Northview™

APARTMENT REIT

Unaudited Condensed Consolidated Financial Statements and Notes

For the three months ended March 31, 2019 and 2018

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

	Note	March 31, 2019	December 31, 2018
Assets			
Non-current assets			
Investment properties	5	4,109,255	4,080,000
Property, plant and equipment		37,672	38,419
Lease assets	3	927	-
Investment in joint ventures		7,753	7,549
Other long-term assets		6,413	6,510
		4,162,020	4,132,478
Current assets			
Assets held for sale	18	29,432	4,737
Accounts receivable	12	16,671	14,541
Restricted cash		7,611	10,151
Cash and cash equivalents		15,425	9,703
Prepaid expenses and other assets		7,886	5,758
		77,025	44,890
Total Assets		4,239,045	4,177,368
Liabilities			
Non-current liabilities			
Mortgages payable	6	1,684,767	1,701,883
Credit facilities	8	164,000	-
Class B LP Units	10(b)	248,221	209,388
Lease liabilities	3	12,188	-
Unit-based payments	9	1,598	1,888
		2,110,774	1,913,159
Current liabilities			
Mortgages payable	6	314,472	326,783
Credit facilities	8	69,902	176,230
Trade and other payables		83,556	86,722
Convertible debentures	7	12,343	18,363
Distributions and Class B LP interest payable		8,845	8,794
Liabilities related to assets held for sale	18	20,070	440
Unit-based payments	9	3,722	6,231
Lease liabilities	3	615	-
		513,525	623,563
Total Liabilities		2,624,299	2,536,722
Unitholders' equity			
Equity attributable to Unitholders		1,613,680	1,639,594
Non-controlling interests		1,066	1,052
Total Equity		1,614,746	1,640,646
Total Liabilities and Equity		4,239,045	4,177,368

See accompanying notes to the condensed consolidated financial statements.

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF NET AND COMPREHENSIVE (LOSS) INCOME
Three months ended March 31
(thousands of Canadian dollars)

	Note	2019	2018
Revenue	**4**	**96,224**	88,004
Operating expenses		**44,994**	40,476
Net operating income		**51,230**	47,528
Other expense (income)			
Financing costs	**15**	**21,793**	18,296
Administration		**4,014**	3,935
Depreciation and amortization		**1,421**	1,341
Loss (gain) on disposition		**16**	(7)
Equity income from joint ventures		**(254)**	(233)
Fair value loss	**16**	**38,096**	1,493
Proceeds on insurance settlement		**(676)**	(350)
		64,410	24,475
Net and comprehensive (loss) income		**(13,180)**	23,053
Net and comprehensive (loss) income attributable to:			
Unitholders		**(13,210)**	23,014
Non-controlling interests		**30**	39
Net and comprehensive (loss) income		**(13,180)**	23,053

See accompanying notes to the condensed consolidated financial statements.

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY
Three months ended March 31
(thousands of Canadian dollars)

	Note	2019	2018
Units			
Balance, January 1		**1,315,107**	1,187,980
Trust Units issued, net of issuance cost	**10(a)**	**10,281**	606
Balance, March 31		**1,325,388**	1,188,586
Retained earnings			
Cumulative net income			
Balance, January 1		**860,060**	572,310
Net and comprehensive (loss) income attributable to Unitholders		**(13,210)**	23,014
IFRS 9 adoption adjustment		**-**	(1,791)
Balance, March 31		**846,850**	593,533
Cumulative distributions to Unitholders			
Balance, January 1		**(535,573)**	(447,415)
Distributions declared to Unitholders	**10(c)**	**(22,985)**	(20,841)
Balance, March 31		**(558,558)**	(468,256)
Cumulative retained earnings, March 31		**288,292**	125,277
Equity attributable to Unitholders		**1,613,680**	1,313,863
Non-controlling interests			
Balance, January 1		**1,052**	1,124
Net and comprehensive income attributable to non-controlling interest		**30**	39
Distributions to non-controlling interests		**(16)**	(19)
Balance, March 31		**1,066**	1,144
Total Unitholders' equity		**1,614,746**	1,315,007

See accompanying notes to the condensed consolidated financial statements.

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Three months ended March 31
(thousands of Canadian dollars)

	Note	2019	2018
Operating activities:			
Net and comprehensive (loss) income		**(13,180)**	23,053
Adjustments:			
Fair value loss	**16**	**38,096**	1,493
Financing cost expense	**15**	**21,793**	18,466
Interest paid		**(21,685)**	(18,151)
Depreciation and amortization		**1,421**	1,341
Equity income from joint ventures		**(254)**	(233)
Cash settled long-term incentive		**(246)**	(252)
Changes in non-cash working capital	**17**	**2,472**	(1,368)
Cash provided by operating activities		**28,417**	24,349
Financing activities:			
Proceeds from mortgages	**6**	**26,519**	105,767
Repayment of mortgages	**6**	**(36,316)**	(58,794)
Borrowing (repayment) of credit facilities, net	**8**	**57,672**	(4,612)
Distributions paid to Unitholders	**10(c)**	**(22,935)**	(20,841)
Proceeds from the issuance of Trust Units, net		**(23)**	-
Distributions to non-controlling interests		**(16)**	(19)
Payments of leases	**3**	**(151)**	-
Cash provided by financing activities		**24,750**	21,501
Investing activities:			
Acquisition of investment properties and land	**5**	**(10,258)**	(27,391)
Capital expenditures on investment properties under development	**5**	**(11,635)**	(11,964)
Capital expenditures on investment properties	**5**	**(17,941)**	(10,701)
Proceeds from sale of assets and investment properties, net		**1,767**	7
Acquisition of property, plant and equipment		**(220)**	(440)
Distributions received from equity investees		**50**	50
Changes in non-cash working capital	**17**	**(9,208)**	(595)
Cash used in investing activities		**(47,445)**	(51,034)
Net increase (decrease) in cash and cash equivalents		**5,722**	(5,184)
Cash and cash equivalents, January 1		**9,703**	10,718
Cash and cash equivalents, March 31		**15,425**	5,534

See accompanying notes to the condensed consolidated financial statements.

1. DESCRIPTION OF THE REPORTING ENTITY

Northview Apartment Real Estate Investment Trust ("Northview") is an unincorporated, open-ended real estate investment trust ("REIT") created pursuant to a declaration of trust ("DOT") 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 27,000 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 REIT 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, 2018, 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, 2018, except for the impact of adopting IFRS 16 – Leases ("IFRS 16") on January 1, 2019 as outlined in Note 2b) and c).

These condensed consolidated financial statements were approved by the Board of Trustees of Northview (the "Trustees") on May 9, 2019.

b) New accounting standards and interpretations

Effective January 1, 2019, Northview adopted IFRS 16 using the modified retrospective approach. The new standard requires a lessee to recognize in the condensed consolidated statement of financial position, a liability for future lease payments (the "lease liabilities") and an asset for the right to use the underlying leased asset during the lease term (the "lease assets").

Northview recognized the initial effect of applying IFRS 16 as an adjustment to the condensed consolidated statement of financial position at January 1, 2019 (the date of initial application). There was no impact on retained earnings at the date of initial application. Comparative information has not been restated and continues to be reported in accordance with the standards and accounting policies in effect prior to January 1, 2019.

Northview has applied the following practical expedients as permitted by IFRS 16:

- At the date of initial application, did not reassess whether a contract contained a lease, instead applying IFRS 16 only to contracts that were previously identified as leases.
- Did not recognize in the condensed consolidated statement of financial position operating leases where the underlying asset was of low value or the lease term was 12 months or less (including the remaining lease term as at January 1, 2019).
- Used a single discount rate for portfolios of leases with similar characteristics.
- Relied on Northview's assessment of whether leases were onerous as at January 1, 2019 and did not test lease assets for impairment at the date of initial application.
- Excluded initial direct costs when measuring lease assets at January 1, 2019.

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

- Did not separate the non-lease components from the lease components for office leases and certain equipment leases.
- Used hindsight to determine the lease term when the contract contained options to extend or terminate the lease.

The impact of IFRS 16 on Northview's condensed consolidated statement of financial position at January 1, 2019:

	Increase (Decrease)
Assets	
Investment properties	11,905
Lease assets	1,050
Liabilities	
Lease liabilities	12,955
Net impact on retained earnings, January 1, 2019	-

For leases previously classified as operating leases, lease liabilities were measured at the present value of the remaining lease payments, discounted using Northview's weighted-average incremental borrowing rate at January 1, 2019 of 3.5%. All lease assets were measured at the amount equal to the lease liabilities. There were no deferred balances or onerous lease provisions that required adjustments to lease assets at January 1, 2019.

c) Changes in significant accounting policies

(i) IFRS 16 – Leases

These policies apply to contracts entered into or changed on or after January 1, 2019.

A contract contains a lease if it conveys the right to control the use of a specified asset for a time period in exchange for consideration. To identify a lease, Northview determines whether it has the right to direct the use of the specified underlying asset and also obtains substantially all the economic benefits from its use. Northview does not apply the provisions of IFRS 16 to intangible assets.

Some of Northview's leased assets qualify as investment properties. Northview applies the accounting policies applicable to investment properties to account for such assets. To determine the fair value of leased investment properties, Northview applies fair value calculations to the right-of-use (lease) assets and not the underlying assets that are leased. Valuation of leased investment properties include all future lease payments. To avoid double-counting of assets and liabilities that are recognized as separate assets and liabilities on the condensed consolidated statement of financial position (i.e. investment properties and lease liabilities). Northview adjusts the carrying value of investment properties by adding the right of use asset to the fair value otherwise determined.

These assets are not included in leased assets in the condensed consolidated statement of financial position and are instead included in investment properties.

When assessing the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. This judgment is based on factors such as contract rates compared to market rates, significance of other assets (such as leasehold improvements or owned buildings constructed on leased land), termination and relocation costs, location characteristics, and any sublease term.

Northview has elected not to recognize lease assets and lease liabilities for low-value assets or short-term leases with a term of 12 months or less. Fixed lease payments on such leases are recognized in administrative or operating expenses, as applicable, on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the remaining lease payments, including payments related to non-lease components that Northview elects not to separate from the lease components.

The lease liability is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Northview's incremental borrowing rate. Northview estimates the incremental borrowing rate based on the lease term, collateral, and the applicable economic environment. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured when the expected lease payments change as a result of certain modifications, changes in payments based on an index or rate, or due to changes in lease term.

The lease asset is recognized at the present value of the liability at the commencement date of the lease, plus initial direct costs. Also included in the lease asset are payments made before the commencement date, incentives received from the lessor, and estimated restoration costs if applicable. The lease asset is subsequently depreciated on a straight-line basis from the commencement date to the end of the lease term. The lease asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

3. IFRS 16 – LEASES

Northview has leases for office space, office equipment and land. Lease assets that qualify as investment properties are presented in Note 5. Leases for which Northview is a lessee is presented below:

	Buildings	Equipment	Total
Carrying Amount			
Balance, January 1, 2019	731	319	1,050
Additions	-	-	-
Depreciation	(70)	(53)	(123)
Balance, March 31, 2019	661	266	927

At March 31, 2019, lease liabilities reflected Northview's weighted-average incremental borrowing rate of 3.5%. Future undiscounted cash outflows for lease liabilities are disclosed in Note 13(b)(iv).

Amounts recognized in the condensed consolidated statement of net and comprehensive (loss) income:

	Three months ended March 31, 2019
Variable lease payments not included in the measurement of lease liabilities	-
Operating lease expense – short term leases and leases of low-value assets	(104)
Lease income from operating leases	64,842
Total amounts recognized in net operating income	**64,738**
Recognized in revenue	64,842
Recognized in operating expenses	(104)
Recognized in administration expenses	-
Depreciation of lease assets	(123)
Interest on lease liabilities	(113)
Total amounts recognized in net and comprehensive loss	**64,502**

During the three months ended March 31, 2019, Northview capitalized $0.1 million of lease expenses to investment properties under development.

Amounts recognized in the condensed statement of cash flows:

	Three months ended March 31, 2019
Cash payments for the interest on lease liabilities	113
Cash payments for leases not included in the measurement of lease liabilities	104
Cash outflow from operating activities	217
Cash payments for the principal portion of lease liabilities in financing activities	151
Total cash outflow for leases	368

Lease terms range from 2 to 60 years. Leased investment properties are represented almost entirely by a long-term land lease in Ontario. Northview generally does not include purchase, extension or termination options in its leases, other than extension options for land leases that support investment properties with lengthy useful lives. Some land leases also contain options to terminate the lease early. After inception of the lease, Northview reassesses expectations about the exercise of renewal or termination options only when a significant event or change in circumstances occurs that is within Northview's control.

Northview's low-value and short-term leases are not material.

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

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers and revenue from other sources by region for the three months ended March 31, 2019:

	Atlantic Canada	**Northern Canada**	**Ontario**	**Quebec**	**Western Canada**	**Total**
Rental revenue	**7,473**	**13,196**	**24,550**	**3,521**	**16,102**	**64,842**
Revenue from contracts with customers:						
Commercial common area maintenance services and execusuites	**1,009**	**3,675**	**35**	**-**	**15**	**4,734**
Residential non-lease components	**4,514**	**6,613**	**6,934**	**1,856**	**5,607**	**25,524**
Other revenue	**187**	**42**	**585**	**51**	**259**	**1,124**
Total revenue	**13,183**	**23,526**	**32,104**	**5,428**	**21,983**	**96,224**

Revenue from contracts with customers and revenue from other sources by region for the three months ended March 31, 2018:

	Atlantic Canada	Northern Canada	Ontario	Quebec	Western Canada	Total
Rental revenue	11,056	18,088	24,467	4,834	19,767	78,212
Revenue from contracts with customers:						
Commercial common area maintenance and execusuites revenue	940	3,585	16	-	12	4,553
Residential non-lease components	278	1,215	1,520	644	603	4,260
Other revenue	136	48	535	52	208	979
Total revenue	12,410	22,936	26,538	5,530	20,590	88,004

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

5. INVESTMENT PROPERTIES

	March 31, 2019	December 31, 2018
Investment properties	**4,029,222**	4,016,948
Investment properties under development	**35,504**	31,771
Land held for development	**44,529**	31,281
Balance, end of period	**4,109,255**	4,080,000

Changes to investment properties:

	March 31, 2019	December 31, 2018
Balance, January 1	**4,080,000**	3,472,028
IFRS 16 transition adjustment (Note 2b)	**11,905**	-
Acquisitions of investment properties	**-**	321,836
Acquisitions of land	**10,258**	11,908
Disposals	**-**	(335)
Transfers to property, plant and equipment	**(476)**	-
Transfers to assets held for sale, net	**(26,321)**	(13,068)
Capital expenditures on investment properties under development	**11,635**	51,736
Capital expenditures on investment properties	**17,941**	68,610
Fair value gain	**4,313**	167,285
Balance, end of period	**4,109,255**	4,080,000

At January 1, 2019 and March 31, 2019, Northview added $11.9 million and $11.9 million, respectively, to the valuation obtained for leased investment properties, to obtain their carrying values for financial reporting.

Changes to investment properties by region as at March 31, 2019:

	Atlantic Canada	**Northern Canada**	**Ontario**	**Quebec**	**Western Canada**	**Total**
Balance, January 1	**462,647**	**631,906**	**1,682,670**	**217,331**	**1,085,446**	**4,080,000**
IFRS 16 transition adjustment (Note 2b)	**-**	**21**	**11,884**	**-**	**-**	**11,905**
Acquisitions of land	**-**	**-**	**10,258**	**-**	**-**	**10,258**
Transfers to property, plant and equipment	**(476)**	**-**	**-**	**-**	**-**	**(476)**
Transfers to assets held for sale, net	**-**	**-**	**-**	**-**	**(26,321)**	**(26,321)**
Capital expenditures on investment properties under development	**15**	**393**	**1,368**	**-**	**9,859**	**11,635**
Capital expenditures on investment properties	**3,667**	**1,048**	**8,473**	**1,782**	**2,971**	**17,941**
Fair value (loss) gain	**(3,505)**	**(1,049)**	**12,284**	**(1,603)**	**(1,814)**	**4,313**
Balance, March 31	**462,348**	**632,319**	**1,726,937**	**217,510**	**1,070,141**	**4,109,255**

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

Changes to investment properties by region as at December 31, 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	31,418	5,212	263,182	-	22,024	321,836
Acquisitions of land	-	-	5,375	-	6,533	11,908
Disposals	-	(335)	-	-	-	(335)
Transfers to assets held for sale, net	-	(1,745)	-	-	(11,323)	(13,068)
Capital expenditures on investment properties under development	-	3,741	1,621	-	46,374	51,736
Capital expenditures on investment properties	12,693	5,076	32,931	5,228	12,682	68,610
Fair value (loss) gain	(11,147)	1,761	126,453	4,815	45,403	167,285
Balance, December 31	462,647	631,906	1,682,670	217,331	1,085,446	4,080,000

During the three months ended March 31, 2019, Northview transferred $7.9 million (December 31, 2018 – $62.0 million) from investment properties under development to investment properties.

During the three months ended March 31, 2019, Northview capitalized borrowing costs of $0.4 million (December 31, 2018 – $1.2 million) to investment properties under development.

Dispositions of non-core properties were as follows:

Regions	**Three months ended March 31, 2019**	Year ended December 31, 2018
	Gross Proceeds	Gross Proceeds
Western Canada	**-**	12,250
Northern Canada	**1,745**	335
Total	**1,745**	12,585

Acquisitions for the three months ended March 31, 2019 were as follows:

Regions	**Transaction Costs**	**Purchase price**	**Assumed mortgage**	**Class B LP Units issued**	**Total cost**
Ontario	**408**	**9,850**	**-**	**-**	**10,258**
Total	**408**	**9,850**	**-**	**-**	**10,258**

Acquisitions for the year ended December 31, 2018 were as follows:

Regions	Transaction Costs	Purchase price	Assumed mortgage	Class B LP Units issued	Total cost
Ontario	7,076	182,271	29,210	50,000	268,557
Western Canada	1,550	27,007	-	-	28,557
Atlantic Canada	478	20,308	10,632	-	31,418
Northern Canada[(1)]	62	5,150	-	-	5,212
Total	9,166	234,736	39,842	50,000	333,744

(1) Northview acquired a commercial property in Northern Canada in the second quarter of 2018.

Northview uses the capitalization rate ("Cap Rate") method to value investment properties. As at March 31, 2019, Cap Rates ranging from 3.25% to 13.00% (December 31, 2018 – 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 March 31, 2019 is 5.90% (December 31, 2018 – 5.92%).

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

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

	March 31, 2019			December 31, 2018		
Regions	**Minimum**	**Maximum**	**Weighted Average**	Minimum	Maximum	Weighted Average
Ontario	**3.25%**	**5.75%**	**4.30%**	3.25%	5.75%	4.34%
Western Canada	**4.00%**	**11.00%**	**6.21%**	4.00%	11.00%	6.23%
Atlantic Canada	**5.00%**	**9.50%**	**6.57%**	5.00%	9.50%	6.57%
Northern Canada	**6.86%**	**13.00%**	**9.16%**	6.86%	13.00%	9.17%
Quebec	**4.50%**	**7.55%**	**5.74%**	4.50%	7.55%	5.74%
Overall	**3.25%**	**13.00%**	**5.90%**	3.25%	13.00%	5.92%

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

	March 31, 2019			December 31, 2018		
Regions	**Increase**	**Decrease**	**Weighted Average**	Increase	Decrease	Weighted Average
Ontario	**(39,588)**	**41,475**	**4.30%**	(37,704)	39,483	4.34%
Western Canada	**(17,521)**	**18,095**	**6.21%**	(17,212)	17,774	6.23%
Atlantic Canada	**(6,959)**	**7,174**	**6.57%**	(6,931)	7,146	6.57%
Northern Canada	**(6,829)**	**6,980**	**9.16%**	(6,808)	6,958	9.17%
Quebec	**(3,808)**	**3,943**	**5.74%**	(3,817)	3,952	5.74%
Overall	**(74,705)**	**77,667**	**5.90%**	(72,472)	75,313	5.92%

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	**March 31, 2019**	December 31, 2018
Ontario	**17,404**	16,738
Western Canada	**11,053**	10,894
Atlantic Canada	**4,642**	4,624
Northern Canada	**6,326**	6,311
Quebec	**2,222**	2,228
Overall	**41,647**	40,795

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

6. MORTGAGES PAYABLE

	March 31, 2019	December 31, 2018
Mortgages payable	**2,060,766**	2,068,499
Fair value adjustment upon assumption	**3,281**	4,078
Deferred financing costs	**(44,738)**	(43,471)
	2,019,309	2,029,106
Mortgages related to assets held for sale	**(20,070)**	(440)
Total	**1,999,239**	2,028,666

Current	**314,472**	326,783
Non-current	**1,684,767**	1,701,883
Total	**1,999,239**	2,028,666

Mortgages payable bear interest at rates ranging from 1.41% to 6.48% (December 31, 2018 – 1.41% to 6.48%) and have a weighted average rate of 3.13% as at March 31, 2019 (December 31, 2018 – 3.17%). The mortgages mature between 2019 and 2028 (December 31, 2018 – 2019 and 2028) and are secured by charges against specific properties. Land and buildings with a carrying value of $3.5 billion (December 31, 2018 – $3.3 billion) have been pledged to secure the mortgages payable of Northview. Deferred financing costs are amortized over the mortgage term or the amortization term of the mortgage through the condensed consolidated statement of net and comprehensive (loss) income.

The fair value of mortgages payable at March 31, 2019, is approximately $2.1 billion (December 31, 2018 – $2.1 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, mortgagees have security interest in the specified property. In addition, certain investment properties are cross-securitized providing the lender with security rights to those properties.

The following table summarizes Northview's mortgages as at March 31, 2019:

	Principal Amount	**Principal on Maturity**	**Total**	**% of Total**	**Weighted Average Interest Rate**
2019	41,991	249,591	291,582	14.1%	3.78%
2020	51,329	187,290	238,619	11.6%	2.88%
2021	42,443	285,632	328,075	15.9%	3.69%
2022	37,392	111,285	148,677	7.2%	2.78%
2023	31,501	218,075	249,576	12.1%	3.09%
Thereafter	79,971	724,266	804,237	39.1%	2.43%
Total	284,627	1,776,139	2,060,766	100.0%	3.13%

The following table summarizes the change in mortgages payable during the three months ended March 31, 2019:

	March 31, 2019
Mortgages payable, January 1, 2019[(1)]	**2,029,106**
Proceeds from new mortgages	**28,582**
Prepaid mortgage fees	**(2,063)**
Repayment of mortgages	**(36,316)**
Mortgage interest expense	**16,196**
Mortgage interest paid	**(16,196)**
Mortgages payable, March 31, 2019[(1)]	**2,019,309**

[(1)] Mortgages payable as at January 1, 2019 and March 31, 2019 include liabilities related to assets held for sale.

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

7. CONVERTIBLE DEBENTURES

Northview has 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, 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 three months ended March 31, 2019, a portion of the 2019 Debentures with a face value of $7.7 million were converted in exchange for 323,985 Trust Units with a fair value of $9.1 million. During the year ended December 31, 2018, 2019 Debentures with a face value of $5.2 million were converted in exchange for 217,263 Trust Units with a fair value of $5.9 million.

As at March 31, 2019, Northview has 2019 Debentures with a face value of $10.1 million (December 31, 2018 – $17.8 million) that are outstanding and may be converted into a total of 425,084 Trust Units (December 31, 2018 – 749,075 Trust Units).

The following table summarizes the changes in the 2019 Debentures:

	Face Value	**Fair Value**
Outstanding, January 1, 2018	22,999	24,839
Conversion	(5,171)	(5,823)
Fair value adjustment	-	(653)
Outstanding, December 31, 2018	**17,828**	**18,363**
Conversion	**(7,711)**	**(9,015)**
Fair value adjustment	**-**	**2,995**
Outstanding, March 31, 2019	**10,117**	**12,343**

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

	March 31, 2019	December 31, 2018
Face value	**10,117**	17,828
Fair value adjustment	**2,226**	535
Fair value	**12,343**	18,363

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

8. CREDIT FACILITIES

Borrowings under credit facilities	**March 31, 2019**	December 31, 2018
Operating facilities	**175,500**	125,700
Construction financing	**46,302**	38,430
Land financing	**12,100**	12,100
Total	**233,902**	176,230

Current	**69,902**	176,230
Non-current	**164,000**	-
Total	**233,902**	176,230

Operating facilities

	Maturity Date	Credit Limit	Maximum borrowing capacity	**March 31, 2019 Amounts Drawn**	December 31, 2018 Amounts Drawn
$30 million operating facility					
interest at prime plus 1.15% or Banker's Acceptance plus 2.40%:	May 31, 2019	30,000	11,880	**11,500**	-
$200 million operating facility[(1)]					
interest at prime plus 0.65% or Banker's Acceptance plus 1.70%:	March 29, 2022	200,000	193,032	**164,000**	125,700
Total		230,000	204,912	**175,500**	125,700

(1) Northview entered into a new $200 million operating facility, with a three year term and amended interest rates on March 29, 2019, to replace the $150 million and $23 million operating facilities.

At March 31, 2019, Northview had two operating facilities with total credit limit of $230.0 million (December 31, 2018 – $203.0 million). The maximum borrowing capacity at March 31, 2019 is $204.9 million (December 31, 2018 – $179.2 million). Specific investment properties with total fair value of $458.2 million (December 31, 2018 - $443.4 million) have been pledged as collateral security for the operating facility. Northview also has $1.1 million (December 31, 2018 – $1.9 million) in Letters of Credit ("LOC") outstanding as security for construction projects and mortgage holdbacks. The LOC reduces the amount available under the $200 million operating facility.

Construction financing

At March 31, 2019, Northview had three construction financing loans outstanding relating to the developments in Cambridge Bay, NU; Canmore, AB; and Calgary, AB. Interest rates range from prime plus 0.50% to 1.00% or Banker's Acceptance plus 1.85% to 2.00%. Maturity dates range from May 31, 2019 to October 23, 2020. Northview also has $1.2 million (December 31, 2018 – $1.2 million) LOC outstanding as security for construction projects.

Land financing

The land financing relates to land held for development and bears interest at prime plus 0.50% or Bankers' Acceptance plus 2.00%. Maturity dates range from May 31, 2019 to June 6, 2020. Financing is secured by land held for development.

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

Financial covenants

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 agreement (Note 14). The debt to gross book value ratio covenant maximum threshold is 70%. The debt service coverage ratio covenant minimum threshold for the $200 million operating facility is at least 1.40. The interest coverage ratio and debt service coverage ratio covenant minimum thresholds for the $30 million operating facility are at least 1.90 and 1.50, respectively. As at and during the three months ended March 31, 2019, Northview was in compliance with all financial covenants.

The following table summarizes the change in the credit facilities balance:

	March 31, 2019
Credit facilities, January 1, 2019	**176,230**
Advances from credit facilities	**585,372**
Repayment of credit facilities	**(527,700)**
Credit facilities, March 31, 2019	**233,902**

9. 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 ("PUs") and restricted units ("RUs") are issued to employees of Northview or its affiliates, as defined in the *Securities Act* (Alberta). PUs and RUs entitle the employees to receive payment upon vesting in the form of Trust Units of Northview. PUs and RUs may be settled with units through issuance of new Trust Units from treasury or in cash. PUs incorporates three year performance criteria established at the time of grant and vest after three years in the third year after grant if performance conditions are met. RUs vest over a period of three years in thirds each December 31 after grant with no performance criteria other than continued employment. PUs and RUs earn notional distributions from the date of grant until vesting. 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 PUs and RUs at March 31, 2019 is $2.5 million and $0.5 million (December 31, 2018 – $3.0 million and $0.8 million) respectively.

Changes to PUs and RUs balance under the LTI plan are as follows:

	Three months ended March 31, 2019	Year ended December 31, 2018
	Number of Units	Number of Units
Balance, January 1	**272,128**	234,803
Performance units granted	**44,591**	48,222
Restricted units granted	**38,985**	40,872
Performance units cancelled	**(58,609)**	(24,798)
Restricted units cancelled	**-**	(2,749)
Performance units vested	**(47,953)**	(10,628)
Restricted units vested	**(26,818)**	(13,594)
Balance, end of period	**222,324**	272,128

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

Changes to PUs and RUs balances under the LTI plan related to Trustees and Northview's executive officers (also included in the above table) are as follows:

	Three months ended March 31, 2019	Year ended December 31, 2018
	Number of Units	Number of Units
Balance, January 1	**138,711**	116,832
Performance units granted	**26,187**	28,080
Restricted units granted	**17,458**	18,720
Performance units vested	**(22,898)**	-
Restricted units vested	**(12,552)**	(11,895)
Performance units cancelled	**(27,987)**	(13,026)
Balance, end of period	**118,919**	138,711

b) Deferred Unit ("DUs") award plan

On May 6, 2015, the Unitholders approved a DUs award plan (the "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 net and comprehensive income. DUs are settled upon the Trustees' departure from Northview. The carrying amount of the liability, included in unit-based payments, relating to the cash-settled DUs at March 31, 2019 is $1.9 million (December 31, 2018 – $1.6 million).

Changes to DUs balances under the DU Award Plan are as follows:

	Three months ended March 31, 2019	Year ended December 31, 2018
	Number of Units	Number of Units
Balance, January 1	**64,728**	49,735
Units granted	**647**	23,839
Units settled	**-**	(8,846)
Balance, end of period	**65,375**	64,728

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

10. UNITHOLDERS' EQUITY

a) Trust Units

The number of Trust Units issued and outstanding at March 31, 2019 and December 31, 2018, is as follows:

	Three months ended March 31, 2019		Year ended December 31, 2018	
	Number of Units	**Amount**	**Number of Units**	**Amount**
Balance, January 1	**56,211,251**	**1,315,107**	51,141,771	1,187,980
Trust Units issued to settle LTI	**46,260**	**1,225**	16,518	408
Trust Units issued to settle DUs	**-**	**-**	5,699	152
Trust Units issued for 2019 Debenture conversion	**323,985**	**9,079**	217,263	5,881
Trust Units issued for equity offering, net of issuance costs	**-**	**(23)**	4,830,000	120,686
Balance, end of period	**56,581,496**	**1,325,388**	56,211,251	1,315,107

b) Class B LP Units and Special Voting Units ("Class B LP Units")

Class B LP Units are units issued by subsidiaries of Northview and are typically 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 has a Special Voting Unit, which entitles the holder to one vote 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 outstanding as at March 31, 2019 is 8,553,429 (December 31, 2018 – 8,553,429) with a corresponding liability of $248.2 million (December 31, 2018 – $209.4 million). During the three months ended March 31, 2019, Northview issued no Class B LP (Year ended December 31, 2018 – 1,868,814) with a fair value of $nil (Year ended December 31, 2018 – $50.0 million).

The continuity schedule for the Class B LP classified as liabilities is as follows:

Date	Description	Issue Price/ Call Price	Number of Units	Amount
Balance, January 1, 2018		$24.99	6,684,615	167,049
June 26	Issuance of Class B LP Units	$26.20	572,518	15,000
December 4	Issuance of Class B LP Units	$27.00	1,259,259	34,000
December 27	Issuance of Class B LP Units	$27.00	37,037	1,000
December 31	Fair value adjustment	$24.48	-	(7,661)
Balance, December 31, 2018		**$24.48**	**8,553,429**	**209,388**
March 31	**Fair value adjustment**	**$29.02**	**-**	**38,833**
Balance, March 31, 2019		**$29.02**	**8,553,429**	**248,221**

c) Distributions to Trust 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 declared. During the three months ended March 31, 2019, Northview declared monthly cash distributions of $0.1358 per Unit (December 31, 2018 – $0.1358 per Unit). For the three months ended March 31, 2019, Northview declared distributions totaling $26.5 million (March 31, 2018 – $23.6 million).

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

11. 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 may 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 condensed consolidated financial statements with respect to these indemnification commitments.

In the normal course of operations, Northview is and may become subject to various legal and other claims. Management and its legal counsel evaluate these claims and, where required, accrue the best estimate of costs. Management believes the outcome of claims of this nature at March 31, 2019 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 are 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 March 31, 2019, Northview has provided guarantees on mortgages secured by investment properties totaling $7.2 million (December 31, 2018 – $7.4 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, 2018 – 3.01% to 5.50%) and mature between 2019 and 2022 (December 31, 2018 – 2019 and 2022). As at March 31, 2019, land and buildings with a carrying value of $20.1 million have been pledged to secure these mortgages payable (December 31, 2018 – $20.1 million). Due to the equity accounting of ICP and ICS, the mortgage balances have not been recorded in Northview's condensed consolidated financial statements.

12. ACCOUNTS RECEIVABLE

Accounts receivable consist mainly of amounts owed by tenants, goods and services tax rebates, mortgage holdbacks and miscellaneous receivables.

	March 31, 2019	December 31, 2018
0-30 days	**1,380**	470
31-60 days	**1,038**	547
61-90 days	**360**	183
Over 90 days	**2,409**	2,750
Resident receivables	**5,187**	3,950
Other receivables	**11,484**	10,591
Balance, end of period	**16,671**	14,541

(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 fair value through profit or loss ("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 hierarchy of assets and liabilities measured at fair value on a recurring basis in the condensed consolidated statement of financial position or disclosed in the notes to the condensed consolidated financial statements:

	March 31, 2019			December 31, 2018		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets						
Investment properties	**-**	**-**	**4,109,255**	-	-	4,080,000
Assets held for sale	**-**	**-**	**29,313**	-	-	4,737
Liabilities						
Mortgages payable	**-**	**2,059,063**	**-**	-	2,058,462	-
Convertible debentures	**12,343**	**-**	**-**	18,363	-	-
Class B LP Units	**248,221**	**-**	**-**	209,388	-	-
Unit-based payments	**-**	**5,320**	**-**	-	8,119	-
Liabilities related to assets held for sale	**-**	**-**	**20,070**	-	-	440

Northview had no embedded derivatives requiring separate recognition as at March 31, 2019, or December 31, 2018. 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 three months ended March 31, 2019, and year ended December 31, 2018, there were no transfers between Level 1, Level 2, and Level 3 assets and liabilities. Northview had no credit derivatives over financial assets at March 31, 2019, or December 31, 2018, 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 2(C) of the consolidated financial statements for years ended December 31, 2018 and 2017.

(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 March 31, 2019, ranged from 0.81% to 2.22% (December 31, 2018 – 0.95% to 2.28%), depending on the nature and terms of the respective mortgages.

(iii) Convertible debentures

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

Northview uses 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, 2018 and 2017.

(vi) Other financial assets and financial liabilities

The fair value of Northview's other financial assets and liabilities approximate their recorded values due to their short term nature. These include cash and cash equivalents, restricted cash, other long term assets, credit facilities, trade and other payables, and distributions and Class B LP interest payable.

b) Risk management related to financial instruments

Northview is exposed to utility cost, 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 ongoing 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 and hotel portfolios. The leases in the commercial portfolio provide for recovery of operating costs from tenants, including utilities. Due to the northern locations of a portion of Northview's portfolio, the exposure to utility price fluctuations is more pronounced in the first and last fiscal quarters of the year. Northview manages its exposure to utility risk through a number of preventative measures, including retrofitting properties with energy efficient appliances, fixtures, and windows. Northview utilizes fixed price hedges to manage exposure to utility cost risk.

Heating oil and wooden pellets are the primary sources 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 used fixed price hedges to manage the exposure to the utility cost risk in the following regions: Ontario, Quebec, and Alberta.

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 $1.7 million (December 31, 2018 – $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. 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.

(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 its credit facilities and does not hold any financial instruments to mitigate that risk. Northview may not be able 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.

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 $1.2 million (December 31, 2018 – $1.0 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.

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

As at March 31, 2019, Northview had a working capital deficiency of $436.5 million. Of the total deficiency, $314.5 million is related to the current portion of mortgages payable and expected to be refinanced with long-term mortgages. 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. The majority of the current portion of credit facilities of $69.9 million is expected to be addressed through the extension of the maturity date of credit facilities and replaced with long-term mortgages upon the completion of the construction projects. During the first quarter of 2019, Northview entered into a new $200 million operating facility with a three-year term, to replace the $150 million and $23 million operating facilities.

Contractual maturity for non-derivative financial liabilities at March 31, 2019:

	Carrying Amount	**Contractual Cash Flows**	**Up to 1 year**	**1 – 5 years**	**Over 5 years**
Mortgages payable – principal and interest	**1,999,239**	**2,293,259**	**370,618**	**1,072,428**	**850,213**
Credit facilities (1)	**233,902**	**233,902**	**69,902**	**164,000**	**-**
Trade and other payables (2)	**83,556**	**83,556**	**83,556**	**-**	**-**
Distributions and Class B LP interest payable	**8,845**	**8,845**	**8,845**	**-**	**-**
Lease liabilities	**12,803**	**23,673**	**1,058**	**2,650**	**19,965**
Liabilities related to assets held for sale	**20,070**	**20,070**	**20,070**	**-**	**-**

(1) Contractual obligations to repay the credit facility only includes the principal amount.
(2) Security deposits payable are included in trade and other payables.

Contractual maturity for derivative financial liabilities at March 31, 2019:

	Carrying Amount	**Contractual Cash Flows**	**Up to 1 year**	**1 – 5 years**	**Over 5 years**
Convertible debentures	**12,343**	**12,343**	**12,343**	**-**	**-**
Unit-based payments	**5,320**	**5,320**	**3,722**	**1,598**	**-**

Contractual maturity for non-derivative financial liabilities at December 31, 2018:

	Carrying Amount	Contractual Cash Flows	Up to 1 year	1 – 5 years	Over 5 years
Mortgages payable – principal and interest	2,028,666	2,339,032	381,267	1,116,508	841,257
Credit facilities (1)	176,230	176,230	176,230	-	-
Trade and other payables (2)	86,722	86,722	86,722	-	-
Distributions and Class B LP interest payable	8,794	8,794	8,794	-	-
Liabilities related to assets held for sale	440	440	440	-	-

(1) Contractual obligations to repay the credit facility only includes the principal amount.
(2) Security deposits payable are included in trade and other payables.

Contractual maturity for derivative financial liabilities at December 31, 2018:

	Carrying Amount	Contractual Cash Flows	Up to 1 year	1 – 5 years	Over 5 years
Convertible debentures	18,363	18,363	18,363	-	-
Unit-based payments	8,119	8,119	6,231	1,888	-

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.

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

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. Northview follows guidelines which are set out in the DOT.

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. In determining the most appropriate debt, consideration is given to cash flow generated from the specific property, interest rate, amortization period, maturity, interest service and debt service ratios. 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 March 31, 2019 and December 31, 2018, Northview was compliant with all financial covenants.

The following debt to gross book value, interest coverage, and debt service coverage exclude the 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.

	March 31, 2019	December 31, 2018
Debt to gross book value		
Cash and cash equivalent	**(15,425)**	(9,703)
Credit facilities	**233,902**	176,230
Mortgages payable (Note 6)	**2,060,766**	2,068,499
Lease liabilities	**12,803**	-
Debt	**2,292,046**	2,235,026
Investment properties	**4,109,255**	4,080,000
Property, plant and equipment	**37,672**	38,419
Lease assets	**927**	-
Assets held for sale	**29,432**	4,737
Accumulated depreciation	**33,286**	31,989
Gross book value	**4,210,572**	4,155,145
Debt to gross book value	**54.4%**	53.8%

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

	March 31, 2019	December 31, 2018
Interest coverage and debt service coverage		
Net income before income taxes	**253,397**	289,629
Depreciation and amortization	**5,198**	5,118
Mortgage interest and deferred financing costs	**61,822**	59,456
Interest expense on credit facilities	**7,627**	7,401
Interest expense to Class B LP Unitholders	**12,375**	11,614
Interest expense on lease liabilities	**113**	-
Fair value gain	**(138,416)**	(175,018)
EBITDA	**202,116**	198,200
Mortgage interest and deferred financing costs	**61,822**	59,456
Interest expense on credit facilities	**7,627**	7,401
Interest expense on lease liabilities	**113**	-
Total interest expense	**69,562**	66,857
Principal repayment (1)	**55,749**	54,302
Debt service payments	**125,311**	121,159
Interest coverage	**2.91**	2.96
Debt service coverage	**1.61**	1.64

(1) 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 as debt and interest expenses on 2019 Debentures are 54.7%, 2.87, and 1.61, respectively (December 31, 2018 – 54.2%, 2.92, and 1.63, respectively).

15. FINANCING COSTS

	Three months ended March 31	
	2019	2018
Mortgage interest	**16,000**	14,190
Amortization of deferred financing cost	**992**	675
Amortization of fair value of debt	**(796)**	(1,035)
Interest expense on credit facilities	**1,816**	1,589
Interest expense on 2019 Debentures	**218**	324
Interest expense to Class B LP Unitholders	**3,485**	2,723
Interest and other income	**(49)**	(146)
Loss (gain) on extinguishment of debt	**14**	(24)
Interest expense on lease liabilities	**113**	-
Total	**21,793**	18,296

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

16. FAIR VALUE LOSS (GAIN)

	Three months ended March 31	
	2019	2018
Investment properties	**(4,313)**	(3,896)
2019 Debentures	**3,060**	(228)
Unit-based payments	**516**	203
Class B LP Units	**38,833**	5,414
Total	**38,096**	1,493

17. CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended March 31	
	2019	2018
Restricted cash	**2,540**	592
Accounts receivable	**(2,130)**	(136)
Prepaid expenses and other assets	**(2,128)**	118
Other long-term assets	**224**	191
Trade and other payables	**3,966**	(2,133)
Changes in non-cash working capital from operating activities	**2,472**	(1,368)

For the three months ended March 31, 2019, the changes in non-cash working capital from investing activities is $9.2 million cash outflow (March 31, 2018 – $0.6 million cash inflow) 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.

18. ASSETS HELD FOR SALE

As at March 31, 2019, there are two properties classified as assets held for sale with a fair value of $29.4 million which are expected to be disposed of within twelve months.

The assets held for sale included in the condensed consolidated statement of financial position are:

	March 31, 2019	December 31, 2018
Assets		
Investment properties	**29,313**	4,737
Property, plant and equipment	**119**	-
Total assets held for sale	**29,432**	4,737
Liabilities		
Mortgages payable	**20,070**	440
Total liabilities related to assets held for sale	**20,070**	440
Net assets held for sale	**9,362**	4,297

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

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 six to twelve months. The commercial and execusuites segment is comprised of office, industrial, and retail properties primarily in areas where Northview has residential operations and execusuite properties that offer apartment style accommodation. Commercial leases terms are generally five years and execusuite rental periods range from several days to several months.

a) Geographic Segments

	Atlantic Canada	**Northern Canada**	**Ontario**	**Quebec**	**Western Canada**	**Total**
Three months ended March 31, 2019						
Revenue	**13,183**	**23,526**	**32,104**	**5,428**	**21,983**	**96,224**
Operating expenses	**(7,590)**	**(10,350)**	**(14,418)**	**(2,971)**	**(9,665)**	**(44,994)**
Net operating income	**5,593**	**13,176**	**17,686**	**2,457**	**12,318**	**51,230**
As at March 31, 2019						
Total assets	**476,330**	**658,042**	**1,732,838**	**219,738**	**1,089,715**	**4,176,663**
Investment properties	**462,348**	**632,319**	**1,726,937**	**217,510**	**1,070,141**	**4,109,255**
Total liabilities	**264,207**	**306,172**	**832,902**	**160,218**	**509,843**	**2,073,342**

	Atlantic Canada	Northern Canada	Ontario	Quebec	Western Canada	Total
Three months ended March 31, 2018						
Revenue	12,410	22,936	26,538	5,530	20,590	88,004
Operating expenses	(6,483)	(9,164)	(12,777)	(2,924)	(9,128)	(40,476)
Net operating income	5,927	13,772	13,761	2,606	11,462	47,528
As at December 31, 2018						
Total assets	478,012	658,226	1,691,111	218,733	1,096,024	4,142,106
Investment properties	462,647	631,906	1,682,670	217,331	1,085,446	4,080,000
Total liabilities	266,176	306,168	836,967	159,429	531,797	2,100,537

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

b) Market Segments

	Multi-family	**Commercial & Execusuites**	**Total**
Three months ended March 31, 2019			
Revenue	**85,034**	**11,190**	**96,224**
Operating expense	**(39,808)**	**(5,186)**	**(44,994)**
Net operating income	**45,226**	**6,004**	**51,230**
As at March 31, 2019			
Total assets	**3,912,037**	**264,626**	**4,176,663**
Investment properties	**3,896,286**	**212,969**	**4,109,255**
Total liabilities	**1,911,591**	**161,751**	**2,073,342**

	Multi-family	Commercial & Execusuites	Total
Three months ended March 31, 2018			
Revenue	77,066	10,938	88,004
Operating expense	(35,447)	(5,029)	(40,476)
Net operating income	41,619	5,909	47,528
As at December 31, 2018			
Total assets	3,876,807	265,299	4,142,106
Investment properties	3,856,702	223,298	4,080,000
Total liabilities	1,935,981	164,556	2,100,537

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

c) Reconciliation of reportable segment net (loss) income

	Three months ended March 31	
	2019	2018
Total net operating income for reportable segments	**51,230**	47,528
Financing costs	**(21,793)**	(18,296)
Administration	**(4,014)**	(3,935)
Depreciation and amortization	**(1,421)**	(1,341)
(Loss) gain on disposition	**(16)**	7
Equity income from joint ventures	**254**	233
Fair value loss	**(38,096)**	(1,493)
Proceeds on insurance settlement	**676**	350
Net and comprehensive (loss) income	**(13,180)**	23,053

d) Reconciliation of reportable segment assets

	March 31, 2019	December 31, 2018
Total assets for reportable segments	**4,176,663**	4,142,106
Investment in joint ventures	**7,753**	7,549
Other assets	**2,161**	3,122
Restricted cash	**7,611**	10,151
Cash and cash equivalents	**15,425**	9,703
Assets held for sale	**29,432**	4,737
Total assets	**4,239,045**	4,177,368

e) Reconciliation of reportable segment liabilities

	March 31, 2019	December 31, 2018
Total liabilities for reportable segments	**2,073,342**	2,100,537
Class B LP Units	**247,157**	208,490
Convertible debentures	**12,343**	18,363
Credit facilities	**233,902**	176,230
Trade and other payables	**23,320**	15,749
Distributions and Class B LP interest payable	**8,845**	8,794
Unit-based payments	**5,320**	8,119
Liabilities related to assets held for sale	**20,070**	440
Total liabilities	**2,624,299**	2,536,722

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. Northview entered into an agreement with Starlight Investments CDN AM Group LP ("Starlight LP") whereby Starlight LP provides certain advisory services relating to the identification of multi-unit residential properties for acquisition as per the transactional fee agreement dated February 27, 2019 (the "Transactional Fee Agreement"). Under the Transactional Fee Agreement, Northview shall pay, or cause to be paid, a fee equal to 1% of the aggregated purchase price paid for the acquisition of any new properties acquired by Northview which were sourced by Starlight LP, provided that no fee is payable for a property that is either wholly or majority owned by Starlight LP. The Transactional Fee Agreement was approved by the independent Trustees on February 27, 2019.

During the year ended December 31, 2018, Northview purchased properties from Starlight for a total purchase price of $180.0 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 Cap Rate at the time of the valuation. In conjunction with the transactions, Northview issued 609,555 Class B LP Units to Starlight with a fair value of $16.0 million and paid a fee of $1.0 million to Starlight on the properties acquired from independent vendors. There are no fees payable to Starlight from Northview on the properties acquired directly from Starlight. The transactions were 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 months ended March 31, 2019, revenue from ICP and ICS related to management fees was $0.1 million (March 31, 2018 − $0.1 million). The balance outstanding and payable to Northview from ICP and ICS related to management fees is $0.1 million (March 31, 2018 − $0.1 million) and is included in accounts receivable.