

22
YEARS of

Organic Growth Discipline Focus



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

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

DOUBLE-DIGIT
year-over-year growth

▲
14%
**RENTAL
REVENUE**

▲
13%
NOI

▲
12%
FFO

Q3 2022

For the 3 and 9 months ended
June 30, 2022 and 2021

Key Metrics: Q3 2022 Performance Highlights	1	Interim Condensed Consolidated Statements	
Diversified Property Portfolio YTD	2	of Changes in Equity	48
Cluster Strategy	3	Interim Condensed Consolidated Statements	
Message from the President & CEO	6	of Cashflows	49
Management's Discussion and Analysis	12	Notes to the Interim Condensed Consolidated	
Interim Condensed Consolidated Statements		Financial Statements	50
of Financial Position	47	Corporate Information	IBC
Interim Condensed Consolidated Statements			
of Net Profit and Total Comprehensive Income	48		

Forward-Looking Information

Certain statements contained herein constitute "forward-looking statements" as such term is used in applicable Canadian securities laws. These statements relate to analysis and other information based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. In particular, statements concerning estimates related to the effect of the novel strain coronavirus ("COVID-19") pandemic and governmental responses thereto on the Corporation and the economy, the effect of travel restrictions and post-secondary restrictions on the Corporation's operations and financial performance and the timing of relaxation of the same, the effect of decreasing governmental financial support programs on the Corporation's tenants and the effect that will have on the Corporation's credit risk, the effect that COVID-19 will have on valuations of the Corporation's properties, the effect of rising interest rates on the Corporation, the effect that inflation will have on the Corporation's tenants and the effect on credit risk, as well as in respect of the cost of renovations and other expenses, geopolitical turmoil including the conflict in Ukraine effecting the global supply chain and energy and agricultural markets and effecting the global recovery from the pandemic, future acquisitions, dispositions and capital expenditures, future vacancy rates, increase of rental rates and rental revenue, future income and profitability, timing of refinancing of debt, access to low-cost long-term Canada Mortgage and Housing Corporation ("CMHC") insured mortgage loans, the potential changes in interest and mortgage rates, the potential changes in inflation rates, completion timing and costs of renovations, benefits of renovations, funds to be expended on renovations in fiscal year 2022 and the sources thereof, increased funds from operations and cash flow, minimization of operating costs, the Corporation's liquidity and financial capacity, improved rental conditions, potential increases in rental revenue if optimal operations achieved, the period of time required to stabilize a property, future climate change impact, the Corporation's strategy and goals and the steps it will take to achieve them, the Corporation's anticipated funding sources to meet various operating and capital obligations, key accounting estimates and assumptions used by the Corporation, the attraction and hiring of additional personnel, the effect of changes in legislation on the rental market, expected cyclical changes in cash flow, net operating income and operating margins, the effect of environmental regulations on financial results, the handling of any future conflicts of interests of directors or officers and other factors and events described in this document should be viewed as forward-looking statements to the extent that they involve estimates thereof. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions of future events or performance (often, but not always, using such words or phrases as "expects" or "does not expect," "is expected," "anticipates" or "does not anticipate," "plans," "estimates" or "intends," or stating that certain actions, events or results "may," "could," "would," "might" or "will" be taken, occur or be achieved) are not statements of historical fact and should be viewed as forward-looking statements.

Such forward-looking statements are not guarantees of future events or performance and by their nature involve known and unknown risks, uncertainties and other factors, including those risks described in the Corporation's AIF, dated December 6, 2021 under the heading "Risk Factors," that may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others, the length of time until the pandemic is fully contained, the duration and severity of future waves of the pandemic, public health measures, including travel and post-secondary restrictions, decreases in governmental financial assistance measures and the timing thereof, the effect of inflation on consumers and tenants, the effect of rising mortgage and interest rates on the Corporation, including its financing costs, the length and severity of the conflict in Ukraine and the occurrence of additional global turmoil and its effects on global markets and supply chains, costs and timing of the development or renovation of existing properties, availability of capital to fund stabilization programs, other issues associated with the real estate industry including availability of labour and costs of renovations, supply chain issues, fluctuations in vacancy rates, general economic conditions, competition for tenants, unoccupied units during renovations, rent control, fluctuations in utility and energy costs, carbon tax increases, environmental and other liabilities, effects of climate change, credit risks of tenants, fluctuations in interest and mortgage rates, availability of capital and the continuing effects of the current pandemic thereon, changes in legislation and regulatory regime applicable to the corporation, loss of key personnel, a failure to realise the benefit of acquisitions and/or renovations, the effects of severe weather events on the Corporation's properties, cyber-attacks, climate change, uninsured losses, fluctuations in the capital markets and the trading price of the Common Shares, conflicts of interest of the Corporation's directors and officers, and other such business risks as discussed herein. See also, "Covid-19 Overview" below. This is not an exhaustive list of the factors that may affect Mainstreet's forward-looking statements. Other risks and uncertainties not presently known to the Corporation could also cause actual results or events to differ materially from those expressed in its forward-looking statements.

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include, among others, the impact of economic conditions in Canada and globally including as a result of the COVID-19 pandemic, inflation, supply shortages and the Russian invasion of Ukraine, the Corporation's future growth potential, prospects and opportunities, the rental environment compared to several years ago, relatively stable interest and mortgage costs, access to capital markets to fund (at acceptable costs), the future growth program to enable the Corporation to refinance debts as they mature, changes in tax laws, mortgage rules and other temporary legislative changes in light of the COVID-19 pandemic or otherwise, and the availability of purchase opportunities for growth in Canada.

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

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

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

This MD&A includes forward-looking information about prospective results of operations, financial position or cash flows, based on assumptions about future economic conditions and courses of action and that is not presented in the format of a historical balance sheet, income statement or cash flow statement ("Financial Outlook"). Actual results may vary from the Financial Outlook summarized in this MD&A. Management of the Corporation has approved the Financial Outlook as of July 21, 2022. The Financial Outlook has been included in this MD&A to provide readers with disclosure regarding the Corporation's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the Financial Outlook may not be appropriate for other purposes.

KEY METRICS | Q3 2022 PERFORMANCE HIGHLIGHTS

Rental Revenue

From operations	Up 14% to \$45.5 million (vs. \$39.9 million in Q3 2021)
From operations per basic share	Up 14% to \$4.87 (vs. \$4.27 in Q3 2021)
From same asset properties	Up 4% to \$39.9 million (vs. \$38.3 million in Q3 2021)
From same asset per basic share	Up 4% to \$4.27 (vs. \$4.09 in Q3 2021)

Net Operating Income (NOI)

From operations	Up 13% to \$27.9 million (vs. \$24.7 million in Q3 2021)
From operations per basic share	Up 13% to \$2.99 (vs. \$2.64 in Q3 2021)
From same asset properties	Up 6% to \$24.9 million (vs. \$23.6 million in Q3 2021)
From same asset per basic share	Up 6% to \$2.67 (vs. \$2.53 in Q3 2021)

Funds from operations (FFO)¹

FFO	Up 12% to \$13.5 million (vs. \$12.0 million in Q3 2021)
FFO per basic share	Up 12% to \$1.44 (vs. \$1.29 in Q3 2021)

Operating Margin

From operations	61.3% (vs. 61.8% in Q3 2021)
From same asset properties	62.6% (vs. 61.8% in Q3 2021)

Net Profit

	Net income of \$21.8 (vs. \$181.0 in Q3 2021, including change in fair value of \$10.9 million in Q3 2022 vs. \$195.8 million in Q3 2021)
Net profit per basic share	\$2.34 per share (vs. \$19.37 per share)
Total Capital Expenditures	\$5.2 million (vs. \$5.5 million in Q3 2021)
Stabilized Unit	347 properties (13,601 units) out of 419 properties (15,825 units)

Total Acquisition

During Q3 2022	\$24.1 million 210 units (the lowest cost of acquisition was \$64,000 per unit in Regina) (vs. \$5.4 million 61 units in Q3 2021)
Subsequent to Q3 2022	31 units (\$2.7 million) in Regina

Vacancy rate

From operations	7.3% (vs. 9.1% in Q3 2021)
From same asset properties	6.6% (vs. 9.0% Q3 2021)
Vacancy rate as of July 1, 2022	6.1% excluding unrentable units

Fair Market Value

	Up 5% to \$2.75 billion (vs. \$2.62 billion in FY 2021)
--	---

Total Units

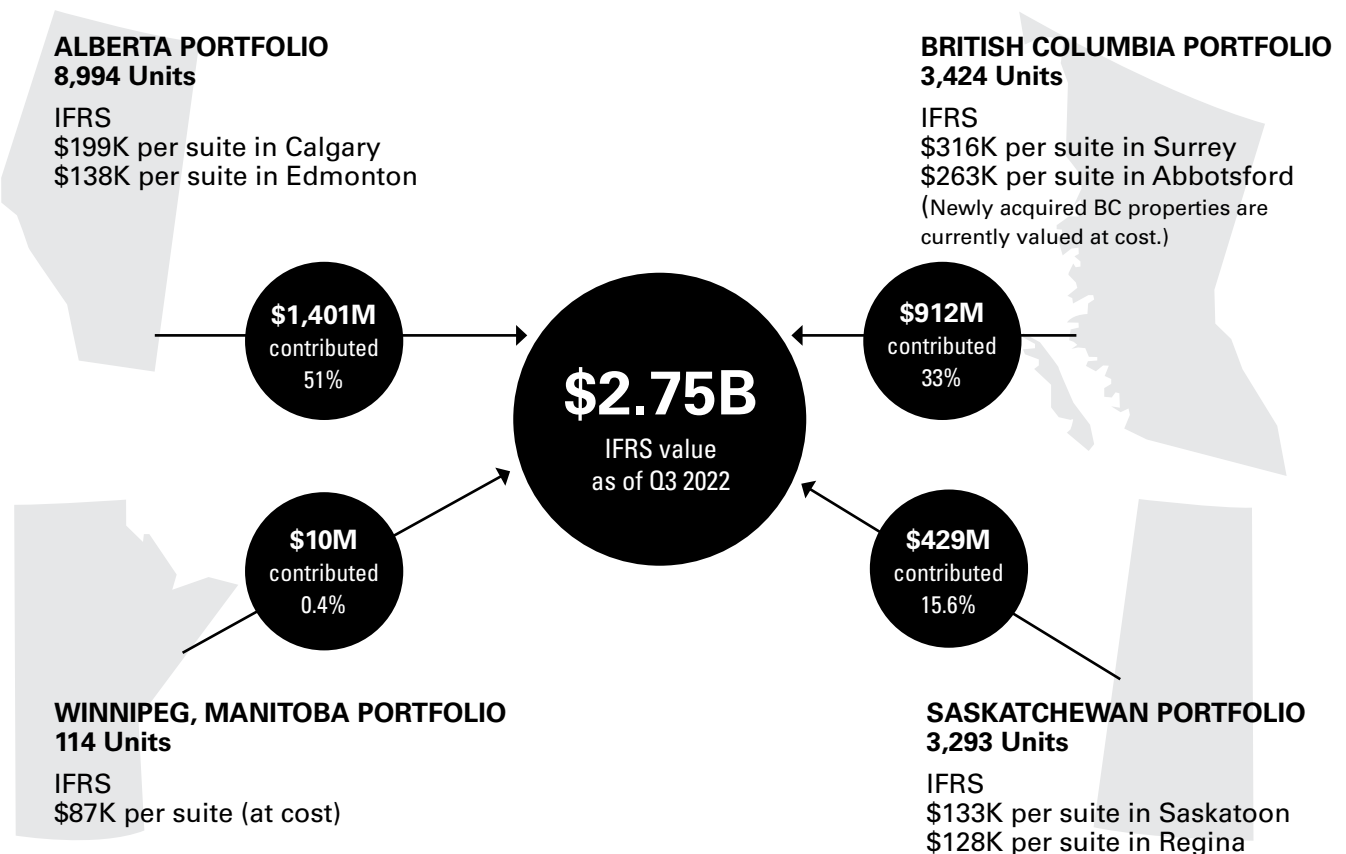
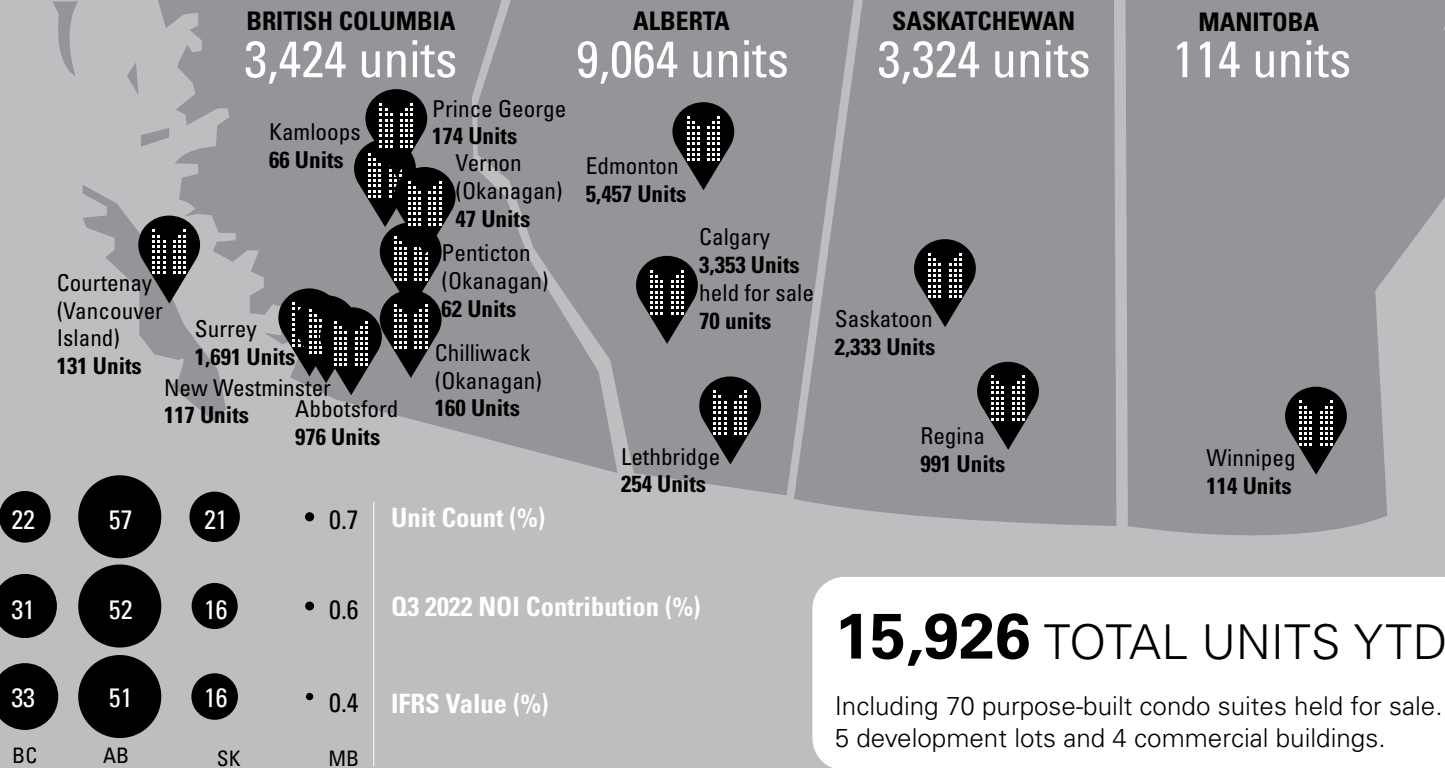
Q3 2022	Increased 4% to 15,895 units including 70 units held for sale (vs 15,074 units in FY2022)
As of July 26, 2022	15,926 units (includes 70 units held for sale)
Liquidity	\$300 million

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

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

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

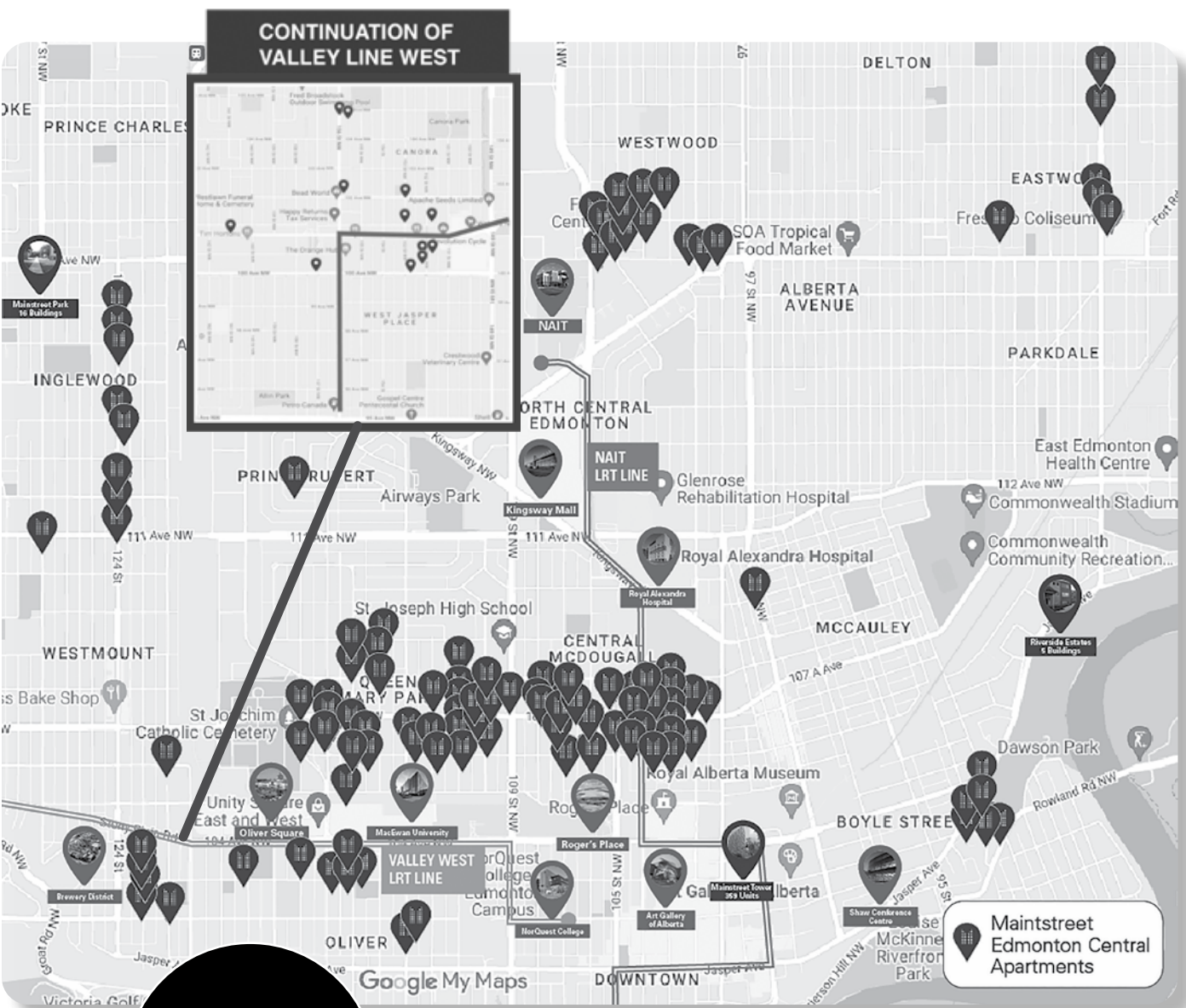
DIVERSIFIED PORTFOLIO YTD



CLUSTER STRATEGY

Edmonton // ICE DISTRICT

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



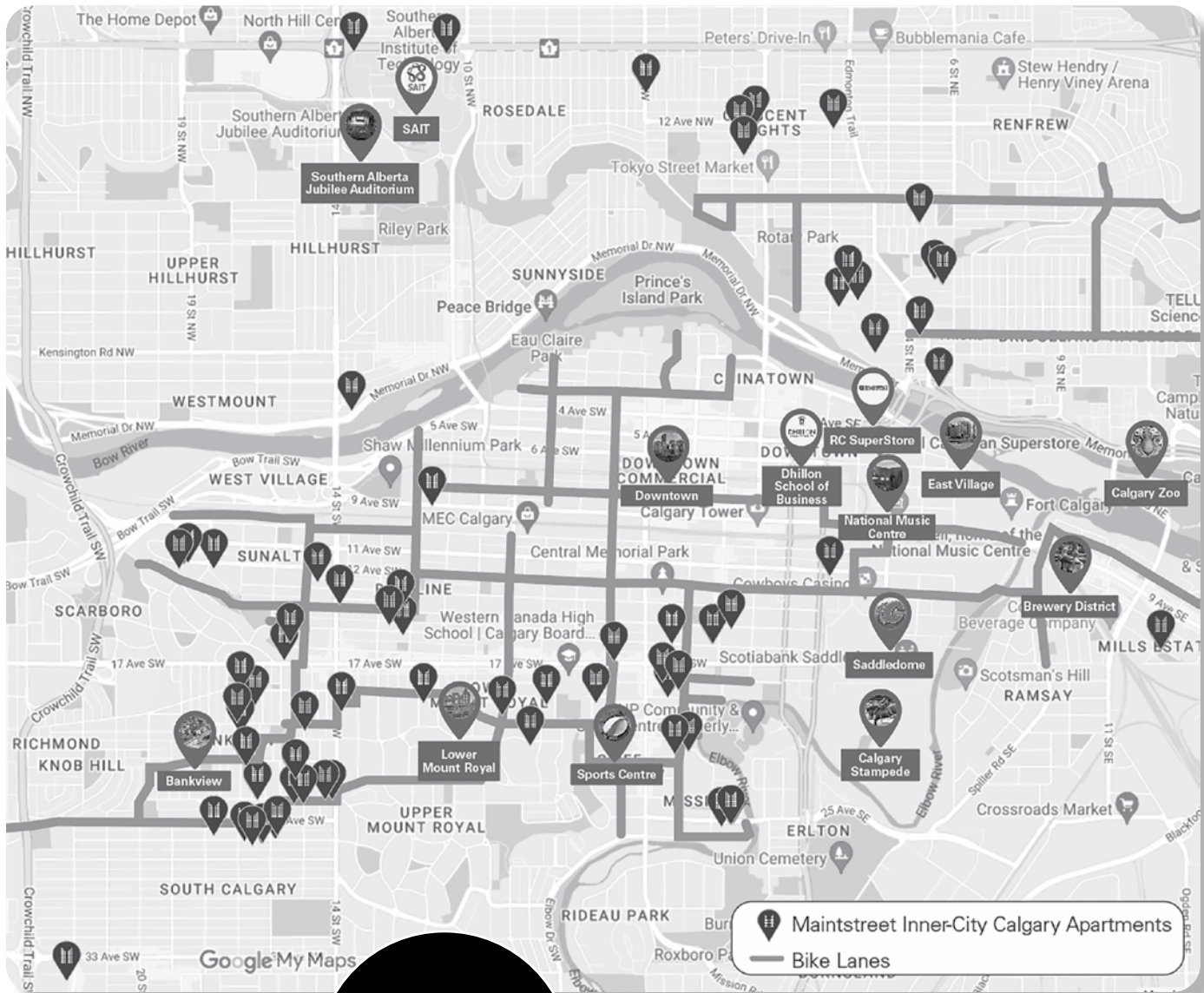
5,457
TOTAL UNITS
EDMONTON*

* Includes Fort Saskatchewan

CLUSTER STRATEGY

Calgary // INNER-CITY

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



3,353
TOTAL UNITS
CALGARY

CLUSTER STRATEGY

Regina // GOLDEN MILE

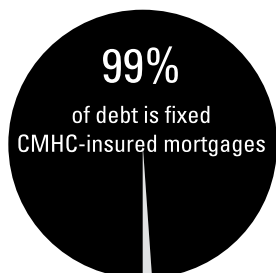
Map of Mainstreet's Regina portfolio. Mainstreet's Regina holdings are concentrated in the city center, specifically in the popular Golden Mile area near great shopping and amenities, and within a short trip to post-secondary institutions. These are very walkable and cyclable areas where customers can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



MESSAGE FROM THE PRESIDENT & CEO

For the 3 and 9 months ended June 30, 2022 and 2021

The Mainstreet Mission: We remain passionately committed to being a crucial provider of quality, affordable homes for Canadians, offering renovated rental apartments and custom services at highly affordable rates.



Mainstreet: a model of security in times of inflation

Our management team has taken decisive steps to protect against rising interest rates, to the extent that 99% of Mainstreet debt is locked in at low rates (average 2.53%) and over longer-term maturities (average 7.1 years). That included making critical decisions years ago to pay higher up-front costs for CMHC-insured mortgages in exchange for longer, more secure maturities that would extend our fiscal vantage point (see 'Challenges' section).

In Q3, Mainstreet achieved its third consecutive quarter of double-digit, year-over-year growth across its three most important operating metrics, with rental revenues increasing 14%, net operating income ("NOI") increasing 13%, and funds from operations ("FFO") growing 12%.

These results underscore the enduring strength of Mainstreet's value-added business model and countercyclical growth strategy, where we have proven our ability to acquire and stabilize underperforming assets in order to provide real value to shareholders.

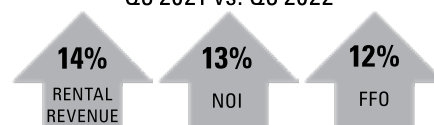
At the same time, a series of favourable macro trends have created a positive operating environment for Mainstreet. High commodity prices and a continued post-pandemic recovery continue to drive a sharp economic rebound in Western Canada. Provincial in-migration into Alberta is at its highest level in years, international immigration rates are expected to continue climbing (based on Alberta population estimates), and it is anticipated that foreign and domestic student populations will rise as in-person classes are expected to resume this fall, all of which bolster Mainstreet's position as a key provider of affordable housing. These trends, along with our ongoing efforts to stabilize underperforming acquired assets, substantially lowered vacancy rates and increased rental revenues in Q3. As of July 1, 2022, our current overall vacancy rate excluding unrentable units was 6.1%, and just 2.87% in Calgary.

In Q3, Mainstreet generated significant profit on the sale of properties that were acquired during COVID-19 as distressed assets for the explicit purpose of resale (136 broken condo units). The profit on sale of \$3.2 million in Q3 2022 (\$4.1 million as of the current date) was non-recurring, but it highlights Mainstreet's ability to identify and capitalize on fast-changing opportunities in the market.

As we enter the last quarter of 2022, the high rental season of the year, we believe positive macro trends will provide ample opportunity to pursue our 100% organic, non-dilutive growth model, backed by our current liquidity position of approximately \$300 million. We plan to complement that approach by continuing to improve our operational performance, including aggressively repositioning units in an effort to boost NOI. We believe this trusted strategy, coupled with the long-term durability of the broader rental market, will allow us to continue our 22-year legacy of delivering shareholder value no matter the state of our external operating environment.

Third Consecutive Quarterly Double-Digit Growth

Year-Over-Year
Q3 2021 vs. Q3 2022



CHALLENGES

Despite a positive operating environment for Mainstreet, the war in Ukraine and lingering supply chain constraints have driven inflation rates higher and introduced wider economic uncertainty. In addition, on July 13, the Bank of Canada increased interest rates by 100 basis points, the biggest one-time increase since 1998. These higher interest rates raise the cost of Mainstreet debt, our largest expense alongside acquisitions.

Our management team has taken steps to minimize our exposure to such fluctuations, including the decision a few years ago to pay higher up-front borrowing costs on CMHC-insured mortgages in order to extend our debt obligations over longer periods (10 years instead of the typical five). Those efforts have allowed Mainstreet to lock in 99% of debt into fixed-term CMHC mortgages with an average maturity and interest rate of 7.1 years and 2.53%, respectively.

Inflationary pressures meanwhile increase the cost of everything from labour to materials, raising our operating costs. Renovation and maintenance costs have increased in line with supply shortages for materials. To cushion against such increases, Mainstreet has long established direct contracts with both domestic and foreign suppliers to attempt to secure stable supply links.

Labour markets remain tight, with job vacancies reaching more than 890,000 positions in Q1 2022, a near record-high. This has raised Mainstreet’s labour costs and made hiring more challenging. Still, Mainstreet enjoys a well-established hiring record, while foreign worker programs remain available should we need to fill any additional worker shortages.

Major fixed expenses like property taxes, insurance, and utilities have increased due to government policy. Carbon taxes, which place the financial burden on property owners, are scheduled to increase on an annual basis. We have addressed higher energy costs by entering various longer-term natural gas contracts, pursuant to which Mainstreet currently pays well below current spot prices.

Regardless of our widespread efforts to counteract inflation and rising interest rates, higher costs erode our operating margins and negatively impact our bottom line. Some of the financial burden will ultimately be passed onto tenants through rental increases. However, we are confident Mainstreet will remain the leading provider of quality, affordable housing in Western Canada, given our track record of operational efficiency, value creation and sound management.

OUTLOOK

As we look ahead, Mainstreet believes macroeconomic volatility could continue to keep inflation elevated, potentially leading to further interest rate hikes. To guard against such increases, our management team has ensured that the vast majority of Mainstreet debt is set at long-term fixed rates (see Challenges section).

Further, management believes that inflationary periods tend to be transitory in nature. Should interest rates once again fall sometime in the coming years, Mainstreet will benefit not only from more competitive acquisition costs, but also lower interest expenses (resulting in higher FFO) on refinancing after stabilization.

As the acquisition environment enters a period of transition, we continue to see risk-adjusted opportunities for growth, supported by our sizeable liquidity position. Higher interest rates could force more distressed sellers onto the market, which would create more opportunistic acquisition opportunities and offer considerable potential for non-dilutive growth. As always, we will maintain our strategy of counter cycle growth by acquiring assets only when it prioritizes true value creation. For example, Mainstreet acquired a distressed property in Regina for a recorded low price of only \$64,000 per unit in Q3 2022.

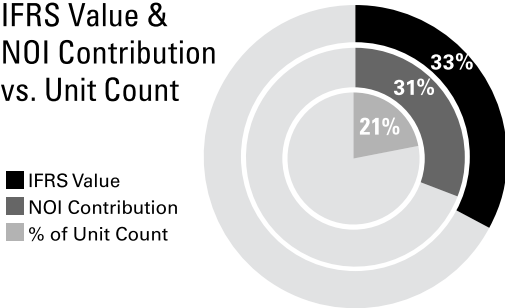
Meanwhile, we expect that Mainstreet’s strong Western Canadian asset base, reaching from British Columbia to Manitoba, will continue to form the bedrock of future growth. We expect our Alberta and Saskatchewan markets to continue benefiting from high commodity prices, which remain elevated amid shortages of oil, natural gas, grains, and other essential products. Oil benchmarks have traded around US\$100 per barrel since early this year and are expected to remain robust, which could cushion some of our core markets against the most severe aspects of a potential economic downturn.

Positive migration trends should also continue to create ideal operating conditions for Mainstreet in the last quarter of 2022 and into the 2023 fiscal year. In-migration into Alberta reached 16,510 in Q1 2022, among its highest levels since commodity markets crashed in 2015. Saskatchewan’s in-migration levels reached 2,397 people over the same period, up from 777 people a year earlier.

We also anticipate that immigration level will continue to rise and more foreign and domestic students will return to in-person classes, two demographics that form a substantial portion of Mainstreet’s client base. The Canadian government’s goal to attract 1.2 million immigrants over three years should be supportive of that trend. We expect that an increase in foreign and domestic students will be particularly supportive of our Edmonton market, where Mainstreet has built up a sizeable student housing cluster in the major college and university hubs. In Q4 2022, we expect vacancies in those areas to improve significantly as students register for the coming academic year.

We expect our Vancouver/Lower Mainland market will continue to drive performance, as vacancies remain among the lowest in the country while rental rates remain near the highest. British Columbia has become central to Mainstreet’s portfolio, accounting for 44% of our net asset value (“NAV”) based on IFRS value. With an average monthly mark-to-market gap of \$530 per suite per month, 99% of our customers in the region are below the average market rent. That translates into approximately \$20 million in NOI growth potential after closing the mark-to-market gap of \$530 per unit per month, according to our internal estimates.

**British Columbia Q3 2022
IFRS Value &
NOI Contribution
vs. Unit Count**

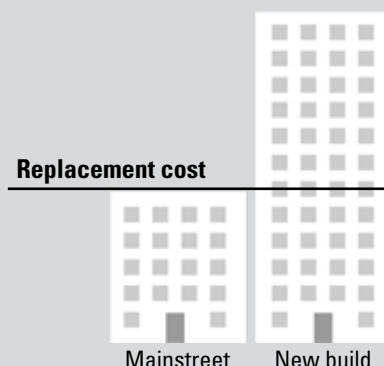


Current market conditions also create opportunities to extract more value out of existing assets. Mainstreet vacancy rates dropped in Q3 2022, but we still see ample room to continue repositioning units in coming quarters to further lower vacancies and boost operating income. In Q3 2022, 2,224 units out of a total 15,825 (14% of our portfolio) remain unstabilized, largely due to our high rate of counter-cyclical acquisitions over the past two years.

Lastly, a chronic housing shortage, high interest rate and inflation will continue to make owning a home unaffordable for average Canadians. This reinforces Mainstreet's conviction that inner-city, workforce affordable rental housing will remain an essential and safe asset class in Canada. Mainstreet's rental rates are perfectly positioned to attract those seeking affordable and quality homes in today's market.

Expanding our portfolio at well below replacement cost

Inflation, as with all aspects of the economy, will drive up the cost of building new rental properties. We believe this only deepens Mainstreet's leading position in the rental market, given that we have built our portfolio through the acquisition of existing properties at prices that are well below replacement cost (or, the cost of developing new rental properties). That market dynamic is central to the value-added proposition Mainstreet offers, supported by strong market fundamentals like rising levels of immigration and our ongoing stabilization process. Further, higher costs to build rental properties is supportive of broader rental market dynamics, as it restricts new supply.



RUNWAY ON EXISTING PORTFOLIO

- 1. Pursuing our 100% organic, non-dilutive growth model:** Using our strong potential liquidity position, estimated at \$300 million for the remainder of fiscal 2022 (including \$43 million cash-on-hand, and a \$130-million line of credit secured by \$312 million in clear title assets), we believe there is significant opportunity to continue acquiring underperforming assets at attractive valuations.
- 2. Boosting NOI:** As of Q3 2022, 14% of the Mainstreet portfolio was going through the stabilization process. Once stabilized, we remain confident same-asset revenue, vacancy rate, NOI and FFO will be meaningfully improved. We are cautiously optimistic that we can boost cash flow in coming quarters. In the B.C. market alone, we estimate that the potential upside for NOI growth is approximately \$20 million, which mainly represents leveraging our mark-to-market gaps. Management also expects that strong immigration and economic recovery in Alberta and Saskatoon would accelerate our NOI catch up.
- 3. Buying back shares at a discount:** We believe MEQ shares continue to trade below their true NAV, and that ongoing macroeconomic volatility could intensify that trend. We will therefore continue to buy back our own common shares on an opportunistic basis under our normal course issuer bid.

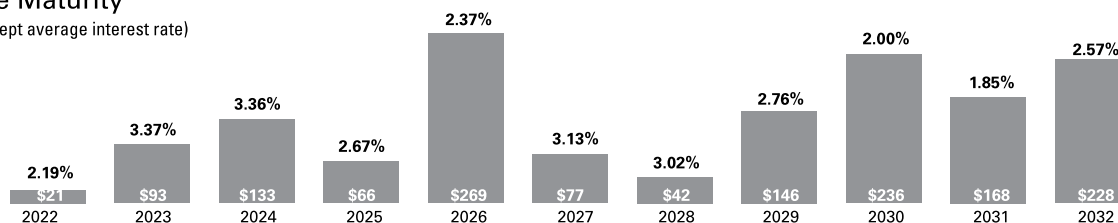
[SIGNED]

"Bob Dhillon"
President & CEO

Calgary, Alberta
July 21, 2022

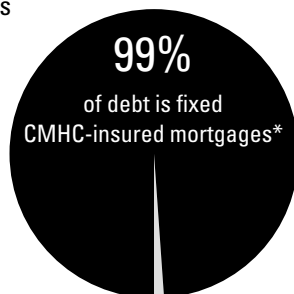
Mortgage Maturity

(in millions except average interest rate)



Fixed CMHC-insured Mortgages

Risk Management



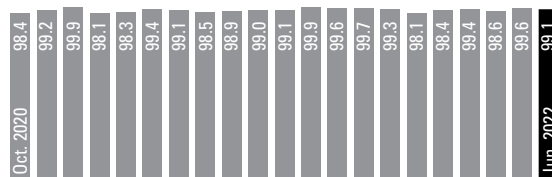
* Avg. maturing period 7.1 yrs.
Overall avg. interest rate 2.53%.

Fortifying Mainstreet in an inflationary world

Our management team has worked hard to safeguard Mainstreet from rising interest rates by locking in the majority of our debt at low cost (see Challenges section). While we anticipate that interest rate hikes will plateau in the medium term, we also believe that we will benefit even if inflationary trends persist, given that we have taken full advantage of the last few years of low interest rates, allowing us to expand our portfolio at highly competitive costs.

COVID-19 Collection Rate

(% to revenue Oct. 2020 – Jun. 2022)



Total number of outstanding shares

9,336,018

Management, Directors, & Officers
shareholder ownership

49%



A CORPORATE CITIZEN FOR ALL

Mainstreet, as a provider of affordable housing for middle-income Canadians, is deeply committed to maintaining the highest standards of social responsibility. For example, amid the ongoing Ukraine crisis, that has meant taking in refugees displaced by conflict. During the pandemic, that commitment meant waiving rental payments for struggling tenants; delaying rent increases; halting evictions; and allocating additional financial resources toward safety provisions to support our customers. We believe the social benefits of such actions far outweigh any short-term financial losses.

Our dedication to inclusiveness

Ever since Mainstreet listed on the TSX in 2000, diversity has been a key pillar in who we are. Our belief in the positive benefits of minority inclusion has persisted for decades, providing Mainstreet with a highly dynamic and unified workforce.

We are proud of our team.



Bob Dhillon

Founder, President
& CEO



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



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") provides an explanation of the financial position, operating results, performance and outlook of Mainstreet Equity Corp. ("Mainstreet" or the "Corporation") as at and for the three and nine months ended June 30, 2022 and 2021. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic and political conditions. Additionally, other events may occur that could affect the Corporation in the future. This MD&A should be read in conjunction with the Corporations' unaudited interim condensed consolidated financial statements and accompanying notes for the three and nine months ended June 30, 2022 and 2021, and audited consolidated financial statements and the accompanying notes for the fiscal years ended September 30, 2021 and 2020. The interim condensed consolidated financial statements of the Corporation have been prepared in compliance with International Accounting Standards ("IAS") 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and adopted by the Chartered Professional Accountants of Canada ("CPA"). This MD&A has been reviewed and approved by the Audit Committee and Board of Directors of the Corporation and is effective as of July 21, 2022. All amounts are expressed in Canadian dollars. Additional information regarding the Corporation including the Corporation's annual information form ("AIF") is available under the Corporation's profile at SEDAR (www.sedar.com).

Unless indicated otherwise, reference herein to 2022 and 2021 refers to the three and nine months ended June 30, 2021 and 2021, respectively.

NON-IFRS MEASURES

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

COVID-19 OVERVIEW

The COVID-19 pandemic has had a substantial impact on the economy. Although these impacts appear to be lessening over time, there still remains uncertainty associated with the unprecedented nature of the pandemic. Uncertain economic conditions resulting from the COVID-19 pandemic may, in the short or long term, continue to have a materially adverse impact on the Corporation's tenants and/or capital markets, both of which could materially adversely affect the Corporation's operations and financial performance. Although significant progress has been made in vaccinating the Canadian population, and while restrictions have relaxed in the provinces where the Corporation operates, the emergence of new variants have resulted in new waves of the pandemic which might result in certain restrictions being reinstated in certain jurisdictions. It remains unclear as to when the pandemic will fully be under control, and when public health measures will be fully lifted, as the frequency, duration and severity of future waves of the pandemic remain unknown. Barriers to travel still remain, including in respect of short staffing at airports and by airlines, and it remains difficult to reliably estimate the impact on the financial results and condition of the Corporation in future periods.

Notwithstanding the operational and financial impact of the COVID-19 pandemic on the Corporation, the health and safety of Mainstreet's residents and team members are its top priority. As an essential service provider, the Corporation has made important changes in its operations in response to COVID-19 pandemic to support residents and team members. The following update is a brief summary of certain of those changes.

COVID-19 Operational Update

Cleaning: Mainstreet has increased its cleaning and maintenance with more frequent cleaning and sanitization of common areas and commonly touched objects.

Rent collection: Mainstreet's rent collection remains strong and are generally in line with the average rent collected by the same day of the previous month. As of July 21, 2022, Mainstreet has collected 93% of total rents for July 2022 and 99% of total rents for June 2022. Mainstreet has made a commitment to defer rent for its tenants who have been affected by COVID-19 on a case-by-case basis and has entered into rent deferral agreements with such tenants.

Leasing and tenant support: During the COVID-19 pandemic period, Mainstreet has leveraged its technological investment in the Yardi System which enables paperless leasing processes. The Yardi System significantly improved Mainstreet's operational efficiencies and competitive edge, while also protecting the health and safety of Mainstreet's residents and team members.

Mainstreet believes in timely, transparent communication and has provided regular updates to both its tenants and team members, through various channels, both in respect of its COVID-19 guidelines and in respect of current health recommendations from both federal and provincial governments, and timely information about government financial support programs that provide support to tenants and their families.

Team Member Support: The Corporation maintains a high level of personal protective equipment and implemented recommended physical distancing in the workplace. Mainstreet has utilized virtual showing capabilities, while ensuring on-going regular communication with its leadership and operational teams to assess and support any needs of its team members. Additionally, the Corporation has assisted its team members to transition to working from home where it is appropriate to do so.

Acquisitions: Mainstreet resumed its acquisition activity in 2021 and has actively taken opportunities to acquire undervalued assets. Current market conditions have created favourable conditions to expand Mainstreet's portfolio. In Q3 2022, Mainstreet acquired \$24.1 million (210 units) in new acquisitions in Alberta, British Columbia, Manitoba and Saskatchewan. Subsequent to June 30, 2022, Mainstreet has acquired an additional \$2.7 million (31 units) in new acquisitions in the Province of Saskatchewan resulting in year-to-date acquisitions in the amount of \$86 million (776 units and 2 vacant lands).

Refinancing: Throughout the current COVID-19 pandemic, Mainstreet has continued to reposition its unstabilized properties and continues to have access to mortgage debt. In Q3 2022, the Corporation financed 10 clear title properties and two maturing mortgages for an additional net funding of \$41.1 million at an average interest rate of 3.39%.

Liquidity: Liquidity is an important measure of the availability of sufficient cash to fund ongoing business activities, and capital and liability commitments. Liquidity is defined to include cash and cash equivalents on hand plus estimated new financings of clear title assets and financings of maturing mortgages, assuming current lending criteria remains mainly unchanged. Mainstreet estimates it will have access to approximately \$298 million in available liquidity in the next 12 months, which management believes is sufficient to address the inherent uncertainty surrounding disruption from the COVID-19 pandemic and continue to support its stakeholders.

Effect of COVID-19 on Mainstreet

The Corporation saw a material decrease in new rentals during the fourth quarter of its 2020 and 2021 fiscal years, a period that usually is one of the Corporation's busiest rental seasons. This decrease has resulted in a decrease in the Corporation's operations and financial performance as fewer new tenants were moving into the Corporation's properties resulting in an increase in vacancy rates. The Corporation believes that this decrease resulted from the government's implementation of travel bans in response to the pandemic, and post-secondary institutions limiting in person classes, which vastly decreased the number of foreign students and other immigrants arriving in Canada. Historically, such foreign students and immigrants have comprised a material portion of the Corporation's renters.

The Corporation has seen improvement in its overall vacancy trend in Q3 2022 and subsequent thereto, mainly as a result of an increase in rentals in the Alberta and Saskatchewan market, and is cautiously optimistic that this trend will continue in 2022. However, there still remain significant impediments to international travel and limitations on class room sizes, including new restrictions in response to the emergence of new variants, and in the event that these impediments and limitations remain in effect through the Corporation's 2022 fiscal year, this may negatively affect the Corporation's operations and financial performance.

To date the Corporation has not suffered a material increase in bad debt expense and higher credit risk for the Corporation as a result of increased difficulty in the collection of rent, a requirement to defer the eviction of tenants who do not pay their rent, and an inability by the Corporation to increase rent in certain of its markets. However, as government financial supports, which have assisted the Corporation's tenants with their essential needs such as rental payments throughout the pandemic, are reduced or eliminated, in connection with continued inflation, the Corporation anticipates that it may see an increase in its bad debt expense and be exposed to an increased credit risk.

The Corporation's properties are measured at fair value based on assumptions influenced by market conditions. Given the uncertainty which has existed, some of which still remains, the full long term impact of COVID-19 on the valuation of the Corporation's properties, may not be completely known at this time. Further, due to the previous high uncertainty associated with the pandemic, lower weight can be applied to previous market evidence to inform fairness of opinions.

There is also continuing risk that the Corporation could be adversely affected due to market changes particularly in supply, inflation, interest rates and regional rent controls. Canada has seen significant inflation in recent months, against the backdrop of sustained higher housing process, substantial supply constraints and geopolitical conflicts, which have increased process for energy and agricultural markets. There has also been significant disruption to the global supply chain in recent months, as a result of Russia's ongoing invasion of Ukraine, further disrupting global recovery as economies start emerging from the impact of the pandemic. Further, as social distancing practices are maintained, and labour and material shortages persist, the expected onset of new supply of rental housing may take longer as construction completion times are extended. All of this increases the supply risk to the Corporation.

Previously, the Corporation had seen mortgage interest rates for a 10-year fixed CHMC mortgage remain at a low level which has provided an opportunity for the Corporation to obtain financing at lower interest rates when mortgages matured and needed to be renewed. The Corporation took advantage of this opportunity and fixed 100% of its long term debt into fixed rate debts, of which 99% are fixed as CMHC insured mortgages at an average interest rate of 2.53%. However, the mortgage rate for a 10-year fixed CHMC mortgage has increased by almost 150 basis points during the current quarter. The Corporation will continue to cautiously monitor this trend in interest rates, and will need to consider the same in making decisions when its mortgages mature and need to be renewed.

To date, governments have responded quickly to ensure capital remains available, and currently, Mainstreet still remains able to access capital.

The Corporation, in coordination with its Board of Directors, continues to monitor the situation and has taken and may take additional actions that alter its business operations as may be required by federal, provincial or local authorities or that the Corporation determines are in the best interests of its tenants, employees, suppliers, shareholders and other stakeholders. Such alterations or modifications have caused and may continue to cause interruption to the Corporation's business and include increased administration, maintenance and repair expenses, related to property modifications, increased cleaning and maintenance of the property, increased communication and technology costs and increased costs related to obtaining personal protection equipment for team members, temporary closures of the Corporation's administrative offices and moves to remote working, temporary or long-term adverse impacts on the Corporation's supply chain and labour and the potential of increased network vulnerability and risk of data loss resulting from increased use of remote access and removal of data from the Corporation's facilities. Management of the Corporation enacted its COVID-19 business continuity plan in March 2020 and to date has experienced only minimal disruptions to its business operations as a result.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RESPONSIBILITY

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

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

ENVIRONMENTAL

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

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



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

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



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

SOCIAL COMMUNITY INVESTMENT

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

- Participating in various housing assistance programs designed to assist those who have lost their homes due to natural disasters, such as the Slave Lake and Fort McMurray wildfires, or through conflicts, such as Syrian, Afghan and Ukrainian refugees;
- Partnering with various social organizations such as Calgary Housing, the Mustard Seed and the Homeless Society, to provide affordable housing for those members of the community who may not otherwise be able to access affordable and secure housing;
- Working with various social assistant program such as, Calgary's Love with Humanity Association, to install food banks in Mainstreet's buildings to provide supports to residents and communities experiencing financial challenges; and
- In response to the COVID-19 pandemic, implementing a number of programs for its residents including rent deferrals, waivers of late and non-sufficient funds fees, the provision of financial assistance and deferring any rent increases.



Mainstreet proudly worked with the Love With Humanity Association in Calgary to open and maintain community resource hubs (containing food resources) in several of our communities where economic challenges are more pronounced. Giving back to our communities is important to demonstrating good corporate citizenship, something Mainstreet is known for.



Her Honour, the Honourable Salma Lakhani, Lieutenant Governor of Alberta joined the Mainstreet Team to officially open one of our community resource hubs at our Trevella property in Calgary. We were proud to receive recognition for these important efforts for the community.

TEAM ENGAGEMENT



Programs like our Guided Yoga sessions at Head Office drive team member engagement, promote a culture of health and wellness, and set the cooperative, peaceful tone that Mainstreet's teamwork thrives upon.

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

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

GOVERNANCE

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

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

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

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

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

BUSINESS OVERVIEW

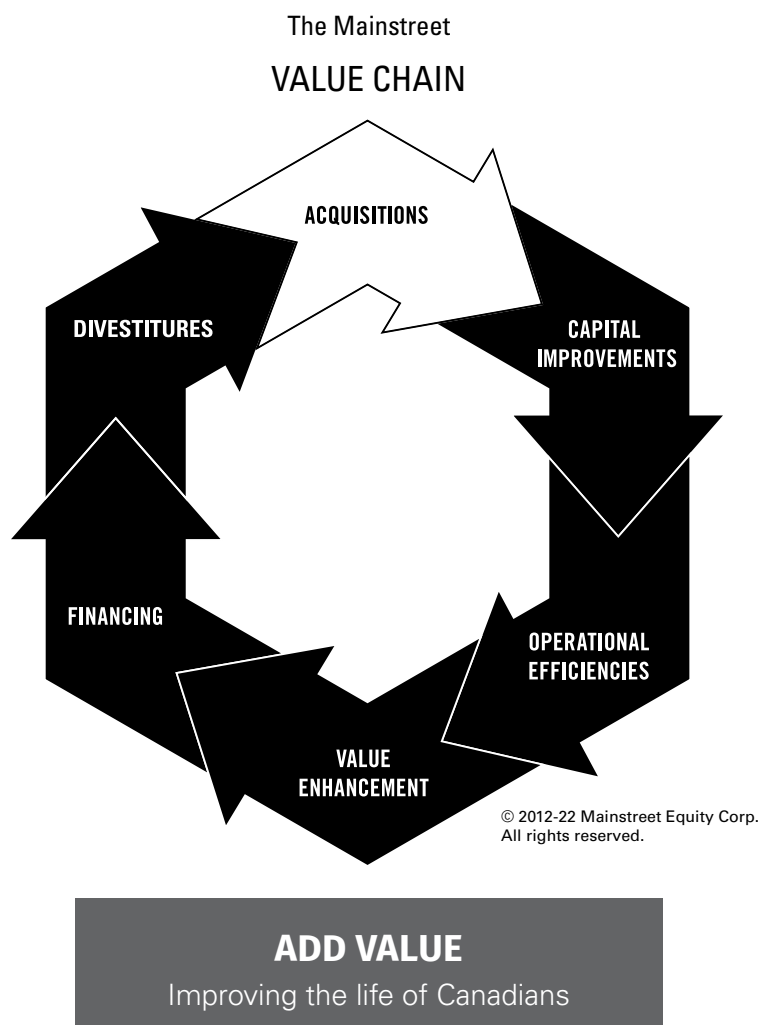
Based in Calgary, Alberta, Mainstreet is a Canadian real estate corporation focused on the acquisition, redevelopment, repositioning and management of mid-market rental apartment buildings in six major Canadian markets: British Columbia (including Vancouver Lower Mainland, Vancouver Island, Okanagan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

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

BUSINESS STRATEGY

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

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



INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements of the Corporation prepared in conjunction with this MD&A have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standard Board ("IASB") and adopted by the Chartered Professional Accountants of Canada ("CPA").

Investment properties

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

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

Method used in determining the Fair Value of investment properties

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

For the Corporation's financial reporting, external valuations are obtained from independent qualified real estate appraisers who are members of the Appraisal Institute of Canada and have appropriate qualifications and experience in the valuation of the Corporation's investment properties in the relevant locations. In addition, the Corporation has established an internal valuation model, which is based on the same assumptions and valuation techniques used by the external valuation professionals. The Corporation groups its investment properties in each city by their types and geographic locations. Samples are selected in each group for independent appraisal. The appraised values of the samples selected are compared with their carrying values. The percentage changes in values of those samples selected were applied to the whole population of each group in determination of the fair value of investment properties of the Corporation as of June 30, 2022 and September 30, 2021. Properties are selected on a rotational basis and approximately 40% of the Corporation's portfolio is externally valued annually.

The fair values are most sensitive to changes in net operating income and capitalization rates. Mainstreet's total portfolio is valued at \$2.8 billion as of June 30, 2022 (\$2.6 billion as of September 30, 2021). The following is the breakdown of market value by city and average capitalization rates used in determining the fair value of investment properties at June 30, 2022 and September 30, 2021, respectively.

As of June 30, 2022	Number of properties	Number of units	Market value (\$ million)	Average value per unit (\$000)	Average capitalization rate as at June 30, 2021
Lower Mainland, British Columbia (Note 1)	30	2,944	\$ 849	\$ 311	3.67%
British Columbia excluding Lower Mainland (Note 2)	9	480	63	232	4.35%
Calgary, Alberta (Note 3)	101	3,537	673	190	4.98%
Edmonton, Alberta (Note 4)	156	5,457	728	133	5.42%
Saskatoon, Saskatchewan	59	2,333	307	132	5.49%
Regina, Saskatchewan	61	960	122	127	5.45%
Winnipeg, Manitoba	3	114	10	88	5.79%
Total investment properties	419	15,825	\$ 2,752	\$ 174	4.76%

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

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

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

Note (4) – includes the City of Fort Saskatchewan

As of September 30, 2021	Number of properties	Number of units	Market value (\$ million)	Average value per unit (\$000)	Average capitalization rate as at Sep. 30, 2021
Lower Mainland, British Columbia (Note 1)	30	2,944	\$ 817	\$ 278	3.41%
British Columbia excluding Lower Mainland (Note 2)	6	306	42	137	4.09%
Calgary, Alberta (Note 3)	93	3,388	651	192	4.87%
Edmonton, Alberta (Note 4)	137	5,081	679	134	5.46%
Saskatoon, Saskatchewan	59	2,330	301	129	5.84%
Regina, Saskatchewan	60	938	119	127	5.57%
Winnipeg, Manitoba	1	87	7	80	5.79%
Total investment properties	386	15,074	\$ 2,616	\$ 174	4.69%

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

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

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

Note (4) – includes the City of Fort Saskatchewan

ACQUISITIONS & GROWTH

(000s of dollars)

	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
	Calgary, Fort Saskatchewan, Prince George, Regina and Winnipeg	Calgary and Edmonton	Calgary, Edmonton, Fort Saskatchewan, Lethbridge, Prince George, Regina, Saskatoon and Winnipeg	Calgary, Chilliwack, Courtenay, Edmonton, Kamloops, Penticton, Regina, Saskatoon Vernon and Winnipeg
Number of rental units	210	61	745	1,179
Total costs	\$ 24,142	\$ 5,360	\$ 83,532	\$ 147,477
Average price per apartment unit	\$ 115	\$ 88	\$ 112	\$ 125

Employing a strict set of criteria, Mainstreet identifies and acquires underperforming rental properties in major residential centres in Western Canada that offer the potential to enhance the Corporation's asset value and its long-term revenues through increased rental rates. In Q3 2022, Mainstreet acquired 210 investment property units in the Provinces of Alberta, British Columbia, Manitoba and Saskatchewan for a total consideration of \$24.1 million. The Corporation also sold 50 units of the property which it holds for sale in Q3 2022, and expects to dispose of the remaining 70 units within the next 12 months. Since Mainstreet's previous financial year-end (September 30, 2021), the Corporation has grown its portfolio of investment properties by 5%.

As of June 30, 2022, Mainstreet's portfolio included 15,821 units in its investment properties, four freestanding commercial buildings and 70 units in the property being held for sale. The portfolio excludes two regional office buildings and two warehouses which are classified as property and equipment. In Q2 2022, the Corporation converted two investment property units into office space and as such these units have been reclassified as property and equipment. Mainstreet's investment properties include townhouses, garden-style apartments, concrete mid-rise and high-rise apartments and condo suites. As of June 30, 2022, a total of 93% of Mainstreet's units in its investment properties were rented, while 4% were being renovated and the remaining 3% were left vacant, primarily in the Provinces of Alberta and Saskatchewan.

Since 1997, the Corporation's investment property portfolio has increased from 10 to 419 buildings, while the fair value of the investment properties within this portfolio has grown from approximately \$17 million to \$2.8 billion as of June 30, 2022.

The following table demonstrates the growth of the Corporation by region since the end of the previous financial year ended September 30, 2021.

	Number of units as at Oct. 1, 2021	Acquisitions/ disposition 9 months ended June 30, 2022	Additional units created 9 months ended June 30, 2022	Units converted to regional office and reclassified to property and equipment	Number of units as at June 30, 2022	% Growth
Lower Mainland, British Columbia [Note 1]	2,944	–	–	–	2,944	–
British Columbia excluding Lower Mainland [Note 2]	306	174	–	–	480	57%
Calgary, Alberta (Note 3)	3,388	148	1	–	3,537	4%
Edmonton, Alberta (Note 4)	5,081	373	3	–	5,457	7%
Saskatoon, Saskatchewan	2,330	1	4	(2)	2,333	0%
Regina, Saskatchewan	938	22	–	–	960	2%
Winnipeg, Manitoba	87	27	–	–	114	31%
Investment properties	15,074	745	8	(2)	15,825	5%
Property held for sale – Calgary, Alberta	134	(64)	–	–	70	(48%)

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

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

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

Note (4) – includes the City of Fort Saskatchewan

CAPITAL IMPROVEMENTS

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

In Q3 2022, the Corporation spent \$5.2 million (2021 – \$5.5 million) on capital improvements, of which \$4.1 million (2021 – \$2.5 million) was for upgrading stabilized properties and improving other holdings – specifically for exterior upgrades such as new roofs, windows, balconies, siding and insulation. These expenditures also covered mechanical and interior upgrades such as new boilers, flooring and paint to address the balance of non-renovated units and to maintain the condition of properties in the current portfolio. Mainstreet currently plans to spend an estimated total of \$24 million on capital improvement in fiscal year 2022, however these plans may be revised depending upon the economic conditions during 2022. These improvements are expected to be financed through existing cash balances, funds from operations and ongoing refinancing of existing properties. Mainstreet expects to complete most of the renovations of its existing properties within the next 6 to 24 months. Revenue and income are expected to increase over time as more units are renovated and reintroduced to the market at anticipated higher rental rates.

Uncertainties affecting future revenue and income include the ongoing effect of the COVID-19 pandemic, changes or reductions in governmental financial support measures in response to the COVID-19 pandemic, the rate of turnover of existing tenants, supply chain disruptions, increased inflation resulting from, among other things, geopolitical turmoil, the availability of renovation workers and building materials, increases in labour and material costs, and increases in interest rates. All of these uncertainties could have a material impact on the timing and cost of completing these capital improvements.

REVIEW OF FINANCIAL & OPERATING RESULTS

Summary of financial results

(000s of dollars except per share amounts)

	Three months ended June 30,			Nine months ended June 30,		
	2022	2021	% change	2022	2021	% change
Gross revenue	\$ 45,717	\$ 40,043	14%	\$ 133,521	\$ 117,865	13%
Net profit and total comprehensive income	21,835	181,002	(88%)	64,221	185,882	(65%)
Change in fair value	10,896	195,800	(94%)	36,180	179,088	80%
Gain from disposal of assets	3,219	–	100%	3,947	–	100%
Depreciation	183	172	6%	529	506	5%
Deferred income tax expense	5,571	26,656	(79%)	12,663	26,197	52%
Funds from operations						
– Non IFRS Measurement (Note 1)	\$ 13,474	\$ 12,030	12%	\$ 37,286	\$ 33,497	11%
Interest income	(220)	(103)	114%	(351)	(396)	(11%)
General and administrative expenses	3,756	3,040	24%	10,934	8,845	24%
Financing costs	10,844	9,672	12%	31,538	28,321	11%
Depreciation (computer and vehicle)	58	51	14%	149	139	7%
Net operating income	\$ 27,912	\$ 24,690	13%	\$ 79,556	\$ 70,406	13%
Operating margin from operations	61%	62%		60%	60%	
Profit per share						
Basic and fully diluted	\$ 2.34	\$ 19.37	(88%)	\$ 6.87	\$ 19.89	(65%)
Fully diluted	\$ 2.34	\$ 19.37	(88%)	\$ 6.87	\$ 19.89	(65%)
Funds from operations per share						
Basic and fully diluted	\$ 1.44	\$ 1.29	12%	\$ 3.99	\$ 3.58	11%
Fully diluted	\$ 1.44	\$ 1.29	12%	\$ 3.99	\$ 3.58	11%
Weighted average number of shares						
Basic and fully diluted	9,341,202	9,345,218		9,343,879	9,345,395	
Total Assets	\$2,832,422	\$2,565,807				
Total Long term liabilities	\$1,616,038	\$ 1,513,150				

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

REVENUE

In Q3 2022, revenue primarily consisted of rental and ancillary revenue totalling \$45.5 million (2021 – \$39.9 million) and interest income. Overall, rental revenue increased 14% as compared to 2021, which is discussed and analysed in the session entitled "Rental Operations" below.

NET PROFIT

For the three and nine months ended June 30, 2022, Mainstreet reported a net profit of \$21.8 million (\$2.34 per basic share) as compared to a net profit of \$181.0 million (\$19.37 per basic share) in Q3 2021, including a change in fair value gain of \$10.9 million in Q3 2022 (\$195.8 million in Q3 2021 which will be further discussed and analysed below.

Net profit is further analysed as follows:

(000s of dollars)

	Three months ended June 30,			Nine months ended June 30,		
	2022	2021	% change	2022	2021	% change
Funds from operations – Non IFRS measurement (see Note 1 previous table)	\$ 13,474	\$ 12,030	12%	\$ 37,286	\$ 33,497	11%
Change in fair value	10,896	195,800	(94%)	36,180	179,088	80%
Gain from disposal of assets	3,219	–	100%	3,947	–	100%
Depreciation	(183)	(172)	6%	(529)	(506)	5%
Deferred income tax expense	(5,571)	(26,656)	(79%)	(12,663)	(26,197)	52%
Net profit and total comprehensive income – IFRS measurement	\$ 21,835	\$ 181,002	(88%)	\$ 64,221	\$ 185,882	(65%)

Funds from operations in Q3 2022 are further discussed and analysed below.

In Q3 2022, Mainstreet realized a fair value gain of \$10.9 million, compared with a fair value gain of \$195.8 million in Q3 2021. This was mainly due to changes as identified below:

Change in Fair value

(000s of dollars)

	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
Lower Mainland, British Columbia [Note 1]	\$ 7,890	\$ 190,449	\$ 31,590	\$ 197,049
BC excluding Lower Mainland [Note 2]	(28)	(170)	(43)	(258)
Calgary [Note 3]	(4,403)	(12,957)	(659)	(16,475)
Edmonton [Note 4]	11,162	2,655	12,564	(6,198)
Saskatoon	619	19,690	6,616	20,088
Regina	921	1,672	1,531	2,376
Winnipeg	(37)	–	(37)	(190)
	16,124	201,339	51,562	196,392
Gain on disposal	–	–	324	–
Capital expenditure	(5,228)	(5,539)	(15,706)	(17,304)
Change in fair value	\$ 10,896	\$ 195,800	\$ 36,180	\$ 179,088

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

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

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

Note (4) – includes the City of Fort Saskatchewan

The fair value gain represented the change in the market value of the Corporation's investment properties over the three and nine month periods ended June 30, 2022 and 2021. The amount of change was determined by the market value of Mainstreet's investment properties at the quarter-end dates of June 30, 2022 and 2021, which was regarded as a non-operating expense.

FUNDS FROM OPERATIONS – NON IFRS MEASUREMENT

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

Mainstreet's FFO increased by 12% to \$13.5 million in Q3 2022, compared with \$12.0 million in Q3 2021. The increase in FFO for Q3 2022 was mainly attributable to increased rental revenue, which will be discussed and analysed in the following section entitled "Rental Operations".

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

GENERAL & ADMINISTRATIVE ("G&A") EXPENSES

G&A expenses mainly include corporate costs such as office overhead, legal and professional fees and salaries. G&A expenses increased by 24% to \$3.8 million in Q3 2022 as compared to \$3.0 million in Q3 2021, mainly due to increased manpower, legal and professional expenses. The Corporation continues to build up its management team in anticipation of continued growth in its core operating regions.

FINANCING COSTS

(000s of dollars)

	Three months ended June 30,			Nine months ended June 30,		
	2022	2021	% change	2022	2021	% change
Mortgage interest	\$ 9,363	\$ 8,425	11%	\$ 27,217	\$ 24,768	10%
Amortization of deferred financing cost	1,481	1,247	19%	4,321	3,553	22%
Financing costs	\$ 10,844	\$ 9,672	12%	\$ 31,538	\$ 28,321	11%

Mortgage interest expenses increased by 11% to \$9.4 million in Q3 2022 from \$8.4 million in Q3 2021.

The rise was mainly attributable to an increase in mortgage loans from refinancing of maturing and new clear title mortgages at relatively low interest rates. In Q3 2022, the Corporation financed 10 clear title properties and two maturing mortgages for an additional net funding of \$41.1 million at an average interest rate of 3.39%.

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

RENTAL OPERATIONS

(000s of dollars except per unit data)

	Total Portfolio			Same Asset			Acquisition		
	2022	2021	% change	2022	2021	% change	2022	2021	% change
Three months ended June 30									
Rental and ancillary revenue	\$ 45,497	\$ 39,940	14%	\$ 39,853	\$ 38,258	4%	\$ 5,644	\$ 1,682	236%
Operating expenses	17,585	15,250	15%	14,891	14,630	2%	2,694	620	335%
Net operating income	\$ 27,912	\$ 24,690	13%	\$ 24,962	\$ 23,628	6%	\$ 2,950	\$ 1,062	178%
Operating margin	61%	62%		63%	62%		52%	63%	
Average vacancy rate	7.3%	9.1%	(20%)	6.6%	9.0%	(27%)	12.0%	12.8%	(6%)
Weighted average number of units	15,738	14,258	10%	13,587	13,587	–	2,151	671	221%
Average rental rate per unit per month	\$ 964	\$ 934	3%	\$ 978	\$ 939	4%	\$ 875	\$ 836	5%
Average operating expense per unit per month	\$ 372	\$ 357	4%	\$ 365	\$ 359	2%	\$ 417	\$ 308	35%

(000s of dollars except per unit data)

	Total Portfolio			Same Asset			Acquisition		
Nine months ended June 30	2022	2021	% change	2022	2021	% change	2022	2021	% change
Rental and ancillary revenue	\$133,170	\$ 117,469	13%	\$118,380	\$ 115,024	3%	\$ 14,790	\$ 2,445	505%
Operating expenses	53,614	47,063	14%	46,475	45,984	1%	7,139	1,079	562%
Net operating income	\$ 79,556	\$ 70,406	13%	\$ 71,905	\$ 69,040	4%	\$ 7,651	\$ 1,366	460%
Operating margin	60%	60%		61%	60%		52%	56%	
Average vacancy rate	7.8%	9.0%	(13%)	7.1%	8.9%	(20%)	13.2%	11.5%	15%
Weighted average number of units	15,448	13,909	11%	13,587	13,587	–	1,861	322	478%
Average rental rate per unit per month	\$ 958	\$ 938	2%	\$ 968	\$ 941	3%	\$ 883	\$ 844	5%
Average operating expense per unit per month	\$ 386	\$ 376	3%	\$ 380	\$ 376	1%	\$ 426	\$ 372	15%

The vacancy rate decreased to 7.3% in Q3 2022, from 9.1% in Q3 2021, mainly due to some modest recovery in the Province of Alberta and Saskatchewan and continued stabilization progress in that province. The previous travel restrictions put into place by the government in response to the COVID-19 pandemic resulted in a decrease in rentals in the Province of Alberta, in particular during Q4 2021, which previously was the high rental season for the Corporation in that province. However, since Q3 2022, the Corporation has seen strong rental housing demand throughout the Alberta portfolio. As of June 2022, vacancy in Mainstreet's Calgary portfolio was at 2.9%, while the Edmonton portfolio vacancy also improved by 3.6% over the quarter, to 10.2% in June 2022. Excluding unstabilized properties, Edmonton portfolio's vacancy rate was 8.4%.

As an overall result, the average monthly rental rate increased 3% to \$964 per unit in Q3 2022, compared with \$934 per unit in Q3 2021. Overall rental and ancillary revenue increased 14% to \$45.5 million in Q3 2022 as compared to \$39.9 million in Q3 2021. This was mainly due to the continued growth of the Corporation's portfolio as the average number of units owned by the Corporation increased 10% over the year.

For same asset properties, which refer to properties owned by the Corporation for the entire twelve-month periods ended June 30, 2022 and 2021, rental and ancillary revenue increased 4% to \$39.9 million in Q3 2022 from \$38.3 million in Q3 2021. The average monthly rental rate increased to \$978 per unit in Q3 2022, from \$939 per unit in Q3 2021. The vacancy rate decreased to 6.6% in Q3 2022, from 9.0% in Q3 2021, mainly due to some modest recovery in the Provinces of Alberta and Saskatchewan.

Mainstreet's overall operating expenses increased 15% to \$17.6 million in Q3 2022, from \$15.3 million in Q3 2021, due mainly to the increased number of newly acquired units since 2021, as well as higher utility expenses caused by unusually cold weather in early Q3 2022.

The overall and same asset operating expenses on a per unit basis increased 2%, due mainly to higher utility expenses.

As a result, overall net operating income increased 13% to \$27.9 million in Q3 2022, from \$24.7 million in Q3 2021, while net operating margins decreased slightly to 61% in Q3 2022 from 62% in Q3 2021.

For same asset properties, net operating income increased 6% to \$25.0 million in Q3 2022, from \$23.6 million in Q3 2021. The net operating margins increased to 63% in Q3 2022, from 62% in Q3 2021.

RENTAL OPERATIONS BY PROVINCE

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

BRITISH COLUMBIA

Mainstreet achieved a 14% increase in rental revenue in its British Columbia portfolio in Q3 2022 primarily due to the Corporation's diversification strategy, which drove further expansion into British Columbia's market in 2021 and 2022, and an increase in monthly rents on turnovers of units. The average vacancy rate decreased slightly to 0.8% in Q3 2022 from 1.0% in Q3 2021. An above-average occupancy rate can be largely attributed to the overall economic performance of British Columbia, which is among the strongest in the country, according to data published by Statistics Canada. As a result, due to higher occupied rents, rental revenue per unit increased to \$1,141 per month in Q3 2022 from \$1,093 per month in Q3 2021.

Operating expenses per unit decreased 1% to \$290 per month in Q3 2022 compared with \$293 per month in Q3 2021, due mainly to decreased property tax expenses. As a result, net operating income increased 16%, and net operating margins increased to 75% in Q3 2022 from 73% in Q3 2021.

(000s of dollars except per unit data)

	Three months ended June 30,			Nine months ended June 30,		
	2022	2021	% change	2022	2021	% change
Rental and ancillary revenue	\$ 11,699	\$ 10,298	14%	\$ 33,830	\$ 29,248	16%
Operating expenses	2,971	2,761	8%	9,274	8,209	13%
Net operating income	\$ 8,728	\$ 7,537	16%	\$ 24,556	\$ 21,039	17%
Weighted average number of units	3,419	3,142	9%	3,315	2,936	13%
Average rent per unit per month	\$ 1,141	\$ 1,093	4%	\$ 1,134	\$ 1,107	2%
Operating cost per unit per month	\$ 290	\$ 293	(1%)	\$ 311	\$ 311	0%
Average vacancy rate	0.8%	1.0%		0.8%	1.0%	
Operating margin	75%	73%		73%	72%	

ALBERTA

Mainstreet achieved 15% growth in its Alberta portfolio in Q3 2022 and the weighted average number of rental units grew to 8,940 units, compared with 7,761 units in Q3 2021. The average vacancy rate decreased to 8.8% in Q3 2022 from 11.1% in Q3 2021, mainly due to strong demand for apartment rentals in the province. Rental revenue per unit increased 2% to \$946 per month in Q3 2022 from \$932 per month in Q3 2021 mainly due to decreased vacancy expenses in Q3 2022.

Operating expenses per unit increased 8% to \$406 per month in Q3 2022 compared to \$377 per month in Q3 2021 due mainly to increased utility expenses caused by unusually cold weather in early Q3 2022. As a result, net operating income increased by 12% to \$14.5 million in Q3 2022 from \$12.9 million in Q3 2021, and net operating margins reduced to 57% in Q3 2022 from 60% Q3 2021.

(000s of dollars except per unit data)

	Three months ended June 30,			Nine months ended June 30,		
	2022	2021	% change	2022	2021	% change
Rental and ancillary revenue	\$ 25,364	\$ 21,706	17%	\$ 74,074	\$ 64,757	14%
Operating expenses	10,894	8,779	24%	32,512	27,366	19%
Net operating income	\$ 14,470	\$ 12,927	12%	\$ 41,562	\$ 37,391	11%
Weighted average number of units	8,940	7,761	15%	8,771	7,659	15%
Average rent per unit per month	\$ 946	\$ 932	2%	\$ 938	\$ 939	0%
Operating cost per unit per month	\$ 406	\$ 377	8%	\$ 412	\$ 397	4%
Average vacancy rate	8.8%	11.1%		10.0%	10.3%	
Operating margin	57%	60%		56%	58%	

SASKATCHEWAN

Mainstreet achieved a 5% increase in its rental revenues in its Saskatchewan portfolio in Q3 2021 primarily due to improved vacancy rates during the quarter. The average vacancy rate decreased to 9.9% in Q3 2022 from 12.2% in Q3 2021. As a result, rental revenue per unit increased to \$835 per month in Q3 2021 from \$795 per month in Q3 2021.

Operating expenses per unit remained constant at \$371 per month in Q3 2022 and Q3 2021. As a result, net operating income increased 10% and net operating margins increased to 56% in Q3 2022 from 53% in Q3 2021.

(000s of dollars except per unit data)

	Three months ended June 30,			Nine months ended June 30,		
	2022	2021	% change	2022	2021	% change
Rental and ancillary revenue	\$ 8,199	\$ 7,787	5%	\$ 24,735	\$ 23,147	7%
Operating expenses	3,646	3,636	0%	11,551	11,337	2%
Net operating income	\$ 4,553	\$ 4,151	10%	\$ 13,184	\$ 11,810	12%
Weighted average number of units	3,274	3,267	0%	3,269	3,255	0%
Average rent per unit per month	\$ 835	\$ 795	5%	\$ 841	\$ 790	6%
Operating cost per unit per month	\$ 371	\$ 371	0%	\$ 393	\$ 387	2%
Average vacancy rate	9.9%	12.2%		8.7%	12.9%	
Operating margin	56%	53%		53%	51%	

MANITOBA

Mainstreet successfully entered the Manitoba market in 2021 with the acquisition of an 87-unit complex in downtown Winnipeg and has subsequently acquired additional units in Q3 2022. The average vacancy rate was 9.5% in Q3 2022 compared to 16.1% in Q3 2021, as the properties which are currently undergoing a stabilization process. As a net result, rental revenue per unit was \$739 per month in Q3 2022 compared to \$571 per month in Q3 2021.

Operating expenses per unit were \$233 per month in Q3 2022 compared to \$284 in Q3 2021, resulting in a net operating income increase of 115% to \$0.2 million in Q3 2022 from \$0.08 million in Q3 2021 and net operating margin increased to 69% in Q3 2022 from 50% in Q3 2021.

(000s of dollars except per unit data)

	Three months ended June 30,			Nine months ended June 30,		
	2022	2021	% change	2022	2021	% change
Rental and ancillary revenue	\$ 235	\$ 149	58%	\$ 531	\$ 317	68%
Operating expenses	74	74	0%	277	151	83%
Net operating income	\$ 161	\$ 75	115%	\$ 254	\$ 166	53%
Weighted average number of units	106	87	22%	93	58	60%
Average rent per unit per month	\$ 739	\$ 571	29%	\$ 634	\$ 607	4%
Operating cost per unit per month	\$ 233	\$ 284	(18%)	\$ 331	\$ 289	15%
Average vacancy rate	9.5%	16.1%		17.1%	11.3%	
Operating margin	69%	50%		48%	52%	

SUMMARY OF QUARTERLY RESULTS

(000s of dollars except per share amounts)

	Jun. 30 2022	Mar. 31 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020
Rental revenue								
British Columbia	\$ 11,498	\$ 11,015	\$ 10,698	\$ 10,517	\$ 10,126	\$ 9,399	\$ 9,200	\$ 9,096
Alberta	25,117	24,338	23,774	23,269	21,470	21,150	21,260	21,364
Saskatchewan	8,116	8,157	8,123	8,043	7,711	7,612	7,531	7,428
Manitoba	228	160	133	141	148	163	2	–
Total rental Revenue	\$ 44,959	\$ 43,670	\$ 42,728	\$ 41,970	\$ 39,455	\$ 38,324	\$ 37,993	\$ 37,888
Ancillary revenue	538	753	522	486	485	711	501	485
Interest income	220	75	56	30	103	165	128	98
Total revenue from operations	\$ 45,717	\$ 44,498	\$ 43,306	\$ 42,486	\$ 40,043	\$ 39,200	\$ 38,622	\$ 38,471
Change in fair value	\$ 10,896	\$ 24,191	\$ 1,093	\$ 32,915	\$195,800	\$ 1,274	\$ (17,986)	\$ 51,370
Profit (loss) from operations	\$ 21,835	\$ 29,982	\$ 12,404	\$ 39,652	\$181,002	\$ 10,167	\$ (5,287)	\$ 48,420
Net profit (loss) per share								
– Basic	\$ 2.34	\$ 3.21	\$ 1.33	\$ 4.24	\$ 19.37	\$ 1.09	\$ (0.57)	\$ 5.17
– Diluted	\$ 2.34	\$ 3.21	\$ 1.33	\$ 4.24	\$ 19.37	\$ 1.09	\$ (0.57)	\$ 5.17
Same assets rental and ancillary revenue								
British Columbia	\$ 10,121	\$ 10,017	\$ 9,771	\$ 9,665	\$ 9,521	\$ 9,432	\$ 9,317	\$ 9,083
Alberta	21,728	21,302	21,289	21,191	21,123	21,430	21,527	20,093
Saskatchewan	8,004	8,132	8,016	7,957	7,614	7,559	7,501	7,467
Total same assets rental and ancillary revenue	\$ 39,853	\$ 39,451	\$ 39,076	\$ 38,813	\$ 38,258	\$ 38,421	\$ 38,345	\$ 36,643
Same assets vacancy rate	6.6%	7.6%	7.0%	7.6%	9.0%	9.1%	8.6%	6.9%
Same assets net operating income								
British Columbia	\$ 7,788	\$ 7,255	\$ 7,040	\$ 7,627	\$ 6,962	\$ 6,660	\$ 6,727	\$ 7,072
Alberta	12,728	11,691	12,548	13,127	12,604	12,011	12,525	12,330
Saskatchewan	4,446	4,263	4,146	4,582	4,062	3,685	3,804	4,152
Total same assets net operating income	\$ 24,962	\$ 23,209	\$ 23,734	\$ 25,336	\$ 23,628	\$ 22,356	\$ 23,056	\$ 23,554
Net operating income	\$ 27,912	\$ 25,728	\$ 25,916	\$ 27,442	\$ 24,690	\$ 22,639	\$ 23,077	\$ 24,530
Funds from operations of stabilized properties – Non-IFRS measurement (Note 1)	\$ 11,521	\$ 9,730	\$ 11,016	\$ 12,193	\$ 10,399	\$ 9,236	\$ 10,753	\$ 11,263
Funds from operations – Non-IFRS measurement	\$ 13,474	\$ 11,342	\$ 12,470	\$ 14,001	\$ 12,030	\$ 10,123	\$ 11,344	\$ 12,320
Funds from operations of stabilized properties per share – Non-IFRS measurement								
– Basic	\$ 1.23	\$ 1.04	\$ 1.18	\$ 1.30	\$ 1.11	\$ 0.99	\$ 1.15	\$ 1.20
– Diluted	\$ 1.23	\$ 1.04	\$ 1.18	\$ 1.30	\$ 1.11	\$ 0.99	\$ 1.15	\$ 1.20
Funds from operations per share – Non-IFRS measurement (Note 1)								
– Basic	\$ 1.44	\$ 1.21	\$ 1.33	\$ 1.50	\$ 1.29	\$ 1.08	\$ 1.21	\$ 1.32
– Diluted	\$ 1.44	\$ 1.21	\$ 1.33	\$ 1.50	\$ 1.29	\$ 1.08	\$ 1.21	\$ 1.32
Average vacancy rate								
British Columbia	0.8%	0.7%	0.8%	0.9%	1.0%	1.1%	1.0%	0.5%
Alberta	8.8%	11.0%	10.3%	11.8%	11.1%	10.5%	9.4%	8.6%
Saskatchewan	9.9%	8.3%	7.8%	9.2%	12.2%	13.0%	13.4%	13.0%
Manitoba	9.5%	17.2%	24.5%	19.9%	16.1%	10.3%	–	–
Total average vacancy rate	7.3%	8.3%	7.8%	8.7%	9.1%	9.1%	8.6%	8.0%

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

Highlights of the Corporation's financial results for the third quarter ended June 30, 2022:

- Rental and ancillary revenue increased to \$45.5 million, compared to \$44.4 million in Q2 2022 and \$39.9 million in Q3 2021.
- Average vacancy rate for the quarter was 7.3%, compared with 8.3% in Q2 2022 and 9.1% in Q3 2021.
- Change in fair value for the quarter was a gain of \$10.9 million, compared with a gain of \$24.2 million in Q2 2022 and a gain of \$195.8 million in Q3 2021.
- Funds from operations for the quarter were \$13.5 million, a 19% increase from \$11.3 million in Q2 2022 and a 12% increase from \$12.0 million in Q3 2021. See "Non-IFRS Measures".
- Net operating income for the quarter was \$27.9 million, an 8% increase from \$25.7 million in Q2 2022 and a 13% increase from \$24.7 million in Q3 2021.
- Mainstreet's same asset vacancy rate decreased to 6.6% in Q3 2022 from 7.6% in Q2 2022 and from 9.0% in Q3 2021, and same asset revenues increased to \$39.9 million in Q3 2022, from \$39.5 million in Q2 2022 and from \$38.3 million in Q3 2021.
- Net operating income on a same asset basis for the quarter was \$25.0 million, an 8% increase from \$23.2 million in Q2 2022 and a 6% increase from \$23.6 million in Q3 2021.
- Funds from operations related to stabilized properties were \$11.5 million in Q3 2022, an 18% increase from \$9.7 million in Q2 2022 and an 11% increase from \$10.4 million in Q3 2021. See "Non-IFRS Measures".

STABILIZED PROPERTIES

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

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

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

As of June 30, 2022, 347 properties (13,601 units) out of 419 properties (15,825 units) were stabilized. The following table summarizes the change of the Corporation's stabilized and unstabilized units since the beginning of fiscal year 2022.

	Oct. 1, 2021	%	Acquisition/ Creation	Number of units stabilized	Jun. 30, 2022	%
Stabilized Units	13,252	88%	–	349	13,601	86%
Unstabilized Units	1,822	12%	751	(349)	2,224	14%
Total Investment Properties Units	15,074	100%	751	–	15,825	100%

The following table summarizes the Corporation's stabilization progress since the beginning of fiscal year 2022.

	Oct. 1, 2021	No. of units stabilized during the period	No. of unstabilized units acquired/ created during the period	June 30, 2022
Numbers of unstabilized units held for renovation	1,822	(349)	751	2,224
Number of months				
Average time spent on stabilization	7	20	5	11
Estimated remaining time for stabilization	20	–	22	17

During the nine months ended June 30, 2022, the Corporation acquired 148 unstabilized units and created 1 unit in Calgary, Alberta; acquired 373 unstabilized units and created 3 units in Edmonton, Alberta; acquired 174 unstabilized units in Prince George, British Columbia; acquired 22 unstabilized units in Regina, Saskatchewan; acquired 1 unstabilized unit and created 4 units in Saskatoon, Saskatchewan; and acquired 27 unstabilized units in Winnipeg, Manitoba. Some acquired assets require substantial renovation and had rental rates that are considered well below the market for stabilized units. The Corporation has stabilized 349 units in 2022, meaning that renovation work is substantially completed, and has resulted resulting in rent increases to or near current market levels.

FUNDS FROM OPERATIONS OF STABILIZED PROPERTIES

For Q3 2022, FFO of Mainstreet's stabilized property portfolio amounted to \$11.5 million (\$1.23 per basic share and per fully diluted share). See "Non-IFRS Measures".

(000s of dollars except per share amounts)

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

(000s of dollars except per share amounts)

	Three months ended June 30, 2021			Nine months ended June 30, 2021		
	Stabilized properties	Non-stabilized properties	Total	Stabilized properties	Non-stabilized properties	Total
Rental and ancillary rental income	\$ 36,356	\$ 3,584	\$ 39,940	\$ 109,512	\$ 7,957	\$ 117,469
Property operating expenses	13,870	1,380	15,250	43,630	3,433	47,063
Net operating income	\$ 22,486	\$ 2,204	\$ 24,690	\$ 65,882	\$ 4,524	\$ 70,406
Operating margin	62%	61%	62%	60%	57%	60%
Vacancy rate	8.8%	12.9%	9.1%	8.5%	14.9%	9.0%
Interest income	\$ (94)	\$ (9)	\$ (103)	\$ (368)	\$ (28)	\$ (396)
General & administrative expenses	2,731	309	3,040	8,160	685	8,845
Financing cost	9,206	466	9,672	26,925	1,396	28,321
Depreciation (computer and vehicle)	46	5	51	129	10	139
Funds from operations – Non-IFRS measurement	\$ 10,597	\$ 1,433	\$ 12,030	\$ 31,036	\$ 2,461	\$ 33,497
Depreciation			\$ 172			\$ 506
Fair value gain (loss)			195,800			179,088
Deferred income tax expense			26,656			26,197
Net profit and total comprehensive income			\$ 181,002			\$ 185,882
Funds from operations per share – Non-IFRS measurement						
Funds from operations per share						
– basic & diluted	\$ 1.14	\$ 0.15	\$ 1.29	\$ 3.32	\$ 0.26	\$ 3.58
Weighted average number of shares						
– basic & diluted			9,345,218			9,345,395

In Q3 2022, FFO of the stabilized property portfolio increased 9% to \$11.5 million as compared to \$10.5 million in Q3 2021, while the number of stabilized units increased 5% to 13,601 units as of June 30, 2022 compared to 12,954 units as of June 30, 2021. The increase in FFO for stabilized properties was due to the increased number of stabilized units.

(000s of dollars)

	Three months ended June 30,			Nine months ended June 30,		
	2022	2021	% change	2022	2021	% change
FFO of stabilized properties (Note 2)	\$ 11,521	\$ 10,597	9%	\$ 32,543	\$ 31,036	5%
Number of stabilized units	13,601	12,954	5%	13,538	12,917	5%

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

LIQUIDITY & CAPITAL RESOURCES

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

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

Working Capital Requirement

Mainstreet requires sufficient working capital to cover day-to-day operating and mortgage expenses as well as income tax payments. In Q3 2022, after payments of all required expenses, the Corporation generated funds from operations of \$13.5 million.

Management expects funds generated from operations will continue to grow in the long term when more units are renovated and re-introduced to the market at higher rental rates, and Management believes that these funds should be sufficient to meet the Corporation's working capital requirements on a year-to-year basis going forward. Although the disruption and uncertainty caused by COVID-19, world events and increasing inflation and interest rates could adversely affect Mainstreet's tenant's ability to pay rent on time going forward, particularly as government supports are scaled back or eliminated, as of June 30, 2022, the potential working capital deficiency is being managed through the available liquidity under banking facilities as well as the ongoing financing of mortgages payable, which is discussed and analysed in the session entitled "Financing" below.

Other Capital Requirements

Mainstreet also needs sufficient capital to finance continued growth and capital improvement. In Q3 2022, the Corporation spent approximately \$29.7 million on acquisitions and capital improvements. Management expects the following capital resources to be sufficient to meet the capital requirements on a year-to-year basis.

Financing

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

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

Mainstreet's financing program has remained stable since the onset of the COVID-19 pandemic. In Q3 2022, the Corporation financed 10 clear title properties and two maturing mortgages for an additional net funding of \$41.1 million at an average interest rate of 3.39%.

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

As of June 30, 2021, the Corporation owned title to 77 clear title properties and five development lots having an aggregate fair value of approximately \$311.6 million.

High commodity prices and global supply chain constraints, resulting from, among other things, the COVID-19 pandemic and the conflict in Ukraine, have pushed inflation up, with the consumer price index (CPI) hitting 8.1% in June 2022. In response the Bank of Canada has significantly increased interest rates over the last 5 months. It is unclear how long this upward pressure will continue, but Mainstreet has attempted to deal with the risk of inflation and the correlated increase in interest rates by locking its debt into long-term maturities.

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

The Corporation's policy for capital risk management is to keep a debt-to-fair value of investment properties ratio under 70%. The current ratio is approximately 51%, which Management believes will leave considerable room to raise additional funds from refinancing if the need arises.

Banking Facility

Effective January 2014, the Corporation was granted a banking facility to a maximum of \$85 million with a syndicate of chartered financial institutions. The facility is secured by a floating charge against the Corporation's assets and carries an interest rate of prime plus 1.15%. The facility requires monthly interest payments and is renewable every three years subject to the mutual agreement of the lenders and the Corporation. The Corporation has extended the maturity date to December 5, 2022. As at June 30, 2022, the Corporation has drawn \$Nil (September 30, 2021 – \$Nil) against this credit facility.

Additionally, the Corporation entered into a \$45 million revolving credit facility with a third-party financial institution, which carries an interest rate equal to the prime rate. As at June 30, 2022, the Corporation has drawn \$Nil (September 30, 2021 – \$Nil) against this credit facility.

Both facilities contain financial covenants to maintain an overall funded debt to gross book value ratio of not more than 65% and debt service ratio of not less than 1.2. As of June 30, 2022, the Corporation's overall funded debt to gross book value ratio and debt service coverage ratio are 51% and 1.52, respectively.

CONTRACTUAL OBLIGATIONS

As of June 30, 2022, the Corporation had the following contractual obligations, which are anticipated to be met using the existing revolving credit facility, funds from operations and proceeds from the refinancing of maturing and floating mortgage loans.

PAYMENTS DUE BY PERIOD

Estimated principal payments required to retire the mortgage obligations as of June 30, 2022 are as follows:

(000s of dollars)

12 months ending June 30,	Amount
2023	\$ 53,249
2024	239,337
2025	84,497
2026	130,716
2027	222,603
Subsequent	749,182
	1,479,584
Deferred financing cost	(40,068)
	\$ 1,439,516

LONG-TERM DEBT

(000s of dollars)

	Amount	% of debt	Average interest rate (%)
Fixed rate debt			
– CMHC-insured	\$ 1,463,924	99%	2.53%
– non-CMHC-insured	15,660	1%	3.46%
Total debt	1,479,584	100%	2.54%
Deferred financing costs	(40,068)		
	\$ 1,439,516		

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

As of June 30, 2022, total mortgages payable were \$1,440 million compared to \$1,357 million on September 30, 2021, an increase resulting from financing and acquisition activity during the nine months ended June 30, 2022.

As of June 30, 2022, Management believes the Corporation's financial position to be stable, with overall mortgage levels reported at 51% of the fair value of investment properties. About 99% of the Corporation's mortgage portfolio was CMHC-insured, providing Mainstreet with what management believes are interest rates lower than those available through conventional financing.

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

MORTGAGE MATURITY SCHEDULE

(000s of dollars)

Maturing during the following financial year end	Balance maturing	% of debt maturing	Weighted average rate on expiry (%)
2022	21,067	1%	2.19%
2023	93,333	6%	3.37%
2024	132,538	9%	3.36%
2025	66,206	4%	2.67%
2026	268,985	18%	2.37%
Subsequent	897,455	61%	2.39%
	\$ 1,479,584	99%	2.54%

The average maturing term of mortgage loans is 7.07 years as of June 30, 2022, compared to 6.60 years as of September 30, 2021.

INTERNAL CONTROLS

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

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

As at June 30, 2022, Mainstreet determined that there were no material weaknesses in the design of its ICFR or DC&P. Mainstreet's Management evaluated, or caused to be evaluated under its supervision, the effectiveness of its ICFR and DC&P as at June 30, 2022. Based on this evaluation, Management has concluded that the Corporation's ICFR and DC&P were effective as at June 30, 2022.

As at June 30, 2022, Mainstreet has confirmed that it has designed DC&P to provide reasonable assurance that information required to be disclosed by Mainstreet in its annual filings, interim filings, or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation and includes controls and procedures designed to ensure that information required to be disclosed by Mainstreet in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to Mainstreet's management, including its certifying officer, as appropriate to allow timely decisions regarding required disclosure. No changes were made to the Corporation's DC&P during the quarter ended June 30, 2022.

As at June 30, 2022, Mainstreet confirmed it had designed its ICFR to provide reasonable assurances regarding the reliability of the financial reporting and the preparation of financial statements and information for external purposes in accordance with IFRS and that the ICFR operated effectively throughout the reported period. The Corporation may, from time to time, make changes aimed at enhancing their effectiveness and ensuring that these systems evolve with the Corporation's business. There were no changes in the Corporation's ICFR during the quarter ended June 30, 2022, which have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

Financial Instruments & Risk Management

Fair value of financial assets and liabilities

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

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

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

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

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

(000s of dollars)

		June 30, 2022		September 30, 2021	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:					
Restricted cash	Level 1	\$ 3,828	\$ 3,828	\$ 3,645	\$ 3,645
Cash and cash equivalents	Level 1	43,502	43,502	19,224	19,224
Trade and other receivables	Level 2	5,653	5,653	1,195	1,195
Financial liabilities:					
Mortgages payable	Level 2	1,439,516	1,354,783	1,357,177	1,381,878
Trade and other payables	Level 2	8,114	8,114	8,767	8,767
Refundable security deposits	Level 1	\$ 5,709	\$ 5,709	\$ 5,387	\$ 5,387

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

See also the Notes to the Corporation's audited consolidated financial statements for the fiscal years ended September 30, 2021 and 2020 (the "Annual Financial Statements") for additional information regarding financial assets and the risks associated therewith.

Risk Associated with Financial Assets & Liabilities

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

SHARE CAPITAL

Authorized:

Unlimited number of common voting shares with no par value

Unlimited number of preferred shares with no par value

Issued, outstanding and fully paid:

	Nine months ended June 30, 2022		Year ended September 30, 2021	
	Number of common shares	Amount	Number of common shares	Amount
Issued and outstanding, – beginning of the period	9,345,218	\$ 26,494	9,349,830	\$ 26,507
Shares purchased for cancellation	(9,200)	(26)	(4,612)	(13)
Issued and outstanding, – end of the period	9,336,018	\$ 26,468	9,345,218	\$ 26,494

All common shares share an equal right to dividends.

On May 25, 2022, Mainstreet obtained approval from the Toronto Stock Exchange (“TSX”) to repurchase up to 477,109 common shares of the Corporation under a Normal Course Issuer Bid (“NCIB”) commencing June 1, 2022. The current NCIB expires on May 31, 2023. The Corporation’s previous NCIB expired on May 31, 2022.

During the three and nine months ended June 30, 2022 and 2021, the Corporation purchased and cancelled 9,200 (2021 – Nil) and 9,200 (2021 – 4,612) common shares at an average price of \$112.94 (2021 – \$68.10) per common share under the NCIB.

Given the discount between its current trading share price and net asset value (“NAV”), Management believes that the acquisition of its common shares for cancellation is in the best interests of Mainstreet, as it returns capital to shareholders in a tax-efficient manner that is accretive to NAV. Mainstreet will continue to assess on an ongoing basis whether purchases of its common shares is warranted.

STOCK OPTIONS

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

Shareholder Rights Plan

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

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

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

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

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

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

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

Key accounting estimates and assumptions

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

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

Actual results could differ from estimates.

At this time, the duration and future impact of the COVID-19 pandemic still remains uncertain, given the unprecedented nature of the pandemic, which uncertainty may impact certain of the Corporation's significant assumptions. Specifically, the Corporation has had to make assumptions with respect to the length and severity of the recovery period, as well as the severity and duration of future waves of the pandemic, in estimating the ongoing impact on the Corporation. In particular, significant assumptions are required when measuring the value of the Corporation's properties which are carried at fair value using assumptions based on market conditions. Given the uncertainty which has existed, some of which still remains, the full long-term impact of COVID-19 on the valuation of the Corporation's properties may not be completely known at this time. Further, due to the previous high uncertainty associated with the pandemic, lower weight can be applied to previous market evidence to inform fairness of opinions. Assumptions are also required in assessing the collectability of any outstanding tenant rent receivable balances and the consideration of applying an allowance for doubtful accounts to these balances. As government financial supports, which assisted the Corporation's tenants with their essential needs such as rental payments throughout the pandemic, are reduced or eliminated, and as inflation continues to rise, the Corporation may see an increase in its bad debt expense and be exposed to an increased credit risk.

Transactions with Related Parties

- a) The President and Chief Executive Officer is paid a commission at commercial rates in his capacity as a licensed broker for certain property transactions conducted by the Corporation in its normal course of business. Commissions are determined on an exchange value basis. Except in very limited circumstances, these commissions are paid by the selling third party or third parties to the transaction. The commissions received by the President and Chief Executive Officer during the three and nine months ended June 30, 2022 amounted to \$76,250 (2021 – \$392,740) and \$300,368 (2021 – \$549,688). Each year the Chief Executive Officer is entitled to receive an annual performance bonus based upon pre-determined performance goals and discretionary bonus amounts determined by the board of directors. In making such determination, the board of directors takes in consideration the amount of commission paid to the Chief Executive Officer during each year, such that once determined, that portion of the annual performance bonus paid by the Corporation amounts to the difference between the amount of annual performance bonus

determined by the board of directors, if any, less the amount of commissions paid to the Chief Executive Officer during that year. As a result, the actual portion of the discretionary bonus, if any, paid by the Corporation each year to the Chief Executive Officer will be reduced by the amount of third party paid commission to the Chief Executive Officer during that year.

- b) The Corporation paid legal and professional fees and reimbursements for the three and nine months ended June 30, 2022 amounting to \$50,307 (2021 – \$31,811) and \$368,319 (2021 – \$192,196) to a law firm of which a director and officer of the Corporation is a partner. As at June 30, 2022, the amounts payable to the law firm were \$480 (September 30, 2021 – \$1,848). These fees were incurred at amounts which in management's opinion approximate fair market value that would be incurred by a third party law firm.

Off Balance Sheet Arrangements

No off balance sheet arrangement was made by the Corporation for 2022.

Subsequent Events

Subsequent to quarter-end June 30, 2022, the Corporation acquired an additional 31 residential units in the Province of Saskatchewan for a total consideration of \$2.7 million.

Risk Assessment and Management

Management defines risk as the evaluation of the probability that an event that could negatively affect the financial condition or results of the Corporation may happen in the future. The following section describes specific and general risks that could affect the Corporation. As it is difficult to predict whether any risk will occur or what its related consequences might be, the actual effect of any risk on the business of the Corporation could be materially different than anticipated. The following discussion of risk does not include all possible risks as there may be other risks of which the Corporation is currently unaware. Please also see the risks which are summarized in the Corporation's Annual Information Form for the year ended September 30, 2021 ("AIF").

Pandemic and Other Risks

The COVID-19 pandemic has had a substantial impact on the economy. Although these impacts appear to be lessening over time, there still remains uncertainty associated with the unprecedented nature of the pandemic. Uncertain economic conditions resulting from the COVID-19 pandemic may, in the short or long term, continues to have a materially adverse impact on the Corporation's tenants and/or capital markets, both of which could materially adversely affect the Corporation's operations and financial performance. Although significant progress has been made in vaccinating the Canadian population, and while restrictions have relaxed in the provinces where the Corporation operates, the emergence of new variants have resulted in new waves of the pandemic which might result in certain restrictions being reinstated in certain jurisdictions. It remains unclear as to when the pandemic will fully be under control, and when public health measures will be fully lifted, as the frequency, duration and severity of future waves of the pandemic remain unknown. Barriers to travel still remain, including in respect of short staffing at airports and by airlines, and it remains difficult to reliably estimate the impact on the financial results and condition of the Corporation in future periods.

The Corporation saw a material decrease in new rentals during the fourth quarter of its 2020 and 2021 fiscal years, a period that usually is one of the Corporation's busiest rental seasons. This decrease has resulted in a decrease in the Corporation's operations and financial performance as fewer new tenants were moving into the Corporation's properties resulting in an increase in vacancy rates. The Corporation believes that this decrease resulted from the government's implementation of travel bans in response to the pandemic, and post-secondary institutions limiting in person classes, which vastly decreased the number of foreign students and other immigrants arriving in Canada. Historically, such foreign students and immigrants have comprised a material portion of the Corporation's renters.

The Corporation has seen improvement in its overall vacancy trend in Q3 2022 and subsequent thereto, mainly as a result of an increase in rentals in the Alberta and Saskatchewan market, and is cautiously optimistic that this trend will continue in 2022. However, there still remain significant impediments to international travel and limitations on class rooms, including new restrictions in response to the emergence of new variants, and in the event that these impediments and limitations remain in effect through the Corporation's 2022 fiscal year, this may negatively affect the Corporation's operations and financial performance.

To date the Corporation has not suffered a material increase in bad debt expense and higher credit risk for the Corporation as a result of increased difficulty in the collection of rent, a requirement to defer the eviction of tenants who do not pay their rent, and an inability by the Corporation to increase rent in certain of its markets. However, as government financial supports, which have assisted the Corporation's tenants with their essential needs such as rental payments throughout the pandemic, are reduced or eliminated, in connection with continued inflation, the Corporation anticipates that it may see an increase in its bad debt expense and be exposed to an increased credit risk.

The Corporation's properties are measured at fair value based on assumptions influenced by market conditions. Given the uncertainty which has existed, some of which still remains, the full long-term impact of COVID-19 on the valuation of the Corporation's properties, may not be completely known at this time. Further, due to the previous high uncertainty associated with the pandemic, lower weight can be applied to previous market evidence to inform fairness of opinions.

There is also continuing risk that the Corporation could be adversely affected due to market changes particularly in supply, inflation, interest rates and regional rent controls. Canada has seen significant inflation in recent months, against the backdrop of sustained higher housing process, substantial supply constraints and geopolitical conflicts, which have increased process for energy and agricultural markets. There has also been significant disruption to the global supply chain in recent months, including as a result of Russia's ongoing invasion of Ukraine, further disrupting global recovery as economies start emerging from the impact of the pandemic. Further, as social distancing practices are maintained, and labour and material shortages persist, the expected onset of new supply of rental housing may take longer as construction completion times are extended. All of this increases the supply risk to the Corporation.

Previously, the Corporation had seen the mortgage interest rate for a 10-year fixed CHMC mortgage remain at a low level which has provided an opportunity for the Corporation to obtain financing at lower interest rates when mortgages matured and needed to be renewed. The Corporation took advantage of this opportunity and fixed 100% of its long term debt into fixed rate debts, of which 99% are fixed as CMHC insured mortgages at an average interest rate of 2.53%. However, the mortgage rate for a 10-year fixed CHMC mortgage has increased by almost 150 basis points during the current quarter. The Corporation will continue to cautiously monitor this trend in interest rates, and will need to consider the same in making decisions when its mortgages mature and need to be renewed.

To date, governments have responded quickly to ensure capital remains available, and currently, Mainstreet still remains able to access capital.

The Corporation, in coordination with its Board of Directors, continues to monitor the situation and has taken and may take additional actions that alter its business operations as may be required by federal, provincial or local authorities or that the Corporation determines are in the best interests of its tenants, employees, suppliers, shareholders and other stakeholders. Such alterations or modifications have caused and may continue to cause interruption to the Corporation's business and include increased administration, maintenance and repair expenses, related to property modifications, increased cleaning and maintenance of the property, increased communication and technology costs and increased costs related to obtaining personal protection equipment for team members, temporary closures of the Corporation's administrative offices and moves to remote working, temporary or long-term adverse impacts on the Corporation's supply chain and labour and the potential of increased network vulnerability and risk of data loss resulting from increased use of remote access and removal of data from the Corporation's facilities. Management of the Corporation enacted its COVID-19 business continuity plan in March 2020 and to date has experienced only minimal disruptions to its business operations as a result.

Vacancy Risk

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

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

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

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

The pandemic and the government's response thereto, including travel restrictions and limitations on class rooms for post-secondary institutions, has also increased the vacancy risk for the Corporation. See "Pandemic Risk" above.

Economic Uncertainty

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

In addition to the COVID-19 pandemic discussed above, Russia's ongoing invasion of Ukraine have contributed to global economic uncertainty, including further disruptions to the global supply chain and increased prices for energy and agricultural markets, further disputing global recovery from the pandemic.

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

Interest Risk

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

Utilities and Tax Risk

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

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

- where possible, electrical sub-metering devices have been installed, passing on the responsibility for electrical charges to the end tenant / customer;
- where possible, direct metering conversion programs have been implemented which effectively introduced a volume-based consumption system rather than a flat rate, in turn lowering operating costs for the Corporation;
- in other cases, rents have been, or will be adjusted upward to cover increased costs; and
- where possible, the Corporation enters into long term supply contracts at a fixed price.

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

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

It is uncertain if municipal property tax rates will increase in certain markets to address municipal revenue losses resulting from the COVID-19 pandemic.

Risks of Real Estate Property Ownership

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

- the highly competitive nature of the real estate industry;
- changes in general economic conditions (such as the availability and cost of the property or widespread fluctuations in adjacent property values), including as a result of COVID-19;
- changes in general or local conditions (such as the supply of competing real estate assets or the possibility of competitive overbuilding or the inability to obtain full occupancy or other usage of any real estate assets);
- governmental regulation, rules or policies (such as increased taxation on the sale of or profits from real estate property, environmental legislation or municipal approvals for usage, development or subdivision); and
- changes in costs or operating expenses anticipated for real estate assets.

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

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

Renovation Risks

The Corporation is subject to the financial risk of having unoccupied units during extended periods of renovations. During renovations, these properties are unavailable for occupancy and do not generate income. Certain significant expenditures, including property taxes, maintenance costs, interest payments, insurance costs and related charges must be made throughout the period of ownership of real estate property regardless of whether the property is producing revenue. Delays in the renovation of a building or individual apartment units as a result of labour and material shortages and similar risks, could delay the renting of such building or units resulting in an increased period of time where the building is not producing revenue or produces less revenue than a fully tenanted building. As the Corporation intends to source labour from other countries and renovation supplies directly from manufacturers in China and elsewhere, the Corporation will be subject to related immigration expenses, possible changes in laws related to the use of migrant or immigrant labour, shipping risks and delays, and currency fluctuations, all of which may result in unexpected or higher costs or possible delays. The Corporation intends to address these risks by acquiring financing to fund renovations, staggering renovations and by carrying out a detailed capital expenditures budget to monitor its cash position on a monthly basis. However, recent and possible new changes in federal immigration laws related to migrant or immigrant labour may have a negative impact regarding mitigating an increase in labour costs and expenses. In addition, COVID-19 has and will likely continue to affect the Corporation's ability to source labour and supplies from other countries.

In addition, high commodity prices and global supply chain constraints have pushed inflation up, with the consumer price index (CPI) hitting 7.7% in May 2022, and it is unclear how long this upward pressure will continue. This may result in higher costs in respect of renovations.

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in a financial loss for the Corporation. The Corporation is exposed to credit risk as some tenants may experience financial difficulty and may default in payment of rent in the current economic environment. However, the Corporation attempts to minimize possible risks by conducting in-depth credit assessments of all tenants and collecting security deposits from tenants. The Corporation's tenants are numerous, which also reduces the concentration of credit risk. As tenants' rent is due at the beginning of the month, all amounts in accounts receivable are considered overdue by the Corporation. As of June 30, 2022, rents due from current tenants amounted to \$983,000 (September 30, 2021 – \$854,000). The possibility of not receiving payment of rent due from current tenants was covered by security deposits of \$5.7 million (September 30, 2021 – \$5.4 million) and provisions for expected credit losses of \$221,955 (September 30, 2021 – \$160,000). In addition, please see "Pandemic Risk" above.

The aging bands of rents due from current tenants as at June 30, 2022 and September 30, 2021 are outlined in the table below:

(000s of dollars)

	Jun. 30, 2021	Sep. 30, 2020
0-30 days	\$ 634	\$ 610
31-60 days	145	142
61-90 days	65	22
Over 90 days	139	80
Total rents due from current tenants	\$ 983	\$ 854

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

Liquidity Risk

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

An investment in real estate is relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit the Corporation's ability to divest itself of

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

Financing Risk

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

Disclosure Controls & Procedures on Internal Control over Financial Reporting Risk

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

Reliance on Key Employees

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

Income Tax Risk

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

Market Risks

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

- changes in the national, regional, provincial and local economic climates;
- local conditions, including an oversupply of properties or a reduction in demand for properties;
- the attractiveness of all or parts of real estate assets to renters or purchasers;

- competition from other available real estate assets; and
- changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes.

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

Acquisitions Risks

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

Appraisals of Properties

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

The Corporation's properties are measured at fair value based on assumptions influenced by market conditions. Given the continuing uncertainty of the longer-term impacts of the COVID-19 pandemic on valuation assumptions, uncertainty continues to exist with respect to the valuation of the Corporation's properties.

Environmental, Health and Safety Risks

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

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

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

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

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

Cyber Security Risk

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

Climate Change Risk

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

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

No History of Dividends

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

Workforce Availability

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

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

Uninsured Losses

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

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

Substitutions for Residential Rental Units

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

Litigation Risks

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

Regulatory Risks and Adverse Changes in Law

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

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

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

Rent Control

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

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

Under British Columbia's rent control legislation, a landlord is entitled to increase the rent for existing tenants once every twelve months by no more than the "guideline amount" established by regulations. During COVID-pandemic, the rent amounts were frozen with a prohibition on rent increases until December 31, 2021. The guideline amount effective January 1, 2022 is 1.5%. When a unit is vacant, however, the landlord is entitled to lease the unit to a new tenant at market rental amount, after which annual increases are limited to the applicable guideline amount. The landlord may also be entitled to a greater increase in rent for a unit under certain circumstances, including, for example, where extra expenses have been incurred as a result of a renovation of that unit.

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

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

Operational Risks

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

Public Market Risk

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

Potential Conflicts of Interest

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

CHALLENGES

Despite a positive operating environment for Mainstreet, the war in Ukraine and lingering supply chain constraints have driven inflation rates higher and introduced wider economic uncertainty. In addition, on July 13, the Bank of Canada increased interest rates by 100 basis points, the biggest one-time increase since 1998. These higher interest rates raise the cost of Mainstreet debt, the largest expense alongside acquisitions.

The management team has taken steps to minimize their exposure to such fluctuations, including the decision a few years ago to pay higher up-front borrowing costs on CMHC-insured mortgages in order to extend their debt obligations over longer periods (10 years instead of the typical five). Those efforts have allowed Mainstreet to lock in 99% of debt into fixed-term CMHC mortgages with an average maturity and interest rate of 7.1 years and 2.31%, respectively.

Inflationary pressures meanwhile increase the cost of everything from labour to materials, raising our operating costs. Renovation and maintenance costs have increased in line with supply shortages for materials. To cushion against such increases, Mainstreet has long established direct contracts with both domestic and foreign suppliers to attempt to secure stable supply links.

Labour markets remain tight, with job vacancies reaching more than 890,000 positions in Q1 2022, a near record-high. This has raised Mainstreet's labour costs and made hiring more challenging. Still, Mainstreet enjoys a well-established hiring record, while foreign worker programs remain available should they need to fill any additional worker shortages.

Major fixed expenses like property taxes, insurance, and utilities have increased due to government policy. Carbon taxes, which place the financial burden on property owners, are scheduled to increase on an annual basis. Mainstreet has addressed higher energy costs by entering various longer-term natural gas contracts, pursuant to which Mainstreet currently pays well below current spot prices.

Regardless of their widespread efforts to counteract inflation and rising interest rates, higher costs erode their operating margins and negatively impact their bottom line. Some of the financial burden will ultimately be passed onto tenants through rental increases. However, Management is confident Mainstreet will remain the leading provider of quality, affordable housing in Western Canada, given their track record of operational efficiency, value creation and sound management.

OUTLOOK

As Management looks ahead, Mainstreet believes macroeconomic volatility could continue to keep inflation elevated, potentially leading to further interest rate hikes. To guard against such increases, the Management team has ensured that the vast majority of Mainstreet debt is set at long-term fixed rates (see 'Challenges' section).

Further, management believes that inflationary periods tend to be transitory in nature. Should interest rates once again fall sometime in the coming years, Mainstreet will benefit not only from more competitive acquisition costs, but also lower interest expenses (resulting in higher FFO) on refinancing after stabilization.

As the acquisition environment enters a period of transition, Management continues to see risk-adjusted opportunities for growth, supported by their sizeable liquidity position. Higher interest rates could force more distressed sellers onto the market, which would create more opportunistic acquisition opportunities and offer considerable potential for non-dilutive growth. As always, Mainstreet will maintain their strategy of counter cycle growth by acquiring assets only when it prioritizes true value creation. For example, Mainstreet acquired a distressed property in Regina for a recorded low price of only \$64,000 per unit in Q3 2022.

Meanwhile, Management expects that Mainstreet's strong Western Canadian asset base, reaching from British Columbia to Manitoba, will continue to form the bedrock of future growth. Mainstreet expects their Alberta and Saskatchewan markets to continue benefiting from high commodity prices, which remain elevated amid shortages of oil, natural gas, grains, and other essential products. Oil benchmarks have traded around US\$100 per barrel since early this year and are expected to remain robust, which could cushion some of their core markets against the most severe aspects of a potential economic downturn.

Positive migration trends should also continue to create ideal operating conditions for Mainstreet in the last quarter of 2022 and into the 2023 fiscal year. In-migration into Alberta reached 16,510 in Q1 2022, among its highest levels since commodity markets crashed in 2015. Saskatchewan's in-migration levels reached 2,397 people over the same period, up from 777 people a year earlier.

Mainstreet also anticipates that immigration level will continue to rise and more foreign and domestic students will return to in-person classes, two demographics that form a substantial portion of Mainstreet's client base. The Canadian government's goal to attract 1.2 million immigrants over three years should be supportive of that trend. Management

expects that an increase in foreign and domestic students will be particularly supportive of our Edmonton market, where Mainstreet has built up a sizeable student housing cluster in the major college and university hubs. In Q4 2022, they expect vacancies in those areas to improve significantly as students register for the coming academic year.

Mainstreet expects their Vancouver/Lower Mainland market will continue to drive performance, as vacancies remain among the lowest in the country while rental rates remain near the highest. British Columbia has become central to Mainstreet's portfolio, accounting for 44% of our net asset value ("NAV") based on IFRS value. With an average monthly mark-to-market gap of \$530 per suite per month, 99% of our customers in the region are below the average market rent. That translates into approximately \$20 million in NOI growth potential after closing the mark-to-market gap of \$530 per unit per month, according to their internal estimates.

Current market conditions also create opportunities to extract more value out of existing assets. Mainstreet vacancy rates dropped in Q3 2022, but they still see ample room to continue repositioning units in coming quarters to further lower vacancies and boost operating income. In Q3 2022, 2,224 units out of a total 15,825 (14% of our portfolio) remain unstabilized, largely due to their high rate of counter-cyclical acquisitions over the past two years.

Lastly, a chronic housing shortage, high interest rate and inflation will continue to make owning a home unaffordable for average Canadians. This reinforces Mainstreet's conviction that inner-city, workforce affordable rental housing will remain an essential and safe asset class in Canada. Mainstreet's rental rates are perfectly positioned to attract those seeking affordable and quality homes in today's market.

RUNWAY ON EXISTING PORTFOLIO

- 1. Pursuing our 100% organic, non-dilutive growth model:** Using their strong potential liquidity position, estimated at \$300 million for the remainder of fiscal 2022 (including \$43 million cash-on-hand, and a \$130-million line of credit secured by \$326 million in clear title assets), they believe there is significant opportunity to continue acquiring underperforming assets at attractive valuations.
- 2. Boosting NOI:** As of Q3 2022, 14% of the Mainstreet portfolio was going through the stabilization process. Once stabilized, they remain confident same-asset revenue, vacancy rate, NOI and FFO will be meaningfully improved. Management are cautiously optimistic that they can boost cash flow in coming quarters. In the B.C. market alone, they estimate that the potential upside for NOI growth is approximately \$20 million, which mainly represents leveraging their mark-to-market gaps. Management also expects that strong immigration and economic recovery in Alberta and Saskatoon would accelerate their NOI catch up.
- 3. Buying back shares at a discount:** Mainstreet believes MEQ shares continue to trade below their true NAV, and that ongoing macroeconomic volatility could intensify that trend. Management will therefore continue to buy back their own common shares on an opportunistic basis under their normal course issuer bid.

ADDITIONAL INFORMATION

Additional information about Mainstreet, including its AIF, is available on the Corporation's website at www.mainst.biz and on SEDAR at www.sedar.com.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

(\$000s of Canadian dollars)

	June 30, 2022	Sep. 30, 2021
Assets		
Non-current assets		
Investment properties [Note 3]	\$ 2,752,182	\$ 2,616,154
Property and equipment	7,130	6,765
Intangible assets	1,020	1,193
	2,760,332	2,624,112
Current assets		
Property held for sale [Note 4]	12,671	22,292
Prepaid assets	4,308	2,092
Prepaid current income tax	110	110
Trade and other receivables	5,653	1,195
Restricted cash	3,828	3,645
Inventory	2,018	1,899
Cash and cash equivalents	43,502	19,224
	72,090	50,457
Total Assets	\$ 2,832,422	\$ 2,674,569
Liabilities		
Non-current liabilities		
Mortgages payable [Note 5]	\$ 1,392,446	\$ 1,274,762
Deferred tax liabilities	223,592	210,929
	1,616,038	1,485,691
Current liabilities		
Mortgages payable [Note 5]	47,070	82,415
Trade and other payables	8,114	8,767
Refundable security deposits	5,709	5,387
	60,893	96,569
Total Liabilities	1,676,931	1,582,260
Equity		
Share capital [Note 7]	26,468	26,494
Retained earnings	1,129,023	1,065,815
Total Equity	1,155,491	1,092,309
Total Liabilities and Equity	\$ 2,832,422	\$ 2,674,569

See accompanying notes to these interim condensed consolidated financial statements.

[SIGNED]

"Bob Dhillon"
Director
July 21, 2022

[SIGNED]

"Joe Amantea"
Director

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET PROFIT AND TOTAL COMPREHENSIVE INCOME

Unaudited

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

	Three months ended June 30, 2022	Three months ended June 30, 2021	Nine months ended June 30, 2022	Nine months ended June 30, 2021
Rental revenue [Note 8]	\$ 44,959	\$ 39,455	\$ 131,357	\$ 115,772
Ancillary revenue	538	485	1,813	1,697
Total rental and ancillary revenue	45,497	39,940	133,170	117,469
Property operating expenses [Note 9]	17,585	15,250	53,614	47,063
Net operating income	27,912	24,690	79,556	70,406
Financing costs [Note 10]	10,844	9,672	31,538	28,321
General and administrative expenses [Note 9]	3,756	3,040	10,934	8,845
Depreciation	241	223	678	645
Interest income	(220)	(103)	(351)	(396)
	14,621	12,832	42,799	37,415
Profit before change in fair value and income tax	13,291	11,858	36,757	32,991
Change in fair value [Note 3]	10,896	195,800	36,180	179,088
Gain from disposal of assets	3,219	–	3,947	–
Profit before income tax	27,406	207,658	76,884	212,079
Deferred income tax expense	5,571	26,656	12,663	26,197
Net profit and total comprehensive income	\$ 21,835	\$ 181,002	\$ 64,221	\$ 185,882
Profit per share				
– basic and fully diluted [Note 11]	\$ 2.34	\$ 19.37	\$ 6.87	\$ 19.89

See accompanying notes to these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited

(\$000s of Canadian dollars)

	Share Capital	Retained Earnings	Total Shareholders' Equity
Balance, October 1, 2020	\$ 26,507	\$ 840,582	\$ 867,089
Shares purchased for cancellation	(13)	(301)	(314)
Profit for the period	–	225,534	225,534
Balance, September 30, 2021	\$ 26,494	\$ 1,065,815	\$ 1,092,309
Shares purchased for cancellation	(26)	(1,013)	(1,039)
Profit for the period	–	64,221	64,221
Balance, June 30, 2022	\$ 26,468	\$ 1,129,023	\$ 1,155,491

See accompanying notes to these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASHFLOWS

Unaudited

(\$000s of Canadian dollars)

Nine months ended June 30,	2022	2021
Cash obtained from (used in) operating activities		
Net profit	\$ 64,221	\$ 185,882
Adjustments for:		
Depreciation	678	645
Change in fair value	(36,180)	(179,088)
Deferred income tax expense	12,663	26,197
Gain from disposal of assets	(3,947)	–
Financing costs [Note 10]	31,538	28,321
Deferred financing costs incurred	(6,184)	(10,409)
Interest paid on mortgages [Note 10]	(27,217)	(24,768)
Cash from operating activities before changes in non-cash working capital	35,572	26,780
Change in working capital		
Prepaid assets	(2,216)	(2,427)
Trade and other receivables	(4,458)	(228)
Inventory	(119)	263
Restricted cash	(183)	(114)
Trade and other payables	699	(2,350)
Refundable security deposits	322	356
Cash from operating activities	29,617	22,280
Financing activities		
Bank indebtedness	–	5,181
Financing of investment properties	144,688	191,879
Mortgage principal repayments	(20,133)	(18,272)
Mortgage payments upon refinancing	(40,353)	(55,659)
Repurchase of shares	(1,039)	(314)
Cash from financing activities	83,163	122,815
Investing activities		
Purchase of and additions to investment properties [Note 3]	(101,524)	(161,679)
Purchase of and additions to property and equipment	(776)	(400)
Purchase of and additions to intangible assets	(98)	(234)
Proceeds from disposal	14,081	1,240
Property held for sale	(185)	(22,494)
Cash used in investing activities	(88,502)	(183,567)
Net increase (decrease) in cash and cash equivalents	24,278	(38,472)
Cash and cash equivalents, beginning of period	19,224	38,472
Cash and cash equivalents, end of period	\$ 43,502	\$ –
Cash and cash equivalents are comprised of:		
Cash	\$ –	\$ –
Short-term deposits	43,502	–
	\$ 43,502	\$ –

See accompanying notes to these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

For the three and nine months ended June 30, 2022 and 2021

1. GENERAL

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

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The interim condensed consolidated financial statements of the Corporation have been prepared in compliance with International Accounting Standards ("IAS") 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and adopted by the Chartered Professional Accountants of Canada ("CPA"). Accordingly, certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed and, therefore, these financial statements should be read in conjunction with the annual audited consolidated financial statements for the fiscal year ended September 30, 2021.

b) Basis of presentation

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

c) Basis of consolidation

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

d) Key accounting estimates and assumptions

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

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

Actual results could differ from estimates.

At this time, the duration and future impact of the COVID-19 pandemic still remains uncertain, given the unprecedented nature of the pandemic, which uncertainty may impact certain of the Corporation's significant assumptions. Specifically, the Corporation has had to make assumptions with respect to the length and severity of the recovery period, as well as the severity and duration of future waves of the pandemic, in estimating the ongoing impact on the Corporation. In particular, significant assumptions are required when measuring the value of the Corporation's properties which are carried at fair value using assumptions based on

market conditions. Given the uncertainty which has existed, some of which still remains, the full long-term impact of COVID-19 on the valuation of the Corporation's properties may not be completely known at this time. Further, due to the previous high uncertainty associated with the pandemic, lower weight can be applied to previous market evidence to inform fairness of opinions. Assumptions are also required in assessing the collectability of any outstanding tenant rent receivable balances and the consideration of applying an allowance for doubtful accounts to these balances. As government financial supports, which assisted the Corporation's tenants with their essential needs such as rental payments throughout the pandemic, are reduced or eliminated, and as inflation continues to rise, the Corporation may see an increase in its bad debt expense and be exposed to an increased credit risk.

3. INVESTMENT PROPERTIES

(000s of dollars)

	Nine months ended June 30, 2022	Year ended Sept. 30, 2021
Balance, beginning of period	\$ 2,616,154	\$ 2,182,965
Additions related to acquisitions	84,651	219,055
Building improvements	15,706	24,423
Gain on disposal	(324)	–
Property held for Sale	(185)	(22,292)
Change in fair value	36,180	212,003
Balance, end of period	\$ 2,752,182	\$ 2,616,154

The Corporation has established an internal valuation model, which is based on the same assumptions and valuation techniques used by the external valuation professionals. The Corporation groups its investment properties in each city by their types and geographic locations. Samples are selected in each group for independent appraisal. The fair value of the sampled investment properties held by the Corporation as of June 30, 2022 and September 30, 2021, were determined through external valuations obtained from independent qualified real estate appraisers who are members of the Appraisal Institute of Canada and have appropriate qualifications and experience in the valuation of the Corporation's investment properties in the relevant locations. The appraised values of the samples selected are compared with their appraised values of the previous corresponding financial quarters. The percentage changes in values of those samples selected were applied to the whole population of each group in determination of the fair value of investment properties of the Corporation as of June 30, 2022 and September 30, 2021. Properties are selected on a rotational basis and approximately 40% of the Corporation's portfolio is externally valued annually. For the three month period ended June 30, 2022, a fair value gain of \$10.9 million was recorded on the financial statement as a result of changes in the fair value of investment properties based on the most recent market conditions in the reporting periods.

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

	Jun.30, 2022	Sep. 30, 2021
Lower Mainland, BC [Note 1]	3.67%	3.41%
BC excluding Lower Mainland [Note 2]	4.35%	4.09%
Calgary, Alberta	4.98%	4.87%
Edmonton, Alberta	5.42%	5.46%
Saskatoon, Saskatchewan	5.49%	5.84%
Regina, Saskatchewan	5.45%	5.57%
Winnipeg, Manitoba	5.79%	5.79%
Investment properties	4.76%	4.69%

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

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

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

As at June 30, 2022

		-3%	-1%	As estimated	+1%	+3%
Net operating income		\$ 126,833	\$ 129,448	\$ 130,756	\$ 132,064	\$ 134,679
Capitalization rate						
-0.25%	4.51%	\$ 60,087	\$ 118,072	\$ 147,064	\$ 176,057	\$ 234,042
Cap rate used	4.76%	\$ (87,616)	\$ (32,677)	\$ 2,752,182	\$ 22,263	\$ 77,202
+0.25%	5.01%	\$ (220,579)	\$ (168,381)	\$ (142,282)	\$ (116,183)	\$ (63,985)

As at September 30, 2021

		-3%	-1%	As estimated	+1%	+3%
Net operating income		\$ 118,919	\$ 121,371	\$ 122,597	\$ 123,823	\$ 126,275
Capitalization rate						
-0.25%	4.44%	\$ 62,204	\$ 117,428	\$ 145,040	\$ 172,652	\$ 227,876
Cap rate used	4.69%	\$ (80,566)	\$ (28,286)	\$ 2,616,154	\$ 23,995	\$ 76,275
+0.25%	4.94%	\$ (208,885)	\$ (159,251)	\$ (134,433)	\$ (109,616)	\$ (59,982)

4. PROPERTY HELD FOR SALE

During the year ended September 30, 2021, the Corporation acquired a property with 136 units for resale purposes in Calgary, Alberta. The Corporation has sold 66 units as of June 30, 2022. Consequently, the asset is presented within the current asset section. The Corporation expects to dispose of the remaining units within the next 12 months.

5. MORTGAGES PAYABLE

Mortgages payable bear interest at a weighted average interest rate of 2.54% (September 30, 2021 – 2.52%) per annum and are payable in monthly principal and interest installments totaling \$5.3 million (September 30, 2021 – \$5.2 million), maturing from 2022 to 2032 and are secured by specific charges against specific investment properties, having a fair value of \$2,441 million (September 30, 2021 – \$2,335 million).

(000s of dollars)

	Jun. 30, 2022	Sep. 30, 2021
Non-current	\$ 1,392,446	\$ 1,274,762
Current	47,070	82,415
	\$ 1,439,516	\$ 1,357,177

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

(000s of dollars)

	Jun. 30, 2022	Sep. 30, 2021
Opening balance	\$ 1,357,177	\$ 1,179,521
Financing of investment properties	144,688	291,797
Mortgage assumed to purchase investment properties	–	1,943
Mortgage principal repayments	(20,133)	(24,426)
Mortgage payments upon refinancing	(40,353)	(81,510)
Deferred financing cost	(1,863)	(10,148)
Closing balance	\$ 1,439,516	\$ 1,357,177

Estimated principal payments required to retire the mortgage obligations as of June 30, 2022 are as follows:

(000s of dollars)

12 months ending June 30,	Amount
2023	\$ 53,249
2024	239,337
2025	84,497
2026	130,716
2027	222,603
Subsequent	749,182
	1,479,584
Deferred financing cost	(40,068)
	<u>\$ 1,439,516</u>

6. BANK INDEBTEDNESS

Effective January 2014, the Corporation was granted a banking facility to a maximum of \$85 million with a syndicate of chartered financial institutions. The facility is secured by a floating charge against the Corporation's assets and carries an interest rate of prime plus 1.15%. The facility requires monthly interest payments and is renewable every three years subject to the mutual agreement of the lenders and the Corporation. The Corporation has extended the maturity date to December 5, 2022. As at June 30, 2022, the Corporation has drawn \$Nil (September 30, 2021 – \$Nil) against this credit facility.

Additionally, in 2022, the Corporation entered into a \$45 million revolving credit facility with a third-party financial institution, which carries an interest rate equal to the prime rate. As at June 30, 2022, the Corporation has drawn \$Nil (September 30, 2021 – \$Nil) against this credit facility.

Both facilities contain financial covenants to maintain an overall funded debt to gross book value ratio of not more than 65% and debt service ratio of not less than 1.2. As of June 30, 2022, the Corporation's overall funded debt to gross book value ratio and debt service coverage ratio are 51% and 1.52, respectively.

7. SHARE CAPITAL

Authorized:

Unlimited number of common voting shares with no par value

Unlimited number of preferred shares with no par value

Issued, outstanding and fully paid:

	Nine months ended June 30, 2022		Year ended September 30, 2021	
	Number of common shares	Amount	Number of common shares	Amount
Issued and outstanding, – beginning of the period	9,345,218	\$ 26,494	9,349,830	\$ 26,507
Shares purchased for cancellation	(9,200)	(26)	(4,612)	(13)
Issued and outstanding, – end of the period	9,336,018	\$ 26,468	9,345,218	\$ 26,494

All common shares have an equal right to dividends.

On May 25, 2022, Mainstreet obtained approval from the Toronto Stock Exchange ("TSX") to repurchase up to 477,109 common shares of the Corporation under a Normal Course Issuer Bid ("NCIB") commencing June 1, 2022. The current NCIB expires on May 31, 2023. The Corporation's previous NCIB expired on May 31, 2022.

During the three and nine months ended June 30, 2022 and 2021, the Corporation purchased and cancelled 9,200 (2021 – Nil) and 9,200 (2021 – 4,612) common shares at an average price of \$112.94 (2021 – \$68.10) per common share under the NCIB.

Given the discount between its current trading share price and net asset value ("NAV"), Management believes that the acquisition of its common shares for cancellation is in the best interest of Mainstreet, as it returns capital to shareholders in a tax-efficient manner that is accretive to NAV. Mainstreet will continue to assess on an ongoing basis whether purchases of its common shares is warranted.

8. REVENUE FROM INVESTMENT PROPERTIES

The components of revenue from investments properties are as follows:

(000s of dollars)

	Three months ended June 30		Nine months ended June 30	
	2022	2021	2022	2021
Rental revenue	\$ 44,623	\$ 39,198	\$ 130,378	\$ 115,018
Other rental revenue (1)	336	257	979	754
	\$ 44,959	\$ 39,455	\$ 131,357	\$ 115,772

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

9. EXPENSES BY NATURE

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

(000s of dollars)

	Three months ended June 30		Nine months ended June 30	
	2022	2021	2022	2021
Salaries, wages and employee benefits	\$ 6,942	\$ 6,029	\$ 20,235	\$ 17,393
Utilities	5,649	4,474	18,193	14,754
Property tax	4,092	3,941	12,354	12,007
Repair and maintenance	1,541	1,170	4,603	3,632
Insurance	1,341	1,130	3,926	3,513
Other	1,000	765	2,918	2,245
Legal and other professional expenses	496	355	1,519	1,218
Advertising and Marketing	280	426	800	1,146
Total Operating and G&A expenses	\$ 21,341	\$ 18,290	\$ 64,548	\$ 55,908

10. FINANCING COSTS

The components of financing costs are as follows:

(000s of dollars)

	Three months ended June 30		Nine months ended June 30	
	2022	2021	2022	2021
Mortgage interest	\$ 9,363	\$ 8,425	\$ 27,217	\$ 24,768
Amortization of deferred financing cost	1,481	1,247	4,321	3,553
Financing costs	\$ 10,844	\$ 9,672	\$ 31,538	\$ 28,321

11. PROFIT PER SHARE

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

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

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

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

	Three months ended June 30		Nine months ended June 30	
	2022	2021	2022	2021
Numerator				
Net profit	\$ 21,835	\$ 181,002	\$ 64,221	\$ 185,882
Denominator				
For basic profit per share				
Weighted average shares	9,341,202	9,345,218	9,343,879	9,345,395
Dilutive effect of stock options	—	—	—	—
For diluted profit per share	9,341,202	9,345,218	9,343,879	9,345,395
Profit per share				
– basic and diluted	\$ 2.34	\$ 19.37	\$ 6.87	\$ 19.89

12. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

Fair value of financial assets and liabilities

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

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

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

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

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

(000s of dollars)

		June 30, 2022		September 30, 2021	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:					
Restricted cash	Level 1	\$ 3,828	\$ 3,828	\$ 3,645	\$ 3,645
Cash and cash equivalents	Level 1	43,502	43,502	19,224	19,224
Trade and other receivables	Level 2	5,653	5,653	1,195	1,195
Financial liabilities:					
Mortgages payable	Level 2	1,439,516	1,354,783	1,357,177	1,381,878
Trade and other payables	Level 2	8,114	8,114	8,767	8,767
Refundable security deposits	Level 1	\$ 5,709	\$ 5,709	\$ 5,387	\$ 5,387

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

(000s of dollars)

		June 30, 2022		September 30, 2021	
		Carrying amount	Fair value	Carrying amount	Fair value
Non-financial assets:					
Investment properties	Level 3	\$2,752,182	\$2,752,182	\$2,616,154	\$2,616,154

13. RISK ASSOCIATED WITH FINANCIAL ASSETS AND LIABILITIES

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

Market risk

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

Pandemic and Other Risks

The COVID-19 pandemic has had a substantial impact on the economy. Although these impacts appear to be lessening over time, there still remains uncertainty associated with the unprecedented nature of the pandemic. Uncertain economic conditions resulting from the COVID-19 pandemic may, in the short or long term, continue to have a materially adverse impact on the Corporation's tenants and/or capital markets, both of which could materially adversely affect the Corporation's operations and financial performance. Although significant progress has been made in vaccinating the Canadian population, and while restrictions have relaxed in the provinces where the Corporation operates, the emergence of new variants have resulted in new waves of the pandemic which might result in certain restrictions being reinstated in certain jurisdictions. It remains unclear as to when the pandemic will fully be under control, and when public health measures will be fully lifted, as the frequency, duration and severity of future waves of the pandemic remain unknown. Barriers to travel still remain, including in respect of short staffing at airports and by airlines, and it remains difficult to reliably estimate the impact on the financial results and condition of the Corporation in future periods.

The Corporation saw a material decrease in new rentals during the fourth quarter of its 2020 and 2021 fiscal years, a period that usually is one of the Corporation's busiest rental seasons. This decrease has resulted in a decrease in the Corporation's operations and financial performance as fewer new tenants were moving into the Corporation's properties resulting in an increase in vacancy rates. The Corporation believes that this decrease resulted from the government's implementation of travel bans in response to the pandemic, and post-secondary institutions limiting in person classes, which vastly decreased the number of foreign students and other immigrants arriving in Canada. Historically, such foreign students and immigrants have comprised a material portion of the Corporation's renters.

The Corporation has seen improvement in its overall vacancy trend in Q3 2022 and subsequent thereto, mainly as a result of an increase in rentals in the Alberta and Saskatchewan market, and is cautiously optimistic that this trend will continue in 2022.

However, there still remain significant impediments to international travel and limitations on class rooms, including new restrictions in response to the emergence of new variants, and in the event that these impediments and limitations remain in effect through the Corporation's 2022 fiscal year, this may negatively affect the Corporation's operations and financial performance.

To date the Corporation has not suffered a material increase in bad debt expense and higher credit risk for the Corporation as a result of increased difficulty in the collection of rent, a requirement to defer the eviction of tenants who do not pay their rent, and an inability by the Corporation to increase rent in certain of its markets. However, as government financial supports, which have assisted the Corporation's tenants with their essential needs such as rental payments throughout the pandemic, are reduced or eliminated, in connection with continued inflation, the Corporation anticipates that it may see an increase in its bad debt expense and be exposed to an increased credit risk.

The Corporation's properties are measured at fair value based on assumptions influenced by market conditions. Given the uncertainty which has existed, some of which still remains, the full long term impact of COVID-19 on the valuation of the Corporation's properties may not be completely known at this time. Further, due to the previous high uncertainty associated with the pandemic, lower weight can be applied to previous market evidence to inform fairness of opinions.

There is also continuing risk that the Corporation could be adversely affected due to market changes particularly in supply, inflation, interest rates and regional rent controls. Canada has seen significant inflation in recent months, against the backdrop of sustained higher housing process, substantial supply constraints and geopolitical conflicts, which have increased process for energy and agricultural markets. There has also been significant disruption to the global supply chain in recent months, as a result of Russia's ongoing invasion of Ukraine, further disrupting global recovery as economies start emerging from the impact of the pandemic. Further, as social distancing practices are maintained, and labour and material shortages persist, the expected onset of new supply of rental housing may take longer as construction completion times are extended. All of this increases the supply risk to the Corporation.

Previously, the Corporation had seen the mortgage interest rate for a 10-year fixed CHMC mortgage remain at a low level which has provided an opportunity for the Corporation to obtain financing at lower interest rates when mortgages matured and needed to be renewed. The Corporation took advantage of this opportunity and fixed 100% of its long term debt into fixed rate debts, of which 99% are fixed as CMHC insured mortgages at an average interest rate of 2.53%. However, the mortgage rate for a 10-year fixed CHMC mortgage has increased by almost 150 basis points during the current quarter. The Corporation will continue to cautiously monitor this trend in interest rates, and will need to consider the same in making decisions when its mortgages mature and need to be renewed.

To date, governments have responded quickly to ensure capital remains available, and currently, Mainstreet still remains able to access capital.

The Corporation, in coordination with its Board of Directors, continues to monitor the situation and has taken and may take additional actions that alter its business operations as may be required by federal, provincial or local authorities or that the Corporation determines are in the best interests of its tenants, employees, suppliers, shareholders and other stakeholders. Such alterations or modifications have caused and may continue to cause interruption to the Corporation's business and include increased administration, maintenance and repair expenses, related to property modifications, increased cleaning and maintenance of the property, increased communication and technology costs and increased costs related to obtaining personal protection equipment for team members, temporary closures of the Corporation's administrative offices and moves to remote working, temporary or long-term adverse impacts on the Corporation's supply chain and labour and the potential of increased network vulnerability and risk of data loss resulting from increased use of remote access and removal of data from the Corporation's facilities. Management of the Corporation enacted its COVID-19 business continuity plan in March 2020 and to date has experienced only minimal disruptions to its business operations as a result.

Interest rate risk

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

Credit risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in a financial loss for the Corporation. The Corporation is exposed to credit risk as some tenants may experience financial difficulty and may default in payment of rent. However, the Corporation attempts to minimize possible risks by conducting in-depth credit assessments of all tenants and collecting security deposits from tenants. The Corporation's tenants are numerous which also reduces the concentration of credit risk. As tenants' rent is due at the beginning of the month, all amounts in accounts receivable are considered overdue by the

Corporation. As of June 30, 2022, rents due from current tenants amounted to \$983,000 (September 30, 2021 – \$854,000). The possibility of not receiving payment of rent due from current tenants was covered by security deposits of \$5.7 million (September 30, 2021 – \$5.4 million) and provisions for bad debts of \$221,955 (September 30, 2021 – \$160,000).

The aging bands of rents due from current tenants as at June 30, 2022 and September 30, 2021 are outlined in the table below:

(000s of dollars)

	Jun.30, 2022	Sep. 30, 2021
0-30 days	\$ 634	\$ 610
31-60 days	145	142
61-90 days	65	22
Over 90 days	139	80
Total rents due from current tenants	\$ 983	\$ 854

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

Liquidity Risk

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

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

(000s of dollars)

	1 year	2 years	3 years	4 years	Beyond 4 years	Total
Mortgages payable	\$ 53,249	239,337	84,497	130,716	971,785	\$1,479,584
Mortgage interest payable	37,611	36,292	28,458	26,275	83,816	212,452
Trade and other payables	8,114	–	–	–	–	8,114
Refundable security deposits	\$ 5,709	–	–	–	–	\$ 5,709

The timing of cash outflows relating to financial liabilities as at September 30, 2021 are outlined in the table below:

(000s of dollars)

	1 year	2 years	3 years	4 years	Beyond 4 years	Total
Mortgages payable	\$ 87,973	116,455	150,130	82,124	958,700	\$1,395,382
Mortgage interest payable	35,146	32,708	28,997	24,169	82,159	203,179
Trade and other payables	8,567	–	–	–	–	8,567
Refundable security deposits	\$ 5,387	–	–	–	–	\$ 5,387

14. GUARANTEES, CONTINGENCIES, COMMITMENTS

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

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

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

As of June 30, 2022, and September 30, 2021, no amounts have been recorded and none are required to be disclosed in the consolidated financial statements with respect to guarantees, contingencies and commitments.

15. RELATED PARTY TRANSACTIONS

- a) The President and Chief Executive Officer is paid a commission at commercial rates in his capacity as a licensed broker for certain property transactions conducted by the Corporation in its normal course of business. Commissions are determined on an exchange value basis. Except in very limited circumstances, these commissions are paid by the selling third party or third parties to the transaction. The commissions received by the President and Chief Executive Officer during the three and six months ended June 30, 2022 amounted to \$76,250 (2021 – \$392,740) and \$300,368 (2021 – \$549,688). Each year the Chief Executive Officer is entitled to receive an annual performance bonus based upon pre-determined performance goals and discretionary bonus amounts determined by the board of directors. In making such determination, the board of directors takes in consideration the amount of commission paid to the Chief Executive Officer during each year, such that once determined, that portion of the annual performance bonus paid by the Corporation amounts to the difference between the amount of annual performance bonus determined by the board of directors, if any, less the amount of commissions paid to the Chief Executive Officer during that year. As a result, the actual portion of the discretionary bonus, if any, paid by the Corporation each year to the Chief Executive Officer will be reduced by the amount of third party paid commission to the Chief Executive Officer during that year.
- b) The Corporation paid legal and professional fees and reimbursements for the three and nine months ended June 30, 2022 amounting to \$50,307 (2021 – \$31,811) and \$368,319 (2021 – \$192,196) to a law firm of which a director and officer of the Corporation is a partner. As at June 30, 2022, the amounts payable to the law firm were \$480 (September 30, 2021 – \$1,848). These fees were incurred at amounts which in management's opinion approximate fair market value that would be incurred by a third party law firm.

16. SEGMENTED INFORMATION

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

(000s of dollars)

RENTAL OPERATIONS

	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
BRITISH COLUMBIA				
Rental revenue	\$ 11,363	\$ 10,012	\$ 32,815	\$ 28,405
Other rental revenue	135	114	396	320
Ancillary revenue	201	172	619	523
Property operating expenses	2,971	2,761	9,274	8,209
Net operating income	8,728	7,537	24,556	21,039
Change in fair value	7,231	189,608	29,480	194,847
ALBERTA				
Rental revenue	\$ 24,923	\$ 21,336	\$ 72,670	\$ 63,471
Other rental revenue	194	134	559	409
Ancillary revenue	247	236	845	877
Property operating expenses	10,894	8,779	32,512	27,366
Net operating income	14,470	12,927	41,562	37,391
Change in fair value	3,229	(13,118)	1,776	(32,138)
SASKATCHEWAN				
Rental revenue	\$ 8,109	\$ 7,702	\$ 24,372	\$ 22,829
Other rental revenue	7	9	24	25
Ancillary revenue	83	76	339	293
Property operating expenses	3,646	3,636	11,551	11,337
Net operating income	4,553	4,151	13,184	11,810
Change in fair value	529	19,313	5,077	16,574
MANITOBA				
Rental revenue	\$ 228	\$ 148	\$ 521	\$ 313
Other rental revenue	—	—	—	—
Ancillary revenue	7	1	10	4
Property operating expenses	74	74	277	151
Net operating income	161	75	254	166
Change in fair value	(93)	(3)	(153)	(195)
TOTAL				
Rental revenue	\$ 44,623	\$ 39,198	\$ 130,378	\$ 115,018
Other rental revenue	336	257	979	754
Ancillary revenue	538	485	1,813	1,697
Property operating expenses	17,585	15,250	53,614	47,063
Net operating income	27,912	24,690	79,556	70,406
Change in fair value	10,896	195,800	36,180	179,088
Unallocated revenue*	3,439	103	4,298	396
Unallocated expenses**	20,412	39,591	55,813	64,008
Profit for the period	\$ 21,835	\$ 181,002	\$ 64,221	\$ 185,882

* Unallocated revenue represents interest income, other income and gains from disposal of assets.

** Unallocated expenses include general and administrative expenses, financing costs, depreciation and deferred income taxes.

(000s of dollars)

IDENTIFIABLE ASSETS AND LIABILITIES

	June 30, 2022	Sept. 30, 2021
BRITISH COLUMBIA		
Investment properties	\$ 911,417	\$ 859,057
Property and equipment	31	40
Mortgages payable	338,596	315,623
Refundable security deposits	1,889	1,764
ALBERTA		
Investment properties	\$ 1,401,609	\$ 1,330,199
Property and equipment	6,487	6,488
Mortgages payable	821,993	781,380
Refundable security deposits	3,091	2,919
SASKATCHEWAN		
Investment properties	\$ 429,215	\$ 419,568
Property and equipment	611	237
Mortgages payable	278,927	260,174
Refundable security deposits	687	677
MANITOBA		
Investment properties	\$ 9,941	\$ 7,330
Property and equipment	1	–
Mortgages payable	–	–
Refundable security deposits	42	27
TOTAL		
Investment properties	\$ 2,752,182	\$ 2,616,154
Property and equipment	7,130	6,765
Mortgages payable	1,439,516	1,357,177
Refundable security deposits	5,709	5,387

IDENTIFIABLE ACQUISITION AND CAPITAL EXPENDITURES

	Nine months ended June 30, 2022	Year ended Sept. 30, 2021
BRITISH COLUMBIA	\$ 22,883	\$ 66,069
ALBERTA	70,162	155,099
SASKATCHEWAN	5,299	15,713
MANITOBA	2,765	7,559
TOTAL	\$ 101,109	\$ 244,440

17. CAPITAL MANAGEMENT

The Corporation defines capital that it manages as the aggregate of its shareholders' equity and mortgages payable and, on occasion, bank loans or lines of credit when drawn on. The Corporation's total capital resources as at June 30, 2022 amounted to \$2,595 million (September 30, 2021 – \$2,449 million).

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

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

The total managed capital for the Corporation is summarized below:

(000s of dollars)

	Jun. 30, 2022	Sep. 30, 2021
Mortgages payable	\$ 1,439,516	\$ 1,357,177
Total equity	1,155,491	1,092,309
Total capital	\$ 2,595,007	\$ 2,449,486

The Corporation's policy for capital risk management is to maintain a debt to fair value of investment properties ratio, as defined below, of no greater than 70%. The ratio as at June 30, 2022 is approximately 51% (September 30, 2021 – 51%) which leaves a sufficient additional capacity for the Corporation to raise additional funds from refinancing before it reaches its internal target ratio of 70%.

The debt to fair value ratios were as follows:

(000s of dollars)

	Jun. 30, 2022	Sep. 30, 2021
Mortgages payable	\$ 1,439,516	\$ 1,357,177
Cash and cash equivalents	43,502	19,224
Total debts	\$ 1,396,014	\$ 1,337,953
Investment properties	\$ 2,752,812	\$ 2,616,154
Debt to fair value ratio	51%	51%

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

18. SUBSEQUENT EVENTS

Subsequent to quarter-end June 30, 2022, the Corporation acquired an additional 31 residential units in the Province of Saskatchewan for a total consideration of \$2.7 million.

19. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on July 21st.

CORPORATE INFORMATION

OFFICERS

President & CEO

Bob Dhillon
Calgary, AB

Chief Financial Officer

Trina Cui
Calgary, AB

Secretary

Joe Amantea
Calgary, AB

BOARD OF DIRECTORS

Joe Amantea
Calgary, AB

Ron B. Anderson
Vancouver, BC

Bob Dhillon
Calgary, AB

Karanveer Dhillon
San Francisco, CA

Rich Grimaldi
Westport, CT

John Irwin
London, ON

DIRECTORS' COMMITTEES

Executive Committee

Joe Amantea
Calgary, AB

Ron B. Anderson
Vancouver, BC

Bob Dhillon
Calgary, AB

Audit Committee

Chair

John Irwin
London, ON

Rich Grimaldi
Westport, CT

Ron B. Anderson
Vancouver, BC

Executive Compensation Committee

Chair

Ron B. Anderson
Vancouver, BC

Joe Amantea
Calgary, AB

Risk Management Committee

Chair

Ron B. Anderson
Vancouver, BC

Rich Grimaldi
Westport, CT

Safety Committee

Chair

John Irwin
London, ON

Joe Amantea
Calgary, AB

Cyber Security Committee

Chair

Karanveer Dhillon
San Francisco, CA

Rich Grimaldi
Westport, CT

REGISTRAR & TRANSFER AGENT

REGISTRAR & TRANSFER AGENT

Computershare o/a
Montreal Trust Company
of Canada
#600, 530 – 8 Ave SW
Calgary, AB

AUDITORS

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

SOLICITORS

WBA LLP
1413 – 2 St. SW
Calgary, AB

Borden, Ladner & Gervais
1000 Canterra Tower
400 Third Ave SW
Calgary, AB

BANKERS

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

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

TD Canada Trust
335 – 4 Ave SW
Calgary, AB

INVESTOR RELATIONS

Bob Dhillon
Tel: 403 215-6070
Fax: 403 264-8870
bdhillon@mainst.biz

Financial Inquiries

Trina Cui
Tel: 403 215-6061
Fax: 403 266-8867
tcui@mainst.biz

HEAD OFFICE

Mainstreet Equity Corp.
305 – 10 Avenue SE
Calgary, AB T2G 0W2

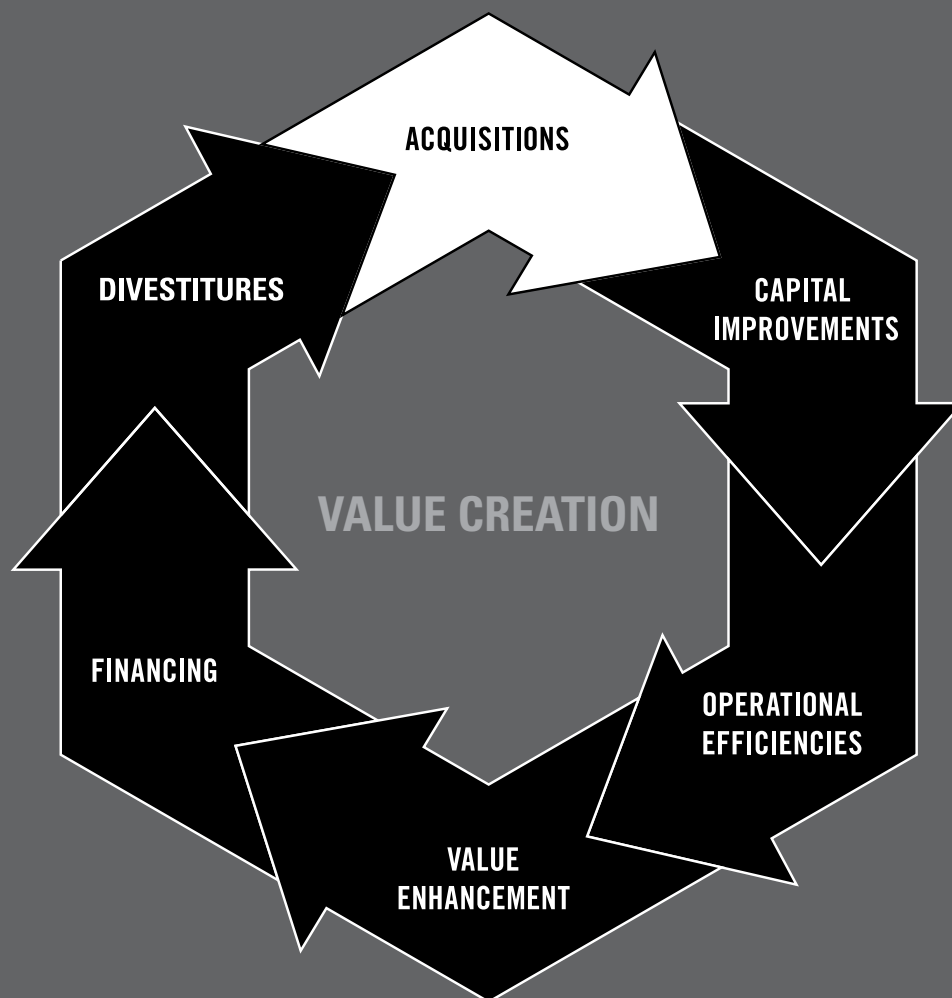
Tel: 403 215-6060
Fax: 403 266-8867

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

STOCK EXCHANGE

Toronto Stock Exchange
Trading symbol: MEQ

THE MAINSTREET VALUE CHAIN



© 2012-22 Mainstreet Equity Corp. All rights reserved.

How do we create value? By relying on the business model that Mainstreet pioneered in the mid-market rental apartment space, the “Mainstreet Value Chain”. It focuses on value creation by acquiring underperforming assets, renovating them to our higher standard and repositioning them in the market at a higher rent. As a result, the value of the property increases substantially due to the improved conditions of buildings and the higher rents that they can attract. This enables Mainstreet to unlock the value created by financing the stabilized property using long-term, low-interest CMHC insured mortgages. The capital that is unlocked by that process can then be used to fund additional growth. **Since the day of incorporation in May 1997, we have grown our portfolio from 272 units with appraised values of \$17 million to 15,926 units (YTD) with appraised values of approximately \$2.75 billion with minimal equity dilution.**