



FIRM CAPITAL PROPERTY TRUST

CAPITAL PRESERVATION • DISCIPLINED INVESTING

MD&A
MANAGEMENT
DISCUSSION
AND ANALYSIS

THIRD QUARTER
SEPTEMBER 30, 2019



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, 2019 and September 30, 2018. This MD&A has been prepared taking into account material transactions and events up to and including November 7, 2019. 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 2019 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.

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 own as well as 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.

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 an amended and restated Declaration of Trust dated November 20, 2012. The Trust is a "mutual fund trust" as defined in

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the Tax Act as defined below, 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 amount 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.

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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, 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, 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 on 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, 2019 was approximately \$3.8 million compared to the \$9.2 million reported for the three months ended June 30, 2019, but a 22% increase over the \$3.1 million reported for the three months ended September 30, 2018. Excluding fair value adjustments and the unit based compensation expense/(recovery) as they are non-cash items, net income is approximately \$3.4 million for the three months ended September 30, 2019, a 12% increase over the \$3.0 million reported for the three months ended June 30, 2019;
- Net income for the nine months ended September 30, 2019 was approximately \$15.3 million, a 17% increase compared to the \$13.1 million reported for the nine months ended September 30, 2018;
- \$7.02 Net Asset Value (“**NAV**”) per Unit based on a IFRS book value of equity of approximately \$184.3 million. This is a 0.3% increase over the \$7.00 NAV reported at June 30, 2019;
- On an IFRS basis, NOI for the three months ended September 30, 2019 was approximately \$6.8 million, a 21% increase over the \$5.6 million reported for the three months ended June 30, 2019 and a 108% increase in comparison to the \$3.3 million reported for the three

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months ended September 30, 2018. NOI for the nine months ended September 30, 2019 was approximately \$16.2 million, a 67% increase over the \$9.8 million reported for the nine months ended September 30, 2018;

- On a cash basis (“**Cash NOI**”), for the three months ended September 30, 2019 was approximately \$6.7 million, a 21% increase over the \$5.5 million reported for the three months ended June 30, 2019 and a 104% increase over the \$3.3 million reported for the three months ended September 30, 2018. Cash NOI for the nine months ended September 30, 2019 was approximately \$15.9 million, a 64% increase over the \$9.7 million reported for the nine months ended September 30, 2018;
- Funds From Operations (“**FFO**”) for the three months ended September 30, 2019 was approximately \$2.8 million, a 19% decrease over the \$3.4 million reported for the three months ended June 30, 2019, but a 48% increase over the \$1.9 million reported for the three months ended September 30, 2018;
- Adjusted Funds From Operations (“**AFFO**”) for the three months ended September 30, 2019 was approximately \$3.1 million, a 13% increase over the \$2.7 million reported for the three months ended June 30, 2019 and a 73% increase over the \$1.8 million reported for the three months ended September 30, 2018;
- FFO for the nine months ended September 30, 2019 was approximately \$8.0 million, a 40% increase over the \$5.7 million reported for the nine months ended September 30, 2018. AFFO for the nine months ended September 30, 2019 was approximately \$7.7 million, a 45% increase over the \$5.3 million reported for the nine months ended September 30, 2018;
- FFO per Unit was \$0.105 for the three months ended September 30, 2019, a 25% decrease over the \$0.140 for the three months ended June 30, 2019 and a 2% decrease over the \$0.107 for the three months ended September 30, 2018. FFO per Unit was \$0.350 for the nine months ended September 30, 2019 largely in line with the \$0.347 for the nine months ended September 30, 2018;
- AFFO per Unit was \$0.117 for the three months ended September 30, 2019, a 5% increase compared to the \$0.111 per Unit reported for the three months ended June 30, 2019 and a 16% increase over the \$0.101 per Unit reported for the three months ended September 30, 2018. AFFO per unit was \$0.339 for the nine months ended September 30, 2019, a 5% increase over the \$0.323 for the nine months ended September 30, 2018;
- Average net rents increased 0.1% - 2.5% across all asset classes since June 30, 2019;
- Commercial occupancy was 95.5% while residential occupancy was 97.4%; and
- Conservative leverage profile with Debt / Gross Book Value (“**GBV**”) at 56.4%.

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	% Change Over								
	Three Months			Nine Months		Three Months		Nine Months	
	Sep 30, 2019	Jun 30, 2019	Sep 30, 2018	Sep 30, 2019	Sep 30, 2018	Jun 30, 2019	Sep 30, 2018	Sep 30, 2018	
Rental Revenue	\$ 10,432,798	\$ 8,664,867	\$ 5,423,802	\$ 25,541,357	\$ 16,433,972	20%	92%	55%	
NOI									
- IFRS Basis	\$ 6,788,600	\$ 5,612,287	\$ 3,269,870	\$ 16,236,357	\$ 9,751,076	21%	108%	67%	
- Cash Basis	\$ 6,657,450	\$ 5,481,879	\$ 3,258,543	\$ 15,934,621	\$ 9,738,254	21%	104%	64%	
Net Income	\$ 3,815,843	\$ 9,183,443	\$ 3,117,455	\$ 15,286,378	\$ 13,064,528	(58%)	22%	17%	
FFO	\$ 2,765,130	\$ 3,429,815	\$ 1,874,298	\$ 7,960,452	\$ 5,684,771	(19%)	48%	40%	
AFFO	\$ 3,062,646	\$ 2,706,154	\$ 1,772,699	\$ 7,698,015	\$ 5,301,706	13%	73%	45%	
FFO Per Unit	\$ 0.105	\$ 0.140	\$ 0.107	\$ 0.350	\$ 0.347	(25%)	(2%)	1%	
AFFO Per Unit	\$ 0.117	\$ 0.111	\$ 0.101	\$ 0.339	\$ 0.323	5%	16%	5%	
Distributions Per Unit	\$ 0.120	\$ 0.120	\$ 0.115	\$ 0.360	\$ 0.345		4%	4%	
Payout Ratios									
- FFO	114%	85%	108%	103%	100%				
- AFFO	103%	108%	114%	106%	107%				

TRANSACTIONAL ACTIVITY AND DISTRIBUTION INCREASE

- \$220 Million in Acquisitions:** Since the beginning of 2019, the Trust has completed \$220 million in acquisitions, comprised of four retail portfolios for approximately \$417 million (100% including transaction costs) or approximately \$209 million (at the Trust's pro-rata proportionate interest) along with a multi-residential property for approximately \$11.2 million (including transaction costs);
- \$57 Million of Equity Issued:** Since the beginning of 2019, the Trust has issued \$56 million from treasury in the form of brokered public offerings and non-brokered private placements at a price of \$6.40 per Trust Unit. The Trust has also issued \$1.2 million of Trust Units from treasury through the exercising of Trust unit options;
- \$175 Million of New and Assumed Mortgage Financings:** Since the beginning of 2019, the Trust has completed \$175 million of new and assumed financing at a 3.54% weighted average interest rate;
- Announces Increased Distributions by 4.2% to \$0.50 per Unit:** As a result of the Trust's accretive acquisition activity and higher rents achieved on new and renewal leases it is pleased to announce its seventh distribution increase in seven years of 4.2% to \$0.50 per Trust Unit on an annualized basis or \$0.041667 per month commencing January 2020. This represents a cumulative increase since inception of 42.9%; and
- Declaration of Monthly Distributions:** The Trust is pleased to announce that it has declared and approved monthly distributions of \$0.041667 per Trust Unit for Unitholders of record on January 31, 2020, February 28, 2020 and March 31, 2020 payable on or about February 17, 2020, March 16, 2020 and April 15, 2020.

MANAGEMENT DISCUSSION & ANALYSIS

PORTFOLIO HIGHLIGHTS

Based on the Trust's pro rata interests as at September 30, 2019, the portfolio consists of 73 commercial properties with a total gross leasable area ("GLA") of 2,268,775 square feet and two apartment complexes comprised of 204 apartment units.

		Occupancy				
	Gross Leaseable Area	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018
Retail						
Bridgewater, Nova Scotia	46,707	86.3%	91.7%	91.7%	91.7%	91.7%
Brampton, Ontario	36,137	100.0%	100.0%	100.0%	100.0%	100.0%
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%	92.6%	92.6%	92.6%	92.6%
Centre Ice Retail Portfolio	122,767	91.6%	91.6%	94.4%	91.6%	86.5%
The Whitby Mall, Ontario	125,317	94.1%	93.1%	93.1%	93.1%	95.3%
Thickson Place, Ontario	41,942	100.0%	100.0%	100.0%	100.0%	100.0%
Crombie Retail Portfolio	148,188	100.0%	100.0%	100.0%	N/A	N/A
FCR Retail Portfolio	511,065	97.5%	97.3%	N/A	N/A	N/A
Gateway Village	52,679	93.8%	N/A	N/A	N/A	N/A
Total / Weighted Average	1,248,038	96.1%	96.2%	95.9%	94.1%	93.5%
Office						
Barrie, Ontario	39,495	58.0%	58.0%	58.0%	58.0%	58.0%
The Whitby Mall, Ontario	28,853	75.6%	75.6%	75.6%	75.6%	88.5%
Total / Weighted Average	68,348	65.6%	65.6%	65.6%	65.6%	70.5%
Industrial						
Montreal, Quebec	594,630	97.2%	97.8%	97.2%	97.6%	93.7%
Waterloo, Ontario	357,759	95.5%	98.0%	97.1%	98.4%	98.4%
Total / Weighted Average	952,388	96.5%	97.9%	97.1%	97.9%	97.8%
Total / Wtd. Average	2,268,775	95.5%	96.1%	95.5%	95.3%	95.0%
Multi-Residential						
	Units	Occupancy				
Ottawa, Ontario	135	94.8%	98.5%	99.6%	98.8%	98.8%
Dartmouth, Nova Scotia	69	100.0%	98.6%	98.6%	N/A	N/A
Residential Total / Wtd. Average	204	97.4%	98.5%	99.0%	98.8%	98.8%

TENANT DIVERSIFICATION

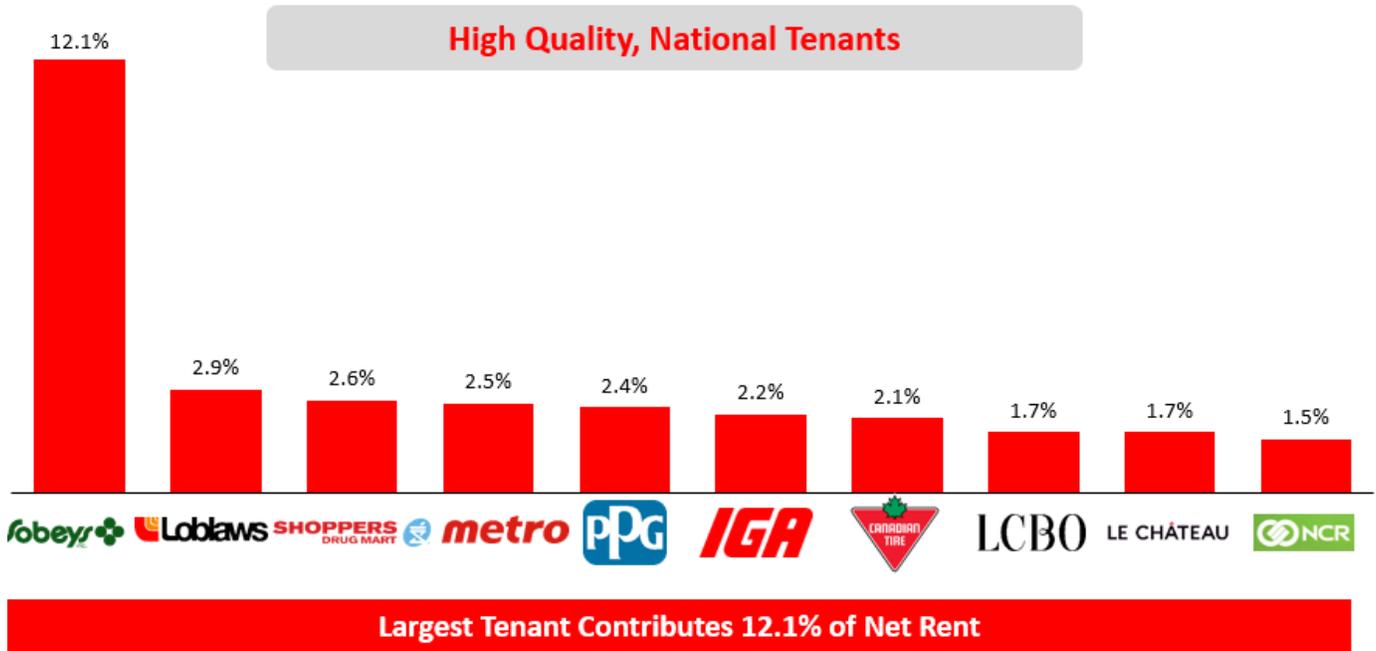
The portfolio is well diversified by tenant profile with no tenant currently accounting for more than 12.1% of total net rent. Further, the top 10 tenants are comprised of large national tenants and account for 31.7% of total net rent:

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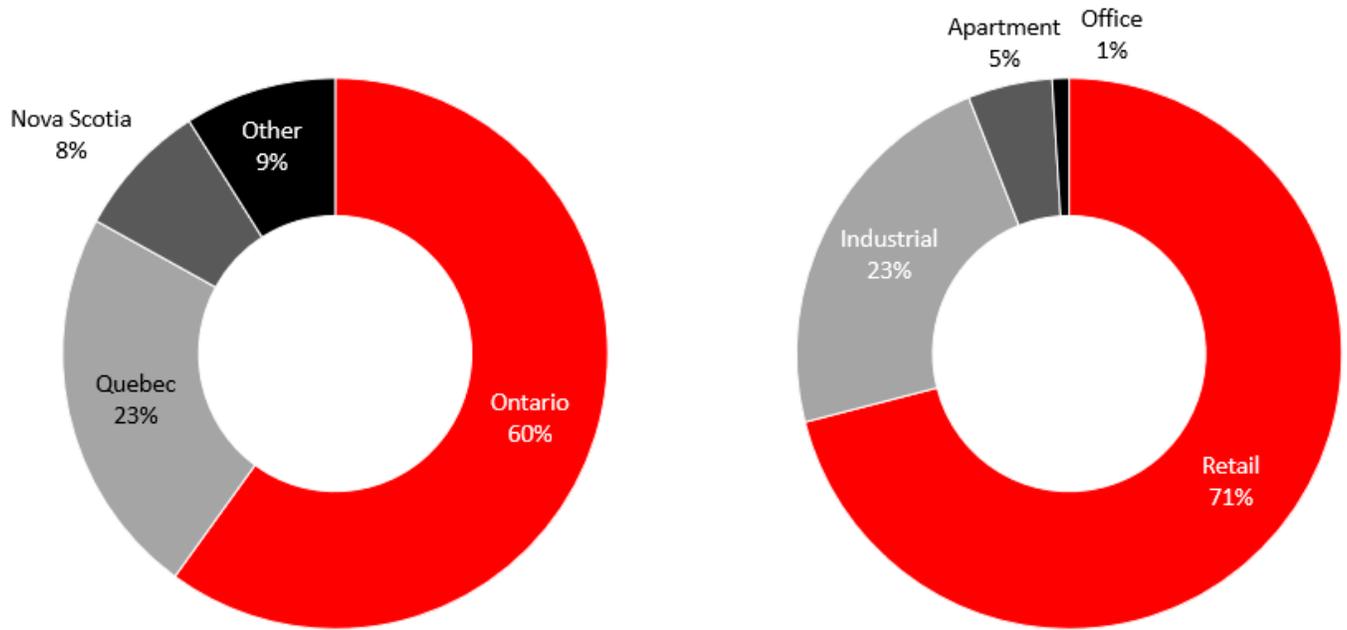
Tenant Diversification – September 30, 2019

Top Ten Commercial Tenants

(by % of net rent)



Geographical and Asset Class Portfolio Diversification based on NOI



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OCCUPANCY

As at September 30, 2019, commercial portfolio occupancy was 95.5%, a 60 basis point decrease over the 96.1% reported at June 30, 2019, but a 50 basis point increase over the 95.0% reported at September 30, 2018. The decrease over June 30, 2019 was largely due to a slight decrease in occupancy in the Waterloo Industrial Portfolio and Bridgewater, Nova Scotia offset by an increase in the Whitby Mall. The increase over September 30, 2018 was largely due to the acquisitions of the Crombie, Gateway Village and FCR Retail Portfolios offset by a slight decrease in occupancy in the Waterloo Industrial Portfolio.

As at September 30, 2019, occupancy for the multi-residential portfolio was 97.4% compared to the 98.5% reported at June 30, 2019 and the 98.8% reported at September 30, 2018.

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, 2019	June 30, 2019	Mar 31, 2019	Dec 31, 2018	Sept 30, 2018
Retail	\$ 16.61	\$ 16.40	\$ 15.87	\$ 15.84	\$ 15.61
Industrial	\$ 5.72	\$ 5.67	\$ 5.50	\$ 5.49	\$ 5.74
Office	\$ 11.71	\$ 11.69	\$ 11.53	\$ 11.26	\$ 11.10
Multi-Residential	\$ 1,014	\$ 992	\$ 977	\$ 925	\$ 920
	Q3 2019 vs. Q2 2019			Q3 2019 vs. Q3 2018	
Retail	1.2%			6.4%	
Industrial	0.9%			-0.4%	
Office	0.1%			5.5%	
Multi-Residential	2.3%			10.2%	

As at September 30, 2019, average monthly retail net rents increased by 1.2% over June 30, 2019 and 6.4% over September 30, 2018 largely due to the acquisitions of the Crombie and FCR Retail Portfolios along with an increase due to renewed and new leases. Average monthly industrial net rents increased 0.9% over June 30, 2019, but decreased 0.4% over September 30, 2018 due to lease renewals and new leases upon expiries in the portfolio. Average monthly office net rents increased by 0.1% over June 30, 2019 and 5.5% over September 30, 2018 due to lease renewals and new leases upon expiries in the portfolio along with higher net rents in the FCR Retail Portfolio. Average multi-residential rents increased by 2.3% over June 30, 2019 and 10.2% over September 30, 2018 largely due to the acquisition of the multi-residential property in Dartmouth, Nova Scotia along with higher rent in Ottawa, ON.

RESULTS OF OPERATIONS

RENTAL REVENUE

Rental revenue for the three months ended September 30, 2019 was \$10,432,798, a 20% increase over the \$8,664,867 reported for the three months ended June 30, 2019 and a 92% increase over the \$5,423,802 reported for the three months ended September 30, 2018. Rental revenue for the nine months ended September 30, 2019 was \$25,541,357, a 55% increase over

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the \$16,433,972 reported for the nine months ended September 30, 2018. Rental revenue includes all amounts earned from tenants' lease agreements including rent, operating costs and realty tax recoveries.

	Three Months Ended			Nine Months Ended	
	Sep 30, 2019	Jun 30, 2019	Sep 30, 2018	Sep 30, 2019	Sep 30, 2018
Base Rent	\$ 6,963,804	\$ 5,754,371	\$ 3,538,997	\$ 16,930,600	\$ 10,645,547
CAM & Tax Recoveries	3,337,844	2,780,088	1,873,478	8,309,021	5,775,602
Straight Line Rent	155,695	140,835	30,906	351,491	68,300
Free Rent	(24,545)	(10,427)	(19,579)	(49,755)	(55,477)
Rental Revenue	\$ 10,432,798	\$ 8,664,867	\$ 5,423,802	\$ 25,541,357	\$ 16,433,972

The variance in comparing the three and nine months ended September 30, 2019 over the three and nine months ended September 30, 2018 and over the three months ended June 30, 2019 is largely due to increased rental income from the Trust's acquisitions of the FCR Retail Portfolio, Crombie Retail Portfolio, Gateway Village, the multi-residential property located in Dartmouth, Nova Scotia and the industrial property located in Montreal, Quebec along with the net rent increases as outlined above.

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, 2019 were \$3,644,198, a 19% increase in comparison to the \$3,052,580 reported for the three months ended June 30, 2019 and a 69% increase over the \$2,153,932 reported for the three months ended September 30, 2018. Property operating expenses for the nine months ended September 30, 2019 were \$9,305,000, a 39% increase over the \$6,682,896 reported for the nine months ended September 30, 2018. 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	
	Sep 30, 2019	Jun 30, 2019	Sep 30, 2018	Sep 30, 2019	Sep 30, 2018
Realty Taxes	\$ 2,171,776	\$ 1,711,704	\$ 1,162,333	\$ 5,189,553	\$ 3,493,426
Property Management	414,118	323,991	263,867	1,005,161	799,751
Operating Expenses	1,058,305	1,016,886	727,832	3,110,286	2,389,719
Property Operating Expenses	\$ 3,644,198	\$ 3,052,580	\$ 2,153,932	\$ 9,305,000	\$ 6,682,896

The variance in comparing the three and nine months ended September 30, 2019 over the three and nine months ended September 30, 2018 and over the three months ended June 30, 2019 is largely due to the impact of the Trust's acquisitions of the FCR Retail Portfolio, Crombie Retail Portfolio, Gateway Village, the multi-residential property located in Dartmouth, Nova Scotia and the industrial property located in Montreal, Quebec.

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NET OPERATING INCOME ("NOI")

On an IFRS basis, NOI for the three months ended September 30, 2019 was \$6,788,600 a 21% increase over the \$5,612,287 reported for the three months ended June 30, 2019 and a 108% increase in comparison to the \$3,269,870 reported for the three months ended September 30, 2018. NOI for the nine months ended September 30, 2019 was \$16,236,357 a 67% increase over the \$9,751,076 reported for the nine months ended September 30, 2018.

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, 2019 was \$6,657,450, a 21% increase over the \$5,481,879 reported for the three months ended June 30, 2019 and a 104% increase over the \$3,258,543 reported for the three months ended September 30, 2018. Cash NOI for the nine months ended September 30, 2019 was \$15,934,621, a 64% increase over the \$9,738,254 reported for the nine months ended September 30, 2018.

	Three Months Ended			Nine Months Ended	
	Sep 30, 2019	Jun 30, 2019	Sep 30, 2018	Sep 30, 2019	Sep 30, 2018
Rental Revenue	\$ 10,432,798	\$ 8,664,867	\$ 5,423,802	\$ 25,541,357	\$ 16,433,972
Property Operating Expenses	(3,644,198)	(3,052,580)	(2,153,932)	(9,305,000)	(6,682,896)
NOI - IFRS Basis	\$ 6,788,600	\$ 5,612,287	\$ 3,269,870	\$ 16,236,357	\$ 9,751,076
Less: Straight-Line Rent	(155,695)	(140,835)	(30,906)	(351,491)	(68,300)
Less: Free Rent	24,545	10,427	19,579	49,755	55,477
NOI - Cash Basis	\$ 6,657,450	\$ 5,481,879	\$ 3,258,543	\$ 15,934,621	\$ 9,738,254

NOI - Cash Basis

% Change vs. June 30, 2019	21%	
% Change vs. September 30, 2018	104%	64%

The variance in comparing the three and nine months ended September 30, 2019 over the three and nine months ended September 30, 2018 and over the three months ended June 30, 2019 is largely due to the impact of the Trust's acquisitions of the FCR Retail Portfolio, Crombie Retail Portfolio, Gateway Village, the multi-residential property located in Dartmouth, Nova Scotia and the industrial property located in Montreal, Quebec.

FINANCE COSTS

Finance costs for the three months ended September 30, 2019 were \$2,444,893, a 36% increase in comparison to the \$1,792,827 reported for the three months ended June 30, 2019 and a 197% increase in comparison to the \$824,547 reported for the three months ended September 30, 2018. Finance costs for the nine months ended September 30, 2019 were \$5,436,379, a 116% increase over the \$2,521,078 reported for the nine months ended September 30, 2018. Finance costs are comprised of the following:

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	Three Months Ended			Nine Months Ended	
	Sep 30, 2019	Jun 30, 2019	Sep 30, 2018	Sep 30, 2019	Sep 30, 2018
Mortgage Interest	\$ 2,103,931	\$ 1,620,546	\$ 786,402	\$ 4,752,737	\$ 2,357,940
Bank Indebtedness Interest	219,601	96,539	15,468	451,061	80,185
Finance Fee Amortization	135,409	107,385	50,150	294,833	131,312
Non-cash Interest Expense	(14,050)	(31,643)	(27,472)	(62,251)	(48,359)
Finance Costs	\$ 2,444,893	\$ 1,792,827	\$ 824,547	\$ 5,436,379	\$ 2,521,078

The variance in comparing the three and nine months ended September 30, 2019 over the three and nine months ended September 30, 2018 and over the three months ended June 30, 2019 is largely due to the impact of new and assumed mortgages from the Trust's acquisitions of the FCR Retail Portfolio, Crombie Retail Portfolio, Gateway Village, the multi-residential property located in Dartmouth, Nova Scotia and the industrial property located in Montreal, Quebec as further outlined below, along with the impact of drawing on the bank indebtedness.

Finance fee amortization relates to fees paid on securing the Facility as defined below 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, 2019 stands at approximately 3.5%.

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSES

G&A expenses for the three months ended September 30, 2019 were \$983,634, a 15% increase in comparison to the \$855,697 reported for the three months ended June 30, 2019 and a 68% increase in comparison to the \$576,854 reported for the three months ended September 30, 2018. G&A expenses for the nine months ended September 30, 2019 were \$2,421,389, a 46% increase over the \$1,658,420 reported for the nine months ended September 30, 2018. Public company expenses include trustee fees, transfer agent fees, press releases and print media.

	Three Months Ended			Nine Months Ended	
	Sep 30, 2019	Jun 30, 2019	Sep 30, 2018	Sep 30, 2019	Sep 30, 2018
Asset Management Fees	748,187	618,632	342,523	\$ 1,806,105	\$ 1,048,818
Public Company Expenses	65,457	72,038	60,853	200,020	134,017
Office & General	169,990	165,027	173,478	415,264	475,585
General & Administrative	\$ 983,634	\$ 855,697	\$ 576,854	\$ 2,421,389	\$ 1,658,420

The variance in comparing the three and nine months ended September 30, 2019 over the three and nine months ended September 30, 2018 and over the three months ended June 30, 2019 is largely due to an increase in asset management fees due to the Trust's various acquisitions along with higher public company costs associated with those acquisitions.

MANAGEMENT DISCUSSION & ANALYSIS

NET INCOME & COMPREHENSIVE NET INCOME (“NET INCOME”)

Net income for the three months ended September 30, 2019 was \$3,815,843, a 58% decrease in comparison to the \$9,183,443 reported for the three months ended June 30, 2019, but a 22% increase over the \$3,117,455 reported for the three months ended September 30, 2018. Net income for the nine months ended September 30, 2019 was \$15,286,378, a 17% increase in comparison to the \$13,064,528 reported for the nine months ended September 30, 2018.

The variance in comparing the three months ended September 30, 2019 over the three months ended June 30, 2019 is largely due to a smaller increase in the fair market value adjustment offset by increased income due to the acquisition activity as outlined above. The variance in comparing the three months ended September 30, 2019 over the three months ended September 30, 2018 is largely due to higher income generated from the Trust’s acquisitions as outlined above, offset by higher operating expenses and interest costs. The variance in comparing the nine months ended September 30, 2019 over the nine months ended September 30, 2018 is due to the acquisitions as outlined above, offset by higher operating expenses and interest costs.

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		Total		
	Revenue	Other Income	Revenue	NOI	Net Income
Q3/2019	\$ 10,432,798	\$ 17,486	\$ 10,450,284	\$ 6,788,600	\$ 3,815,843
Q2/2019	\$ 8,664,867	\$ 44,750	\$ 8,709,617	\$ 5,612,287	\$ 9,183,443
Q1/2019	\$ 6,443,690	\$ 17,194	\$ 6,460,884	\$ 3,835,465	\$ 2,287,088
Q4/2018	\$ 5,626,549	\$ 19,365	\$ 5,645,914	\$ 3,370,036	\$ 2,764,361
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

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, 2019, June 30, 2019 and September 30, 2018 and nine months ended September 30, 2019 and September 30, 2018:

MANAGEMENT DISCUSSION & ANALYSIS

	Three Months Ended			Nine Months Ended	
	Sept 30, 2019	Jun 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
Net Operating Income					
Rental Revenue	\$ 10,432,798	\$ 8,664,867	\$ 5,423,802	\$25,541,357	\$16,433,972
Property Operating Expenses	(3,644,198)	(3,052,580)	(2,153,932)	(9,305,000)	(6,682,896)
	6,788,600	5,612,287	3,269,870	16,236,357	9,751,076
Interest and Other Income	17,486	44,750	29,027	79,430	50,571
Expenses					
Finance Costs	2,444,893	1,792,827	824,547	5,436,379	2,521,078
General and Administrative	983,634	855,697	576,854	2,421,389	1,658,420
Unit-Based Compensation Expense/(Recovery)	612,431	(421,303)	23,197	497,570	(62,622)
	4,040,958	2,227,221	1,424,598	8,355,338	4,116,876
Income Before Fair Value Adjustments					
	2,765,128	3,429,816	1,874,299	7,960,449	5,684,771
Gain on Sale of Investment Properties	-	66,651	-	66,651	-
Fair Value Adjustments on Investment Properties	1,050,715	5,686,976	1,243,156	7,259,278	7,379,757
Net Income and Comprehensive Income	\$ 3,815,843	\$ 9,183,443	\$ 3,117,455	\$15,286,378	\$13,064,528
	Three Months Ended			Nine Months Ended	
	Sept 30, 2019	Jun 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
Net Income & Comprehensive Income	3,815,843	9,183,443	3,117,455	15,286,378	13,064,528
Fair Value Adjustments:					
Investment Properties	(1,050,715)	(5,686,976)	(1,243,156)	(7,259,278)	(7,379,757)
Gain on Sale of Investment Properties	-	(66,651)	-	(66,651)	-
Unit-Based Compensation Expense/(Recovery)	612,431	(421,303)	23,197	497,570	(62,622)
Finance Costs, Net of Interest and Dividends	2,427,406	1,748,076	795,520	5,356,949	2,470,507
Finance Fee Amortization	135,409	107,385	50,150	294,833	131,312
Non-cash Interest Expense	(14,049)	(31,643)	(27,472)	(62,251)	(48,359)
Straight-line Rent Adjustment	(155,695)	(140,835)	(30,906)	(351,491)	(68,300)
Free Rent, Net of Amortization	24,545	10,427	19,579	49,755	55,477
Change in Working Capital					
Accounts Receivable	(799,807)	(421,132)	397,317	(1,400,233)	(148,919)
Prepaid Expenses, Deposits and Other Assets	2,485,974	(3,109,449)	(262,473)	(459,216)	(1,210,460)
Restricted Cash	8,585	312,727	4,001	174,175	136,008
Accounts Payable and Accrued Liabilities	759,711	846,780	(393,440)	2,777,072	(519,745)
Tenant Rental Deposits	112,236	486,373	(62,900)	708,813	20,193
Interest Accrual	4,736	210,000	(43,804)	308,050	(10,512)
Cash Flows From Operating Activities	\$ 8,366,610	\$ 3,027,220	\$ 2,343,068	\$15,854,475	\$ 6,429,351

FFO AND AFFO

FFO for the three months ended September 30, 2019 was \$2,765,130, a 19% decrease over the \$3,429,815 reported for the three months ended June 30, 2019, but a 48% increase over the \$1,874,298 reported for the three months ended September 30, 2018. FFO for the nine months ended September 30, 2019 was \$7,960,452, a 40% increase over the \$5,684,771 reported for the nine months ended September 30, 2018.

AFFO for the three months ended September 30, 2019 was \$3,062,646 a 13% increase in comparison to the \$2,706,154 reported for the three months ended June 30, 2019 and a 73% increase in comparison to the \$1,772,699 reported for the three months ended September 30,

MANAGEMENT DISCUSSION & ANALYSIS

2018. AFFO for the nine months ended September 30, 2019 was \$7,698,015, a 45% increase over the \$5,301,706 reported for the nine months ended September 30, 2018.

FFO per Unit for the three months ended September 30, 2019 was \$0.105 while AFFO per Unit was \$0.117 compared to the \$0.140 FFO per Unit and \$0.111 AFFO per Unit as at June 30, 2019. FFO per Unit for the nine months ended September 30, 2019 was \$0.350 while AFFO per Unit was \$0.339, compared to the \$0.347 FFO per Unit and \$0.323 AFFO per Unit as at September 30, 2018.

For the three months ended September 30, 2019, FFO and AFFO payout ratios were 114% and 103% respectively compared to the 85% and 108% as at June 30, 2019 and the 108% and 114% as at September 30, 2018. For the nine months ended September 30, 2019, FFO and AFFO payout ratios were 103% and 106% respectively compared to the 100% and 107% as at September 30, 2018.

For the three months ended September 30, 2019, the Trust had TIs/LCs and capital expenditures of approximately \$1.5 million (2018 - \$0.5 million). For the nine months ended September 30, 2019, the Trust had TIs/LCs and capital expenditures of approximately \$2.5 million (2018 - \$1.5 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:

MANAGEMENT DISCUSSION & ANALYSIS

	Three Months Ended			Nine Months Ended	
	Sept 30, 2019	Jun 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
Cash Flows from Operating Activities	\$ 8,366,610	\$ 3,027,220	\$ 2,343,068	\$ 15,854,475	\$ 6,429,351
Add (deduct):					
Interest Accrual	(4,736)	(210,000)	43,804	(308,050)	10,512
Tenant Rental Deposits	(112,236)	(486,373)	62,900	(708,813)	(20,193)
Accounts Payable and Accrued Liabilities	(759,711)	(846,780)	393,440	(2,777,072)	519,745
Restricted Cash	(8,585)	(312,727)	(4,001)	(174,175)	(136,008)
Prepaid Expenses, Deposits & Other Assets	(2,485,974)	3,109,449	262,473	459,216	1,210,460
Accounts Receivable	799,807	421,132	(397,317)	1,400,233	148,919
Finance Fee Amortization	(135,409)	(107,385)	(50,150)	(294,833)	(131,312)
Finance Costs, Net of Interest & Dividends	(2,427,406)	(1,748,076)	(795,520)	(5,356,949)	(2,470,507)
Unit Based Compensation Expense	(612,431)	421,303	(23,197)	(497,570)	62,622
Straight-Line Rent Adjustment	155,695	140,835	30,906	351,491	68,300
Free Rent, Net of Amortization	(24,545)	(10,427)	(19,579)	(49,755)	(55,477)
Non-Cash Interest Expense	14,049	31,643	27,472	62,251	48,359
FFO	\$ 2,765,130	\$ 3,429,815	\$ 1,874,298	\$ 7,960,452	\$ 5,684,771
Straight Line Rent Adjustment	(155,695)	(140,835)	(30,906)	(351,491)	(68,300)
Free Rent, Net of Amortization	24,545	10,427	19,579	49,755	55,477
Tenant Inducements, Leasing Costs & Capex	(169,715)	(140,307)	(85,997)	(396,019)	(259,263)
Non-Cash Interest Expense	(14,049)	(31,643)	(27,472)	(62,251)	(48,359)
Unit Based Compensation Expense	612,431	(421,303)	23,197	497,570	(62,622)
AFFO	\$ 3,062,646	\$ 2,706,154	\$ 1,772,699	\$ 7,698,015	\$ 5,301,706
FFO Per Unit	\$ 0.105	\$ 0.140	\$ 0.107	\$ 0.350	\$ 0.347
AFFO Per Unit	\$ 0.117	\$ 0.111	\$ 0.101	\$ 0.339	\$ 0.323
Distributions Per Unit	\$ 0.120	\$ 0.120	\$ 0.115	\$ 0.360	\$ 0.345
FFO Payout Ratio	114%	85%	108%	103%	100%
AFFO Payout Ratio	103%	108%	114%	106%	107%

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.

The variance in comparing the three and nine months ended September 30, 2019 over the three and nine months ended September 30, 2018 and over the three months ended June 30, 2019 is largely due to the impact from the Trust's as outlined above.

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.

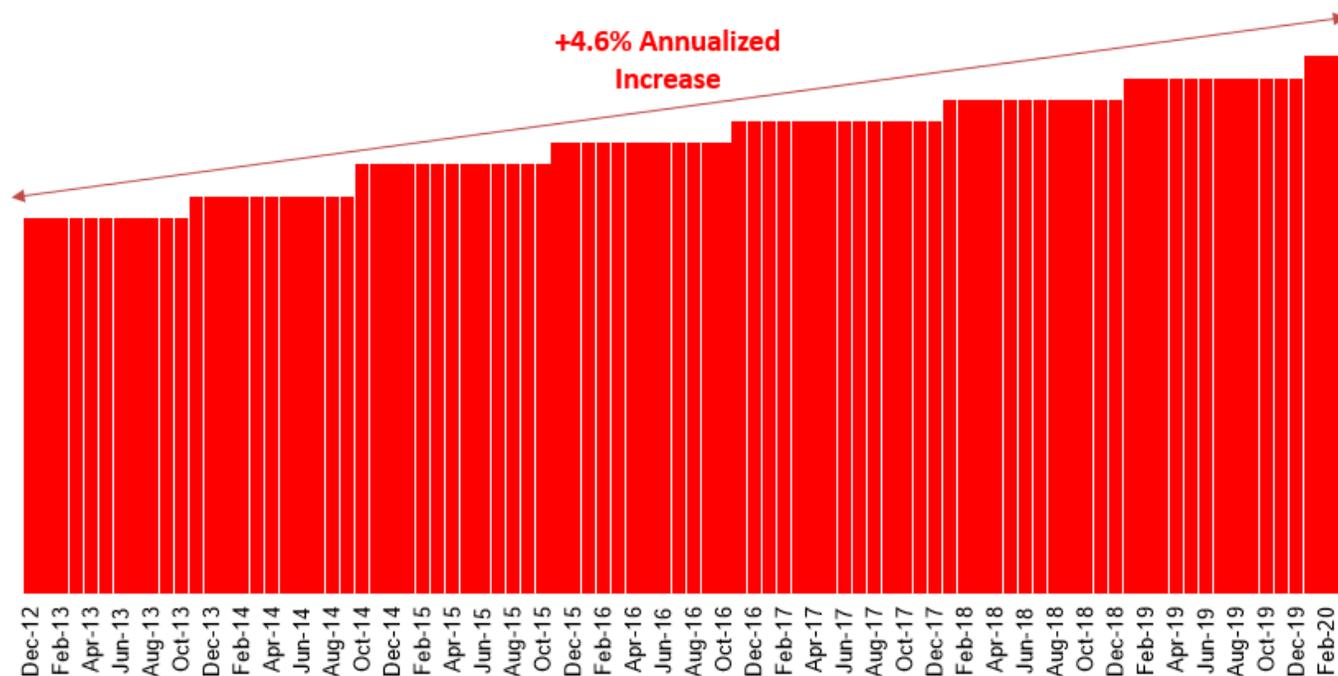
DISTRIBUTIONS

For the nine months ended September 30, 2019, distributions of \$0.04 per unit were declared each month commencing in January 2019 through to September 2019, resulting in total

MANAGEMENT DISCUSSION & ANALYSIS

distributions declared of \$8,453,887. 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.

Since the Trust's inception in Q4/2012, distributions have been raised seven times in seven years and represents a cumulative increase of 42.9% or 4.6% on an annualized basis 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, 2019, June 30, 2019 and September 30, 2018 are outlined below:

MANAGEMENT DISCUSSION & ANALYSIS

	Three Months Ended			Nine Months Ended	
	Sept 30, 2019	June 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
Cash Flow From Operating Activities (A)	\$ 8,366,610	\$ 3,027,220	\$ 2,343,068	\$ 15,854,475	\$ 6,429,351
Net Cash Interest Expense					
Less: Mortgage Interest	\$ (2,103,931)	\$ (1,620,545)	\$ (786,402)	\$ (4,752,737)	\$ (2,357,940)
Less: Bank Indebtedness Interest	(219,601)	(96,539)	(15,468)	(451,062)	(80,185)
Add: Interest and Other Income	17,486	44,750	29,027	79,430	50,571
Net Cash Interest Expense (B)	\$ (2,306,046)	\$ (1,672,334)	\$ (772,843)	\$ (5,124,369)	\$ (2,387,554)
Net Cash Flows from Operating Activities (A-B) = (C)	\$ 6,060,564	\$ 1,354,886	\$ 1,570,225	\$ 10,730,108	\$ 4,041,797
Net Income & Comprehensive Income (D)	\$ 3,815,843	\$ 9,183,443	\$ 3,117,455	\$ 15,286,378	\$ 13,064,528
Distributions (E)	\$ 3,150,269	\$ 3,144,007	\$ 2,015,163	\$ 8,453,887	\$ 5,707,172
Excess / (Shortfall) of Net Cash Flow From Operating Activities Over Distributions (C-E)	\$ 2,910,294	\$ (1,789,122)	\$ (444,939)	\$ 2,276,221	\$ (1,665,375)
Excess of Net Income & Comprehensive Income Over Distributions (D-E)	\$ 665,574	\$ 6,039,436	\$ 1,102,292	\$ 6,832,491	\$ 7,357,356

For the three months ended June 30, 2019 and the three and nine months ended September 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, 2019 and September 30, 2018 are outlined below:

	Three Months Ended		Nine Months Ended	
	Sept 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
Operating Activities	\$ 8,366,610	\$ 2,343,068	\$ 15,854,475	\$ 6,429,352
Investing Activities	(25,309,578)	(489,755)	(171,843,997)	(1,520,340)
Financing Activities	8,542,029	4,774,927	138,686,544	12,428,524
Increase/(Decrease) in Cash & Cash Equivalents	\$ (8,400,939)	\$ 6,628,241	\$ (17,302,978)	\$ 17,337,534
Cash & Cash Equivalents / (Bank Indebtedness), Beginning of Period	(5,486,964)	2,256,077	3,415,075	(8,453,216)
Cash & Cash Equivalents / (Bank Indebtedness), End of Period	\$ (13,887,903)	\$ 8,884,318	\$ (13,887,903)	\$ 8,884,318

Cash provided by operating activities increased for the three and nine months ended September 30, 2019 in comparison to the three and nine months ended September 30, 2018, largely due to changes in working capital from the Trust's various acquisitions.

Cash provided by investing activities decreased for the three and nine months ended September 30, 2019 in comparison to the three and nine months ended September 30, 2018 largely due to higher acquisition activity in 2019 as compared to 2018.

MANAGEMENT DISCUSSION & ANALYSIS

Cash provided by financing activities increased for the three and nine months ended September 30, 2019 in comparison to the three and nine months ended September 30, 2018 largely due to a combination of new mortgages from the Trust's various acquisitions as well as the issuance of Trust Units.

INVESTMENT PROPERTIES

As at September 30, 2019, the Trust's property portfolio consisted of 73 properties with a fair value of \$433.9 million, in comparison to the \$204.7 million reported as at September 30, 2018. The variance is largely due to the impact of the Trust's acquisitions of the FCR Retail Portfolio, Crombie Retail Portfolio, Gateway Village, the multi-residential property located in Dartmouth, Nova Scotia and the industrial property located in Montreal, Quebec combined with an overall higher fair market value adjustment due to a combination of higher NOI and lower capitalization rates. 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, 2017	\$ 125,268,374	\$ 6,230,683	\$ 62,469,217	\$ 6,241,416	\$ 200,209,691
Capital Expenditures	962,973	10,468	437,562	109,337	1,520,340
Fair Value Adjustment	1,032,016	(180,314)	6,637,391	(109,335)	7,379,759
Balance, September 30, 2018	\$ 122,878,463	\$ 6,060,837	\$ 69,544,170	\$ 6,241,418	\$ 204,724,888
Acquisitions	-	-	5,853,700	-	5,853,700
Dispositions	(1,520,750)	-	-	-	(1,520,750)
Capital Expenditures	167,267	36,524	84,994	31,677	320,461
Transfers	2,836,220	-	-	-	2,836,220
Fair Value Adjustment	805,417	(36,524)	(81,860)	(11,068)	675,963
Balance, December 31, 2018	\$ 125,166,617	\$ 6,060,837	\$ 75,401,003	\$ 6,262,027	\$ 212,890,480
Acquisitions	202,809,315	-	-	11,190,100	213,999,415
Capital Expenditures	1,074,118	58,553	1,283,083	94,869	2,510,625
Transfers	(2,800,000)	-	-	-	(2,800,000)
Fair Value Adjustment	2,319,305	(58,553)	4,196,891	801,636	7,259,278
Balance, September 30, 2019	\$ 328,569,355	\$ 6,060,837	\$ 80,880,977	\$ 18,348,632	\$ 433,859,798

For the period ended September 30, 2019, senior management of the Trust valued the Investment Properties using an independent third party appraisal for the Bridgewater, Nova Scotia 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 the 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:

MANAGEMENT DISCUSSION & ANALYSIS

September 30, 2019	Retail and Commercial	Core Service Provider	Industrial	Multi-Residential	Weighted Average
Capitalization Rate Range	5.00% - 7.25%	7.00%	6.12% - 7.25%	5.00%-5.30%	6.17%
Weighted Average Cap. Rate	6.19%	7.00%	6.26%	5.18%	6.17%
December 31, 2018	Retail & Commercial	Core Service Provider	Industrial	Multi-Residential	Weighted Average
Capitalization Rate Range	5.00% - 7.25%	7.00%	6.25% - 7.25%	5.00%-5.30%	6.32%
Weighted Average Cap. Rate	6.28%	7.00%	6.44%	5.18%	6.32%

Assets Held For Sale: The Trust has entered into a sales agreement for an asset from the Centre Ice Retail Portfolio with 15,752 square feet with gross proceeds of approximately \$4.0 million (\$3.9 million net of closing costs). The condensed consolidated interim financial statements carry this property as an asset held for sale at its fair market value as at September 30, 2019 (\$2.8 million at its proportionate consolidated basis).

Gain On Sale of Investment Properties: On November 16, 2018, the Trust completed the sale of its interest in one property from the Centre Ice Retail Portfolio totaling 9,643 square feet to a third party for gross proceeds of approximately \$2.3 million (\$2.2 million net of closing costs). The Trust's pro-rata share of the gross proceeds was \$1.6 million (\$1.5 million net of closing costs). The Trust recognized a gain on sale of approximately \$0.2 million.

On April 30, 2019, the Trust completed the sale of an interest in one property from the Centre Ice Retail Portfolio totaling 12,894 square feet to a third party for gross proceeds of approximately \$2.2 million (\$2.1 million net of closing costs). The Trust's pro-rata share of the gross proceeds was \$1.5 million (\$1.4 million net of closing costs). The Trust recognized a gain on sale of approximately \$0.1 million.

CURRENT ASSETS

Current assets as at September 30, 2019, June 30, 2019 and September 30, 2018 consisted of the following:

	Sept 30, 2019	June 30, 2019	Sept 30, 2018
Accounts Receivable	\$ 3,112,669	\$ 2,312,310	\$ 1,964,735
Prepaid Expenses, Deposits & Other Assets	3,308,108	5,699,088	1,826,616
Cash & Cash Equivalents	-	-	8,884,318
Restricted Cash	36,670	45,255	61,754
Assets Held For Sale	2,800,000	-	4,384,900
	\$ 9,257,447	\$ 8,056,653	\$ 17,122,323

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

MANAGEMENT DISCUSSION & ANALYSIS

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. Assets Held For Sale consists of the fair market value of an asset that is under contract to be sold.

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 \$22.0 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 October 31, 2020. Bank Indebtedness as at September 30, 2019 and September 30, 2018 was \$13.9 million and \$nil respectively.

MORTGAGES

As at September 30, 2019, total outstanding mortgages were \$235,978,580 (\$92,462,896 as at December 31, 2018), net of unamortized financing costs of \$490,423 (\$196,848 as at December 31, 2018), offset by a \$754,155 (\$624,916 as at December 31, 2018) fair value adjustment with a weighted average interest rate of approximately 3.5% (3.4% as at December 31, 2018) and weighted average repayment term of approximately 4.2 years (3.5 years as at December 31, 2018). The mortgages are repayable as follows:

	Scheduled Principal Repayments	Debt Maturing During The Period	Total Mortgages Payable	Scheduled Interest Payments
2019	1,304,243	9,500,000	10,804,243	2,096,636
2020	4,526,826	37,978,385	42,505,211	6,901,638
2021	3,855,655	14,506,577	18,362,232	6,051,998
2022	4,288,732	3,845,582	8,134,314	4,871,826
2023	4,128,008	24,054,388	28,182,397	5,171,342
Thereafter	6,160,806	121,565,645	127,726,451	7,454,066
Face Value	\$ 24,264,270	\$ 211,450,577	\$ 235,714,848	\$32,547,506
Unamortized Financing Costs			(490,423)	
Fair Value Adjustment on Assumed Mortgages			754,155	
Total Mortgages			\$ 235,978,580	

MANAGEMENT DISCUSSION & ANALYSIS

	Sept 30, 2019	December 31, 2018
Current:		
Mortgages	\$ 52,217,477	\$ 11,809,711
Unamortized Financing Costs	(128,867)	(84,829)
Fair Value Adjustment on Assumed Mortgages	56,568	95,641
	<u>\$ 52,145,179</u>	<u>\$ 11,820,523</u>
Non-Current:		
Mortgages	\$ 183,497,371	\$ 80,225,117
Unamortized Financing Costs	(361,556)	(112,019)
Fair Value Adjustment on Assumed Mortgages	697,587	529,275
	<u>\$ 183,833,400</u>	<u>\$ 80,642,373</u>
	<u>\$ 235,978,580</u>	<u>\$ 92,462,896</u>

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.

On January 4, 2019, the Trust assumed a \$7.1 million first mortgage as part of a 69 unit multi-residential apartment acquisition located in Dartmouth, Nova Scotia as part of an acquisition further described in note 3 of the condensed consolidated interim financial statements. The mortgage matured February 28, 2019. On February 28, 2019, the Trust refinanced this mortgage with a new \$7.0 million first mortgage fixed at a 2.65% interest rate with a 25 year amortization and matures June 1, 2024.

On January 14, 2019, the Trust completed an upward financing of its Montreal Industrial Portfolio with the Bank. The new principal balance is \$49.0 million. The Trust's portion of this financing is \$24.5 million. The terms are unchanged from the original loan as described above.

On February 5, 2019, the Trust assumed two first mortgages totaling \$6.2 million (\$6.4 million fair value) as part of the Crombie Retail Portfolio acquisition. The mortgages have a 4.14% weighted average interest rate, amortizes and mature between December 1, 2023 and February 5, 2024 with an weighted average term to maturity of 4.8 years. The Trust also financed five new mortgages totaling \$21.0 million and supplemented one assumed mortgage by \$1.0 million as part of this acquisition. The new mortgages have a 3.55% weighted average interest rate with interest rate ranges of 3.29% to 3.59%, amortize and mature on February 5, 2024.

On May 9, 2019, the Trust assumed \$30.4 million of first mortgages on four of the properties as part of the FCR Retail Portfolio acquisition. The mortgages have a 3.99% weighted average interest rate, amortizes and mature between February 1, 2020 and January 1, 2031 with a

MANAGEMENT DISCUSSION & ANALYSIS

weighted average term to maturity of 12.1 years. The Trust also financed two new mortgages totaling \$62.5 million as part of this acquisition. The new mortgages have a 3.30% weighted average interest rate, amortize and mature between February 1, 2020 and May 9, 2024 with a weighted average term to maturity of 4.2 years.

On July 9, 2019, the Trust financed a new mortgage of \$15.5 million as part of the acquisition of the 105,358 square foot grocery anchored shopping centre located in St. Albert, Alberta. The mortgage has a 3.28% interest rate, amortizes and matures on July 9, 2026.

LAND LEASE LIABILITY

On May 9, 2019, as part of the FCR Retail Portfolio acquisition, the joint arrangement assumed a land lease on a retail property located in Ottawa, Ontario. The terms of the land lease are gross annual payments of \$101,040 per annum that mature on April 1, 2027. The land lease liability is calculated in accordance with IFRS 16, using a present value of the remaining lease payments, discounted using the incremental borrowing rate at May 9, 2019 of 6.25% for the term of the lease. The Trust's pro-rata portion of the lease liability is as follows:

	Opening Balance	Lease Payment	Imputed Interest Expense	Ending Balance
2019	\$ 357,791	\$(45,261)	\$ 6,511	\$ 319,041
2020	319,041	(50,520)	18,155	286,676
2021	286,676	(50,520)	16,088	252,244
2022	252,244	(50,520)	13,936	215,660
2023	215,660	(50,520)	11,650	176,789
Thereafter	176,789	(197,669)	20,880	-
				Sept 30, 2019
Current				\$ 31,849
Non-Current				288,348
Total				\$ 320,197

ACCOUNTS PAYABLE & ACCRUED LIABILITIES

Accounts payable and accrued liabilities as at September 30, 2019, June 30, 2019, and September 30, 2018 consist of the following:

	Sept 30, 2019	June 30, 2019	Sept 30, 2018
Professional Fees	\$ 69,200	\$ 69,200	\$ 69,200
Utilities, Repairs & Maintenance, Other	4,325,469	3,668,737	1,696,529
Due to Asset & Property Manager	232,894	155,491	132,803
Accrued Interest Expense	450,678	445,942	142,942
Option Liabilities	955,745	343,314	668,389
	\$ 6,033,985	\$ 4,682,683	\$ 2,709,863

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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, 2019, the Trust has 2,495,000 Trust unit options issued and outstanding consisting of the following issuances:

- 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. The balance as at September 30, 2019 was 465,000 Trust unit 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. The balance as at September 30, 2019 was 570,000 Trust unit options.
- On November 8, 2018, the Trust granted 60,000 Trust unit options at a weighted average exercise price of \$6.35 per Trust Unit. The unit options fully vested on the date of grant and expire on November 8, 2023. The balance as at September 30, 2019 was 60,000 Trust unit options.
- On August 14, 2019, the Trust granted 1,400,000 Trust unit options at a weighted average exercise price of \$6.40 per Trust Unit. 1,290,000 unit options fully vested on the date of the grant with the remaining 110,000 vesting at one-third each year for the next three years and expire on August 14, 2024. The balance as at September 30, 2019 was 1,400,000 Trust unit options.

Unit-based compensation related to the aforementioned unit options stands at an expense of \$612,431 and \$497,570 for the three and nine months ended September 30, 2019 (\$23,197 expense and \$62,622 recovery for the three and nine months ended September 30, 2018). Unit-based compensation was determined using the Black-Scholes option pricing Model and based on the following assumptions:

MANAGEMENT DISCUSSION & ANALYSIS

	As at Sept 30, 2019	As at December 31, 2018
Expected Option Life (Years)	1.0	1.0
Risk Free Interest Rate	1.65%	1.87%
Distribution Yield	7.47%	7.60%
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, 2019 was \$184,335,758 and consists of the following:

	Number of Units	Unitholder's Equity
Unitholders' Equity, September 30, 2018	17,524,563	\$ 123,605,925
Options Exercised	18,000	96,700
Less: Issue Costs	-	(3,381)
Add: Net Income	-	2,764,362
Less: Distributions	-	(2,015,997)
Unitholders' Equity, December 31, 2018	17,542,563	\$ 124,447,609
Options Exercised	233,000	1,234,900
Issuance of Units from DRIP	3,593	23,554
Non-Brokered Private Placement - March 2019	1,355,726	8,676,640
Non-Brokered Private Placement - April 2019	2,696,252	17,256,013
Fully Marketed Public Offering - April 2019	4,421,145	28,295,328
Less: Issue Costs	-	(2,430,778)
Add: Net Income	-	15,286,378
Less: Distributions	-	(8,453,887)
Unitholders' Equity, September 30, 2019	26,252,279	\$ 184,335,758

During the nine months ended September 30, 2019, the Trust issued approximately \$55.5 million of Trust Units as follows:

- **Non-Brokered Private Placement – March, 2019:** On March 28, 2019, the Trust completed a non-brokered private placement of Trust Units. 1,355,726 Trust Units were issued at a price of \$6.40 per Trust Unit for gross proceeds of approximately \$8.7 million.

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- **Options Exercised:** On April 18, 2019, 233,000 Trust unit options at a weighted average price of \$5.30 per Trust Unit were exercised for gross proceeds of approximately \$1.2 million.
- **Non-Brokered Private Placement – April, 2019:** On April 24, 2019, the Trust completed a non-brokered private placement of Trust Units. 2,461,877 Trust Units were issued at a price of \$6.40 per Trust Unit for gross proceeds of approximately \$15.8 million. On May 1, 2019, the Trust closed an additional issuance of 234,375 Trust Units at a price of \$6.40 per Trust Unit for aggregate gross proceeds of \$1.5 million as part of the non-brokered private placement.
- **Fully Marketed Public Offering – April, 2019:** On April 24, 2019, the Trust completed a fully marketed offering of Trust Units. 4,100,000 Trust Units were issued at a price of \$6.40 per Trust Unit for gross proceeds of approximately \$26.2 million. On April 30, 2019, the Trust closed an additional issuance of 321,145 Trust Units at a price of \$6.40 per Trust Unit for aggregate gross proceeds of \$2.1 million as part of the fully marketed offering.

As at November 7, 2019 there were 26,455,404 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, 2019 and September 30, 2018, Asset Management Fees were \$1,639,520 and \$981,420; Acquisition Fees were \$1,722,253 and \$nil; Placement Fees were \$436,892 and \$182,530 and Performance Incentive Fees were \$166,586 and \$67,398, respectively.

For the nine months ended September 30, 2019, Asset Management Fees and Acquisition Fees were higher than the amount reported at September 30, 2018 due to higher acquisition activity over the prior comparable period.

For the nine months ended September 30, 2019, Placement Fees were higher due to the completion of the fully marketed public offering and non-brokered private placement as well as the various loans as discussed above.

Asset Management and Performance Incentive Fees are recorded in General and Administrative Expenses while Acquisition and Placement Fees are capitalized to

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Investment Properties, Mortgages and Unitholders' Equity on the Consolidated Balance Sheet.

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, 2019 and September 30, 2018, Property Management Fees were \$910,857 and \$692,874 and Commercial Leasing Fees were \$94,304 and \$106,877, respectively.

For the nine months ended September 30, 2019, Property Management Fees were higher than the amount reported at September 30, 2018 largely due to various acquisitions as discussed above.

Property Management Fees are charged monthly. 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

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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, 2019 and September 30, 2018, the ratio of such indebtedness was 56.4% and 42.2%, respectively, which complies with the requirement in the Declaration of Trust and is consistent with the Trust'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, 2019 and September 30, 2018.

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	\$ 10,804,243	\$ 60,867,443	\$ 164,043,162	\$ 235,714,848
Bank Indebtedness	13,887,903	-	-	13,887,903
Tenant Rental Deposits	329,827	207,286	973,619	1,510,731
Distribution Payable	1,050,091	-	-	1,050,091
Land Lease Liability	31,849	33,571	254,777	320,197
Accounts Payable & Accrued Liabilities	6,033,985	-	-	6,033,985
	\$ 32,137,898	\$ 61,108,300	\$ 165,271,558	\$ 258,517,756

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 Trust 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 periods ended September 30, 2019 and September 30, 2018, 3,593 and 6,111 Trust Units were issued, respectively, from treasury for total gross proceeds of \$23,554 and \$40,019, 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 Trust's Unit Purchase Plan. The UPP gives each Unitholder who is resident in Canada the right to purchase additional units of the Trust monthly. Under the terms of the UPP, FCPT's Unitholders may purchase a minimum of \$1,000 of Units on each Monthly Purchase Date

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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 UPP 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 UPP is currently not known. The DRIP and the UPP are subject to certain limitations and restrictions; interested participants are encouraged to review the full text of the DRIP and UPP 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, 2019 and September 30, 2018.

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, 2019 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, 2019. Based on that assessment, it was determined that the Trust's internal controls over financial reporting were appropriately designed and were operating effectively. In addition, the Trust did not make any changes to the design of the Trust's internal controls over financial reporting during the three and nine months ended September 30, 2019 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

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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, 2018 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 December 31, 2018 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 December 31, 2018 and accordingly should be read in conjunction with them.

NEW CHANGE IN ACCOUNTING POLICIES

A new standard is effective for annual periods beginning on or after January 1, 2019 and has been applied in preparing these condensed consolidated interim financial statements. A summary of this standard is as follows:

- 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 was January 1, 2019, the Trust adopted IFRS 16, which had no impact at the time of adoption. The new accounting policy of the Trust related to IFRS 16 is as follows:

The Trust as a lessee:

As a lessee, under IAS 17, leases were classified as operating or finance leases based on the Trust's assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Trust. Under IFRS 16, the Trust will recognize a right-of-use (ROU) asset and lease liability for most leases at the commencement date of the lease (the date the underlying asset is available to the Trust for use). ROU assets for property leases are accounted for under IAS 40 – Investment Property and are carried at fair value. The Trust recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), variable lease payments

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that depend on an index or a rate and amounts expected to be paid under residual value guarantees, less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Trust and payments of penalties for terminating a lease, if the lease term reflects the Trust exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Trust uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

For short-term leases and leases of low-value assets, the Trust applies the short-term lease recognition exemption. It also applies the lease of low-value assets recognition exemption to leases of any office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

During the period ended September 30, 2019, the Trust assumed a land lease as part of an acquisition as disclosed in Note 3 of the condensed consolidated interim financial statements. Included in this acquisition is a building and parking lot held on the leased land, of which the Trust owns 50% of the building and parking lot. The building and parking lot are currently accounted for as investment properties under IAS 40. Under IFRS 16, the land lease represents a lease liability and is measured and accounted for in accordance with IFRS 16 at the present value of the remaining lease payments, discounted using the Trust's incremental borrowing rate as of the date of acquisition.

FUTURE CHANGES IN ACCOUNTING POLICIES

- Amendments to IFRS 3, Business Combinations. The IASB published amendments to IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendments clarify the definition of a business, as well as provide additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and to asset acquisitions that occur on or after the beginning of that period. Early application is permitted. The Trust intends to adopt the amendments to IFRS 3 on the required effective date of January 1, 2020.

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SUBSEQUENT EVENTS

The following are events that occurred subsequent to September 30, 2019:

- On October 29, 2019, the Trust closed on an acquisition of a 50% interest in two industrial properties located in Edmonton, Alberta. The acquisition price for 100% of the asset is approximately \$11.4 million, excluding transaction costs. The Trust's portion of the acquisition price is approximately \$5.7 million.
- On October 29, 2019, the Trust closed a private placement of 203,125 Trust Units at a price of \$6.40 per Trust Unit for aggregate gross proceeds of approximately \$1.3 million.
- On November 7, 2019, the Trust announced that it has declared and approved monthly distributions in the amounts of \$0.041667 per Trust Unit for Unitholders of record on January 31, 2020, February 28, 2020 and March 31, 2020 payable on or about February 17, 2020, March 16, 2020 and April 15, 2020.

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

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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

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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

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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

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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

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reliance on such statute by a Unitholder could be successfully challenged on jurisdictional or other grounds.

- ***DEPENDENCE ON FCRPI AND FCPMC***

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 FCPMC to maintain these real estate investments. The Trust has also entered into long-term contracts with FCRPI and FCPMC, 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 FCPMC, since the day to day activities of the Trust are run by FCRPI and FCPMC 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 equity.

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

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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 are of the view that the Bank of Canada will continue to hold rates steady for the balance of 2019 and based on the current trends expecting that we may see a rate cut in 2020. We are closely monitoring the economy for signs of weakness.

We believe that the Trust is well positioned for growth with our leverage in our target range of 55% to 65%. During the first nine months of 2019, the Trust raised over \$57 million of capital from private and public equity offerings. As a result, the Trust has already completed the acquisitions of 222 Portland, the Crombie Portfolio and the FCR Retail Portfolio during the first three quarters of 2019 and subsequently a 50% interest in an industrial portfolio in Alberta was acquired by the Trust. These acquisitions utilized a large portion of the Trust's liquidity and will provide immediate cash flow to the Trust to create a larger stable platform for future growth.

The Trust continues to target industrial, flex industrial, net lease convenience retail, multi-residential, core service provider and healthcare professional office assets across Canada. Beyond the Crombie and FCR Retail Portfolios, the Trust expects to grow predominately through external acquisitions through 2019 and into 2020 with a focus on wholly-owned multi-tenant industrial and convenience retail with joint venture partners. 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.

Overall, the Trust anticipates that real estate fundamentals in Canada will remain stable in 2019 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.