

URBANFUND CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2017 AND 2016

INTRODUCTION

This management's discussion and analysis ("MD&A"), dated August 29, 2017, should be read in conjunction with Urbanfund Corp.'s (the "Company") unaudited interim condensed consolidated financial statements for the three month and six month periods ended June 30, 2017 and 2016 and the notes thereto (collectively, the "Consolidated Statements") prepared in accordance with International Financial Reporting Standards ("IFRS"). Please refer to the notes of the Consolidated Statements for disclosure of the Company's significant accounting policies. All dollar amounts are presented in Canadian dollars.

CORPORATE PROFILE

Urbanfund Corp. is a Toronto-based real estate development and operating company. The Company's focus is to identify, evaluate and invest in real estate or real estate related projects. The Company's assets are located in Toronto, Brampton, Belleville, Kitchener and London, Ontario and in Montreal and Quebec City, Quebec. The Company is a reporting issuer in Alberta, British Columbia and Ontario. The Company's common shares trade on the TSX Venture Exchange under the symbol UFC.

FORWARD LOOKING STATEMENTS

Caution Regarding Forward-Looking Statements

This MD&A contains certain "forward-looking statements" within the meaning of applicable securities legislation. Forward-looking statements reflect management's beliefs, plans, estimates and expectations regarding the Company's growth, results of operations, performance, business prospects and opportunities, access to capital, proposed development and redevelopment plans, repayment of indebtedness and cash-flow.

Such statements, including statements about the Company's future plans and intentions, results, levels of activity, performance, goals or achievements or other future events, repayment of indebtedness, contractual obligations and future dividend payments, proposed development and redevelopment plans, and proposed acquisition, renovation, condominium conversion and sale of 11-13 Edvac Drive in Brampton, Ontario, anticipated timing and quantum of receipt of distributions from the Project (as defined herein) and the Company's proposed acquisition of the Highfield Park Portfolio in Dartmouth, Nova Scotia, related mortgage financing and the closing thereof, constitute forward-looking statements. Wherever possible, words such as "may", "will", "should", "could", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", or "potential" or the negative or other variations of these words, or similar words or phrases, have been used to identify these forward-looking statements. These statements reflect management's current beliefs and assumptions and are based on information currently available to management as at the date hereof.

Forward-looking statements involve significant risk, uncertainties and assumptions. Many factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements.

Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including: general economic and market segment conditions, interest rates, costs outside of the Company's control such as real estate taxes and utilities, the ability of tenants to satisfy their contractual rent obligations and any unforeseen repair, maintenance or replacement of the Company's assets.

More detailed assessment of the risks that could cause actual results to materially differ than current expectations is contained in the “Risks and Uncertainties” section of this MD&A.

NON-IFRS MEASURES

Funds from operations (“FFO”) is a measure sometimes used by Canadian real estate companies as an indicator of financial performance, however, it does not have a standardized meaning prescribed by IFRS. This measure may differ from similar computations as reported by other real estate companies and, accordingly, may not be comparable to similarly termed measures by other such issuers.

FFO is a financial measure that should not be construed as an alternative to net income, cash flow from operations, or any other operating or liquidity measurement prescribed under IFRS. The Company presents FFO in accordance with the recommendations of the Real Property Association of Canada (“REALpac”) White Paper on Funds from Operations revised April 2014.

FFO is not intended to represent operating profits for the period or from a property. Furthermore, it should not be viewed as an alternative to net income, cash flow from operating activities or similar measures of financial performance calculated in accordance with IFRS.

FFO is a widely accepted supplemental measure of financial performance for real estate companies, however, it does not represent amounts available for capital programs, debt service obligations, commitments or uncertainties. FFO should not be interpreted as an indicator of cash generated from operating activities and is not indicative of cash available to fund operating expenditures, or for the payment of cash distributions. FFO is simply one measure of operating performance.

A reconciliation of net income before taxes to FFO is presented under “Funds from Operations”.

ACCOUNTING POLICIES

The Consolidated Statements are prepared by management in accordance with IFRS and are generally in accordance with the recommendations of the Real Property Association of Canada. The Company’s significant accounting policies have been applied on a consistent basis. Urbanfund’s accounting policies are described in note 3 of the December 31, 2016 annual financial statements.

In applying these policies, in certain cases it is necessary to use estimates, which management determines using information available to the Company at that time. Management reviews key estimates on a quarterly basis to determine their appropriateness and any change to these estimates is applied prospectively in compliance with IFRS.

INVESTMENT PROPERTIES

Income Properties

The Company’s investment properties as at June 30, 2017 were comprised of the following:

1. An 84 suite townhouse complex located at the corner of Don Mills Road and Van Horne Avenue, in Toronto, Ontario (the “Don Mills Property”);
2. A 72,761 square foot one-storey commercial shopping centre located at 305 North Front Street, Belleville, Ontario (the “Belleville Property”);
3. A 16,000 square foot one-storey commercial shopping centre located 476-480 Wonderland Road South, London, Ontario (the “London Property”);
4. A 10% interest in a portfolio of 9 residential projects consisting of 1,678 residential suites located in Quebec City and Montreal (the “Quebec Properties”); and
5. A 65% interest in a residential building with 40 units located at 48 Weber Street, Kitchener, Ontario (“48 Weber”).

Properties Under Development

The Company's properties under development as at June 30, 2017 were comprised of the following:

1. A 65% interest in a multi-residential rental complex redevelopment project located at 61 Roy Street West, Kitchener, Ontario ("61 Roy");
2. A 65% interest in a proposed multi-residential rental development site located at 59-65 Weber Street East, Kitchener, Ontario ("59-65 Weber");
3. A 65% interest in a residential complex located at 65 Roy Street, Kitchener, Ontario ("65 Roy");
4. A 50% interest in 2 buildings totaling 64,000 square foot industrial redevelopment project located at 11-13 Edvac Drive, Brampton, Ontario (the "Brampton Property"); and
5. A 65% interest in a multi-residential rental construction site located at 51, 55 and 59 Scott Street, Kitchener, Ontario ("51-59 Scott").

INTEREST IN REAL ESTATE PROJECT

Investment in One Bloor East

In September 2009, the Company invested \$2,000,000 (a purchase price of \$1,233,333 and a deposit of \$766,667 for future development costs) for a 10% interest in a limited partnership, which in turn has a 33.3% interest in the One Bloor Street East real estate project (the "Project").

The Project is a high-density residential and commercial mixed-use site located at the southeast corner of Yonge and Bloor Streets in Toronto, Ontario. Initial tenant occupancy of the residential units began in November 2016, and the Project is projected to be completed and fully occupied by the second quarter 2018.

In prior periods, the Company received \$322,667 related to cost recoveries. In May 2017, the Company received a distribution of \$1,677,333, relating to a return of equity previously invested in the Project. As at June 30, 2017, the return of capital eliminated the investment in real estate project on the Company's interim condensed consolidated statements of financial position.

In June 2017, the Company received its first distribution, relating to a return on investment of the Project, in the amount of \$1,666,667.

The Company anticipates future distributions; however, the precise timing and quantum of these future distributions is uncertain and will be in the discretion of the Project's managing partner.

RESULTS FROM OPERATIONS

Interim Condensed Consolidated Statements of Income and Comprehensive Income

For the three month period ended June 30, 2017, the Company reported rental revenue of \$1,406,358 compared to revenue \$1,241,055 for the corresponding period in June 30, 2016. Net rental income increased from \$527,430 in the three month period ended June 30, 2016 to \$677,196 in the corresponding three month period ended June 30, 2017. The increase in rental revenue and net rental income is primarily due to the recognition of Brampton Property revenue in 2017 following its acquisition on December 15, 2016. The Quebec Properties operations continue to perform as expected. Lease-ups and redevelopments in the Company's Kitchener Income Properties and Properties Under Development portfolios are progressing, respectively.

FUNDS FROM OPERATIONS

FFO for the three and six month periods ended June 30, 2017 were as follows:

Selected Interim Consolidated Information	Three month period ended June 30, 2017	Three month period ended June 30, 2016	Six month period ended June 30, 2017	Six month period ended June 30, 2016
Income before income taxes	\$2,071,344	\$2,016,509	\$2,462,823	\$2,245,387
<u>Adjust for:</u>				
Fair value adjustment on marketable securities	(\$48,620)	(\$25,058)	(\$73,617)	(\$28,334)
Interest and dividend income	(\$52,885)	(\$15,694)	(\$67,939)	(\$25,262)
Realized loss on foreign currency translation	-	\$94,700	-	\$94,700
Unrealized gain/Loss on foreign currency translation	\$1,355	(\$87,054)	\$1,776	\$3,366
Fair value adjustment on investment properties	\$56,055	(\$1,762,926)	\$80,534	(\$1,756,661)
Funds from Operations (FFO)	\$2,027,249	\$220,477	\$2,403,577	\$533,196

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2017, the Company had cash and cash equivalents in the amount of \$8,618,371 and marketable securities of \$408,408 (June 30, 2016 - \$6,254,925 and \$350,812, respectively).

As at June 30, 2017, the Company had mortgages payable in the amount of \$29,165,620, which was comprised of: (i) \$11,495,125 representing a mortgage payable for the Don Mills Property; (ii) \$4,989,548 representing mortgage payable for the Belleville Property and London Property, (iii) \$5,543,967 representing mortgages payable on the Quebec Properties; (iv) \$4,711,980 representing mortgage payable on 48 Weber; (v) \$625,000 representing mortgage payable on 59–65 Weber; and (v) \$1,800,000 representing mortgage payable on the Brampton property.

The current portion of the mortgages payable includes \$4,989,548 representing mortgages payable for the Belleville Property and London Property, maturing in July 2018 and \$2,648,048 representing the Quebec Properties vendor take- back mortgage, which matures in May 2018.

In August 2017, the Company commenced discussions to renegotiate a 5-year extension to the mortgage payable for the Belleville Property. The intended use of funds from this mortgage refinancing is for the proposed acquisition of the Highfield Park Portfolio (as defined herein). See "Subsequent Events".

With continuing stability of the Company's assets, management expects cash flows to remain consistent and the Company will continue to satisfy its debt, redevelopment and acquisition obligations.

ASSETS AND LIABILITIES

Interim Condensed Consolidated Statements of Financial Position

As at June 30, 2017, total assets were \$68,709,616 compared to \$66,752,087 as at June 30, 2016.

SUMMARY OF QUARTERLY RESULTS

The following selected financial data is derived from the Consolidated Statements:

Quarter ended	Revenue	Net Income	Net Income Per Share (Basic) ¹	Net Income Per Share (Diluted) ²
June 30, 2017	\$1,406,358	\$1,772,792	\$0.040	\$0.034
March 31, 2017	\$1,404,892	\$418,127	\$0.009	\$0.008
December 31, 2016	\$1,280,138	\$1,728,996	\$0.039	\$0.033
September 30, 2016	\$1,254,331	\$191,822	\$0.004	\$0.004
June 30, 2016	\$1,241,055	\$1,374,576	\$0.031	\$0.027
March 31, 2016	\$1,180,047	\$178,878	\$0.004	\$0.003
December 31, 2015	\$1,152,900	\$1,994,193	\$0.046	\$0.039
September 30, 2015	\$1,149,350	\$762,293	\$0.017	\$0.015

Notes:

¹ Basic net income per share is calculated by dividing the net income by the weighted average number of common shares outstanding during the period.

² Diluted net income per share is calculated by dividing the applicable net income by the sum of the weighted average number of common shares outstanding and all additional shares that would have been outstanding if potentially dilutive common shares had been issued during the period. The dilutive effect of outstanding stock options on net income per share is calculated by determining the proceeds for the exercise of such securities, which are then assumed to be used to purchase Common Shares.

DIVIDENDS AND DIVIDEND REINVESTMENT PLAN

The Company confirmed on June 17, 2015 that it had adopted a dividend policy (the "Dividend Policy"), a dividend reinvestment plan for holders of common shares in the capital of the Company (the "Common Shares") and a dividend reinvestment plan for the holder of Series A, first preferred shares (the "Preferred Shares") in the capital of the Company (collectively, the "DRIP").

As part of the Company's long-term strategy to maximize shareholder value, the board of directors has approved the implementation of the Dividend Policy. Pursuant to the Dividend Policy, the Company intends to pay an annual aggregate dividend of \$0.005 per Common Share and \$0.005 per Preferred Share, payable quarterly in the amount of \$0.00125 per Common Share and Preferred Share. The record date for dividends is anticipated to be set as the last business day of March, June, September and December in each year and the payment date in each case is anticipated to be approximately two weeks from the record date.

On June 16, 2017, the board of directors approved an increase in the annual dividend rate to \$0.01 per common share and \$0.01 per series A, first preferred share, representing a \$0.005 dividend increase to both common and series A, first preferred shareholders.

The DRIP is a voluntary program permitting holders of Common Shares and Preferred Shares to automatically, and without charge, reinvest dividends to acquire additional Common Shares at a specified discount to the volume-weighted average market price calculated as of the date of the dividend payment. The Company has reserved an aggregate of 2,000,000 Common Shares for the issuance to participants enrolled in the DRIP. During the three month period June 30, 2017, the Company issued 118,677 common shares for an aggregate issue price of \$52,573 to shareholders participating in the DRIP.

During 2017, the Company made dividend payments on each of: (i) January 15, 2017 to shareholders of record as of December 31, 2016; (ii) April 15, 2017 to shareholders of record as of March 31, 2017; and (iii) July 17, 2017 to shareholders of record as of June 30, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2017, the Company did not have any off-balance sheet arrangements in place.

RELATED PARTY TRANSACTIONS

Property management for the Company's income-producing properties are provided on a fee-basis by Westdale Construction Co. Limited ("Westdale"), the Company's largest shareholder. Ronald Kimel, the Company's Chairman, is also a director and officer of Westdale.

All services provided to the Company by Westdale are provided on customary market terms and conditions. During the six month period ended June 30, 2017, the Company paid or accrued for Westdale \$51,137 for these services as compared to \$60,466 for the corresponding period ended June 30, 2016. Salary reimbursement for on-site staff for the period ended June 30, 2017 amounted to \$111,662 as compared to \$83,950 for the period ended June 30, 2016.

FUTURE ACCOUNTING PRONOUNCEMENTS

IFRS 9 - Financial Instruments

IFRS 9 Financial Instruments was issued in final form in July 2014 by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements.

The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Urbanfund is currently assessing the impact of IFRS 9.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services.

The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with earlier application is permitted.

Urbanfund will not be early adopting IFRS 15 and is reviewing the impact of the elections of presenting under the modified retrospective approach, whereby the Company will recognize transitional adjustments in retained earnings on the date of initial application (January 1, 2018) without restatement.

IFRS 16 - Leases

IFRS 16, Leases was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied.

Urbanfund will not be early adopting IFRS 16. The Company is currently evaluating the effects of the current contracts to determine whether any changes are required and the effects of those changes on these consolidated financial statements. The Company does not expect a material impact on the classification of its tenant leases on the adoption of this standard.

IAS 40 - Investment Properties

The IASB issued amendments to provide guidance on transfers to, or from investment properties. IAS 40 amendments state that an entity shall transfer a property to, or from, investment properties, when, and only when, there is evidence of a change in use. A change in use occurs if the property meets, or ceases to meet, the definition of an investment property. The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

RISKS AND UNCERTAINTIES

The Company is exposed to a number of risks and uncertainties that could impact future results. The nature of the Company's business, especially in the real estate sector, means that it is affected by general economic conditions and competitive factors. The Company operates in a capital intensive business environment. The Company faces several areas of risk.

The Company's real estate investments are subject to the normal operating risks common to the industry, including seasonal and cyclical fluctuations, costs for construction materials and labour and changes in interest rates. The Company is reviewing its current debt position in an effort to take advantage of the favourable interest rate environment.

The following are specific and general risks that could affect the Company and that each reader should carefully consider. Additional risks and uncertainties not presently known to the Company or that the Company does not currently believe to be material, could impair the Company's business operations and its operating results and as a result could materially impact its business, results of operations, prospects and financial condition.

a. Economic Risks

Any deterioration in the North American and global economies, including the North American credit markets represents a significant risk to the Company and its ability to grow the portfolio. The Company may require mortgage funds for future acquisitions and there is no assurance that the Company will be able to secure such funds on a commercially beneficial basis, or at all. The failure to raise sufficient funds could have a material adverse effect on the business of the Company and the market value of its securities.

b. Real Estate Industry Risk

All real estate investments are subject to a degree of risk. They are affected by various factors including changes in general economic conditions (such as the availability of long term mortgage funds) and in local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from other available space, the ability of the owner to provide adequate maintenance at an economic cost and various other factors. In addition, fluctuations in interest rates may affect the Company.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. Tenants may default in performing their obligations under their leases. No assurance can be given that the Company will be able to quickly re-lease space vacated by a tenant on favorable terms, if at all.

In addition, although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that tenants will continue to occupy the Company's premises. The Company's income and funds from operations would be adversely affected if a number of tenants were to become unable or unwilling to meet their obligations to the Company or if the Company were unable to lease a significant amount of available space in its properties on economically favourable lease terms. Furthermore, the Company may experience delays and incur substantial costs in enforcing its rights as lessor. The Company may also incur costs in making improvements or repairs to a property required by a new tenant.

Certain significant expenditures involved in real property investments, such as real estate taxes, maintenance costs and mortgage payments, represent liabilities which must be met regardless of whether the property is producing any income. If the Company is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or power of sale.

Real property investments are relatively illiquid. This illiquidity will tend to limit the ability of the Company to vary its property portfolio promptly in response to changed economic or investment conditions. If the Company were required to quickly liquidate its assets, there is a risk that the Company would realize sale proceeds of less than the stated value of the properties of the Company. The Company's property portfolio is concentrated in Ontario and Quebec. As a result, economic and real estate conditions in Ontario and Quebec will significantly affect the Company's revenues and the value of its properties.

c. Lease Renewal and Rental Increase Risks

Income producing properties generate income through rent payments made by tenants of the properties. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the Company than the existing lease. The Company is dependent on leasing markets to ensure vacant residential space is leased, expiring leases are renewed and new tenants are found to fill vacancies. A disruption in the economy could have a significant impact on how much space tenants will lease and the rental rates paid by tenants. This would affect the income produced by the Company's properties as a result of downward pressure on rents.

d. Environmental Risks

As an owner and manager of real property, the Company is subject to various Canadian federal, provincial, and municipal laws relating to environmental matters. These laws could encumber the Company with liability for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the Company's ability to sell its real estate, or to borrow using real estate as collateral, and could potentially also result in claims or other proceedings against the Company. The Company has formal policies and procedures to review and monitor environmental exposure. The Company has made and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Although the Company is not aware of any material non-compliance with environmental laws at any of its properties nor is it aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties, no assurance can be given that environmental laws will not result in significant liability to the Company in the future or otherwise adversely affect the Company's business, financial condition or results of operations. The Company has formal policies and procedures to review and monitor environmental exposure. The Company has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and the Company may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on the Company's business, financial condition or results of operation.

e. Competition Risk

The real estate business is extremely competitive. Numerous other developers, acquirers, managers and owners of office, industrial and retail properties will compete with the Company in seeking properties. The existence of competing developers and owners could have an adverse effect on the Company's ability to acquire properties and on the rents charged or concessions granted. There can be no guarantee that additional properties will be available to the Company at fair prices or at all.

f. General Uninsured Losses

The Company carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risk (generally of a catastrophic nature such as war, terrorist acts or environmental contamination) which may be either uninsurable, in whole or in part, or, in the opinion of management, not economically insurable. Should an uninsured or underinsured loss occur, the Company could lose its investment in, and anticipated profit and cash flows from, one or more of its properties, and the Company would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

g. Credit Risk – Leases

The key credit risk to the Company is the possibility that its tenants will be unable or unwilling to fulfill their lease term commitments. Key drivers of demand include employment levels, population growth, demographic trends and consumer confidence. The failure by tenants to fulfill their lease commitments could have a material adverse effect upon financial position of the Company.

h. Local Real Estate Market Risk and Asset Concentration

There is a risk that the Company would be negatively affected by the new supply of, and demand for, multi-unit residential suites in its local market areas. Any significant amount of new construction will typically result in an imbalance in supply and cause downward price pressure on rents.

i. Rent Control Legislation Risk

Rent control legislation, the risk of the implementation of new legislative rent controls or the amendment to existing legislative rent controls in the markets the Company operates may have an adverse impact on the Company's operations. (Don Mills Property and Quebec Properties) The *Residential Tenancies Act in Ontario* and the *Régie du logement in Quebec* are responsible for providing criteria and restrictions for the ability of a landlord to increase rents above an annually prescribed guideline. In Ontario, a rental increase guideline has been established and was 2.0% for 2016 and is 1.5% for 2017.

In Quebec, landlords and tenants are free to negotiate a rental increase that they deem just and reasonable. If the landlord and tenant have difficulty in reaching an agreement, the *Régie du logement* offers assistance in fixing the rent increase based on approved *Régie du logement* indexes published annually.

j. Utility and Property Tax Risk

Utility and property tax risk relates to the potential loss the Company may experience as a result of higher resource prices and well as its exposure to significant increases in property taxes. Over the past few years, property taxes have increased as a result of revaluations of municipal properties and their adherent tax rates. For the Company, these revaluations have resulted in significant increases in some property assessments due to enhancements. Utility expenses, mainly consisting of natural gas 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 Company cannot pass on to the tenant may have a negative material impact on the Company.

k. Public Market Risk

It is not possible to predict the price at which the Company's common shares will trade and there can be no assurance that an active trading market for the common shares will be sustained. The common shares will not necessarily trade at values determined solely by reference to the value of the properties of the Company. Accordingly, the common shares may trade at a premium or a discount to the value implied by the value of the Company's properties. The market price for the common shares may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the Company.

l. Significant Shareholders

As at the date hereof, directors and officers hold, directly or indirectly, 76.5% of the outstanding common shares and 100% of the preferred shares. The market price of the common shares could be significantly affected if the holders of these shares sell them or are perceived by the market as intending to sell them.

m. Co-ownership and Joint Venture Interests in Real Estate Investments

From time to time the Company owns or may own property or properties with other joint venture partners. The Company could be adversely affected by a default by a joint operation of a property under the terms of a mortgage, lease or other agreement.

n. Financing and Repayment of Indebtedness

The Company has outstanding indebtedness in the form of mortgages and, as such, is subject to the risks normally associated with debt financing, including the risk that the Company's cash flow will be insufficient to meet required payments of principal and interest.

There is a possibility that the Company's internally generated cash may not be sufficient to repay all of its outstanding indebtedness. However, the Company may elect to repay indebtedness through refinancing or through the issuance of equity securities. Upon the expiry of the term of the financing on any particular property owned by the Company, refinancing on a conventional mortgage loan basis may not be available in the amount required or may be available only on terms less favourable to the Company than the existing financing.

This will be dependent upon the economic circumstances prevailing at such time. Also, a credit disruption in the capital markets could have an adverse impact on the Company's ability to meet its obligations and grow its business.

The real estate industry is highly capital-intensive. The Company will require access to capital to maintain its properties, as well as to fund its development, redevelopment and renovation initiatives and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms. The Company's financing may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Company's cost of borrowing. In addition, interest rates affect the profitability of commercial properties as interest paid on mortgages secured by commercial properties represents a significant cost in the ownership of properties.

o. Dependence on Key Personnel

The management of the Company depends on the services of certain key personnel. The termination of employment by any of these key personnel or the cessation of involvement with the Company by such personnel could have a material adverse effect on the Company and its operations.

p. Potential Conflicts of Interest

The Company may be subject to various conflicts of interest because of the fact that directors and officers of the Company are engaged in other real estate-related business activities. The Company may become involved in transactions which conflict with the interests of the foregoing. Directors may from time to time deal with persons, firms, institutions or corporations with which the Company may be dealing, or which may be seeking investments similar to those desired by the Company. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Directors and officers of the Company are required to disclose material interests in material contracts and transactions and to refrain from voting thereon.

q. Acquisition and Growth Risks

The Company's external growth prospects will depend in large part on identifying suitable development and acquisition opportunities, pursuing such opportunities, conducting necessary due diligence, consummating acquisitions (including obtaining necessary consents) and effectively operating the properties acquired by the Company. If the Company is unable to manage its growth and integrate its acquisitions effectively, its business, operating results and financial conditions could be adversely affected. Developments and acquisitions may not meet operational or financial expectations due to unexpected costs or market conditions, which could impact the Company's performance.

The Company's business plan includes growth through identification of suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If the Company is unable to find suitable growth opportunities or manage its growth effectively, its business, operating results and financial conditions may be adversely affected. There can be no assurance that the Company will consistently be able to acquire assets on an accretive basis.

r. Proposed Acquisitions

There can be no assurance that the Company will complete any proposed acquisitions or sales described herein or otherwise on the basis described or on expected closing dates, if at all. In the event the Company does not complete proposed acquisitions or sale, the Company's financial performance may be negatively impacted until suitable acquisitions with appropriate investment returns can be made. There is no assurance that such suitable investments will be available to the Company in the near future or at all.

s. Interest Risk

Interest risk is the combined risk that the Company would experience a loss as a result of its exposure to a higher interest rate environment (interest rate risk) and the possibility that at the term end of a mortgage the Company would be unable to renew the maturing debt either with the existing or an additional lender (renewal risk). The Company attempts to manage its interest rate risk by maintaining a balanced, maturing portfolio with mortgage debt being financed for periods ranging between 5 and 10 years. There can however, be no assurance that the renewal of debt will be on as favourable of terms as the Company's existing debt.

t. Appraisals of Properties

An appraisal is an estimate of market value and caution should be used in evaluating data with respect to appraisals. It is a measure of value based on information gathered in the investigation, appraisal techniques employed and reasoning quantitative and qualitative, leading to an opinion of value. The analysis, opinions, and conclusions in an appraisal are typically developed based on, and in conformity with, or interpretation of the guidelines and recommendations set forth in the Canadian Uniform Standards of Appraisal Practice. Appraisals are based on various assumptions of future expectations of property performance and while the appraiser's internal forecast of net income for the properties appraised are considered to be reasonable at that time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

Equity markets for small capitalized public companies are subject to varying degrees of risk and may not always be available to access additional capital. As a result, capital may not be available for future growth when and if required. Management, however, believes that additional capital will be forthcoming for new projects based on their merit. Further, management utilizes the Company's asset base to take advantage of capital raising initiatives when opportunities arise. It is the intention that upon favourable changes in the capital markets for publicly traded real estate companies, the Company intends to, on an as required basis, access additional capital through share issues.

u. Dividends

The declaration and payment of future dividends and the quantum of any such dividends will be subject to the Company's board of directors' determination, in its discretion, taking into account, among other things, business performance, financial condition, growth plans and expected capital requirements, statutory solvency tests, as well as any contractual restrictions on such dividends, including any agreements entered into with lenders to the Corporation or its subsidiaries. There can be no assurance that dividends will be paid at the intended rate or at any rate in the future.

INVESTOR RELATIONS

No investor relations activities were undertaken by or on behalf of the Company during the three month period ended June 30, 2017

SUBSEQUENT EVENTS

On July 13, 2017, the private company repaid in full the previously drawn operating loan of \$500,000 plus \$12,366 of interest income.

On August 1, 2017, the Company commenced proceedings to place one of its limited partners and development and construction manager (the "**Partner**") for the Company's Kitchener Investment Properties and Properties Under Development into default under the applicable partnership agreements. The Partner's units in each of the partnerships have been purchased for cancellation and the general partner of each partnership will complete any outstanding construction. The Company will continue operating and redeveloping the Kitchener Properties as planned.

On August 8, 2017, the Company entered into a binding agreement with Westdale to purchase a 20% interest the 1,354-unit Highfield Park multi-family residential portfolio located in Dartmouth, Nova Scotia (the "Highfield Park Portfolio"). A newly-incorporated corporation, Highfield Park Residential Inc., will purchase the portfolio with the Company being a 20% shareholder and Westdale retaining the remaining 80% interest. The portfolio is located in Highfield Park, which is a cluster of 20 buildings on a 37 acre parcel of land. Closing is expected to take place in October, 2017 and Urbanfund's proportionate share of the purchase price will be funded by a new 10-year mortgage and existing cash on-hand. The property will be managed by Westdale.

OUTLOOK

With the current roster of properties and the continuing low-interest rate environment, management expects slightly improved results for fiscal 2017 as compared to fiscal 2016. The Company will continue to pursue acquisitions and joint ventures to provide the Company with opportunities for additional cash flow. The Company's strategy going forward is to continue to seek out real estate or real estate related investment opportunities.

DISCLOSURE OF OUTSTANDING SHARE DATA

Details of the Company's outstanding share data as of June 30, 2017 and the date hereof are as follows:

	As at June 30, 2017	As at the date hereof
Common shares	44,706,225	44,902,734
Series A, First Preferred Shares	7,425,000	7,425,000

ADDITIONAL INFORMATION CONCERNING THE COMPANY

Additional information regarding the Company can be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and options to purchase the Company's securities authorized for issuance under equity compensation plans, all as of December 31, 2016, are contained in the Company's Management Information Circular which was furnished in connection with the Company's annual and special meeting of shareholders that was held on June 14, 2017. Additional information is provided in the Consolidated Statements.