

The background of the slide features a low-angle shot of a skyscraper with a grid of windows. An American flag is flying in the upper left corner, partially obscured by a red banner. The banner contains the company name and tagline. The main title is centered on the right side, and the date is at the bottom right.

FIRM CAPITAL APARTMENT REIT

CAPITAL PRESERVATION • DISCIPLINED INVESTING

MD&A

MANAGEMENT DISCUSSION AND ANALYSIS

THIRD QUARTER 2023
SEPTEMBER 30, 2023

MANAGEMENT DISCUSSION & ANALYSIS

FORWARD LOOKING STATEMENTS

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Firm Capital Apartment Real Estate Investment Trust ("Firm Capital Apartment REIT", "FCA", "TSXV: FCA.U/FCA.UN" or the "Trust") should be read in conjunction with the Trust's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and September 30, 2022 and the audited consolidated financial statements for years ended December 31, 2022 and December 31, 2021. All disclosures including tables presented herein, related to an interim period are unaudited. This MD&A has been prepared taking into account material transactions and events up to and including November 8, 2023. Additional information about the Trust, including the Trust's Annual Information Form, required by NI 51-102, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our web site at www.firmcapital.com.

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our 2023 objectives and our strategies to achieve those objectives, as well as statements with respect to management's beliefs, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties, including those described below in this MD&A under Risks and Uncertainties, which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. Such risk factors include, but are not limited to, risks associated with real property ownership, availability of cash flow, general uninsured losses, future property acquisitions, environmental matters, tax related matters, debt financing, unitholder liability, potential conflicts of interest, potential dilution, reliance on key personnel, changes in legislation and changes in the income tax act. The Trust cannot assure investors that actual results will be consistent with any forward-looking statements and the Trust assumes no obligation to update or revise such forward-looking statements to reflect actual events or new circumstances. All forward-looking statements contained in this MD&A are qualified by this cautionary statement. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

All forward-looking statements in this MD&A are qualified by these cautionary statements. Except as required by applicable law, the Trust undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

BASIS OF PRESENTATION

The Trust has adopted International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board as its basis of financial reporting. The Trust's reporting currency is the US dollar ("USD") and all amounts reported in this MD&A are in USD, unless otherwise noted.

Certain financial information presented in this MD&A reflects non-IFRS financial measures including Net Rental Income, Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO"), AFFO Payout Ratio ("AFFO Payout Ratio") (each as defined below). These measures are commonly used by real estate investment companies as useful metrics for measuring performance; however, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other real estate investment companies. The Trust believes that FFO is an important measure to evaluate operating performance, AFFO

MANAGEMENT DISCUSSION & ANALYSIS

and AFFO Payout Ratio are important measures of cash available for distribution and, Net Rental Income is an important measure of operating performance. "**GAAP**" means generally accepted accounting principles described by the Chartered Professional Accountants of Canada ("**CPA**") Handbook - Accounting, which are applicable as at the date on which any calculation using GAAP is to be made. As a public entity, the Trust applies IFRS as described in Part I of the CPA Handbook - Accounting.

Occupancy rate represents the total number of units leased as a percentage of the total number of units owned. Leased properties consist solely of those units that are occupied by a tenant at the given date.

Net Rental Income is a term used by industry analysts, investors, and management to measure operating performance of Canadian real estate investment companies. Net Rental Income represents rental revenue from properties less repairs and maintenance, insurance, utilities, property management, property taxes, bad debt, and other property operating costs. Net Rental Income excludes certain expenses included in the determination of net income such as interest, amortization, corporate overhead and taxes.

Net income (loss) before other income (expenses) ("**net income before fair value adjustments**") is a measure that the Trust uses in order to present the key operations and administration of the Trust, excluding certain items. Items that are excluded from this total and are presented in other income (expenses) include transaction costs, foreign exchange gain (loss), fair value adjustments of investment properties, gain (loss) on dispositions, fair value gain (loss) on derivative financial instruments and unit-based compensation.

FFO is a term used to evaluate operating performance but is not indicative of funds available to meet the Trust's cash requirements. The Trust calculates FFO substantially in accordance with the guidelines set out by the Real Property Association of Canada ("**Real PAC**"), for entities adopting IFRS. FFO is defined as net income before fair value gains/losses on real estate properties, gains/losses on the disposition of real estate properties, deferred income taxes, and certain other non-cash adjustments.

AFFO is a term used as a non-IFRS financial measure by most Canadian real estate investment companies but should not be considered as an alternative to net income, cash flows from operations, or any other measure prescribed under IFRS. The Trust considers AFFO to be a useful measure of cash available for distributions. AFFO should not be interpreted as an indicator of cash generated from operating activities, as it does not consider changes in working capital and includes a deduction for capital expenditures. AFFO is defined as FFO adjusted for (i) adding back deferred financing fees amortization as outlined in the statement of cashflows (ii) deducting an estimate for capital expenditures of 2.5% of Net Operating Income, and (iii) making such other adjustments as may be determined by the trustees of the Trust at their discretion. In addition, the Trust calculates AFFO by adjusting Net Income calculated on the Trust's consolidated financial statements for all changes in non-cash working capital and making such other adjustments as may be determined by the trustees of the Trust at their discretion. The AFFO payout ratio is calculated by taking the Distributions paid and dividing it by the AFFO.

MANAGEMENT DISCUSSION & ANALYSIS

Net Income (Loss) Before Other Income (Expenses), Net Rental Income, FFO and AFFO should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS. Net Rental Income, FFO and AFFO, are not intended to represent operating profits for the period, or from a property, nor should any of these measures be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Readers should be further cautioned that Net Rental Income, FFO and AFFO as calculated by the Trust may not be comparable to similar measures presented by other real estate companies.

Q3/2023 HIGHLIGHTS

EARNINGS

- For the three months ended September 30, 2023, net loss was approximately \$1.5 million, in comparison to the \$1.9 million net loss reported for the three months ended June 30, 2023 and the \$1.4 million net loss reported for the three months ended September 30, 2022;
- Excluding non-cash fair value adjustments, net loss was \$0.4 million for the three months ended September 30, 2023, in comparison to the \$0.2 million net loss reported for the three months ended June 30, 2023 and the \$0.4 million net income reported for the three months ended September 30, 2022. Excluding non cash fair value adjustments, net loss was \$0.5 million for the nine months ended September 30, 2023 in comparison to the \$1.7 million net income reported for the nine months ended September 30, 2022;
- For the three months ended September 30, 2023, AFFO was negative \$0.3 million, in comparison to the negative \$0.2 million reported for the three months ended June 30, 2023 and the \$0.7 million reported for the three months ended September 30, 2022. For the nine months ended September 30, 2023, AFFO was negative \$0.4 million in comparison to the \$1.8 million reported for the nine months ended September 30, 2022.

	Three Months Ended			Nine Months Ended	
	Sep 30, 2023	Jun 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
Net Loss	\$ (1,483,852)	\$ (1,854,814)	\$ (1,434,159)	\$ (8,240,393)	\$ (12,082,626)
Net Income (Loss) Before Fair Value Adjustments	\$ (418,741)	\$ (221,406)	\$ 384,679	\$ (479,587)	\$ 1,723,377
FFO	\$ (662,938)	\$ (77,799)	\$ 2,147,093	\$ (1,312,319)	\$ 3,409,147
AFFO	\$ (348,782)	\$ (166,675)	\$ 683,208	\$ (361,013)	\$ 1,817,520

- NAV AT \$6.87 PER TRUST UNIT (CAD \$9.09):**
Including the face value of the convertible debentures, the Trust reported NAV of \$6.87 per Trust Unit (CAD \$9.09) in comparison to the \$7.01 (CAD \$9.28) per Trust Unit as at Q2/2023, also adjusted for the face value of the convertible debentures.
- AVERAGE RENT INCREASES ACROSS INVESTMENT PORTFOLIO:**
 - Wholly-Owned Real Estate Investments Portfolio:** For the three months ended September 30, 2023, average rents saw an increase of 1.58% to \$1,249 per unit from the \$1,230 per unit reported for the three months ended June 30, 2023 and an increase of 5.35% from the \$1,186 reported for the three months ended September 30, 2022;
 - Joint Venture Real Estate Investments Portfolio:** For the three months ended September 30, 2023, average rents remained consistent at \$1,593 per unit from the \$1,590 per unit reported for the three months ended June 30, 2023 and an increase of 9.68% from the \$1,452 reported for the three months ended September 30, 2022;

STRATEGIC REVIEW

On November 15, 2022, the Board of Trustees initiated a strategic review process to identify, evaluate and pursue a range of strategic alternatives with the goal of maximizing unitholder value (the “**Strategic Review**”).

By way of update, the Board is pleased to report on the following:

- **WHOLLY OWNED ASSET DISPOSITIONS:** The Trust had listed for sale its entire Wholly Owned Real Estate Investments and is pleased to report on the following:

- **Texas:** On June 22, 2023, the Trust announced the sale of one of its properties located in Austin, Texas for \$12.6 million. Net of associated mortgage debt and closing costs, the net sale proceeds of approximately \$8.8 million were used to pay off additional debt including, but not limited to, the mortgage associated with the Trust’s other property located in Austin, Texas; bank indebtedness and the vast majority of the \$5.1 million (CAD\$6.9 million) Bridge Loan. The property sold had a sales price in line with its IFRS value.

On October 2, 2023, the Trust completed the sale of its unencumbered property located in Austin, Texas for \$9.9 million. Net of closing costs, the net sale proceeds of approximately \$9.6 million were used to pay off loans as they came due and for working capital purposes. The property had a sales price in line with its IFRS value.

In addition, the Trust has two properties located in Houston, Texas that are actively being marketed.

- **New Jersey:** On August 31, 2023, the Trust completed the previously announced sale of its property located in New Jersey for \$19.5 million. Net of associated mortgage debt and closing costs, the net sale proceeds of approximately \$5.4 million were used to pay off the remainder of the Bridge Loan, other loans as they came due and for working capital purposes. The property sold had a sales price in line with its IFRS value.
 - **Florida:** The Trust’s property in Florida is actively being marketed.
- **JOINT VENTURE ASSET DISPOSITIONS:** The Trust has listed for sale its Joint Venture Real Estate Investments located in Maryland and Connecticut as both the Trust and its partners have decided it is an appropriate time to exit the respective investments. As of today, one of the Maryland properties is under contract and one is being actively marketed, while the Connecticut property is under negotiations with a third party.

The sale price for 100% of the Maryland property is \$16.5 million. Net of associated mortgage debt and closing costs, the net sale proceeds will be approximately \$4.3 million, of which the Trust will receive approximately \$1.2 million given its 25% ownership in the property. The property has a sales price in line with its IFRS value and is anticipated to close during Q4/2023.

- **PREFERRED CAPITAL INVESTMENTS:** As at September 30, 2023, the Trust has two Preferred Capital Investments located in Texas and South Dakota that aggregate

MANAGEMENT DISCUSSION & ANALYSIS

approximately \$5.1 million. The Trust continues to hold these investments and earns income at 10% and 12%, respectively. Both investments are current in terms of their interest payments.

- **NORMAL COURSE ISSUER BID:** As a result of the Trust's cash position, on September 20, 2023, the Trust announced that it received approval from the TSXV to commence a Normal Course Issuer Bid (the "**Bid**") to purchase up to \$1.9 million (the "**Allotment**") of the CAD\$19.4 million, 6.25% convertible unsecured subordinated debentures due June 30, 2026 ("**Debentures**") (TSXV:FCA.DB). The Bid commenced on September 25, 2023 and will end no later than September 24, 2024. The Board of Trustees is of the opinion that it is in the best interest of the Trust and its security holders to purchase the Debentures at a discount to Par, through the Bid, while providing liquidity for the security holders. It is the intent of the Trust to acquire as much of the Debentures as possible up to the maximum allowable under the rules of the Exchange in the context of market pricing, thus providing liquidity for existing holders of the Debentures.

As of November 8, the Trust has acquired \$0.37 million or approximately 20% of the Allotment for a Weighted Average Debenture Price of \$94.89. Note that the Trust is limited to acquiring up to 2% of the Debentures on a monthly basis. During the month of October, the Trust met this limit.

The Board will continue to assess matters on a quarterly basis and determine if the Trust should: (i) distribute excess income; (ii) distribute net proceeds from asset sales, after debt repayment; (iii) reinvest net proceeds into other investments; (iv) distribute proceeds as a return of capital or special distribution; and/or (v) use excess proceeds to repurchase Trust units in the marketplace. It is the Trust's current intention not to disclose developments with respect to the Strategic Review unless and until it is determined that disclosure is necessary or appropriate, or as required under applicable securities laws.

INVESTMENT STRUCTURE

The Trust's portfolio consists of (i) Wholly Owned Real Estate Investments ("Investment Properties"), (ii) Joint Venture Real Estate Investments ("Equity Accounted and Preferred Investments", "Preferred Investments", "Preferred Equity" or "Common Equity"), and (iii) Preferred Capital Investments.

(i) **Wholly Owned Real Estate Investments:**

The Trust opportunistically acquires 100% of multi-family residential real estate assets in large core markets on an accretive basis and when the Trust's cost of equity is compelling. Continuing growth in this investment category will require the Trust to raise additional capital through either the private and/or public debt and equity capital markets.

(ii) **Joint Venture Real Estate Investments:**

The Trust has successfully utilized a joint venture strategy with partners who bring strong, local expertise in its core and non-core markets. The Trust strives to have a minimum 50% ownership interest and will fund the equity in a combined preferred/common equity investment structure. The preferred equity provides a fixed rate of return resulting in a secured structure ahead of the partner's ownership interest, while the common equity provides an upside return for

MANAGEMENT DISCUSSION & ANALYSIS

investors as the investment meets its targeted objectives. The joint venture strategy de-risks the Trust's investment.

(iii) Preferred Capital Investments:

The Trust, using Firm Capital's 30-year plus experience as a leader in the mortgage lending industry, provides preferred capital secured by multi-family residential real estate properties. Preferred capital investments continue to provide attractive, risk adjusted returns for the Trust. Preferred capital ranks ahead of equity, and behind secured debt in the capital structure of a real estate investment. In the near term, the Trust expects to continue to increase its allocation to this investment class.

The chart below illustrates the Trust's equity position in each investment portfolio:

ACQUISITION & LOAN FUNDING STRUCTURE			
Wholly-Owned Real Estate Investments (Long-Term)	Joint Venture Real Estate Investments (Medium-Term)		Preferred Capital Investments (Short-Term)
New Conventional First Mortgage Typically Fannie Mae & Freddie Mac (65% to 75% LTV)	New Conventional First Mortgage Typically Fannie Mae & Freddie Mac (65% to 75% LTV)		New Conventional First Mortgage Typically Fannie Mae & Freddie Mac (65% to 75% LTV)
Equity FCA REIT (100% remaining equity)	Preferred Equity FCA REIT (~8% rate)		Preferred Capital Loan FCA REIT (~12% rate)
	Common Equity FCA REIT (50% remaining equity)	Common Equity Joint Venture Partner (50% remaining equity)	Equity Borrower (100% remaining equity)

MANAGEMENT DISCUSSION & ANALYSIS

INVESTMENT PORTFOLIO

Outlined below is a summary of the Investment Portfolio for the three months ended September 30, 2023 and June 30, 2023:

September 30, 2023					June 30, 2023	
Region	Number of Units	IFRS Value	Occupancy	Average Monthly Rent	Occupancy	Average Monthly Rent
Wholly-Owned Real Estate Investments						
Florida	153	\$ 31,352,500	92.8%	\$ 1,812	95.4%	\$ 1,741
New Jersey	-	-	-	-	88.4%	\$ 1,218
Texas	485	52,924,752	84.3%	\$ 1,072	90.2%	\$ 1,092
Total / Weighted Avg.	638	\$ 84,277,252	86.3%	\$ 1,249	90.7%	\$ 1,230
Joint Venture Real Estate Investments						
Connecticut	109	2,069,970	93.6%	\$ 1,459	99.1%	\$ 1,401
Georgia	138	7,399,850	95.7%	\$ 1,480	91.3%	\$ 1,476
Maryland	353	8,240,408	90.4%	\$ 1,551	87.3%	\$ 1,565
New York	261	\$ -	97.7%	\$ 1,764	97.3%	\$ 1,762
Total / Weighted Avg.	861	\$ 17,710,229	93.9%	\$ 1,593	92.5%	\$ 1,590
Preferred Capital Investments						
South Dakota	N/A	3,755,068	N/A	N/A	N/A	N/A
Texas	N/A	\$ 1,498,676	N/A	N/A	N/A	N/A
Total / Weighted Avg.		\$ 5,253,744	N/A	N/A	N/A	N/A
Total / Weighted Avg.	1,499	\$ 107,241,225	90.7%	\$ 1,447	91.6%	\$ 1,406

INVESTMENT PORTFOLIO OCCUPANCY AND AVERAGE RENT

Wholly-Owned Real Estate Investment Portfolio

As at September 30, 2023, occupancy was 86.3%, a decrease of 436 basis points in comparison to the 90.7% at June 30, 2023. This decrease was driven by the Texas portfolios and is the result of the Trust's efforts to terminate tenancies for rental arrears, as indicated in the Operational Update announced in the Trust's April 24, 2023 press release.

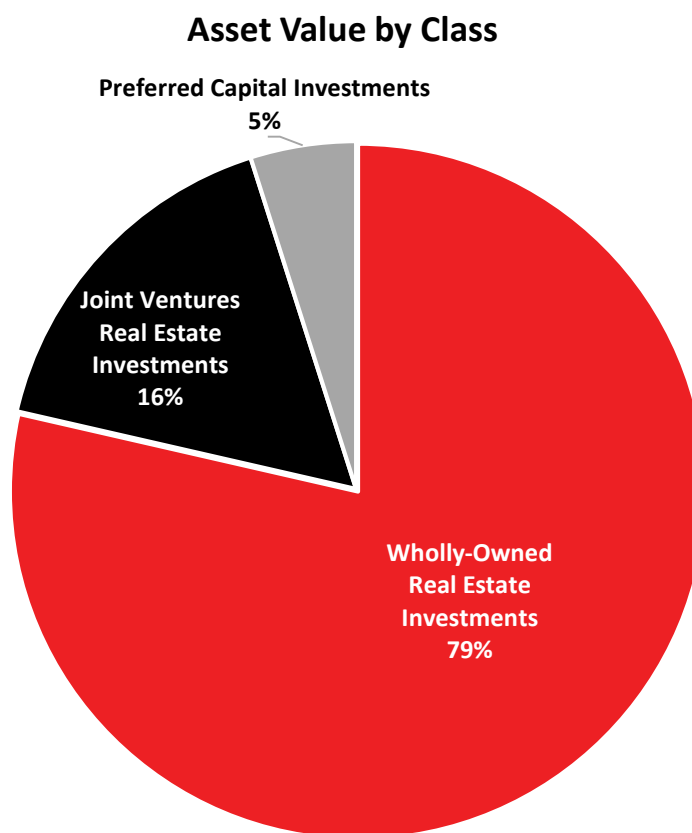
For the three months ended September 30, 2023, average rents saw an increase of 1.58% to \$1,249 per unit from the \$1,230 per unit reported for the three months ended June 30, 2023. The increase is driven by rental rate increases in the Florida portfolio.

Joint Venture Real Estate Investment Portfolio

As at September 30, 2023, occupancy was 93.9%, an increase of 140 basis points from the 92.5% reported at June 30, 2023. This increase was driven by increased occupancy throughout the portfolios.

Average rent for the three months ended September 30, 2023 was \$1,593 per unit, a 0.2% increase from the \$1,590 average monthly rent as at June 30, 2023.

INVESTMENT PORTFOLIO BY GEOGRAPHY AND INVESTMENT TYPE

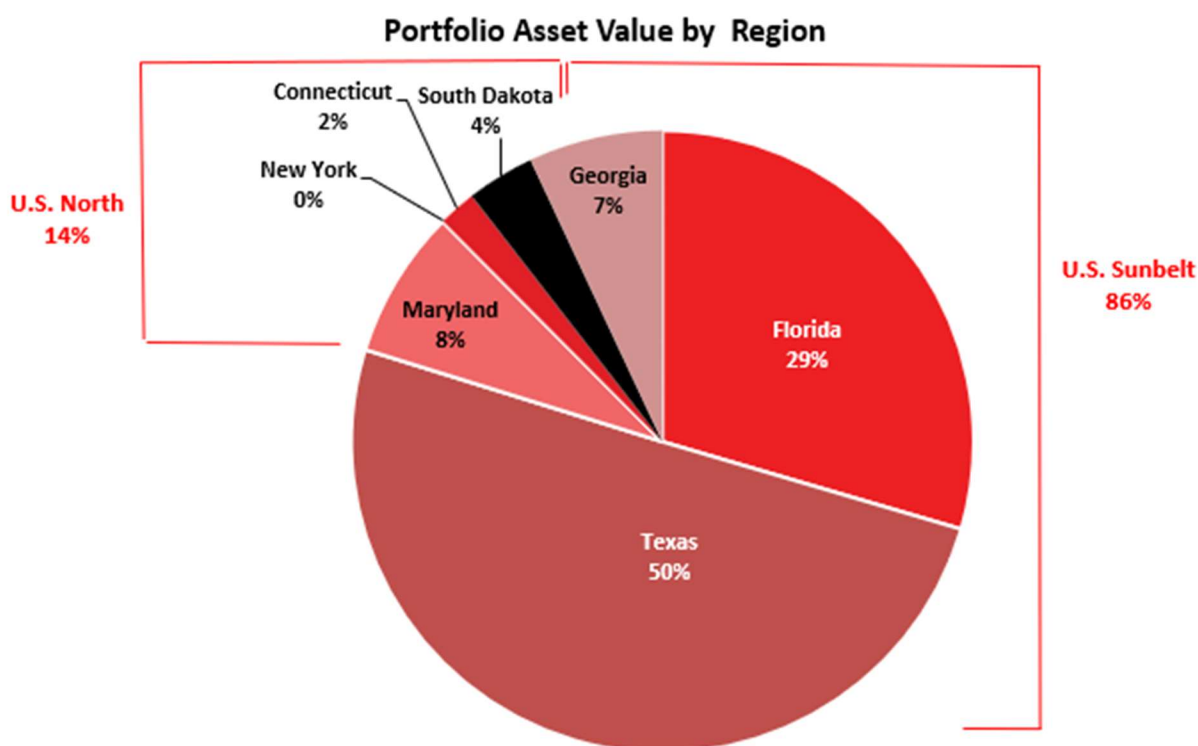


Note: Individual asset classifications correspond with the classifications adopted in the Trust's consolidated balance sheet for the three months ended September 30, 2023.

The Trust's investment portfolio is concentrated in two geographical areas:

- (i) **U.S. Sunbelt**: includes properties in Texas, Florida and Georgia. This represents 86% of the Investment Portfolio.
- (ii) **U.S. North**: includes properties in New York, New Jersey, South Dakota Maryland, and Connecticut. This represents 14% of the Investment Portfolio.

MANAGEMENT DISCUSSION & ANALYSIS



QUARTERLY FINANCIAL OVERVIEW

The following is a discussion of the combined results as outlined in the financial statements, as well as a review of selected quarterly financial information of the Trust:

	Three Months Ended				Nine Months Ended
	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2023
Rental Revenue	\$ 2,799,748	\$ 3,409,715	\$ 3,495,297	\$ 3,270,076	\$ 9,704,760
Property Operating Expenses	(1,848,595)	(2,003,811)	(1,805,948)	(1,772,347)	(5,658,354)
Net Rental Income	951,153	1,405,904	1,689,349	1,497,729	4,046,406
Income from Equity Accounted and Preferred Investments	256,710	222,161	225,951	311,232	704,822
Income from Preferred Capital Investments	161,691	149,111	136,789	172,440	447,591
General and Administrative	(484,651)	(545,558)	(547,158)	(612,999)	(1,577,367)
Finance Costs	(1,303,644)	(1,453,024)	(1,344,371)	(1,105,761)	(4,101,039)
Fair Value Adjustment of Convertible Debentures	(351,543)	(145,632)	(575,755)	1,446,723	(1,072,930)
Fair Value Adjustments of Investment Properties and Equity accounted investments	(1,278,881)	(1,045,845)	(4,162,302)	(3,527,582)	(6,487,028)
Provision for Impairment on Equity Accounted Investments, Preferred Investments and Preferred Capital Investments	259,648	(200,000)	(130,492)	(697,354)	(70,844)
Other (1)	305,665	(241,931)	(193,738)	478,255	(130,004)
Net Loss	\$ (1,483,852)	\$ (1,854,814)	\$ (4,901,727)	\$ (2,037,317)	\$ (8,240,393)

(1) The combination of foreign exchange gain (loss), unit based recovery (expense) and income tax expense (recovery).

MANAGEMENT DISCUSSION & ANALYSIS

	Three Months Ended				Nine Months Ended
	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2022
Rental Revenue	\$ 3,221,219	\$ 3,049,948	\$ 2,049,088	\$ 1,751,472	\$ 8,320,256
Property Operating Expenses	(1,727,437)	(1,607,434)	(1,191,750)	(920,585)	(4,526,620)
Net Rental Income	1,493,782	1,442,514	857,339	830,887	3,793,635
Income from Equity Accounted and Preferred Investments	536,468	547,156	662,874	745,997	1,746,498
Income from Preferred Capital Investments	133,800	162,019	62,773	47,653	358,592
General and Administrative	(598,903)	(344,844)	(395,891)	(487,967)	(1,339,638)
Finance Costs	(1,180,469)	(1,000,245)	(654,995)	(638,620)	(2,835,710)
Fair Value Adjustment of Convertible Debentures	1,023,490	377,834	(227,912)	(422,595)	1,173,412
Fair Value Adjustments of Investment Properties and Equity accounted investments	(3,149,264)	(8,319,739)	(429,408)	4,022,543	(11,898,411)
Provision for Impairment on Equity Accounted Investments, Preferred Investments and Preferred Capital Investments	(1,343,055)	(3,614,473)	-	(284,330)	(4,957,527)
Other (1)	1,649,992	446,657	(220,124)	(334,628)	1,876,524
Net Income (loss)	\$ (1,434,159)	\$ (10,303,122)	\$ (345,346)	\$ 3,478,939	\$ (12,082,626)

(1) The combination of foreign exchange gain (loss), unit based recovery (expense) and income tax expense (recovery).

REVIEW OF QUARTERLY AND YEAR TO DATE RESULTS

REVENUES

For the three months ended September 30, 2023, rental revenue was approximately \$2.8 million, a 17.9% decrease over the \$3.4 million reported for the three months ended June 30, 2023, and a 13.1% decrease over the \$3.2 million reported for the three months ended September 30, 2022. The quarter-over-quarter and year-over-year decrease is largely due to the disposition of the New Jersey and Austin, Texas portfolios during the year resulting in less rental revenue recorded from those portfolios in the period.

PROPERTY OPERATING EXPENSES

For the three months ended September 30, 2023, property operating expenses were approximately \$1.8 million, a 7.7% decrease from the \$2.0 million reported for the three months ended June 30, 2023 and a 7% increase over the \$1.7 million reported for the three months ended September 30, 2022. The quarter-over-quarter change is largely due to the disposition of the New Jersey and Austin, Texas portfolios during the year resulting in fewer operating expenses being incurred in the period. The year-over-year increase is due to the combination of higher costs due to inflation and higher insurance and property tax expenses experienced in the Texas portfolios.

NET RENTAL INCOME FROM INVESTMENT PROPERTIES

For the three months ended September 30, 2023, net rental income was approximately \$1 million, in comparison to the \$1.4 million reported for the three months ended June 30, 2023 and the \$1.5 million reported for the three months ended September 30, 2022. The quarter-over-quarter and year-over-year decrease is due to the disposition of the New Jersey and two Austin, Texas portfolios, as well as a combination of higher costs due to inflation and higher insurance and property tax expenses experienced in the Texas portfolios.

INCOME FROM EQUITY ACCOUNTED AND PREFERRED INVESTMENTS

For the three months ended September 30, 2023, income from equity accounted and preferred investments was \$0.3 million, a slight increase over the \$0.2 million income reported for the three months ended June 30, 2023, but lower than the \$0.5 million reported for the three months ended September 30, 2022. The year-over-year decrease is largely due to the decrease in net income from the New York portfolios and the post-

MANAGEMENT DISCUSSION & ANALYSIS

acquisition consolidation of the Houston, Texas Portfolios as they are accounted for as Wholly Owned Real Estate Investments in the current year.

PRO FORMA CONSOLIDATION OF EQUITY ACCOUNTED INVESTMENTS

Outlined below are the financial statements of the Trust including the pro forma consolidation of its interests in equity accounted investments. Assuming proportionate consolidation, the Trust would have total assets of approximately \$166 million.

(In \$thousands unless otherwise stated)

	The Trust (1)	Connecticut - Hartford	Georgia - Canton	Maryland - Brentwood	Maryland - Hyattsville	New York - Bronx	New York - New York	Total
Assets								
Cash & Restricted Cash	\$ 16,091	\$ 16	\$ 223	\$ 50	\$ 685	\$ 384	\$ (2)	\$ 17,446
Accounts Receivable	347	58	11	49	24	145	192	825
Other Assets & Investments	670	6	21	38	289	30	41	1,096
Preferred Capital Investments	5,254	-	-	-	-	-	-	5,254
Assets Held for Sale	84,277	-	-	3,771	-	-	-	88,048
Investment Properties	-	6,180	12,435	-	18,933	10,618	5,094	53,259
	\$106,639	\$ 6,259	\$ 12,689	\$ 3,908	\$ 19,930	\$ 11,178	\$ 5,325	\$ 165,929
Liabilities								
Accounts Payable	\$ 6,699	\$ 204	\$ 211	\$ 242	\$ 227	\$ 165	\$ 1,303	9,050
Other Liabilities	151	6	48	13	50	74	103	445
Mortgages, Preferred Loans and Convertible Debenture	63,618	5,467	8,756	2,475	16,757	9,560	7,762	114,394
	\$ 70,468	\$ 5,676	\$ 9,014	\$ 2,730	\$ 17,035	\$ 9,799	\$ 9,167	\$ 123,889
Equity								
Unitholders Equity	\$ 36,171	\$ 583	\$ 3,676	\$ 1,178	\$ 2,895	\$ 1,379	\$ (3,843)	\$ 42,040
	\$ 36,171	\$ 583	\$ 3,676	\$ 1,178	\$ 2,895	\$ 1,379	\$ (3,843)	\$ 42,040
	\$106,639	\$ 6,259	\$ 12,689	\$ 3,908	\$ 19,930	\$ 11,178	\$ 5,325	\$ 165,929

Note:(1) Excludes equity investments from the Trust's balance sheet as those are reflected on the proportionate consolidation chart.

Note:(2) Includes equity accounted investment and preferred investment reclassified to assets held for sale.

As at September 30, 2023, the Trust has invested in the following Equity Accounted and Preferred Investments:

(In \$millions unless otherwise stated)

Location	Units	Investment Properties	Common Equity Ownership %	Equity Accounted Investment -		Total Investment	Preferred Yield
				Common Equity	Preferred Investment		
Connecticut - Hartford	109	\$ 12.4	50.0%	\$ 0.7	\$ 1.4	\$ 2.1	8%
Georgia - Canton	138	24.9	50.0%	3.7	3.6	7.3	8%
Maryland - Hyattsville	235	37.9	50.0%	3.1	4.1	7.2	8%
New York - Bronx	132	21.2	50.0%	-	-	-	N/A
New York - New York	129	22.4	22.8%	-	-	-	N/A
Total/ Weighted Average	743	\$ 118.7	45.2%	\$ 7.5	\$ 9.1	\$ 16.6	8%

Note (1): summary above excludes equity accounted and preferred investment reclassified to assets held for sale

Outlined below are the details of the Trust's net investment in the equity accounted investment and preferred investments. The Equity accounted investments comprise common equity, accounted for using the equity method and the preferred equity accounted for as preferred investment loans carried at amortized cost. In addition, the balance sheet and statement of income (each at 100% of the underlying property) and income allocation from the equity accounted and preferred investments as of September 30, 2023 and December 31, 2022 and for the three and nine months ended September 30, 2023 and 2022 are included below:

MANAGEMENT DISCUSSION & ANALYSIS

	Equity Accounted Investments	Preferred Investments	Total
As at January 1, 2022	\$ 23,280,118	\$ 17,246,878	\$ 40,526,996
Investment Activity			
- Equity Accounted Investments	90,000	-	90,000
- Preferred Investments	-	807,886	807,886
- Derecognition of Houston, TX Portfolio on Asset Acquisition	(4,467,235)	(3,551,687)	(8,018,922)
- Derecognition of Second Houston, TX Portfolio on Asset Acquisition	(6,092,821)	(3,849,656)	(9,942,477)
Income Items			
- Income from Equity Accounted Investments	659,161	-	659,161
- Fair Value Adjustments on Investment Properties	(3,487,748)	-	(3,487,748)
Net income from Equity Accounted Investments	(2,828,587)	-	(2,828,587)
- Income from Preferred Investments	-	1,087,337	1,087,337
- Less: Distributions and interest received	(72,985)	(502,366)	(575,351)
- Provision for Impairment on Equity Accounted Investments	(1,153,333)	-	(1,153,333)
- Provision for Impairment on Preferred Investments	-	(2,329,550)	(2,329,550)
As at September 30, 2022	\$ 8,755,157	\$ 8,908,842	\$ 17,663,999
Investment Activity			
- Equity Accounted Investments	122,000	-	122,000
- Preferred Investments	-	824,435	824,435
Income Items			
- Income from Equity Accounted Investments	128,562	-	128,562
- Fair Value Adjustments on Investment Properties	(101,142)	-	(101,142)
Net income from Equity Accounted Investments	27,420	-	27,420
- Income from Preferred Investments	-	182,670	182,670
- Less: Distributions and interest received	(24,965)	(180,177)	(205,142)
- Provision for Impairment on Equity Accounted Investments	(104,944)	-	(104,944)
- Provision for Impairment on Preferred Investments	-	(492,927)	(492,927)
As at December 31, 2022	\$ 8,774,668	\$ 9,242,843	\$ 18,017,511
Investment Activity			
- Equity Accounted Investments	275,000	-	275,000
- Preferred Investments	-	(259,648)	(259,648)
Income Items			
- Income from Equity Accounted Investments	155,857	-	155,857
- Fair Value Adjustments on Investment Properties	(537,823)	-	(537,823)
Net income from Equity Accounted Investments	(381,966)	-	(381,966)
- Income from Preferred Investments	-	548,965	548,965
- Less: Distributions and interest received	-	(549,281)	(549,281)
- Provision for Impairment on Equity Accounted Investments	(200,000)	-	(200,000)
- Recovery of Impairment on Preferred Investments	-	259,648	259,648
- Equity accounted and preferred investment reclassified to assets held for sale	(983,042)	(83,032)	(1,066,074)
As at September 30, 2023	\$ 7,484,660	\$ 9,159,495	\$ 16,644,155

MANAGEMENT DISCUSSION & ANALYSIS

	September 30, 2023	December 31, 2022
Assets		
Cash	\$ 282,845	\$ 344,355
Restricted Cash	2,323,080	2,109,586
Accounts Receivable	1,318,220	1,573,615
Other Assets	872,858	1,432,080
Investment Properties	118,700,881	134,173,704
	\$ 123,497,884	\$ 139,633,340
Liabilities		
Accounts Payable and Accrued Liabilities	7,335,610	2,506,583
Security Deposits	807,150	536,022
Mortgages	93,198,481	103,315,627
	\$ 101,341,241	\$ 106,358,232
Equity		
Deficit	\$ (25,173,697)	\$ (18,199,874)
Preferred Equity	21,966,100	25,411,376
Common Equity	25,364,240	26,063,606
	\$ 22,156,643	\$ 33,275,108
	\$ 123,497,884	\$ 139,633,340

Note (1): September 30, 2023 figures exclude the balance sheet of the equity accounted and preferred investment reclassified to assets held for sale.

	September 30, 2023	December 31, 2022
Investment Allocation for the Trust		
Equity Accounted Investments	\$ 7,484,660	\$ 8,774,668
Preferred Investments	9,159,495	9,242,843
	\$ 16,644,155	\$ 18,017,511

MANAGEMENT DISCUSSION & ANALYSIS

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Rental Revenue	\$ 3,151,375	\$ 3,636,517	\$ 9,742,691	\$ 10,849,445
Property Operating Expenses	(1,592,894)	(2,240,736)	(6,080,514)	(5,938,241)
Net Rental Income	1,558,481	1,395,780	3,662,177	4,911,203
Interest Expense	(1,159,317)	(1,111,679)	(3,443,160)	(2,606,095)
Fair Value Adjustments on Investment Properties	(93,834)	-	(2,151,293)	(13,471,538)
Net Income (Loss) Before Interest from Preferred Investments	305,330	284,102	(1,932,276)	(11,166,429)
Less: Interest from Preferred Investments	(336,088)	(378,049)	(1,108,096)	(1,027,494)
Net Loss	\$ (30,758)	\$ (93,947)	\$ (3,040,372)	\$ (12,193,923)

Note (2): Includes P&L for the periods ended September 30, 2023 from equity accounted and preferred investment reclassified to assets held for sale as at September 30, 2023.

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Income Earned by the Trust				
Income from Equity Accounted Investments	\$ 72,159	\$ 183,383	\$ 155,857	\$ 659,161
Fair Value Adjustments on Investment Properties	(23,458)	-	(537,823)	(3,487,748)
Net income (loss) from Equity Accounted Investments	48,701	183,383	(381,966)	(2,828,587)
Provision for Impairment on Equity Accounted Investments	-	(1,153,333)	(200,000)	(1,153,333)
Income from Preferred Investments	184,551	353,085	548,965	1,087,337
Recovery of (Provision for) Impairment on Preferred Investments	259,648	(175,872)	129,156	(2,329,550)
	\$ 492,900	\$ (792,737)	\$ 96,155	\$ (5,224,133)

RECENT PORTFOLIO ACTIVITY

On February 8, 2022, the Trust completed the acquisition of the Houston, Texas equity accounted and preferred investment (“**Texas Portfolio**”). This transaction has been recognized as an asset acquisition whereby the associated costs have been capitalized. The consideration has been allocated to the identifiable assets acquired and liabilities assumed, based on their fair values at the date of transaction. The purchase price equation for the Texas Portfolio transaction is as follows:

Investment properties, including transaction costs	\$ 32,918,525
Cash and restricted cash	1,674,921
Accounts receivable	160,675
Account payables and accrued liabilities	(425,360)
Mortgages payable	(22,534,391)
Net assets acquired	\$ 11,794,370

Consideration:	
Purchase price	\$ 4,204,856
Equity accounted and preferred investment	8,018,922
Fair value adjustment on acquisition	(429,408)
Total Consideration	\$ 11,794,370

On April 29, 2022, the Trust completed the acquisition of a real estate portfolio (“**Second Houston, TX Portfolio**”) that was being recorded under equity accounted investments and preferred investments.

This transaction has been recognized as an asset acquisition whereby the associated costs have been capitalized. The fair value of the identifiable assets acquired and liabilities assumed have been determined at the date of transaction. The application of the acquisition method for the Second Houston, TX transaction is as follows:

MANAGEMENT DISCUSSION & ANALYSIS

Investment properties, including transaction costs	\$ 26,947,852
Cash and restricted cash	30,400
Accounts receivable	98,383
Account payables and accrued liabilities	(178,022)
Mortgages payable	(11,420,504)
Net assets acquired	\$ 15,478,109

Consideration:	
Purchase price	\$ 5,076,998
Equity accounted and preferred investment	9,942,477
Fair value adjustment on acquisition	458,634
Total Consideration	\$ 15,478,109

Upon acquisition, the Trust classified both Houston, Texas Portfolios as investment properties, whereby rental revenues and operating expenses are recorded rather than income from preferred and equity accounted investments. The impact of this classification is increased rental revenues and operating expenses; offset by lower income from equity accounted and preferred investments.

Assets Held For Sale: As at March 31, 2023, the Trust reclassified its investment properties to assets held for sale. As at September 30, 2023 the investment property classified to assets held for sale totals \$84,277,252 along with an associated mortgage payable that is likely to be assumed upon completion of the sale totaling \$18,370,000. Mortgages not likely to be assumed upon completion of a sale are not included in liabilities related to assets held for sale.

As at September 30, 2023, the Trust reclassified one of its equity accounted investments and preferred investments to assets held for sale with a total value of \$1,066,074.

As part of its Strategic Review, the Trust committed to a plan to sell these properties and the sales were considered to be highly probable as at September 30, 2023.

During the period ended June 30, 2023, the Trust completed the sale of one of its properties located in Austin, Texas for gross proceeds of \$12.6 million.

During the period ended September 30, 2023, the Trust completed the sale of its properties located in New Jersey and Austin, Texas for gross proceeds of \$19.5 million and \$9.9 million, respectively.

INCOME FROM PREFERRED CAPITAL INVESTMENTS

As at September 30, 2023, the Trust has invested in the following preferred capital investments:

- **Houston Portfolio:** Investment of \$1.5 million in a \$4.8 million preferred capital loan for five apartment buildings. The Houston Preferred Capital earns an interest rate of 10% per annum and matures on September 9, 2025.
- **South Dakota Portfolio:** Investment of \$3.5 million for a recapitalization of a portfolio located in Sioux Falls, South Dakota. The Sioux Falls Portfolio earns 12% interest during the initial 3 year term.
- **New York Portfolio:** Investment of \$2.5 million in a \$12.0 million, interest only preferred capital investment in three apartment buildings in Manhattan, New York.

MANAGEMENT DISCUSSION & ANALYSIS

The Trust establishes loss provisions applicable to its preferred capital investments using a 12 month expected credit loss approach as described in note 5 of the Trust's financial statements.

At each reporting date, the Trust assesses the borrower's ability to make contractual payments based on current market conditions. For the three months ended September 30, 2023, the Trust recognized recovery of impairment loss on preferred investments of \$259,648. For the nine months ended September 30, 2023, the Trust recognized recovery of impairment loss on preferred investments of \$129,156. The recovery was for the New York City Portfolio.

FAIR VALUE AND IMPAIRMENT ADJUSTMENTS ON THE INVESTMENT PORTFOLIO

As of September 30, 2023, the Trust owned the following investment properties:

- 638 wholly owned apartment units with a fair value of approximately \$84.3 million;
- 861 equity accounted and preferred investment apartment units with an investment fair value of approximately \$17.7 million.

Each quarter, the Trust determines the fair value of its wholly owned and equity accounted and preferred investment portfolios using an internally managed valuation model or the offer price less costs to sell of committed sales.

For the three months ended September 30, 2023, the total fair value loss to investment properties was \$1.3 million in comparison to the \$3.1 million loss for the three months ended September 30, 2022. For the nine months ended September 30, 2023, the total fair value loss to investment properties was \$5.9 million in comparison to the \$8.4 million loss reported for the nine months ended September 30, 2022.

For the three months ended September 30, 2023, the fair value loss attributed to equity accounted investment properties was \$0.02 million in comparison to the \$nil loss reported for the three months ended September 30, 2022. For the nine months ended September 30, 2023, the fair value loss to equity accounted investment properties was \$0.5 million in comparison to the \$3.5 million loss reported for the nine months ended September 30, 2022.

The fair value losses were driven by rising capitalization rates in response to rising interest rates. Despite this expansion, capitalization rates in certain markets are still below the cost of borrowing. The Trust will continue to monitor the marketplace in future quarters.

LEVERAGE

The Trust monitors its leverage on mortgage debt (defined as Mortgages and Bank Indebtedness/Investment Portfolio) and total debt (defined as Mortgages, Bank Indebtedness and Convertible Debentures/Investment Portfolio) in conjunction with anticipated future growth through the private and public debt markets and its liquidity in the short term. The table below calculates the Trust's leverage as at September 30, 2023 and December 31, 2022:

MANAGEMENT DISCUSSION & ANALYSIS

	Sep 30, 2023	Dec 31, 2022
Investment Portfolio	\$ 107,241,225	\$ 151,900,656
Mortgages and loan payable ⁽¹⁾	50,961,662	75,481,410
Bank indebtedness	-	965,000
Convertible Debentures	12,656,539	11,583,342
Total Debt	\$ 63,618,201	\$ 88,029,752
Net Equity Excluding Convertible Debentures	\$ 56,279,563	\$ 75,454,246
Net Equity Including Convertible Debentures	\$ 43,623,024	\$ 63,870,904
Leverage (Mortgages & Bank indebtedness / Investment Portfolio)	47.5%	50.3%
Leverage (Total Debt / Investment Portfolio)	59.3%	58.0%

GENERAL AND ADMINISTRATIVE (“G&A”)

For the three months ended September 30, 2023, G&A was approximately \$0.5 million in comparison to the \$0.6 million reported for the three months ended September 30, 2022. For the nine months ended September 30, 2023, G&A was approximately \$1.6 million in comparison to the \$1.3 million reported for the nine months ended September 30, 2022. The increase is largely due to increased cost of operations as a result of higher inflation.

FINANCE COSTS

For the three months ended September 30, 2023, finance costs were approximately \$1.3 million in comparison to the \$1.2 million reported for the three months ended September 30, 2022. For the nine months ended September 30, 2023, finance costs were approximately \$4.1 million in comparison to the \$2.8 million reported for the nine months ended September 30, 2022. The increase is largely due to rising interest rates. During the period ended September 30, 2023, the Trust paid off the remainder of its variable rate credit facilities from sales proceeds obtained in the period.

The Trust monitors its normalized finance costs (“**Cash Finance Costs**”) excluding non-cash accretion or amortization expense as a measure of liquidity. The table below calculates the cash finance costs for periods indicated below.

	Three Months Ended			Nine Months Ended	
	Sep 30, 2023	Jun 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
Finance Costs	\$ 1,303,644	\$ 1,453,024	\$ 1,180,469	\$ 4,101,039	\$ 2,835,710
Add (Less): Amortization and Mark to Market	(93,738)	(89,879)	48,174	(219,735)	195,064
Cash Finance Costs	\$ 1,209,906	\$ 1,363,146	\$ 1,228,643	\$ 3,881,304	\$ 3,030,774
% Change - Cash Finance Costs		(11) %	(2) %		28 %

FUNDS FROM OPERATIONS (“FFO”), ADJUSTED FUNDS FROM OPERATIONS (“AFFO”).

For the three months ended September 30, 2023, FFO was negative \$0.7 million, in comparison to the negative \$0.1 million reported for the three months ended June 30, 2023. For the nine months ended September 30, 2023, FFO was negative \$1.3 million in comparison to the \$3.4 million reported for the nine months ended September 30, 2022.

MANAGEMENT DISCUSSION & ANALYSIS

For the three months ended September 30, 2023, AFFO was negative \$0.3 million, in comparison to the negative \$0.2 million reported for the three months ended June 30, 2023 and the \$0.7 million reported for the three months ended September 30, 2022. For the nine months ended September 30, 2023, AFFO was negative \$0.4 million in comparison to the \$1.8 million reported for the nine months ended September 30, 2022.

The decrease in AFFO for the three months ended September 30, 2023 is largely due to higher operating and finance costs. During the period ended September 30, 2023, the Trust paid off the remainder of its variable rate loans and bank indebtedness from sales proceeds obtained in the period.

	Three Months Ended			Nine Months Ended	
	Sep 30, 2023	Jun 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
Net income	\$ (1,483,852)	\$ (1,854,814)	\$ (1,434,159)	\$ (8,240,393)	\$ (12,082,626)
Add (deduct):					
Fair Value Adjustments to Investment Properties	1,255,423	531,480	3,149,264	5,949,205	8,410,664
Fair Value Adjustments to Investment Properties Held in Equity Accounted Investments	23,458	514,365	-	537,823	3,487,748
Provision for Impairment - Equity Accounted Investments	-	200,000	1,153,333	200,000	1,153,333
Provision for (Recovery of) Impairment - Preferred Investments	(259,648)	-	175,872	(129,156)	2,329,550
Provision for Impairment - Preferred Capital Investments	-	-	13,850	-	1,474,645
Foreign Exchange Loss	(292,057)	441,291	(862,894)	150,468	(1,169,103)
Finance Cost and Mark To Market Amortization	93,738	89,879	(48,174)	219,734	(195,064)
FFO	\$ (662,938)	\$ (77,799)	\$ 2,147,093	\$ (1,312,319)	\$ 3,409,147
Add (deduct):					
Fair Value Adjustments to Convertible Debentures	351,543	145,632	(1,023,490)	1,072,930	(1,173,412)
Fair Value Adjustments to Unit Based Compensation	(13,608)	(199,360)	(403,050)	(20,464)	(323,374)
Capital Expenditures	(23,779)	(35,148)	(37,345)	(101,160)	(94,841)
AFFO	\$ (348,782)	\$ (166,675)	\$ 683,208	\$ (361,013)	\$ 1,817,520
Weighted Average Units	7,604,375	7,604,375	7,604,375	7,604,375	7,604,375
FFO per Unit	\$ (0.09)	\$ (0.01)	\$ 0.28	\$ (0.17)	\$ 0.45
AFFO per Unit	\$ (0.05)	\$ (0.02)	\$ 0.09	\$ (0.05)	\$ 0.24

As AFFO is viewed as a measure of cash available for distributions, the following table reconciles AFFO to cash flow from operations:

	Three Months Ended			Nine Months Ended	
	Sep 30, 2023	Jun 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
Total Operating Activities	\$ 655,481	\$ (391,976)	\$ 1,433,525	\$ (582,889)	\$ 2,336,048
Changes in non-cash working capital items:					
Unrealized Foreign Exchange Gain on Convertible Debentures	274,994	(270,624)	843,191	(268)	1,033,296
Accounts Receivable	(281,139)	(157,076)	81,501	(326,139)	(16,686)
Prepaid Expenses and Other Assets	(471,218)	771,185	(98,184)	157,371	184,068
Accounts Payable and Accrued Liabilities	(329,742)	(598,224)	(880,852)	72,029	(1,845,976)
Income from Equity Accounted Investments	72,160	39,598	156,656	155,858	722,812
Income from Preferred Investments	342	(1,378)	1,218	(316)	484,866
Income from Preferred Capital Investments	46,176	35,677	46,391	114,034	183,034
Foreign exchange gain	(292,057)	441,291	(862,894)	150,468	(1,169,103)
Capital expenditures	(23,779)	(35,148)	(37,345)	(101,160)	(94,841)
AFFO	(348,782)	(166,675)	683,208	(361,013)	1,817,520
AFFO per Unit	\$ (0.05)	\$ (0.02)	\$ 0.09	\$ (0.05)	\$ 0.24

COMPARABLE CASH FLOWS

Comparable operating, investing and financing cash flows for the three months ended September 30, 2023 and 2022 are outlined below:

	Three Months Ended		Nine Months Ended	
	Sep 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
Operating Activities	\$ 655,481	\$ 1,433,525	\$ (582,889)	\$ 2,336,047
Investing Activities	27,269,837	(952,188)	38,371,134	(13,727,719)
Financing Activities	(13,926,433)	835,748	(25,704,481)	10,650,838
Increase (Decrease) in Cash	\$13,998,885	\$ 1,317,085	\$12,083,764	\$ (740,835)
Cash, Beginning of Period	2,092,192	3,013,410	4,007,313	5,071,329
Cash, End of Period	\$16,091,077	\$ 4,330,495	\$16,091,077	\$ 4,330,495

MANAGEMENT DISCUSSION & ANALYSIS

Net cash generated by operating activities for the nine months ended September 30, 2023 decreased in comparison to the nine months ended September 30, 2022 due to lower net rental income due to the disposition of three investment properties in the period ended September 30, 2023, as well as a decrease in income from equity accounted and preferred investments.

Net cash from investing activities for the nine months ended September 30, 2023 increased in comparison to the nine months ended September 30, 2022, due to the sale of three investment properties.

Net cash generated by financing activities decreased for the nine months ended September 30, 2023 due to the repayment of debt from the sales of investment properties.

RELATED PARTY TRANSACTIONS

The Trust has entered into the following transactions with related parties:

- I. On November 1, 2015, The Trust entered into a Management Agreement with Firm Capital Realty Partners Advisors Inc. (the “**Manager**”), an entity related to a director of the Trust. Under the terms of the Agreement, the Manager provides a number of services to the Trust, and is entitled to certain fees payable monthly, as follows:
 - a) **Asset Management Fee:** 0.75% of the Gross Invested Assets of the Trust,
 - b) **Acquisition Fee:**
 - i. 1.0% of the first \$300 million of aggregate Gross Book Value in respect of Properties acquired in a particular year; and thereafter
 - ii. 0.75% of aggregate Gross Book Value in respect of Properties acquired in such year.
 - c) **Performance Incentive Fees:** 15% of AFFO once AFFO exceeds \$0.63 per Unit.
 - d) **Placement Fees:** 0.25% of the aggregate value of all debt and equity financing arranged by the Manager.
 - e) **Property Management Fees:**
 - i. Multi-unit residential properties with 120 units or less, 4.0% of Gross Revenue collected from the property;
 - ii. Multi-unit residential properties with more than 120 units, 3.5% of Gross Revenue collected from the property;
 - iii. Industrial or commercial property, 4.25% of Gross Revenue collected from the property; provided, however, that for such properties with a single tenant 3.0% of Gross Revenue collected from the property
 - f) **Commercial Leasing Fees:** 3.0% of the net rental payments for the first year of the lease, and 1.5% of the net rental payments for each year during duration of the lease; provided, however, that where a third party broker arranges for the lease of any such property that is not subject to a long-term listing

MANAGEMENT DISCUSSION & ANALYSIS

agreement, the Manager shall be entitled to reduced commission equal to 50% of the foregoing amounts with respect to such property.

- g) Commercial Leasing Renewal Fees:** Renewals of space leased on commercial terms (including lease renewals at the option of the tenant) which are handled exclusively by the Manager shall be subject to a 0.50% commission on the net rental payments for each year of the renewed lease. When a long-term listing agreement is in effect for leasing and marketing of space with a party other than the Manager, the Manager shall cooperate fully with the broker and the leasing fees will not be payable to the Manager.
- h) Construction Development Property Management Fees:** Where the Manager is requested by the Trust to construct tenant improvements or to renovate same, or where the Manager is requested by the Trust to construct, modify, or re-construct improvements to, or on, the Properties (collectively, “**Capital Expenditures**”), the Manager shall receive 5.0% of the cost of such Capital Expenditures, including the cost of all permits, materials, labour, contracts, and subcontracts; provided, however, that no such fee shall be payable unless the Capital Expenditures are undertaken following a tendering or procurement process wherein the total cost of such Capital Expenditures exceed \$50,000.
- i) Loan Servicing Fees:** 0.25% per annum on the principal amount of each Mortgage Investment (other than syndicated loans serviced by third parties). The Loan Servicing Fee will be calculated as spread interest and deducted from the first interest received on a mortgage investment. Mortgage servicing fees will be payable as to 1/12 monthly based on the receipt of interest payments from borrowers. Loan Servicing Fees will not be payable in respect of the Trust's cash balances or Non-Performing Loans held by the Trust, except that the Manager shall be entitled to retain any overnight float interest on all accounts maintained by the Manager in connection with the servicing of the Trust's Mortgage Investments. The Manager will retain all overnight float interest and related loan servicing fees as charged such as advance fees, discharge statement fees, realty tax escrow account charges, late payment and dishonoured payment charge fees, and all other such fees as charged by a loan servicing agent. This will only apply to the Mortgage Investments of the Trust.
- j) Origination, Commitment & Discharge Fees and Profit Sharing Fees:** The Manager shall remit to the Trust:

 - i. 25% of all originating fees, commitment fees and renewal fees it receives from borrowers on mortgages it originates for the Trust (prorated to reflect the Trust's participation in the investment). The Manager will retain 100% of all originating fees, commitment fees, renewal fees and will remit 25% of such fees to the Trust calculated on the Trust's investment amount; and
 - ii. 75% of any profit sharing, discharge fees, participation fees and profit made on discounted debt that the Mortgage Banker receives in respect of all Non-Conventional Mortgages and Special Profit Transactions it originates for the Trust (with an 8.0% annual preferential return to be

MANAGEMENT DISCUSSION & ANALYSIS

given to the Trust on the Trust's investment amount prior to the Manager receiving its unit of such fees). The Manager shall retain 100% of all servicing charges paid by borrowers which are not identified above, including, without limitation, discharge statement administration fees and all fees identified.

- k) Term and Termination:** Initial term of ten years with automatic renewal for successive five year terms. The Trust may terminate the Agreement any time after November 1, 2025 other than for cause upon the approval of two-thirds of the votes cast by unitholders at a meeting and upon 24 months prior written notice. Upon termination, the Trust shall pay to the Manager the following:
- i. 2% of the Gross Invested Assets of the Properties and the Trust's other assets; and
 - ii. any amounts which would have been earned by the Manager under the Agreement for the uncompleted portion of the term (the "**Termination Payment**").

The Trust entered into an agreement with an entity related to the Asset manager of the Trust, to borrow CAD \$16 million to be used for the Second Houston, TX acquisition and Preferred Capital Investment. Terms of the Bridge Loan are described in note 7 of the consolidated financial statements. During the three months ended September 30, 2023, the Trust paid \$16,342 (CAD \$21,822) of interest associated with the Bridge Loan. As at September 30, 2023, the balance on the Bridge Loan was \$nil.

For the three months ended September 30, 2023, asset management fees were \$258,000 (September 30, 2022 - \$380,300), loan servicing fees were \$nil (September 30, 2022 - \$16,136), acquisition fees were \$nil (September 30, 2022 - \$nil), debt placement fees were \$nil (September 30, 2022 - \$58,425) and property management fees were \$25,010 (September 30, 2022 - \$22,210).

For the nine months ended September 30, 2023, asset management fees were \$937,081 (September 30, 2022 - \$888,324), loan servicing fees were \$nil (September 30, 2022 - \$39,647), acquisition fees were \$nil (September 30, 2022 - \$297,750), debt placement fees were \$nil (September 30, 2022 - \$107,941) and property management fees were \$75,919 (September 30, 2022 - \$69,916).

Asset Management fees and loan servicing fees are included in general and administrative expenses. Property management fees are included in property operating expenses. Acquisition fees and debt placement fees are capitalized to equity accounted investments. Transaction costs associated with the acquisition are capitalized to investment properties.

As at September 30, 2023, the Trust has accrued \$3,575,702 (December 31, 2022 - \$2,638,621) under this Management Agreement, which is included in accounts payable and accrued liabilities.

CONTRACTUAL OBLIGATIONS

The Trust's contractual obligations over the next few years are as follows:

MANAGEMENT DISCUSSION & ANALYSIS

	Less than 1 year		1-2 years	>2 years	Total
Mortgages and loan payable ⁽¹⁾	\$	51,382	\$ 22,559,633	\$ 28,694,147	\$ 51,305,162
Convertible Debentures Payable		-	-	12,656,539	12,656,539
Accounts Payable and Accrued Liabilities		6,698,817	-	-	6,698,817
Total	\$	6,750,199	\$ 22,559,633	\$ 41,350,686	\$ 70,660,519

MORTGAGES AND LOAN PAYABLE

As at September 30, 2023, the Trust had mortgages payable, including liability related to assets held for sale, secured by the multi-family properties of \$50,961,662 (\$32,591,662 excluding mortgage related to assets held for sale) including the current portion and net of unamortized financing costs and mark to market on assumed mortgages (December 31, 2022 - \$75,481,409) which bear interest at a weighted average interest rate of 6.41% (December 31, 2022 - 4.78%) per annum (7.32% excluding liability related to assets held for sale), and have maturity dates ranging between February 2024 and September 2032.

On February 8, 2022, the Trust assumed mortgages with a fair value of \$22.5 million, as a result of the acquisition of the Houston, Texas Portfolio. The mortgage has interest-only payments bearing interest at 8% per annum until June 2023 and 8.5% fixed interest rate thereafter, and matures February 2024.

On April 18, 2022, the Trust entered into an agreement with an entity affiliated to the Asset Manager of the Trust to borrow CAD \$13 million (the "Bridge Loan") to be used for the Second Houston, Texas Transaction and the South Dakota Preferred Capital Loan. Per amendment dated August 4, 2022, an additional CAD \$3 million was made available to the Trust on the facility. Summarized terms of the Bridge Loan are (i) interest rate of the greater of 6.0% per annum or the Canadian Chartered Bank Prime Rate plus a spread; (ii) two year term (iii) fully open for repayment at any time prior to maturity; (iv) 1% commitment fee. As at September 30, 2023, the balance on the Bridge Loan was \$nil.

On April 29, 2022, the Trust assumed mortgages with a fair value of \$11.4 million, as a result of the Second Houston, Texas Portfolio acquisition, which bears interest at 4.90% per annum, and matures on February 28, 2028.

On August 31, 2022, the Trust closed the refinancing of a first mortgage with the Federal National Mortgage Association ("Fannie Mae") on a multi-tenant residential property located in Sunrise, Florida for \$18.37 million. Terms of the mortgage are at 4.77% fixed interest rate, interest-only, maturing on September 30, 2032.

	September 30, 2023	December 31, 2022
Mortgages payable	\$ 32,935,162	\$ 75,833,644
Less: Current Portion	(22,335,904)	(28,711,218)
Less: Unamortized Financing Costs	(559,022)	(613,400)
Add: Mark to Market on assumed mortgages	215,522	261,165
	\$ 10,255,758	\$ 46,770,191

The following annual payments of principal and interest are in respect of these mortgages and loan:

MANAGEMENT DISCUSSION & ANALYSIS

	Principal	Interest	Total
2023	\$ 51,382	\$ 826,807	\$ 878,189
2024	22,338,472	1,567,028	23,905,500
2025	221,161	1,395,133	1,616,293
2026	232,402	1,383,892	1,616,294
2027	244,215	1,372,080	1,616,295
Thereafter	28,217,530	4,502,973	32,720,503
Total before Liabilities Related to Assets Held for Sale	51,305,162	11,047,913	62,353,074
Liabilities Related to Assets Held for Sale (1)	(18,370,000)	(8,324,366)	(26,694,366)
Total	\$ 32,935,162	\$ 2,723,547	\$ 35,658,709

(1) Mortgage related to assets held for sale matures in 2032.

CONVERTIBLE DEBENTURE

On August 8, 2019, the Trust closed a \$13.7 million (CAD \$18.1 million based on the Bank of Canada daily noon rate of exchange \$1.3257), 6.25% convertible unsecured subordinated debenture (the "Convertible Debenture") offering. On August 13, 2019, the Trust closed an additional \$1.0 million (CAD \$1.3 million based on the Bank of Canada daily noon rate of exchange of \$1.3236) of the Convertible Debenture. The Convertible Debenture is due on June 30, 2026.

As the functional currency of the Trust is USD, the Conversion Option and Warrants were classified as embedded derivatives. The Trust has elected to classify and measure the Convertible Debenture at FVTPL based on the trading price of the applicable debentures at each reporting date with changes in fair value being recognized in fair value adjustments to convertible debentures.

DISTRIBUTIONS

For the period ended September 30, 2023, the Trust declared no distributions.

The excess/(shortfall) of cash flow from operating activities over distributions and net income/(loss) and comprehensive income/(loss) over distributions for the three and nine months ended September 30, 2023, 2022 and September 30, 2022 are outlined below:

	Three Months Ended			Nine Months Ended	
	Sep 30, 2023	Jun 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
Total Operating Activities (A)	\$ 655,481	\$ (391,976)	\$ 1,433,525	\$ (582,889)	\$ 2,336,047
Cash Finance Costs					
Finance Costs	1,303,644	1,453,024	1,180,469	4,101,039	2,835,710
Add (Less): Finance Cost and Mark To Market Amortization	(93,738)	(89,879)	48,174	(219,735)	22,024
Net Cash Interest Expense (B)	\$ 1,209,906	\$ 1,363,146	\$ 1,228,643	\$ 3,881,304	\$ 2,857,734
Net Cash Flows from Operating Activities (A-B)	\$ (554,425)	\$ (1,755,122)	\$ 204,882	\$ (4,464,193)	\$ (521,687)
Net Loss	\$ (1,483,852)	\$ (1,854,814)	\$ (1,434,159)	\$ (8,240,393)	\$ (12,082,626)
Distributions	\$ -	\$ -	\$ -	\$ -	\$ 897,316
(Deficit) Surplus of Net Cash Flow From Operating Activities Over Distributions	\$ (554,425)	\$ (1,755,122)	\$ 204,883	\$ (4,464,193)	\$ (1,419,003)
Deficit of Net Income (Loss) Over Distributions	\$ (1,483,852)	\$ (1,854,814)	\$ (1,434,159)	\$ (8,240,393)	\$ (12,979,942)

OPTIONS

The Trust has a 10% rolling incentive stock option plan which provides for the issuance of incentive stock options to directors, management, employees, and consultants of the Trust.

The Trust had the following options outstanding and exercisable on September 30, 2023:

MANAGEMENT DISCUSSION & ANALYSIS

Issuance Date	Number of Options	Weighted average exercise price	Fair Value of Options	Expiry Date
August 17, 2017	340,738	\$ 7.50	\$ 48,738	August 17, 2027
November 19, 2018	188,900	8.30	38,474	November 19, 2028
March 16, 2021	42,700	7.50	21,058	March 16, 2031
March 16, 2021	60,300	8.30	25,308	March 16, 2031
Total/ Weighted Average	632,638	\$ 7.82	\$ 133,578	

The option reserve was calculated using the Black Scholes model. The following assumptions were used:

Option Assumptions	September 30, 2023	December 31, 2022
Stock Price	\$ 3.05	\$ 3.64
Exercise Price	\$7.50-\$8.30	\$7.50-\$8.30
Expected Life in Years	3.88-7.46	4.63-8.21
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	\$ -	\$ 0.12
Discount Rate - Bond Equivalent Yield	5.15%	4.30%

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those described in note 2 of the Trust's audited consolidated financial statements for the year ended December 31, 2022. The Trust's accounting policy for Assets Held for Sale is described in note 2 of the Trust's unaudited condensed consolidated interim financial statements for the period ended September 30, 2023.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF TRUSTEES

Management is responsible for the information disclosed in this MD&A, and has in place the appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is materially complete and reliable. In addition, the Trust's Audit Committee and Board of Trustees provide an oversight role with respect to all public financial disclosures by the Trust and have reviewed and approved this MD&A and the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and 2022.

CONTROLS AND PROCEDURES

The Trust maintains appropriate information systems, procedures and controls to ensure that information disclosed externally is complete, reliable, and timely. The Trust's Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision of, the design and operating effectiveness of the Trust's disclosure controls and procedures (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Filings) as at September 30, 2023 and have concluded that such disclosure controls and procedures were appropriately designed and were operating effectively.

The Trust has also established adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Trust's financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. The Trust's Chief Executive Officer and the Chief Financial Officer assessed, or

MANAGEMENT DISCUSSION & ANALYSIS

caused an assessment under their direct supervision, of the design and operating effectiveness of the Trust's internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Filings) as at September 30, 2023. Based on that assessment, it was determined that the Trust's internal controls over financial reporting were appropriately designed and were operating effectively. In addition, the Trust did not make any changes to the design of the Trust's internal controls over financial reporting during the three and nine months ended September 30, 2023 that would have materially affected or would be reasonably likely to materially affect the Trust's internal controls over financial reporting.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

RISKS AND UNCERTAINTIES

GEOGRAPHIC CONCENTRATION

The properties are in the States of Florida, Georgia, New York, Texas, Maryland and Connecticut. Accordingly, the market value of the properties and the income to be generated by the Trust's performance are particularly sensitive to changes in the economic conditions and regulatory environments of those U.S. states. Adverse changes in the economic condition or regulatory environment of these U.S. states may have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations.

ACQUISITION RISK

The Trust may be subject to significant operating risks associated with its expanded operations. The Trust's business strategy includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions, and effectively operating and leasing such properties. If the Trust is unable to manage its growth effectively, it could have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations. There can be no assurance as to the pace of growth through property acquisitions or that the Trust will be able to acquire assets that are accretive to earnings and/or cash flow. The Trust may acquire additional properties selectively. The acquisition of additional properties entails risks that investments will fail to perform in accordance with expectations. In undertaking such acquisitions, the Trust will incur certain risks, including the expenditure of funds, including non-refundable deposits, due diligence costs and inspection fees, and the devotion of management's time to transactions that may not come to fruition. Additional risks inherent in acquisitions include risks that the properties will not achieve anticipated occupancy levels and that estimates of the costs and benefits of the renovation and

MANAGEMENT DISCUSSION & ANALYSIS

repositioning program intended for the property being acquired may prove inaccurate or may not have the intended results.

CO-INVESTMENT/INVESTMENTS IN ASSOCIATES

The Trust currently is and may in the future become, invested in, or a participant in, directly or indirectly, investments in associates and partnerships with third parties. An investment in an associate or partnership involves certain additional risks, including: (i) the possibility that such associate/partners may at any time have economic or business interests or goals that will be or are inconsistent with those of the Trust or take actions contrary to the Manager's instructions or requests or to the Manager's policies or objectives; (ii) the associate/partner may have control over all of the day to day and fundamental decisions relating to a property; the risk that such associates/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such properties or repay the associates/partners' unit of property debt guaranteed by the Trust or its Subsidiary Entities or for which the Trust or its Subsidiary Entities will be liable and/or result in the Trust suffering or incurring delays, expenses and other problems associated with obtaining court approval of an investment in associates or partnership decisions; (iv) the risk that such associates/partners may, through their activities on behalf of or in the name of the associates or partnerships, expose or subject the Trust or its Subsidiary Entities to liability; and (v) the need to obtain associates/partners' consents with respect to certain major decisions or inability to have any decision making authority, including the decision to distribute cash generated from such properties or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the investments in associates and partnerships may be subject to certain requirements, such as rights of first refusal, rights of first offer or drag-along rights, and certain of the investment in associates and partnership agreements may provide for buy-sell or similar arrangements. Such rights may inhibit the Trust's ability to sell an interest in a property or an investment in associates/partnership within the time frame or otherwise on the basis the Trust desires. Additionally, drag-along rights may be triggered at a time when the Trust may not desire to sell its interest in a property, but the Trust may be forced to do so at a time when it would not otherwise be in the Trust's best interest. In addition, associates/partners of the Trust may sell their interest in the applicable entity to a third party with the result that the Trust is investing in associates or partnering with an unknown third party.

PURCHASE AGREEMENTS

Additional properties may be sold to the Trust in an "as is" condition, and upon acquisition of said properties, the Trust may have limited recourse with respect to conditions affecting the purchased properties. The costs of unexpected repair and remediation work could be material and may, therefore, have an adverse effect on the Trust's financial condition and results of operations. Furthermore, representations and warranties made by the seller in a purchase agreement, if any, may survive only for a limited period after closing. If claims arising because of a breach of a representation or warranty are discovered after this period, the Trust may not be able to seek indemnification from the seller and would, therefore, suffer the financial consequences of such a breach, which could be material. Moreover, even if the Trust was entitled to indemnification from the seller, no assurance can be given that the seller would have sufficient funds to satisfy any such indemnification claims.

MANAGEMENT DISCUSSION & ANALYSIS

NON-REFUNDABLE DEPOSITS

Property acquisition transactions may require deposits by the Trust and costs to be incurred by the Trust, which may be non-refundable. If such transactions fail to close, these funds may be unrecoverable in whole or in part, thereby reducing funds otherwise available to the Trust.

OPERATIONAL RISKS

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

RISKS RELATED TO PREFERRED CAPITAL LOAN DEFAULTS

The Trust may from time to time deem it appropriate to extend or renew the term of a preferred capital loan past its maturity, or to accrue the interest on a preferred capital loan. The Trust generally will do so if it believes that there is a very low risk to the Trust of not being repaid the full principal and interest owing on the preferred capital loan. In these circumstances, however, the Trust is subject to the risk that the principal and/or accrued interest of such preferred capital loan may not be repaid in a timely manner or at all, which could impact the cash flows of the Trust during the period in which it is exercising such remedies. Further, if the valuation of the asset underlying the preferred capital loan has fluctuated substantially due to market conditions, there is a risk that the Trust may not recover all or substantially all of the principal and interest owed to the Trust in respect of such preferred capital loan. When a preferred capital loan is extended past its maturity, the loan can either be held over on a month to month basis, or renewed for an additional term at the time of its maturity. Notwithstanding any such extension or renewal, if the borrower subsequently defaults under any terms of the loan, the Trust has the ability, subject to the rights of creditors in priority to the Trust, to exercise its preferred capital enforcement remedies in respect of the extended or renewed preferred capital loan. Exercising preferred capital enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact the cash flows of the Trust during the period of enforcement. In addition, because of potential declines in real estate values, in particular given the current economic environment, there is no assurance that the Trust will be able to recover all or substantially all of the outstanding principal and interest owed to the Trust in respect of such preferred capital loans by exercising its preferred capital loan enforcement remedies. Should the Trust be unable to recover all or substantially all the principal and interest owed to the Trust in respect of such preferred capital loans, the returns, financial condition and results of operations of the Trust could be adversely impacted.

FORECLOSURE AND RELATED COSTS

One or more borrowers could fail to make payments according to the terms of their loan, and the Trust could therefore be forced to exercise its rights as the preferred creditor. The recovery of a portion of the Trust's assets may not be possible for an extended period during this process and there are circumstances where there may be complications in the enforcement of the Trust's rights as the preferred creditor. Legal fees and expenses and other costs incurred by the Trust in enforcing its rights as the

MANAGEMENT DISCUSSION & ANALYSIS

preferred creditor against a defaulting borrower are usually recoverable from the borrower directly or through the sale of the secured property by power of sale or otherwise, although there is no assurance that they will be recovered. If these expenses are not recoverable, they will be borne by the Trust. Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income or whether preferred capital loan payments are being made. The Trust may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

RISK OF NATURAL DISASTERS

The properties located in Florida, Georgia and Texas historically have experienced periods of extreme weather that have resulted in periods of severe thunderstorms, tornadoes, wind, and rain damage, and may sustain significant storm damage in the future. While the Trust will take insurance to cover a substantial portion of the cost of such events, the Trust's insurance is likely to include deductible amounts and exclusions such that certain items may not be covered by insurance. Future hurricanes, floods, or other natural disasters may significantly affect the Trust's operations and some or all the properties, and more specifically, may cause the Trust to experience reduced rental revenue (including from increased vacancy), incur cleanup costs as well as administration and collection costs, or otherwise incur costs in connection with such events, including damage to property and equipment, increasing material costs, increasing labour costs, increasing insurance premiums, increased time to completion of renovation due to the foregoing factors, and increase in government regulations with respect to setbacks, drainage and engineering of seawalls, and other protective features. Any of these events may have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations and ability to declare and pay dividends, if any, to Trust unitholders. As well, if the Trust was unable to obtain adequate insurance, and the properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the Trust's business, cash flows, and financial condition.

RISK OF LOSS NOT COVERED BY INSURANCE

The Trust maintains insurance policies related to its business, including casualty, general liability, and other policies covering the Trust's business operations, employees, and assets. However, the Trust will be required to bear all losses that are not adequately covered by insurance, as well as any insurance deductibles. In the event of a substantial property loss, the existing insurance coverage may be insufficient to pay the full current market value or current replacement cost of such property loss. In the event of an uninsured loss, the Trust could lose some or all its capital investment, cash flow and anticipated profits related to one or more properties. Although the Trust believes that its insurance programs are adequate, assurance cannot be provided that the Trust will not incur losses more than insurance coverage or that insurance can be obtained in the future at acceptable levels and reasonable cost.

RISK RELATED TO INSURANCE RENEWALS

Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When the Trust's current insurance

MANAGEMENT DISCUSSION & ANALYSIS

policies expire, the Trust may encounter difficulty in obtaining or renewing property or casualty insurance on the properties at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (e.g., earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Even if the Trust can renew policies at levels and with limitations consistent with current policies, the Trust cannot be sure that it will be able to obtain such insurance at premiums that are reasonable. If the Trust is unable to obtain adequate insurance on the properties for certain risks, it could cause the Trust to be in default under specific covenants on certain of its indebtedness or other contractual commitments that it has which require the Trust to maintain adequate insurance on the properties to protect against the risk of loss. If this were to occur, or if the Trust were unable to obtain adequate insurance and the properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations.

ACCESS TO CAPITAL

The real estate industry is highly capital intensive. The Trust will require access to capital to maintain the properties, as well as to periodically fund its growth strategy and significant capital expenditures. There can be no assurance that the Trust will have access to sufficient capital or access to capital on terms favourable to the Trust for future property acquisitions, financing or refinancing of the properties, funding operating expenses, or other purposes.

In addition, global financial markets have experienced a sharp increase in volatility during recent years. This has been, in part, the result of the re-valuation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the companies who borrow from them. While central banks as well as governments continue attempts to restore liquidity to the global economy, no assurance can be given that the combined impact of the significant re-valuations and constraints on the availability of credit will not continue to cause material adverse effect on economies around the world in the near to medium term. These market conditions and unexpected volatility or illiquidity in financial markets may inhibit the Trust's access to long-term financing, in the Canadian and/or United States capital markets. As a result, it is possible that financing which the Trust may require to grow and expand its operations, upon the expiry of the term of financing, on refinancing any particular property owned by the Trust or otherwise, may not be available or, if it is available, may not be available on favourable terms to the Trust. Failure by the Trust to access required capital could have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations, and ability to declare and pay dividends, if any, to Trust unitholders.

FINANCING RISK

A portion of the cash flow generated by the properties will be devoted to servicing indebtedness, and there can be no assurance that the Trust will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the Trust is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt, or other financing. The failure of the Trust to make or renegotiate interest or principal payments or obtain

MANAGEMENT DISCUSSION & ANALYSIS

additional equity, debt, or other financing could have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations.

The Trust will be subject to the risks associated with debt financing, including the risk that the convertible debentures, mortgages, and banking facilities secured by the properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. If the Trust decides to utilize variable rate debt, such debt will result in fluctuations in the Trust's cost of borrowing as interest rates change. To the extent that interest rates rise there may be a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations.

The Trust will seek to manage its financing risk by maintaining a balanced maturity profile with no significant amounts coming due in one period. Given the increased credit quality of such debt, the probability of the Trust being unable to renew the maturing debt or transfer the debt to another accredited lending institution is significantly reduced. However, there can be no assurance that the renewal of debt will be on as favourable terms as existing indebtedness.

The Trust's credit facilities may also contain covenants that require it to maintain certain financial ratios on specific portfolios and/or on a consolidated basis. If the Trust does not maintain such ratios, its cash flows may be restricted and the ability to issue, declare, and pay dividends, if any, may be limited.

DEGREE OF LEVERAGE

The Trust's degree of leverage could have important consequences to Trust unitholders. For example, the degree of leverage could affect the Trust's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development, or other general purposes, making the Trust more vulnerable to a downturn in business or the economy in general.

As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

DEPENDENCE ON FIRM CAPITAL REALTY PARTNERS ADVISORS INC. ("FCRPAI")

The Trust's earnings and operations are impacted by FCRPAI's ability to source appropriate real estate investments that provide sufficient yields for investors and FCRPAI to maintain these real estate investments. The Trust has also entered a long-term contract with FCRPAI, as more particularly described in an agreement dated January 1, 2020 as posted on SEDAR (www.sedarplus.ca). The Trust is exposed to adverse developments in the business and affairs of FCRPAI, since the day-to-day activities of the Trust are run by FCRPAI and since all the Trust's debt and equity investments are originated by FCRPAI.

RELIANCE ON PROPERTY MANAGEMENT

The Trust relies upon independent management companies to perform property management functions in respect of certain of the Properties. To the extent the Trust relies upon such management companies, the employees of such management companies will devote as much of their time to the management of the Properties as in

MANAGEMENT DISCUSSION & ANALYSIS

their judgment is reasonably required and may have conflicts of interest in allocating management time, services and functions among the Properties and their other development, investment and/or management activities.

LITIGATION RISKS

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

LAWS BENEFITING DISABLED PERSONS

Laws benefiting disabled persons may result in unanticipated expenses being incurred by the Trust. Under the *Americans with Disabilities Act* of 1990 (the "**ADA**"), all places intended to be used by the public are required to meet certain federal requirements related to access and use by disabled persons. The *Fair Housing Amendments Act* of 1988 (the "**FHAA**") requires apartment properties first occupied after March 13, 1991 to comply with design and construction requirements for disabled access. For those projects receiving federal funds, the *Rehabilitation Act* of 1973 also has requirements regarding disabled access. These and other federal, state and local laws may require modifications to the Trust properties, or affect renovations of the properties. Non-compliance with these laws could result in the imposition of fines or an award of damages to private litigants and could also result in an order to correct any non-complying feature, which could result in substantial capital expenditures. Although the Trust believes that the properties are substantially in compliance with present requirements, the Trust may incur unanticipated expenses to comply with the ADA, the FHAA, and the *Rehabilitation Act* of 1973 in connection with the ongoing operation or redevelopment of the properties.

POTENTIAL CONFLICTS OF INTEREST WITH TRUSTEES

There are potential conflicts of interest to which some of the trustees, officers, insiders and promoters of the Trust will be subject in connection with the operations of the Trust. Conflicts, if any, will be subject to the procedures and remedies as provided under the Ontario Business Corporations Act.

INTERNAL CONTROLS

Effective internal controls are necessary for the Trust to provide reliable financial reports and to help prevent fraud. Although the Trust will undertake several procedures and will implement a number of safeguards in order to help ensure the reliability of its financial reports, in each case, including those imposed on the Trust under Canadian securities law, the Trust cannot be certain that such measures will ensure that the Trust will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation,

MANAGEMENT DISCUSSION & ANALYSIS

could harm the Trust's results of operations or cause it to fail to meet its reporting obligations. If the Trust or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Trust's unaudited condensed consolidated interim financial statements and material adverse effect on the trading price of the units.

U.S. LAWS AND REGULATIONS

The Trust carries on business in the U.S. and, accordingly, is subject to United States federal, state and local laws, rules, regulations and requirements. Although the Trust believes that the Properties are substantially in compliance with present laws, rules, regulations and requirements, the Trust may incur unanticipated expenses to comply with such laws, rules, regulations and requirements. Noncompliance with these laws, rules, regulations and requirements could have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and could result in, among other things, the imposition of fines or an award of damages to private litigants and could result in an order to correct any non-complying feature of the Properties, which could result in substantial capital expenditures.

U.S. CURRENCY RISK

The Convertible Debenture financing was obtained in Canadian Dollars but invests in the US Market using US Dollars. Accordingly, the Trust has a risk that the value of the US Dollar will increase requiring more Canadian Dollars. In addition, the finance costs are paid in Canadian Dollars and a decrease in the US Dollar at such time will adversely affect the Trust.

LIQUIDITY

The Trust is a relatively new issuer and there can be no assurance that an active trading market in the units will be sustained. There is a significant liquidity risk associated with an investment in the units.

RELIANCE ON ASSUMPTIONS

The Trust's investment objectives and strategy have been formulated based on the analysis and expectations regarding recent economic developments in the U.S., the future recovery of U.S. real estate markets in general, and the U.S. to Canadian dollar exchange rate. Such analysis may be incorrect and such expectations may not be realized.

GENERAL REAL ESTATE OWNERSHIP RISKS

All real property investments are subject to risks generally incident to the ownership, remodeling, operation, and sale of real estate, including: (a) changes in general economic or local conditions; (b) changes in supply of or demand for similar or competing properties in a particular geographic area; (c) bankruptcies, financial difficulties, or defaults by vendors, contractors, tenants, and others; (d) increases in operating costs, such as taxes and insurance; (e) the inability to achieve occupancy at rental rates adequate to produce desired financial returns; (f) periods of high interest rates and tight money supply; (g) excess supply of rental properties in the market area; (h) liability for uninsured losses resulting from natural disasters or other perils; (i) liability for environmental hazards; (j) changes in tax, real estate, or environmental laws or regulations; and (k) changes in availability of financing. For these and other reasons, no assurance can be given that the investment will be profitable or that it will achieve its financial objectives.

MANAGEMENT DISCUSSION & ANALYSIS

Certain significant expenditures, including property taxes, maintenance costs, insurance costs, and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Real property investments tend to be relatively illiquid. This illiquidity will limit the ability of the Trust to respond to changing economic or investment conditions. If the Trust were required to liquidate assets quickly, there is a risk the proceeds realized from such a sale would be less than the book value of the assets or less than what could be expected to be realized under normal circumstances. By specializing in a particular type of real estate, the Trust is exposed to adverse effects on that segment of the real estate market and does not benefit from a broader diversification of its portfolio by property class.

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the properties. The properties generate revenue through rental payments made by the tenants. The ability to rent un-leased suites in properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. The ability to declare and pay dividends, if any, will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases, or if a significant amount of available space in the properties becomes vacant and cannot be leased on economically favourable lease terms. If properties do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, this could have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations and ability to declare and pay dividends, if any, to Unitholders.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the properties or revenues to be thus derived. Reported estimates of market rent can be seasonal and the significance of any variations from quarter to quarter would material adverse effect the Trust's annualized estimated gain-to-lease amount. There can be no assurance that upon the expiration or termination of existing leases that the average occupancy rates and revenues will be higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the Trust due to internal and external limitations on its ability to charge these new market based rents in the short term.

The short-term nature of residential tenant leases exposes the Trust to the effects of declining market rent, which could have a material adverse effect on the Trust's results from operations and ability to declare and pay dividends, if any. Most of the Trust's residential tenant leases will be for a term of one year or less. Because the Trust's residential tenant leases generally permit residents to leave at the end of their lease term without any penalty, the Trust's rental revenue may have material adverse effects by declines in market rents more quickly than if such leases were for longer terms.

SUBSTITUTIONS FOR RESIDENTIAL RENTAL UNITS

Demand for the properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing

MANAGEMENT DISCUSSION & ANALYSIS

transactions. With the recent global economic crisis and its impact on the U.S. credit markets, interest rates offered by financial institutions for financing home ownership have been at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low, demand for rental properties may be adversely affected. A reduction in the demand for rental properties may have a material adverse effect on the Trust's ability to lease suites in the properties and on the rents charged. This, in turn, may have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations and the ability to declare and pay any dividends, if any, to Unitholders.

COMPETITION

The multi-family property sector is highly competitive. The Trust faces competition from many sources, including individuals, Trust's or other entities engaged in real estate investment activities, many of whom have greater financial resources than the Trust. There is also competition from other rental properties in the immediate vicinity of the various properties and the broader geographic areas where the properties are and will be located. Furthermore, the properties that the Trust owns or may acquire compete with numerous housing alternatives in attracting tenants, including home ownership. The relative demand for such alternatives may be increased by declining mortgage interest rates, government programs which promote home ownership, or other events or initiatives which increase the affordability of such alternatives to the properties and could have a material adverse effect on the Trust's ability to retain tenants and increase or maintain rental rates. Such competition may reduce occupancy rates and rental revenues of the Trust and could have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations and the ability to declare and pay any distributions, if any, to Unitholders.

The competition for the properties available for sale may significantly increase the cost of acquiring such assets and may result in such assets being acquired by the Trust at prices or on terms which are comparatively less favourable to the Trust or may result in such assets being acquired by competitors of the Trust. In addition, the number of entities seeking to acquire multi-family properties, and/or the amount of funds competing for such acquisitions may increase. Increases in the cost to the Trust of acquiring properties may material adverse effect on the ability of the Trust to acquire such properties on favourable terms and may otherwise have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and ability to declare and pay any distributions to Unitholders.

In addition, over-building in the multi-family sector in the United States may increase the supply of total multi-family properties, further increasing the level of competition in those markets.

CHANGES IN APPLICABLE LAWS

The Trust's operations must comply with numerous federal, state, and local laws and regulations, some of which may conflict with one another or be subject to limited judicial or regulatory interpretations. These laws and regulations may include zoning laws, building codes, landlord tenant laws, and other laws generally applicable to business operations. Non-compliance with laws could expose the Trust to liability.

Lower revenue growth or significant unanticipated expenditures may result from the Trust's need to comply with changes in Applicable Laws, including (i) laws imposing

MANAGEMENT DISCUSSION & ANALYSIS

environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; (ii) rent control or rent stabilization laws or other residential landlord/tenant laws; or (iii) other governmental rules and regulations or enforcement policies affecting the development, use, and operation of the properties, including changes to building codes and fire and life-safety codes.

ENVIRONMENTAL MATTERS

Under various environmental and ecological laws, the Trust and/or its subsidiaries could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in one or more of the properties or disposed of at other locations. The failure to deal effectively with such substances may adversely affect the Trust's ability to sell such property and could potentially also result in claims against the Trust by third parties.

THE COSTS OF SECURING POSSESSION AND CONTROL OF NEWLY ACQUIRED PROPERTIES MAY EXCEED EXPECTATIONS

Upon acquiring a new property, the Trust may have to evict residents who are in unlawful possession before the Trust can secure possession and control of the property. The holdover occupants may be the former owners or tenants of a property, or they may be squatters or others who are illegally in possession. Securing control and possession from these occupants can be both costly and time-consuming. If these costs and delays exceed our expectations in a large proportion of newly acquired properties, the Trust's financial performance may suffer because of the increased expenses incurred or the unexpected delays in turning the properties into revenue-producing assets.

THE COSTS ARISING FROM RENOVATION OF PROPERTIES

The Trust expects that many of the properties will require some level of renovation immediately upon their acquisition or in the future following expiration of a lease or otherwise. The Trust may acquire properties that it plans to extensively renovate. The Trust may also acquire properties that it expects to be in good condition only to discover unforeseen defects and problems that require extensive renovation and capital expenditures. In addition, the Trust will be required to make ongoing capital improvements and replacements and may need to perform significant renovations to reposition properties in the rental market. The Trust's properties will have infrastructure and appliances of varying ages and conditions. Consequently, the Trust expects that its management will routinely retain independent contractors and trade professionals to perform physical repair work and will be exposed to all the risks inherent in property renovation, including potential cost overruns, increases in labour and materials costs, delays by contractors in completing work, delays in the timing of receiving necessary work permits, certificates of occupancy, and poor workmanship. Although the Trust does not expect that renovation difficulties on any individual property will be significant to its overall results, if the assumptions regarding the costs or timing of renovation across the Trust's portfolio prove to be materially inaccurate, the Trust's earnings and distributable cash may be adversely affected.

FIXED COSTS AND INCREASED EXPENSES

The failure to maintain stable or increasing average monthly rental rates combined with acceptable occupancy levels would likely have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations and ability to declare

MANAGEMENT DISCUSSION & ANALYSIS

and pay dividends, if any. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs, and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the Trust is unable to meet mortgage payments on any property, losses could be sustained because of the mortgagee's exercise of its rights of foreclosure or sale.

The Trust is also subject to utility and property tax risk relating to increased costs that the Trust experience because of higher resource prices as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised because of re-valuations of properties and their adherent tax rates. In some instances, enhancements to properties may result in significant increases in property assessments following a re-valuation. Additionally, utility expenses, mainly consisting of natural gas, water, and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the Trust cannot charge back to the tenant may have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and the ability to make, declare, and pay any dividends. Unlike commercial leases, which generally are "net" leases and allow a landlord to recover expenditures from tenants, residential leases are generally "gross" leases, and the landlord is not able to pass on costs to its tenants. Generally, the Trust's leases with tenants require the tenant to pay directly for their own utilities. The timing and amount of capital expenditures by the Trust will affect the amount of any distributions available to Unitholders.

INTEREST RATE RISK

Interest rate risk is the combined risk that the Trust would experience a loss because of its exposure to a higher interest rate environment (interest rate risk) and the possibility that at the end of a mortgage term the Trust would be unable to renew the maturing debt either with the existing lender or a new lender (renewal risk).

The Trust will seek to manage its interest rate risk by negotiating, where possible, fixed interest rates on all its debt.

VALUATION AND DISPOSITION RISK

On a quarterly basis the Trust performs a valuation assessment of its properties. As property values fluctuate over time in response to economic and market factors, or as underlying assumptions in the valuation model change, the fair value of the Trust's investment portfolios may change materially and could impact unitholders' value. While the Trust is responsible for the reasonableness of the assumptions and for the accuracy of the inputs into the property valuation model, market assumptions applied for valuation purposes do not necessarily reflect the Trust's specific history or experience and the conditions for realizing the fair values through a sale may change or may not be realized.

From time to time the Trust undertakes strategic property dispositions where the Trust believes the respective investment can be adequately monetized with the goal of maximizing unitholders' value. Failure to dispose of certain assets not aligned with the Trust's investment criteria may adversely affect its operations and financial performance.

MANAGEMENT DISCUSSION & ANALYSIS

ASSUMPTIONS MAY PROVE INACCURATE

In determining whether a particular property meets its investment criteria, the Trust makes several assumptions, including assumptions related to estimated time of possession and estimated renovation costs and time frames, annual operating costs, market rental rates and potential rent amounts, time from purchase to leasing, and tenant default rates. These assumptions may prove inaccurate, causing the Trust to pay too much for properties it acquires, to overvalue properties or to have properties not perform as expected, and adjustments to the assumptions made in evaluating potential purchases may result in fewer properties qualifying under the Trust's investment criteria. Reductions in the supply of properties that meet the Trust's investment criteria may adversely affect the Trust's operating results and ability to implement its business plan.

Furthermore, the properties are likely to vary materially in terms of time to possession, renovation, quality and type of construction, location, and hazards. The Trust's success will depend on its ability to acquire properties that can be quickly possessed, renovated, repaired, upgraded, and rented with minimal expenses and maintained in rentable condition. The Trust's ability to identify and acquire such properties will be fundamental to its success.

In addition, the recent market and regulatory environments relating to multi-family properties have been changing rapidly, making future trends difficult to forecast.