Northview™

APARTMENT REIT

Unaudited Condensed Consolidated Financial Statements and Notes

For the three and nine months ended September 30, 2018 and 2017

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(thousands of Canadian dollars)

	Note	September 30, 2018	December 31, 2017
Assets			
Non-current assets			
Investment properties	5	3,786,739	3,472,028
Property, plant and equipment	6	39,026	41,911
Investment in joint ventures		7,600	6,920
Other long-term assets		6,084	5,821
Loans receivable		342	546
		3,839,791	3,527,226
Current assets			
Assets held for sale		-	3,861
Accounts receivable	13(b)(ii)	13,958	12,241
Restricted cash		6,457	12,942
Cash and cash equivalents		43,951	10,718
Prepaid expenses and other assets		10,787	5,152
Loans receivable		250	1,276
		75,403	46,190
Total Assets		3,915,194	3,573,416
Liabilities			
Non-current liabilities			
Mortgages payable	7	1,568,926	1,511,420
Credit facilities	9	-	111,700
Class B LP Units	11(b)	186,073	167,049
Convertible debentures	8	-	24,839
Unit-based payments	10	1,463	664
		1,756,462	1,815,672
Current liabilities			
Mortgages payable	7	341,996	274,736
Credit facilities	9	206,687	89,543
Trade and other payables		75,647	69,027
Convertible debentures	8	20,128	-
Distributions and Class B LP interest payable		8,613	7,853
Unit-based payments	10	4,440	2,586
		657,511	443,745
Total Liabilities		2,413,973	2,259,417
Unitholders' equity			
Equity attributable to Unitholders		1,500,128	1,312,875
Non-controlling interests		1,093	1,124
Total Equity		1,501,221	1,313,999
Total Liabilities and Equity		3,915,194	3,573,416

See accompanying notes to the condensed consolidated financial statements.

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF NET AND COMPREHENSIVE INCOME
Three and nine months ended September 30
(thousands of Canadian dollars)

		Three months ended		Nine months ended	
	Note	**2018**	2017	**2018**	2017
Revenue	**3**	**93,019**	83,345	**269,927**	246,307
Operating expenses		**34,883**	32,029	**111,509**	104,400
Net operating income		**58,136**	51,316	**158,418**	141,907
Other expense (income)					
Financing costs	**15**	**20,347**	16,900	**57,786**	50,390
Administration		**4,194**	3,858	**12,566**	11,000
Depreciation and amortization		**1,236**	1,338	**3,874**	3,692
Loss on disposition		**496**	230	**558**	890
Equity income from joint ventures		**(312)**	(291)	**(830)**	(554)
Fair value (gain) loss	**16**	**(33,327)**	5,524	**(40,701)**	(70,519)
Proceeds on insurance settlement	**17**	**(2,373)**	-	**(2,723)**	(416)
		(9,739)	27,559	**30,530**	(5,517)
Net and comprehensive income		**67,875**	23,757	**127,888**	147,424
Net and comprehensive income attributable to:					
Unitholders		**67,838**	23,720	**127,775**	147,317
Non-controlling interests		**37**	37	**113**	107
Net and comprehensive income		**67,875**	23,757	**127,888**	147,424

See accompanying notes to the condensed consolidated financial statements.

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY
Nine months ended September 30
(thousands of Canadian dollars)

	Note	2018	2017
Units			
Balance, January 1		**1,187,980**	1,157,774
Units issued, net of issuance cost	**11**	**126,533**	201
Balance, September 30		**1,314,513**	1,157,975
Retained earnings			
Cumulative net income			
Balance, January 1		**572,310**	360,089
Net and comprehensive income attributable to Unitholders		**127,775**	147,317
IFRS 9 adoption adjustment	**4**	**(1,791)**	-
Balance, September 30		**698,294**	507,406
Cumulative distributions to Unitholders			
Balance, January 1		**(447,415)**	(365,853)
Distributions declared to Unitholders	**11(c)**	**(65,264)**	(61,046)
Balance, September 30		**(512,679)**	(426,899)
Cumulative retained earnings, September 30		**185,615**	80,507
Equity attributable to Unitholders		**1,500,128**	1,238,482
Non-controlling interests			
Balance, January 1		**1,124**	1,210
Net and comprehensive income attributable to non-controlling interest		**113**	107
Distributions to non-controlling interests		**(144)**	(212)
Balance, September 30		**1,093**	1,105
Total Unitholders' equity		**1,501,221**	1,239,587

See accompanying notes to the condensed consolidated financial statements.

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Three and nine months ended September 30
(thousands of Canadian dollars)

		Three months ended		Nine months ended	
	Note	**2018**	2017	**2018**	2017
Operating activities:					
Net and comprehensive income		**67,875**	23,757	**127,888**	147,424
Adjustments:					
Fair value (gain) loss	**16**	**(33,327)**	5,524	**(40,701)**	(70,519)
Mortgage and credit facilities interest expense	**15**	**17,214**	13,542	**49,143**	41,819
Mortgage and credit facilities interest paid		**(16,928)**	(14,147)	**(48,878)**	(43,146)
Interest expense to Class B LP Unitholders	**15**	**2,957**	2,369	**8,481**	7,107
Distribution interest paid to Class B LP Unitholders	**11(c)**	**(2,956)**	(2,369)	**(8,403)**	(7,107)
Depreciation and amortization		**1,236**	1,338	**3,874**	3,692
Interest expense on convertible debentures	**15**	**275**	337	**908**	993
Interest paid on convertible debentures		**-**	-	**(633)**	(656)
Loss on disposition		**496**	230	**558**	890
Equity income from joint ventures		**(312)**	(291)	**(830)**	(554)
Long-term incentive plan compensation		**1,008**	(306)	**2,933**	599
Changes in non-cash working capital	**18**	**3,363**	(8,764)	**4,826**	(20,427)
Cash provided by operating activities		**40,901**	21,220	**99,166**	60,115
Financing activities:					
Proceeds from mortgages	**7**	**79,753**	14,315	**262,489**	52,410
Repayment of mortgages	**7**	**(60,706)**	(19,999)	**(155,257)**	(67,597)
Borrowing (repayment) of credit facilities, net	**9**	**18,721**	41,716	**5,444**	69,680
Distributions paid to Unitholders	**11(c)**	**(22,881)**	(20,349)	**(64,581)**	(61,046)
Settlement of interest rate swap		**-**	(1,260)	**-**	(1,260)
Proceeds from unit issuance, net		**(20)**	-	**120,964**	154
Distributions to non-controlling interests		**(17)**	(19)	**(144)**	(212)
Cash settled long-term incentive		**-**	-	**(252)**	-
Cash provided by (used in) financing activities		**14,850**	14,404	**168,663**	(7,871)
Investing activities:					
Acquisition of investment properties and land	**5**	**(3,422)**	(12,987)	**(165,754)**	(12,987)
Capital expenditures on investment properties under development	**5**	**(12,057)**	(11,151)	**(34,537)**	(17,733)
Capital expenditures on investment properties	**5**	**(18,528)**	(14,450)	**(45,267)**	(38,590)
Proceeds from sale of assets and investment properties, net		**11,935**	14,933	**12,208**	37,901
Acquisition of property, plant and equipment	**6**	**(377)**	(656)	**(998)**	(4,822)
Distributions received from equity investees		**50**	50	**150**	150
Changes in non-cash working capital		**(343)**	807	**(398)**	1,061
Cash used in investing activities		**(22,742)**	(23,454)	**(234,596)**	(35,020)
Net increase in cash and cash equivalents		**33,009**	12,170	**33,233**	17,224
Cash and cash equivalents, beginning of period		**10,942**	9,202	**10,718**	4,148
Cash and cash equivalents, end of period		**43,951**	21,372	**43,951**	21,372

See accompanying notes to the condensed consolidated financial statements.

1. DESCRIPTION OF THE CONSOLIDATED ENTITIES

Northview Apartment Real Estate Investment Trust ("Northview") is an unincorporated, open-ended real estate investment trust created pursuant to a declaration of trust ("DOT" or the "Trust") dated January 2, 2002, and last amended May 5, 2016, under the laws of the Province of Alberta (and the federal laws of Canada applicable therein). Northview is primarily a multi-family residential real estate investor and operator, providing rental accommodations with a portfolio of approximately 26,000 residential suites in more than 60 markets across eight provinces and two territories. Northview's registered office is located at 200, 6131 6th Street SE, Calgary, Alberta.

Northview is listed on the Toronto Stock Exchange ("TSX") under the symbol "NVU.UN". Northview continues to qualify as a real estate investment trust for tax purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation and statement of compliance

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

These condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with Northview's annual financial statements for the year ended December 31, 2017, prepared in accordance with International Financial Reporting Standards ("IFRS"). These condensed consolidated financial statements follow the same accounting policies and methods of application as the consolidated financial statements for the year ended December 31, 2017, except for the impact of adopting the new accounting standards and amendments to standards as outlined in Notes 2(b) and (c).

These condensed consolidated financial statements were approved by the trustees of Northview (the "Trustees") on November 6, 2018.

Reclassification of prior period presentation

Certain prior period amounts have been reclassified for consistency with current period presentation. Commencing the first quarter of 2018, Northview concluded it was appropriate to reclassify insurance proceeds from revenue to other expense (income) below net operating income due to the nature of the amount. These reclassifications did not impact the reported results of operations or Northview's cash flows.

b) New accounting standards and interpretations

Northview has applied new and revised IFRSs issued by IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2018. Northview adopted the following new and amended accounting standards:

- IFRS 9 – Financial Instruments ("IFRS 9")
- IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")
- Amendments to IFRS 2 – Share Based Payment ("IFRS 2")
- Amendments to IAS 40 – Investment Properties ("IAS 40")
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22")

Northview applied the amendments to IFRS 2, IAS 40, and IFRIC 22 prospectively from January 1, 2018. The remaining standards were adopted retrospectively, without restatement of prior periods, using certain available options and practical expedients described below. For periods ending prior to January 1, 2018, the accounting policies followed are as disclosed in the annual consolidated financial statements for the years ended December 31, 2017 and 2016 (unless otherwise stated). For periods beginning January 1, 2018, the accounting policies related to the above standards are disclosed in these condensed consolidated financial statements. There is no impact of adopting IFRIC 22 or the amendments to IFRS 2 and IAS 40. The impact of adopting IFRS 15 and 9 are described below.

c) Changes in significant accounting policies

(i) IFRS 15 – Revenue from contracts with customers

IFRS 15 introduces a principle to report information about the nature, timing, and uncertainty of revenue from contracts with customers in a single, comprehensive revenue recognition model.

Rental revenue from income producing property is recognized when a tenant commences occupancy of a property and rent is due. Northview retains all risks and rewards related to the ownership of its investment properties and therefore accounts for leases with tenants as operating leases. Rental revenue to be received from leases with rental rates varying over the term of the lease is recorded on a straight-line basis over the lease term. Accordingly, differences between the rental revenue recorded on a straight-line basis and the rent that is contractually due from the tenant is recorded as deferred rent receivable for accounting purposes.

Revenue from contracts with customers include revenue from services delivered over time under enforceable customer contracts. For commercial customers, services include cleaning, provision of utilities, snow removal, landscaping, maintenance of common areas, garbage disposal, and other similar miscellaneous services (collectively referred to as “commercial common area maintenance services”). Commercial building insurance and property taxes are included in rental revenue. For residential customers, services include the provision of in-suite utilities and other similar services (“residential non-lease components”). Residential revenue is allocated to non-lease components using a cost-based approach. Revenue for commercial leases is allocated to the non-lease service component based on the consideration directly related to it in accordance with the lease agreement. Revenue from commercial common area maintenance services and residential non-lease components is recognized over time as services are performed in the amounts that Northview has the right to invoice. To determine the amounts that Northview has a right to invoice during the year, estimates are made to ensure that the revenue recognized is highly probable of not being reversed in subsequent periods.

Execusuites revenue is recorded as rental revenue and is recognized evenly over each distinct execusuite stay.

Northview does not have contracts with customers where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year, other than rent and security deposits obtained for security purposes rather than financing. As a result, Northview does not adjust any transaction prices for the time value of money.

Tenant inducements for commercial and residential tenants are allocated between rental revenue and commercial common area maintenance services and residential non-lease component revenue on the basis of relative fair value and are recorded on a straight-line basis over the term of the lease.

Northview recognizes an impairment loss on contract acquisition costs in profit or loss to the extent that the carrying amount of the asset exceeds the remaining amount of the related contract consideration expected to be received, adjusted for the effects of customer credit risk, less the remaining costs directly related to providing the services under the contract. Northview recognizes in profit or loss a reversal of some or all of an impairment loss previously recognized when the impairment conditions no longer exist or have improved. The carrying amount of the asset after the reversal cannot exceed the amount that would have been determined (net of amortization) if no impairment loss had been recognized previously.

(ii) IFRS 9 – Financial instruments

a. Non-derivative financial assets

At initial recognition, Northview measures its accounts receivables arising from contracts with customers that do not have a significant financing component at the transaction price. Northview initially measures other financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the condensed consolidated statement of net and comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

For subsequent measurement, Northview classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”), or through profit or loss), and
- those to be measured at amortized cost.

i) Debt instruments

The subsequent measurement of debt instruments will depend on Northview’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories under which Northview classifies its debt instruments: amortized cost, fair value through other comprehensive income (“FVOCI”), and fair value through profit or loss (“FVTPL”).

Northview reclassifies debt investments only when its business model for managing those assets changes.

ii) Equity instruments

Northview subsequently measures all non-associated equity investments at fair value. Where Northview’s management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when Northview’s right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

iii) Impairment

Northview assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI.

The impairment methodology generally applied depends on whether there has been a significant increase in credit risk since initial recognition.

Currently, Northview does not have material financial assets subject to this general impairment approach.

For accounts receivables and tenant receivables, Northview applies the expected lifetime losses to be recognized from initial recognition of the receivables.

Individual receivables are written off after 180 days post tenant move-out date by reducing the carrying amount directly. Impairment losses are recognized in profit or loss. Subsequent recoveries of amounts previously written off are credited against other income.

b. Non-derivative financial liabilities

At initial recognition, Northview measures a financial liability at its fair value minus, in the case of a financial liability not at FVTPL, transaction costs that are directly attributable to the issuance of the financial liability. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

For subsequent measurement, Northview classifies its financial liabilities in the following measurement categories:

- those to be measured subsequently at FVTPL, and
- those to be measured at amortized cost.

Financial liabilities are classified as FVTPL if they are designated as such by management provided certain conditions are met. Financial liabilities designated as FVTPL are measured at fair value with changes in fair value recognized in profit or loss, except for changes due to the effect of credit risk. Such changes in fair value due to the effect of credit risk are recorded in OCI without subsequent recycling to profit or loss.

Financial liabilities that are measured at amortized cost are accounted for using the effective interest rate method.

c. Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated. Changes in fair value of derivative instruments not designated as part of a hedging relationship are recorded in profit or loss when such changes occur.

Northview does not currently use hedge accounting.

d) Recent accounting pronouncements

The IASB has issued the following standard that has not been applied in preparing these unaudited condensed consolidated financial statements as their effective dates fall within annual periods subsequent to the current reporting period.

Proposed Standard Description	Possible Impact
IFRS 16 – Leases	
The IASB issued IFRS 16 – Leases, which provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019.	Management is assessing the potential impact of IFRS 16 on Northview's consolidated financial statements and business. Northview has investment properties located on lands in Ontario and Northern Canada that are leased. The lease payments are currently expensed through the statement of net and comprehensive income. Under IFRS 16 Northview expects to record an asset and liability pertaining to the land leases and related financing costs. Management plans to complete the evaluation during the fourth quarter of 2018 and adopt the standard on its effective date January 1, 2019.

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

3. IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Northview adopted IFRS 15 using the modified retrospective method, without restating prior periods. In applying this method, Northview elected to use the practical expedient in IFRS 15, reflecting as at January 1, 2018, the aggregate effect of all the contract modifications that occurred prior to January 1, 2018 (the date of initial application). It is not reasonably possible to estimate the effect of applying this practical expedient.

At the date of initial application, no cumulative effect adjustments to retained earnings were required as a result of adopting IFRS 15.

If Northview continued to apply IAS 18 (the previous IFRS) during the first nine months of 2018, it would not separately disclose revenue from common area maintenance services for commercial customers and non-lease components for residential customers (see disclosure below). There would be no other material impact as a result of applying IFRS 15 as compared to IAS 18.

Revenue from contracts with customers and revenue from other sources by region for the three months ended September 30, 2018:

	Atlantic Canada	Northern Canada	Ontario	Quebec	Western Canada	Total
Rental revenue	**11,443**	**19,331**	**28,031**	**5,309**	**20,744**	**84,858**
Revenue from contracts with customers:						
Commercial common area maintenance services and execusuites	**1,626**	**3,200**	**23**	**-**	**27**	**4,876**
Residential non-lease components	**369**	**741**	**678**	**-**	**476**	**2,264**
Other revenue	**164**	**47**	**533**	**31**	**246**	**1,021**
Total revenue	**13,602**	**23,319**	**29,265**	**5,340**	**21,493**	**93,019**

Revenue from contracts with customers and revenue from other sources by region for the nine months ended September 30, 2018:

	Atlantic Canada	Northern Canada	Ontario	Quebec	Western Canada	Total
Rental revenue	**33,560**	**55,933**	**78,491**	**15,549**	**61,104**	**244,637**
Revenue from contracts with customers:						
Commercial common area maintenance services and execusuites	**3,816**	**9,703**	**87**	**-**	**55**	**13,661**
Residential non-lease components	**985**	**3,003**	**2,565**	**672**	**1,397**	**8,622**
Other revenue	**440**	**134**	**1,618**	**162**	**653**	**3,007**
Total revenue	**38,801**	**68,773**	**82,761**	**16,383**	**63,209**	**269,927**

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

4. IFRS 9 – FINANCIAL INSTRUMENTS

As described in Note 2(c)(ii), Northview has adopted IFRS 9, which resulted in changes in accounting policies and adjustments to the amounts recognized in the condensed consolidated financial statements. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The total impact on Northview's retained earnings due to the adoption of IFRS 9 as at January 1, 2018 is as follows:

	January 1, 2018
Opening retained earnings attributable to Unitholders – IAS 39	**124,895**
Increase in provision for tenant receivables	**(1,791)**
Opening retained earnings attributable to Unitholders – IFRS 9	**123,104**

a) Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" ("ECL") model, which considers the possible impact of future events over the expected life of financial assets.

Northview has two types of financial assets subject to IFRS 9's new expected credit loss model:

- miscellaneous trade accounts receivable and tenant receivables (collectively "accounts receivable")
- debt instruments (loans receivable and instalment notes receivable) carried at amortized cost

Northview was required to revise its impairment methodology under IFRS 9 for each of these classes of assets.

For accounts receivable, Northview applies the simplified approach requiring the use of the lifetime expected loss provision for all trade receivables. The ECLs for accounts receivable were calculated using the actual loss experience over the past two years. Northview considers that model and some of the assumptions in calculating these ECLs for residential accounts receivable as a source of estimation uncertainty. Management estimated that during the nine months ended September 30, 2018, estimates of ECLs would not be materially impacted by future economic forecasts. For commercial accounts receivable including execusuites, there is no significant history or expectation of non-collection; therefore, the IFRS 9 allowance recorded approximates historical nominal balances. Northview will continue to monitor commercial accounts and will revise estimates when different circumstances arise.

The following table provides information about the exposure to credit risk and ECLs for resident accounts receivables as at January 1, 2018:

	December 31, 2017		January 1, 2018		
	Gross Accounts Receivable (IAS 39)	AFDA Provision (IAS 39)	Gross Accounts Receivable (IFRS 9)	AFDA Provision (IFRS 9)	Opening Retained Earnings Adjustment
Residential accounts more than 90 days past due	14,189	12,358	14,189	13,209	(851)
Residential accounts less than or 90 days past due	2,185	-	2,185	940	(940)
Commercial and execusuites	1,072	28	1,072	28	-
	17,446	**12,386**	**17,446**	**14,177**	**(1,791)**

There was no effect of the changes to the impairment methodology for debt instruments carried at amortized cost, and no impairment losses were recorded for such assets during the nine months ended September 30, 2018. The impact of the changes to the impairment methodology for accounts receivable is disclosed in the table above.

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

b) Measurement of financial assets and liabilities

On January 1, 2018, and based on the facts and circumstances existing on that date, Northview's management assessed which business model applied to the financial assets held by Northview on that date, and the designation and revocation of previous designations for certain financial assets and liabilities measured at FVTPL. Consequently, management classified its financial assets into the appropriate measurement categories. There were no changes to the measurement of financial assets or liabilities other than as a result of the additional loss allowance described above. There was no financial reporting effect as a result of adopting the IFRS 9 classifications and no reclassifications required.

On the date of initial application, the financial instruments of Northview were as follows:

	Measurement Category		Carrying Amount	
	IAS 39	**IFRS 9**	**IAS 39**	**IFRS 9**
Financial assets				
Non-current financial assets				
Other long-term assets	Loans and receivables	Amortized cost	5,821	5,821
Loans receivable	Loans and receivables	Amortized cost	546	546
Current financial assets				
Accounts receivable	Loans and receivables	Amortized cost	12,241	10,450
Restricted cash	FVTPL	Amortized cost	12,942	12,942
Cash and cash equivalents	FVTPL	Amortized cost	10,718	10,718
Loans receivable	Loans and receivables	Amortized cost	1,276	1,276
Financial liabilities				
Non-current financial liabilities				
Mortgages payable	Other financial liabilities	Amortized cost	1,511,420	1,511,420
Convertible debentures	FVTPL (designated)	FVTPL (designated)	24,839	24,839
Credit facilities	Other financial liabilities	Amortized cost	111,700	111,700
Class B LP Units	FVTPL (designated)	FVTPL (designated)	167,049	167,049
Current financial liabilities				
Mortgages payable	Other financial liabilities	Amortized cost	274,736	274,736
Trade and other payables	Other financial liabilities	Amortized cost	69,027	69,027
Derivative instruments	FVTPL	FVTPL	-	-
Distributions and Class B LP interest payable	Other financial liabilities	Amortized cost	7,853	7,853
Credit facilities	Other financial liabilities	Amortized cost	89,543	89,543

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

5. INVESTMENT PROPERTIES

	September 30, 2018	December 31, 2017
Investment properties	**3,735,531**	3,410,609
Investment properties under development	**16,436**	38,791
Land held for development	**34,772**	22,628
Balance, end of period	**3,786,739**	3,472,028

Changes to investment properties:

	September 30, 2018	December 31, 2017
Balance, January 1	**3,472,028**	3,059,825
Acquisitions of investment properties	**186,113**	236,471
Acquisitions of land	**11,908**	2,730
Disposals[(i)]	**(8,667)**	(46,102)
Transfers to property, plant and equipment	**-**	(1,592)
Capital expenditures on investment properties under development	**34,537**	28,206
Capital expenditures on investment properties	**45,267**	51,781
Fair value gain	**45,553**	140,709
Balance, end of period	**3,786,739**	3,472,028

(i) Disposals is net of investment properties transferred to and from assets held for sale.

Changes to investment properties by region as at September 30, 2018:

	Atlantic Canada	**Northern Canada**	**Ontario**	**Quebec**	**Western Canada**	**Total**
Balance, January 1	**429,683**	**618,196**	**1,253,108**	**207,288**	**963,753**	**3,472,028**
Acquisitions of investment properties	**31,291**	**5,213**	**127,587**	**-**	**22,022**	**186,113**
Acquisitions of land	**-**	**-**	**5,376**	**-**	**6,532**	**11,908**
Disposals[(i)]	**-**	**(335)**	**-**	**-**	**(8,332)**	**(8,667)**
Capital expenditures on investment properties under development	**-**	**2,661**	**1,086**	**-**	**30,790**	**34,537**
Capital expenditures on investment properties	**7,870**	**3,733**	**23,200**	**1,578**	**8,886**	**45,267**
Fair value gain (loss)	**(7,176)**	**(3,655)**	**37,340**	**242**	**18,802**	**45,553**
Balance, end of period	**461,668**	**625,813**	**1,447,697**	**209,108**	**1,042,453**	**3,786,739**

Changes to investment properties by region as at December 31, 2017:

	Atlantic Canada	Northern Canada	Ontario	Quebec	Western Canada	Total
Balance, January 1	383,722	594,599	970,131	181,856	929,517	3,059,825
Acquisitions of investment properties	41,842	-	144,690	24,383	25,556	236,471
Acquisitions of land	-	-	-	-	2,730	2,730
Disposals[(i)]	-	-	(37,690)	-	(8,412)	(46,102)
Transfers to property, plant and equipment	-	-	-	-	(1,592)	(1,592)
Capital expenditures on investment properties under development	-	9,280	-	-	18,926	28,206
Capital expenditures on investment properties	9,928	3,784	24,823	5,994	7,252	51,781
Fair value gain (loss)	(5,809)	10,533	151,154	(4,945)	(10,224)	140,709
Balance, end of period	429,683	618,196	1,253,108	207,288	963,753	3,472,028

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

During the nine months ended September 30, 2018, Northview transferred $60.5 million (December 31, 2017 – $9.8 million) from investment properties under development to investment properties.

During the nine months ended September 30, 2018, Northview capitalized borrowing costs of $1.0 million (December 31, 2017 – $0.4 million) to investment properties under development.

Dispositions of non-core properties for the nine months ended September 30, 2018, were as follows:

Property Type	**Location**	**Units**	**Gross Proceeds**
Residential	Northern Canada	2	335
Residential	Western Canada	214	12,250
Total		**216**	**12,585**

Dispositions of non-core properties for the year ended December 31, 2017, were as follows:

Property Type	Location	Units	Gross Proceeds
Multi-family	Atlantic Canada	36	4,000
Multi-family/Land	Western Canada	179	20,283
Multi-family	Ontario	269	42,820
Hotel	Northern Canada	75	14,875
Total		559	81,978

Acquisitions for the nine months ended September 30, 2018 were as follows:

Property Type	**Location**	**Date**	**Cost**
Multi-family/Commercial/Land	Western Canada	Q1, Q2 2018	**28,688**
Multi-family/Commercial/Land	Ontario	Q1, Q2 2018	**132,912**
Commercial	Northern Canada	Q2 2018	**5,212**
Multi-family/Commercial	Atlantic Canada	Q2, Q3 2018	**31,209**
Total			**198,021**

Acquisitions for the year ended December 31, 2017 were as follows:

Property Type	Location	Date	Cost
Multi-family/Commercial	Atlantic Canada	Q3, Q4 2017	41,842
Multi-family/Commercial	Ontario	Q4 2017	144,690
Multi-family	Quebec	Q4 2017	24,383
Multi-family/Land	Western Canada	Q4 2017	28,286
Total			239,201

Northview uses the capitalization rate ("Cap Rate") method to value investment properties. As at September 30, 2018, Cap Rates ranging from 3.25% to 13.00% (December 31, 2017 – 3.25% to 13.00%) were applied to a projected stabilized net operating income ("NOI"). The weighted average Cap Rate applied to fair value Northview's investment properties as at September 30, 2018 is 6.09% (December 31, 2017 – 6.24%).

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

A summary of the Cap Rates used for valuations is as follows:

	September 30, 2018			December 31, 2017		
Regions	**Minimum**	**Maximum**	**Weighted Average**	Minimum	Maximum	Weighted Average
Atlantic Canada	**5.00%**	**9.50%**	**6.61%**	5.50%	9.50%	6.74%
Northern Canada	**6.86%**	**13.00%**	**9.16%**	6.86%	13.00%	9.14%
Ontario	**3.25%**	**5.75%**	**4.42%**	3.25%	6.00%	4.52%
Quebec	**4.50%**	**7.55%**	**5.74%**	4.50%	7.55%	5.74%
Western Canada	**4.25%**	**11.00%**	**6.37%**	4.25%	11.00%	6.59%
Overall	**3.25%**	**13.00%**	**6.09%**	3.25%	13.00%	6.24%

The impact of a 10 basis point change in Cap Rates used to value the investment properties would affect the fair value as follows:

	September 30, 2018			December 31, 2017		
Regions	**Weighted Average**	**Increase**	**Decrease**	Weighted Average	Increase	Decrease
Atlantic Canada	**6.61%**	**(6,916)**	**7,129**	6.74%	(6,305)	6,495
Northern Canada	**9.16%**	**(6,763)**	**6,912**	9.14%	(6,693)	6,841
Ontario	**4.42%**	**(32,760)**	**34,276**	4.52%	(27,157)	28,387
Quebec	**5.74%**	**(3,709)**	**3,840**	5.74%	(3,597)	3,724
Western Canada	**6.37%**	**(16,142)**	**16,657**	6.59%	(14,519)	14,966
Overall	**6.09%**	**(66,290)**	**68,814**	6.24%	(58,271)	60,413

The impact of a 1% change in stabilized NOI used to value the investment properties would increase or decrease the fair value as follows:

Regions	**September 30, 2018**	December 31, 2017
Atlantic Canada	**4,643**	4,309
Northern Canada	**6,262**	6,186
Ontario	**14,811**	12,537
Quebec	**2,164**	2,099
Western Canada	**10,442**	9,709
Overall	**38,322**	34,840

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Other	Total
Cost or deemed cost				
Balance at January 1, 2017	2,134	51,866	8,776	62,776
Additions for the year	-	4,069	981	5,050
Transfers from investment property	33	1,559	-	1,592
Disposals for the year	-	(32)	(232)	(264)
Balance at December 31, 2017	**2,167**	**57,462**	**9,525**	**69,154**
Additions for the period	**-**	**169**	**829**	**998**
Disposals for the period	**(1)**	**(71)**	**(240)**	**(312)**
Balance at September 30, 2018	**2,166**	**57,560**	**10,114**	**69,840**
Accumulated depreciation				
Balance at January 1, 2017	-	15,746	6,748	22,494
Depreciation for the year	-	4,153	831	4,984
Disposals for the year	-	(32)	(203)	(235)
Balance at December 31, 2017	**-**	**19,867**	**7,376**	**27,243**
Depreciation for the period	**-**	**3,245**	**592**	**3,837**
Disposals for the period	**-**	**(25)**	**(241)**	**(266)**
Balance at September 30, 2018	**-**	**23,087**	**7,727**	**30,814**
Carrying amounts				
December 31, 2017	2,167	37,595	2,149	41,911
September 30, 2018	**2,166**	**34,473**	**2,387**	**39,026**

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

7. MORTGAGES PAYABLE

	September 30, 2018	December 31, 2017
Mortgages payable	**1,942,603**	1,810,154
Unamortized fair value adjustment upon assumption	**6,096**	9,377
Deferred financing costs	**(37,777)**	(33,375)
Total	**1,910,922**	1,786,156

Current	**341,996**	274,736
Non-current	**1,568,926**	1,511,420
Total	**1,910,922**	1,786,156

Mortgages payable bear interest at rates ranging from 1.41% to 6.48% (December 31, 2017 – 1.41% to 6.48%) and have a weighted average rate of 3.20% as at September 30, 2018 (December 31, 2017 – 3.20%). The mortgages mature between 2018 and 2028 (December 31, 2017 – 2018 and 2027) and are secured by charges against specific properties. Land and buildings with a carrying value of $3.2 billion (December 31, 2017 – $2.9 billion) have been pledged to secure the mortgages payable of Northview.

The fair value of mortgages payable at September 30, 2018, is approximately $1.9 billion (December 31, 2017 – $1.8 billion). The fair value is determined by discounting the future cash payments by the current market borrowing rate. The majority of the mortgages on Northview's investment properties are insured by Canada Mortgage and Housing Corporation ("CMHC"). Pursuant to standard mortgage terms, each mortgagee has a first position security interest in the specified property funded with mortgage proceeds. There are also some mortgagees with a second position security interest. In addition, certain investment properties are cross-securitized providing the lender with preferential security rights to those properties.

The following table summarizes Northview's mortgages as at September 30, 2018:

(thousands of dollars)	**Principal Amount**	**Principal on Maturity**	**Total**	**% of Total**	**Weighted Average Interest Rate**
2018	13,740	161,404	175,144	9.0%	4.39%
2019	51,510	193,106	244,616	12.6%	3.30%
2020	46,585	187,288	233,873	12.0%	2.76%
2021	37,556	285,632	323,188	16.6%	3.50%
2022	31,674	111,973	143,647	7.4%	2.76%
Thereafter	77,786	744,349	822,135	42.3%	2.99%
Total	**258,851**	**1,683,752**	**1,942,603**	**100.0%**	**3.20%**

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

The following table summarizes the change in mortgages payable during the nine months ended September 30, 2018:

	September 30, 2018
Mortgages payable, January 1, 2018 (i)	1,786,156
Proceeds from new mortgages	270,173
Prepaid mortgage fees	(7,684)
Repayment of mortgages	(155,257)
Mortgage assumption	17,267
Mortgage interest expense	43,657
Mortgage interest paid	(43,390)
Mortgages payable, September 30, 2018 (i)	1,910,922

(i) Mortgages payable includes the liabilities related to assets held for sale.

8. CONVERTIBLE DEBENTURES

Northview issued $23.0 million principal amount of convertible unsecured subordinated debentures at par (the “2019 Debentures”). The 2019 Debentures bear interest at 5.75% per annum, are payable semi-annually in arrears, and mature on June 30, 2019 (the "Maturity Date"). The 2019 Debentures are convertible with each $1,000 (actual dollars) of face value and a conversion price of $23.80 per Trust Unit, for a total of 966,386 Trust Units.

On and after June 30, 2017, but prior to June 30, 2018, the 2019 Debentures were redeemable, in whole or in part, at par plus accrued and unpaid interest at the sole option of Northview, on not more than 60-days and less than 30-days prior notice, provided that the market price of a Trust Unit, calculated with reference to the date on which notice of redemption is given, was not less than 125% of the conversion price.

On and after June 30, 2018, but prior to the Maturity Date, the 2019 Debentures are redeemable, in whole or in part, at par plus accrued and unpaid interest, at the sole option of Northview, on not more than 60-days and not less than 30-days prior notice.

Northview may, at its sole option, subject to certain restrictions, elect to satisfy its obligation to pay all or any portion of the principal amount on the 2019 Debentures by delivering to debenture holders on the redemption date that number of Trust Units obtained by dividing the principal amount redeemed by 95% of the current market price of the Trust Units on the redemption date.

During the nine months ended September 30, 2018, convertible debentures with a face value of $4.4 million were converted in exchange for 183,272 Trust Units with a fair value of $5.0 million. As at September 30, 2018, Northview has convertible debentures with a face value of $18.6 million outstanding that may be converted into a total of 783,067 Trust Units.

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

The following table summarizes the changes in the 2019 Debentures:

	Convertible Debentures Face Value	Fair Value
Outstanding, January 1, 2017	23,000	23,460
Redemption	(1)	(1)
Fair value adjustment	-	1,380
Outstanding, December 31, 2017	**22,999**	**24,839**
Redemption	**(4,362)**	**(4,949)**
Fair value adjustment	**-**	**238**
Outstanding, September 30, 2018	**18,637**	**20,128**

The following table reconciles the face value of the 2019 Debentures to their fair value:

	September 30, 2018	December 31, 2017
Face value	**18,637**	22,999
Fair value adjustment	**1,491**	1,840
Fair value	**20,128**	24,839

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

9. CREDIT FACILITIES

Borrowings under credit facilities	September 30, 2018	December 31, 2017
Operating facilities(i)	**150,700**	143,700
Construction financing(ii)	**43,887**	51,715
Land financing(iii)	**12,100**	5,828
Total	**206,687**	201,243
Current	**206,687**	89,543
Non-current	**-**	111,700
Total	**206,687**	201,243

(i) At September 30, 2018, Northview had three operating facilities with total credit limits of $203.0 million (December 31, 2017 – $203.0 million). The maximum borrowing capacity at September 30, 2018, is $177.5 million (December 31, 2017 – $172.2 million). Specific investment properties with total fair value of $422.1 million (December 31, 2017 – $421.5 million) have been pledged as collateral security for the operating facility. Northview also has $3.4 million (December 31, 2017 – $5.3 million) in Letters of Credit ("LOC") outstanding as security for construction projects and mortgage holdbacks. The LOC reduces the amount available under the $150.0 million operating facility.

Operating facilities

(thousands of dollars)	Maturity Date	Credit Limit	Maximum Borrowing Capacity	September 30, 2018 Amounts Drawn	December 31, 2017 Amounts Drawn
$150 million operating facility (interest at prime plus 0.75% or Banker's Acceptance plus 2.00%):	May 12, 2019	150,000	141,765	**127,700**	111,700
$23 million operating facility (interest at prime plus 0.75% or Banker's Acceptance plus 2.00%):	February 22, 2019	23,000	23,000	**23,000**	23,000
$30 million operating facility (interest at prime plus 1.15% or Banker's Acceptance plus 2.40%):	May 31, 2019	30,000	12,711	**-**	9,000
Total		203,000	177,476	**150,700**	143,700

(ii) At September 30, 2018, Northview had three construction financing loans outstanding relating to the developments in Cambridge Bay, NU, Regina, SK, and Canmore, AB. Interest rates range from prime plus 0.70% to 1.00% or Banker's Acceptance plus 1.85% to 2.20%. Maturity dates range from September 30, 2018, to June 27, 2020.

(iii) The land financing relates to land held for development and bears interest at prime plus 0.50% or Banker's Acceptance plus 2.00%. Maturity dates range from December 31, 2018 to June 6, 2020. Financing is secured by five parcels of land held for development.

Northview's credit facilities contain certain financial covenants. The principal financial covenants are debt to gross book value, debt service coverage, and interest coverage calculated in accordance with the terms of the underlying credit facilities agreements (Note 14). The debt to gross book value ratio covenant maximum threshold is 70%. The interest coverage ratio and debt service coverage ratio covenant minimum thresholds are at least 1.90 and 1.50, respectively. As at and during the nine months ended September 30, 2018, Northview was in compliance with all financial covenants.

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

10. UNIT-BASED PAYMENTS

a) Long term incentive ("LTI") plan

On May 6, 2015, the Unitholders approved a unit award plan comprised of an LTI plan, whereby performance units ("PU") and restricted units ("RU") are issued to employees of Northview or its affiliates, as defined in the *Securities Act* (Alberta). PU and RU entitle the employees to receive payment upon vesting in the form of Trust Units of Northview. PU vest after three years and incorporate three year performance criteria established at the time of grant. RU vest over a period of three years with no performance criteria other than continued employment. PU and RU earn notional distributions from the date of grant until vesting. Northview intends to settle all PU and RU with units through issuance of new Trust Units from treasury; however, at its own discretion, Northview may settle the units in cash. Compensation expense is recognized in net and comprehensive income over the vesting period. The carrying amount of the liability, included in unit-based payments, relating to PU and RU at September 30, 2018 is $2.5 million and $0.6 million (December 31, 2017 – $1.6 million and $0.4 million) respectively.

Total PU and RU granted and cancelled under the LTI plan are as follows:

	Nine months ended September 30, 2018	Year ended December 31, 2017
	Number of Units	Number of Units
Balance, January 1	**234,803**	146,179
Performance units granted	**48,222**	50,261
Restricted units granted	**40,872**	41,540
Performance units cancelled	**(24,798)**	(2,399)
Restricted units cancelled	**(2,749)**	(778)
Performance units vested	**(10,628)**	-
Restricted units vested	**(13,594)**	-
Balance, end of period	**272,128**	234,803

PU and RU granted and cancelled under the LTI plan to Trustees and Northview's executive officers (also included in the above table) are as follows:

	Nine months ended September 30, 2018	Year ended December 31, 2017
	Number of Units	Number of Units
Balance, January 1	**116,832**	69,493
Performance units granted	**28,080**	28,403
Restricted units granted	**18,720**	18,936
Performance units cancelled	**(13,026)**	-
Balance, end of period	**150,606**	116,832

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

b) Deferred Unit ("DU") award plan

On May 6, 2015, the Unitholders approved a DU award plan, whereby DUs are issued to non-executive Trustees as a form of compensation. The expense is recognized at the time of grant. DUs earn notional distributions from the date of grant until settled. Fluctuations in the market value are recognized in fair value in the consolidated statements of net and comprehensive income. DUs are redeemable upon the Trustee's departure from Northview. The carrying amount of the liability, included in unit-based payments, relating to DUs at September 30, 2018 is $1.5 million (December 31, 2017 – $1.2 million).

Total DUs granted under the DU award plan are as follows:

	Nine months ended September 30, 2018	Year ended December 31, 2017
	Number of Units	Number of Units
Balance, January 1	**49,735**	31,843
Deferred units granted	**13,633**	25,341
Deferred units settled with Trust Units	**(8,846)**	(7,449)
Balance, end of period	**54,522**	49,735

11. UNITHOLDERS' EQUITY

a) Trust Units

The number of Trust Units issued and outstanding at September 30, 2018 and December 31, 2017, is as follows:

	Nine months ended September 30, 2018		Year ended December 31, 2017	
	Number of Units	**Amount**	Number of Units	Amount
Balance, January 1	**51,141,771**	**1,187,980**	49,942,379	1,157,774
Trust Units issued to settle LTI	**16,518**	**408**	-	-
Trust Units issued to settle Long Term Incentive Plan	**-**	**-**	2,370	47
Trust Units issued to settle DU	**5,699**	**152**	7,449	158
Trust Units issued for debenture conversion	**183,272**	**5,007**	42	1
Trust Units issued for equity offering, net of issuance costs	**4,830,000**	**120,966**	-	-
Trust Units issued for acquisition	**-**	**-**	1,189,531	30,000
Balance, end of period	**56,177,260**	**1,314,513**	51,141,771	1,187,980

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

b) Class B LP Units and Special Voting Units

Class B LP Units are units issued by subsidiaries of Northview and can be issued in conjunction with property acquisitions. Class B LP Units can be exchanged for Trust Units at any time at the option of the holder. Each Class B LP Unit will have a Special Voting Unit attached to it, which will entitle the holder to one vote, either in person or by proxy, at the meeting of Unitholders as if he or she was a Unitholder.

Subsidiaries of Northview are authorized to issue Class B LP Units and Northview issues the related Special Voting Units. The ability to exchange Class B LP Units for Trust Units implies that a liability element exists because it imposes an unavoidable obligation to deliver Trust Units (i.e. a financial instrument of another entity). Therefore, Class B LP Units are classified as financial liabilities on the condensed consolidated statements of financial position.

The total number of Class B LP Units and Special Voting Units outstanding as at September 30, 2018 is 7,257,133 (December 31, 2017 – 6,684,615) subject to conversion in accordance with their terms with a corresponding liability of $186.1 million (December 31, 2017 – $167.0 million). During the nine months ended September 30, 2018, Northview issued 572,518 Class B LP and Special Voting Units (Year ended December 31, 2017 – 869,950), subject to conversion in accordance with their terms with a fair value of $15.0 million (Year ended December 31, 2017 – $22.0 million).

The continuity schedule for the Class B LP and Special Voting Units classified as liabilities is as follows:

Date	Description	Issue Price/ Call Price	Number of Units	Amount
Balance at January 1, 2017		$20.07	5,814,665	116,701
December 1	Issuance of Class B LP Units and Special Voting Units	$25.41	314,836	8,000
December 7	Issuance of Class B LP Units and Special Voting Units	$25.22	555,114	14,000
December 31	Fair value adjustment	$24.99	-	28,348
Balance at December 31, 2017		**$24.99**	**6,684,615**	**167,049**
March 31	**Fair value adjustment**	**$25.80**	**-**	**5,414**
June 26	**Issuance of Class B LP Units and Special Voting Units**	**$26.20**	**572,518**	**15,000**
June 30	**Fair value adjustment**	**$26.28**	**-**	**3,254**
September 30	**Fair value adjustment**	**$25.64**	**-**	**(4,644)**
Balance at September 30, 2018		**$25.64**	**7,257,133**	**186,073**

c) Distributions to Unitholders

Pursuant to the DOT, holders of Trust Units and Class B LP Units are entitled to receive distributions made on each distribution date as approved by the Trustees. During the nine months ended September 30, 2018, Northview declared monthly cash distributions of $0.1358 per Unit (December 31, 2017 – $0.1358 per Unit). For the three and nine months ended September 30, 2018, Northview declared distributions totaling $25.8 million and $73.7 million, respectively (September 30, 2017 – $22.7 million and $68.2 million, respectively).

12. GUARANTEES, COMMITMENTS AND CONTINGENCIES

In the normal course of operations, Northview may provide 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 may require Northview 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 counterparties as a consequence of the transaction. The terms of these indemnification agreements vary based on the contract and do not provide any limit on the maximum potential liability. To date, Northview has not made any payments under such indemnifications and no amount has been accrued in the consolidated financial statements with respect to these indemnification commitments.

In the normal course of operations, from time to time, Northview becomes subject to various legal and other claims. Management and its legal counsel evaluate these claims and, where required, accrue the best estimate of costs relating to these claims. Management believes the outcome of claims of this nature at September 30, 2018 will not have a material impact on Northview.

In the normal course of operations, Northview provides guarantees for mortgages payable relating to investments in corporations and joint ventures where Northview owns less than 100%. The mortgages payable is secured by specific charges against the properties owned by the corporations and joint ventures. In the event of a default of the corporation or joint venture, Northview may be liable for up to 100% of the outstanding balances of these mortgages payable.

At September 30, 2018, Northview has provided guarantees on mortgages secured by investment properties totaling $7.6 million (December 31, 2017 – $9.8 million) of its equity accounted joint ventures, Inuvik Commercial Properties Zheh Gwizu’ Limited Partnership (“ICP”) and Inuvik Capital Suites Zheh Gwizuh Limited Partnership (“ICS”). These mortgages bear interest at rates ranging from 3.01% to 5.50% (December 31, 2017 – 3.01% to 5.50%) and mature between October 2018 and July 2022 (December 31, 2017 – May 2018 and July 2022). As at September 30, 2018, land and buildings with a carrying value of $23.5 million have been pledged to secure these mortgages payable (December 31, 2017 – $23.5 million). Due to the equity accounting of ICP and ICS, the mortgage balances have not been recorded in Northview’s condensed consolidated financial statements. The estimated fair value is not material and therefore no amount has been recorded by Northview in the condensed consolidated financial statements.

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value measures

Northview's financial assets and financial liabilities are carried at amortized cost, which approximates fair value, or at FVTPL as applicable. Such fair value estimates are not necessarily indicative of the amounts Northview might pay or receive in actual market transactions.

The tables below present the fair value of Northview's assets and liabilities:

	September 30, 2018			December 31, 2017		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets						
Investment properties	**-**	**-**	**3,786,739**	-	-	3,472,028
Assets held for sale	**-**	**-**	**-**	-	-	3,861
Liabilities						
Mortgages payable	**-**	**1,898,231**	**-**	-	1,773,226	-
Convertible debentures	**20,128**	**-**	**-**	24,839	-	-
Class B LP Units	**186,073**		**-**	167,049		-
Unit-based payments	**-**	**5,903**	**-**	-	3,250	-

Northview had no embedded derivatives requiring separate recognition as at September 30, 2018, or December 31, 2017. Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. During the nine months ended September 30, 2018, and year ended December 31, 2017, there were no transfers between Level 1, Level 2, and Level 3 assets and liabilities. Northview had no credit derivatives over financial assets at September 30, 2018, or December 31, 2017, and throughout the intervening periods.

The following summarizes the significant methods and assumptions used in estimating fair values of Northview's assets and liabilities measured at fair value and other financial instruments:

(i) Investment properties

Northview determined the fair value of each investment property using the valuation methodology and key assumptions described in Note 5.

(ii) Mortgages payable

The fair value of mortgages payable is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage or the yield of a comparable mortgage. The spread rates used at September 30, 2018, ranged from 0.48% to 2.01% (December 31, 2017 – 0.77% to 2.25%), depending on the nature and terms of the respective mortgages.

(iii) Convertible debentures

The fair value of the convertible debentures is determined based on the market trading prices of the convertible debentures as at the valuation date. Northview uses the closing price at the end of the period of the convertible debentures as the fair value for the convertible debentures.

(iv) Class B LP Units

The fair value of the Class B LP Units is estimated based on the market trading prices of the Trust Units at the valuation date. As allowed under IFRS 13, if an asset or liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to determine fair value. Northview has chosen to use the closing price on the period end date of its Trust Units for fair value measurement for its Class B LP Units.

(v) Unit-based payments

Northview determines the fair value of unit-based payments and DUs using the valuation methodology and key assumptions described in Note 2(L) of the consolidated financial statements for years ended December 31, 2017 and 2016.

(vi) Other financial assets and financial liabilities

The fair values of Northview's other financial assets, which include cash and cash equivalent, restricted cash and accounts receivable, as well as Northview's other financial liabilities, which include credit facilities, trade and other payables, and distributions and Class B LP interest payable, approximate their recorded values due to their short-term nature.

b) Risk management related to financial instruments

Northview is exposed to utility, credit, interest rate, and liquidity risks associated with its financial assets and liabilities. The Trustees have responsibility for the establishment and approval of Northview’s overall risk management policies, including those related to financial instruments. Management performs continuous assessments so that all significant risks related to financial instruments are reviewed and addressed in light of changes to market conditions and Northview’s operating activities.

(i) Utility cost risk

Utility cost risk is the potential financial loss Northview may experience as a result of higher resource prices or lack of supply. Northview is exposed to utility cost risk from the fluctuation in retail prices for fuel oil, natural gas, and electricity, the primary utilities used to heat its properties. The exposure to utility cost risk is restricted primarily to the multi-family rental and execusuites portfolios. The leases in the commercial portfolio generally provide for recovery of operating costs from tenants, including utilities. Due to the northern locations of a significant portion of Northview’s portfolio, the exposure to utility price fluctuations is more pronounced in the first and last fiscal quarters. Northview manages its exposure to utility risk through a number of preventative measures, including retrofitting properties with energy efficient appliances, fixtures, and windows. Northview may utilize hedges or forward contracts to manage exposure to utility cost risk.

Northview continues to implement a sub-metering program in properties located in Ontario. Sub-metering provides individual electric meters for each multi-family rental unit, allowing tenants to pay their electricity bills directly. This reduces utility costs to the landlord. As a result, Northview’s exposure to utility price fluctuations is reduced in Ontario.

Heating oil is the primary source of fuel for heating properties located in Nunavut and Yellowknife, NT.

Natural gas is the main source of fuel for heating properties located in Alberta, parts of British Columbia, New Brunswick, Nova Scotia, Ontario, Quebec, Saskatchewan, and Inuvik, NT. Natural gas prices in Alberta, British Columbia, and Ontario are not subject to regulated price control. Northview does not use financial instruments to manage the exposure to the utility cost risk.

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

Management prepared a sensitivity analysis of the impact of price changes in the cost of heating oil and natural gas. A 10% change in the combined average price of heating oil and natural gas would impact Northview's annualized net income by approximately $1.8 million.

Electricity is the primary source for heating properties located in Newfoundland and Labrador, as well as parts of British Columbia. In Newfoundland and Labrador and British Columbia, electricity is purchased from the provincially regulated utilities and is directly paid by the residents for a significant portion of Northview's multi-family rental units. As a result, there is no significant risk to Northview regarding the price of electricity in Newfoundland and Labrador and British Columbia.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Northview's credit risk primarily arises from the possibility that residents may not be able to fulfill their lease commitments. Loan receivables consist mainly of amounts due from commercial tenants. Given Northview's collection history and the nature of these tenants, credit risk is assessed as low. Accounts receivable consists mainly of resident receivables. Resident receivables are comprised of a large number of residents spread across the geographic areas in which Northview operates. There are no significant exposures to single residents with the exception of the Governments of Canada and Nunavut, which lease a large number of residential units and commercial space in the Northwest Territories and Nunavut.

Northview mitigates credit risk through conducting thorough credit checks on prospective residents, requiring rental payments on the first of the month, obtaining security deposits approximating one month's rent from residents where legislation permits, and geographic diversification in its portfolio. Northview records an estimate of expected credit losses for receivables from past and current tenants as an allowance. The aging of current residents and resident receivables is net of the allowance for credit losses from current and past residents.

The following is an aging of current residents and other receivables:

	September 30, 2018 (IFRS 9)	December 31, 2017 (IAS 39)
0-30 days	**1,354**	1,946
31-60 days	**591**	572
61-90 days	**253**	122
Over 90 days	**1,125**	2,420
Resident receivables	**3,323**	5,060
Other receivables [(i)]	**10,635**	7,181
	13,958	12,241

[(i)] Other receivables consist of goods and services tax rebates, mortgage holdbacks, insurance claims, and miscellaneous receivables.

(iii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. Northview is exposed to interest rate risk on mortgages and its credit facilities and does not hold any financial instruments to mitigate that risk. Northview may not be able to continue to renew mortgage loans with interest rates at the same rate as those currently in place. Northview utilizes both fixed and floating rate debt. Interest rate risk related to floating interest rates is limited primarily to the utilization of credit facilities. Management mitigates interest rate risk by utilizing fixed rate mortgages, ensuring access to a number of sources of funding, and staggering mortgage maturities. To the extent possible, Northview maximizes the amount of mortgages on residential rental properties where it is possible to lower interest rates through CMHC mortgage insurance.

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

A sensitivity analysis on floating rate debt has been completed based on the exposure to interest rates at the statement of financial position date. Floating rate debt includes all mortgages payable which are not subject to fixed interest rates and the credit facilities. A 0.50% change in interest rates, keeping all other variables constant, would change Northview's annualized net income by approximately $1.0 million (December 31, 2017 – $0.5 million). For the nine months ended September 30, 2018, the average floating rate debt was $74.6 million and the average credit facilities balance was $197.3 million (December 31, 2017 – average floating rate debt was $11.3 million and the average credit facilities balance was $123.2 million).

(iv) Liquidity risk

Liquidity risk is the risk that Northview is not able to meet its financial obligations as they fall due or can do so only at excessive cost. Northview manages liquidity risk by managing mortgage and loan maturities. Cash flow projections are completed on a regular basis to ensure there will be adequate liquidity to maintain operating, capital, and investment activities in addition to making monthly distributions to Unitholders. The Trustees review the current financial results and the annual business plan in determining appropriate distribution levels.

As at September 30, 2018, Northview had a working capital deficiency of $582.1 million. In the normal course of business, a portion of Northview's borrowings under mortgages and credit facilities with a maturity date less than one year will be considered current liabilities prior to being replaced with longer-term financing. Of the total deficiency, $342.0 million relating to the current portion of mortgages payable is expected to be refinanced with long-term mortgages. The majority of the current portion of credit facilities of $206.7 million is expected to be replaced by long-term mortgages upon the completion of the construction projects, or extension of the maturity date of credit facilities.

Contractual maturity for non-derivative financial liabilities at September 30, 2018:

	Carrying Amount	**Contractual Cash Flows**	**Up to 1 year**	**1 – 5 years**	**Over 5 years**
Mortgages payable	**1,910,922**	**2,150,914**	**406,994**	**1,109,568**	**634,352**
Credit facilities	**206,687**	**206,687**	**206,687**	**-**	**-**
Trade and other payables [(i)]	**75,647**	**75,647**	**75,647**	**-**	**-**
Distributions and Class B LP interest payable	**8,613**	**8,613**	**8,613**	**-**	**-**

[(i)] Security deposits payable are included in trade and other payables.

Contractual maturity for financial liabilities at September 30, 2018:

	Carrying Amount	**Contractual Cash Flows**	**Up to 1 year**	**1 – 5 years**	**Over 5 years**
Convertible debentures	**20,128**	**20,128**	**20,128**	**-**	**-**
Unit-based payments	**5,903**	**5,903**	**4,440**	**1,463**	**-**

Contractual maturity for non-derivative financial liabilities at December 31, 2017:

	Carrying Amount	Contractual Cash Flows	Up to 1 year	1 – 5 years	Over 5 years
Mortgages payable	1,786,156	2,030,176	319,618	1,018,907	691,651
Credit facilities	201,243	201,243	89,543	111,700	-
Trade and other payables [(i)]	69,027	69,027	69,027	-	-
Distributions and Class B LP interest payable	7,853	7,853	7,853	-	-

[(i)] Security deposits payable are included in trade and other payables.

Contractual maturity for financial liabilities at December 31, 2017:

	Carrying Amount	Contractual Cash Flows	Up to 1 year	1 – 5 years	Over 5 years
Convertible debentures	24,839	24,839	-	24,839	-
Unit-based payments	3,250	3,250	2,586	664	-

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

Management believes that future cash flows from operations, mortgage refinancing, and cash available under the current operating facilities provide sufficient available funds through the foreseeable future to support these financial liabilities.

14. CAPITAL MANAGEMENT

Northview's objectives when managing its capital are to safeguard its assets while maximizing the growth of its business, returns to Unitholders, and maintaining the sustainability of cash distributions. Northview's capital consists of mortgages payable, credit facilities, Trust Units, and Class B LP Units.

Management monitors Northview's capital structure on an ongoing basis to determine the appropriate level of mortgages payable to be placed on specific properties at the time of acquisition or when existing debt matures. Northview follows guidelines which are set out in the DOT. In determining the most appropriate debt, consideration is given to strength of cash flow generated from the specific property, interest rate, amortization period, maturity of the debt in relation to the existing debt of Northview, interest and debt service ratios, and limits on the amount of floating rate debt. Northview has credit facilities which are used to fund acquisitions, development, and capital expenditures until specific mortgage debt is placed or additional equity is raised. Northview monitors capital on the basis of debt to gross book value ratio. The DOT provides for a maximum debt to gross book value ratio of 70%. As at September 30, 2018 and December 31, 2017, Northview was compliant with all financial covenants.

The following debt to gross book value, interest coverage, and debt service coverage exclude the 2019 Debentures and interest expenses on 2019 Debentures. Debt to gross book value is calculated on the consolidated entities. Interest coverage and debt service coverage are calculated based on the most recently completed four fiscal quarters.

	September 30, 2018	December 31, 2017
Debt to gross book value		
Cash and cash equivalent	**(43,951)**	(10,718)
Credit facilities	**206,687**	201,243
Mortgages payable (Note 7)	**1,942,603**	1,810,154
Debt	**2,105,339**	2,000,679
Investment properties	**3,786,739**	3,472,028
Property, plant and equipment	**39,026**	41,911
Assets held for sale	**-**	3,861
Accumulated depreciation	**30,814**	27,243
Gross book value	**3,856,579**	3,545,043
Debt to gross book value	**54.6%**	56.4%

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

	September 30, 2018	December 31, 2017
Interest coverage and debt service coverage		
Net income before income taxes	**192,827**	212,367
Depreciation and amortization	**5,207**	5,025
Mortgage interest and deferred financing costs	**56,799**	51,970
Interest expense on credit facilities	**7,106**	4,614
Interest expense to Class B LP Unitholders	**10,969**	9,594
Fair value gain	**(81,005)**	(110,824)
EBITDA	**191,903**	172,746
Mortgage interest and deferred financing costs	**56,799**	51,970
Interest expense on credit facilities	**7,106**	4,614
Total interest expense	**63,905**	56,584
Principal repayment [i]	**53,014**	49,444
Debt service payments	**116,919**	106,028
Interest coverage	**3.00**	3.05
Debt service coverage	**1.64**	1.63

[i] Principal repayment represents principal payments on outstanding mortgages excluding one-time lump sum payments at maturity.

Debt to gross book value, interest coverage, and debt service coverage including the 2019 Debentures and interest expenses on 2019 Debentures are 55.1%, 2.95, and 1.63, respectively (December 31, 2017 – 57.1%, 3.01, and 1.62, respectively).

15. FINANCING COSTS

	Three months ended September 30		**Nine months ended September 30**	
	2018	2017	**2018**	2017
Mortgage interest	**15,335**	13,400	**44,195**	40,993
Amortization of deferred financing cost	**967**	(342)	**2,586**	1,227
Amortization of fair value of debt	**(1,085)**	(1,059)	**(3,124)**	(3,390)
Interest expense on credit facilities	**1,997**	1,543	**5,486**	2,989
Interest expense on 2019 Debentures	**275**	337	**908**	993
Interest expense to Class B LP Units	**2,957**	2,369	**8,481**	7,107
Interest and other income	**(204)**	(185)	**(828)**	(458)
Loss on extinguishment of debt	**105**	837	**82**	929
Total	**20,347**	16,900	**57,786**	50,390

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

16. FAIR VALUE (GAIN) LOSS

	Three months ended September 30		**Nine months ended September 30**	
	2018	2017	**2018**	2017
Investment properties	**(28,472)**	(3,073)	**(45,553)**	(85,173)
Interest rate swap	**-**	31	**-**	(239)
2019 Debentures	**(462)**	251	**296**	918
Unit-based payments	**251**	174	**532**	195
Class B LP Units	**(4,644)**	8,141	**4,024**	13,780
Total	**(33,327)**	5,524	**(40,701)**	(70,519)

17. PROCEEDS ON INSURANCE SETTLEMENT

For the three and nine months ended September 30, 2018, Northview realized $2.4 million and $2.7 million of insurance proceeds, respectively (September 30, 2017 – $nil and $0.4 million, respectively). The amount represents funds received or receivable from insurance providers for 24 units in a building located in Lethbridge, AB, that were lost to a fire during 2017. Northview is currently in the process of rebuilding the property.

18. CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended September 30		**Nine months ended September 30**	
	2018	2017	**2018**	2017
Restricted cash	**6,555**	(235)	**6,485**	(522)
Accounts receivable	**(5,057)**	(6,747)	**(3,508)**	(7,918)
Prepaid expenses and other assets	**(759)**	(2,856)	**(5,635)**	(7,941)
Loans receivable	**96**	1,239	**1,230**	1,733
Other long-term assets	**129**	138	**48**	456
Trade and other payables	**2,399**	(303)	**6,206**	(6,235)
Changes in non-cash working capital from operating activities	**3,363**	(8,764)	**4,826**	(20,427)

The changes in non-cash working capital from investing activities for the three months ended September 30, 2018, of $0.3 million cash outflow (September 30, 2017 – $0.8 million cash inflow) and for the nine months ended September 30, 2018 of $0.4 million cash outflow (September 30, 2017 – $1.1 million cash inflow) is due to the change in trade and other payables related to work in progress with respect to investment property improvements and land held for development.

19. SEGMENTED INFORMATION

Management uses geographic segments (i.e. groups of provinces and territories) to manage the properties. The geographic segments consist of Atlantic Canada (Newfoundland and Labrador, Nova Scotia, and New Brunswick), Northern Canada (Northwest Territories and Nunavut), Ontario, Quebec, and Western Canada (Alberta, British Columbia, and Saskatchewan). In addition, due to the differences between the commercial & execusuites and the residential markets, management also reviews operations by market segment.

Northview's residential portfolio is comprised of a multi-family segment: apartments, town homes, and single-family rental units, where the rental period ranges from a few days to several months. The commercial and execusuites business segment is comprised of office, industrial, and retail properties primarily in areas where Northview has residential operations. On July 28, 2017, Northview completed the disposition of a non-core hotel asset for $14.9 million. After the non-core hotel asset disposition, the execusuites business segment did not meet the quantitative thresholds as a separate reportable segment and therefore it was combined with commercial business segment. The prior three and nine months market segments have been recast to reflect the current three and nine months presentation.

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

a) Geographic Segments

	Atlantic Canada	Northern Canada	Ontario	Quebec	Western Canada	Total
Three months ended September 30, 2018						
Revenue	**13,602**	**23,319**	**29,265**	**5,340**	**21,493**	**93,019**
Operating expenses	**(5,748)**	**(7,692)**	**(11,635)**	**(1,822)**	**(7,986)**	**(34,883)**
Net operating income	**7,854**	**15,627**	**17,630**	**3,518**	**13,507**	**58,136**
Nine months ended September 30, 2018						
Revenue	**38,801**	**68,773**	**82,761**	**16,383**	**63,209**	**269,927**
Operating expense	**(18,376)**	**(24,288)**	**(36,134)**	**(7,278)**	**(25,433)**	**(111,509)**
Net operating income	**20,425**	**44,485**	**46,627**	**9,105**	**37,776**	**158,418**
As at September 30, 2018						
Total assets	**478,151**	**652,795**	**1,456,288**	**209,617**	**1,059,739**	**3,856,590**
Investment properties	**461,668**	**625,813**	**1,447,697**	**209,108**	**1,042,453**	**3,786,739**
Total liabilities	**192,202**	**281,167**	**629,496**	**151,468**	**713,941**	**1,968,274**

	Atlantic Canada	Northern Canada	Ontario	Quebec	Western Canada	Total
Three months ended September 30, 2017						
Revenue	12,361	22,131	23,831	4,873	20,149	83,345
Operating expenses	(5,303)	(7,082)	(10,099)	(2,016)	(7,529)	(32,029)
Net operating income	7,058	15,049	13,732	2,857	12,620	51,316
Nine months ended September 30, 2017						
Revenue	34,992	67,417	70,336	14,583	58,979	246,307
Operating expense	(16,470)	(23,856)	(32,597)	(7,127)	(24,350)	(104,400)
Net operating income	18,522	43,561	37,739	7,456	34,629	141,907
As at December 31, 2017						
Total assets	446,442	647,560	1,253,956	208,541	982,138	3,538,637
Investment properties	429,683	618,196	1,253,108	207,288	963,753	3,472,028
Total liabilities	200,728	303,355	703,130	150,672	480,606	1,838,491

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

b) Market Segments

	Multi-family	**Commercial & Execusuites**	**Total**
Three months ended September 30, 2018			
Revenue	**81,732**	**11,287**	**93,019**
Operating expense	**(30,510)**	**(4,373)**	**(34,883)**
Net operating income	**51,222**	**6,914**	**58,136**
Nine months ended September 30, 2018			
Revenue	**237,302**	**32,625**	**269,927**
Operating expense	**(97,609)**	**(13,900)**	**(111,509)**
Net operating income	**139,693**	**18,725**	**158,418**
As at September 30, 2018			
Total assets	**3,565,861**	**290,729**	**3,856,590**
Investment properties	**3,562,342**	**224,397**	**3,786,739**
Total liabilities	**1,825,903**	**142,371**	**1,968,274**

	Multi-family	Commercial & Execusuites	Total
Three months ended September 30, 2017			
Revenue	72,562	10,783	83,345
Operating expense	(27,925)	(4,104)	(32,029)
Net operating income	44,637	6,679	51,316
Nine months ended September 30, 2017			
Revenue	213,091	33,216	246,307
Operating expense	(90,618)	(13,782)	(104,400)
Net operating income	122,473	19,434	141,907
As at December 31, 2017			
Total assets	3,252,103	286,534	3,538,637
Investment properties	3,229,026	243,002	3,472,028
Total liabilities	1,697,152	141,339	1,838,491

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

c) Reconciliation of reportable segment net income

	Three months ended September 30		**Nine months ended September 30**	
	2018	2017	**2018**	2017
Total net operating income for reportable segments	**58,136**	51,316	**158,418**	141,907
Financing costs	**(20,347)**	(16,900)	**(57,786)**	(50,390)
Administration	**(4,194)**	(3,858)	**(12,566)**	(11,000)
Depreciation and amortization	**(1,236)**	(1,338)	**(3,874)**	(3,692)
Loss on sale of properties	**(496)**	(230)	**(558)**	(890)
Equity income from joint ventures	**312**	291	**830**	554
Fair value gain (loss)	**33,327**	(5,524)	**40,701**	70,519
Proceeds on insurance settlement	**2,373**	0	**2,723**	416
Net and comprehensive income	**67,875**	23,757	**127,888**	147,424

d) Reconciliation of reportable segment assets

	September 30, 2018	December 31, 2017
Total assets for reportable segments	**3,856,590**	3,538,637
Investment in joint ventures	**7,600**	6,920
Other assets	**596**	4,199
Restricted cash	**6,457**	12,942
Cash and cash equivalents	**43,951**	10,718
Assets held for sale	**-**	-
Total assets	**3,915,194**	3,573,416

e) Reconciliation of reportable segment liabilities

	September 30, 2018	December 31, 2017
Total liabilities for reportable segments	**1,968,274**	1,838,491
Class B LP Units	**185,117**	166,147
Convertible debentures	**20,128**	24,839
Credit facilities	**206,687**	201,243
Trade and other payables	**19,251**	17,594
Distributions and Class B LP interest payable	**8,613**	7,853
Unit-based payments	**5,903**	3,250
Total liabilities	**2,413,973**	2,259,417

20. RELATED PARTIES

Related party transactions

Related party transactions are conducted in the normal course of operations and are made on terms equivalent to arm's length transactions.

Starlight Group Property Holdings Inc. and affiliates ("Starlight") is a related party as it is controlled by a Trustee and significant Unitholder of Northview. Pursuant to the transitional services agreement dated October 30, 2015, Starlight is to provide Northview transitional services of an asset management nature. For the nine months ended September 30, 2018, the costs of these services aggregated to $1.5 million (September 30, 2017 − $1.1 million). Of this amount, $1.1 million (September 30, 2017 − $0.9 million) has been capitalized, while the remaining $0.4 million (September 30, 2017 − $0.2 million) has been recognized as administration expenses in the condensed consolidated statements of net and comprehensive income. The balance outstanding and payable to Northview from Starlight as at September 30, 2018, is $nil (December 31, 2017 − $0.2 million) and is included in accounts receivable in the condensed consolidated statements of financial position. The balance outstanding and payable to Starlight from Northview as at September 30, 2018 is $0.2 million (December 31, 2017 − $0.2 million) and is included in trade and other payables in the condensed consolidated statements of financial position. The transitional service agreement ended as of October 30, 2018.

Pursuant to the income supplement agreement dated November 15, 2017, Starlight is to provide Northview an annual payment of $0.2 million, for a period of ten years, effective January 2018 to December 2027, to pay down the net effective ground rent under the ground lease for a property in Toronto, ON acquired by Northview during the fourth quarter of 2017. The pro-rated amount for the nine months ended September 30, 2018 has been recognized as a reduction of operating expenses in the condensed consolidated statements of net and comprehensive income.

During the nine months ended September 2018, Northview purchased a portfolio of six properties from Starlight for a total purchase price of $151.8 million excluding closing costs. The properties were purchased at a value consistent with an independent third-party assessment of the fair value of the properties. Fair value was calculated using the expected net operating income of that property divided by the market capitalization rate at the time of the valuation. In addition, Northview issued 572,518 Class B LP Units and Special Voting Units, subject to conversion in accordance with their terms, to Starlight with a fair value of $15.0 million. The transactions were unanimously approved by the independent Trustees of Northview.

ICP and ICS are related parties as Northview has a 50% interest in ICP and a 50% interest in ICS. For the three and nine months ended September 30, 2018, revenue from ICP and ICS related to management fees was $0.1 million and $0.3 million, respectively (September 30, 2017 − $0.2 million and $0.2 million, respectively). The balance outstanding and payable to Northview from ICP and ICS related to management fees is $0.1 million (September 30, 2017 − $0.1 million) and is included in accounts receivable in the condensed consolidated statements of financial position. The balance outstanding and payable to ICP and ICS from Northview as at September 30, 2018, is $nil (September 30, 2017 – $nil) and is included in trade and other payables in the condensed consolidated statements of financial position.

21. SUBSEQUENT EVENTS

Between October 1, 2018, and November 6, 2018, Northview completed new financing and renewals of $72.5 million resulting in $12.8 million of up-financing with interest rates between 3.20% and 3.37% and terms to maturity of approximately 5 years to 10 years. Proceeds were used to pay down existing debt and credit facilities. Northview completed $21.3 million in new financing on the recently completed 132 unit development in Regina, SK. Proceeds were used to repay the construction loan and credit facilities.