



BSR REAL ESTATE INVESTMENT TRUST

Condensed consolidated interim financial statements (In U.S. dollars)
For the three and six months ended June 30, 2024 and June 30, 2023

(Unaudited)

BSR REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Financial Position (Unaudited)

In thousands of U.S. dollars

			December 31, 2023 restated*	January 1, 2023 restated*
	Note	June 30, 2024		
Assets				
Non-current assets				
Investment properties	7	\$ 1,734,448	\$ 1,782,961	\$ 2,021,095
Right-of-use asset	16	100	167	300
Note receivable		5,227	5,227	5,227
Interest rate swaps and swaption	18(d)	138	931	4,083
Prepayment embedded derivatives	18(e)	911	853	1,134
		1,740,824	1,790,139	2,031,839
Current assets				
Cash and cash equivalents		12,429	6,734	7,196
Restricted cash	4	5,432	9,302	5,998
Interest rate swaps and swaption	18(d)	16,992	12,518	11,663
Resident and other receivables, net	5	4,493	3,956	3,227
Prepaid expenses and other assets	6	5,931	3,265	3,352
Total assets		\$ 1,786,101	\$ 1,825,914	\$ 2,063,275
Liabilities and Unitholders' Equity				
Non-current liabilities				
Loans and borrowings	9	\$ 743,533	\$ 771,409	\$ 724,581
Lease liability	16	108	177	307
Interest rate swaps and swaption	18(d)	277	5,900	—
		743,918	777,486	724,888
Current liabilities				
Accounts payable and other liabilities	8	44,905	53,760	50,434
Interest rate swaps and swaption	18(d)	101	38	—
Loans and borrowings	9	49,687	1,842	1,779
Class B Units	10	241,399	240,711	267,826
Convertible debentures	11	40,302	39,676	42,599
Total liabilities		\$ 1,120,312	\$ 1,113,513	\$ 1,087,526
Unitholders' equity				
Unitholders' equity	12	665,789	712,401	975,749
Total liabilities and unitholders' equity		\$ 1,786,101	\$ 1,825,914	\$ 2,063,275

* The comparative information is restated on account of the adoption of the amendments to IAS 1 (See Note 3(a)).
See accompanying notes to condensed consolidated interim financial statements.

BSR REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss (Unaudited)

In thousands of U.S. dollars

		Three months ended June Note 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Revenue:					
Rental revenue		\$ 37,284	\$ 37,086	\$ 74,406	\$ 74,053
Other property income		4,948	4,957	9,809	9,575
	13	42,232	42,043	84,215	83,628
Expenses (Income):					
Property operating expenses	14	12,066	12,198	24,026	23,722
Real estate taxes		(2,267)	(945)	26,128	28,441
General and administrative expenses		2,503	2,595	5,010	5,139
Fair value adjustment to investment properties	7	30,683	71,805	69,401	88,331
Fair value adjustment to investment properties (IFRIC 21)		8,327	7,746	(13,884)	(14,417)
Finance costs from operations	15	11,425	10,320	23,001	20,261
Finance income from interest rate swaps and note receivable		(3,963)	(3,181)	(7,858)	(5,878)
Distributions on Class B Units	15	2,617	2,665	5,243	5,333
Depreciation of right-of-use asset	16	34	33	67	66
Fair value adjustment to derivatives and other financial liabilities	15	19,729	(15,107)	(6,424)	(6,143)
Fair value adjustment to unit-based compensation	23	283	(170)	281	827
		81,437	87,959	124,991	145,682
Net loss and comprehensive loss		\$ (39,205)	\$ (45,916)	\$ (40,776)	\$ (62,054)

See accompanying notes to condensed consolidated interim financial statements.

BSR REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity (Unaudited)

In thousands of U.S. dollars

	Units	Distributions	Cumulative net income	Total Unitholders' Equity
Balance, as of January 1, 2023	\$ 409,053	\$ (59,598)	\$ 626,294	\$ 975,749
Net loss and comprehensive loss	—	—	(62,054)	(62,054)
Units issued, net of issuance costs (Note 12)	1,908	—	—	1,908
Units purchased for cancellation under the normal course issuer bid (Note 12)	(4,402)	—	(452)	(4,854)
Distributions	—	(9,430)	—	(9,430)
Balance, as of June 30, 2023	\$ 406,559	\$ (69,028)	\$ 563,788	\$ 901,319
Balance, as of January 1, 2024	\$ 373,693	\$ (78,320)	\$ 417,028	\$ 712,401
Net loss and comprehensive loss	—	—	(40,776)	(40,776)
Units issued, net of issuance costs (Note 12)	2,744	—	—	2,744
Units forfeited (Note 12)	—	—	49	49
Distributions	—	(8,629)	—	(8,629)
Balance, as of June 30, 2024	\$ 376,437	\$ (86,949)	\$ 376,301	\$ 665,789

See accompanying notes to condensed consolidated interim financial statements.

BSR REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

In thousands of U.S. dollars

		Six months ended June 30, 2024	Six months ended June 30, 2023
	Note		
Operating activities			
Net loss and comprehensive loss		\$ (40,776)	\$ (62,054)
Adjustments for:			
Fair value adjustment to investment properties	7	69,401	88,331
Fair value adjustment to derivatives and other financial liabilities	15	(6,424)	(6,143)
Fair value adjustment to unit-based compensation	23	281	827
Depreciation of right-of-use asset	16	67	66
Unit-based compensation	23	1,170	1,152
Finance costs from operations	15	23,001	20,261
Finance income from interest rate swaps and note receivable		(7,858)	(5,878)
Accrued distributions on Class B Units	15	5,243	5,333
Change in non-cash operating assets and liabilities	22	(23,549)	(13,317)
Cash provided by operating activities		20,556	28,578
Investing activities			
Additions to investment properties	7	(11,769)	(12,846)
Restricted cash withdrawals, net of deposits	4	2,233	338
Cash used in investing activities		(9,536)	(12,508)
Financing activities			
Units purchased for cancellation under the normal course issuer bid	12	—	(4,854)
Proceeds from issuance of loans and borrowings	9	23,046	19,981
Principal payments of loans and borrowings	9	(3,913)	(2,888)
Payment of mortgage financing costs	9	—	(671)
Principal payments of lease liability	16	(69)	(64)
Redemption of Class B Units in exchange for cash	10	(18)	—
Distributions paid to Class B Unitholders	10	(5,245)	(5,335)
Distributions paid to Unitholders		(8,627)	(9,441)
Interest paid		(18,244)	(19,208)
Interest received from interest rate swaps and note receivable		7,647	5,514
Cash received from interest rate swaption	18	98	—
Cash used in financing activities		(5,325)	(16,966)
Change in cash and cash equivalents during the period		5,695	(896)
Cash and cash equivalents, beginning of period		6,734	7,196
Cash and cash equivalents, end of period		\$ 12,429	\$ 6,300

See accompanying notes to condensed consolidated interim financial statements.

BSR REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six months ended June 30, 2024 and June 30, 2023

Amounts in thousands of U.S. dollars (except for unit and per unit amounts)

(1) Description of the entity

BSR Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust of the REIT dated January 9, 2018 (the "Declaration of Trust"), under the laws of the Province of Ontario. The REIT's Declaration of Trust was amended and restated on May 11, 2022. The principal business of the REIT is to acquire and operate multi-family residential rental properties across the United States.

As of June 30, 2024, the REIT owns 31 multifamily garden-style residential properties located across three bordering states in the Sunbelt region of the United States, which stretches across the South Atlantic and Southwest portions of the United States. The REIT also owns one property under development in Austin, Texas. The REIT currently operates in Arkansas, Texas and Oklahoma. The registered office of the REIT is at 333 Bay Street, Suite 3400, Toronto, Ontario.

(2) Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements were approved by the Board of Trustees on August 6, 2024.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties, derivative financial instruments, Class B Units (defined below) and the Convertible Debentures (defined below), which have been measured at fair value. The condensed consolidated interim financial statements are presented in U.S. dollars, which is the REIT's functional currency.

The REIT owns, manages and operates multifamily properties located in the United States as noted above. Management, when measuring the REIT's performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the REIT has a single reportable segment for disclosure purposes in accordance with IFRS Accounting Standards ("IFRS").

(3) Material accounting policy information

The condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the years ended December 31, 2023 and 2022, which have been prepared in accordance with IFRS. These condensed consolidated interim financial statements follow the same accounting policies as described in the annual financial statements for the year ended December 31, 2023 with the exception of the following new accounting standard that was issued by the IASB and is applicable in the period:

(a) International Accounting Standards 1 ("IAS 1") – Presentation of Financial Statements

On January 23, 2020, the IASB issued amendments to IAS 1 – Presentation of Financial Statements (the "2020 Amendments"), providing a more general approach to the classification of liabilities based on the contractual agreements in place at the reporting date. On October 31, 2022, the IASB issued Non-Current Liabilities with Covenants (the "2022 Amendments" and, together with the 2020 Amendments, the "IAS 1 Amendments"), to improve the information provided about long-term debt with covenants.

The IAS 1 Amendments affect only the presentation of liabilities in the statement of financial position and provide that for liabilities to be classified as non-current, the entity must have the right to defer settlement of the liability for at least 12 months after the reporting period. Further, the IAS 1 Amendments make clear that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and that the settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

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Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six months ended June 30, 2024 and June 30, 2023

Amounts in thousands of U.S. dollars (except for unit and per unit amounts)

The REIT adopted the IAS 1 Amendments beginning on January 1, 2024, when the amendments became effective, and has accordingly reclassified the Convertible Debentures and Class B Units from non-current liabilities to current liabilities on a retrospective basis. Consistent with the requirements under IAS 1 and National Instrument 51-102, the REIT has presented a third statement of financial position as at January 1, 2023, to show the effect of the adoption of the amendments at the beginning of the preceding period. As a result of the adoption applied retrospectively, the REIT reclassified Class B Units of \$240,711 and \$267,826 as of December 31, 2023 and January 1, 2023, respectively. The REIT also reclassified Convertible Debentures of \$39,676 and \$42,599 as of December 31, 2023 and January 1, 2023, respectively.

(4) Restricted cash

	June 30, 2024	December 31, 2023
Tenant security deposits	\$ 206	\$ 1,843
Replacement reserve	833	844
Lender escrow deposits	4,393	6,615
Restricted cash	\$ 5,432	\$ 9,302

(5) Resident and other receivables, net

	June 30, 2024	December 31, 2023
Resident receivables, net	\$ 302	\$ 280
Utility reimbursements and other receivables	4,191	3,676
Resident and other receivables, net	\$ 4,493	\$ 3,956

(6) Prepaid expenses and other assets

	June 30, 2024	December 31, 2023
Prepaid insurance	\$ 4,198	\$ 1,669
Other assets	1,733	1,596
Prepaid expenses and other assets	\$ 5,931	\$ 3,265

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Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six months ended June 30, 2024 and June 30, 2023

Amounts in thousands of U.S. dollars (except for unit and per unit amounts)

(7) Investment properties

A reconciliation of the carrying value for investment properties is set out below:

	Six months ended June 30, 2024	Six months ended June 30, 2023
Investment properties in use, beginning of period	\$ 1,742,974	\$ 2,001,528
Additions to investment properties in use	6,874	6,497
Change in fair value of investment properties	(69,401)	(88,331)
	1,680,447	1,919,694
IFRIC 21 fair value adjustment	13,884	14,417
IFRIC 21 real estate tax liability adjustment	(13,884)	(14,417)
Investment properties in use, end of period	1,680,447	1,919,694
 Investment property under development, beginning of period	 39,987	 19,567
Additions to investment property under development	14,014	6,556
Investment property under development, end of period	54,001	26,123
 Investment properties, end of period	 \$ 1,734,448	 \$ 1,945,817

The REIT uses an internal valuation process to value the investment properties as of June 30, 2024. The REIT engages third party appraisers to prepare valuations on a portion of the portfolio annually, such that the entire portfolio is appraised at least once every three years. As part of management's internal valuation program, the REIT considers external valuations performed by independent national real estate valuation firms for a cross-section of properties that represent different geographical locations across the REIT's portfolio and updates, as deemed necessary, the valuation models to reflect current market data.

The estimated fair value of each investment property was determined using the direct capitalization income method. The stabilized future cash flows are divided by an overall capitalization rate. The capitalization rates were derived in part from a combination of third-party information and the observation of industry trends (Level 3 inputs). Assumptions used to derive capitalization rates include property age, amenities, renovations, geographic region, capital expenditures assumptions and location.

A significant increase (decrease) in stabilized future cash flows in isolation would result in a significantly higher (lower) fair value. A significant increase (decrease) in capitalization rate estimates in isolation would result in significantly lower (higher) fair value. Generally, a change in estimated rents is accompanied by a directionally similar change in the rent growth per annum assumption and an opposite change in future vacancy rate estimates.

The following table summarizes the significant unobservable inputs used in the valuation of the REIT's properties in use:

	June 30, 2024	December 31, 2023
Capitalization rates		
High	6.7%	6.7%
Low	4.7%	4.7%
Weighted average	5.2%	5.1%

The estimated fair values of investment properties are most sensitive to changes in capitalization rates and stabilized future cash flows.

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The following table summarizes the potential impact of increases or decreases in these assumptions.

	Change in weighted average capitalization rate assumption				
	Increase of 0.50%	Increase of 0.25%	No change	Decrease of 0.25%	Decrease of 0.50%
Change in stabilized future cash flows assumption					
Decrease of 1.0%	\$ (162,876)	\$ (93,194)	\$ (16,804)	\$ 67,309	\$ 160,382
No change	\$ (147,547)	\$ (77,161)	\$ —	\$ 84,963	\$ 178,976
Increase of 1.0%	\$ (132,218)	\$ (61,128)	\$ 16,804	\$ 102,617	\$ 197,570

In July 2022, the REIT entered into an agreement to jointly develop phase II of Aura 36Hundred in the Austin, Texas metropolitan statistical area. During the six months ended June 30, 2024, the REIT capitalized \$399 of borrowing costs related to its initial cash contribution to the project at an average interest rate of 3.6%. Additionally, during the six months ended June 30, 2024, the REIT capitalized \$840 of borrowing costs directly related to the construction loan for the project at an average interest rate of 7.9%. During the six months ended June 30, 2023, the REIT capitalized \$320 of borrowing costs related to the project at an average interest rate of 3.3%.

(8) Accounts payable and other liabilities

	June 30, 2024	December 31, 2023
Trade payables	\$ 559	\$ 526
Accrued capital expenditures	4,759	3,489
Accrued property tax liabilities	15,042	28,159
Accrued and other liabilities	11,879	13,084
Distributions payable	2,317	2,313
Interest payable on loans and borrowings	5,740	1,819
Interest payable on convertible debentures	522	522
Tenant security deposits	2,182	1,841
Rent received in advance	1,905	2,007
Accounts payable and other liabilities	\$ 44,905	\$ 53,760

(9) Loans and borrowings

	June 30, 2024	December 31, 2023
Fixed or economically hedged to fixed rate mortgage notes payable	\$ 458,368	\$ 459,280
Construction loan for the investment property under development	27,503	14,958
Net unamortized discount on mortgage notes payable	(482)	(506)
Net unamortized deferred financing costs	(3,721)	(4,533)
Credit Facility	311,552	304,052
Total loans and borrowings	793,220	773,251
Less: current portion of loans and borrowings	(49,687)	(1,842)
Non-current loans and borrowings	\$ 743,533	\$ 771,409

Mortgage notes

The REIT's weighted average contractual interest rate on mortgage notes as of June 30, 2024 and December 31, 2023 was approximately 3.6% and 3.5%, respectively, which excludes the finance cost impact related to the amortization of discounts on mortgage notes and the amortization of deferred financing costs. With the inclusion of these items, the REIT's weighted average effective interest rate on mortgage notes as of June 30, 2024 and December 31, 2023 was approximately 3.7% and 3.6%, respectively. Mortgage notes as of June 30, 2024 mature at various dates from 2025 through 2056.

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Credit Facility

The REIT maintains a revolving credit facility (the “Credit Facility”) with a maximum revolving credit availability of \$500,000, of which \$412,852 was available as of June 30, 2024. The Credit Facility is secured by thirteen borrowing base properties. On June 9, 2023, the Credit Facility was extended by one year to September 30, 2026, with no other contractual changes as a result of the extension. The Credit Facility currently bears interest at an Adjusted Term Secured Overnight Financing Rate (“SOFR”), as defined in the Credit Facility, plus 1.55% to 1.90% based on meeting certain leverage ratios as defined in the Credit Facility. Alternatively, the REIT has the ability to borrow using base rate loans at a rate equal to 0.45% to 0.90% plus the greatest of the bank’s prime rate, the Federal Funds Rate plus 0.5%, or the term SOFR rate, plus 1.0%. As of June 30, 2024 and December 31, 2023, the balance outstanding on the Credit Facility was \$311,552 and \$304,052, respectively, at a variable interest rate of 7.0% and 6.9%, respectively.

Interest rate swaps

The REIT uses interest rate swaps to manage interest rate exposure with respect to the Credit Facility, as well as other variable rate mortgage notes payable. The REIT seeks to largely align the interest rate swap positions to the respective periods of the variable rate debt in place.

The REIT has entered into nine receive variable / pay fixed interest rate swap agreements based on various USD – SOFR Chicago Mercantile Exchange (“CME”) terms with an aggregate notional value of \$481,965 (active as of June 30, 2024). On July 1, 2024, the REIT’s 3.27% \$40,000 notional value interest rate swap increases to a notional value of \$105,000. Additionally, the REIT’s 2.25% \$50,000 notional value interest rate swap begins on October 1, 2024 (note 18(d)).

Total loans and borrowings

Scheduled maturities of principal and interest on all outstanding loans and borrowings as of June 30, 2024, which excludes the impact of the aforementioned swaps, are in the table below. Contractual Interest for variable rate loans and borrowings is calculated using the respective actual contractual interest rates as of June 30, 2024.

	Principal	Balloon payment	Contractual Interest	Total payments
2024	\$ 924	\$ —	\$ 22,554	\$ 23,478
2025	1,200	207,971	40,202	249,373
2026	840	367,955	24,810	393,605
2027	870	—	7,161	8,031
2028	902	118,690	5,652	125,244
Thereafter	35,421	62,650	19,490	117,561
	\$ 40,157	\$ 757,266	\$ 119,869	\$ 917,292

The REIT’s debt agreements contain customary representations, warranties and events of default, which require the REIT to comply with affirmative and negative covenants. As of June 30, 2024, the REIT was in compliance with all financial covenants of its debt agreements.

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For the three and six months ended June 30, 2024 and June 30, 2023
Amounts in thousands of U.S. dollars (except for unit and per unit amounts)

The following schedule presents the cash flows and non-cash changes within total loans and borrowings:

	Six months ended June 30, 2024	Six months ended June 30, 2023
Loans and borrowings, beginning of period	\$ 773,251	\$ 726,360
<i>Cash flows</i>		
Proceeds from issuance of loans and borrowings	23,046	19,981
Principal payments of loans and borrowings	(3,913)	(2,888)
Payment of mortgage financing costs	—	(671)
	19,133	16,422
<i>Non-cash changes</i>		
Amortization of deferred financing costs	812	928
Amortization of net discount on mortgage notes payable	24	30
	836	958
Loans and borrowings, end of period	\$ 793,220	\$ 743,740

(10) Class B Units of BSR Trust, LLC (“Class B Units”)

The Class B Units are economically equivalent to Units and are entitled to receive distributions equal to those provided to holders of Units. The Class B Units are non-voting and do not give enhanced economic or voting power relative to holders of Units. Accordingly, the Class B Units do not create a dual-class voting structure of the REIT. These Class B Units have been classified as a liability in accordance with IFRS. The Class B Units are redeemable by the holders for cash or Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by BSR in its sole discretion.

Class B Units are measured at fair value with any changes in fair value recorded in profit or loss. The fair value adjustments of Class B Units are calculated using the REIT Unit closing price as of the end of the reporting period. An increase in the REIT Unit closing price over the period results in a fair value loss whereas a decrease in the REIT Unit closing price over the period results in a fair value gain.

Under IFRS 13, if an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The REIT has recorded Class B units at their fair value, which has been assessed to equal the closing market price of the Units at each valuation date (Level 2).

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For the three and six months ended June 30, 2024 and June 30, 2023

Amounts in thousands of U.S. dollars (except for unit and per unit amounts)

The following table presents the outstanding units and the change in fair value of the Class B Units:

	Units	Value
Class B Units, as of December 31, 2022	20,554,586	\$ 267,826
<i>Non-cash changes</i>		
Redemption of Class B Units in exchange for Units	(34,795)	(498)
Fair value adjustments	—	(2,828)
Class B Units, as of June 30, 2023	20,519,791	\$ 264,500
Class B Units, as of December 31, 2023	20,278,928	\$ 240,711
<i>Cash changes</i>		
Redemption of Class B Units in exchange for cash	(1,500)	(18)
<i>Non-cash changes</i>		
Redemption of Class B Units in exchange for Units	(144,047)	(1,641)
Fair value adjustments	—	2,347
Class B Units, as of June 30, 2024	20,133,381	\$ 241,399

(11) Convertible debentures

On September 3, 2020, the REIT issued \$40,000 of 5.0% convertible unsecured subordinated debentures (“Convertible Debentures”). Interest is payable semi-annually on March 31 and September 30 each year until maturity on September 30, 2025, with interest payments commencing on March 31, 2021. The Convertible Debentures are convertible at the option of the holder into Units at \$14.40 per Unit (the “Conversion Price”).

On October 5, 2020, the REIT issued an additional \$2,500 of Convertible Debentures pursuant to the partial exercise of the over-allotment option granted to a syndicate of underwriters, for aggregate gross proceeds of \$42,500.

On or after September 30, 2023, but prior to September 30, 2024, the Convertible Debentures are redeemable, in whole or in part, at a price equal to the principal plus accrued and unpaid interest, at the REIT’s option, provided that the volume weighted average trading price of the US dollar denominated Units on the Toronto Stock Exchange for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and after September 30, 2024, the Convertible Debentures are redeemable by the REIT, in whole or in part, at a price equal to the principal plus accrued and unpaid interest. Additionally, the REIT may, at its option, elect to satisfy its obligation to pay all or any portion of the redemption by issuing Units to the holders at a value of 95% of the current market price of the Units on the redemption date.

The Convertible Debentures are measured at fair value with any changes in fair value recorded in profit or loss. The fair value adjustments of Convertible Debentures are calculated using the publicly available closing price as of the end of the reporting period (Level 1). An increase in the Convertible Debentures closing price over the period results in an increase in the liability and a corresponding fair value loss whereas a decrease in the Convertible Debentures closing price over the period results in a decrease in the liability and a corresponding fair value gain.

The following table presents the issuance and change in fair value of the Convertible Debentures:

	Six months ended June 30, 2024	Six months ended June 30, 2023
Convertible debentures, beginning of period	\$ 39,676	\$ 42,599
<i>Non-cash changes</i>		
Fair value adjustments	626	(835)
Convertible debentures, end of period	\$ 40,302	\$ 41,764

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For the three and six months ended June 30, 2024 and June 30, 2023

Amounts in thousands of U.S. dollars (except for unit and per unit amounts)

(12) Unitholders' equity

The REIT is authorized to issue an unlimited number of Units. Units are ordinary units of the REIT, each of which represents a unitholders' proportionate undivided beneficial interest and voting rights in the REIT.

On October 3, 2022, the TSX accepted the REIT's notice of intention to make a normal course issuer bid ("NCIB") commencing on October 6, 2022. The REIT could purchase for cancellation up to a maximum of 3,322,107 Units, or approximately 10% of the public float as of September 29, 2022, over the 12-month period commencing October 6, 2022. The REIT purchased and canceled 1,079,507 Units under its 2022 NCIB and automatic securities purchase plan ("ASPP") at an average price of \$13.55 per Unit through December 31, 2022. The REIT purchased and cancelled 402,177 Units at an average price of \$12.43 per Unit through October 5, 2023.

On October 4, 2023, the REIT renewed its NCIB for the 12-month period through October 5, 2024, permitting the REIT to purchase for cancellation up to a maximum of 3,186,336 Units, or approximately 10% of the public float as of September 27, 2023, over the 12-month period commencing October 6, 2023. The REIT concurrently renewed the ASPP. The REIT purchased and cancelled 3,137,895 Units under its renewed NCIB and ASPP at an average price of \$10.65 per Unit for the year ended December 31, 2023. The REIT suspended its ASPP on December 22, 2023.

	Units	Value
Units outstanding, classified as equity, as of December 31, 2022	36,309,281	\$ 409,053
Issuance of Units for unit-based compensation	105,952	1,410
Issuance of Units in exchange for Class B Units	266,019	3,146
Units purchased for cancellation under the normal course issuer bid	(3,540,072)	(39,916)
Units outstanding, classified as equity, as of December 31, 2023	33,141,180	\$ 373,693
Issuance of Units for unit-based compensation	68,147	786
Issuance of Units for deferred trust units	28,363	317
Issuance of Units in exchange for Class B Units	144,047	1,641
Units outstanding, classified as equity, as of June 30, 2024	33,381,737	\$ 376,437

(13) Revenue

Base rent is allocated to lease components based on relative stand-alone selling prices. The stand-alone selling price of the rental component is determined using an adjusted market assessment approach and the stand-alone selling price of the service components is determined using an expected cost plus a margin approach.

Revenue from the rental components is recognized on a straight-line basis over the lease term and includes the recovery of property taxes and insurance as well as consideration related to late rent, month-to-month leases and payments for early terminations. Other property income mainly comprises fees associated with moving in or out, such as application fees and cleaning fees, late rental payment fees, renters' liability insurance, parking fees, utility charges and other fee income from residents under the terms of the lease arrangements. Revenue recognition commences when a resident has the right to use the property and is recognized pursuant to the terms of the lease agreement. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are deferred as prepaid rents.

Revenue related to the service components of the REIT's leases is accounted for in accordance with IFRS 15, Revenue from Contracts with Customers. These services consist primarily of the recovery of utility, property maintenance and amenity costs and is recognized over time when the services are provided. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are recorded as contract liabilities included as part of accounts payable and other liabilities.

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Revenue from lease components and revenue related to service components is as follows:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Lease revenue	\$ 36,325	\$ 36,323	\$ 72,705	\$ 72,582
Revenue from services	5,907	5,720	11,510	11,046
Total revenue	\$ 42,232	\$ 42,043	\$ 84,215	\$ 83,628

(14) Property operating expenses

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Employee wages and benefits	\$ 4,880	\$ 4,606	\$ 9,598	\$ 9,284
Utility costs	2,187	2,107	4,511	4,390
Repairs and maintenance expense	1,806	1,805	3,473	3,381
Other property based costs	3,193	3,680	6,444	6,667
Property operating expenses	\$ 12,066	\$ 12,198	\$ 24,026	\$ 23,722

(15) Finance costs

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Finance costs from operations				
Interest expense on loans and borrowings at stated rate	\$ 10,492	\$ 9,328	\$ 21,117	\$ 18,253
Interest expense on lease liability	1	3	4	6
Amortization of deferred financing costs	400	457	812	928
Amortization of net discount on loans and borrowings	10	10	24	30
Interest expense on convertible debentures	522	522	1,044	1,044
Finance costs from operations	\$ 11,425	\$ 10,320	\$ 23,001	\$ 20,261
Fair value adjustment to derivatives and other financial liabilities				
Fair value adjustment to Class B Units	\$ 22,881	\$ (7,593)	\$ 2,347	\$ (2,828)
Fair value adjustment to convertible debentures	522	(835)	626	(835)
Fair value adjustment to interest rate swaps and swaption	(3,491)	(6,909)	(9,339)	(2,643)
Fair value adjustment to prepayment embedded derivatives	(183)	230	(58)	163
Fair value adjustment to derivatives and other financial liabilities	\$ 19,729	\$ (15,107)	\$ (6,424)	\$ (6,143)
Finance costs				
Finance costs from operations	\$ 11,425	\$ 10,320	\$ 23,001	\$ 20,261
Fair value adjustment to derivatives and other financial liabilities	19,729	(15,107)	(6,424)	(6,143)
Distributions on Class B Units	2,617	2,665	5,243	5,333
Finance costs	\$ 33,771	\$ (2,122)	\$ 21,820	\$ 19,451

Finance income from interest rate swaps and note receivable are gross of finance costs from operations and are presented separately within the condensed consolidated statements of net loss and comprehensive loss.

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(16) Leases

The REIT leases apartments of multifamily properties to residents under noncancelable operating leases. The leases generally have a term of one year, or less. There were no residents that accounted for more than 10% of the REIT's total rental revenue for the three and six months ended June 30, 2024.

As of June 30, 2024, the total future contractual minimum rent lease payments (excluding renewal or potential extension periods) expected to be received under noncancelable leases are as follows:

	June 30, 2024
1 year	\$ 79,992
2 years	2,383
	\$ 82,375

The REIT's Little Rock, Arkansas headquarters lease was renewed in April 2022 with a term that expires in March 2025 (see note 21). This lease requires monthly payments of \$12. The headquarters lease is accounted for as a right-of-use asset with a corresponding lease liability under IFRS 16. The REIT recognized \$6 in interest expense on the lease liability for the six months ended June 30, 2024 (\$6 for the six months ended June 30, 2023).

The following tables present the change in the right-of-use asset and corresponding lease liability for the six months ended June 30, 2024 and June 30, 2023:

	Six months ended June 30, 2024	Six months ended June 30, 2023
Right-of-use asset, as of beginning of period	\$ 167	\$ 300
Depreciation of right-of use asset	(67)	(66)
Right-of-use asset, as of end of period	\$ 100	\$ 234

	Six months ended June 30, 2024	Six months ended June 30, 2023
Lease liability, as of beginning of period	\$ 177	\$ 307
Principal payments on lease liability	(69)	(64)
Lease liability, as of end of period	\$ 108	\$ 243

The REIT recorded lease expenses of \$30 during the six months ended June 30, 2024 for additional low-value leased office equipment (\$30 for the six months ended June 30, 2023).

(17) Commitments and contingencies

The REIT is subject to legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, management believes that the final outcome of such matters will not have a material adverse effect on these condensed consolidated interim financial statements. As of June 30, 2024, there are no provisions recorded as a result of legal claims.

(18) Financial instruments

(a) Risk management

The REIT's activities expose it to market risk, credit risk and liquidity risk. Risk management is carried out by management of the REIT.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. In addition to the interest rate risk of variable rate mortgages, there is interest rate risk associated with the REIT's fixed rate mortgages due to the expected requirement to refinance such mortgages in the year of maturity. To

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manage exposure to interest rate risk, the REIT endeavours to manage maturities of fixed rate mortgages and match the nature of the mortgage with the cash flow characteristics of the underlying asset. This risk is also minimized through the REIT's current strategy of having the majority of its mortgages in fixed term arrangements. As such, the REIT's cash flows are not significantly impacted by a change in market interest rates, in connection with the REIT's mortgage portfolio.

Excluding the construction loan for the investment property under development as of June 30, 2024, the REIT's mortgage debt was 100% fixed or economically hedged to fixed rates, excluding net unamortized discounts on mortgages payable and net unamortized deferred financing costs.

Management manages a portion of its variable-rate mortgages and the variable-rate Credit Facility using interest rate swaps and swaptions that alter its exposure to the impact of changing interest rates. The interest rate swaps and swaption are not designated as hedging instruments and as a result, the changes in fair value are recognized in net loss as an adjustment to finance costs in the consolidated statement of net loss and comprehensive loss. The REIT seeks to largely align the interest rate swap positions to the respective periods of the variable rate debt in place.

As of June 30, 2024, a 100 basis-point change in interest rates, assuming all other variables are constant, would result in no change in the REIT's finance costs (net of finance income) over the next 12 months, which includes the impact of interest rate swaps and swaption which are effective as of June 30, 2024.

The REIT has no material exposure to currency or other market price risk.

The REIT's assets consist primarily of multifamily properties. Credit risk arises from the possibility that residents in investment properties may not fulfill their lease or contractual obligations. The REIT mitigates its credit risks by attracting residents of sound financial standing and by diversifying its mix of residents. It also monitors resident payment patterns and discusses potential resident issues with property managers on a regular basis.

Cash, restricted cash and interest rates swaps carry minimal credit risk as all funds are maintained with reputable financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk is the risk that the REIT will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The REIT's liquidity is subject to macroeconomic, financial, competitive and other factors that are beyond the REIT's control.

Liquidity risk is managed through cash flow forecasting. Management monitors forecasts of the REIT's liquidity requirements to ensure it has sufficient cash to meet operational needs through maintaining sufficient cash and/or availability on the undrawn Credit Facility and ensuring that it meets its financial covenants related to debt agreements. Such forecasting involves judgment, takes into consideration current and projected macroeconomic conditions, the REIT's cash collection efforts, debt financing plans, and covenant compliance required under the terms of debt agreements. There is a risk that such liquidity forecasts may not be achieved and that currently available debt financing may no longer be available to the REIT at terms and conditions that are favorable to the REIT, or at all.

The REIT manages maturities of the fixed rate mortgages and monitors the repayment dates of all loans and borrowings to ensure sufficient capital will be available to cover obligations. As of June 30, 2024, the REIT had a working capital deficit of \$331,117, which includes Class B Units and Convertible Debentures (\$241,399 and \$40,302 as of June 30, 2024, respectively). The Class B Units are redeemable for cash or Units of the REIT on a one-for-one basis at the option of BSR Trust, LLC. The Convertible Debentures are convertible into Units at the option of the holder.

The REIT's immediate liquidity needs are met through cash-on-hand, cash flow from operations, refinancing of maturing mortgages and availability on its Credit Facility. As of June 30, 2024, the REIT had liquidity of \$113,729, consisting of cash and cash equivalents of \$12,429 and \$101,300 of Credit Facility availability. The REIT can obtain additional liquidity through adding properties to the borrowing base. Management believes that there is sufficient liquidity to meet the REIT's financial obligations for the foreseeable future.

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The following table provides information on the carrying balance and the non-discounted contractual cash flows and maturities of financial liabilities with fixed repayment terms, including estimated interest payments:

	Carrying amount	Contractual cash flows	1 year	2 years	3 years	4 years	5 years	More than 5 years
Loans and borrowings	\$ 793,220	\$ 797,423	\$ 49,687	\$ 189,725	\$ 339,909	\$ 10,142	\$ 137,252	\$ 70,708
Interest payable	5,740	119,869	44,468	33,892	12,767	7,056	3,543	18,143
Interest rate swaps and swaption	378	277	—	277	—	—	—	—
Convertible debentures	40,302	41,764	—	41,764	—	—	—	—
Interest payable on convertible debentures	522	2,610	2,088	522	—	—	—	—
Lease liability	108	108	108	—	—	—	—	—
Capital improvements liability	4,759	4,759	4,759	—	—	—	—	—
Accounts payable and other liabilities	33,884	33,884	33,884	—	—	—	—	—
	\$ 878,913	\$ 1,000,694	\$ 134,994	\$ 266,180	\$ 352,676	\$ 17,198	\$ 140,795	\$ 88,851

(b) Fair value of financial instruments

The following information relates to estimated fair values of the REIT's financial instruments not measured at fair value on the REIT's consolidated statement of financial position:

Cash and cash equivalents, restricted cash, resident and other receivables, note receivable and accounts payable and other liabilities (excluding interest rate swaps and swaption) are carried at amortized cost, which, due to their short-term nature, approximates fair value.

The note receivable and lease liability are carried at amortized cost, which approximates fair value.

Loans and borrowings are carried at amortized cost. For disclosure purposes in (c) below, the REIT estimates the fair value of loans and borrowings using discounted cash flows based on the rates that could be obtained for similar debt instruments with similar terms and maturities (Level 2).

There were no transfers of assets between fair value levels during the periods presented herein.

(c) Loans and borrowings

	June 30, 2024	December 31, 2023
Carrying amount	\$ 793,220	\$ 773,251
Fair value	\$ 761,624	\$ 738,926

(d) Interest rate swaps and swaption

The REIT has entered into nine receive variable / pay fixed interest rate swap agreements based on various USD – SOFR CME terms and one swaption agreement. The interest rate swaps and swaption are not designated as hedges for accounting purposes. The interest rate swaps are used to manage interest rate exposure over the period of the interest rate swaps. The differential to be paid or received on all interest rate swap agreements is accrued as interest rates change and is recognized in finance costs over the life of the respective agreements. The interest rate swaps and swaption contain no credit risk-related contingent features.

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The following table is a summary of the REIT's interest rate swap agreements and the respective carrying values as of June 30, 2024:

	Maturity date	Fixed rate	Forward swap effective date	Counterparty optional termination date	Notional amount	Carrying value and fair value
<i>Interest rate swap agreements, as of June 30, 2024</i>						
Raymond James	9/1/2025	5.07%	n/a	n/a	\$ 1,965	\$ (46)
Bank of Montreal	8/30/2024	1.16%	n/a	n/a	20,000	138
Bank of Montreal	8/31/2029	2.16%	n/a	7/3/2025	150,000	3,738
Bank of Montreal ¹	8/31/2029	2.18%	n/a	7/3/2024	65,000	—
Bank of Montreal	7/27/2029	2.09%	n/a	7/3/2026	65,000	2,771
Bank of Montreal	7/1/2032	3.48%	n/a	1/2/2026	60,000	(231)
Bank of Montreal	4/26/2030	1.83%	n/a	6/10/2025	80,000	8,403
Bank of Montreal ²	7/1/2032	3.27%	n/a	1/2/2026	40,000	324
Bank of Montreal	7/1/2031	2.25%	10/1/2024	2/1/2027	50,000	1,756
					\$ 531,965	\$ 16,853
<i>Interest rate swaption agreement, as of June 30, 2024</i>						
Bank of Nova Scotia	9/14/2024	n/a	n/a	n/a	n/a	(101)
					\$ 531,965	\$ 16,752

¹ On July 3, 2024, the 2.18% \$65 million interest rate swap was terminated by the counterparty.

² On July 1, 2024, the 3.27% \$40 million interest rate swap will increase to a total notional amount of \$105 million.

In May 2024, the REIT amended its 3.54% \$60,000 interest rate swap by extending the maturity and counterparty optional termination dates. The amended interest rate swap is a receive variable based USD – SOFR CME / pay fixed interest rate swap with a rate of 3.48% maturing on July 1, 2032, subject to the counterparty's optional early termination date of January 2, 2026.

In June 2024, the REIT entered into a 90-day \$150,000 swaption at a cash premium received of \$98, exercisable by the counterparty on September 14, 2024. If exercised, the underlying swap would be effective as of July 1, 2025 at a rate of 2.75%, maturing on July 1, 2031. The underlying swap is a receive variable One Month USD – SOFR CME / pay fixed interest rate swap.

In June 2024, the REIT amended its 3.27% \$65,000 and 3.178% \$40,000 interest rate swaps by blending them into a receive variable based USD – SOFR CME / pay fixed interest rate swap with a notional value of \$40,000 (effective June 1, 2024) at a fixed rate of 3.274%, which increases to a notional value of \$105,000 on July 1, 2024. The interest rate swap matures on July 1, 2032, subject to the counterparty's optional early termination date of January 2, 2026.

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The following table is a summary of the aggregate current and non-current fair value of interest rate swaps and swaption held for the period presented herein:

	June 30, 2024	December 31, 2023
<i>Interest rate swaps and swaption</i>		
Assets		
Current asset	\$ 138	\$ 12,518
Non-current asset	16,992	931
Total assets	17,130	13,449
Liabilities		
Current liabilities	(101)	(38)
Non-current liabilities	(277)	(5,900)
Total liabilities	(378)	(5,938)
Interest rate swaps and swaption, end of period	\$ 16,752	\$ 7,511

The valuation of these instruments was determined using discounted cash flow or mark to market analyses based on the contractual terms of the derivatives, including the period to maturity of each instrument, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values determined are based on significant other observable inputs (Level 2). In addition, the REIT considered its own and the respective counterparties' risk of non-performance in determining the fair value of its derivative financial instruments by estimating the current and potential future exposure under the derivative financial instruments that both the REIT and the counterparties were at risk for as of the valuation date. This total expected exposure was then discounted using discount factors that contemplate the creditworthiness of the REIT and the counterparties to arrive at a credit charge. This credit charge was then netted against the value of the derivative financial instruments determined using the discounted cash flow analysis described above to arrive at a total estimated fair value of the interest rate swap agreements. Changes in fair value are recognized as net change in fair value of interest rate swaps and swaption in the accompanying condensed consolidated interim statement of net loss and comprehensive loss.

The following table summarizes the beginning and ending fair value and the unrealized gain (loss) for the interest rate swaps and swaption for the period presented:

	Six months ended June 30, 2024	Six months ended June 30, 2023
Interest rate swaps and swaption, beginning of period	\$ 7,511	\$ 15,746
<i>Cash changes</i>		
Cash received for interest rate swaption	(98)	—
<i>Non-cash changes</i>		
Fair value adjustment to interest rate swaps	9,339	2,643
Interest rate swaps and swaption, end of period	\$ 16,752	\$ 18,389

(e) Prepayment embedded derivatives

Certain mortgages payable (note 9) contain prepayment options that represent embedded derivatives that require bifurcation from the host contract. The prepayment options are measured at fair value, with changes in the fair value being recognized as net change in fair value of prepayment embedded derivatives in the consolidated statement of net loss and comprehensive loss.

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The fair value of the prepayment embedded derivatives has been determined using a SOFR based interest rate swap options ("swaptions") as a proxy. The swaptions were structured to mirror the financial conventions of the respective loans, including payment periods, accrual basis, principal amortization, prepayment dates and prepayment premiums. The swaptions were structured as fixed receiver with a strike rate set on market as of the date of the loan agreement with exercise premiums to match the underlying loans plus a cost of refinancing upon exercise. The resulting swaption price would represent a proxy for the value of the prepayment rights embedded in the underlying loans. The fair values determined are based on significant other observable inputs (Level 2).

The following table summarizes the beginning and ending fair value and the unrealized gain (loss) for the prepayment embedded derivatives for each period presented:

	Six months ended June 30, 2024	Six months ended June 30, 2023
Prepayment embedded derivatives, beginning of period	\$ 853	\$ 1,134
<i>Non-cash changes</i>		
Fair value adjustment to prepayment embedded derivatives	58	(163)
Prepayment embedded derivatives, end of period	\$ 911	\$ 971

(19) Capital management

The REIT's policy is to maintain an appropriate capital base to support ongoing operations, maintain creditor and market confidence and sustain future developments of the business. Capital consists of cash and cash equivalents, loans and borrowings, Convertible Debentures, Class B Units and Unitholders' equity. The REIT monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also making appropriate distributions to the unitholders on a regular basis.

In managing its capital structure, the REIT monitors performance and adjusts its capital based on its investment strategies and changes to economic conditions. To maintain or adjust its capital structure, the REIT may issue equity or new debt, issue new debt to replace existing debt (with different characteristics) or reduce existing debt.

(20) Employee benefit plan

Management of the REIT has adopted a defined contribution plan under Internal Revenue Service ("IRS") code section 401(k) for all eligible employees. Employees become eligible after 60 days of service with the REIT. A participant may elect to defer up to the maximum percentage of compensation permissible under Code Section 401(k). Management of the REIT elects to match employee deferrals at its discretion.

(21) Related party transactions

The condensed consolidated interim financial statements include the following related party transactions:

- Certain of the legacy BSR holders are members or affiliates of the Bailey family or are members or affiliates of the Hughes family (collectively, the "Bailey/Hughes Holders"), who together founded BSR. Distributions on Units of \$627 and \$1,234 were declared to Bailey/Hughes holders during the three and six months ended June 30, 2024, respectively (\$525 and \$1,050 during the three and six months ended June 30, 2023, respectively).
- Distributions on Class B Units of \$1,765 and \$3,530 were declared to key management personnel, primarily the Bailey/Hughes Holders, during the three and six months ended June 30, 2024, respectively (\$1,765 and \$3,530 during the three and six months ended June 30, 2023, respectively). Key management personnel of the REIT are those persons having the authority and responsibility for planning, directing and controlling the activities of the REIT directly or indirectly.
- Compensation expenses include \$812 and \$2,961 paid to key management personnel during the three and six months ended June 30, 2024, respectively (\$805 and \$3,030 during the three and six months ended June 30, 2023, respectively), which includes short-term employee compensation and benefits and unit-based compensation.

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- The REIT leases its Little Rock, Arkansas corporate headquarters from an irrevocable trust controlled by the family of the REIT's President, Chief Executive Officer and Chief Investment Officer, Dan Oberste, and the former Executive Vice-Chair of the Board, John S. Bailey. The current lease term expires in March 2025 (see note 16).

(22) Supplemental cash flow disclosures

Change in non-cash working capital comprises the following:

	Six months ended June 30, 2024	Six months ended June 30, 2023
Resident and other receivables, net	\$ (537)	\$ (2)
Prepaid expenses and other assets	(2,666)	(2,826)
Accounts payable and other liabilities	(20,346)	(10,489)
	\$ (23,549)	\$ (13,317)

(23) Deferred unit compensation and unit-based compensation

Remuneration of trustees (deferred unit compensation)

The REIT adopted the Omnibus Equity Incentive Plan effective as of May 18, 2018. The purpose of the Equity Incentive Plan is to promote a greater alignment of interests between the non-executive Trustees and the Unitholders. Under the Equity Incentive Plan, Trustees have the option to elect to receive up to 100% of all fees that are otherwise payable in cash in the form of Deferred Units. A Deferred Unit award is an award denominated in notional units that entitles the participant to receive Units or, if so elected by the participant and subject to the approval of the Board of Trustees, cash measured by the value of the Units in the future. Accordingly, the number of Deferred Units to be awarded to a Trustee is equal to (i) the value of all fees that the Trustee elects to receive in the form of Deferred Units, (ii) divided by the volume-weighted average trading price of a Unit on the TSX for the five trading days prior to the date of the award. Elections are irrevocable for the year in respect of which they are made. The Deferred Units earn additional Deferred Units for distributions that would otherwise have been payable in cash. Deferred Units granted to Trustees vest immediately upon grant. The grant date fair value of the payable is recognized in general and administrative expenses, with a corresponding increase in accounts payable and other liabilities.

For the six months ended June 30, 2024, \$600 of deferred unit compensation expense was recognized in general and administrative expenses in the condensed consolidated interim statement of net income and comprehensive income (\$628 for the six months ended June 30, 2023). The Deferred Units are measured at fair value at each reporting period using the closing market price of Units and the change in fair value is recognized in Fair value adjustment to unit-based compensation in the consolidated statement of net income and comprehensive income.

On May 9, 2024, two board members retired from the board converting their outstanding 159,892 Deferred Units, valued at \$11.19 per Deferred Unit, for \$1,789. Additionally on May 9, 2024, one other board member decided not to stand for re-election and converted their outstanding 28,363 Deferred Units for an equivalent number of Units.

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	Units	Liability Value
Deferred Units, as of December 31, 2022	306,026	\$ 3,988
<i>Non-cash changes</i>		
Deferred Units issued	48,261	628
Fair value adjustments	—	(49)
Deferred Units issued, as of June 30, 2023	354,287	\$ 4,567
 Deferred Units issued, as of December 31, 2023	 408,483	 \$ 4,854
<i>Cash changes</i>		
Deferred Units settled for cash	(159,892)	(1,789)
<i>Non-cash changes</i>		
Deferred Units issued	53,087	600
Deferred Units exchanged for REIT Units	(28,363)	(317)
Fair value adjustments	—	(67)
Deferred units issued, as of June 30, 2024	273,315	\$ 3,281

Unit-based compensation

The Equity Incentive Plan provides for awards of RUs, PUs and DTUs and other awards denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Units.

RUs and PUs are awarded to members of the senior executive team to align the interests of the senior executive team more closely with the interests of the Unitholders. RUs and PUs are denominated in notional units that entitles the participant to receive Units or, if so elected by the participant and subject to the approval of the Board of Trustees, cash measured by the value of the Units in the future. RUs vest in three equal instalments over a three-year period from the initial award and will be settled by Units issued from treasury or, if so elected by the participant and subject to the approval of the Board of Trustees, cash payable upon vesting. PUs will vest subject to performance criteria and targets established and set forth in the award agreements, and to the extent earned, will vest and become nonforfeitable on the third anniversary of the initial award. RUs and PUs earn additional RUs and PUs for distributions that would otherwise have been payable in cash. These additional RUs and PUs vest on the same basis as the initial RUs and PUs to which they relate.

The RUs and PUs are considered a financial liability due to the contractual obligation for the Trust to deliver Units at the option of the participant, subject to board approval. The RUs and PUs are measured at fair value at each reporting period using the closing market price of Units with changes in fair value recognized in Fair value adjustment to unit-based compensation in the consolidated statement of net income and comprehensive income.

On March 13, 2023, the REIT granted 40,776 and 61,163 RUs and PUs, respectively, with a grant date fair value of \$13.41 per Unit. On March 15, 2024, the REIT granted 40,240 and 60,360 RUs and PUs, respectively, with a grant date fair value of \$11.39 per Unit.

On January 1, 2023, 47,901 RUs vested and were settled through the issuance of 27,630 Units with a weighted average Unit price of \$13.03 with the remainder of RUs settled in cash for applicable income taxes. On March 13, 2023, 134,332 PUs vested resulting from a maximum payout of 200% under the 2020 equity incentive plan. This vesting was settled through the issuance of 78,322 Units with a weighted average Unit price of \$13.41 with the remainder settled in cash for applicable income taxes. On January 1, 2024, 31,009 RUs vested and were settled through the issuance of 17,224 Units with a weighted average Unit price of \$11.87 with the remainder of RUs settled in cash for applicable income taxes. On March 15, 2024, 86,388 PUs vested resulting from a payout of 154% under the 2021 equity incentive plan. This vesting was settled through the issuance of 50,922 Units with a weighted average Unit price of \$11.43 with the remainder settled in cash for applicable income taxes.

For the six months ended June 30, 2024, unit-based compensation expense of \$570 has been recognized in general and administrative expense (\$524 for the six months ended June 30, 2023). A fair value loss of \$348 for the six months

BSR REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six months ended June 30, 2024 and June 30, 2023

Amounts in thousands of U.S. dollars (except for unit and per unit amounts)

ended June 30, 2024 has been recognized in fair value adjustment to unit-based compensation in the condensed consolidated interim statements of net loss and comprehensive loss (\$875 loss for the six months ended June 30, 2023). As of June 30, 2024, 73,750 RUs and 167,760 PUs were unvested with a carrying amount of \$989 recorded in accounts payable and other liabilities in the condensed consolidated interim financial statements. As of December 31, 2023, 66,858 RUs and 172,856 PUs were unvested with a carrying amount of \$1,268 recorded in accounts payable and other liabilities in the condensed consolidated interim financial statements.

	Equity Incentive Plans - Restricted Units					
	2020	2021	2022	2023	2024	Total
Opening balance of units, as of January 1, 2023	14,926	26,972	29,735	-	-	71,633
Units granted	-	-	-	40,776	-	40,776
Distribution equivalents issued	-	383	645	1,322	-	2,350
Units vested and settled	(14,926)	(18,163)	(14,812)	-	-	(47,901)
Closing balance of units, as of December 31, 2023	-	9,192	15,568	42,098	-	66,858
Units granted	-	-	-	-	40,240	40,240
Distribution equivalents issued	-	-	168	575	922	1,665
Units forfeited	-	-	(397)	(3,606)	-	(4,003)
Units vested and settled	-	(9,192)	(7,786)	(14,032)	-	(31,010)
Closing balance of units, as of June 30, 2024	-	-	7,553	25,035	41,162	73,750

	Equity Incentive Plans - Performance Units					
	2020	2021	2022	2023	2024	Total
Opening balance of units, as of January 1, 2023	67,166	60,706	44,603	-	-	172,475
Units granted	67,166	-	-	61,163	-	128,329
Distribution equivalents issued	-	2,538	1,866	1,980	-	6,384
Units vested and settled	(134,332)	-	-	-	-	(134,332)
Closing balance of units, as of December 31, 2023	-	63,244	46,469	63,143	-	172,856
Units granted	-	22,424	-	-	60,360	82,784
Distribution equivalents issued	-	720	1,057	1,350	1,386	4,513
Units forfeited	-	-	(596)	(5,409)	-	(6,005)
Units vested and settled	-	(86,388)	-	-	-	(86,388)
Closing balance of units, as of June 30, 2024	-	-	46,930	59,084	61,746	167,760