Condensed Consolidated Interim Financial Statements
(In thousands of U.S. dollars)

STARLIGHT U.S. RESIDENTIAL (MULTI-FAMILY) INVESTMENT LP

For the three and nine months ended September 30, 2026 and 2025
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102 – *Continuous Disclosure Obligations*, if an auditor has not performed a review of an entity's condensed consolidated interim financial statements, they must be accompanied by a notice indicating that such condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Starlight U.S. Residential (Multi-Family) Investment LP have been prepared by and are the responsibility of Starlight U.S. Residential (Multi-Family) Investment LP's management.

Starlight U.S. Residential (Multi-Family) Investment LP's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

STARLIGHT U.S. RESIDENTIAL (MULTI-FAMILY) INVESTMENT LP

Condensed Consolidated Interim Statement of Financial Position
As at September 30, 2026 and December 31, 2025
(In thousands of U.S. dollars)
(Unaudited)

	Notes	September 30, 2026	December 31, 2025
ASSETS			
Non-current assets:			
Investment properties	6	$ 167,900	$ 265,700
Utility deposits		25	48
Total non-current assets		167,925	265,748
Current assets:			
Resident and other receivables	7	723	625
Prepaid expenses and deposits	8	102	12
Restricted cash	9	4,381	3,806
Cash		1,419	3,067
Total current assets		6,625	7,510
TOTAL ASSETS		**$ 174,550**	**$ 273,258**
LIABILITIES			
Non-current liabilities:			
Loans payable	10	$ 83,201	$ 81,512
Preferred shares - U.S. REIT series A	11	125	125
Total non-current liabilities		83,326	81,637
Current liabilities:			
Loans payable	10	78,181	173,682
Resident rental deposits and prepayments		304	439
Finance costs payable		3,026	1,331
Accounts payable and accrued liabilities	12	7,698	7,857
Total current liabilities		89,209	183,309
TOTAL LIABILITIES		**172,535**	**264,946**
EQUITY			
Attributable to Partners	2 & 13(a)	2,015	9,932
Attributable to non-controlling interests	14	—	(1,620)
TOTAL EQUITY		**2,015**	**8,312**
TOTAL LIABILITIES AND EQUITY		**$ 174,550**	**$ 273,258**

Commitments and contingencies (note 19)

See accompanying notes to the condensed consolidated interim financial statements.

Approved by the Board of Directors of Starlight U.S. Residential (Multi-Family) Investment LP on November 19, 2026, and signed on its behalf:

Kelly Smith Director *Harry Rosenbaum* Director

STARLIGHT U.S. RESIDENTIAL (MULTI-FAMILY) INVESTMENT LP

Condensed Consolidated Interim Statement of Income (Loss) and Comprehensive Income (Loss)
For the three and nine months ended September 30, 2026 and 2025
(In thousands of U.S. dollars)
(Unaudited)

	Notes	Three months ended September 30		Nine months ended September 30	
		2026	2025	2026	2025
Revenue from property operations		$ 4,959	$ 7,015	$ 15,050	$ 25,427
Expenses:					
Property operating		(1,362)	(1,993)	(4,056)	(6,978)
Property taxes		(494)	(955)	(1,523)	(3,251)
Income from rental operations		3,103	4,067	9,471	15,198
Other income (expenses):					
Partnership expenses	15	(380)	(993)	(1,213)	(2,736)
Finance costs	16	(4,991)	(6,858)	(15,745)	(23,220)
Gain on extinguishment of debt	16	19,983	—	19,983	—
Dividends to preferred shareholders - U.S. REIT series A	11	(4)	(4)	(12)	(12)
Fair value adjustment of investment properties	6	(812)	3,396	(18,843)	(27,256)
Income (loss) before income taxes		16,899	(392)	(6,359)	(38,026)
Income tax expense:					
Current		(17)	(13)	(50)	(44)
Net income (loss) and comprehensive income (loss)		**$ 16,882**	**$ (405)**	**$ (6,409)**	**$ (38,070)**
Net income (loss) and comprehensive income (loss) attributable to:					
Partners		14,646	(208)	(7,917)	(37,148)
Non-controlling interests	14	2,236	(197)	1,508	(922)
Net income (loss) and comprehensive income (loss)		**$ 16,882**	**$ (405)**	**$ (6,409)**	**$ (38,070)**

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT U.S. RESIDENTIAL (MULTI-FAMILY) INVESTMENT LP

Condensed Consolidated Interim Statement of Changes in Equity
For the nine months ended September 30, 2026 and 2025
(In thousands of U.S. dollars)
(Unaudited)

Balance, January 1, 2026	$	9,932
Changes during the period:		
Net loss and comprehensive loss		(7,917)
Balance, September 30, 2026	**$**	**2,015**

Balance, January 1, 2025	$	59,628
Changes during the period:		
Net transfers[(1)]		(10,326)
Net loss and comprehensive loss		(37,148)
Balance, September 30, 2025	**$**	**12,154**

[(1)] Net transfers represent amounts transferred to the previous owner of Starlight U.S. Residential (Multi-Family) Investment L.P., Starlight U.S. Residential Fund. Prior to the reorganization outlined in note 1, Starlight U.S. Residential (Multi-Family) Investment L.P. had transferred funds to this entity to repay loans and administrative costs of the consolidated structure at that time.

See accompanying notes to the condensed consolidated interim financial statements including note 13 for a description of class B Units (“Class B LP Units”) of Starlight U.S. Residential (Multi-Family) Investment L.P.

STARLIGHT U.S. RESIDENTIAL (MULTI-FAMILY) INVESTMENT LP

Condensed Consolidated Interim Statement of Cash Flows
For the three and nine months ended September 30, 2026 and 2025
(In thousands of U.S. dollars)
(Unaudited)

	Notes	Three months ended September 30		Nine months ended September 30	
		2026	2025	2026	2025
Operating activities:					
Net income (loss) and comprehensive income (loss)		$ 16,882	$ (405)	$ (6,409)	$ (38,070)
Adjustments for financing activities included in income (loss):					
Finance costs	16	4,991	6,858	15,745	23,220
Gain on extinguishment of debt	16	(19,983)	—	(19,983)	—
Dividends to preferred shareholders - U.S. REIT series A	11	4	4	12	12
Adjustment for item not involving cash:					
Fair value adjustment of investment properties	6	812	(3,396)	18,843	27,256
Change in non-cash operating working capital	17(a)	706	581	(25)	1,525
Change in restricted cash	9	(2,786)	954	(2,894)	2,050
Cash provided by operating activities		**626**	**4,596**	**5,289**	**15,993**
Investing activities:					
Dispositions of investment properties	5	80,248	64,700	80,248	168,200
Additions to investment properties	6	(460)	(646)	(1,291)	(2,198)
Cash provided by investing activities		**79,788**	**64,054**	**78,957**	**166,002**
Financing activities:					
Loans payable:					
Repayment of existing loans payable, net of gain on extinguishment	10	(79,778)	(64,225)	(79,778)	(153,922)
Draw downs on existing loans	10	618	1,784	3,429	3,822
Finance costs paid	17(b)	(1,117)	(7,238)	(9,534)	(18,658)
Contributions from non-controlling interest	14	—	—	1	26
Net transfers[1]	13(a)	—	(258)	—	(10,326)
Dividends to preferred shareholders - U.S. REIT series A	11	(4)	(4)	(12)	(12)
Cash used in financing activities		**(80,281)**	**(69,941)**	**(85,894)**	**(179,070)**
Increase (decrease) in cash		**133**	**(1,291)**	**(1,648)**	**2,925**
Cash, beginning of period		1,286	6,296	3,067	2,080
Cash, end of period		**$ 1,419**	**$ 5,005**	**$ 1,419**	**$ 5,005**

[1] Net transfers represent amounts transferred to the previous owner of Starlight U.S. Residential (Multi-Family) Investment L.P., Starlight U.S. Residential Fund. Prior to the reorganization outlined in note 1, Starlight U.S. Residential (Multi-Family) Investment L.P. had transferred funds to this entity to repay loans and administrative costs of the consolidated structure at that time.

See accompanying notes to the condensed consolidated interim financial statements.

1. Nature of business

Starlight U.S. Residential (Multi-Family) Investment L.P. ("SURF LP") is a "closed-end" limited partnership, established under and governed by the laws of the Province of Ontario, pursuant to an amended and restated limited partnership agreement (the "LPA"). Until December 29, 2025, SURF LP was a wholly owned subsidiary of Starlight U.S. Residential Fund (the "Fund"). On December 30, 2025 (the "Reorganization Date"), SURF LP and the Fund completed a reorganization transaction (the "Reorganization"), pursuant to which unitholders of the Fund (the "Former Unitholders") and holders of Class B LP Units in SURF LP ("Class B LP Unitholders") received Canadian dollar denominated class A limited partnership units of SURF LP ("SURF LP Units") based on a defined exchange ratio. As a result, the Former Unitholders and Class B LP Unitholders (collectively the "Partners") became the unitholders of SURF LP and its subsidiaries.

In connection with the Reorganization, the LPA was amended and restated as of the Reorganization Date to reflect, where applicable, the terms of the Fund's amended and restated declaration of trust (the "Declaration of Trust"). SURF LP became a reporting issuer in the applicable Canadian jurisdictions, with SURF LP Units listed on the TSX Venture Exchange ("TSXV") under the symbol "SURF.UN". The term of SURF LP (the "Term") has been extended to November 15, 2029, representing a three-year extension from the Fund's prior expiry date of November 15, 2026. As a result of the Reorganization, SURF LP now carries on the multi-family residential real estate business previously carried on by the Fund.

SURF LP was established for the primary purpose of directly or indirectly acquiring, owning and operating a portfolio primarily comprised of income-producing residential properties in the United States ("U.S.") residential real estate market that can achieve significant increases in rental rates as a result of undertaking high return, value-add capital expenditures and active asset management, that are located primarily in the States of Arizona, California, Colorado, Florida, Georgia, Idaho, Nevada, North Carolina, Oregon, South Carolina, Tennessee, Texas, Utah and Washington ("Primary Markets").

On November 15, 2021, SURF LP had equity contributed by the Partners which included the Fund contributing a portion of the proceeds of its initial public offering (the "Offering"), which was completed on the same day. The Offering, together with a concurrent private placement of class I trust units amounting to aggregate gross proceeds of $249,568 by issuing the following trust units of the Fund ("Units"): 3,422,689 class A Units; 3,430,000 class C Units (including 750,000 Class B LP Units assumed to be converted into class C Units for this purpose); 10,923,370 class D Units, 6,561,866 class F Units and 3,500,000 class I Units at a price of $10.00 Canadian dollars ("C$") per Unit and 699,990 class E Units; 801,485 class G Units and 1,188,200 class U Units, at a price of $10.00 per Unit. The class A and class U Units distributed under the Offering were listed on the TSXV under the symbols SURF.A and SURF.U, respectively. Class A, C, D, F, I and Class B LP Units were Canadian dollar denominated Units and class E, G and U were U.S. dollar denominated Units. Conversions could be made between certain classes of Units based on conversion ratios (the "Conversion Ratios") calculated consistent with the Declaration of Trust. Upon completion of the Reorganization, all Units of the Fund, including the Class B LP Units of SURF LP, were converted into 32,583,440 SURF LP Units, and Starlight U.S. Residential Fund ceased to be a reporting issuer. The Fund's class A and class U Units were delisted from the TSXV effective at the close of business on December 23, 2025. SURF LP Units commenced trading on the TSXV under the symbol "SURF.UN" at the opening of trading on December 31, 2025. As noted above, the Units previously outstanding in the Fund were exchanged for SURF LP Units.

Following completion of the Offering, SURF LP acquired three class "A" institutional quality multi-family properties comprising a total of 1,133 suites which include Bainbridge Sunlake ("Sunlake"), Indigo Apartments ("Indigo") and Lyric Apartments ("Lyric"), located in the States of Florida, North Carolina and Nevada, in the Tampa, Raleigh and Las Vegas metropolitan areas, respectively. Subsequent to the Offering, SURF LP acquired an additional multi-family property, Emerson at Buda ("Emerson"), located in Austin, Texas in 2021. During the year ended December 31, 2022, SURF LP acquired Eight at East, a multi-family property comprising 264 suites in Orlando, Florida and acquired a 90% interest in Ventura Mezz LLC (the remaining 10% interest in Ventura Mezz LLC is owned by an affiliate of the Manager (as defined below)), which indirectly owns the Ventura ("Ventura"), a multi-family property

comprising 272 suites in Phoenix, Arizona. SURF LP's multi-family properties are collectively the "Properties". During 2025, the Fund completed the dispositions of Lyric, Eight at East and Emerson, respectively, and on September 10, 2026, SURF LP completed the disposition of Ventura (note 5), while the remaining two Properties continue to be owned by SURF LP.

SURF LP is managed by Starlight Investments US AM Group LP (the "Manager") which is a wholly owned subsidiary of Starlight Group Property Holdings Inc. ("Starlight Group") and a related party. As at September 30, 2026, SURF LP's property portfolio consisted of interests in two Properties comprising 757 suites (December 31, 2025 - 1,029).

The registered office of SURF LP is located at 3280 Bloor Street West, Centre Tower, Suite 1400, Toronto Ontario M8X 2X3.

2. Basis of presentation

(a) Statement of compliance:

These condensed consolidated interim financial statements of SURF LP and its subsidiaries have been prepared by management in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions significant to understand the changes in financial position and performance of SURF LP since the last audited consolidated financial statements for the year ended December 31, 2025. Certain information and note disclosures normally included in the annual audited consolidated financial statements prepared in accordance with IFRS Accounting Standards have been omitted or condensed. These condensed consolidated interim financial statements were approved by the Board of SURF LP and authorized for issue on November 19, 2026.

(b) Basis of measurement and going concern:

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties and derivative instruments, which are measured at fair value. All intercompany transactions and balances between SURF LP and the subsidiary entities have been eliminated upon consolidation.

The application of the going concern basis of presentation assumes that SURF LP will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

SURF LP strives to maintain strong and collaborative relationships with its lenders but the elevated level of interest rates and associated impact on capitalization rates described in note 22(c) had a negative impact on SURF LP's overall leverage position and debt service coverage ratios, both of which are typical financial benchmarks required to extend certain loans and as a result, these changes have impacted SURF LP's ability to exercise certain extension options available under existing loans payable. Under the terms of each applicable loan agreement, SURF LP has the right to make a principal repayment towards such loan in order to achieve the extension tests that otherwise may not be achieved. Given SURF LP was formed as a "closed-end" investment vehicle, SURF LP is restricted from raising any additional equity, which may have otherwise assisted in making any principal repayments of the loans payable in order to meet certain extension conditions. In the event SURF LP is not able to refinance the loan or if SURF LP does not have sufficient liquidity or other sources of capital sufficient to make any such principal repayments required to achieve the applicable loan extension tests and SURF LP is not able to otherwise negotiate an extension of such loan, the applicable lender may provide formal notice of an event of default expressing its right to demand repayment of the borrowings relating to such property. Under this scenario, SURF LP may be obligated to sell such properties which may not be able to be completed on terms that are acceptable to SURF LP or may be required to explore other options in the best economic interests of SURF LP in order to discharge its obligations under any of the applicable loan agreements. SURF LP's loans payable also do not carry cross-default provisions.

The loan payable secured by interests in Ventura property matured on February 9, 2026 and despite continuing to enter into good faith negotiations with first mortgage lender for Ventura, during the three months ended March 31, 2026, SURF LP received a maturity default notice (the "Notice") from the lender of the loan secured by Ventura (the "Lender"). The Notice received expressed the Lender's right to demand repayment of the borrowings secured by the property. In the absence of a negotiated modification and extension of such loan, the Lender has the right to exercise the remedies available to it under the loan agreement, including a foreclosure of the property. On June 12, 2026, the Lender assigned the loan to a new lender who decided to exercise the remedies available to it under the loan agreement and on September 10, 2026, finalized foreclosure proceedings of Ventura through a public auction, which resulted in the transfer of ownership of Ventura to a third party. The transfer of Ventura resulted in no net proceeds to SURF LP and SURF LP recognized a gain on extinguishment of debt of $19,983 (notes 5 and 16). The loan secured by Ventura did not carry cross-default provisions with any other loans payable outstanding for SURF LP.

On July 17, 2025, SURF LP extended the loan payable secured by Sunlake property to June 1, 2026. Notwithstanding the June 1, 2026 maturity date, SURF LP received a maturity default notice from the lender of the Sunlake loan payable during the three months ended December 31, 2025, which outlined certain remedies available to such lender. SURF LP continues to enter into good faith negotiations to modify or extend the Sunlake loan payable. As of the date of issuance of these financial statements, the lender has not exercised any remedies available. SURF LP does not expect a material impact on its net asset value as a result of any remedies the lender may exercise.

The fair value reported for one of SURF LP's two properties as at September 30, 2026 was lower than the principal outstanding under the loans payable secured by such property and as a result, the sale of such property may not be sufficient to repay the indebtedness outstanding for such property. In certain instances, the lenders also hold restricted cash as part of the security for such loans which in a liquidation event may be used to repay any indebtedness that may be required to be repaid by SURF LP. SURF LP's secured loans are non-recourse subject to standard limited recourse provisions and are entered into by the subsidiaries of SURF LP that own only the associated secured property. As a result, the liability for any such loan would typically be limited to the value of the associated secured property, including any restricted cash reserves or other amounts held by the applicable lenders, other than in certain instances which may obligate SURF LP to incur certain costs or other amounts subject to certain performance conditions. The table below separates the net assets related to the one property where the reported fair value as at September 30, 2026 was lower than the principal outstanding under the loans payable secured by such property from other net assets of SURF LP.

	Net assets attributable to Properties where fair value is below loan payable balance[1]	Other net assets of SURF LP	Total
Investment property, net of loans payable	$ (11,261)	$ 17,686	$ 6,425
Other net assets of SURF LP	(1,075)	(3,335)	(4,410)
Net equity attributable to Partners	**$ (12,336)**	**$ 14,351**	**$ 2,015**

[1] As at September 30, 2026, the fair value of one of SURF LP's two properties was lower than the corresponding loans payable balance secured by such property.

SURF LP previously amended several of its loan agreements, completed the Reorganization, deferred the payment of asset management fees and has continued to focus on maximizing net operating income ("NOI") at the Properties to preserve as much liquidity as possible. There are no assurances that the aforementioned financing activities and remaining property dispositions will be successfully completed which indicates the existence of a material uncertainty that may cast doubt upon SURF LP's ability to realize its assets and discharge its liabilities in the normal course of business and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet

classifications that may be necessary if SURF LP were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments, if required, may be material.

(c) Functional and presentation currency:

These condensed consolidated interim financial statements are presented in U.S. dollars, which is the functional currency of SURF LP and its subsidiaries and all amounts have been rounded to the nearest thousand except when otherwise indicated.

Transactions in currencies other than U.S. dollars are translated at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into U.S. dollars at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into U.S. dollars at the exchange rate at the date that the fair value was initially determined.

Foreign currency gains or losses arising from settlement of transactions or translations are included in the condensed consolidated interim statement of income (loss) and comprehensive income (loss). Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency (C$) are translated using the exchange rate at the date of the transaction.

3. Material accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies included in SURF LP's audited consolidated financial statements for the year ended December 31, 2025. These accounting policies are based on the IFRS Accounting Standards applicable at that time. The condensed consolidated interim financial statements do not include all of the disclosures included in the audited consolidated financial statements for the year ended December 31, 2025 and accordingly, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2025 and notes thereto.

4. Adoption of accounting standards

Accounting standards implemented:

(a) Amendments to the Classification and Measurement of Financial Instruments which amended IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures:

The amendments address diversity in accounting practice by making the requirements more understandable and consistent. These amendments are effective for annual periods beginning on or after January 1, 2026, with early application permitted. The adoption of this amendment had no significant impact on the condensed consolidated interim financial statements of SURF LP.

Future accounting policy changes:

(a) IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18"):

The new standard, IFRS 18, replaces IAS 1 Presentation of Financial Statements while carrying forward many of the requirements in IAS 1. IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. It introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies.

The standard is effective for annual periods beginning on or after January 1, 2027, with restatement of the comparative period being required and early application permitted. SURF LP is currently evaluating the impact of this amendment on future periods and does not anticipate a material impact to SURF LP as a result of IFRS 18.

5. Dispositions

The following asset disposition was completed during the nine months ended September 30, 2026. The fair value of consideration has been allocated to the identifiable assets and liabilities sold based on their fair values at the date of disposition as follows:

		Ventura
Disposition date		September 10, 2026
City, state/region		Phoenix, Arizona
Investment properties	$	80,248
Add:		
Resident and other receivables		44
Prepaid expenses and deposits		12
Restricted cash		2,318
Deduct:		
Finance costs payable		(3,940)
Resident rental deposits and prepayments		(366)
Accounts payable and accrued liabilities		(16)
Net proceeds from disposition before repayment of loans	$	78,300
Settlement of loan on foreclosure[1]		(98,283)
Gain on extinguishment of debt[1]	$	(19,983)

[1] On September 10, 2026, the foreclosure proceedings for Ventura were finalized through a public auction which resulted in the transfer of ownership of Ventura to a third party. The transfer of Ventura resulted in no net proceeds to SURF LP. As at the date of the transfer, the fair value of the Ventura loan payable exceeded the value of the related investment property and as a result, SURF LP recognized a gain on extinguishment of such debt of $19,983 (notes 10(b) and 16).

The following asset dispositions were completed during the year ended December 31, 2025. The fair value of consideration has been allocated to the identifiable assets and liabilities sold based on their fair values at the date of dispositions as follows:

		Lyric		Eight at East		Emerson		Total
Disposition date		April 29, 2025		August 12, 2025		October 21, 2025		
City, state/region		Las Vegas, Nevada		Orange County, FL		Austin, Texas		
Investment properties	$	103,500	$	64,700	$	55,500	$	223,700
Add:								
Resident and other receivables		70		24		273		367
Prepaid expenses and deposits		—		—		24		24
Restricted cash		85		1,882		3,104		5,071
Deduct:								
Finance costs payable		(318)		(51)		(2,261)		(2,630)
Transaction costs[1]		(651)		(595)		—		(1,246)
Resident rental deposits and prepayments		(74)		(745)		(729)		(1,548)
Accounts payable and accrued liabilities		(216)		(110)		(440)		(766)
Net proceeds from disposition before repayment of loans	$	102,396	$	65,105	$	55,471	$	222,972
Gain on extinguishment of debt[2]		—		—		1,209		1,209
Repayment of first mortgages[2]		(86,697)		(64,225)		(56,680)		(207,602)
Transfer to former owner[3]		(13,605)		—		—		(13,605)
Net proceeds from disposition	$	2,094	$	880	$	—	$	2,974

[1] SURF LP incurred transaction costs of $1,246 during the year ended December 31, 2025.

(2) SURF LP used the proceeds to repay the first mortgages for Lyric of $86,697 and Eight at East of $64,225. On October 21, 2025, the foreclosure proceedings for Emerson were finalized through a public auction which resulted in the transfer of ownership of Emerson to a third party. The transfer of the Emerson resulted in no net proceeds to SURF LP. As at the date of the transfer, the fair value of the Emerson loan payable exceeded the value of the related investment property and as a result, SURF LP recognized a gain on extinguishment of such debt of $1,209.

(3) SURF LP retained the remaining proceeds to fund existing operations and to distribute funds from the disposition of Lyric amounting to $13,605 to the former owner of the Fund prior to the Reorganization to repay certain fund level debt in the SURF entity.

6. Investment properties

The following table summarizes the change in the investment properties for the nine months ended September 30, 2026 and the year ended December 31, 2025:

Balance, January 1, 2025	$	514,400
Additions		2,646
Dispositions (note 5)		(223,700)
Fair value adjustment		(27,646)
Balance, December 31, 2025	$	265,700
Additions		1,291
Dispositions (note 5)		(80,248)
Fair value adjustment		(18,843)
Balance, September 30, 2026	$	167,900

The following table reconciles the cost base of the investment properties to their fair values:

		September 30, 2026		December 31, 2025
Cost	$	225,623	$	453,881
Cumulative fair value adjustments		(57,723)		(188,181)
Fair value	**$**	**167,900**	**$**	**265,700**

The key valuation assumptions for the investment properties are set out in the following table:

	September 30, 2026	December 31, 2025
Capitalization rate - range	5.12% - 5.25%	5.00% - 5.25%
Capitalization rate - weighted average	5.20 %	5.10 %

SURF LP determined the fair value of each Property using a combination of direct capitalization and direct cash flow methods. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair values of SURF LP's Properties are sensitive to changes in the key valuation assumptions. A 10 basis-point ("bps") change in the capitalization rates would result in a change to the estimated fair value of the Properties as set out in the following table:

Weighted average	Change		September 30, 2026		December 31, 2025
Capitalization rate	10 bps increase	$	(3,168)	$	(5,110)
Capitalization rate	10 bps decrease	$	3,292	$	5,314

The impact of a one percent change in the NOI used to value the Properties as at September 30, 2026 would affect the fair value of the Properties by approximately $2,645 (December 31, 2025 - $3,335).

The Properties are considered as Level 3 assets under IFRS 13 - Fair value measurement due to the extent of assumptions required beyond observable market data to derive the fair values (note 22(b)).

7. Resident and other receivables

The following table presents details of the resident and other receivables balance:

	September 30, 2026	December 31, 2025
Resident receivables[1]	$ 12	$ 13
Other receivables[1]	711	612
	$ 723	$ 625

[1] SURF LP holds no collateral in respect of resident and other receivables.

8. Prepaid expenses and deposits

The following table presents details of the prepaid expenses balance:

	September 30, 2026	December 31, 2025
Prepaid insurance	$ 91	$ —
Prepaid expenses	11	12
	$ 102	$ 12

9. Restricted cash

The following table presents details of the restricted cash balance:

	September 30, 2026	December 31, 2025
Escrowed funds:		
Property taxes[1][2]	$ 1,523	$ 1,254
Property insurance[1][2]	259	412
Replacement and repairs[1][2]	969	1,493
Interest reserve[3]	1,086	—
Transaction expense reserve[4]	250	250
Restricted cash:		
Security deposits[2][5]	294	397
	$ 4,381	$ 3,806

[1] Escrowed funds include cumulative amounts that are funded on a monthly basis into escrow with certain of SURF LP's lenders. These amounts are used to pay property taxes and insurance coming due within a 12-month period or repairs or upgrades at certain of the Properties.

[2] On September 10, 2026, ownership of Ventura was transferred to a third party (note 5). As a result, escrow funds and security deposits held by the Lender amounting to $2,318 were included in the net assets transferred.

[3] Interest reserve includes amounts funded into escrow with certain of SURF LP's lenders which may be used to fund interest costs in future periods or released to SURF LP subject to certain conditions of each individual loan payable. These amounts in certain instances act as security to the lender of such property and as at September 30, 2026, $1,086 was secured by a property for which the fair value of such property was less than the loans payable secured by such property (note 2)

[4] Transaction expense reserve includes amounts funded into escrow with certain of SURF LP's lenders which may be used to fund closing costs related to disposition of the Properties in future periods or released to SURF LP subject to certain conditions of each individual loan payable. These amounts in certain instances act as security to the lender of such property and as at September 30, 2026, $250 was secured by a property for which the fair value of such property was less than the loans payable secured by such property (note 2)

[5] Security deposits relate to funds paid by residents that are specifically restricted until a resident exits a lease and are either refunded or applied to amounts due under their lease, as applicable.

10. Loans payable

Loans payable are secured against the applicable investment properties to which the loan relates and typically require interest only ("IO") payments until a specified date. All of SURF LP's loans payable outstanding as at September 30, 2026 bear fixed interest rates. The Ventura loan payable, which was extinguished on September 10, 2026 (note 5), bore interest at variable index rates based on Term SOFR plus an interest rate spread. Under certain loans, SURF LP had purchased an interest rate cap which provides for a maximum interest rate payable in the event the variable index rate is above the strike rate of the cap, all of which expired by June 2025.

A summary of SURF LP's loans payable is presented below:

Property[1]	Payment terms	Maturity date	Extension options	Interest rate	September 30, 2026 Principal outstanding	December 31, 2025 Principal outstanding
Sunlake (a)	IO	June 1, 2026	N/A	8.56%	$ 77,761	$ 76,368
Indigo	IO[2]	June 28, 2029	N/A	5.85%	62,153	62,223
Ventura (b)	IO	N/A	N/A	Term SOFR + 3.50%	—	97,474
Unsecured Financing (c)	IO	June 28, 2029	N/A	12.00%	21,561	20,335
Principal outstanding					$ 161,475	$ 256,400
Unamortized financing costs					(93)	(1,206)
Carrying value					$ 161,382	$ 255,194
Breakdown of current versus non-current portion of carrying value:						
Current[3]					$ 78,181	$ 173,682
Non-current					$ 83,201	$ 81,512

[1] The loans payable in the table above were primarily entered into on the date of acquisition of each respective Property owned by SURF LP, with the exception of the unsecured financing and refinancing of Indigo. On the Reorganization Date, the Fund's credit facility was assigned to SURF LP.

[2] The Indigo loan payable commenced principal payments starting August 1, 2026 based on a 35-year amortization period.

[3] Loans payable of $78,181 (net of $nil of deferred financing costs) (December 31, 2025 - $173,682, net of $160 of deferred financing costs) were classified as current liabilities as they are due and payable within 12 months of the date of the condensed consolidated interim statement of financial position.

(a) On July 17, 2025, the Sunlake loan payable was extended by one-year to June 1, 2026. As per the terms of the extension, the loan is subject to certain performance conditions during the remaining loan term and bears interest-only payments at a fixed rate of 8.56% per annum with any debt service shortfall, as defined therein, being accrued and deferred until maturity. Any accrued debt service costs or debt service shortfall funding which have been deferred and are payable upon maturity of the loan are included in interest expense within the condensed consolidated interim statement of income (loss) and comprehensive income (loss) (note 16) with an offsetting amount added to the loans payable principal outstanding which during the three and nine months ended September 30, 2026 amounted to $66 and $1,393. As at September 30, 2026, SURF LP had accrued and deferred a total of $2,761 of debt service costs which are included in the principal balance outstanding reported at such date (December 31, 2025 - $1,368). During the three months ended December 31, 2025, SURF LP received a maturity default notice from the lender of the Sunlake loan payable which outlined certain remedies available to such lender. SURF LP continues to enter into good faith negotiations to modify or extend the Sunlake loan payable. As of the date of issuance of these financial statements, the lender has not exercised any remedies available. SURF LP does not expect a material impact on its net asset value as a result of any remedies the lender may exercise (note 2(b)).

(b) On May 1, 2024, SURF LP amended the Ventura loan payable to extend the term to February 9, 2026, discharged its obligation to purchase a replacement interest rate cap and defer a portion of the debt service at the property, whereby SURF LP can defer up to certain amounts per month subject to certain terms. Any deferred amounts accrued interest at 12.0% per annum, compounded monthly, payable at the time of repayment of such loan and the remaining principal outstanding on the Ventura loan payable of $92,750, which bore interest at Term

SOFR + 3.50%. On June 9, 2025, SURF LP finalized the modification of the Ventura loan payable to reduce SURF LP's monthly funding obligation for any debt service shortfall of the property to $75 per month, effective retroactively as of February 9, 2025. Despite continuing to enter into good faith negotiations to extend or modify the Ventura loan payable, SURF LP received the Notice from the Lender, demanding repayment of such loan. On June 12, 2026, the Lender assigned the loan to a new lender who decided to exercise the remedies available to it under the loan agreement and on September 10, 2026, the new lender finalized foreclosure proceedings of Ventura through a public auction. This resulted in the transfer of ownership of Ventura to a third party and the extinguishment of the Ventura loan payable of $98,283. The extinguishment balance included accrued debt service costs or debt service shortfall funding which had been deferred and were payable upon maturity of the loan. Such amounts were included in interest expense within the condensed consolidated interim statement of income (loss) and comprehensive income (loss) (note 16) with an offsetting amount added to the loans payable principal outstanding, and amounted to $131 and $809 for the three and nine months ended September 30, 2026. As at the date of the foreclosure, SURF LP had accrued and deferred a total of $5,533 of debt service costs which were included in the principal balance outstanding reported at such date (December 31, 2025 - $4,724). SURF LP recognized a gain on extinguishment of debt of $19,983 (notes 5 and 16). The loan secured by Ventura did not carry cross-default provisions with any other loans payable of SURF LP (note 2(b)).

(c) On June 28, 2024, a subsidiary of SURF LP entered into an unsecured financing of $18,277, bearing monthly interest only payments at a minimum of 4.0% per annum ("Unsecured Financing"). As per the terms of Unsecured Financing agreement, the maturity date of Unsecured Financing is aligned with maturity date of Indigo loan payable. To the extent there is sufficient operating cash flow from SURF LP's Indigo property after payment of any associated debt servicing costs for the first mortgage and the minimum 4.0% payment required under the Unsecured Financing, the monthly interest payment may increase up to a maximum of 12.0% per annum. To the extent the minimum monthly payment is less than the maximum 12.0% interest rate, the excess up to the maximum 12.0% interest rate is accrued and deferred to be payable upon maturity of the Unsecured Financing. Any accrued debt service costs or debt service shortfall funding which have been deferred and are payable upon maturity of the loan are included in interest expense within the condensed consolidated interim statement of income (loss) and comprehensive income (loss) (note 16) with an offsetting amount added to the loans payable principal outstanding which during the three and nine months ended September 30, 2026, amounted to $421 and $1,227. As at September 30, 2026, SURF LP had accrued and deferred a total of $3,284 of debt service costs which are included in the principal balance outstanding reported at such date (December 31, 2025 - $2,058).

As at September 30, 2026, SURF LP's loans payable had a weighted average term to maturity ("WATM") of 1.42 years (December 31, 2025 - 1.13 years) and a weighted average interest rate of 7.98% (December 31, 2025 - 7.73%), which includes the maximum 12.0% interest on the Unsecured Financing.

Future principal payments on loans payable are as follows:

	Principal payments	Balloon payments	Total
2026 - remainder of year[1]	$ 105	$ 77,760	$ 77,865
2027	420	—	420
Thereafter	630	82,560	83,190
Total	$ 1,155	$ 160,320	$ 161,475

[1] SURF LP has shown the principal payments herein based on the initial maturity date of such loan. As no extension options are available as of the date of these condensed consolidated interim financial statements, the balloon payments are based on the subsequent repayment of SURF LP's loans payable.

11. Preferred shares - U.S. Real Estate Investment Trust series A

The U.S. REIT has a total of 125 series A preferred shares issued and outstanding that are held by U.S. residents. The U.S. REIT's preferred shares were issued on January 6, 2022 and are redeemable at the option of the U.S. REIT at a redemption value of $1 per share, subject to prepayment penalties under certain conditions. The preferred shares pay a cumulative dividend at 12% per annum, semi-annually on June 30 and December 31 and have no voting rights.

12. Accounts payable and accrued liabilities

The following table presents the details of accounts payable and accrued liabilities:

	September 30, 2026	December 31, 2025
Resident prepayments	$ 39	$ 53
Operating payables	1,532	2,587
Accrued property taxes[(1)]	1,298	1,170
Accrued asset management fees (note 18)	4,779	3,927
Excise tax and franchise tax payable	50	120
	$ 7,698	$ 7,857

[(1)] Accrued property taxes represent property taxes incurred but not yet paid for Properties up to the date of the condensed consolidated interim statement of financial position. As a result of the requirements of International Financial Reporting Interpretations Committee Interpretation 21, Levies ("IFRIC 21"), property taxes are to be disclosed separately between either property tax expenses or fair value adjustment to IFRIC 21. SURF LP recorded a property tax expense of $nil and $2,055 for the three and nine months ended September 30, 2026 (September 30, 2025 - expense of $nil and $4,763), respectively and an IFRIC 21 fair value adjustment of $494 and recovery of $532 for the three and nine months ended September 30, 2026 (September 30, 2025 - adjustment of $955 and recovery of $1,512), respectively. Such amounts have been combined in the condensed consolidated interim statement of income (loss) and comprehensive income (loss) and reported as property tax expense. Any given reporting period represents the actual property taxes incurred by SURF LP in such reporting period.

13. Partners' equity

(a) Composition of Partners' capital and beneficial ownership of SURF LP:

Prior to the Reorganization, SURF LP was owned by the Fund through class A limited partnership interests and an entity controlled by the Chief Executive Officer of SURF LP, Daniel Drimmer, via Class B LP Units. Each class of membership interest was entitled to a share of any distributions and net assets of the Fund based on certain entitlements for each class.

On completion of the Reorganization, the Former Unitholders of the Fund and Class B LP Unitholders in SURF LP received 32,583,440 Canadian dollar denominated SURF LP Units based on a defined exchange ratio. As a result, the Former Unitholders and Class B LP Unitholders became the unitholders or Partners of SURF LP and its subsidiaries. In addition, the Fund and SURF LP signed an agreement with the partners of the Starlight Investment Residential Partnership ("SIRP") to extinguish any further carried interest liability SURF LP and its subsidiaries would have for any such amounts.

For the three and nine months ended September 30, 2026, no distributions were declared and recorded to distribution expense (September 30, 2025 - $nil).

(b) Carried interest:

On completion of the Reorganization, the Fund and SURF LP signed an agreement with the partners of the SIRP to extinguish any entitlements to any previous carried interest provisions which could have been payable by the Fund or SURF LP in future periods.

14. Non-controlling interests

The following table summarizes the change in non-controlling interests for the nine months ended September 30, 2026 and the year ended December 31, 2025:

Balance, January 1, 2025	$	(614)
Net loss attributable to Ventura non-controlling interest		(1,033)
Contributions from Ventura minority owner		27
Balance, December 31, 2025		(1,620)
Net income attributable to Ventura non-controlling interest[1][2]		1,508
Contributions from Ventura minority owner[3]		112
Balance, September 30, 2026[4]		—

[1] Given SURF LP's 90% indirect ownership interest in Ventura, SURF LP has control over Ventura and has wholly consolidated its financial position and results of operations in these condensed consolidated interim financial statements.

[2] During the three and nine months ended September 30, 2026, the proportionate share for the Ventura non-controlling interest revenues from property operations were $140 and $432, property operating expenses were $31 and $107, finance costs excluding gain on extinguishment of debt were $147 and $520 and the gain on extinguishment of debt were $2,291, and $2,291, respectively. Net income (loss) and comprehensive income (loss) attributable to the non-controlling interest for the three and nine months ended September 30, 2026 was $2,236 and $1,508, respectively.

[3] During the three and nine months ended September 30, 2026, contributions of $111 and $112 were accrued and due from Ventura minority owner.

[4] Notwithstanding the transfer of ownership of the Ventura property to a third party on September 10, 2026 (note 5), Ventura Mezz LLC remains in existence as at September 30, 2026 and as at the date of issuance of these condensed consolidated interim financial statements. As SURF LP continues to hold a 90% interest in and control of Ventura Mezz LLC, the subsidiary continues to be consolidated by SURF LP and the 10% interest held by an affiliate of the Manager continues to be presented as a non-controlling interest within equity. Net income attributable to the non-controlling interest for the three and nine months ended September 30, 2026 primarily reflects its proportionate share of the gain on extinguishment of debt recognized by the Ventura transfer. Following the transfer, Ventura Mezz LLC no longer holds a property and the balance attributable to the non-controlling interest will be derecognized upon the dissolution of Ventura Mezz LLC.

15. Partnership expenses

Partnership expenses consist of the following:

		Three months ended September 30		Nine months ended September 30	
		2026	2025	2026	2025
Asset management fees (note 18)	$	270	$ 394	$ 851	$ 1,420
General and administrative expenses		110	4	362	70
Transaction costs (note 5)		—	595	—	1,246
	$	380	$ 993	$ 1,213	$ 2,736

16. Finance costs and gain on extinguishment of debt

Finance costs consist of the following:

		Three months ended September 30		Nine months ended September 30	
		2026	2025	2026	2025
Interest expense on loans payable[1]	$	4,645	$ 6,500	$ 14,585	$ 20,159
Amortization of financing costs		346	358	1,160	1,379
Fair value change on derivative financial instruments[2]		—	—	—	1,682
	$	4,991	$ 6,858	$ 15,745	$ 23,220

[1] During the three and nine months ended September 30, 2026, interest expense on loans payable includes debt service costs or debt service shortfall funding which have been deferred and are payable upon maturity of the loan which amounted to $618 and $3,429, respectively (note 10(a), (b) and (c)).

[2] SURF LP utilized interest rate cap agreements to protect its interest costs on its variable rate loans as required by applicable lenders. There were no interest rate caps in place as at September 30, 2026 (December 31, 2025 - $nil). All interest rate caps expired by June 2025.

On September 10, 2026, the lender of the Ventura loans payable finalized foreclosure proceedings of Ventura through a public auction, which resulted in the transfer of ownership of Ventura to a third party. The transfer of Ventura resulted in no net proceeds to SURF LP and SURF LP recognized a gain on extinguishment of debt of $19,983 (notes 2 and 5). The loan secured by Ventura did not carry cross-default provisions with any other loans payable outstanding for SURF LP.

17. Supplemental cash flow information

(a) Changes in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital presented within the condensed consolidated interim statement of cash flows:

	Three months ended September 30		Nine months ended September 30	
	2026	2025	2026	2025
Utility deposits	$ 24	$ —	$ 23	$ 14
Resident and other receivables	16	(192)	(33)	(245)
Prepaid expenses and deposits	176	349	(103)	(148)
Resident rental deposits and prepayments	192	(137)	232	(385)
Accounts payable and accrued liabilities	298	561	(144)	2,289
	$ 706	$ 581	$ (25)	$ 1,525

(b) Finance costs paid:

The following table presents the components of finance costs paid presented within the condensed consolidated interim statement of cash flows:

	Three months ended September 30		Nine months ended September 30	
	2026	2025	2026	2025
Interest expense paid	$ (1,117)	$ (6,974)	$ (9,534)	$ (18,075)
Financing costs incurred on loans payable	—	(264)	—	(583)
	$ (1,117)	$ (7,238)	$ (9,534)	$ (18,658)

18. Transactions with related parties

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

The Manager is a related party to SURF LP as the Manager is owned and controlled by Daniel Drimmer, a director and President and Chief Executive Officer of Starlight Group and SURF LP. SURF LP engaged the Manager to perform certain management services as outlined below:

(a) Pursuant to the management agreement dated November 15, 2021, as amended and restated on the Reorganization Date (the “Management Agreement”), the Manager is to perform asset management services for fees equal to 0.35% of the sum of: the historical purchase price of the properties acquired in U.S. dollars and the cost of any capital expenditures in respect of SURF LP’s Properties since the date of acquisition by SURF LP. Included in partnership expenses were $270 and $851 in asset management fees charged by the Manager (note 15) for the three and nine months ended September 30, 2026 (September 30, 2025 - $394 and $1,420), respectively. On January 1, 2024, the Manager agreed to defer SURF LP’s obligation to pay all asset management fees until further notice. As a result, the amount payable to the Manager as at September 30, 2026 was $4,779 (December 31, 2025 - $3,927), included in accounts payable and accrued liabilities (note 12).

(b) Pursuant to the Management Agreement, the Manager is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by SURF LP as a result of such properties having been presented to SURF LP by the Manager calculated as 1.0% of the purchase price of a multi-family property. For the three and nine months ended September 30, 2026, SURF LP did not incur acquisition fees (September 30, 2025 - $nil).

(c) Pursuant to the Management Agreement, in the event that the Manager is required by the lenders of SURF LP to provide a financing guarantee in connection with the amount borrowed by SURF LP or its wholly owned subsidiaries to indirectly acquire an interest in the investment properties, SURF LP and the U.S. REIT will, in consideration for providing such guarantee, in aggregate, pay the Manager a guarantee fee represented by an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds. This fee is calculated and payable in arrears on the first day of each month. For the three and nine months ended September 30, 2026, SURF LP incurred guarantee fees of $nil (September 30, 2025 - $2 and $nil), respectively. Guarantee fees payable to the Manager as at September 30, 2026 were $nil (December 31, 2025 - $nil).

(d) Aggregate compensation to key management personnel was $nil for the three and nine months ended September 30, 2026 as compensation of these individuals is paid by the Manager pursuant to the Management Agreement (September 30, 2025 - $nil).

19. Commitments and contingencies

As at September 30, 2026, SURF LP had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of September 30, 2026 expire within 12 months. SURF LP holds commitments to distribute excess cash to Partners.

SURF LP may be involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, as at the date of issuance of these condensed consolidated interim financial statements none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of SURF LP. SURF LP has agreed to indemnify, in certain circumstances, the directors and officers of SURF LP and its subsidiaries.

20. Segmented disclosure

All of SURF LP’s assets and liabilities are in, and its revenues are derived from the U.S. real estate industry segment. No single resident accounts for 10% or more of SURF LP’s rental revenue.

21. Capital management

SURF LP’s capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of loans payable including capital lines available and Partners’ capital. SURF LP monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also distributing appropriate amounts to the Partners on a regular basis.

SURF LP's first mortgages are subject to a minimum net worth covenants ranging from approximately $50,000 to $75,000 as defined in each applicable loan agreement. As at September 30, 2026, SURF LP did not achieve the minimum net worth covenant for certain of SURF LP’s first mortgage loan agreements. SURF LP’s loans payable typically carry consolidated SURF LP minimum net worth and minimum liquidity covenants and typically have no specific financial covenants tied to the ongoing operations of the Property. As at September 30, 2026, SURF LP was in compliance with all of its financial covenants other than as mentioned above. Certain of SURF LP’s loans also carry certain performance conditions which if not satisfied, may reduce SURF LP’s ability to defer a portion of any debt service amounts that SURF LP otherwise may defer.

As at September 30, 2026, $77,761 of SURF LP’s loans had matured. See note 22(c) for further details on liquidity risks of SURF LP.

22. Risk management

SURF LP's activities expose it to credit risk, market risk, liquidity risk and other risks. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The Properties mitigate the risk of credit loss with respect to residents by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, utilizing third party collection agencies for longstanding balances due from residents, and geographically diversifying the location of the Properties.

SURF LP monitors its collection experience on at least a weekly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the condensed consolidated interim statement of income (loss) and comprehensive income (loss).

As at September 30, 2026, SURF LP had accrued no allowance for uncollectible amounts as such amounts are written off directly against revenues at that time. During the three and nine months ended September 30, 2026, SURF LP recorded a recovery of $5 and $28 of bad debts, against revenues in the condensed consolidated interim statement of income (loss) and comprehensive income (loss) (September 30, 2025 - recovery of $1 and expense of $26), respectively.

SURF LP continues to actively monitor the impact of interest rates and inflation may have on credit risks applicable to SURF LP.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. The investment properties are subject to the risks associated with debt financing, including the risk that certain loans may not be refinanced on terms as favourable as those of the existing indebtedness, in the event that such refinancings occur in future periods. As at September 30, 2026, SURF LP's investment properties have been reported at fair value which reflects SURF LP's best estimate of future cash flows and capitalization rates applicable to the investment properties.

The capitalization rates used to determine the fair value of investment properties as at September 30, 2026 are reflective of third party appraisals as of December 31, 2025 as well as consideration of comparable sales transactions and changes which have occurred in the overall investment market for residential properties up to September 30, 2026. The period leading up to September 30, 2026 experienced limited comparable sales for the appraisers to rely on as a result of broader market conditions, including certain owners of multi-family properties delaying sales as a result of market uncertainty and concerns relating to elevated interest rates. The Manager will continue to evaluate comparable sales transactions as additional comparable sales occur under current market conditions.

(c) Liquidity risk:

Liquidity risk is the risk that SURF LP may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. To mitigate the risk associated with the refinancing of maturing debt, SURF LP staggered the maturity dates of its loan portfolio. All of SURF LP's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms.

SURF LP strives to maintain strong and collaborative relationships with its lenders but the elevated level of interest rates and associated impact on capitalization rates had a negative impact on SURF LP's overall leverage position and debt service coverage ratios, both of which are typical financial benchmarks required to extend certain loans and as a result, these changes have impacted SURF LP's ability to exercise certain extension options available under existing loans payable. Under the terms of each applicable loan agreement, SURF LP has the right to make a principal repayment towards such loan in order to achieve the extension tests that otherwise

may not be achieved. Given SURF LP was formed as a "closed-end" investment vehicle, SURF LP is restricted from raising any additional equity, which may have otherwise assisted in making any principal repayments of the loans payable in order to meet certain extension conditions. In the event SURF LP is not able to refinance the loan or if SURF LP does not have sufficient liquidity or other sources of capital sufficient to make any such principal repayments required to achieve the applicable loan extension tests and SURF LP is not able to otherwise negotiate an extension of such loan, the applicable lender may provide formal notice of an event of default expressing its right to demand repayment of the borrowings relating to such property. Under this scenario, SURF LP may be obligated to sell such properties which may not be able to be completed on terms that are acceptable to SURF LP or may be required to explore other options in the best economic interests of SURF LP in order to discharge its obligations under any of the applicable loan agreements. SURF LP's loans payable also do not carry cross-default provisions. Throughout 2025, SURF LP repaid or extinguished the loans payable related to Lyric, Eight at East and Emerson. On July 17, 2025, SURF LP extended the Sunlake loan payable by one-year to June 1, 2026. Notwithstanding the June 1, 2026 maturity date, SURF LP received a maturity default notice from the lender of Sunlake loan payable during the three months ended December 31, 2025, with SURF LP continuing to enter into good faith negotiations to modify or extend the Sunlake loan payable, despite the maturity default notice received. The Indigo loan matures in 2029. Despite continuing to enter into good faith negotiations to extend or modify the Ventura loan payable, SURF LP received the Notice from the Lender, demanding repayment of such loan. Subsequently, on June 12, 2026, the Lender assigned the loan to a new lender and decided to exercise the remedies available to it under the loan agreement and on September 10, 2026, finalized foreclosure proceedings of Ventura through a public auction, which resulted in the transfer of ownership of Ventura to a third party. The transfer of Ventura resulted in no net proceeds to SURF LP and SURF LP recognized a gain on extinguishment of debt of $19,983 (notes 5 and 16). The loan secured by Ventura did not carry cross-default provisions with any other loans payable outstanding for SURF LP (note 2(b)).

The fair value reported for one of SURF LP's two properties as at September 30, 2026 was lower than the principal outstanding under the loans payable secured by such property and as a result, the sale of such property may not be sufficient to repay the indebtedness outstanding for such property. In certain instances, the lenders also hold restricted cash as part of the security for such loans which in a liquidation event may be used to repay any indebtedness that may be required to be repaid by SURF LP. SURF LP's secured loans are non-recourse subject to standard limited recourse provisions and are entered into by the subsidiaries of SURF LP that own only the associated secured property (note 2(b)).

SURF LP continues to focus on managing its liquidity position, including having extended the Term to November 2029, in order to provide SURF LP the opportunity to capitalize on potential improvements in the investment market that are anticipated in future periods, but may not materialize. Furthermore, SURF LP continues to focus on liquidity management as SURF LP previously amended several of its loan agreements, deferred the payment of asset management fees and has continued to focus on maximizing NOI at the Properties to preserve as much liquidity as possible (note 2(b)).

23. Fair value measurement of financial instruments

SURF LP uses various methods in estimating the fair values recognized in the condensed consolidated interim financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating fair values of SURF LP's financial instruments:

- The fair value of SURF LP's financial assets which include resident and other receivables, restricted cash and cash, as well as financial liabilities, which include resident rental deposits and prepayments, accounts payable and accrued liabilities and finance cost payable approximate their carrying amounts due to their short-term nature (Level 1); and
- The fair value of loans payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of SURF LP's loans payable as at September 30, 2026 approximated their carrying value.