EQUITON REAL ESTATE INCOME AND DEVELOPMENT FUND TRUST

2023 ANNUAL REPORT

EQUITON® | We see what others don't.

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FORWARD-LOOKING INFORMATION

Certain information in this communication contains "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information may relate to future events or the Trust's performance. Forward-looking information includes, but is not limited to, information regarding the Trust's distributions, growth potential and volatility, investor returns, ability to achieve operational efficiencies, objectives, strategies to achieve those objectives, beliefs, plans, estimates, projections and intentions; and similar statements concerning anticipated future events, results, circumstances, performance or expectations and other statements that are not historical facts. These statements are based upon assumptions that the management of the Trust believes are reasonable, but there can be no assurance that actual results will be consistent with these forward-looking statements. Forward looking information involves numerous assumptions, known and unknown risks, and uncertainties that contribute to the possibility that the forward-looking statements will not occur and may cause actual results to differ materially from those anticipated in such forward-looking statements. Some of these risks are discussed in the section "Risk Factors" in the Offering Memorandum. These forward-looking statements are made as of the date of this communication and the Trust is not under any duty to update any of the forward-looking statements after the date of this communication other than as otherwise required by applicable legislation.

Jason Roque, CEO and Founder

LETTER FROM THE CEO AND CFO

The Equiton Real Estate Income and Development Fund (the Trust) continued to reward Unitholders with risk-adjusted income and growth in 2023. The Trust offers exposure to a balanced mix of yielding assets, including income-producing properties and interest-generating lending activities, and developments with potential for capital appreciation over the long term. This investment strategy is designed to yield an annual targeted return of 12-16% over a 10-year period while rewarding investors with regular cash flow between significant special distributions when development projects are completed.

This year, portfolio assets under management (AUM) grew by 37.3% to $35.4M. The increase reflects an expanded development project portfolio and cash flows derived from new rental income and interest on loans. Revenues increased by 2.8% to $986,248 (as of December 31, 2023), with the average property net rent growing to $29.65 per square foot (PSF) (+1.5% year-over-year). The average remaining lease term for the portfolio is approximately 6.54 years as of December 31, 2023.

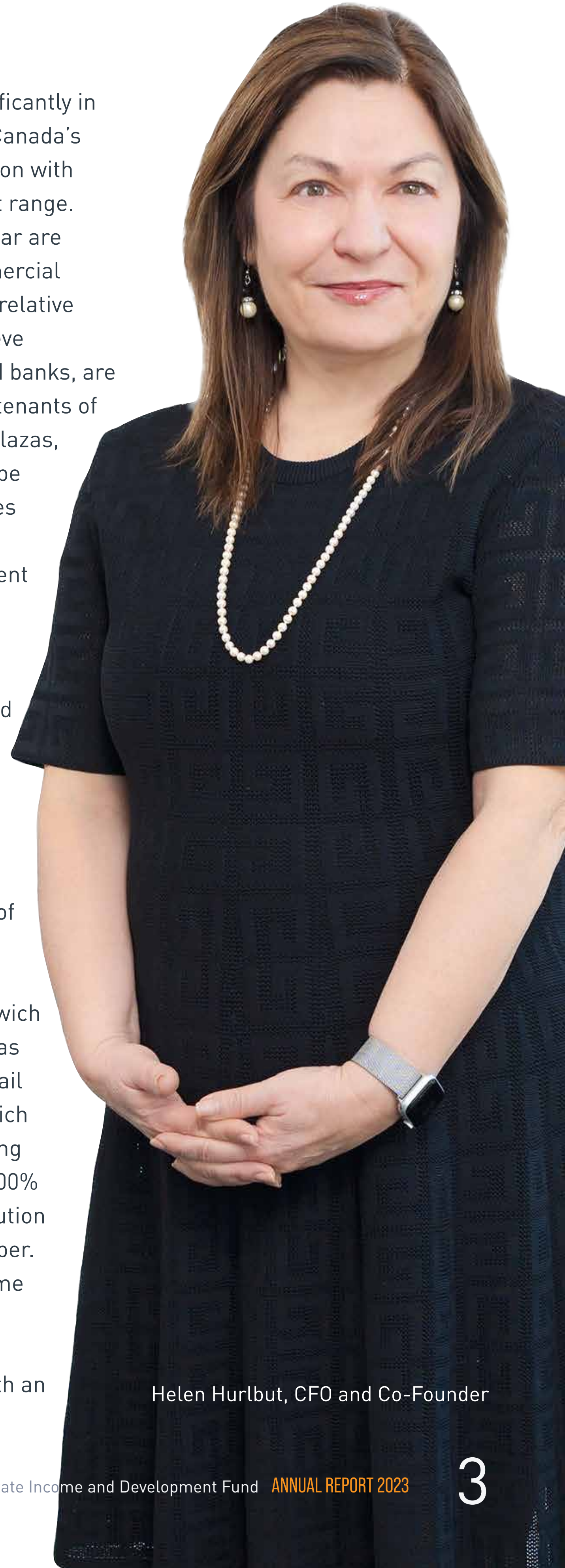
This success is a testament to Management's considerable expertise as it was achieved in a time of uncertainty for Canadian real estate. The Bank of Canada (BoC) paused its aggressive campaign of interest rate hikes mid-year, but not before significantly impacting the real estate industry. Home unaffordability shot up as purpose-built rent prices and occupancy rates rose in tandem.

Transaction and construction activity diminished significantly in many categories of real estate. Fortunately, by 2024, Canada's economy appeared to have avoided a potential recession with inflation shifting lower to within the BoC's 1-3% target range.

Potential interest rate cuts in the later part of the year are expected to revive momentum for the Canadian commercial real estate sector, where recovery has centred on the relative outperformance of certain tenant categories. We believe necessity-based retail tenants, like grocery stores and banks, are positioned to excel over the next two years. Likewise, tenants of open-air retail properties, such as strip malls, retail plazas, and neighbourhood shopping centres, have proven to be particularly resilient in the face of economic challenges with above-average occupancy rates.

In September, the Trust invested in a new development project, Vicinity Condos Trust, an 11-storey mid-rise condo in a vibrant west Toronto neighbourhood. The project represents a unique opportunity to generate value for Investors and Stakeholders as it was acquired with zoning already complete, leading to a compact time frame of 3.25 years rather than the typical five to seven years for a mid-rise condo development. Marketing has commenced under the name KüL Condos, with sales expected to begin in 2024. The property will span ~177 residential units, 2,500 sq. ft. of commercial space, and 3,000 sq. ft. of amenities upon its expected completion in Q3'26.

There is also notable progress to report at the Woolwich Development Project in Guelph, Ontario. Phase one was completed in September with the tenanted anchor retail store's relocation and entry into a long-term lease which is anticipated to generate annual average Net Operating Income (NOI) of $250,000. The Trust also acquired a 100% interest in the retail store and issued a special distribution to Unitholders from the gains on development in October. Construction on phase two, a stacked 96-unit townhome complex spanning four residential building blocks, continued and the site is being marketed for sale. The project is expected to begin occupancy in late 2024 with an estimated total value upon completion of $61M.



Helen Hurlbut, CFO and Co-Founder

In addition, the Trust has updated the total estimated completion value of Sandstones Condo Trust to $285M. The Trust acquired a minority interest in the 12-storey residential condominium outside Toronto's city core in August 2022. Sandstones will comprise ~329 residential units and 7,300 sq. ft. of commercial space upon it's estimated completion date of Q3'27.

The Trust's existing yielding assets reported strong operating performance during 2023. The multi-tenanted commercial retail plaza at 1960-1980 Hyde Park in London, Ontario experienced an increase in average net rent to $31 and an NOI of $503,167 (as of December 31, 2023). This success amid challenging market conditions underscores Management's continued confidence in the property's growth prospects, backed by a strategic bank-anchored tenant mix, long-term net leases, and rental steps expected to generate NOI growth. The lending portfolio, which maintained an average interest rate of 9.53%, generated interest income of $225K. During the year all of the outstanding loans were repaid, and Management continues to assess development opportunities to finance.

The economic environment of 2023 highlights the importance of advancing sustainability in every aspect of Equiton's operations. In that respect, the firm made strides with a commitment to net-zero emissions by 2050 and implementing GRESB environmental guidelines across our portfolio.

Management remains committed to its long-term plan of providing reliable risk-adjusted income and long-term growth. We look forward to continuing to provide value to Unitholders and Stakeholders alike, and are confident our strategy will result in another successful year for the Trust.

Jason Roque, CEO and Founder
Helen Hurlbut, CFO and Co-Founder

"This year, portfolio AUM grew by 37.3% to $35.4M. The increase reflects an expanded development project portfolio and cash flows derived from new rental income and interest on loans."

CORPORATE PROFILE

Established in 2015, Equiton has become a leader in private equity investments. Our remarkable growth is a result of our leadership team's expertise in the industry and their ability to generate long-term wealth through real estate investments. We know that finding the right opportunities involves time, experience, and discipline. Our strategy is always forward looking, anticipating trends and adapting our approach to strengthen our market position. We focus on capitalizing on value creation opportunities and building the most robust portfolio possible for our Investors. We create value by investing in real estate and leveraging opportunities for improvement, optimization, and redevelopment. At Equiton, we make private equity real estate investments more accessible to all Canadians and believe everyone should be able to build their wealth through these solutions.

"We focus on capitalizing on value creation opportunities and building the most robust portfolio possible for our Investors."

MISSION

Equiton believes in creating lasting value by investing in people and communities. We strive to deliver superior real estate investment solutions so our customers can build their wealth and financial security.

VISION

To be a leading force in making high-quality private real estate investing accessible to all Canadians while building lasting relationships with our Stakeholders.

CORE VALUES

INTEGRITY
Rigorous adherence to a set of moral and ethical standards focused on respect, honesty, and fairness.

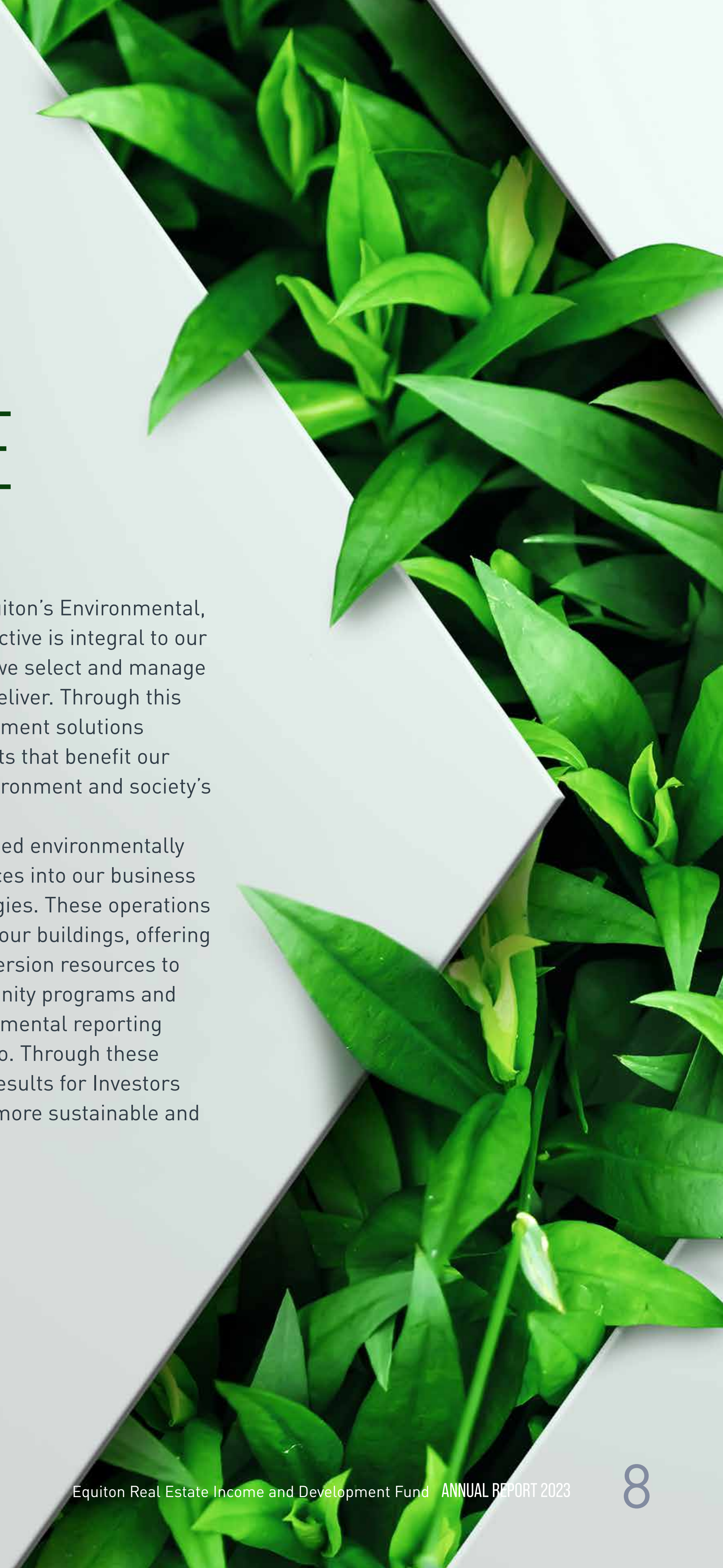
ACCOUNTABILITY
Individual responsibility for delivering on our commitments and being accountable for our decisions, actions, and results.

EXPERTISE
Offering the highest level of professional expertise, quality service and knowledgeable insights.

CUSTOMER FOCUSED
We recognize our customers are the reason for our success and know by putting their needs first, we foster trusting, long-term relationships.

ENTREPRENEURIAL SPIRIT
Focusing on a growth mindset, continuous improvement, embracing change, and recognizing goals are achieved through dedication and hard work.

OUR ESG OBJECTIVE



With a focus on sustainability, Equiton's Environmental, Social and Governance (ESG) objective is integral to our investment strategies, from how we select and manage our properties to the results we deliver. Through this approach, we aim to design investment solutions that lead to lasting positive impacts that benefit our company while improving the environment and society's well-being.

Equiton has seamlessly integrated environmentally responsible strategies and practices into our business operations and investment strategies. These operations entail optimizing energy usage in our buildings, offering water conservation and waste diversion resources to our Residents, developing community programs and ensuring compliance with environmental reporting standards throughout our portfolio. Through these efforts, we aim to deliver strong results for Investors and contribute meaningfully to a more sustainable and equitable future.

ESG MILESTONES

Equiton made significant strides in our sustainability management and performance. These advancements reflect our ongoing commitment to environmental responsibility and operational excellence:

- Committed to net-zero emissions by 2050
- Launched the Wellness Works Program, addressing diverse workforce needs, including mental, physical, financial, and environmental well-being
- Provided staff with 1,473 hours of in-classroom training and 819 hours of online training, for a total of 2,292 hours
- Defined a new Diversity, Equity, and Inclusion (DEI) Policy with formal commitment from all Employees

2024 ESG TARGETS AND COMMITMENTS

Embarking on our journey into 2024, we have outlined a set of commitments aimed at fortifying our corporate values and advancing our sustainability efforts. These encompass a range of initiatives, including Employee engagement surveys, comprehensive sustainability training, enhanced well-being programs for our Residents, and the establishment of targets for key environmental metrics.

	TARGET
Conduct annual Employee surveys	**COMPLETED 2023 AND ONGOING**
We aim to achieve a reduction of water use by 2% year-over-year across portfolio	**2024 IN PROGRESS**
We aim to achieve a reduction of energy consumption 2% year-over-year across portfolio	**2024 IN PROGRESS**
Launched due diligence checklist for residential and commercial properties	**COMPLETED 2023 AND ONGOING**
Roll out sustainability training company-wide	**2022 AND ONGOING**
Broaden health and well-being programs for our Residents and Tenants	**2024**
Achieve net-zero carbon emissions across portfolio	**2050 IN PROGRESS**

BUSINESS OVERVIEW

The Trust was formed on April 30, 2018 pursuant to the Declaration of Trust and has not carried on any activities since its inception other than the sale of Trust Units and purchasing LP Units of the Partnership. The Trust was formed under the laws of the province of Ontario on April 30, 2018 pursuant to the filing of a limited Trust declaration, and has not carried on any active business since its inception other than entering into the material agreements set out under the heading "Material Agreements" and the purchase of limited Trust units of the Commercial Partnership, the Development Partnership and the Financial Partnership.

OBJECTIVES

Long-Term Objectives

The long-term objective of the Trust is to maximize Trust Unitholders' value with regular and growing cash distributions, payable monthly from investments in LP Units. The Trust seeks to invest in (a) existing residential, commercial, industrial, mixed-use, hybrid and other income-producing properties; (b) real estate development and construction; and (c) real estate financing and lending.

Short-Term Objectives

The primary objective of the Trust in the ensuing 12 months is to seek out Subscribers, close the offering and complete additional offerings. The Trust will invest funds raised by such offerings in the Trust by way of purchase of LP Units which will in turn initially invest in income-producing investments in Canada.

Artist Concept
Vicinity Condos

INVESTMENT OBJECTIVES AND STRATEGY

The objectives of the Trust are (i) to provide LP Unitholders, including the Trust, with regular and growing cash distributions, payable monthly from investments in (a) existing residential, commercial, industrial, mixed-use, hybrid and other income-producing properties; (b) real estate development and construction; and (c) real estate financing and lending; and (ii) to maximize LP Unit value through the ongoing management of the Trust's investments and through future investments in North American real estate assets.

Income-Producing Property

The Trust, through the Commercial Partnership, may indirectly invest in income-producing properties, including multi-residential apartments, student housing, retirement residences, retail and commercial space, offices, industrial space and mixed-use properties, as well as hybrid-type properties like flex-space and specialty properties like self-storage.

In addition to different categories of income-producing properties, investments can be further subdivided into those that currently generate positive cash flow and value-add opportunities. The Trust may, through its investment in the Commercial Partnership, invest in cash flow and value-add investments. Value-add investments typically require significant capital and may also require operational improvements. They are acquired at a discount to replacement value and can generate greater returns than most regular cash-flowing properties but may not make distributions for a period of three or more years.

Development and Construction

The Trust, through the Development Partnership, may invest in residential, commercial, industrial or other real estate development projects. Initially, the focus of the Trust is on residential development projects, like low-rise subdivisions, townhomes and condos.

Such projects may include ancillary commercial or mixed-use components to the developments, such as high-rise residential condo projects where the zoning requires retail commercial space on the ground floor. The Trust may invest by entering joint ventures with reputable developers – providing equity in exchange for a share of a development's profits. Development partners (which could be Related Parties) would provide project oversight and management.

Lending and Financing

The Trust, through its investment in the Financial Partnership, invests in real estate lending. The primary focus is investing in pre-development, construction, and term financing mortgages. Types of lending could include: first and second mortgages, mezzanine financing, land loans and construction financing. The average term-to-maturity for mortgage investments is expected to be 12 to 24 months depending on the specifics of the loan.

Concepts/images are proposed or for illustrative purposes. Subject to change.

MARKET INFORMATION

With strong fundamentals in place, the prospects for Canadian real estate were promising at the conclusion of 2023. Growth in the sector is poised to outperform other G7 countries over the long term, driven by $49.5B in investments for the year and record-high inflows from foreign investors[1]. Meanwhile, Canada's population growth — which has a direct correlation with demand for all categories of real estate — is also expected to continue to outpace G7 peers. Canada exceeded projections by welcoming 471,550 new permanent residents in 2023[2], and federal targets aspire to attract up to another million in the following two years.

The Trust believes that favourable long-term demographic shifts and economic tailwinds should continue to contribute to the attractiveness and performance of well-managed multi-residential and commercial income-producing properties and development projects in Canada:

- Population growth, through natural means and immigration, will continue to increase demand for new places to live, shop, and work.
- Canada's population has surpassed 40 million[3] by a record pace of 3.2% year-over-year as of October 2023[4]. The average growth rate has remained relatively stable over the last 30 years at just over 1.0% per year[5]. Immigration has accounted for most of Canada's population growth since the early 2000s, with close to 98% of the growth in the Canadian population from July 1, 2022, to July 1, 2023, attributed to net international migration[6].

[1]CBRE. 2024 Canada Real Estate Market Outlook. February 26, 2024
[2]Canada.ca. Building a stronger immigration system – Permanent residence. February 19, 2024
[3]Statistics Canada, Canada's population estimates, third quarter 2023, December 19, 2023 .
[4]Desjardins. Canada: The Economy Still Isn't Keeping Up with Skyrocketing Population Gains. December 19, 2023.
[5]Statistics Canada Database. Annual Average Growth Rate, Natural Increase and Migratory Increases per Intercensal Period, Canada, 1851 to 2056.
[6]Statistics Canada, Canada's demographic estimates for July 1, 2023: record-high population growth since 1957. September 27, 2023.

- The federal government announced Express Entry status for newcomers with trades experience and set higher targets for immigration over the next few years to address labour shortages in key sectors of the economy, including construction where an estimated 20% of the labour force is expected to retire in the next decade[7].
- Millennials account for 23%[8] of the Canadian population. Their preference for urban living, combined with high single-family home prices, have contributed to an increase in the acceptance of and preference for renting. Less than a quarter of Canadians aged 18-34 say they might or probably will buy a home in 2024[9]. In high-cost markets like Toronto and Vancouver, first-time homebuyers typically enter the property ladder with a condo purchase. Evolving demand in 2023's exceptionally tight Canadian rental market pushed vacancy rates down to 1.5% while simultaneously increasing average rents by 4.0% in Ontario.
- The rapid growth of e-commerce in Canada has sparked tremendous expansion in the country's logistic and distribution sectors which Management expects will significantly increase demand for industrial space.
- Necessity-based tenants, such as banks and grocery stores, and tenants of open-air commercial categories (strip malls, neighbourhood centres, big box stores) have proven resilient in Canadian commercial real estate with above-average vacancy rates[10]. Growth has concentrated on street fronts with strip centres posting increased rental rates in almost three-quarters of major Canadian markets, leading demand of any retail format[11].
- The increase in Toronto and Vancouver residential housing starts seen in the first half of the year, which was well above levels seen in the past five years, was offset by decreases in other Canadian markets for an overall uptick of 1% across all property types. Apartment starts, similarly concentrated in Toronto and Vancouver, were up 15% nationally, offsetting declines in single-detached (-25%), semi-detached (-22%), and row (-17%) property starts[12].
- Although elevated borrowing and construction costs hampered the creation of new supply in 2023, the rate of construction cost increases showed moderation. Costs may continue to moderate over the next six to 12 months but will be subject to population growth and attendant increases in demand[13].
- Despite a slowed overall market, Canadian detached home prices exited Q4'23 higher than the previous year with an average increase of 4.3%[14]. The national aggregate home price is expected to increase another 5.5% in 2024, driven by anticipated rate cuts and pent-up demand[15].

[7]Bank of Canada. Economic progress report: Immigration, housing and the outlook for inflation. December 7, 2023.
[8]Statistics Canada, Millennials now outnumber baby boomers in Canada. February 21, 2024.
[9]Wahi 2024 Homebuyer Intentions Survey. January 2024.
[10]Colliers Canada. Open-Air Retail: Weathering Economic Headwinds. December 6, 2023.
[11]Canada Retail Rent Survey H2 2023. January 15, 2024.
[12]Canada Mortgage and Housing Corporation Housing Supply Report, Canadian Metropolitan Areas. October 2023.
[13]Altus Group 2024 Canadian Cost Guide. January 2024.
[14]Royal LePage House Price Survey. January 15, 2024.
[15]Royal LePage 2024 Market Survey Forecast. December 14, 2023.

Income-Producing Properties

An income-producing property is typically either actively generating regular income or newly constructed and substantially leased. There are various types of income-producing properties: multi-residential; retail; offices; and industrial making up the bulk of the properties with hotels, mini-storage, parking lots, seniors care housing and other specialty properties rounding out the asset class.

Multi-Family Residential Properties

As an asset class, multi-family residential properties span a wide spectrum that technically includes all buildings containing at least two housing units, which are adjacent vertically or horizontally. Multi-family residential property types include townhouses, condominiums and apartments, which share physical systems such as walls, roofs, heating and cooling, utilities or amenities. The real estate industry "grades" multi-family properties as Class A, B or C based on criteria such as age, quality, amenities, rent and location, among other factors.

Multi-family residential properties generally deliver regular returns because people always need a place to live irrespective of the stage of the economic cycle. Therefore, in normal markets, residential occupancy tends to stay reasonably high. Another factor contributing to the stability of residential property is that the loss of a single tenant has a minimal impact on a multi-residential portfolio's bottom line, whereas losing a tenant in other types of property can have detrimental effects. The diminishing supply of developable land in several major North American cities continues to put pressure on affordable home ownership, thereby increasing demand for rental housing. In many cities across Canada, demographic trends suggest a long-term increase in renting versus ownership. In addition, in many North American markets, there are significant barriers to building brand-new developments.

Retail Properties

Retail properties consist of many property types, which include large regional malls, outlet centres, grocery-anchored shopping centres, power centres that feature big box retailers, strip centres and single tenant free-standing retail boxes. Retail properties can be in metropolitan city centres and suburban neighbourhoods and are often part of an integrated project consisting of not only retail outlets but other amenities such as bowling alleys, cinemas and skating rinks.

Retail properties located in high traffic flow areas are highly regarded investments and enjoy several advantages over other property types. Firstly, larger retail properties often enjoy a high barrier of entry. This is especially true in urban centres where the supply of land is limited and the release of land for retail purposes is highly regulated by the government. Furthermore, the cost of building a mall is prohibitively expensive, and banks typically only fund the construction of a mall or shopping centre project if the developer has a well-established track record in this sector. For this reason, retail properties are unlikely to face oversupply or any serious competition from new market entrants.

Another advantage of retail properties is that established properties are an essential consumer service and despite the emergence of online shopping, many consumer staples – fresh groceries, haircuts, dining out, shopping and entertainment are purchased in person. As such, retailers still need brick and mortar structures to deliver these services. Also, regardless of how poorly the economy may be doing, spending on these weekly staples is unlikely to deteriorate as much, compared to subsectors with non-essential services such as hotel occupancy levels.

Retail properties often have more favourable lease agreements (triple net leases, rent bumps and agreement to retain portions of profits from the tenants when sales reach target levels) with their tenants as compared to other property types. When retail properties enter into favourable lease agreements with their tenants, the owner of the property has effectively absolved itself of the major expenditures of running the property while ensuring sustained income growth. Costs of insurance, building repairs and property taxes are all passed onto the tenants, allowing the property owners to retain as much of the property yield as possible. Lease agreements like these are rarely the case for other property types.

Office Properties

Office properties can range from skyscrapers in central business districts to office parks and stand-alone buildings, which are typically found in adjacent suburban areas. The various types of office properties cater to a diverse tenant group ranging from multinational corporations to entrepreneurial start-ups.

One of the key advantages of office properties is that their tenants, especially anchor tenants, usually take on relatively long leases as compared to tenants occupying industrial or retail properties. Therefore, office properties have relatively longer weighted average lease expiry (WALE) compared to other commercial property types.

These leases provide a more secure income stream which makes up a large part of the investment return for commercial property, so the length of those leases help underpin the value. For example, a long WALE of five years or more indicates that future income streams from the asset are relatively secure.

Industrial Properties

Industrial properties come in all shapes and sizes and provide for a wide range of business types. Industrial properties can generally be broken down into specialty properties and flex space properties. Specialty properties typically meet the needs of a specific tenant or type of tenant. There is a limited ability, however, to be able to significantly repurpose specialty properties if the need arises. Examples of specialty properties include large warehouse/ distribution buildings, manufacturing buildings, refrigeration/cold storage buildings, and telecom/data housing centres.

Flex-space properties may be more easily repurposed, often capable of housing a wide range of users and typically consist of more than a single facility. Light manufacturing buildings with office space, research and development buildings, showroom buildings, which combine retail display space with extensive onsite storage and distribution, and small warehouse and distribution centres are typical flex-space properties.

Unlike many other forms of commercial real estate such as hotels or shopping malls, industrial properties take a shorter time to build and will rarely exceed a year of construction time. As such, developments of industrial buildings are considered more responsive to current economic conditions and are not as susceptible to excessive overbuilding. Another advantage of industrial properties is that they are relatively more configurable and can be adapted to meet specific space demands throughout the economic cycle. As the economy slows down and floor inventory piles up, space that was previously used for manufacturing activity can be quickly converted into a warehousing facility or even office space.

Lastly, but perhaps most importantly, industrial properties often require relatively more modest capital expenditures, or CAPEX, in comparison to other property types. Again, unlike hotels and shopping malls, industrial properties have little need for periodic aesthetic makeovers or asset enhancement initiatives. Modest CAPEX would usually translate into higher per property income.

Real Estate Construction and Development

Real estate construction and development can encompass a wide variety of activities for the purpose of adding value in some way to an existing property. Project processes and activities can be numerous and oftentimes complicated. It can involve property acquisition, various types of financing, municipal planning and approvals, engineering, environmental work, sales and marketing, land development and construction. It can also involve the coordination of numerous consultants, suppliers, and contractors.

Development and construction projects vary and can be for the purpose of renovating or repurposing an existing building for re-lease or sale.

They can also include the purchase of raw land (or existing structures for demolition) for the purposes of building a new structure such as a residential subdivision, commercial centre or high-rise building.

Opportunities in real estate development are numerous and can be in metropolitan centres and suburban markets. They can encompass multiple types of development project types including retail, office, industrial, mixed-use, mid- and high-rise condominiums, subdivided lots and residential subdivisions.

Real Estate Lending and Financing

In North America's most populated cities, major institutions, banks, and trust companies compete for the tier-one, high volume, secured or insurable loan opportunities with an oversupply of capital to opportunities. In all other markets, there exists a near constant imbalance of capital to demand for commercial mortgage funds for mid-tier real estate properties, development, and construction projects. In these markets, private lenders compete for lower volume, development, and construction loan opportunities with a usual oversupply of opportunities to appropriately priced capital.

Land and Pre-Development Mortgages

Land acquisition, pre-development and infrastructure mortgages occur at an early stage in a project's development and are often characterized as pre-development mortgages because of the use of funds to finance the acquisition of land, and the funding of pre-development costs during the approval process.

Development and Construction Mortgages

Development and construction mortgages follow pre-development mortgages as projects move through the development cycle. Development and construction mortgages finance the installation and construction of roads, drainage, sewage, utilities, and similar improvements on a property and the construction of residential or commercial structures. Mortgage terms in all segments average 12 to 24 months in duration.

Artist Concept
Sandstones Condo

Term Financing Mortgages

Term financing mortgages enable an owner of a completed or substantially completed income-producing property to defer arranging longer-term financing until conditions warrant more favourable financing terms. Mortgage rates vary depending on the borrower, property location, property type and loan-to-value ratio. These mortgages are usually short- to mid-term as the borrower's need for funding is driven by a specific opportunity for use of the funds on an interim basis or as a method of bridging financing until the property qualifies for long-term, low-cost institutional lender programs.

Loans in this segment typically average six to 24 months, however, changes in market conditions or institutional lender criteria will create the opportunity for longer-term mortgages. In real estate capital structures, just like corporate capital structures, debt investments maintain a higher priority, meaning commercial real estate debt investors maintain a lower-risk position than their equity counterparts, which offer better protection against changes in market valuations. Debt holders have a priority claim and are normally directly secured by the underlying property and the improvements put in place.

The Trust may invest in sectors that are not described herein but are considered appropriate subject to the Investment Guidelines. See "Material Agreements – Declaration of Trust – Investment Guidelines".

INVESTMENT GUIDELINES AND OPERATING POLICIES

Investment Guidelines

The Declaration of Trust provides for certain guidelines on investments which may be made by the Trust. Additionally, the guidelines below are intended to set out generally the parameters under which any Subsidiary of the Trust or the Partnership will be permitted to invest. References to the Trust below shall include each such Subsidiary or Partnership. The guidelines are as follows:

a) the Trust shall focus its investment activities primarily on the following:

i. the acquisition, holding, maintaining, improving, leasing or managing of income-producing properties, including multi-residential apartments, student housing, retirement residences, commercial, retail, office and industrial space, mixed-use properties, hybrid properties and specialty properties (in each case, as determined by the Trustees) (collectively, "Income-Producing Properties");

ii. residential, commercial, industrial or other real estate development projects or re-development and value-add projects (collectively, "Construction and Development or Re-Development and Value-Add Activities"); and

iii. general real estate financing and lending ("Financing and Lending Activities"); (collectively, the "Trust Investment Activities" and each a "Trust Investment Activity");

b) notwithstanding anything contained in the Declaration of Trust to the contrary, the Trust shall not, or permit a Subsidiary to, make or hold any investment, take any action or omit to take any action which would, at any time, result in:

i. the Trust failing or ceasing to qualify as a "unit trust" and "mutual fund trust" for purposes of the Income Tax Act (Tax Act); or

ii. the Trust or any Subsidiary being liable to the tax payable by a SIFT Trust pursuant to section 122 of the Tax Act or by a SIFT partnership pursuant to section 197 of the Tax Act;

c) from and after the date on which the Trust has a Gross Book Value of at least one hundred and fifty million dollars ($150,000,000), the Trust shall seek to target the following portfolio allocations:

    i. Income-Producing Properties – 25% to 80% of the Trust's portfolio;

    ii. Construction and Development or Re-Development and Value-Add Activities – up to 50% of the Trust's portfolio;

    iii. Financing and Lending Activities – up to 50% of the Trust's portfolio; and

    iv. Cash and cash equivalents – up to 100%;

d) the Trust may make its investments and conduct its activities, directly or indirectly, through an investment in one or more Persons on such terms as the Trustees may from time to time determine, including by way of joint ventures, partnerships (general or limited), unlimited liability companies and limited liability companies, or through any other means the Trust deems appropriate;

e) except for temporary investments held in cash, deposits with a Canadian or U.S. chartered bank or Trust company registered under the laws of a province of Canada, short-term government debt securities or money market instruments of, or guaranteed by, a Schedule I Canadian chartered bank maturing prior to one year from the date of issue and except as permitted pursuant to the investment guidelines and operating policies of the Trust, the Trust directly or indirectly, may not hold securities of a Person other than to the extent such securities would constitute a Trust Investment Activity (as determined by the Trustees) and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary, but in all events subject to (a) and (b) above, the Trust may hold securities of a Person acquired in connection with the carrying on, directly or indirectly, of the Trust Investment Activities;

f) no investment will be made, directly or indirectly, in operating businesses unless such investment is incidental to a transaction: where revenue will be derived, directly or indirectly, principally from a Trust Investment Activity;

    i. which principally involves the ownership, maintenance, improvement, leasing or management, directly or indirectly, of real property held for investment purposes;

    ii. which may invest in real estate lending, such as first and second mortgages, mezzanine financing, land loans and construction financing; or

    iii. which may invest in construction and development relating to residential, commercial, industrial or other real estate development projects;

g) notwithstanding any other provisions of this section, the securities of a reporting issuer in Canada may be acquired provided that:

   i. the activities of the issuer are focused on a Trust Investment Activity; and

   ii. in the case of any proposed investment or acquisition which would result in the beneficial ownership of more than 10% of the outstanding equity securities of the securities issuer, the investment or acquisition is of strategic interest to the Trust as determined by the Trustees in their discretion;

h) no investments will be made in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;

i) notwithstanding any other provisions hereof, investments may be made which do not comply with the provisions of this section (other than paragraph (b)) provided:

   i. the aggregate cost thereof (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred in connection with the acquisition and secured by a mortgage on such property) does not exceed 15% of the Gross Book Value; and

   ii. the making of such an investment would not contravene the Declaration of Trust. The Trust has complied with the guidelines set out above since its formation.

Operating Policies

The operations and affairs of the Trust shall be conducted in accordance with the following operating policies:

a) title to each real property shall be held by and registered in the name of a corporation or other entity wholly-owned or jointly-owned, directly or indirectly, by the Trust or on its behalf, the General Partner, or a corporation or other entity wholly-owned indirectly by the Trust or jointly owned indirectly by the Trust with joint venturers or partners or on its behalf;

b) no indebtedness shall be incurred or assumed if,

   i. for real property income, after giving effect to the incurring or assumption thereof of the indebtedness, the total indebtedness including amounts drawn under an acquisition and operating facility but not including Mortgage Insurance Fees incurred in connection with the incurrence or assumption of such indebtedness as a percentage of Gross Book Value, would be more than 75%; or

   ii. for Construction and Development or Re-Development and Value-Add Activities, the total indebtedness incurred in connection with the incurrence or assumption of such indebtedness shall not exceed typical industry standards relating to loans for similar business purposes;

c) the Trust will not directly or indirectly guarantee any indebtedness or liabilities of any Person unless such guarantee is given in connection with or incidental to an investment that is otherwise permitted under the Declaration of Trust, and the guarantee would not result in the Trust ceasing to qualify as a mutual fund trust for purposes of the Tax Act;

d) the Trust will not engage in any Financing and Lending Activities unless,

    i. acceptable security for the loan (as determined by the Trustees) is provided; and

    ii. the total indebtedness incurred in connection with the incurrence or assumption of such indebtedness is within typical industry standards relating to loans for similar business purposes;

e) the Trust will not engage in any Construction and Development or Redevelopment and Value-Add Activities unless it is an acceptable project (as determined by the Trustees);

f) at all times insurance coverage will be obtained and maintained in respect of potential liabilities of the Trust and the accidental loss of value of any of the Trust Property from risks, in amounts and with such insurers, in each case as the Trustees consider appropriate, taking into account all relevant factors including the practices of holders of comparable assets and, for clarity, the Trust is not required to title insure;

g) a Phase I environmental audit shall be conducted or obtained in circumstances in which the Trustees deem it appropriate or necessary; and

h) the Trust will not invest in any Trust Investment Activity until and unless it has conducted the appropriate due diligence (as determined by the Trustees) for such Trust Investment Activity. For the purpose of the foregoing operating policies, the assets, indebtedness, liabilities and transactions of a corporation, trust, partnership or other entity in which the Trust has an interest, directly or indirectly, will be deemed to be those of the Trust on a proportionate consolidated basis, except to the extent that such treatment would be inconsistent with the applicable requirements under the Tax Act or the Trustees consider such treatment to be inappropriate under the circumstances. In addition, any references in the foregoing to investment in real property will be deemed to include an investment in a joint venture arrangement.

   The term "indebtedness" means (without duplication):

    a) any obligation, directly or indirectly, of the Trust for borrowed money;

    b) any obligation, directly or indirectly, of the Trust incurred in connection with the acquisition of property, assets or business other than the amount of future income tax liability arising out of indirect acquisitions;

    c) any obligation, directly or indirectly, of the Trust issued or assumed as the deferred purchase price of property;

d) any capital lease obligation, directly or indirectly, of the Trust;

e) any obligation, directly or indirectly, of the type referred to in clauses (a) through (d) of another Person, the payment of which the Trust has, directly or indirectly, guaranteed or for which the Trust is responsible for or liable; and

f) any amounts secured by any of the assets of the Trust;

provided that (i) for the purposes of (a) through (d), an obligation (other than convertible debentures) will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the Trust in accordance with IFRS in Canada, (ii) obligations referred to in clauses (a) through (d) exclude trade accounts payable, distributions payable and accrued liabilities arising in the ordinary course of business; (iii) convertible debentures will constitute indebtedness to the extent of the principal amount outstanding; and (iv) the issuance of redeemable units will not constitute indebtedness; and (v) obligations referenced in clauses (a) through (d) may be excluded by the Trustees if the Trustees consider such treatment to be inappropriate under the circumstances.

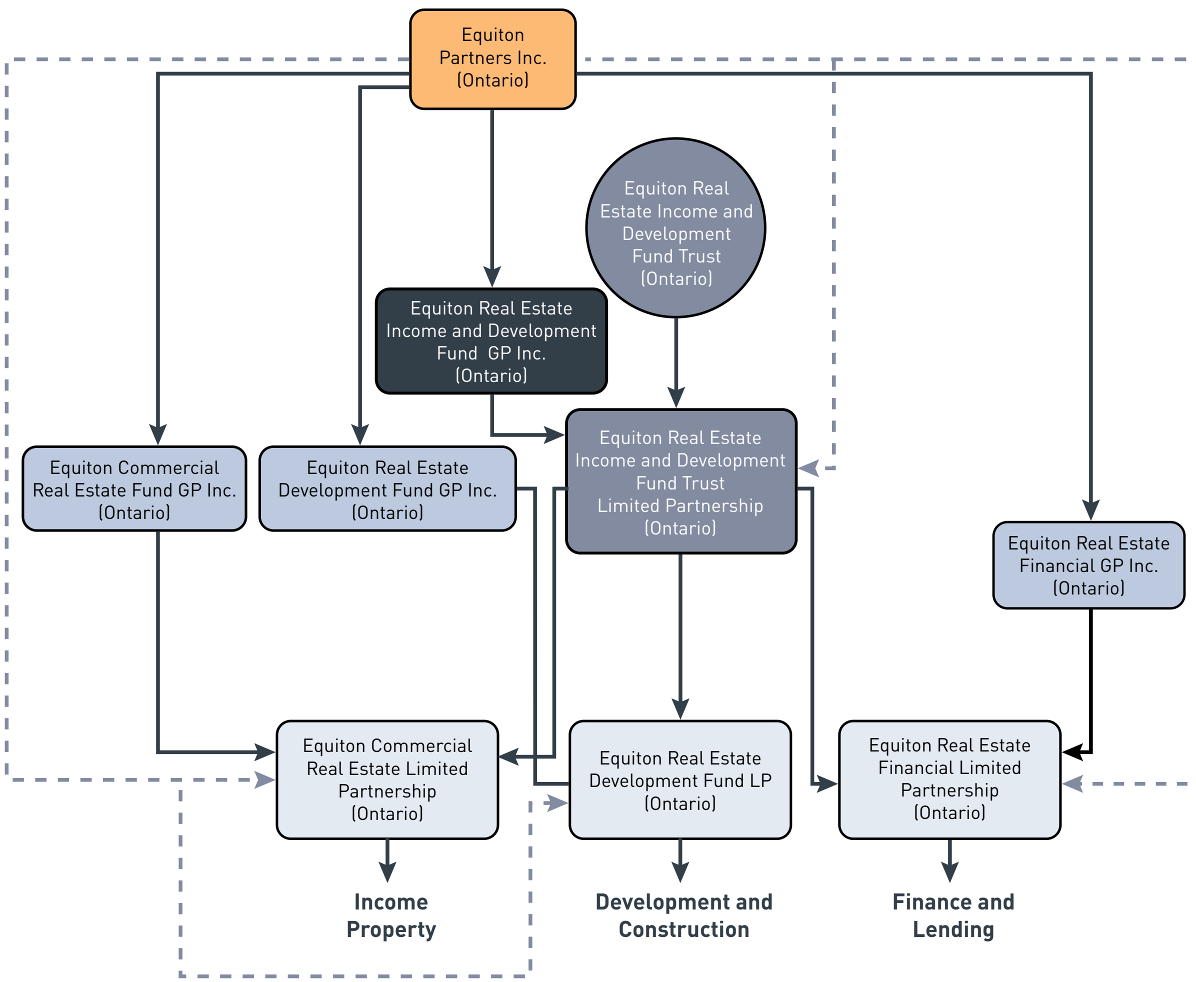
The Trust has complied with the operating policies set out above since its formation.

Amendments to Investment Guidelines and Operating Policies

Subject to the Declaration of Trust, any of the investment guidelines and operating policies of the Trust set forth in this section may be amended by an Ordinary Resolution at a meeting of the Voting Unitholders called for the purpose of amending the investment guidelines or by written resolution unless such change is necessary to ensure compliance with applicable laws, regulations or other requirements by applicable regulatory authorities from time to time or to maintain the status of the Trust as a “unit trust” and “mutual fund trust” for the purposes of the Tax Act or to respond to amendments to the Tax Act or to the interpretation thereof.

THE TRUST STRUCTURE

The Trust is an unincorporated open-ended real estate investment trust formed pursuant to a declaration of trust dated April 30, 2018 and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. See “Declaration of Trust” and “Terms of Trust Units”. The Trust was established with the objective of investing indirectly in the business of the Trust through its acquisition of LP Units. All or substantially all of the net proceeds of the Offering will be invested in the Trust through the purchase of LP Units. The following diagram sets out the principal operating structure of the Trust:



The Trustees are responsible for the general control and direction of the Trust. The only business of the Trust will be to own LP Units of the Trust, which in turn will indirectly invest in limited partnerships which are intended to own the Trust Properties.

OPERATING HIGHLIGHTS

Summary of Key Performance Indicators (KPIs)

As at December 31,	**2023**	**2022**
Portfolio Performance		
Total Fund AUM ($ Million)	**$35.4**	**$25.8**
Commercial Operations		
Hyde Park Commons and 710 Woolwich		
Weighted Average Occupancy Rate	95.61%	96.15%
Weighted Average Net Retail Rental Rate ($ per occupied sq. ft).	$29.65	$29.21
Operating Revenues[1]	$986,248	$959,147
NOI[1]	$577,709	$597,731
NOI Margin[1]	58.6%	62.3%
Mortgage Debt to Gross Book Value	60.1%	55.5%
Weighted Average Time Remaining on the Mortgage (years)	3.66	4.25
Debt Service Coverage (times)	1.24	1.49
Interest Coverage (times)	1.87	1.97
Weighted Average Lease Term to Maturity (years)	6.54	5.28
Gross Leasable Area (sq. ft.)	26,159	19,526
Occupied Area (sq. ft.)	23,859	17,269
Vacant Area (sq. ft.)	2,300	2,257

[1] 2023 710 Woolwich financials are from September 10, 2023 through December 31, 2023.

OPERATING HIGHLIGHTS

Summary of KPIs cont.

As at December 31,	2023	2022
Financial Lending Operations		
Loan to 710 Woolwich		
Loan Receivable	$-	$581,846
Interest Rate	-	10.50%
Time Remaining to Maturity (months)	-	2
Loan to Sandstones Condo		
Loan Receivable	$-	$2,350,000
Interest Rate	-	Prime Rate+2.80%[4]
Time Remaining to Maturity (months)	-	3
Development Operations		
Active Development Projects	1	1
Equity Investment in Development[2]	$7,625,543	$6,137,908
Total Development Cost Incurred to Date[3]	$12,493,106	$10,559,513

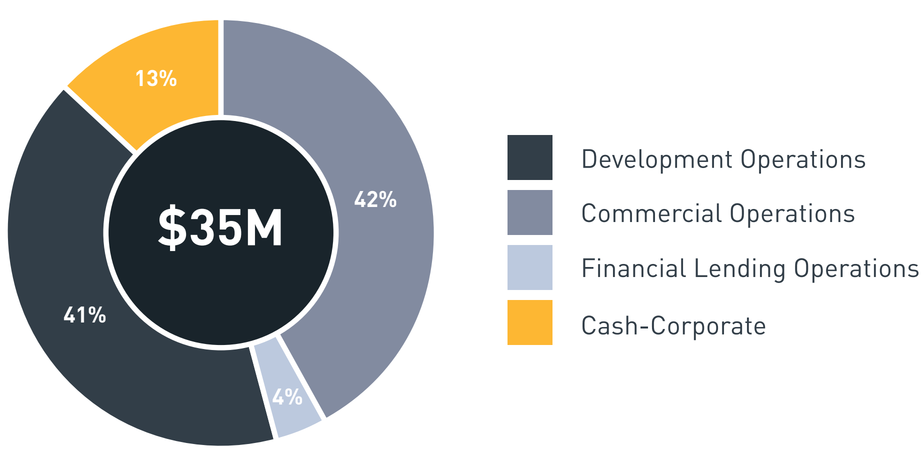
[2] Represents the Trust's 85% equity ownership in the Woolwich Development Project as at December 31, 2023 and 2022.
[3] Total expenditures incurred for the Woolwich Development Project as of December 31, 2023 and 2022 representing the Trust's 85% ownership interest.
[4] The floor interest rate on this loan is 7.50% per annum.

OPERATING HIGHLIGHTS

Assets Under Management (AUM)

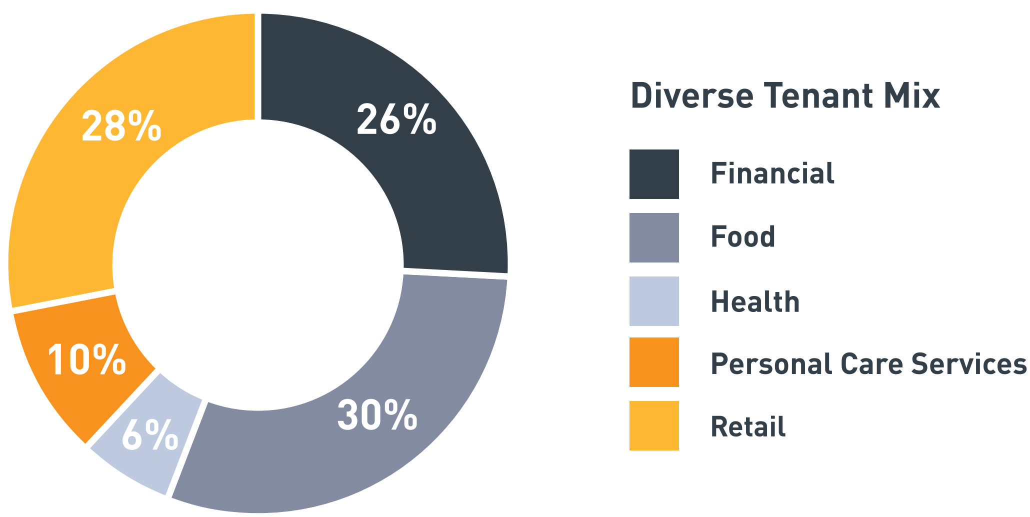
	2023	2022
Commercial Operations		
Investment in Hyde Park Commons	10,200,000	11,715,494
Investment in 710 Woolwich	4,358,207	-
Cash	215,226	141,214
Commercial Operations	**$14,773,433**	**$11,856,707**
Financial Lending Operations		
Loan Receivable	-	2,931,846
Cash	1,256,116	152,776
Financial Lending Operations	**$1,256,116**	**$3,084,622**
Development Operations		
Investment in Woolwich Development Project[1]	7,745,597	5,758,830
Investment in Sandstones Condo	4,300,000	4,300,000
Investment in Vicinity Condos	2,400,000	-
Cash	263,994	2,672
Development Operations	**$14,709,592**	**$10,061,502**
Cash - Corporate	**$4,646,664**	**$771,796**
AUM ($)[2]	**$35,385,805**	**$25,774,628**

[1] Only includes construction costs for active development projects.
[2] AUM is before the elimination of inter-entity transactions. Inter-entity transactions between the respective operations have been eliminated in the Trust's consolidated statements.



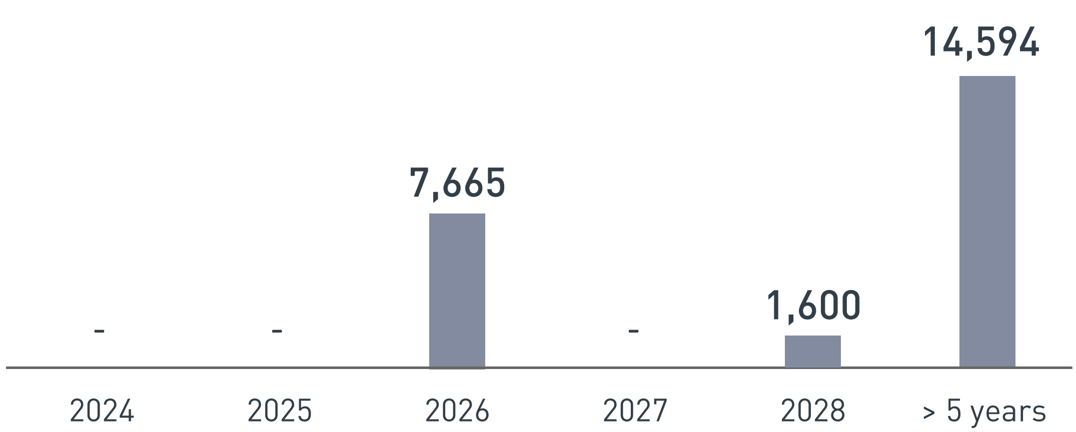
INCOME-PRODUCING COMMERCIAL TENANT PORTFOLIO

Commercial Tenant Occupancy - By Area



Commercial Tenant Maturity Profile - By Area (Sq. Ft.)

Weighted Average Lease Term to Maturity: 6.54 Years



ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS

Vicinity Condos, Toronto, ON
Acquired: September 2023

In September 2023, the Trust acquired trust units representing a 9% interest in Vicinity Condos Trust which is developing a planned 11-storey mid-rise in Toronto with ~177 residential units, approximately 2,500 sq. ft. of commercial space and featuring 3,000 sq. ft. of indoor and outdoor amenities. Entitlement is currently in progress with construction projected to begin in Q4'24 and completed in Q3'26. It is located in a Toronto suburb just outside the downtown core, with convenient access to public transit and highways.

710 Woolwich St., Guelph, ON
Acquired: September 2023

A newly built, 6,633 sq. ft. standalone retail building anchored by the Beer Store, on a 0.74-acre site with free onsite parking. The Tenant has executed a 10+ year net lease. This property, located at 710 Woolwich St., offers a prime location in northern Guelph near Highway 6, with public transit access along Woolwich Street, driving significant consumer traffic to the area.

DISPOSITIONS: NONE

INCLUDED IN THE PORTFOLIO

INCOME-PRODUCING COMMERCIAL PROPERTY

Hyde Park Commons
1960 - 1980 Hyde Park Road, London, Ontario

Hyde Park Commons is a multi-tenant retail plaza that has a gross leasable area of 19,565 sq. ft., including six units in an open-air retail building and two free-standing pad sites with drive through features, on 2.63 acres. The leasing profile includes a diverse tenant mix of retail, financial, recreational and restaurant occupancies that are anchored by Wendy's and CIBC. This property is ideally located in Northwest London, a retail hotspot, and one of the city's fastest growing residential development areas. It is situated in a high-traffic and high visibility location along Hyde Park Road, just south of Fanshawe Park Road West and just west of Wonderland Road North. It is accessible by public transit and offers 104 parking spaces.

19,565 sq. ft. of Retail Space

2.63 Acres

INCOME-PRODUCING COMMERCIAL PROPERTY

Retail Store

710 Woolwich Street, Guelph, Ontario

The newly completed standalone retail building was purchased by the Trust in September 2023. Anchored by the Beer Store on a 0.74-acre site with free onsite parking, the building has a gross leasable area of 6,633 sq. ft. The Tenant has executed a 10+ year net lease. This property offers a prime location in northern Guelph near Highway 6, with public transit access along Woolwich Street, driving significant consumer traffic to the area.

6,633 sq. ft. of Retail Space

0.74 Acres

The properties maintained a combined average occupancy rate of 95.6% throughout 2023 and have an average remaining lease term of 6.54 years as of December 31, 2023. They contributed $577,709 NOI during the year, with an average $29.65 net rent per occupied square foot. The properties had a loan to value of 60.1% as at December 31, 2023.

MORTGAGES AND LOANS

As at December 31, 2023, the mortgage and loan portfolio, which maintained an average interest rate of 9.53% during the year, generated interest income of $225,000. The loans are secured against two development projects in the Greater Golden Horseshoe Area which matured in the second half of 2023. During the year, a short-term loan in the amount of $3M was provided to the Vicinity Condos project at an interest rate of 9%. As at December 31, 2023, all outstanding loans were repaid, and Management continues to assess development opportunities to finance.

Artist Concepts

ACTIVE DEVELOPMENT PROJECT

Marquis Modern Towns
708 Woolwich Street, Guelph, Ontario

Marquis Modern Towns, located in North Guelph, comprises a proposed 96 upscale stacked townhomes across four buildings as well as a new format retail store at the front of the property. Phase One of the project, the retail store, was completed and became an income-producing asset in the Trust in September with the Beer Store as a long-term Tenant. Phase Two of the project, the construction of the townhomes, is underway with the storm water, sanitary, and water supply systems being installed throughout the property, along with the primary hydro duct. The retaining wall behind the first block of townhomes was also completed. The project is expected to begin occupancy in late 2024 with an estimated total value upon completion of $61M.

Artist Concepts

ACTIVE DEVELOPMENT PROJECT

Sandstones Condo
2257 Kingston Road, Toronto, Ontario

In August 2022, the Trust acquired trust units representing an 11% interest in Sandstones Condo Trust which is developing a new multi-phase development project of a modern and urban 12-storey mid-rise condo in Toronto. This development offering from Equiton Developments features lake and Toronto downtown skyline views with close proximity to Toronto's downtown core. This exciting new condo is expected to include ~329 residential condo units for sale, two levels of underground parking and nearly 7,300 sq. ft. of commercial space. The Zoning By-law Amendment process is underway and construction is targeted to begin in Q3'25. This development is a build for sale project located four minutes from the Scarborough Bluffs and 25 minutes from downtown Toronto. It has an elementary school score of 100, walk score of 86, transit score of 80 and a grocery store score of 80. With a projected project term of 5.3 years, this development project is planned to be completed and ready for occupancy in Q3'27 and has an estimated completion value of $285M.

Artist Concepts

ACTIVE DEVELOPMENT PROJECT

Vicinity Condos

875 The Queensway, Toronto, Ontario

In September 2023, the Trust acquired trust units representing a 9% interest in Vicinity Condos Trust which is developing a proposed 11-storey mid-rise condo in the west end of Toronto, just off the Gardiner Expressway. This development offering from Equiton Developments features a highly desirable location that's close to many amenities and minutes from downtown Toronto. The project consists of approximately 177 residential condo units for sale, and approximately 2,500 sq. ft. of commercial space. The Site Plan Approval process is underway, and marketing has commenced under the name KüL Condos. This development is a build for sale project with a location that will be extremely attractive to buyers. It's located 20 minutes from downtown Toronto and has a car-friendly score of 100, walk score of 70, transit score of 80 and a parks score of 80. With a projected project term of 3.25 years, this development project is planned to be completed and ready for occupancy in Q3'26 and has an estimated completion value of $155M.

RISKS AND UNCERTAINTIES

There are certain risk factors inherent in an investment in the Trust Units and in the activities of the Trust, including, but not limited to, risks related to availability of distributable income, liquidity and potential price fluctuations of the Trust Units, redemption risk, tax-related risks, litigation risks, risks of real estate investment and ownership, mortgage refinancing, availability of cash flow, risk of changes in government regulation, environmental matters, Trust Unitholder liability, dependence on key personnel, potential conflicts of interest, changes in legislation, investment eligibility and dilution arising from the issue of additional Trust Units. See "OFFERING MEMORANDUM" for full list of Risks.

SENIOR MANAGEMENT TEAM

Jason Roque
Chief Executive Officer

Helen Hurlbut
Chief Financial Officer

Greg Placidi
Chief Investment Officer & Portfolio Manager

Don Cant
General Counsel & Chief Compliance Officer

Bill Flinders
Chief Technology Officer

Aaron Pittman
SVP, Head of Canadian Institutional Investments

Kathy Gjamovska
VP, Marketing & Communications

Paul Holowaty
VP, Operations Income-Producing Properties

Ryan Donkers
VP, Investments

Martha Varinsky
VP, People & Culture

Michael Kowalczyk
VP, Investment Finance & Asset Management

Sheetal Chetan
VP, Corporate Finance & Treasury

Alan Dillabough
VP, Development

Kim Kopyl
VP, Sales and Marketing, Equiton Developments

Les Siddall
VP, Construction

Jean Zhou
VP, Construction Finance

INCOME AND DEVELOPMENT INDEPENDENT BOARD MEMBERS

Bill Zigomanis

William Woods

Robert Mongeau

Grant Thornton

Consolidated Financial Statements

Equiton Real Estate Income and Development Fund Trust

For the years ended December 31, 2023 and 2022

Contents

Grant Thornton

Independent Auditor's Report

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To the Trustees of

Equiton Real Estate Income and Development Fund Trust

Opinion

We have audited the consolidated financial statements of **Equiton Real Estate Income and Development Fund Trust** (the "Trust"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in net assets attributable to unitholders and consolidated statements of cash flows for the year ended December 31, 2023 and December 31, 2022, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **Equiton Real Estate Income and Development Fund Trust** as at December 31, 2023 and December 31, 2022, and its financial performance and its cash flows for the year ended December 31, 2023 and December 31, 2022, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Toronto, Canada
March 8, 2024

Chartered Professional Accountants
Licensed Public Accountants

Equiton Real Estate Income and Development Fund Trust

Consolidated Statements of Financial Position

As at December 31	**2023**	2022
Assets		
Cash	**$ 6,324,356**	$ 1,412,769
Restricted cash	**15,304**	39,866
Accounts receivable	**174,367**	374,538
Prepaids	**651,907**	302,364
Investment property (Note 4)	**14,558,207**	11,715,494
Real estate inventory under development (Note 5)	**12,493,106**	10,559,513
Due from related parties (Note 6)	**3,300**	21,810
Due from RHH Rental Properties Ltd. (Note 10)	**12,579**	-
Investment in Vicinity Condos Trust (Note 7)	**2,400,000**	-
Investment in Sandstones Condo Trust (Note 7)	**4,300,000**	4,300,000
Mortgage receivable (Note 9)	**-**	2,424,744
Total assets	**$ 40,933,126**	$ 31,151,098
Liabilities		
Payables and accruals	**$ 2,114,838**	$ 999,868
Customer deposits	**1,250,000**	-
Unit subscriptions held in trust	**15,304**	39,866
Security deposit	**51,932**	61,958
Due to related parties (Note 6)	**416,740**	396,765
Due to RHH Rental Properties Ltd. (Note 10)	**-**	378,903
Mortgages payable (Note 11)	**11,568,260**	10,628,156
Liabilities excluding net assets attributable to unitholders	**15,417,074**	12,505,516
Net assets attributable to unitholders	**25,516,052**	18,645,582
Total liabilities and net assets attributable to unitholders	**$ 40,933,126**	$ 31,151,098

Commitments (Note 15)

Approved on behalf of the Trust

_______________ Trustee _______________ Trustee

Equiton Real Estate Income and Development Fund Trust

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31	2023	2022
Revenue		
Rental income	**$ 1,143,636**	$ 957,774
Interest income	**367,346**	144,033
Other income	**140,821**	33,937
	1,651,803	1,135,744
Expenses		
Asset managements fees (Note 13)	**588,494**	370,363
Bank fees	**8,869**	5,054
Dues and subscriptions	**36,116**	15,339
Financing fees (Note 13)	**372,545**	333,113
General and administrative	**113,691**	103,938
Origination fees (Note 13)	**70,134**	77,532
Participation fees (Note 13)	**47,201**	47,607
Professional fees	**298,500**	234,407
Property operating expenses	**430,663**	430,599
Selling and marketing	**299,181**	-
Decrease in fair value of investment properties	**1,515,494**	-
	3,780,888	1,617,952
Net loss and comprehensive loss	**$ (2,129,085)**	$ (482,208)

Equiton Real Estate Income and Development Fund Trust

Consolidated Statements of Changes in Net Assets Attributable to Unitholders

For the years ended December 31, 2022 and 2023

	Units	Deficit	Net Assets attributable to Unitholders
Net assets attributable to Unitholders, January 1, 2022	12,635,496	$ (2,031,341)	$ 10,604,155
Issuance of Class A Trust units (Note 12)	7,042,777	-	7,042,777
Redemptions of Class A Trust units (Note 12)	(197,669)	-	(197,669)
Issuance of Class F Trust units (Note 12)	3,269,896	-	3,269,896
Issuance of Class B Trust units (Note 12)	409,024	-	409,024
Issuance of Class C Trust units (Note 12)	163,538	-	163,538
Issuance costs (Note 6 & 12)	(893,179)	-	(893,179)
Distributions to Unitholders	-	(1,270,752)	(1,270,752)
Net loss and comprehensive loss	-	(482,208)	(482,208)
Net assets attributable to Unitholders, December 31, 2022	**22,429,883**	**$ (3,784,301)**	**$ 18,645,582**

	Units	Deficit	Net Assets attributable to Unitholders
Net assets attributable to Unitholders, January 1, 2023	$ 22,429,883	$ (3,784,301)	$ 18,645,582
Issuance of Class A Trust units (Note 12)	9,471,042	-	9,471,042
Redemptions of Class A Trust units (Note 12)	(497,691)	-	(497,691)
Issuance of Class F Trust units (Note 12)	298,851	-	298,851
Redemptions of Class F Trust units (Note 12)	(1,547,169)	-	(1,547,169)
Issuance of Class B Trust units (Note 12)	3,125,178	-	3,125,178
Issuance of Class C Trust units (Note 12)	1,581,113	-	1,581,113
Issuance costs (Note 6 & 12)	(1,202,200)	-	(1,202,200)
Distributions to Unitholders	-	(2,229,569)	(2,229,569)
Net loss and comprehensive loss	-	(2,129,085)	(2,129,085)
Net assets attributable to Unitholders, December 31, 2023	**$ 33,659,007**	**$ (8,142,955)**	**$ 25,516,052**

Equiton Real Estate Income and Development Fund Trust
Consolidated Statements of Cash Flows

For the years ended December 31	**2023**	2022
Increase (decrease) in cash		
Operating activities		
Net loss	**$ (2,129,085)**	$ (482,208)
Items not affecting cash:		
Amortization of deferred financing charges	**34,587**	29,210
Decrease in fair value of investment properties	**1,515,494**	-
Changes in non-cash operating items (Note 14)	**1,828,013**	211,387
Cash provided by (used in) operating activities	**1,249,009**	(241,611)
Financing activities		
Proceeds from issuance of Class A units	**7,994,946**	6,124,258
Proceeds from issuance of Class B units	**3,012,269**	406,549
Proceeds from issuance of Class C units	**1,511,251**	163,300
Proceeds from issuance of Class F units	**130,342**	3,160,294
Redemption of Class A units	**(497,691)**	(197,669)
Redemption of Class F units	**(1,547,169)**	-
Distributions	**(402,191)**	(180,097)
Issuance costs	**(1,202,200)**	(893,182)
Deferred financing charges	**(62,225)**	(54,708)
Proceeds from (repayment of) mortgage payable	**967,740**	(248,290)
Cash provided by financing activities	**9,905,072**	8,280,455
Investing activities		
Proceeds from repayment (issuance of) mortgage receivable	**2,424,744**	(1,338,758)
Purchase of investment property	**(837,507)**	(5,338)
Purchase of investments	**(2,400,000)**	(4,300,000)
Real estate inventory development costs	**(5,454,293)**	(2,653,712)
Cash used in investing activities	**(6,267,056)**	(8,297,808)
Net increase (decrease) in cash during the year	**4,887,025**	(258,964)
Cash, beginning of year	**1,452,635**	1,711,599
Cash, end of year	**$ 6,339,660**	$ 1,452,635
Cash presented as:		
Cash	**$ 6,324,356**	$ 1,412,769
Restricted cash	**15,304**	39,866

Supplemental disclosure relating to non-cash financing		
Issuance of units under distribution reinvestment plan	**$ 1,827,376**	$ 1,030,834
Distributions under distribution reinvestment plan	**(1,827,376)**	(1,030,834)

1. Nature of operations

Equiton Real Estate Income and Development Fund Trust is an open-ended real estate investment trust ("REIT") established on April 30, 2018 under the laws of the Province of Ontario.

As at December 31, 2023 and 2022, the Trust qualified as a "mutual fund trust" (pursuant to subsection 132(6) of the Income Tax Act) and it was formed primarily to indirectly invest in a diversified pool of North American based real estate assets which include income producing property, real estate development and construction, and real estate financing and lending.

As of December 31, 2023 and 2022, the Trust has a 99.999% interest in Equiton Real Estate Income and Development Fund LP (the "Limited Partnership") and the Limited Partnership has a 99.999% interest in three different limited partnerships: Equiton Real Estate Development Fund LP ("Development LP"), Equiton Commercial Real Estate Fund LP and Equiton Real Estate Financial LP. Development LP has an 85% interest in an investment property under development through a joint operation with RHH Rental Properties Ltd.

2. General information and statement of compliance with IFRS

The consolidated financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements are presented in Canadian dollars, which is the Trust's functional currency. The Trust's head office is located at 1111 International Boulevard, Suite 500, Burlington, Ontario L7L 6W1.

The consolidated financial statements were approved and authorized for issuance by the Trustees on March 8, 2024.

3. Summary of material accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Principles of consolidation

The consolidated financial statements comprise the financial statements of the Trust and its controlled investment in other entities. Control exists when the Trust is exposed or has rights to variable returns from its involvement with the investee entities and has the ability to affect those returns through its power over its investments in those entities. The investments are consolidated from the date on which control is transferred to the Trust and will cease to be consolidated from the date on which control is transferred out of the Trust.

The Trust has an investment in the Limited Partnership which is controlled via contractual arrangements that provide the Trust with control over this Limited Partnership. The results of investments acquired or disposed of during the year are included in the consolidated statements of loss and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate.

3. Summary of material accounting policies (continued)

Principles of consolidation (continued)

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with the investments are eliminated to the extent of the Trust's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The consolidated financial statements of the Trust set out the assets, liabilities, revenues, expenses, and cash flows of the Trust and its direct and indirect investments in the following limited partnerships:

Entity	Direct ownership interest at December 31, **2023**	2022
Equiton Real Estate Income and Development Fund LP	99.999%	99.999%
Equiton Real Estate Financial LP	99.999%	99.999%
Equiton Commercial Real Estate Fund Limited Partnership	99.999%	99.999%
Equiton Real Estate Development Fund LP	99.999%	99.999%

These consolidated financial statements have been prepared on the historical cost basis except for the investment property and the investment in Sandstones Condo Trust and Vicinity Condo Trust which are measured at fair value through profit and loss ("FVTPL").

Investment property

Property that is held for long-term rental yields or for capital appreciation or both, is classified as investment property. Investment property also include property that are being constructed or will be developed for future use as investment properties.

Investment property is measured initially at their cost, including related transaction costs, initial leasing commissions, and where applicable, borrowing costs. Investment property also include tenant improvements, leasing costs (commissions and straight-line rent adjustments) in order to avoid double counting when establishing the fair value of the investment property.

Subsequent expenditures are capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Trust and the cost of the item can be measured reliably. Such costs include suite preparation costs, which are incurred to improve the condition of a space to enhance its lease ability, and capital expenditures. All other repairs and maintenance costs are expensed when incurred.

After initial recognition, investment property is carried at fair value. Fair value is based upon valuations performed by an appraiser accredited through the Appraisal Institute of Canada, using valuation techniques including the direct capitalization and discounted cash flow methods. Recent real estate transactions with similar characteristics and location to the Trust's assets are also considered.

3. Summary of material accounting policies (continued)

Investment property (continued)

Changes in fair value are recognized in the statement of income and comprehensive income. Investment property are derecognized when they have been disposed.

See below for details of the treatment of leasing costs capitalized within the carrying amount of the related investment property.

Real estate inventory under development

Real estate inventory under development is acquired or constructed for sale in the ordinary course of business and is held as inventory and measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, based on prevailing market prices at each reporting date and discounted for the time value of money, if material, less estimated costs of completion and estimated selling costs.

Cost includes all expenditures incurred in connection with the acquisition of the property and other costs incurred in bringing the inventories to their present location and condition. This includes predevelopment expenditures, direct development and construction costs and borrowing costs directly attributable to the construction of the inventory. Direct costs of real estate inventory are based on actual costs incurred or to be incurred.

Leasing costs

Leasing costs are costs incurred by the Trust to induce a tenant to enter into a lease for space in the properties. Leasing costs consist of five categories of costs, with accounting treatments as follows:

i) *Leasing commissions*
Leasing commissions are incurred by the lessor in the negotiation and execution of leasing transactions. These costs are capitalized to investment properties and are considered in the fair value adjustment of the investment properties if material, otherwise they are expensed.

ii) *Tenant improvements*
Tenant improvements are costs incurred to make leasehold improvements to the tenants' space. These costs are capitalized to investment properties and are considered in the determination of the fair value of the investment properties.

3. Summary of material accounting policies (continued)

Leasing costs (continued)

iii) *Tenant incentives*
Tenant incentives include cash payments, the buy-out of previous lease obligations, and payment of moving expenses. Tenant incentives are recognized as a receivable and amortized as a reduction of rental revenue over the initial term of the related leases. These receivables are included in investment properties and are considered in the determination of the fair value of the investment properties.

iv) *Rent free or lower than market rate rents*
Incentives in the form of free rent or lower than market rate rent form part of the straight-line rent adjustments. The accounting of straight-line rents is described in the revenue recognition note.

v) *Marketing costs*
Marketing costs include advertising, space plans, credit checks and promotion costs. These costs are expensed as incurred.

The Trust may incur certain significant costs for repair or replacement items that are recoverable from tenants. If such costs incurred meet the criteria for betterment, they are capitalized to investment properties in the period incurred. Otherwise, they are recognized as an operating expense in the statement of loss and comprehensive loss in the period incurred.

Long term repairs and replacement items are recovered from tenants at cost plus interest over a number of periods. The amount recovered in the current period is included in operating expense recoveries. No receivable is set up for potential future recoveries of the long-term items due to the lack of certainty of collection.

Joint arrangements

A joint arrangement is a contractual arrangement pursuant to which the Trust or a controlled entity and other parties undertake an economic activity that is subject to joint control, whereby the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control. Joint arrangements are of two types - joint ventures and joint operations. A joint operation is a joint arrangement in which the Trust has rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement in which the Trust has rights to only the net assets of the arrangement.

The Trust is party to a single joint arrangement, which is a joint operation, through Development LP's 85% co-ownership interest in 710 Woolwich Street, Guelph, Ontario (Note 8). Joint operations are accounted for by recognizing the Trust's proportionate share of the assets, liabilities, revenue, expenses and cash flows of the joint operation. When Development LP transacts with either the Trust or other limited partnerships on behalf of the co-ownership, unrealized profits and losses and balances outstanding are eliminated to the extent of the Trust's interest in the joint operations.

3. Summary of material accounting policies (continued)

Revenue recognition

The Trust has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases.

As such, the Trust continues to use the straight-line method of base rental revenue recognition whereby the total of cash rents due over the term of a lease is recognized evenly over that term. Accordingly, an accrued rent receivable is recorded for the difference between the straight-line rent adjustments recorded as revenue and the rent that is contractually due from the tenants. This accrued rent receivable is included in investment properties.

Other rental revenues included in the leases such as parking revenues, storage revenues, signage revenues and lease termination fees are recognized as revenue during the period in which the services are performed and collectability is reasonably assured.

Service components within the Trust lease arrangements fall within the scope of IFRS 15, 'Revenue from contracts with customers', specifically the recoveries of operating costs and property taxes. The Trust recognizes recoveries revenues in the period in which the corresponding services are performed and collectability is reasonably assured.

Interest income

Mortgage interest income is recognized at the effective interest rate and recorded over the term of the mortgage when reasonable assurance exists regarding the measurement and collectability. Lender fees are earned over the term of the mortgage as performance obligations are met. Lender fees received in advance of being recognized as revenue are deferred and recognized over the term of the mortgage.

Tenant deposits

Tenant deposits are recognized initially at the fair value of the cash received and subsequently measured at amortized cost. The Trust obtains deposits from tenants as a guarantee for returning the leased premises at the end of the lease term in a specified good condition or for specified lease payments according to the terms of the lease.

Financial instruments

(i) Financial assets

In accordance with IFRS 9, ‘Financial Instruments’, financial assets are required to be measured at fair value on initial recognition. Subsequent to initial recognition, financial assets are categorized and measured based on how the Trust manages its financial instruments and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets:

i) Measured at amortized cost,
ii) Fair value through other comprehensive income,
iii) Fair value through profit or loss

3. Summary of material accounting policies (continued)

Financial instruments (continued)

(i) Financial assets (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions

- i) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Trust's financial assets are recognized initially at fair value and subsequently at amortized cost using the effective interest method. Financial assets subsequently measured at amortized cost consist of cash, restricted cash, accounts receivable, due from related parties and mortgage receivable. The investment in Sandstones Condo Trust does not meet the criteria for amortized cost measurement and is subsequently measured at fair value through profit and loss.

<u>Impairment – Expected Credit Loss Model:</u>

For the impairment of financial assets, IFRS 9 uses a forward-looking 'expected credit loss' ('ECL') model. The measurement options for the ECL are lifetime expected credit losses and 12-month expected credit losses.

The Trust uses the practical expedient to determine ECL on receivables using a provision matrix based on historical credit loss experiences adjusted for forward-looking factors specific to the debtors and to the economic environment to estimate lifetime ECL.

(ii) Financial liabilities

In accordance with IFRS 9, 'Financial Instruments', financial liabilities are required to be measured at fair value on initial recognition. Subsequent to initial recognition, financial liabilities are measured based on two categories:

- i) Amortized cost, and
- ii) Fair value through profit or loss

Under IFRS 9, all financial liabilities are classified and subsequently measured at amortized cost except in certain cases. The Trust has no financial liabilities that meet the definitions of these specific cases. Financial liabilities consist of payables, customer deposits, unit subscriptions held in trust, security deposits, due to related parties, due to RHH Rental Properties Ltd. and mortgages payable.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

3. Summary of material accounting policies (continued)

Financial instruments (continued)

(iii) Fair value

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values. Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The fair value hierarchy for measurement of assets and liabilities is as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data.

The fair value of cash, restricted cash, accounts receivable, mortgages receivable, due from/to related parties, payables, customer deposits, due to RHH Rental Properties Ltd., unit subscriptions held in trust, security deposit and mortgages payable approximate their fair values due to the short-term to maturity of the financial instruments.

The fair values as at December 31, 2023 and December 31, 2022 of the investment in Sandstones Condo Trust, and mortgages receivable and mortgages payable before deferred financing costs are estimated at:

	2023	2022
Mortgages receivable	**$ -**	$ 2,424,744
Investment in Sandstones Condo Trust	**4,300,000**	4,300,000
Investment in Vicinity Condo Trust	**2,400,000**	-
Mortgages payable	**11,539,614**	10,379,466

These are compared with the carrying value of:

	2023	2022
Mortgages receivable	**$ -**	$ 2,424,744
Investment in Sandstones Condo Trust	**4,300,000**	4,300,000
Investment in Vicinity Condo Trust	**2,400,000**	-
Mortgages payable	**11,568,260**	10,628,156

The fair value of the mortgages payable in fiscal 2023 varied from the carrying value due to fluctuations in interest rates since its issue.

Critical accounting estimates, assumptions and judgements

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors. Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

3. Summary of material accounting policies (continued)

Critical accounting estimates, assumptions and judgements (continued)

a) Estimates

The Trust has made the following critical accounting estimates:

Investment property

In addition, the computation of cost reimbursements from tenants for realty taxes, insurance and common area maintenance charges is complex and involves a number of estimates, including the interpretation of terms and other tenant lease provisions. Tenant leases are not consistent in dealing with such cost reimbursements, and variations in computations can exist. Adjustments are made throughout the year to these costs recovery revenues based upon the Trust's best estimate of the final amounts to be billed and collected.

In determining estimates of fair values for its investment properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts.

i. Property tenancies
ii. Market rents
iii. Market terminal capitalization rates
iv. Discount rates
v. Direct capitalization rates
vi. Economic environment and market conditions
vii. Market activity

In determining the net recoverable estimate for the purpose of impairment testing, the assumptions of underlying estimated values are limited by the availability of comparable data and the uncertainty of prediction concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts.

Net realizable value of real estate inventory under development

Real estate inventory under development is stated at the lower of cost and net realizable value. In calculating net realizable value, management must estimate the selling price of these assets based on prevailing market prices at the dates of the statement of financial position, discounted for the time value of money, if material, less estimated costs of completion and estimated selling costs. If estimates are significantly different from actual results, the carrying amounts of these assets may be overstated or understated on the consolidated statements of financial position and, accordingly, earnings in a particular period may be overstated or understated.

3. Summary of material accounting policies (continued)

Critical accounting estimates, assumptions and judgements (continued)

b) Judgements

Leases

The Trust makes judgements in determining whether improvements provided to tenants as part of the tenant's lease agreement represent a capital expenditure or an incentive.

Assessment of control

In determining whether the Trust controls the entities in which it invests, management is required to consider and assess the definition of control in accordance with IFRS 10. The Trust has assessed that the Sandstones Condo Trust has the ability to direct all relevant activities of the Sandstones Condo Limited Partnership and that the General Partner does not control the Sandstones Condo Limited Partnership. There is judgment required to determine whether the rights of the Trust result in control of the Sandstones Condo Trust.

Net assets attributable to unitholders

Trust units are redeemable at the holder’s option and therefore are considered a puttable instrument in accordance with International Accounting Standard 32 - Financial Instruments: Presentation (“IAS 32”), subject to certain limitations and restrictions. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met, in which case, the puttable instruments may be presented as equity. The Trust units do not meet the necessary conditions and have therefore been presented as net assets attributable to unitholders under IAS 32.

Joint arrangements

When determining the appropriate basis of accounting for the Trust’s investment in co-ownership, the Trust makes judgments about the degree of control that the Trust exerts directly or through an arrangement over the co-ownership’s relevant activities. The Trust has determined that its interest in the co-ownership is a joint operation.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

New standards adopted

The following accounting pronouncements, which have become effective and were adopted January 1, 2023, do not have a significant impact on the Trust’s financial results or financial position:

- IFRS 17, ‘Insurance Contracts’
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

4. Investment property

	2023	2022
Balance, beginning of year	**$ 11,715,494**	$ 11,710,156
Transfer from real estate inventory under development	**3,520,700**	-
Purchase of real estate inventory from RHH Rental Properties Limited	**621,300**	-
Capital expenses and transaction costs	**216,207**	5,338
Decrease in fair market value of investment properties	**(1,515,494)**	-
Balance, end of year	**$ 14,558,207**	$ 11,715,494

During the year, the Partnership purchased a portion of real estate inventory under development from RHH Rental Properties Limited, the co-owner to the joint arrangement (Note 8). This property was completed during the year and now operates as a commercial property.

The fair value of Investment property located at 1960-1980 Hyde Park Road, London, Ontario was adjusted to it's fair market value of $10,200,000. The property was valued by independent professionally qualified appraisers who hold a recognized relevant professional qualification and have recent experience in the locations of the income-producing properties valued.

The significant assumption made relating to valuations of investment properties using direct capitalization income method is the capitalization rate.

Values are most sensitive to changes in capitalization rates, and the variability of cash flows. If the capitalization rate were to increase by 25 basis points ("bps"), the value of investment properties would decrease by $590,700. If the capitalization rate were to decrease by 25 bps, the value of investment properties would increase by $700,000. The capitalization rate used was 5.75%.

5. Real estate inventory under development

	2023	2022
Balance, beginning of year	**$ 10,559,513**	$ 7,905,801
Development costs	**5,454,293**	2,653,712
Transfer to investment property	**(3,520,700)**	-
Balance, end of year	**$ 12,493,106**	$ 10,559,513

The above represents Equiton Real Estate Development Fund LP's interest an 85% interest in land and property, through its investment in a co-ownership (Note 8). The property was sold to Equiton Commercial Real Estate Fund Limited Partnership at a value of $4,124,000, of which $3,520,700 represents the Trust's existing ownership which has been reclassified to investment property.

6. Related party transactions

Agreement with Equiton Capital Inc.

The Trust has entered into an Agency Agreement with Equiton Capital Inc. (the "Agent"), a related party through (a) sharing key management personnel with the Trust and (b) one of the Trustees of the Trust indirectly controls Equiton Capital Inc. The Trust has retained the Agent to act as a selling agent of the Trust Units.

Pursuant to the Agency Agreement, the Trust incurred agency fees with the Agent related to the issuance of Trust Units in the amount of $1,081,298 (2022 - $893,179), which are included in issuance costs in the consolidated statements of changes of net assets attributable to unitholders.

Due from related parties

	2023	2022
Due from Equiton Balanced Real Estate Fund GP Inc. (a related party as the general partner of Equiton Balanced Real Estate Fund LP)	**$ 1,100**	$ 1,100
Due from Sandstones Condo LP (a related party through shared management)	**-**	18,510
Due from Equiton Real Estate Commercial GP Inc. (a related party as the general partner of Equiton Real Estate Commercial LP)	**500**	500
Due from Equiton Real Estate Development GP Inc. (a related party as the general partner of Equiton Real Estate Development LP)	**500**	500
Due from Equiton Real Estate Financial GP Inc. (a related party as the general partner of Equiton Real Estate Financial LP)	**1,200**	1,200
	$ 3,300	$ 21,810

Due to related parties

	2023	2022
Due to Equiton Partners Inc. (a related party being the asset manager of the limited partnerships)	**$ 416,740**	$ 339,227
Due to Equiton Capital Inc. (a related party through shared management)	**-**	38,325
Due to Equiton Residential Income Fund LP (a related party through shared management)	**-**	480
Due to Equiton Residential Income Fund Trust (a related party through shared management)	**-**	18,733
	$ 416,740	$ 396,765

Balances due to/from related parties are unsecured, non-interest bearing and due on demand.

7. Investment in Sandstones Condo Trust and Vicinity Condos Trust

On August 31, 2022, the Trust purchased 43,000 Class B units of Sandstones Condo Trust for $4,300,000. Sandstones Condo Trust is a related party through common management. Sandstones Condo Trust controls a limited partnership that is developing a multi-residential property located at 2257 Kingston Road, Toronto, Ontario. The investment in Sandstones Condo Trust is recorded at its fair market value which approximates the carrying value as at December 31, 2023.

On August 24, 2023, the Partnership purchased 24,000 Class B units of Vicinity Condos Trust for $2,400,000. Vicinity Condos Trust is a related party through common management. Vicinity Condos Trust controls a limited partnership that is developing a multi-residential property located at 875 Queensway, Toronto, Ontario. The investment in Vicinity Condos Trust is recorded at its fair market value which approximates the carrying value as at December 31, 2023.

8. Joint arrangements

Interests in joint operations

The Trust's indirect interests in the real estate inventory under development located at 710 Woolwich Street, Guelph, Ontario are subject to joint control and accounted for as a joint operation. Equiton Real Estate Development Fund LP entered into a co-ownership agreement with RHH Rental Properties Ltd. and is developing a multi-residential property with townhouses in Guelph, Ontario. The co-ownership was formed on August 28, 2021 and is governed by co-owner's agreement effective as of that date. The co-ownership agreement stipulates that a co-owners Committee be formed consisting of two members, of whom one member shall be appointed by each of the co-owners. All major decisions, as defined in the agreements, require the unanimous vote of the members of the co-owners Committee. The Equiton Real Estate Development Fund LP's ownership interest is 85%. A portion of the property was redeveloped for a commercial tenant and the redevelopment was completed during the year. The financial information in respect of the Trust's indirect 85% proportionate share of the joint operation is as follows:

	2023	2022
Assets		
Cash	**$ 218,479**	$ 384,177
Accounts receivable	**27,797**	185,536
Prepaid expenses and security deposits	**558,279**	204,502
Real estate inventory under development	**12,665,735**	10,559,513
Total assets	**$ 13,470,290**	$ 11,333,728
Liabilities		
Payables and accruals	**$ 1,594,747**	$ 945,820
Customer deposits	**1,275,000**	-
Mortgage payable	**2,975,000**	4,250,000
Total liabilities	**5,844,747**	5,195,820
Co-owner equity	**7,625,543**	6,137,908
Total liabilities and co-owner equity	**$ 13,470,290**	$ 11,333,728

9. Mortgages receivable

	Payment Type	Interest Rate	Maturity date	2023	2022
a)	Interest only	10.50%	Feb 28, 2023	$ -	$ 87,277
b)	Interest only	Prime+2.80%	April 1, 2023	-	2,350,000
				-	2,437,277
Less: Deferred financing charges				-	(12,533)
				$ -	$ 2,424,744

Total deferred financing charges received in 2023 amounted to $51,553 (2022 - $37,600).

a) The mortgage receivable was formerly a second mortgage on real estate inventory under development in Guelph, Ontario and the property to which this mortgage receivable relates is 15% owned by the other co-owner (Note 8) in a joint arrangement by the same limited partnership as this Partnership. The mortgage receivable was extended and repaid in December 2023.

b) The mortgage receivable was issued during 2022 is the first mortgage issued to Sandstones Condo LP for the development of a multi-residential property in Toronto, Ontario. The interest rate is prime+280 basis points and the rate of interest must not fall below floor rate of 750 basis. The mortgage was extended and repaid in September 2023.

In addition to the above, a $3,000,000 mortgage receivable was issued during the year to Vicinity Condos LP for the development of a multi-residential property in Toronto, Ontario. The interest rate is 9%, the mortgage was repaid early in September 2023.

Mortgages receivable are assessed at each reporting date to determine whether there is objective evidence of impairment. A mortgage or loan investment is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an asset, and that the loss event had a negative effect on these estimated future cash flows of that asset that can be estimated reliably. For the years ended December 31, 2023, and 2022 there were no provisions for mortgage investment losses. The fair value of the mortgages receivable are estimated to approximate its carrying value due to their short nature (Note 3).

10. Due from/to RHH Rental Properties Ltd.

RHH Rental Properties Ltd. is a 15% joint owner and developer in the co-ownership (Note 8), and amounts receivable or payable are non-interest bearing and due on demand.

11. Mortgages payable

	Payment Type	Interest Rate	Maturity date	2023	2022
a)	Interest only	6.00%	Repaid	**$ -**	$ 4,250,000
b)	Blended	4.43%	April 1, 2027	**6,348,784**	6,501,710
c)	Blended	6.61%	Oct 1, 2028	**2,395,666**	-
d)	Interest only	Prime + 1.50%	Due on demand	**2,975,000**	-
				11,719,450	10,751,710
Less: Deferred financing charges				**(151,190)**	(123,554)
				$ 11,568,260	$ 10,628,156

The second mortgage payable is repayable as follows:

2024	$ 186,786
2025	195,758
2026	205,172
2027	5,880,498
2028	2,276,236
	$ 8,744,450

a) The first mortgage payable is an 85% share of the co-ownership's interest payment only formerly held with First National Financial LP. The mortgage payable had a monthly interest payment only debt that bore interest at 6.0% until December 31, 2022 and 10% thereafter. The mortgage payable was collateralized by a first collateral mortgage over the property, registered general security agreement and general assignment of rents and leases for the property. The mortgage was repaid during the year.

b) The second mortgage payable is also with First National Financial LP. The loan bears interest at 4.43% and matures on April 1, 2027. The Trust must comply with its mortgage agreement. The Trust met the requirements of the mortgagor as at December 31, 2023 and 2022.

c) The third mortgage payable is with also with First National Financial LP. The loan bears interest at 6.61% and matures on October 1, 2028. The Trust must comply with its mortgage agreement. The Trust met the requirements of the mortgagor as at December 31, 2023 and 2022.

d) The fourth mortgage is an 85% share of the co-ownership's construction loan with VersaBank that bears interest a prime plus 1.50% (8.70% as at December 31, 2023). The mortgage provides for advances of up to $35,250,000 to be advanced in three separate tranches.

The Trust must comply with its mortgage agreement. The Partnership met the requirements of the mortgagor as at December 31, 2023 and 2022.

12. Unitholders' equity

In 2023, the Trust issued 799,494 Class A units (2022 - 612,135 Class Units) at a price of $10 per unit (2022 - $10 per unit), 13,034 Class F units (2022 - 316,029 Class F units) at a price of $10 per unit (2022 - $10 per unit), 301,227 Class B units (2022 – 40,655) at a price of $10 per unit (2022 - $10 per unit) and 151,125 Class C units (2022 – 16,330) at a price of $10 per unit (2022 - $10 per unit), resulting in net proceeds of $12,648,808 (2022 - $7,074,258). Furthermore, a cumulative total of 186,462 units (2022 - 105,186 units) were issued through the Trust's Dividend Reinvestment Plan ("DRIP") and 204,486 units (2022 - 19,767 units) were redeemed.

(a) Authorized

(i) Class A Trust Units

The Trust is authorized to issue an unlimited number of redeemable Class A Trust units.

(ii) Class F Trust Units

The Trust is authorized to issue an unlimited number of redeemable Class F Trust units.

(iii) Class B Trust Units

The Trust is authorized to issue an unlimited number of redeemable Class B Trust units.

(iv) Class C Trust Units

The Trust is authorized to issue an unlimited number of redeemable Class C Trust units.

(v) Class I Trust Units

The Trust is authorized to issue an unlimited number of redeemable Class I Trust units. As of December 31, 2023 and 2022, no Class I Trust units have been issued.

(b) Units outstanding

Class A Trust Units	Number	Amount
Balance, January 1, 2022	**1,344,903**	**$ 11,202,793**
Issuance of units	612,135	6,124,258
Issuance of units through distribution reinvestment plan	93,726	918,519
Redemption of units	(19,767)	(197,669)
Issuance costs	-	(554,538)
Balance, December 31, 2022	**2,030,997**	**$ 17,493,363**
Issuance of units	799,494	7,994,946
Issuance of units through distribution reinvestment plan	150,622	1,476,096
Redemption of units	(49,769)	(497,691)
Issuance costs	-	(759,876)
Balance, December 31, 2023	**2,931,344**	**$ 25,706,838**

12. Unitholders' equity (continued)

(a) Units outstanding (continued)

Class B Trust Units	Number	Amount
Balance, January 1, 2022	**-**	**$ -**
New units issued	40,655	406,549
Issuance of units through distribution reinvestment plan	252	2,475
Units redeemed	-	(36,909)
Balance, December 31, 2022	**40,907**	**$ 372,115**
Issuance of units	301,227	3,012,269
Issuance of units through distribution reinvestment plan	11,521	112,909
Issuance costs	-	(286,300)
Balance, December 31, 2023	**353,655**	**$ 3,210,993**

Class C Trust Units	Number	Amount
Balance, January 1, 2022	**-**	**$ -**
New units issued	16,330	163,300
Issuance of units through distribution reinvestment plan	24	238
Issuance costs	-	(14,825)
Balance, December 31, 2022	**16,354**	**$ 148,713**
Issuance of units	151,125	1,511,251
Issuance of units through distribution reinvestment plan	7,129	69,862
Issuance costs	-	(143,636)
Balance, December 31, 2023	**174,608**	**$ 1,586,190**

Class F Trust Units	Number	Amount
Balance, January 1, 2022	**168,055**	**$ 1,432,703**
Issuance of units	316,029	3,160,294
Issuance of units through distribution reinvestment plan	11,184	109,602
Issuance costs	-	(286,907)
Balance, December 31, 2022	**495,268**	**$ 4,415,692**
Issuance of units	13,034	130,342
Issuance of units through distribution reinvestment plan	17,190	168,509
Redemption of units	(154,717)	(1,547,169)
Issuance costs	-	(12,388)
Balance, December 31, 2023	**370,775**	**$ 3,154,986**
Total units outstanding, December 31, 2023	**3,830,382**	**$ 33,659,007**
Total units outstanding, December 31, 2022	2,583,526	$ 22,429,883

13. Asset management agreement

Equiton Partners Inc. (the “Manager”) is entitled to the following fees pursuant to the Asset Management Agreement:

(i) Asset management fee

The asset management fee is charged at 1.0% annually with respect to the net asset value of Equiton Real Estate Income and Development Fund Trust and Equiton Real Estate Income and Development Fund LP , as determined by its Board of Trustees, 1.0% annually with respect to the gross asset value of the assets in the Equiton Real Estate Financial LP, and 3.0% annually with respect to the gross asset value of Equiton Real Estate Development Fund LP. The asset management fee is calculated and charged monthly. The asset management fee is recorded in the statement of loss and comprehensive loss.

(ii) Participation fees

During the term of the Asset Management Agreement, the Manager shall be entitled to a 20% fee based on the net income earned by the Equiton Real Estate Financial LP in connection with its mortgages receivable.

(iii) Origination fees

In addition, during the term, the Manager shall be entitled to a fee equal to 3.0% of the total expenditures made in respect of each development project by Equiton Real Estate Development Fund LP, which shall be calculated and payable monthly.

(iv) Transaction fees

During the term, the Manager shall be entitled to a transaction fee equal to 1.0% of the purchase price with respect to each property acquired or sold by Equiton Commercial Real Estate Fund Limited Partnership.

(v) Financing fee

Lastly, during the term, the Manager shall be entitled to a financing fee is charged at 1.00% of the loan amount with respect to each senior or first ranking financing transaction, at 0.50% of the loan amount with respect to each refinancing transaction and at 1.5% of the loan amount with respect to each mezzanine or non-first ranking financing transaction in connection with any mortgage payable secured by Equiton Commercial Real Estate Fund Limited Partnership.

The Manager charged the following fees during the year:

	2023	2022
Asset management fee	**$ 588,494**	$ 370,363
Participation fee	**47,201**	47,607
Origination fee	**70,134**	77,532
Transaction fee	**41,420**	-
Financing fee	**24,000**	-
	$ 771,249	$ 495,502

13. Asset management agreement (continued)

The asset management, participation and origination fees are recorded in the statement of loss and comprehensive loss. The transaction fee is recorded in the investment property on the statement of financial position.

14. Changes in non-cash operating items

	2023	2022
Accounts receivable	**200,171**	(335,750)
Due from/to related parties	**38,485**	283,546
Due from/to RHH Rental Properties Ltd.	**(391,482)**	36,706
Security deposit	**(10,026)**	-
Unit subsciptions held in trust	**(24,562)**	(27,009)
Payables and accruals	**1,114,970**	364,583
Customer deposits	**1,250,000**	**-**
Prepaids	**(349,543)**	(110,689)
Change in non-cash operating items	**1,828,013**	211,387

15. Commitments

The Trust has entered into contracts to complete the real estate inventory under development of $15,495,115 (2022 - $nil). These amounts will be financed through the construction loan outlined in Note 11.

16. Management of capital

The Trust defines capital that it manages as the aggregate of net assets attributable to unitholders and interest-bearing debt less cash. The Trust's objective when managing capital is to ensure that the Trust will continue as a going concern so that it can sustain daily operations. The Trust's primary objective is to ensure that it has sufficient cash resources to indirectly invest in real estate assets in order to provide adequate returns in the form of dividends to its unitholders. To secure the additional capital necessary to pursue these plans, the Trust may attempt to raise additional funds through the issuance of additional trust units.

The Trust is subject to risks associated with debt financing, including the possibility that existing mortgages may not be refinanced or may not be refinanced on favourable terms or with interest rates as favourable as those of the existing debt. The Trust manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

16. Management of capital (continued)

The total managed capital for the Trust is summarized below:

	2023	2022
Mortgage payable	**$ 11,568,260**	$ 10,628,156
Cash and restricted cash	**(6,339,660)**	(1,452,635)
Net debt	**5,228,600**	9,175,521
Net assets attributable to unitholders	**25,516,052**	18,643,892
	$ 30,744,652	$ 27,819,413

17. Financial instruments and risk management

Risks associated with financial assets and liabilities

Financial risks arise from financial instruments to which the Trust is exposed during or at the end of the reporting period. Financial risks comprise market risk, credit risk and liquidity risk. Management identifies, evaluates and monitors these risks throughout the year.

(i) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices due to currency risk, price risk and interest rate risk. Due to the nature of the Trust's financial instruments it has no exposure to currency or price risk.

Interest rate risk

The Trust is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In respect of the Trust's interest-bearing financial instruments, the agreements for all mortgages held by the Trust stipulate a fixed rate of interest. Accordingly, the Trust would be subject to limited exposure to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates. The fair values of the mortgages are disclosed in Note 3.

(ii) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered with the Trust, resulting in a financial loss to the Trust. This risk arises principally from the mortgage receivable held, and from cash and accounts receivable. For risk management reporting purposes, the Trust considers and consolidates all elements of credit risk exposure (such as loan-to-value, sector risk, location risk, and individual obligor default risk).

The Trust's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out by the Trust's investment committee.

Credit risk is monitored on an on-going basis by the Trust in accordance with policies and procedures in place. The Trust's credit risk is monitored on a quarterly basis by the board of Trustee's.

17. Financial instruments and risk management (continued)

(ii) Credit risk (continued)

The Trust's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at December 31, 2023 and 2022, is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position.

(iii) Liquidity risk

Liquidity risk is the risk the Trust will encounter difficulties in meeting its financial liability obligations. The Trust's objective in minimizing liquidity risk is to maintain appropriate levels of leverage on its real estate assets. At December 31, 2023, the Trust was holding cash of $6,339,660 (2022 - $1,452,635). The Trust's payables are payable on demand and one of the mortgages payable's maturity is due on demand as described in Note 11.