3%
Interest income	\$ (1,554)	\$ (224)	\$ (1,778)
General & administrative expenses	4,049	560	4,609
Financing cost	12,851	608	13,459
Depreciation (computer and vehicle)	38	6	44
Current income tax expense	1,203	175	1,378
Funds from operations – Non-IFRS measurement	\$ 15,908	\$ 3,425	\$ 19,333
Depreciation			\$ 353
Fair value gain			56,423
Gain on disposal			136

Deferred income tax expense				6,991
Net profit and total comprehensive income				\$ 68,548
Funds from operations per share – Non-IFRS measurement				
Funds from operations per share				
– basic & diluted	\$	1.71	\$	0.37
			\$	2.07
Weighted average number of shares				
– basic & diluted				9,318,818

(000s of dollars except per share amounts)

For three months ended 31 December, 2022	Stabilized properties	Non-stabilized properties	Total	
Rental and ancillary rental income	\$ 42,157	\$ 6,705	\$ 48,862	
Property operating expenses	15,791	2,968	18,759	
Net operating income	\$ 26,366	\$ 3,737	\$ 30,103	
Operating margin	63%	56%	62%	
Vacancy rate	4.2%	5.1%	4.4%	
Interest income	\$ (458)	\$ (77)	\$ (535)	
General & administrative expenses	3,343	523	3,866	
Financing cost	10,574	483	11,057	
Depreciation (computer and vehicle)	39	6	45	
Funds from operations – Non-IFRS measurement	\$ 12,868	\$ 2,802	\$ 15,670	
Depreciation			\$ 148	
Fair value gain			2,923	
Deferred income tax expense			3,443	
Net profit and total comprehensive income			\$ 15,002	
Funds from operations per share – Non-IFRS measurement				
Funds from operations per share				
– basic & diluted	\$	1.38	\$	0.30
			\$	1.68
Weighted average number of shares				
– basic & diluted				9,324,956

In Q1 2024, FFO of the stabilized property portfolio increased 24% to \$15.9 million as compared to \$12.9 million in Q1 2023, while the number of stabilized units increased 10% to 15,077 units as of December 31, 2023 compared to 13,684 units as of December 31, 2022. The increase in FFO for stabilized properties was due to the improved rental and vacancy rates during the quarter.

(000s of dollars)

For three months ended December 31,	2023	2022	% change
FFO of stabilized properties (Note 2)	\$ 15,908	\$ 12,868	24%
Number of stabilized units	15,077	13,684	10%

³ See “Non-IFRS Measures” and Note (1) to the table titled “Summary of Financial Results” for additional information regarding FFO and 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 and access to the Corporation’s available line of credit is granted. With the current inflation and the increase in interest rates, the importance of liquidity has been magnified even more.

The mortgage rate for a 5-year fixed CHMC mortgage has decreased by almost 70 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 Q1 2024, after payments of all required expenses, the Corporation generated funds from operations of \$19.3 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 December 31, 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 Q1 2024, the Corporation spent approximately \$52.2 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.

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.

In Q1 2024, the Corporation financed 21 clear title properties for an additional net funding of \$76.7 million at an average interest rate of 4.58%.

The mortgage rate for a 5-year fixed CMHC mortgage has decreased by almost 70 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 December 31, 2023, the Corporation owned title to 70 clear title properties and five development lots having an aggregate fair value of approximately \$387 million.

High commodity prices and global supply chain constraints have pushed inflation up, with the consumer price index (CPI) being 3.4% in December 2023. In response the Bank of Canada has significantly increased interest rates during the past 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 48%, 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 December 31, 2023, the Corporation has drawn \$Nil (September 30, 2023 - \$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 December 31, 2023, the Corporation has drawn \$Nil (September 30, 2023 - \$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 December 31, 2023, the Corporation's overall funded debt to gross book value ratio and debt service coverage ratio are 48% and 1.74, respectively.

CONTRACTUAL OBLIGATIONS

As of December 31, 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 December 31, 2023 are as follows:

(000s of dollars)

Years ending September 30,	Amount
2024	\$ 147,723
2025	162,174
2026	273,187
2027	88,940
2028	122,996
Subsequent	902,211
	1,697,231
Deferred financing cost	(38,261)
	\$ 1,658,970

LONG-TERM DEBT

(000s of dollars)

	Amount	% of debt	Average interest rate (%)
Fixed rate debt			
– CMHC-insured	\$ 1,682,237	99%	2.88%
– non-CMHC-insured	14,994	1%	3.47%
Total debt	1,697,231	100%	2.89%
Deferred financing costs	(38,261)		
	\$ 1,658,970		

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 December 31, 2023, total mortgages payable were \$1,659 million compared to \$1,565 million on September 30, 2023, an increase resulting from financing and acquisition activity during the quarter ended December 31, 2023.

As of December 31, 2023, Management believes the Corporation's financial position to be stable, with overall mortgage levels reported at 48% 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	128,125	8%	3.36%
2024	139,507	8%	3.63%
2025	266,474	16%	2.34%
2026	75,270	4%	3.13%
2027	111,862	7%	3.61%
Subsequent	975,993	57%	2.77%
	\$ 1,697,231	100%	2.89%

The average maturing term of mortgage loans is 5.40 years as of December 31, 2023, compared to 6.16 years as of December 31, 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 December 31, 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 December 31, 2023.

As at December 31, 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. 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 December 31, 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)

		December 31, 2023		September 30, 2023	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:					
Restricted cash	Level 2	\$ 5,174	\$ 5,174	\$ 4,982	\$ 4,982
Cash and cash equivalents	Level 2	142,030	142,030	81,762	81,762
Trade and other receivables	Level 2	1,981	1,981	1,640	1,640
Financial liabilities:					
Mortgages payable	Level 2	1,658,970	1,611,926	1,565,813	1,457,667
Trade and other payables	Level 2	12,740	12,740	10,873	10,873
Refundable security deposits	Level 1	\$ 7,294	\$ 7,294	\$ 7,046	\$ 7,046

* Refundable security deposits for Alberta, Manitoba 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, 2023 and 2022 (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:

	Three months ended December 31, 2023		Year ended September 30, 2023	
	Number of common shares	Amount	Number of common shares	Amount
Issued and outstanding				
– beginning of the period	9,318,818	\$ 26,419	9,326,718	\$ 26,441
Shares purchased for cancellation	–	–	(7,900)	(22)
Issued and outstanding				
– end of the period	9,318,818	\$ 26,419	9,318,818	\$ 26,419

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 months ended December 31, 2023 and 2022, the Corporation purchased and cancelled Nil (2022 – 4,900) common shares 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.

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 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 of 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 future income tax rate used to arrive at future income tax balances.

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 months ended December 31, 2023 amounted to \$320,765 (2022 – \$182,434).

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 months ended December 31, 2023 amounting to \$156,648 (2022 – \$82,125) to a law firm of which a director and officer of the Corporation is a Senior Associate. As at December 31, 2023, the amounts payable to the law firm were \$ Nil (September 30, 2023 – \$Nil). 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 arrangements were made by the Corporation for Q1 2024.

Subsequent Events

Subsequent to quarter-ended December 31, 2023, the Corporation acquired an additional 147 residential units in the Province of Alberta for a total consideration of \$17.0 million.

On January 9, 2024, Mainstreet declared a quarterly dividend amount of \$0.0275 per share for the quarter ended December 31, 2023 on its common shares, with the first dividend being paid at the end of January 2024.

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, 2023 ("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, effects of which have continued to be felt in 2023 and 2024. In addition, sustained higher housing process, substantial supply constraints and geopolitical conflicts, have increased prices for energy and agricultural markets, and there has also been significant disruption to the global supply chain in recent years, 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.

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 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.

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;
- 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;
- 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;
- focusing on affordable multi-family housing, which is considered a stable commodity;
- 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, various geopolitical conflicts have 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 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:

- Management continues to monitor all these costs very closely. In order to mitigate these risks, the Corporation has implemented the following steps:
- 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 \$3.78 per GJ in Alberta with a maturity date of December 31, 2026, 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 economic conditions (such as the availability and cost of the property or widespread fluctuations in adjacent property values);

- 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 3.4% in December 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. 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 December 31, 2023, rents due from current tenants amounted to \$542,000 (September 30, 2023 - \$665,000). The possibility of not receiving payment of rent due from current tenants was covered by security deposits of \$7.3 million (September 30, 2023 - \$7.0 million) and provisions for bad debts of \$160,000 (September 30, 2023 - \$160,000).

The aging bands of rents due from current tenants as at December 31, 2023 and September 30, 2022 are outlined in the table below:

(000s of dollars)

	Dec. 31, 2023	Sep. 30, 2023
0-30 days	\$ 374	\$ 468
31-60 days	84	105
61-90 days	11	21
Over 90 days	73	71
Total rents due from current tenants	\$ 542	\$ 665

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.

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.

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, 2024 is 3.5%. 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. Effective January 1, 2024 the guideline limit increased to 3%.

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.

Cyber Security Risk

Cyber security has become an increasingly important issue for corporations and businesses. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the Corporation's information resources. More specifically, a cyber incident is an intentional attack or an unintentional event which can include gaining unauthorized access to information systems to disrupt business operations, corrupt data or steal confidential information. As Mainstreet's reliance on technology has increased, so have the risks posed to its systems. 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 a cyber incident can be totally avoided and that the Corporation's business and financial condition will not be negatively impacted by such an incident. The significance of any event is difficult to quantify, but may in certain circumstances be material.

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 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.

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. In recent years, certain areas of British Columbia, Alberta and Saskatchewan have been negatively impacted by wildfires, and in certain areas flooding. 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.

Aging Portfolio Risk

Aging portfolio risk is the risk that there is decreased demand for Mainstreet's assets as a result of the age of its assets, as well as an increase in capital expenditures to maintain or enhance these assets in order to remain competitive. This risk is partially mitigated due to the fact that older assets tend to be in more desirable locations and may have larger suite sizes. In addition, this is mitigated through Mainstreet's stabilization process.

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.

No History of Significant Dividends

Prior to Q1 2024, Mainstreet had not declared or paid any dividends on its common shares since its incorporation. Subsequent to Q1 2024, Mainstreet has declared a quarterly dividend (\$0.0275 per share for the quarter ended December 31, 2023) on its common shares in the 2024 fiscal year, with the first dividend being paid at the end of January 2024. However, there is no guarantee that a dividend will continue to be paid at any specific future times, or in any specified amount and 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

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.

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.

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

Inflation and cost pressures

Despite promising macroeconomic tailwinds, rising costs continue to pose a challenge to Mainstreet. Primarily, higher interest rates increase the cost of Mainstreet debt, its single-largest expense. Mainstreet has locked 99% of its debt into CMHC-insured mortgages at an average interest rate of 2.89%, maturing in 5.4 years, to proactively protect the Corporation against any eventual rate increase (see Outlook below). Smaller line items including everything from labour to materials are also impacted by inflation, elevating operating costs.

Additionally, due to strong growth and consecutive operating profits over the past 24 years, Mainstreet starts to be liable for corporate income taxes for one of the first times in the Corporation's history. Management views the Corporation's performance as an unmitigated success, and do not expect a material impact on Mainstreet's overall performance going forward.

Combatting higher expenses

Mainstreet works tirelessly on multiple fronts to counteract rising expenses. By securing longer-term natural gas contracts, Mainstreet substantially reduced energy costs across a large portion of Mainstreet buildings. The Corporation also managed to reduce its insurance costs—a sizable Mainstreet expense—by more than 13% for fiscal 2024 by obtaining improved premium rates and coverage. Still, major fixed expenses like maintenance and utilities, property taxes and apartment repairs 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. Despite Mainstreet's best efforts to control costs where possible, inflationary pressures nonetheless introduce added financial burdens that will, in some cases, be passed onto tenants through soft rent increases.

Ottawa's international student cap

The federal government recently placed a two-year limit on the number of new student visas Canada awards, reducing intake 35% from 2023 levels. According to the immigration ministry's official estimates, Canada will still approve 360,000 new studies in 2024 this year under the cap.

OUTLOOK

Turning intangibles to tangibles

Heading into 2024, Mainstreet sees multiple opportunities to expand its portfolio. To combat the ongoing housing shortage, Canadian municipalities are increasingly increasing density through rezoning efforts. Mainstreet, with an extensive portfolio of more than 800 low density buildings, is well placed to similarly extract more value out of existing assets and land titles at no cost. To that end, Management is in the early stages of developing a three-point plan to 1) turn unused or residual space within existing buildings into new units 2) explore zoning and density relaxations to potentially build new capacity within existing land footprints and 3) subdivide residual lands for future developments. While the plan is currently conceptual in nature, management views this as a major driver of future growth in the longer-term, and further evidence of Mainstreet's inherent intangible value.

A long-term view on short-term debt

As debt markets shift due to rising interest rates, Mainstreet continues to take an adaptive approach to its mortgage positions. In the past, when interest rates were lower, Mainstreet locked in its mortgages at longer-term, 10-year maturities to maximize savings. Now that rates are higher, Mainstreet has shifted toward shorter-term debt obligations, which will yield more cost reduction should interest rates eventually fall.

BC continues to perform

Management expects Vancouver/Lower Mainland will continue to provide exceptional growth in 2024. British Columbia is a vital aspect of Mainstreet's portfolio, accounting for approximately 46% of its estimated net asset value ("NAV") based on IFRS value. With an average monthly mark-to-market gap of \$702 per suite per month, 98% of the Corporation's customers in the region are below the average market rent. According to estimates, that translates into approximately \$29 million in same-store NOI growth potential after accounting for tenancy turnover and mark-to-market gaps.

Alberta's population swells

Alberta, which comprises the largest portion of Mainstreet's portfolio, continues to see explosive population growth that has far surpassed the Canadian average. Despite expectations that economic growth will decline in Alberta the next two years, Alberta is still expected to lead the national average of economic growth in 2024 (Deloitte). In the year ended October 2023, Alberta's population grew 4.3%, to 4.75 million. This represents the highest annual growth rate since the early 1980s and is also significantly higher than the national rate of 3.2%. In Q3 alone, Alberta added 61,000 people, and

marked the fifth consecutive quarter of in-migration gains higher than 10,000.

RUNWAY ON EXISTING PORTFOLIO

1. **Pursuing 100% organic, non-dilutive growth model:** Using Mainstreet's strong potential liquidity position, estimated at \$418 million, the Corporation believes there is significant opportunity to continue acquiring underperforming assets at attractive valuations. As such, Mainstreet will continue to solidify its position as a leader in the add-value, mid-market rental space in Western Canada.
2. **Closing the NOI gap:** As of Q1 2024, 13% of Mainstreet's portfolio was going through the stabilization process as a result of recent acquisitions. Once stabilized, Mainstreet remains confident same-asset revenue, vacancy rates, NOI and FFO will be meaningfully improved. Management is cautiously optimistic that Mainstreet can increase 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 \$29 million. The Alberta market in particular also has substantial room for mark-to-market catch up.
3. **Buying back shares at a discount:** Management believes MEQ shares continue to trade below its 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 and on SEDAR+ at www.sedarplus.ca.