FIRM CAPITAL PROPERTY TRUST

CAPITAL PRESERVATION • DISCIPLINED INVESTING

MD&A

MANAGEMENT DISCUSSION AND ANALYSIS

THIRD QUARTER 2018
SEPTEMBER 30, 2018

MANAGEMENT DISCUSSION & ANALYSIS

*The following management's discussion and analysis ("**MD&A**") of the financial condition and results of operations of Firm Capital Property Trust ("**FCPT**" or the "**Trust**") should be read in conjunction with the Trust's condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 and September 30, 2017. This MD&A has been prepared taking into account material transactions and events up to and including November 6, 2018. Additional information about the Trust 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 2018 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 tax treatment of trusts. 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.

INTRODUCTION

Firm Capital Property Trust (TSXV: FCD.UN) is focused on creating long-term value for Unitholders through capital preservation and disciplined investing to achieve stable distributable income. In partnership with management and industry leaders, FCPT's plan is to co-own a diversified property portfolio of the following real estate asset classes:

- Industrial & Flex Industrial,
- Net Lease Convenience and Stand Alone Retail,
- Multi Residential, and
- Core Service Provider / Healthcare Professional Office.

In addition to stand alone accretive acquisitions, the Trust will make acquisitions, on a co-ownership basis with strong financial partners and will make joint acquisitions and the acquisition of partial interests from existing ownership groups, in a manner that provides liquidity to those selling owners and professional management for those remaining as partners. Firm Capital Realty Partners Inc., through a structure focused on an alignment of interests with the Trust sources, syndicates and manages investments on behalf of the Trust.

MANAGEMENT DISCUSSION & ANALYSIS

The Trust is an unincorporated open-ended real estate investment trust established on August 30, 2012 under the laws of the Province of Ontario pursuant to a Declaration of Trust. The Trust is a “mutual fund trust” as defined in the Tax Act, but is not a “mutual fund” within the meaning of applicable Canadian securities legislation. The head office and registered office of the Trust is located at 163 Cartwright Avenue; Toronto, Ontario, M6A 1V5. The Trust is the reporting issuer trading on the TSX Venture Exchange under the ticker symbol FCD.UN.

Additional information on the Trust and its portfolio is available on the Firm Capital website at www.firmcapital.com or on the SEDAR website at www.sedar.com.

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 Canadian dollar.

Certain financial information presented in this MD&A reflects certain non-IFRS financial measures, which include Net Operating Income (“**NOI**”), Earnings Before Interest, Taxes, Depreciation & Amortization (“**EBITDA**”), Funds From Operations (“**FFO**”) and Adjusted Funds From Operations (“**AFFO**”), Adjusted FFO, Adjusted AFFO, AFFO Payout Ratio and Debt/Gross Book Value (“**GBV**”) (each as defined below). These measures are commonly used by real estate investment trusts as useful metrics for measuring performance and/or cash flows, 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 trusts. The Trust believes that FFO is an important measure to evaluate operating performance, AFFO is an important measure of cash available for distribution and, NOI is an important measure of operating performance. "**GAAP**" means generally accepted accounting principles described by the Chartered Professional Accountants 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 square footage leased as a percentage of the total number of square footage owned. Leased properties consist solely of those units that are occupied by a tenant at the given date.

NOI is a term used by industry analysts, investors, trusts, and management to measure operating performance of Canadian real estate investment trusts. NOI represents rental revenue from properties less repairs and maintenance, insurance, utilities, property management, property taxes, bad debt, and other property operating costs. NOI 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) is a measure that the Trust uses in order to present the key operations and administration of the Trust, excluding special items. Items that are excluded from this total and are presented in other income include transaction costs, fair value adjustments of investment properties, and gain (loss) on dispositions.

Funds From Operations (“**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 in accordance with the guidelines set out by the Real Property Association of Canada (“**RealPAC**”), as issued in February 2017 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.

Adjusted Funds from Operations ("**AFFO**") is a term used as a non-IFRS financial measure by most Canadian real estate investment trusts but should not be considered as an alternative to net income, cash flow from operations, or any other measure prescribed under IFRS. Unlike RealPac, who considers AFFO to be a useful measure of net income, the Trust considers AFFO to be a useful measure of cash available for distributions. AFFO is calculated largely in accordance with the guidelines set out by RealPAC and is defined as FFO less adjustments for non-cash items such as straight-line rent, free rent and noncash interest expense as well as normalized capital expenditures, tenant inducements and leasing charges. However, under RealPAC, unit-based compensation expense is deducted for reporting AFFO, but the Trust adds back this expense.

FFO Payout Ratio is defined as Distributions Declared divided by FFO. AFFO Payout Ratio is defined as Distributions Declared divided by AFFO.

NOI, EBITDA, FFO, AFFO, Adjusted FFO, Adjusted AFFO, FFO Payout Ratio, AFFO Payout Ratio and Debt/GBV should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS. NOI, FFO, AFFO, Adjusted FFO and Adjusted 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 NOI, EBITDA, FFO, AFFO, Adjusted FFO, Adjusted AFFO, FFO Payout Ratio, AFFO Payout Ratio and Debt/GBV as calculated by the Trust may not be comparable to similar measures presented by other issuers.

("**TIs/LCs**") are defined as Tenant Inducements, Leasing Charges and Capital Expenditures. The Trust bases its calculation of TIs/LCs an estimated 2.5% of Net Operating Income or NOI, which is senior managements' best estimate in operating real estate of the type that the Trust owns and operates.

THIRD QUARTER AND YEAR TO DATE HIGHLIGHTS

- Net income for the three months ended September 30, 2018 was approximately $3.1 million in comparison to the $3.7 million reported for the three months ended June 30, 2018 and the $3.7 million reported for the three months ended September 30, 2017. Excluding fair value adjustments, net income is approximately $1.9 million for the three months ended September 30, 2018 compared to the $2.0 million reported for the three months ended June 30, 2018 but a 30% increase over the $1.4 million reported for the three months ended September 30, 2017;

- Net income for the nine months ended September 30, 2018 was approximately $13.1 million, which is an 18% increase over the $11.1 million reported for the nine months ended September 30, 2017;

- $7.05 Net Asset Value ("**NAV**") per Unit based on a IFRS book value of equity of approximately $123.6 million and is a 0.6% increase over the $7.01 NAV per Unit reported at June 30, 2018;

- On an IFRS basis, NOI for the three months ended September 30, 2018 was approximately $3.3 million largely in line with the $3.4 million reported June 30, 2018, but a 14% increase in comparison to the $2.9 million reported for the three months ended September 30, 2017. NOI for the nine months ended September 30, 2018 was approximately $9.8 million which is a 16% increase over the $8.4 million reported for the nine months ended September 30, 2017;

- On a cash basis ("**Cash NOI**"), for the three months ended September 30, 2018 was approximately $3.3 million, largely in line with the $3.4 million reported for the three months ended June 30, 2018, but a 16% increase over the $2.8 million reported for the three months ended September 30, 2017. Cash NOI for the nine months ended September 30, 2018 was approximately $9.7 million which is a 19% increase over the $8.2 reported for the nine months ended September 30, 2017;

- Funds From Operations ("**FFO**") for the three months ended September 30, 2018 was approximately $1.9 million, compared to the $2.0 million reported for the three months ended June 30, 2018, but a 28% increase over the $1.5 million reported for the three months ended September 30, 2017;

- Adjusted Funds From Operations ("**AFFO**") for the three months ended September 30, 2018 was approximately $1.8 million, compared to the $1.9 million reported for the three months ended June 30, 2018, but a 24% increase in comparison to the $1.4 million reported for the three months ended September 30, 2017;

- FFO for the nine months ended September 30, 2018 was approximately $5.7 million, a 24% increase in comparison to the $4.6 million reported for the nine months ended September 30, 2017. AFFO for the nine months ended September 30, 2018 was $5.3 million, a 22% increase in comparison to the $4.3 million reported for the nine months ended September 30, 2017;

- FFO per Unit for the three months ended September 30, 2018 was $0.107 while AFFO per Unit was $0.101. For the nine months ended September 30, 2018 FFO per Unit was $0.347 while AFFO per Unit was $0.323;

- Commercial and residential occupancy improved to 95.0% and 98.8%, respectively; and

- Conservative leverage profile with Debt / Gross Book Value ("**GBV**") at 42.2%.

	Three Months			Nine Months		% Change Over		
	Sept 30, 2018	June 30, 2018	Sept 30, 2017	Sept 30, 2018	Sept 30, 2017	Three Months June 30, 2018	Three Months Sept 30, 2017	Nine Months Sept 30, 2017
Rental Revenue	$ 5,423,802	$ 5,546,678	$ 4,835,094	$ 16,433,972	$ 14,293,596	(2%)	12%	15%
NOI								
- IFRS Basis	$ 3,269,870	$ 3,411,330	$ 2,867,718	$ 9,751,076	$ 8,416,126	(4%)	14%	16%
- Cash Basis	$ 3,258,543	$ 3,420,534	$ 2,809,432	$ 9,738,253	$ 8,207,546	(5%)	16%	19%
Net Income	$ 3,117,455	$ 3,715,744	$ 3,704,461	$ 13,064,528	$ 11,103,703	(16%)	(16%)	18%
FFO	**$ 1,874,298**	**$ 1,950,304**	**$ 1,460,940**	**$ 5,684,771**	**$ 4,591,562**	(4%)	28%	24%
AFFO	**$ 1,772,699**	**$ 1,904,121**	**$ 1,426,579**	**$ 5,301,706**	**$ 4,342,076**	(7%)	24%	22%
FFO Per Unit	**$ 0.107**	**$ 0.118**	**$ 0.114**	**$ 0.347**	**$ 0.360**	(9%)	(6%)	(4%)
AFFO Per Unit	**$ 0.101**	**$ 0.116**	**$ 0.111**	**$ 0.323**	**$ 0.340**		(9%)	(5%)
Distributions Per Unit	**$ 0.115**	**$ 0.115**	**$ 0.110**	**$ 0.345**	**$ 0.330**		5%	5%
Payout Ratios								
- FFO	**108%**	**97%**	**96%**	**100%**	**92%**			
- AFFO	**114%**	**99%**	**99%**	**107%**	**97%**			

FINANCIAL HIGHLIGHTS

- **$1.9 Million of Equity Issuance Activity:** On July 27, 2018, the Trust announced that it closed the final tranche of its previously announced non-brokered private placement. The Trust closed on 296,800 trust units for gross proceeds of approximately $1.9 million;

- **Cash Generating Refinancing Activity:** On August 13, 2018, the Trust refinanced its existing mortgage on its Montreal Industrial Portfolio with a Canadian Chartered Bank (the "Bank"). The principal balance of the mortgage at maturity was $29.4 million, while the Trust's portion was $14.7 million. The new mortgage is a $42.0 million first mortgage fixed at an interest rate of 4.0% with a 25 year amortization. In addition a $1.0 million revolving credit facility was also provided by the Bank that is fully secured against the Montreal Industrial Portfolio with an interest rate based on a calculated formula using the Bank's prime lending rate. The Trust's portion of this new mortgage is $21.0 million and $0.5 million for the revolving credit facility, respectively. Net cash received from the refinancing of approximately $6.3 million (pre closing costs) will be used for future acquisitions and for working capital purposes;

- **Acquisition of a Single Tenanted Industrial Building in Montreal, Quebec:** On October 15, 2018, the Trust announced the closing of a 50% interest in a 159,164 square foot single tenant industrial building located in Montreal, Quebec. The acquisition price is approximately $11.0 million, excluding transaction costs. The property will be part of the current Montreal portfolio with all of the existing investors participating in their pro rata share. The Property is being acquired at a 7.5% capitalization rate, is located in the Mount Royal industrial market and is 100% leased to Le Chateau Inc. until April 30, 2026; and

- **Announces Increased Distributions By 4.3% to $0.48 per Unit**: The Trust is pleased to announce its sixth distribution increase in six years of 4.3% to $0.48 per Trust Unit on an annualized basis or $0.04 per month commencing January 2019. As a result the Trust is pleased to announce that it has declared and approved monthly distributions in the amount of $0.04 per Trust Unit for unitholders of record on January 31, 2019, February 28, 2019

and March 29, 2019 payable on or about February 15, 2019, March 15, 2019 and April 15, 2019.

PORTFOLIO HIGHLIGHTS

Based on the Trust's pro rata interests as at September 30, 2018, the portfolio consists of 61 commercial properties with a total GLA of 1,497,581 square feet and one apartment complex comprised of 135 apartment units.

		Occupancy				
Retail	**Gross Leaseable Area**	**Q3/2018**	**Q2/2018**	**Q1/2018**	**Q4/2017**	**Q3/2017**
Bridgewater, Nova Scotia	46,707	91.7%	84.9%	84.9%	84.9%	84.9%
Brampton, Ontario	36,137	100.0%	85.0%	85.0%	85.0%	85.0%
Hanover, Ontario	19,874	100.0%	100.0%	100.0%	100.0%	100.0%
Pembroke, Ontario	11,247	100.0%	100.0%	100.0%	100.0%	100.0%
Moncton, New Brunswick	16,372	100.0%	100.0%	100.0%	100.0%	100.0%
Guelph, Ontario	115,744	92.6%	100.0%	99.0%	99.0%	
Centre Ice Retail Portfolio	138,543	86.5%	86.5%	85.0%	89.3%	88.5%
The Whitby Mall, Ontario	125,092	95.3%	99.6%	98.9%	98.9%	95.3%
Thickson Place, Ontario	41,923	100.0%	100.0%	100.0%	100.0%	100.0%
Total / Weighted Average	**551,639**	**93.5%**	**94.2%**	**93.4%**	**94.5%**	**93.7%**
Office						
Barrie, Ontario	42,884	58.0%	58.0%	63.0%	63.0%	63.2%
The Whitby Mall, Ontario	28,847	88.5%	75.7%	73.4%	67.4%	67.0%
Total / Weighted Average	**71,731**	**70.5%**	**66.7%**	**68.4%**	**65.3%**	**65.2%**
Industrial						
Montreal, Quebec	515,113	93.7%	97.4%	98.8%	89.8%	91.0%
Waterloo, Ontario	359,099	98.4%	97.8%	98.4%	100.0%	100.0%
Total / Weighted Average	**874,211**	**97.8%**	**97.6%**	**98.7%**	**94.0%**	**94.7%**
Total / Wtd. Average	**1,497,581**	**95.0%**	**94.6%**	**95.1%**	**92.6%**	**93.1%**

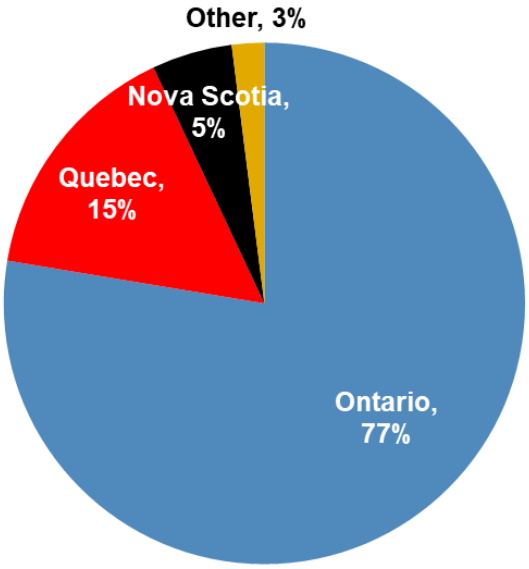
Multi-Residential	Occupancy				
Ottawa, Ontario	98.8%	98.5%	95.6%	85.2%	87.4%
Residential Total / Wtd. Average	**98.8%**	**98.5%**	**95.6%**	**85.2%**	**87.4%**

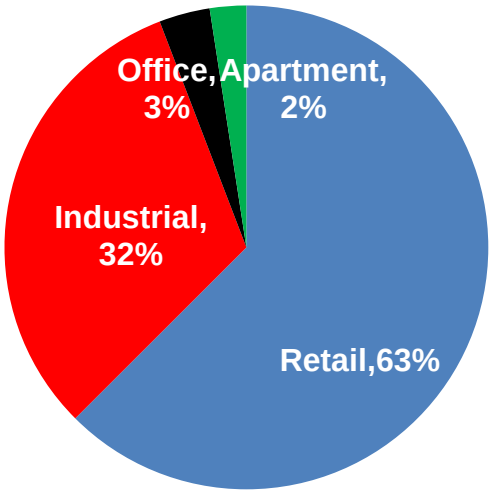
TENANT DIVERSIFICATION

The portfolio is well diversified by tenant profile with no tenant accounting for more than 5.0% of total net rent. Further, the top 10 tenants are largely comprised of creditworthy and large national tenants and account for 24.5% of total net rent:

#	Tenant	Location	% of Total Net Rent
1	PPG Architectural Coatings Canada Inc	8 locations in ON, with 1 in each of NB, MB, AB	5.0%
2	Sobey's	Guelph and Whitby, ON	3.8%
3	NCR Canada Corp.	Waterloo, ON	2.9%
4	LCBO	Guelph and Whitby, ON	2.5%
5	Sport Systems Unlimited Corp.	Waterloo, ON	2.1%
6	Connect Telecommunication Inc.	Waterloo, ON	1.7%
7	QUEBECOR MEDIA INC.	Montreal, QC	1.7%
8	Staples	Bridgewater, NS	1.7%
9	World Gym	Waterloo, ON	1.5%
10	Dollar Tree Stores Canada Inc	Guelph and Whitby, ON	1.5%
Total			**24.5%**

Geographical and Asset Class Portfolio Diversification based on NOI





OCCUPANCY

As at September 30, 2018, commercial portfolio occupancy was 95.0%, a 40 basis point increase over the 94.6% reported at June 30, 2018 and a 190 basis point increase over the 93.1% reported at September 30, 2017. The increase over both June 30, 2018 and September 30, 2017 was largely due to the increase in the industrial and office portfolios, offset by a slight decline in the retail portfolio.

As at September 30, 2018, occupancy for the multi-residential portfolio was 98.8%, a 30 basis point improvement over June 30, 2018 and a 1,140 basis point improvement over September 30, 2017.

COMMERCIAL NET RENT AND MULTI-RESIDENTIAL AVERAGE MONTHLY RENT

Commercial net rent per occupied square foot and average multi-residential monthly rent per occupied unit for the past four quarters is as follows:

	Sept 30, 2018	June 30, 2018	Mar 31, 2018	Dec 31, 2017	Sept 30, 2017
Retail	$ 15.61	$ 15.98	$ 15.96	$ 15.82	$ 15.86
Industrial	$ 5.74	$ 5.63	$ 5.63	$ 5.63	$ 5.64
Office	$ 11.10	$ 11.38	$ 11.38	$ 12.16	$ 12.26
Multi-Residential	$ 920	$ 910	$ 894	$ 875	$ 877

RESULTS OF OPERATIONS

RENTAL REVENUE

Rental revenue for the three months ended September 30, 2018 was $5,423,802, a 2% sequential decrease over the $5,546,678 reported for the three months ended June 30, 2018, but a 12% increase over the $4,835,094 reported for the three months ended September 30, 2017. Rental revenue for the nine months ended September 30, 2018 was $16,433,972, a 15% increase over the $14,293,596 reported for the nine months ended September 30, 2017. Rental revenue includes all amounts earned from tenants' lease agreements including rent, operating costs and realty tax recoveries.

	Three Months Ended			Nine Months Ended	
	Sept 30, 2018	June 30, 2018	Sept 30, 2017	Sept 30, 2018	Sept 30, 2017
Base Rent	$ 3,538,997	$ 3,642,101	$ 2,991,078	$ 10,645,547	$ 9,038,948
CAM & Tax Recoveries	1,873,478	1,913,781	1,785,730	5,775,602	5,046,068
Straight Line Rent	30,906	16,486	27,742	68,300	182,506
Free Rent	(19,579)	(25,690)	30,544	(55,477)	26,074
Rental Revenue	**$ 5,423,802**	**$ 5,546,678**	**$ 4,835,094**	**$ 16,433,972**	**$ 14,293,596**

The variance in comparing the three and nine months ended September 30, 2018 over the three and nine months ended September 30, 2017 is largely due to increased rental income from new and renewal leasing activity in the entire portfolio combined with the full impact of the Trust's acquisition of the Guelph Retail Portfolio in late 2017.

Free rent relates to rent free periods provided to certain new and renewal tenants at the Trust's properties. Under IFRS, the Trust is required to adjust rental revenue by the value of the rent free period and amortize this adjustment out of income over the life of the individual lease.

PROPERTY OPERATING EXPENSES

Property operating expenses for the three months ended September 30, 2018 were $2,153,932, a 1% decrease in comparison to the $2,135,348 reported for the three months ended June 30, 2018, but a 10% increase over the $1,967,376 reported for the three months ended September 30, 2017. Property operating expenses for the nine months ended September 30, 2018 were $6,682,896, a 14% increase in comparison to the $5,877,470 reported for the nine months ended

September 30, 2017. Property operating expenses include realty taxes as well as other costs related to maintenance, HVAC, insurance, utilities and property management fees. Property operating expenses consist of the following:

	Three Months Ended			Nine Months Ended	
	Sept 30, 2018	**June 30, 2018**	**Sept 30, 2017**	**Sept 30, 2018**	**Sept 30, 2017**
Realty Taxes	$ 1,162,233	$ 1,160,057	$ 986,422	$ 3,493,425	$ 2,933,278
Property Management	263,867	286,529	237,647	799,751	657,401
Operating Expenses	727,832	688,762	743,307	2,389,720	2,286,791
Property Operating Expenses	**$ 2,153,932**	**$ 2,135,348**	**$ 1,967,376**	**$ 6,682,896**	**$ 5,877,470**

The variance in comparing the three and nine months ended September 30, 2018 over the and three and nine months September 30, 2017 is largely due to the full impact of the Trust's acquisition of the Guelph Retail Portfolio in late 2017.

*NET OPERATING INCOME ("**NOI**")*

On an IFRS basis, NOI for the three months ended September 30, 2018 was $3,269,870 a 4% decrease over the $3,411,330 reported for the three months ended June 30, 2018, but a 14% increase in comparison to the $2,867,718 reported for the three months ended September 30, 2017. NOI for the nine months ended September 30, 2018 was $9,751,076, a 16% increase in comparison to the $8,416,126 reported for the nine months ended September 30, 2017.

On a cash basis (i.e. excluding straight-line and free rent which are non-cash items) ("**Cash NOI**"), NOI for the three months ended September 30, 2018 was $3,258,543, a 5% decrease over the $3,420,534 reported for the three months ended June 30, 2018, but a 16% increase over the $2,809,432 reported for the three months ended September 30, 2017. Cash NOI for the nine months ended September 30, 2018 was $9,738,253, a 19% increase in comparison to the $8,207,546 reported for the nine months ended September 30, 2017.

	Three Months Ended			Nine Months Ended	
	Sept 30, 2018	**June 30, 2018**	**Sept 30, 2017**	**Sept 30, 2018**	**Sept 30, 2017**
Rental Revenue	**$ 5,423,802**	**$ 5,546,678**	**$ 4,835,094**	**$ 16,433,972**	**$ 14,293,596**
Property Operating Expenses	(2,153,932)	(2,135,348)	(1,967,376)	(6,682,896)	(5,877,470)
NOI - IFRS Basis	**$ 3,269,870**	**$ 3,411,330**	**$ 2,867,718**	**$ 9,751,076**	**$ 8,416,126**
Less: Straight-Line Rent	(30,906)	(16,486)	(27,742)	(68,300)	(182,506)
Less: Free Rent	19,579	25,690	(30,544)	55,477	(26,074)
NOI - Cash Basis	**$ 3,258,543**	**$ 3,420,534**	**$ 2,809,432**	**$ 9,738,253**	**$ 8,207,546**

NOI - Cash Basis		
% Change vs. June 30, 2018	**-5%**	
% Change vs. Sept 30, 2017	**16%**	**19%**

The variance in comparing the three and nine months ended September 30, 2018 over the three and nine months ended September 30, 2017 is largely due to the full impact of the Trust's acquisition of the Guelph Retail Portfolio in late 2017, combined with higher occupancy.

FINANCE COSTS

Finance costs for the three months ended September 30, 2018 were $824,547, a 1% increase in comparison to the $816,079 reported for the three months ended June 30, 2018, and a 12% increase in comparison to the $757,989 reported for the three months ended September 30, 2017. Finance costs for the nine months ended September 30, 2018 were $2,521,078, a 16% increase over the $2,179,633 reported for the nine months ended September 30, 2017. Finance costs are comprised of the following:

	Three Months Ended			Nine Months Ended	
	Sept 30, 2018	**June 30, 2018**	**Sept 30, 2017**	**Sept 30, 2018**	**Sept 30, 2017**
Mortgage Interest	$ 786,402	$ 764,842	$ 652,487	$ 2,357,940	$ 1,947,020
Bank Indebtedness Interest	15,468	23,524	41,059	80,185	52,531
Finance Fee Amortization	50,150	39,246	82,856	131,313	235,970
Non-cash Interest Expense	(27,472)	(11,533)	(18,413)	(48,359)	(55,888)
Finance Costs	**$ 824,547**	**$ 816,079**	**$ 757,989**	**$ 2,521,078**	**$ 2,179,633**

The variance in comparing the three months ended September 30, 2018 over the three months ended June 30, 2018 is the result of the new loan in the Montreal Portfolio as outlined below. The variance in comparing the three and nine months ended September 30, 2018 over the three and nine months ended September 30, 2017 is largely due to new and assumed loans on the Trust's various acquisitions.

Finance fee amortization relates to fees paid on securing the Facility on the Trust's various mortgages. Non-cash interest expense relates to the fair value adjustment to interest expense required as a result of the assumed mortgages from the Trust's various acquisitions.

As outlined below, the weighted average interest rate of the mortgages as at September 30, 2018 stands at approximately 3.4%.

*GENERAL AND ADMINISTRATIVE ("**G&A**") EXPENSES*

G&A expenses for the three months ended September 30, 2018 were $576,854 a 6% decrease in comparison to the $615,650 reported for the three months ended June 30, 2018, but a 1% increase in comparison to the $558,638 reported for the three months ended September 30, 2017. G&A expenses for the nine months ended September 30, 2018 were $1,658,420, an 11% increase in comparison to the $1,492,464 reported for the nine months ended September 30, 2017. Public company expenses include trustee fees, transfer agent fees, press releases and print media.

	Three Months Ended			Nine Months Ended	
	Sept 30, 2018	**June 30, 2018**	**Sept 30, 2017**	**Sept 30, 2018**	**Sept 30, 2017**
Asset Management Fees	342,523	382,509	385,515	$ 1,048,818	$ 1,088,619
Public Company Expenses	60,853	53,479	50,889	134,017	127,513
Office & General	173,478	179,662	122,234	475,585	276,332
General & Administrative	**$ 576,854**	**$ 615,650**	**$ 558,638**	**$ 1,658,420**	**$ 1,492,464**

*NET INCOME & COMPREHENSIVE NET INCOME ("**NET INCOME**")*

Net income for the three months ended September 30, 2018 was $3,117,455 in comparison to the $3,715,744 reported for the three months ended June 30, 2018 and the $3,704,461 reported for the three months ended September 30, 2017. Net income for the nine months ended September 30, 2018 was $13,064,528, an 18% increase in comparison to the $11,103,703 reported for the nine months ended September 30, 2017.

The variance in comparing the three months ended September 30, 2018 over the three months ended September 30, 2017 is largely due to a lower positive fair market value adjustment combined with higher rental income due to higher occupancy, offset by higher operating expenses. The variance in comparing the nine months ended September 30, 2018 over the nine months ended September 30, 2017 is largely due to a higher fair market value adjustment along with higher net income due to the Trust's acquisition of the Guelph Retail Portfolio in late 2017, offset by lower gains generated from the sale of investment properties and higher operating expenses.

SUMMARIZED OPERATING RESULTS

Rental revenue, other income, total revenue, NOI and net income for the past eight quarters for the Trust are as follows:

	Rental Revenue	Other Income	Total Revenue	NOI	Net Income
Q3/2018	$ 5,423,802	$ 29,027	$ 5,452,829	$ 3,269,870	$ 3,117,455
Q2/2018	$ 5,546,678	$ 14,863	$ 5,561,541	$ 3,411,330	$ 3,715,744
Q1/2018	$ 5,463,490	$ 6,681	$ 5,470,171	$ 3,069,874	$ 6,231,326
Q4/2017	$ 5,025,013	$ 3,505	$ 5,028,518	$ 3,124,641	$ 5,125,746
Q3/2017	$ 4,835,094	$ 477,131	$ 5,312,224	$ 2,867,718	$ 3,704,461
Q2/2017	$ 4,660,305	$ 370,558	$ 5,030,863	$ 2,868,130	$ 5,171,698
Q1/2017	$ 4,798,197	$ -	$ 4,798,197	$ 2,680,278	$ 2,227,545
Q4/2016	$ 4,601,110	$ 4,583	$ 4,605,693	$ 2,619,801	$ 3,276,096

CONSOLIDATED INTERIM STATEMENTS OF INCOME & COMPREHENSIVE INCOME AND CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES.

Outlined below are the Consolidated Interim Statements of Income and Comprehensive Income and cashflows from operating activities for the three month period ended September 30, 2018,

June 30, 2018 and September 30, 2017 and nine months ended September 30, 2018 and September 30, 2017:

	Three Months Ended			Nine Months Ended	
Net Operating Income	**Sept 30, 2018**	**June 30, 2018**	**Sept 30, 2017**	**Sept 30, 2018**	**Sept 30, 2017**
Rental Revenue	$ 5,423,802	$ 5,546,678	$ 4,835,094	$16,433,972	$14,293,596
Property Operating Expenses	(2,153,932)	(2,135,348)	(1,967,376)	(6,682,896)	(5,877,470)
	3,269,870	3,411,330	2,867,718	9,751,076	8,416,126
Interest and Other Income	29,027	14,863	1,083	50,571	1,147
Expenses					
Finance Costs	824,547	816,079	757,989	2,521,078	2,179,633
General and Administrative	576,854	615,650	558,638	1,658,420	1,492,464
Unit-Based Compensation Expense/(Recovery)	23,197	44,160	119,120	(62,622)	245,336
	1,424,598	1,475,889	1,435,747	4,116,876	3,917,433
Income Before Fair Value Adjustments and Other	1,874,299	1,950,304	1,433,054	5,684,771	4,499,840
Gain on Sale of Investment Properties	-	-	476,048	-	846,541
Fair Value Adjustments on Investment Properties	1,243,156	1,765,440	1,795,359	7,379,757	5,757,323
Net Income and Comprehensive Income	**$ 3,117,455**	**$ 3,715,744**	**$ 3,704,461**	**$13,064,528**	**$11,103,703**

	Three Months Ended			Nine Months Ended	
	Sept 30, 2018	**June 30, 2018**	**Sept 30, 2017**	**Sept 30, 2018**	**Sept 30, 2017**
Net Income & Comprehensive Income	**3,117,455**	**3,715,744**	**3,704,461**	**13,064,528**	**11,103,703**
Fair Value Adjustments:					
Investment Properties	(1,243,156)	(1,765,440)	(1,795,359)	(7,379,757)	(5,757,323)
Gain on Sale of Investment Properties	-	-	(476,048)	-	(846,541)
Unit-Based Compensation Expense/(Recovery)	23,197	44,160	119,120	(62,622)	245,336
Finance Costs, Net of Interest and Dividends	795,520	801,216	756,906	2,470,507	2,178,486
Finance Fee Amortization	50,150	39,246	82,856	131,312	235,970
Non-cash Interest Expense	(27,472)	(11,533)	(18,413)	(48,359)	(55,888)
Straight-line Rent Adjustment	(30,906)	(16,486)	(27,742)	(68,300)	(182,506)
Free Rent, Net of Amortization	19,579	25,690	(30,544)	55,478	(26,075)
Change in Working Capital					
Accounts Receivable	397,317	(296,621)	517,627	(148,919)	738,200
Prepaid Expenses, Deposits and Other Assets	(262,473)	(930,170)	327,161	(1,210,460)	(528,641)
Restricted Cash	4,001	136,070	-	136,008	-
Accounts Payable and Accrued Liabilities	(393,440)	10,625	(310,609)	(519,745)	(939,068)
Tenant Rental Deposits	(62,900)	60,373	16,098	20,193	75,465
Interest Accrual	(43,804)	(20,200)	(690)	(10,512)	(3,398)
Cash Flows From Operating Activities	**$ 2,343,068**	**$ 1,792,674**	**$ 2,864,824**	**$ 6,429,352**	**$ 6,237,720**

ADJUSTED FFO AND ADJUSTED AFFO

Funds From Operations ("**FFO**") for the three months ended September 30, 2018 was $1,874,298, compared to the $1,950,304 reported for the three months ended June 30, 2018 and a 28% increase over the $1,460,940 reported for the three months ended September 30, 2017. FFO for

the nine months ended September 30, 2018 was $5,684,771, a 24% increase over the $4,591,562 reported for the nine months ended September 30, 2017.

Adjusted Funds From Operations ("**AFFO**") for the three months ended September 30, 2018 was $1,772,699, compared to the $1,904,121 reported for the three months ended June 30, 2018, but a 24% increase in comparison to the $1,426,579 reported for the three months ended September 30, 2017. AFFO for the nine months ended September 30, 2018 was $5,301,706, a 22% increase in comparison to the $4,342,076 reported for the nine months ended September 30,2017.

FFO per Unit for the three months ended September 30, 2018 was $0.107 while AFFO per Unit was $0.101. FFO per Unit for the nine months ended September 30, 2018 was $0.347 while AFFO per Unit was $0.323.

For the three months ended September 30, 2018, FFO and AFFO payout ratios are 108% and 114% respectively. For the nine months ended September 30, 2018 FFO and AFFO payout ratios are 100% and 107% respectively.

The variance in comparing FFO and AFFO for the three and nine months ended September 30, 2018 over the three and nine months ended September 30, 2017, is largely due to the full impact of the Trust's acquisition of the Guelph Retail Portfolio in late 2017 combined with higher rental income, and offset by higher overall expenses.

The variance in FFO per Unit and AFFO per Unit when comparing the three months ended September 30, 2018 over the three months ending June 30, 2018 as well as the three and nine months ended September 30, 2018 and three and nine months ending September 30, 2017 was due to the net overall activity as outlined above, offset by the impact of issuing trust units and not fully deploying the net cash received along with the exercise of options and the issuance of DRIP units as outlined below.

For the three months ended September 30, 2018, The Trust had TIs/LCs and capital expenditures of approximately $0.5 million (2017 - $0.4 million). For the nine months ended September 30, 2018, The Trust had TIs/LCs and capital expenditures of approximately $1.5 million (2017 - $0.8 million).

As the Trust considers AFFO to be a useful measure of cash flow available for distributions, the following table is a reconciliation from IFRS Cash Flow from Operating Activities to FFO and AFFO:

	Three Months Ended			Nine Months Ended	
	Sept 30, 2018	June 30, 2018	Sept 30, 2017	Sept 30, 2018	Sept 30, 2017
Cash Flows from Operating Activities	**$ 2,343,068**	**$1,792,674**	**$ 2,864,824**	**$ 6,429,352**	**$ 6,237,720**
Add (deduct):					
Interest Accrual	43,804	20,200	690	10,512	3,398
Tenant Rental Deposits	62,900	(60,373)	(16,098)	(20,193)	(75,465)
Accounts Payable and Accrued Liabilities	393,440	(10,625)	310,609	519,745	939,068
Restricted Cash	(4,001)	(136,070)	-	(136,008)	-
Prepaid Expenses, Deposits & Other Assets	262,473	930,170	(327,161)	1,210,460	528,641
Accounts Receivable	(397,317)	296,621	(517,627)	148,919	(738,200)
Finance Fee Amortization	(50,150)	(39,246)	(82,856)	(131,312)	(235,970)
Finance Costs, Net of Interest & Dividends	(795,520)	(801,216)	(756,906)	(2,470,507)	(2,178,486)
Unit Based Compensation Expense	(23,197)	(44,160)	(119,120)	62,622	(245,336)
Performance Fee Attributable To Gain	-	-	27,888	-	91,722
Straight-Line Rent Adjustment	30,906	16,486	27,742	68,300	182,506
Free Rent, Net of Amortization	(19,579)	(25,690)	30,544	(55,478)	26,075
Non-Cash Interest Expense	27,472	11,533	18,413	48,359	55,888
FFO	**$ 1,874,298**	**$1,950,304**	**$ 1,460,940**	**$ 5,684,771**	**$ 4,591,562**
Straight Line Rent Adjustment	(30,906)	(16,486)	(27,742)	(68,300)	(182,506)
Free Rent, Net of Amortization	19,579	25,690	(30,544)	55,478	(26,075)
Tenant Inducements, Leasing Costs & Capex	(85,997)	(88,014)	(76,784)	(259,263)	(230,353)
Non-Cash Interest Expense	(27,472)	(11,533)	(18,413)	(48,359)	(55,888)
Unit Based Compensation Expense	23,197	44,160	119,120	(62,622)	245,336
AFFO	**$ 1,772,699**	**$1,904,121**	**$ 1,426,579**	**$ 5,301,706**	**$ 4,342,076**
FFO Per Unit	**$ 0.107**	**$ 0.118**	**$ 0.114**	**$ 0.347**	**$ 0.360**
AFFO Per Unit	**$ 0.101**	**$ 0.116**	**$ 0.111**	**$ 0.323**	**$ 0.340**
Distributions Per Unit	**$ 0.115**	**$ 0.115**	**$ 0.110**	**$ 0.345**	**$ 0.330**
FFO Payout Ratio	**108%**	**97%**	**96%**	**100%**	**92%**
AFFO Payout Ratio	**114%**	**99%**	**99%**	**107%**	**97%**

The differences between the add back of FFO and AFFO is the deduction for straight-line rent, free rent, reserves for TIs/LCs, capital expenditures and the non-cash interest expense component for all assumed mortgages, offset by the deduction for unit-based compensation expense. Under RealPAC and the Trust, unit-based compensation expense is deducted for reporting FFO. However, the Trust adds back this expense for the purpose of calculating AFFO.

AFFO is calculated largely in accordance with the guidelines set out by RealPAC and is defined as FFO less adjustments for non-cash items such as straight-line rent, free rent and noncash interest expense as well as normalized capital expenditures, tenant inducements and leasing charges. However, under RealPAC, unit-based compensation expense is deducted for reporting AFFO, but the Trust adds back this expense.

DISTRIBUTIONS

For the nine months ended September 30, 2018 distributions of $0.038333 per unit were declared each month commencing in January 2018 through to September, 2018, resulting in total distributions declared of $5,707,172. For the nine months ended September 30, 2017 distributions of $0.036666 per unit were declared each month commencing in January 2017 through to September 2017 resulting in total distributions declared of $4,211,708.

Since the Trust's inception in Q4/2012, distributions have been raised six times:

- On October 31, 2013, the Trust announced its first distribution increase of 5.7% to $0.030833 per unit from $0.029166 per unit. On an annualized basis, this equated to anticipated distributions of $0.37 per unit up from $0.35 per unit.

- On October 20, 2014, the Trust announced its second distribution increase in less than one year with an 8.1% increase in its monthly distributions to $0.033333 per unit from $0.030833 per unit. On an annualized basis this equated to anticipated distributions of $0.40 per unit up from $0.37 per unit.

- On August 27, 2015, as a result of the acquisition of the Waterloo Industrial Portfolio, the Trust formally increased its annualized cash distribution by a further 5% to $0.42 per Trust Unit per annum or $0.035 per Trust Unit per month from $0.40 per Trust Unit per annum commencing in November, 2016.

- On November 1, 2016, as a result of the acquisitions of The Whitby Mall, Thickson Place and the Moncton retail portfolio, the Trust announced its fourth distribution increase of 4.8% to $0.036666 per unit from $0.035 per unit. On an annualized basis, this equates to anticipated distributions of $0.44 per unit up from $0.42 per unit.

- On November 10 , 2017, the Trust announced its fifth distribution increase of 4.5% to $0.038333 per Trust Unit commencing January 2019. On an annualized basis this equates to anticipated distributions of $0.46 per unit up from $0.44 per unit.

- On November 6 , 2018, the Trust announced its sixth distribution increase of 4.3% to $0.04 per Trust Unit commencing January 2019. On an annualized basis this equates to anticipated distributions of $0.48 per unit up from $0.46 per unit.

Overall, the Trust has increased distributions six times in six years and represents a cumulative increase of 37.1% since the Trust's inception in 2012.

The policy of the Trust is to pay cash distributions on or about the 15th day of each month to Unitholders of record on the last business day of the preceding month. Distributions paid to Unitholders who are non-residents of Canada will be subject to Canadian withholding tax.

The excess/(shortfall) of cash flow from operating activities over distributions and net income and comprehensive income over distributions for the three and nine months ended September 30, 2018, June 30, 2018 and September 30, 2017 are outlined below:

	Three Months Ended			Nine Months Ended	
	Sept 30, 2018	June 30, 2018	Sept 30, 2017	Sept 30, 2018	Sept 30, 2017
Cash Flow From Operating Activities (A)	**$ 2,343,068**	**$ 1,792,674**	**$ 2,864,824**	**$ 6,429,352**	**$ 6,237,720**
Net Cash Interest Expense					
Less: Mortgage Interest	$ (786,402)	$ (764,842)	$ (652,487)	$ (2,357,940)	$ (1,947,020)
Less: Bank Indebtedness Interest	(15,468)	(23,524)	(41,059)	(80,185)	(52,531)
Add: Interest and Other Income	29,027	14,863	1,083	50,571	1,147
Net Cash Interest Expense (B)	**$ (772,843)**	**$ (773,503)**	**$ (692,463)**	**$ (2,387,554)**	**$ (1,998,404)**
Net Cash Flows from Operating Activities (A-B) = (C)	**$ 1,570,225**	**$ 1,019,171**	**$ 2,172,361**	**$ 4,041,798**	**$ 4,239,316**
Net Income & Comprehensive Income (D)	**$ 3,117,455**	**$ 3,715,744**	**$ 3,704,461**	**$ 13,064,528**	**$ 11,103,703**
Distributions (E)	**$ 2,015,163**	**$ 1,937,044**	**$ 1,410,764**	**$ 5,707,172**	**$ 4,211,708**
Excess / (Shortfall) of Net Cash Flow From Operating Activities Over Distributions (C-E)	**$ (444,939)**	**$ (917,873)**	**$ 761,597**	**$ (1,665,374)**	**$ 27,608**
Excess of Net Income & Comprehensive Income Over Distributions (D-E)	**$ 1,102,292**	**$ 1,778,701**	**$ 2,293,697**	**$ 7,357,356**	**$ 6,891,996**

For the three and nine months ended September 30, 2018 and three months ended June 30, 2018, the Trust had distributions in excess of net cash flow from operating activities. As such, a return of capital was provided to Unitholders. These distributions were funded from the Trust's cash on hand. The excess distributions were paid in the normal course from recurring cash flow and had no impact on the sustainability of distributions given that the distributions were covered from ongoing cash flows generated from the trust's investment portfolio.

COMPARABLE CASH FLOWS

Comparable operating, investing and financing cash flows for the three and nine months ended September 30, 2018 and September 30, 2017 are outlined below:

	Three Months Ended		Nine Months Ended	
	Sept 30, 2018	Sept 30, 2017	Sept 30, 2018	Sept 30, 2017
Operating Activities	$ 2,343,068	$ 2,864,824	$ 6,429,352	$ 6,237,720
Investing Activities	(489,755)	624,795	(1,520,340)	1,253,582
Financing Activities	4,774,927	(3,087,942)	12,428,524	(7,840,848)
Increase/(Decrease) in Cash & Cash Equivalents	**$ 6,628,241**	**$ 401,677**	**$ 17,337,534**	**$ (349,546)**
Cash & Cash Equivalents / (Bank Indebtedness), Beginning of Period	2,256,077	(135,871)	(8,453,216)	615,352
Cash & Cash Equivalents / (Bank Indebtedness), End of Period	**$ 8,884,318**	**$ 265,806**	**$ 8,884,318**	**$ 265,806**

Cash provided by operating activities decreased for the three months ended September 30, 2018 in comparison to the three months ended September 30, 2017, but increased for the nine months ended September 30, 2018 compared to September 30, 2017, largely due to changes in working capital.

Cash provided to investing activities decreased for the three and nine months ended September 30, 2018 in comparison to the three and nine months ended September 30, 2017 largely due to higher capital expenditures, combined with lower net proceeds received from the sale of investment properties.

Cash provided by financing activities increased for the three and nine months ended September 30, 2018 in comparison to the three and nine months ended September 30, 2017 largely due to the new loan in the Montreal Industrial Portfolio as well as cash received from equity raising activity, offset by higher distributions.

INVESTMENT PROPERTIES

As at September 30, 2018, excluding the Assets Held For Sale, the Trust's property portfolio consists of 59 properties with a fair value of $204.7 million, in comparison to the $200.2 million reported as at December 31, 2017. The variance is largely the result of the increases in fair market value predominately due to recent appraisals and capitalization rate compression on the industrial and retail portfolios offset by a decline in core service provider and multi-residential assets. The investment portfolio valuation is allocated by property type as follows:

	Retail and Commercial	Core Service Provider Office	Industrial	Multi-Residential	Total
Balance, December 31, 2016	$ 91,800,587	$ 6,511,841	$ 59,852,374	$ 5,727,267	$ 163,892,069
Dispositions	(1,168,300)	-	-	-	(1,168,300)
Capital Expenditures	311,663	(6,630)	403,424	52,801	761,260
Fair Value Adjustment	3,487,961	(104,933)	1,912,946	461,349	5,757,322
Balance, September 30, 2017	$ 94,431,911	$ 6,400,278	$ 62,168,744	$ 6,241,417	$ 169,242,351
Acquisitions	27,289,805	-	-	-	27,289,805
Capital Expenditures	151,418	13,639	240,914	50,678	456,649
Fair Value Adjustment	3,395,240	(183,234)	59,559	(50,678)	3,220,887
Balance, December 31, 2017	$ 125,268,374	$ 6,230,683	$ 62,469,217	$ 6,241,417	$ 200,209,691
Capital Expenditures	962,973	10,468	437,562	109,337	1,520,340
Transfers	(4,384,900)	-	-	-	(4,384,900)
Fair Value Adjustment	1,032,016	(180,314)	6,637,391	(109,335)	7,379,758
Balance, September 30, 2018	**$ 122,878,462**	**$ 6,060,837**	**$ 69,544,170**	**$ 6,241,419**	**$ 204,724,888**

For the period ended September 30, 2018, senior management of the Trust valued the Investment Properties using independent third party appraisals for the Hanover, Ontario; Brampton, Ontario; Pembroke, Ontario; Bridgewater, Nova Scotia; Mountain Road; and Montreal Industrial properties and the overall capitalization method for the remaining properties. Investment properties are valued on a highest and best use basis. For all of the Trust's investment properties the current use is considered the best use. Fair value was determined by applying a capitalization rate to stabilized net operating income ("Stabilized NOI"). Stabilized NOI incorporates allowances for vacancy, management fees and structural reserves for tenant inducements and capital expenditures and is capped at a rate deemed appropriate for each investment property. Capitalization rates are based on many factors, including but not limited to the asset location, type, size and quality of the asset and taking into account any available market data at the valuation date.

Investment Properties measured at fair value are categorized by level according to the inputs used. The Trust has classified these inputs as Level 3. With the exception of the acquisition and dispositions of investment properties as further described in note 4 of these condensed consolidated interim financial statements, there have been no transfers into or out of Level 3 in the current year. Significant unobservable inputs in Level 3 valuations are as follows:

September 30, 2018	Retail and Commercial	Core Service Provider Office	Industrial	Multi-Residential	Weighted Average
Capitalization Rate Range	5.00% - 7.25%	7.00%	6.25% - 6.5%	5.00%	6.36%
Weighted Average Cap. Rate	6.39%	7.00%	6.38%	5.00%	6.36%
Weighted Average NOI	$ 1,234,654	$ 424,259	$ 2,217,385	$ 312,071	$ 1,512,665

December 31, 2017	Retail and Commercial	Core Service Provider Office	Industrial	Multi-Residential	Weighted Average
Capitalization Rate Range	5.00% - 7.25%	7.00%	6.50%	5.00%	6.42%
Weighted Average Cap. Rate	6.43%	7.00%	6.50%	5.00%	6.42%
Weighted Average NOI	$ 1,225,517	$ 436,148	$ 2,032,539	$ 312,071	$ 1,425,344

Assets Held For Sale: The Trust has entered into a sales agreement and listed for sale another asset from the Centre Ice Retail Portfolio totaling 22,537 square feet for expected gross proceeds of approximately $4.6 million ($4.4 million net of closing costs).

CURRENT ASSETS

Current assets as at September 30, 2018, June 30, 2018 and September 30, 2017 consist of the following:

	Sept 30, 2018	June 30, 2018	Dec 31, 2017
Accounts Receivable	$ 1,964,735	$ 2,362,245	$ 1,816,009
Prepaid Expenses, Deposits & Other Assets	1,826,616	1,564,143	616,156
Cash & Cash Equivalents	8,884,318	2,256,077	-
Restricted Cash	61,754	65,755	197,762
Assets Held For Sale	4,384,900	-	-
	$ 17,122,323	**$ 6,248,220**	**$ 2,629,927**

Accounts receivable consist mainly of tenant receivables, straight line rent adjustments and Harmonized Sales Tax ("**HST**") and Quebec Sales Tax ("**QST**") recoveries from the Canada Revenue Agency and Revenue Quebec, respectively. Prepaid expenses, deposits and other assets consist mainly of prepaid property taxes, insurance, utility deposits, deferred financing costs related to the Facility and the capitalization of free rent provided to tenants as required under IFRS. Restricted Cash represents realty tax escrows requested by the lender on the Guelph Retail Portfolio mortgage.

BANK INDEBTEDNESS

The Trust has entered into a Revolving Operating Facility (the "Facility") with a Canadian Chartered Bank (the "Bank") fully secured by first charges against certain investment properties. The total amount available under the Facility is $13.5 million. The interest rate is based on a calculated formula using the Canadian Chartered Bank's Prime Lending Rate. Amounts drawn under the Facility are due to be repaid at the maturity date on November 30, 2019. Bank Indebtedness as at September 30, 2018 and December 31, 2017 was $nil and $8.5 million respectively.

MORTGAGES

As at September 30, 2018, total outstanding mortgages were $93,712,226 ($96,323,127 as at December 31, 2017), net of unamortized financing costs of $241,173 ($314,225 as at December 31, 2017), offset by a $647,853 ($682,298 as at December 31, 2017) fair value adjustment with a weighted average interest rate of approximately 3.4% (3.3% as at December 31, 2017) and weighted average repayment term of approximately 3.8 years (3.3 years as at December 31, 2017). The mortgages are repayable as follows:

	Scheduled Principal Repayments	Debt Maturing During The Year	Total Mortgages Payable	Scheduled Interest Payments
2018	$ 570,710	$ -	$ 570,710	$ 630,740
2019	2,333,321	9,500,000	11,833,321	3,133,500
2020	1,999,065	17,326,664	19,325,729	2,578,880
2021	1,218,797	15,818,445	17,037,242	1,919,979
2022	1,149,501	3,845,582	4,995,083	1,619,195
Thereafter	1,969,782	37,573,679	39,543,461	2,301,520
Face Value	$ 9,241,176	$ 84,064,370	$ 93,305,546	$ 12,183,814
Unamortized Financing Costs			(241,173)	
Fair Value Adjustment on Assumed Mortgages			647,853	
Total Mortgages			**$ 93,712,226**	

	September 30, 2018	December 31, 2017
Current:		
Mortgages	$ 4,064,211	$ 25,805,978
Unamortized Financing Costs	(93,694)	(112,026)
Fair Value Adjustment on Assumed Mortgages	58,052	70,536
	4,028,569	25,764,488
Non-Current:		
Mortgages	89,241,335	70,149,076
Unamortized Financing Costs	(147,479)	(202,199)
Fair Value Adjustment on Assumed Mortgages	589,801	611,762
	89,683,657	70,558,639
Total Mortgages	**$ 93,712,226**	**$ 96,323,127**

On November 30, 2017, the Trust assumed a $14.3 million ($14.8 million fair value) first mortgage as part of the Guelph Retail Portfolio acquisition. The mortgage, amortized over 30 years, has a 4.4% fixed interest rate and matures on October 1, 2024.

On May 4, 2018, the Trust repaid a $4.9 million mortgage and a $2.3 million mortgage fully secured against the Trust's Bridgewater, Nova Scotia and Hanover, Ontario properties, respectively.

On August 13, 2018, the Trust refinanced its existing mortgages on its Montreal Industrial Portfolio with a Canadian Chartered Bank (the "Bank"). The principal balance of the mortgages at maturity was $29.4 million, while the Trust's portion was $14.7 million. The new mortgage is a $42.0 million first mortgage fixed at an interest rate of 4.0% with a 25 year amortization. In addition a $1.0 million revolving credit facility was also provided by the Bank that is fully secured against the Montreal Industrial Portfolio with an interest rate based on a calculated formula using the Bank's prime lending rate. The Trust's portion of this new mortgage is $21.0 million and $0.5 million for the revolving credit facility, respectively. Net cash received from the refinancing of approximately $6.3 million (pre closing costs) will be used for future acquisitions and for working capital purposes.

ACCOUNTS PAYABLE & ACCRUED LIABILITIES

Accounts payable and accrued liabilities as at September 30, 2018, June 30, 2018, and September 30, 2017 consist of the following:

	September 30, 2018	June 30, 2018	December 31, 2017
Professional Fees	$ 69,200	$ 69,200	$ 69,200
Utilities, Repairs & Maintenance, Other	1,696,529	2,057,955	2,005,030
Due to Asset & Property Manager	132,803	132,533	346,553
Accrued Interest Expense	142,942	186,746	153,454
Option Liabilities	668,389	645,192	731,011
	$ 2,709,863	**$ 3,091,626**	**$ 3,305,248**

Professional fees represent amounts payable for legal, audit and advisory fees. Utilities, Repairs & Maintenance, Other consist of utility costs, property taxes, repairs and maintenance, GST/HST payables to CRA and QST payables to Revenue Quebec. Due to Asset & Property Manager represent amounts payable to Firm Capital Realty Partners Inc. ("**FCRPI**") and Firm Capital Property Management Corp. ("**FCPMC**") as outlined below. Option liabilities relate to the unit option plan as outlined below.

UNIT OPTION PLAN & OPTION LIABILITIES

Under the Trust's unit option plan, the aggregate number of unit options reserved for issuance at any given time shall not exceed 10% of the number of outstanding Trust Units. As at September 30, 2018, the Trust has 1,316,000 Trust unit options issued and outstanding consisting of the following issuances:

- On June 23, 2014, the Trust granted 285,000 Trust unit options at a weighted average exercise price of $5.30 per Trust Unit. The unit options fully vested on the date of grant and expire on June 23, 2019. During the year ended December 31, 2017, 10,000 of these

options were exercised and during the three months ended March 31, 2018 6,000 of these options were forfeited, while 18,000 of these options were excercised, leaving a balance of 251,000 options.

- On August 15, 2016, the Trust granted 535,000 Trust unit options at a weighted average exercise price of $6.05 per Trust Unit. The unit options fully vested on the date of grant and expire on August 15, 2021. During the year ended December 31, 2017, 70,000 of these options were forfeited, leaving a balance of 465,000 options.

- On March 26, 2018, the Trust granted 600,000 Trust unit options at a weighted average exercise price of $6.25 per Trust Unit. 525,000 unit options fully vested on the date of the grant with the remaining 75,000 vesting at one third each year for the next three years and expire on March 26, 2023.

Unit-based compensation relate to the aforementioned unit options and stands at an expense of $23,197 and a recovery of $62,622 for the three and nine months ended September 30, 2018 ($119,120 and $245,336 expense for the three and nine months ended September 30, 2017). Unit-based compensation was determined using the Black-Scholes option pricing Model and based on the following assumptions:

	Nine Months Ended September 30, 2018	**Nine Months Ended September 30, 2017**
Expected Option Life (Years)	1.0	1.0
Risk Free Interest Rate	1.78%	1.40%
Distribution Yield	7.19%	6.79%
Expected Volatility	20.00%	20.00%

Expected volatility is based in part on the historical volatility of the Trust Units. The risk free interest rate of return is the yield on zero-coupon Government of Canada bonds of a term consistent with the expected option life.

UNITHOLDERS' EQUITY

Unitholders' equity as at September 30, 2018 was $123,605,925 and consists of the following:

	Number of Units		Unitholder's Equity
Unitholders' Equity, September 30, 2017	**12,823,735**	**$**	**85,072,092**
Options Exercised	255,000		1,275,000
Non-Brokered Private Placement - December 2017	508,000		3,175,000
Less: Issue Costs	-		(111,477)
Issuance of Units from DRIP	6,877		44,614
Add: Net Income	-		5,125,549
Less: Distributions	-		(1,448,409)
Unitholders' Equity, December 31, 2017	**13,593,612**		**93,132,369**
Options Exercised	18,000		95,400
Public Equity Raise	2,100,000		13,125,000
Non-Brokered Private Placement - February 2018	370,000		2,312,500
Non-Brokered Private Placement - May 2018	1,140,040		7,125,235
Non-Brokered Private Placement - July 2018	296,800		1,854,983
Less: Issue Costs	-		(1,436,937)
Issuance of Units from DRIP	6,111		40,019
Add: Net Income	-		13,064,528
Less: Distributions	-		(5,707,172)
Unitholders' Equity, September 30, 2018	**17,524,563**	**$**	**123,605,925**

- On December 27, 2017, the Trust completed a non-brokered private placement of Trust Units. 508,000 Trust Units were issued at a price of $6.25 per Trust Unit for gross proceeds of approximately $3.2 million.

- On February 1, 2018, the Trust completed a non-brokered private placement of Trust Units. 370,000 trust Units were issued at a price of $6.25 per Trust Unit for gross proceeds of approximately $2.3 million.

- On February 1, 2018, the Trust completed a public equity raise of Trust units, 2,100,000 Trust units were issued at a price of $6.25 per Trust Unit for gross proceeds of approximately $13.1 million.

- On May 30, 2018, the Trust completed a non-brokered private placement of Trust Units. 1,140,040 Trust Units were issued at a price of $6.25 per Trust Unit for gross proceeds of approximately $7.1 million.

- On July 27, 2018, the Trust completed a non-brokered private placement of Trust Units. 296,800 Trust Units were issued at a price of $6.25 per Trust Unit for gross proceeds of approximately $1.9 million.

The following option exercises occurred during the period ended September 30, 2018:

- On January 8, 2018 a trustee exercised 18,000 trust unit options at a weighted average price of $5.30 per trust Unit for gross proceeds of approximately $0.1 million.

- During the year ended December 31, 2017, 375,000 Trust unit options at a weighted average price of $5.00 per Trust Unit were exercised for gross proceeds of approximately $1.88 million and 10,000 Trust unit options were exercised at a weighted average price of $5.30 per Trust Unit for gross proceeds of approximately $0.05 million.

As at September 30, 2018 there were 17,524,563 Trust Units issued and outstanding.

RELATED PARTY TRANSACTIONS

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and are measured at fair value.

ASSET MANAGEMENT AGREEMENT

The Trust has entered into an Asset Management Agreement with FCRPI, an entity indirectly related to certain trustees and management of the Trust. The term of the contract is initially ten years and automatically renews for successive five year periods. Details of the Asset Management Agreement are posted on SEDAR (www.SEDAR.com) and in the notes to the financial statements.

On October 20, 2016, the terms of the Asset Management and Acquisition Fees changed. For further information, please refer to the notes to the financial statements.

For the nine months ended September 30, 2018 and September 30, 2017, Asset Management Fees were $981,420 and $864,841; Acquisition Fees were $nil and $nil; Placement Fees were $182,530 and $nil and Performance Incentive Fees were $67,398 and $223,778, respectively.

For the nine months ended September 30, 2018, Asset Management Fees were higher than the amount reported at September 30, 2017 largely due to the acquisition of the Guelph Retail Portfolio.

For the nine months ended September 30, 2018, Placement Fees were higher due to the completion of the loan in the Montreal portfolio as well as various non-brokered private placements.

Asset Management and Performance Incentive Fees are recorded in General and Administrative Expenses while Acquisition and Placement Fees are capitalized to Investment Properties, Mortgages and Unitholders' Equity on the Consolidated Balance Sheet.

Acquisition Fees are paid on every acquisition and are based on 0.75% of the first $300 million of GBV of acquisitions. Placement Fees are paid on financings undertaken by FCRPI and are based on 0.25% of the aggregate value of all debt and equity financings arranged.

Performance Incentive Fees are based on 15% of the excess once AFFO exceeds $0.40 per unit.

PROPERTY MANAGEMENT AGREEMENT

The Trust has entered into a Property Management Agreement with FCPMC, an entity indirectly related to certain trustees and management of the Trust. The term of the contract is initially ten years and automatically renews for successive five year periods. Details of the Property Management Agreement are posted on SEDAR (www.SEDAR.com) and in the notes to the financial statements.

For the nine months ended September 30, 2018 and September 30, 2017, Property Management Fees were $692,874 and $581,316 and Commercial Leasing Fees were $106,877 and $81,066, respectively.

Property Management Fees are charged monthly. The variance in property management fees for the nine months ended September 30, 2018 over the nine months ended September 30, 2017 is largely due to the acquisition activity that occurred during 2017.

Commercial leasing and renewal fees are charged on a per lease basis.

INCOME TAXES

The Trust is a mutual fund trust and a real estate investment trust (a "**REIT**") pursuant to the Income Tax Act (Canada) (the "**Tax Act**"). Under current tax legislation, a REIT is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to Unitholders each year. The Trust is a REIT if it meets prescribed conditions under the Tax Act relating to the nature of its assets and revenue (the "**REIT Conditions**"). The Trust has reviewed the REIT Conditions and has assessed their interpretation and application.

The Trust intends to qualify as a REIT under the Tax Act and to make distributions not less than the amount necessary to ensure that the Trust will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in the condensed consolidated interim financial statements.

CAPITAL MANAGEMENT

The Trust's objectives when managing capital are to safeguard the ability to continue as a going concern, and to generate sufficient returns to provide unitholders with stable cash distributions. The Trust's capital currently consists of Bank Indebtedness, Mortgages and Unitholders' equity.

The Trust's Declaration of Trust permits the Trust to incur or assume indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the Trust is not more than 75% of the gross book value of the Trust's total assets. Gross Book Value ("GBV") is defined in the Declaration of Trust as "at any time, the book value of the assets of the Trust and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet, plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets) shown thereon or in the notes thereto plus the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any

debt assumed by the Trust shown thereon or in the notes thereto, or if approved by a majority of the Trustees at any time, the appraised value of the assets of the Trust and its consolidated subsidiaries may be used instead of book value." As at September 30, 2018 and September 30, 2017, the ratio of such indebtedness was 42.2% and 47.8%, respectively, which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

With respect to the Bank Indebtedness, the Trust must maintain ratios including minimum unitholders' equity, maximum debt/GBV, minimum interest service and debt service coverage ratios. The Trust monitors these ratios and is in compliance with these requirements throughout the three months ended September 30, 2018 and September 30, 2017.

CONTRACTUAL OBLIGATIONS

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

	Less than 1 Year	1 - 2 Years	> 2 Years	Total
Mortgages	$ 570,710	$ 11,833,321	$ 81,308,192	$ 93,712,226
Tenant Rental Deposits	140,838	179,973	826,618	1,147,428
Distribution Payable	671,769	-	-	671,769
Accounts Payable & Accrued Liabilities	2,709,863	-	-	2,709,863
	$ 4,093,180	**$ 12,013,294**	**$ 82,134,810**	**$ 98,241,286**

DISTRIBUTION REINVESTMENT PLAN & UNIT PURCHASE PLAN

On February 5, 2013, the Trust announced the commencement of its Distribution Reinvestment Plan ("**DRIP**") and Unit Purchase Plan (the "**UPP**").

DISTRIBUTION REINVESTMENT PLAN ("DRIP")

Under the terms of the DRIP, FCPT's Unitholders may elect to automatically reinvest all or a portion of their regular monthly distributions in additional REIT units, without incurring brokerage fees or commissions.

Units purchased through the DRIP are acquired at the weighted average closing price of Trust Units in the five trading days immediately prior to the distribution payment date. Units purchased through the DRIP will be acquired either in the open market or be issued directly from FCPT's treasury based on a floor price to be set at the discretion of the board of trustees. Currently, there are 257,075 units reserved under the DRIP.

For the nine months ended September 30, 2018 and September 30, 2017, 6,111 and 20,144 Trust Units were issued, respectively, from treasury for total gross proceeds of $40,019 and $124,930, respectively, to Unitholders who elected to receive their distributions and received Units under the DRIP.

UNIT PURCHASE PLAN ("UPP")

Unitholders who elect to receive Trust Units under the DRIP may also enroll in the REIT's new Unit Purchase Plan. The Plan gives each Unitholder who is resident in Canada the right to purchase additional units of the Trust monthly. Under the terms of the Plan, FCPT's Unitholders may purchase a minimum of $1,000 of Units on each Monthly Purchase Date and maximum purchases of up to $12,000 per annum. The aggregate number of Units that may be issued may not exceed 2% of the Units of the Trust per annum.

Registered Unitholders may enroll in the DRIP and the Plan by completing a form and submitting to Equity Financial Trust Company at the address set out in the form, or contact the Trust for copies of the forms. Beneficial Unitholders are encouraged to see their broker or other intermediary for enrolment information. The expected level of insider participation by management and trustees of the Trust under the DRIP and the Plan is currently not known. The DRIP and the Plan are subject to certain limitations and restrictions; interested participants are encouraged to review the full text of the DRIP and Plan at www.firmcapital.com.

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 condensed consolidated interim financial statements as at September 30, 2018 and September 30, 2017.

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 Interim Filings) as at September 30, 2018 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 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 Interim Filings) as at September 30, 2018. 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 months ended September 30, 2018 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.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied by the Trust are described in note 2 of the Trust's consolidated financial statements for the year ended December 31, 2017 and accordingly should be read in conjunction with them.

ESTIMATES

The critical accounting estimates have been set out in the Trust's consolidated financial statements for the year ended Decmeber 31, 2017 and accordingly should be read in conjunction with them.

CRITICAL JUDGEMENTS

Critical judgments have been set out in the consolidated financial statements for the year ended Decmember 31, 2017 and accordingly should be read in conjunction with them.

ACOUNTING POLICIES ADOPTED IN 2018

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2018 and have been applied in preparing these consolidated financial statements. A summary of these standards are as follows:

- IFRS 7 - Financial Instruments: Disclosures ("IFRS 7") was amended in October 2010. The amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of and risks associated with an entity's continuing involvement in derecognized financial assets and the offsetting of financial assets and liabilities. The amendments are effective for annual periods beginning on or after January 1, 2018 and are required to be applied in accordance with the standard. The Trust's adoption of IFRS 7 did not have a significant impact on these condensed consolidated interim financial statements.

- IFRS 9 - Financial Instruments ("IFRS 9") replaced IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. IFRS 9 was amended by the IASB in October 2010 to provide guidance on the classification and reclassification of financial liabilities, their measurement and the presentation of gains and losses on financial liabilities designated as fair value through profit or loss ("FVTPL"). When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Trust implemented the new requirements of IFRS 9 retrospectively without restatement of comparatives. As a result of the new requirements, financial assets are now classified and measured based on the following categories:

    - Amortized cost
    - FVTPL

- Fair Value through Other Comprehensive Income ("FVOCI")

Financial liabilities are classified and measured based on the following categories:

- Amortized cost
- FVTPL
- FVOCI

The following summarizes the Trust's classification of financial assets and liabilities.

	Notes	IAS 39 Classification	IFRS 9 Classification
Assets			
Accounts Receivable		Loans and receivables	Amortized cost
Deposits and Other Assets		Loans and receivables	Amortized cost
Restricted Cash		Cash and Cash Equivalents	FVTPL
Cash and Cash Equivalents		Cash and Cash Equivalents	FVTPL
Liabilities			
Distribution Payable		Other Liabilities	Amortized cost
Accounts Payable and Accrued Liabilities	5	Other Liabilities	Amortized cost
Tenant Rental Deposits		Other Liabilities	Amortized cost
Mortgages	7	Other Liabilities	Amortized cost
Option Liabilities	8(i)	Other Liabilities	FVTPL

IFRS 9 also outlines a forward looking "expected credit loss" (ECL) model, which replaces the model that was previously used from IAS 39. For trade receivables, the Trust applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure ECL's related to trade receivables, includes assessing credit risk characteristics and the days past due. The Trust has concluded that there was no significant impact to financial assets in connection with the change from the incurred loss model under IAS 39 to the ECL model under IFRS 9.

- IFRS 15 - Revenue from Contracts with Customers ("IFRS 15"). In May 2014, the IASB issued IFRS 15, which replaces IAS 11 - Construction Contracts, IAS 18 - Revenue and IFRIC 13 - Customer Loyalty Programs, as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements. IFRS 15 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. The adoption of IFRS 15 did not have a significant impact on the Trust's revenue streams and the pattern of revenue recognition.

FUTURE CHANGES IN ACCOUNTING POLICIES

- IFRS 16 - Leases ("IFRS 16"). IFRS 16 supersedes IAS 17, Leases, IFRIC 4, Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 requirements. The effective date for IFRS 16 is January 1, 2019. The Trust is currently assessing the impact of IFRS 16 to its condensed consolidated interim financial statements. Based on a preliminary assessment of the standard, the Trust does not expect this standard to have a significant impact on its condensed consolidated interim financial statements as leases with tenants are expected to be accounted for as operating leases in the same manner they currently are.

SUBSEQUENT EVENTS

The following are events that occurred subsequent to September 30, 2018:

- On October 15, 2018, the trust distributed monthly cash distributions of $0.0383333 per trust unit to unitholders of record at the close of business on September 28, 2018;

- On October 15, 2018, the Trust announced the closing of a 50% interest in a 159,164 square foot single tenant industrial building located in Montreal, Quebec. The acquisition price is approximately $11.0 million, excluding transaction costs. The Property will be part of the current Montreal portfolio with all of the existing investors participating in their pro rata share. The Property is being acquired at a 7.5% capitalization rate, is located in the Mount Royal industrial market and is 100% leased to Le Chateau Inc. until April 30, 2026; and

- On November 6, 2018 the Trust announced that it has declared and approved monthly distributions in the amount of $0.04 per Trust Unit for unitholders of record on January 31, 2019, February 28, 2019 and March 29, 2019 payable on or about February 15, 2019, March 15, 2019 and April 15, 2019.

RISKS AND UNCERTAINTIES

The Trust is faced with the following ongoing risk factors, among others, that would affect Unitholders' equity and the Trust's ability to generate returns. All real property investments are subject to elements of risk. General economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors affect such investments. The Trust's properties are located across Canada. As a result, our

properties are impacted by factors specifically affecting their respective real estate markets. These factors may differ from those affecting the real estate markets in other regions of Canada.

- *LIQUIDITY & GENERAL MARKET CONDITIONS*
  The Trust faces the risk associated with general market conditions and their potential consequent effects. Current general market conditions may include, among other things, the insolvency of market participants, tightening lending standards and decreased availability of cash, and changes in unemployment levels, retail sales levels, and real estate values along with access to capital. These market conditions may affect occupancy levels and FCPT's ability to obtain credit on favorable terms or to conduct financings through the public market.
- *REAL PROPERTY OWNERSHIP AND TENANT RISKS*
  Real property investments are relatively illiquid. This illiquidity will tend to limit the ability of the Trust to respond to changing economic or investment conditions. If the Trust were to be required to liquidate assets quickly, there is a risk the proceeds realized from such 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 certain types 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 thereof. The ability to rent unleased space 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. Cash available for distribution 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 favorable 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 make distributions to holders of Trust Units.

  Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the Trust's properties or revenues to be derived therefrom. Reported estimates of market rent can be seasonal and the significance of any variations from quarter to quarter would materially affect the Trust's annualized estimated gain-to-lease amount. There can be no assurance that upon the expiry or termination of existing leases, 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.
- *COMPETITION*
  Many of the sectors in which the Trust operates are highly competitive. The Trust faces competition from many sources, including from other buildings in the immediate vicinity of the properties and the broader geographic areas where the Trust's properties are and will be located. In addition, overbuilding in the geographic areas where the Trust's properties

are located may increase the supply of competing properties and 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 ability to make distributions to holders of Trust Units.

The Trust's ability to make real estate investments in accordance with the Trust's objectives and investment policies depends upon the availability of suitable investments and the general economy and marketplace. Increased competition for acquisitions in the geographies in which the Trust operates from other acquirers of real estate may impact the availability of suitable investments and achievable investment yields for the Trust.

- *CHANGES IN APPLICABLE LAWS*
  The Trust's operations will have to comply with numerous federal, provincial 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 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 landlord/tenant laws, or (iii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of the Trust's properties, including changes to building codes and fire and life-safety codes.
- *UNEXPECTED COSTS OR LIABILITIES RELATED TO ACQUISITIONS*
  Risks associated with real property acquisitions are that there may be an undisclosed or unknown liability concerning the acquired properties, and the Trust may not be indemnified for some or all of these liabilities. Following an acquisition, the Trust may discover that it has acquired undisclosed liabilities, which may be material. The Trust conducts what it believes to be an appropriate level of investigation in connection with its acquisition of properties and seeks through contract to ensure that risks lie with the appropriate party.
- *ACCESS TO CAPITAL*
  The real estate industry is highly capital intensive. The Trust will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance that the Trust will have access to sufficient capital or access to capital on terms favorable to the Trust for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, the Trust may not be able to borrow funds due to the limitations set forth in the Declaration of Trust.

  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 issuers 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 materially and adversely affect 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 capital markets. As a result, it is possible that financing which the Trust may require in order 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 favorable 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 make distributions to holders of Trust Units.

- *INTEREST RATE & DEBT FINANCING RISK*
  The Trust will be subject to the risks associated with debt financing. There can be no assurance that the Trust will be able to refinance its existing indebtedness on terms that are as or more favorable to the Trust as the terms of existing indebtedness. The inability to replace financing of debt on maturity would have an adverse impact on the financial condition and results of FCPT.
- *ENVIRONMENTAL RISK*
  Environmental and ecological related policies have become increasingly important in recent periods. Under various federal, provincial and municipal laws, an owner or operator of real property could become liable for the cost of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The existence of such a liability can have a negative impact on the value of the underlying real property.

  It is our policy to obtain a Phase I environmental audit conducted by a qualified environmental consultant prior to acquiring any additional property, who has the appropriate insurance coverage. In addition, where appropriate, tenant leases generally specify that the tenant will conduct its business in accordance with environmental regulations and be responsible for any liabilities arising out of infractions to such regulations.
- *LEGAL RISK*
  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 and ability to make distributions to holders of Trust Units.
- *LEASE ROLLOVER RISK*
  The value of investment properties and the stability of cash flows derived from those properties are dependent upon the level of occupancy and lease rates in those properties. Upon expiry of any lease, there is no assurance that a lease will be renewed on favorable terms, or at all; nor is there any assurance that a tenant can be replaced. A contraction in the Canadian economy would negatively impact demand for space in our properties, consequently increasing the risk that leases expiring in the near term will not be renewed.
- *INCOME TAX RISK*
  On December 22, 2007, the SIFT Rules were enacted. Under the SIFT Rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income,

and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to the tax.

The SIFT Rules do not apply to a “real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions”). The Trust has reviewed the REIT Conditions and has assessed their interpretation and application to the Trust’s assets and liabilities. The Trust believes that it has met the REIT Conditions throughout the relevant periods ended. There can be no assurances, however, that the Trust will continue to be able to satisfy the REIT Conditions in the future such that the Trust will not be subject to the tax imposed by the SIFT Rules.

- *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 make distributions to holders of Trust Units. 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 as a result 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 may experience as a result 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 as a result 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 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 ability to make distributions to holders of Trust Units.

  The timing and amount of capital expenditures by the Trust will affect the amount of cash available for distributions to holders of Trust Units. Distributions may be reduced, or even eliminated, at times when the Trust deems it necessary to make significant capital or other expenditures.

- *UNITHOLDER RISK*

  There is a risk that FCPT’s Unitholders could become subject to liability. The Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as Trustee or carrier shall be held to have any personal liability as such, and no resort shall be had to, nor shall recourse or satisfaction be sought from, the private property of any Unitholder or annuitant for any liability whatsoever, in tort, contract or otherwise, to any person in connection with the Trust property or the affairs of the Trust, including, without limitation, for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Trust or of the Trustees or any obligation which a Unitholder or annuitant would otherwise have to indemnify a Trustee for any personal liability incurred by the Trustee as such, but rather the assets of the Trust only are intended to be liable and subject to levy or execution for satisfaction of such liability. Each Unitholder and annuitant

under a plan of which a Unitholder acts as Trustee or carrier shall be entitled to be reimbursed out of the assets of the Trust in respect of any payment of a Trust obligation made by such Unitholder or annuitant. The Declaration of Trust further provides that, whenever possible, any written instrument creating an obligation which is or includes the granting by the Trust of a mortgage, and to the extent management of the Trust determines to be practicable, any written instrument which is, in the judgment of management of the Trust, a material obligation, shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the Trustees, Unitholders, annuitants under a plan of which a Unitholder acts as a Trustee or carrier, or Officers, employees or agents of the Trust, but that only property of the Trust or a specific portion thereof shall be bound; the Trust, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the Trust upon the acquisition of real property.

Certain provinces have legislation relating to Unitholder liability protection, including British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Québec. To FCPT's knowledge, certain of these statutes have not yet been judicially considered and it is possible that reliance on such statute by a Unitholder could be successfully challenged on jurisdictional or other grounds.

- *DEPENDENCE ON FCRPI AND FCRPI*
  The Trust's earnings and operations are impacted by FCRPI's ability to source appropriate real estate investments that provide sufficient yields for investors and FCRPI to maintain these real estate investments. The Trust has also entered into long-term contracts with FCRPI and FCRPI, as more particularly described in the "Asset Management Agreement" and "Property Management Agreement" both dated November 20, 2012 as posted on SEDAR (www.SEDAR.com). The Trust is exposed to adverse developments in the business and affairs of FCRPI and FCRPI, since the day to day activities of the Trust are run by FCRPI and FCRPI and since all of the Trust's real estate investments are originated by FCRPI.
- *RETURN RISK*
  There is no guarantee as to the return an investment in Trust Units of the Trust will generate.
- *POTENTIAL CONFLICTS OF INTEREST*
  The Trust is subject to various potential conflicts of interest because the Asset Manager and Property Manager are entities indirectly related to certain trustees and management of the Trust. Further, the Trustees and Officers may co-invest in property acquisitions and investments alongside the Trust. In addition, the Trustees and Officers of the Trust may from time to time deal with parties with whom the Trust may be dealing with, or may be seeking investments similar to those desired by the Trust. Certain Trustees and Officers of the Trust are also employed by entities directly and/or indirectly related to the Asset Manager and Property Manager and are involved in varying real estate related activities including, but not limited to acquisitions, divestitures and management of real estate and real estate related debt and e.

  The Declaration of Trust does not restrict Trustees or Officers of the Trust, the Asset Manager, the Property Manager and/or its affiliates from being engaged (directly or indirectly) in real estate and business transactions in which their individual interests are actually, or are perceived to be, in conflict with the interests of the Trust. Accordingly, there

can be no guarantee that the Trustees and Officers of the Trust, when acting in a capacity other than a Trustee or Officer of the Trust will act in the best interests of the Trust.

- *RELIANCE ON KEY PERSONNEL AND TRUSTEES*
  In assessing the risk of an investment in the Trust Units, potential investors should be aware that they will be relying on the good faith, experience and judgment of the Trustees. Although investments made by the Trust are carefully chosen by the Trustees, there can be no assurance that such investments will earn a positive return in the short or long-term or that losses may not be suffered by the Trust from such investments.
- *DILUTION*
  The number of Trust Units the Trust is authorized to issue is unlimited. The Trustees have the discretion to issue additional Trust Units in other circumstances, including under the Unit Option Plan. Any issuance of Trust Units may have a dilutive effect to existing Unitholders.
- *OPERATIONAL RISKS*
  Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings. Management endeavors to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are reviewed and if deemed necessary improvements are implemented.
- *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 and future insurance policies expire, the Trust may encounter difficulty in obtaining or renewing property or casualty insurance on its 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 is able to renew its policies at levels and with limitations consistent with its 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 its 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 its properties to protect against the risk of loss. If this were to occur, or if the Trust were unable to obtain adequate insurance, and its 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 and ability to make distributions to holders of Trust Units.

OUTLOOK

We expect that the bank of Canada's October interest rate hike of 25 bps to 1.75% will be the final rate increase for 2018, with the overnight rate rising an additional 25 bps to 2.0% during the first half of 2019. The Trust expects that this rising rate environment will continue for the mid term as the Canadian and US economies operate at close to full capacity.

We believe that the Trust is well positioned for growth with a strong balance sheet. The Trust continues to maintain cash liquidity to take advantage of opportunities as they arise. The Trust continues to target industrial, flex industrial, net lease convenience retail, multi-residential, core service provider and healthcare professional office assets across Canada. We expect to grow

predominately through external acquisitions through 2018 with a focus on multi-tenant industrial and convenience retail. We will continue to assess each acquisition to ensure they meet our investment objectives but will not grow the portfolio only for the sake of growth. In addition to growth generated by acquisitions, the Trust's growth is expected to come from within the portfolio, through a combination of leasing and build out of existing excess density when feasible over the next several years.

Overall, the Trust anticipates that real estate fundamentals in Canada will remain stable in 2018 and that our properties will perform in line with the growth expectations of our markets. We will continue to focus our acquisition program towards off market and partial interest transactions as we anticipate they will provide the Trust with the best investment opportunities. The Trust will also continue to focus on organic growth and value creation opportunities by extracting value from our portfolio, redevelopment and repositioning of select assets through property improvement projects, expansion of existing portfolio properties, recycling capital and capitalizing on new development opportunities.