FIRM CAPITAL AMERICAN REALTY PARTNERS CORP.

CAPITAL PRESERVATION • DISCIPLINED INVESTING

MD&A

MANAGEMENT DISCUSSION AND ANALYSIS

FIRST QUARTER 2019
MARCH 31, 2019

FORWARD LOOKING STATEMENTS

*The following management's discussion and analysis ("**MD&A**") of the financial condition and results of operations of Firm Capital Property American Realty Partners Corp. ("**FCUSA**" or the "**Company**") should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2019 and March 31, 2018 and audited consolidated financial statements for the year ended December 31, 2018. This MD&A has been prepared taking into account material transactions and events up to and including May 13, 2019. Additional information about the Company, including the Company's Annual Information Form, required by NI 51-102, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our web site at www.firmcapital.com.*

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our 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, shareholder liability, potential conflicts of interest, potential dilution, reliance on key personnel, changes in legislation and changes in the income tax act. The Company cannot assure investors that actual results will be consistent with any forward-looking statements and the Company assumes no obligation to update or revise such forward-looking statements to reflect actual events or new circumstances. All forward-looking statements contained in this MD&A are qualified by this cautionary statement. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

All forward-looking statements in this MD&A are qualified by these cautionary statements. Except as required by applicable law, the Company 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 American Realty Partners Corp. (the "**Company**") is a U.S. focused real estate investment entity that pursues real estate and debt investments through the following platforms:

- **Income Producing Real Estate Investments:** Acquiring income producing real estate assets in major cities across the United States. Acquisitions are completed solely by the Company or in joint-venture partnership with local industry expert partners who retain property management responsibilities; and
- **Mortgage Debt Investments:** Real estate debt and equity lending platform in major cities across the United States, focused on providing all forms of bridge mortgage loans and joint venture capital.

BASIS OF PRESENTATION

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

Certain financial information presented in this MD&A reflects certain non-IFRS financial measures, which include Net Rental Income, Funds From Operations ("**FFO**") and Adjusted Funds From Operations ("**AFFO**"), Adjusted FFO, Adjusted AFFO, Adjusted FFO Payout Ratio and Adjusted FFO Payout Ratio (each as defined below). These measures are commonly used by real estate investment companies as useful metrics for measuring performance, however, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other real estate investment companies. The Company believes that FFO and Adjusted FFO are important measures to evaluate operating performance, AFFO and Adjusted AFFO are important measures of cash available for distribution and, Net Rental Income is an important measure of operating performance. "**GAAP**" means generally accepted accounting principles described by the Chartered Professional Accountants of Canada ("**CPA**") Handbook - Accounting, which are applicable as at the date on which any calculation using GAAP is to be made. As a public entity, the Company applies IFRS as described in Part I of the CPA Handbook - Accounting.

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

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

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

Funds From Operations ("**FFO**") is a term used to evaluate operating performance, but is not indicative of funds available to meet the Company's cash requirements. The Company calculates FFO substantially in accordance with the guidelines set out by the Real Property Association of Canada ("RealPAC"), as issued in February, 2017 for entities adopting IFRS. FFO is defined as net income before fair value gains/losses on real estate properties, gains/losses on the disposition of real estate properties, deferred income taxes, and certain other non-cash adjustments.

Adjusted Funds From Operations ("**AFFO**") is a term used as a non-IFRS financial measure by most Canadian real estate investment companies, but should not be considered as an alternative to net income, cash flow from operations, or any other measure prescribed under IFRS. The Company considers AFFO to be a useful measure of cash available for distributions. AFFO should not be interpreted as an indicator of cash generated from operating activities, as it does not consider changes in working capital and includes a deduction for capital expenditures. AFFO is defined as FFO adjusted for (i) adding back amortization of deferred financing costs in place at closing (ii) deducting capital expenditures, and (iii) making such other adjustments as may be determined by the directors of the Company at their discretion. In addition, the Company calculates AFFO by adjusting Net Income calculated on the Company's condensed consolidated interim financial statements for all changes in non-cash working capital, deducting capital expenditures incurred, and making such other adjustments as may be determined by the directors of the Company at their discretion.

Adjusted FFO and Adjusted AFFO is a term used as a non-IFRS financial measure by the Company, but should not be considered as an alternative to net income, cash flow from operations, or any other measure prescribed under IFRS. In addition to FFO and AFFO, the Company considers Adjusted FFO and Adjusted AFFO to also be useful measures of operating performance and cash available for distributions, respectively, as both measures either add-back or deduct non-cash adjustments to FFO and AFFO not normally deducted or added back under RealPAC, but also factor in the Company's business model, which is to generate gains on disposition of assets after certain time horizons and return targets are met as these are more normally recurring under the Company's business model than would be under most other Canadian real estate entities. Adjusted FFO is defined as FFO as outlined above plus share based compensation and gains on disposition of investment properties. Adjusted AFFO is defined as AFFO as outlined above plus gains on disposition of investment properties.

Net Rental Income, FFO, AFFO, Adjusted FFO, Adjusted AFFO, Adjusted FFO Payout Ratio and Adjusted AFFO Payout Ratio should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS. Net Rental Income, 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 Net Rental Income, FFO, AFFO, Adjusted FFO, Adjusted AFFO, Adjusted FFO Payout Ratio and Adjusted AFFO Payout Ratio as calculated by the Company may not be comparable to similar measures presented by other issuers.

Adjusted FFO Payout Ratio is defined as Dividends Declared divided by Adjusted FFO. Adjusted AFFO Payout Ratio is defined as Dividends Declared divided by Adjusted AFFO.

For the purposes of the Company's financial statements, the single family homes are treated as assets held for sale and discontinued operations as required under IFRS. Unless otherwise stated, this MD&A reports the entire financial results of the Company for the three months ended March 31, 2019 as management does not review operations on a discontinued basis.

FIRST QUARTER HIGHLIGHTS

- For the three months ended March 31, 2019, net income was approximately $1.7 million, a significant improvement over the $0.2 million reported for the three months ended March 31, 2018;

- For the three months ended March 31, 2019, basic net income was $0.25 per share, a significant improvement over the $0.03 per share reported for the three months ended March 31, 2018;
- For the three months ended March 31, 2019, FFO was $0.4 million, a 32% improvement over the $0.3 million reported for the three months ended March 31, 2018;
- For the three months ended March 31, 2019, AFFO was $0.5 million, a 43% increase over the $0.4 million reported for the three months ended March 31, 2018;
- For the three months ended March 31, 2019, FFO per share was $0.06, an increase over the $0.05 per share reported for the three months ended March 31, 2018;
- For the three months ended March 31, 2019, AFFO per share was $0.07, an increase over the $0.06 per share reported for the three months ended March 31, 2018; and
- $8.80 Net Asset Value ("**NAV**") per Share based on an IFRS book value of equity of approximately $61 million, a 2% increase over the $8.61 NAV per Share as reported at December 31, 2018.
- Results for the three months ended March 31, 2019 are as follows:

	Three Months Ended			
		Mar 31, 2019		Mar 31, 2018
Net Income/(Loss)	**$**	**1,744,195**	**$**	**177,295**
FFO	**$**	**436,793**	**$**	**331,035**
AFFO	**$**	**500,950**	**$**	**350,803**
Net Income/(Loss) Per Share	**$**	**0.25**	**$**	**0.03**
Diluted Net Income Per Share	**$**	**0.19**	**$**	**0.02**
FFO per Share	**$**	**0.06**	**$**	**0.05**
AFFO Per Share	**$**	**0.07**	**$**	**0.06**

As at March 31, 2019, the Company had three asset portfolios:

- **Investment Portfolio:** A portfolio of real estate investments with a fair value of approximately $77.4 million consisting of the following:
  - **Multi-Family Investment Portfolio**: Consisting of 311 multi-family apartment units located across three buildings in Florida (one building) and Texas (two buildings) with a fair value of approximately $46.2 million;
  - **Equity Accounted and Preferred Investments**: Consisting of six investments in associates comprised of 1,263 residential units located in Bridgeport, Connecticut; New York City; Brentwood, Maryland; Houston, Texas and Irvington, New Jersey with a combined fair value of approximately $29.2 million and a pro-rata real estate fair value of $54.4 million ($152.4 million on an associate basis); and

  - **Preferred Capital Investment:** Investment of $2.0 million in a $9.5 million, interest only preferred capital loan to fund the acquisition by a New York based real estate investment firm of a portfolio of three apartment buildings in New York City.

- **Occupancy:** Multi-Family Investment Portfolio occupancy was 96.1%, a 190 basis point increase over the 94.2% reported for the three months ended December 31, 2018, while Equity Accounted Investments occupancy was 91.8%;
- **Improved Average Monthly Rents:** Multi-Family Investment Portfolio average monthly rent was $1,110, largely in line with the $1,111 reported for the three months ended December 31, 2018. Equity Accounted Investments average monthly rent was $1,028 per unit, a 2% increase over the $1,007 per unit reported for the three months ended December 31, 2018;
- **Increased Net Asset Value ("NAV") by a +17% CAGR To $8.80 Per Share:** Since Q3/2017, the Company has increased NAV from $7.85 per Share to $8.80 per Share for a +17% Compounded Annual Growth Rate ("**CAGR**") through a combination of accretive investments, debt reduction, new capital and other value-creation initiatives that have ultimately generated higher earnings for the Company;
- **$12.2 Million Hartford, Connecticut Investment:** On April 4, 2019, the Company closed an Equity Accounted and Preferred Investment to acquire the West Hartford Portfolio, a 109 unit multi-family residential portfolio comprised of two buildings located in West Hartford, Connecticut for approximately $12.2 million (excluding transaction costs), representing a 6.3% going-in capitalization rate or $143 per square foot. In addition, the Company has committed to funding approximately $1.2 million over the next three years towards the execution of a value-add program that includes in-suite upgrades and enhancements to the common areas. The company invested to $3.1 million in a combination of (i) $1.9 million of preferred equity yielding 8.0% to be held by the Company, of which $0.7 million was advanced on closing with the remaining $1.2 million to be advanced as the value-add program is completed; and (ii) $1.2 million of common equity representing a 50% ownership stake;
- **90% of Atlanta Homes Sold. Only 12 Homes Remain:** To date, the Company has sold or closed sales on 108 homes located in Atlanta, or 90% of the total portfolio, for gross proceeds of $11.3 million. The remaining unsold 12 single family homes, which have a current list price of $1.6 million, are anticipated to contribute to the Company's working capital upon disposition;
- **Repayment of $17.7 Million in Legacy Single Family Debt, Nothing Remains!** During the three months ended March 31, 2019, the convertible debentures were fully repaid and discharged. As such, none of the legacy single family home debt remains; and
- **Seventh Consecutive Paid Dividend:** On April 15, 2019, dividends of $0.059 per common share were paid to shareholders of record on March 29, 2019. This payment represented the seventh consecutive dividend payment for the Company; and
- **Dividends:** On May 13, 2019, the Company announced that it has declared and approved quarterly dividends in the amount of $0.059 per common share for

shareholders of record on September 30, 2019 payable on or about October 15, 2019.

PROPERTY PORTFOLIO SUMMARY

As at March 31, 2019, the Company had three distinct asset portfolios:

INVESTMENT PORTFOLIO

Multi-Family Investment Portfolio: 311 wholly-owned multi-family apartment units located across three buildings in Florida (one building) and Texas (two buildings), with an aggregate IFRS valuation of approximately $46.2 million.

Equity Accounted and Preferred Investments: Investment in the following Equity Accounted and Preferred Investments with ownership interests in 1,263 multi-family apartment units with an aggregate IFRS equity valuation of approximately $29.2 million (including accrued income) and a pro-rata real estate fair market valuation of $54.4 million ($152.4 million on a 100% basis).

The Company has invested in the following Equity Accounted and Preferred investments:

(In $millions unless otherwise stated)

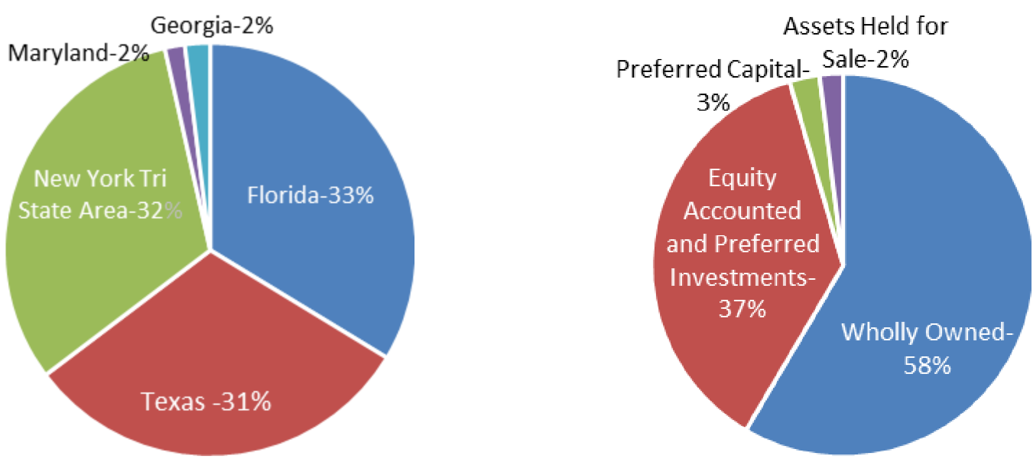
Location	Units	FMV of Assets (A)	Ownership % (B)	Pro- Rata Real Estate Valuation (A*B)	Preferred Investment	Common Investment	Total Investment	Preferred Yield
New York City	129	$ 37.9	22.8%	$ 8.6	$ 5.0	$ 1.3	$ 6.3	8%
Brentwood, MD	116	14.8	25.0%	3.7	0.0	1.2	1.2	-
Bridgeport, CT	462	38.8	30.0%	11.7	2.8	3.3	6.1	9%
Irvington, NJ	189	18.9	50.0%	9.5	2.6	1.0	3.6	9%
Houston, TX	235	16.7	50.0%	8.4	3.6	1.3	4.9	9%
Bronx, NY	132	25.1	50.0%	12.6	5.1	2.0	7.1	8%
Total/ Wtd. Avg.	**1,263**	**$ 152.4**	**35.7%**	**$ 54.4**	**$ 19.0**	**$ 10.2**	**$ 29.2**	**8.5%**

Preferred Capital Investments: Investment of $2.0 million in a $9.5 million, interest only preferred capital loan to fund the acquisition by a New York based real estate investment firm of a portfolio of three apartment buildings in Manhattan, New York. The investment earns an interest rate of 12% per annum during its initial term of three years and, if the term is extended for a further two years, at an interest rate that is the greater of 13% or LIBOR plus 10% per annum.

Outlined below is a summary of the Investment Portfolio as at March 31, 2019:

	March 31, 2019				December 31, 2018	
Region	**Number of Units**	**IFRS Value**	**Occupancy**	**Average Monthly Rent**	**Occupancy**	**Average Monthly Rent**
Multi-Family Investment Portfolio						
Florida Multi-Family	153	$26,572,700	94.8%	$ 1,339	94.8%	$ 1,329
Texas Multi-Family	158	19,579,701	97.5%	$ 888	93.7%	$ 901
Total / Weighted Avg.	**311**	**$46,152,401**	**96.1%**	**$ 1,110**	**94.2%**	**$ 1,111**
Equity Accounted and Preferred Investments						
New York City	129	$ 6,312,002	86.0%	$ 1,675	91.5%	$ 1,630
Brentwood, MD	115	1,233,932	94.8%	$ 1,235	94.8%	$ 1,226
Bridgeport, CT	463	6,040,951	90.9%	$ 840	90.1%	$ 833
Irvington, NJ	189	3,594,231	97.9%	$ 980	96.3%	$ 908
Houston, TX	235	4,908,733	91.1%	$ 829	93.2%	$ 825
Bronx, NY	132	7,094,101	90.2%	$ 1,297	93.2%	$ 1,283
Total / Weighted Avg.	**1,263**	**$29,183,951**	**91.8%**	**$ 1,028**	**92.5%**	**$ 1,007**
Preferred Capital Invesments						
New York City	N/A	$ 2,000,354	N/A	N/A	N/A	N/A
Total / Weighted Avg.	**1,574**	**$77,336,706**	**92.6%**	**$ 1,069**	**92.8%**	**$ 1,067**

Geographical and Asset Class Portfolio Diversification based on IFRS Asset Values



Note: *New York Tri State Area defined as New York, New Jersey and Connecticut.

SINGLE FAMILY DISPOSITION PORTFOLIO

The single family disposition portfolio consists of 17 homes located in Atlanta. The following table provides a summary of the Company's single family disposition portfolio as at March 31, 2019:

	March 31, 2019				December 31, 2018	
Region	**Number of Units**	**IFRS Value**	**Occupancy**	**Average Monthly Rent**	**Occupancy**	**Average Monthly Rent**
Single Family Disposition Portfolio						
Georgia Single-Family	17	$ 1,565,027	58.8%	$ 1,000	80.6%	$ 1,012
Total / Weighted Avg.	**17**	**$ 1,565,027**	**58.8%**	**$ 1,000**	**80.6%**	**$ 1,012**

PRO FORMA CONSOLIDATION OF EQUITY ACCOUNTED INVESTMENTS

Outlined below are the financial statements of the Company including the pro forma consolidation of its interests in equity accounted investments: Assuming proportionate consolidation, the Company would have total assets of approximately $118 million.

	March 31, 2019							
	The Company (1)	New York City	Brentwood, MD	Bridgeport, CT	Irvington, NJ	Houston, TX	Bronx, NY	Total
Assets								
Cash & Restricted Cash	$ 2,353,421	$ 112,944	$ 88,645	$ 396,955	$ 139,223	$ 617,179	$ 155,185	$ 3,863,552
Accounts Receivable	148,035	(219)	18,981	9,344	11,712	$ 19,013	$ 35,388	242,253
Other Assets & Investments	434,560	2,024,393	23,721	1,795,072	1,290,945	1,768,285	2,588,887	9,925,863
Preferred Capital Investments	2,000,354	-	-	-	-	-	-	2,000,354
Investment Properties	47,717,428	8,636,318	3,705,919	11,650,344	9,457,633	8,361,241	$12,569,891	102,098,772
	$ 52,653,798	**$ 10,773,435**	**$ 3,837,266**	**$13,851,715**	**$10,899,513**	**$10,765,717**	**$15,349,351**	**$118,130,794**
Liabilities								
Accounts Payable	1,967,372	51,993	23,951	97,973	82,749	169,820	58,310	$ 2,452,167
Other Liabilities	563,915	45,176	18,580	114,436	105,753	11,122	73,096	932,078
Mortgages	18,267,853	5,321,375	2,562,500	8,071,200	7,083,000	5,810,000	8,280,423	55,396,351
	$ 20,799,140	**$ 5,418,544**	**$ 2,605,031**	**$ 8,283,609**	**$ 7,271,502**	**$ 5,990,941**	**$ 8,411,829**	**$ 58,780,596**
Equity								
Shareholders Equity	$ 11,055,518	$ 6,085,000	$ 269,062	$ 3,946,760	$ 3,530,412	$ 4,633,672	$ 6,914,361	$ 36,434,786
Retained Earnings/(Deficit)	20,799,140	(730,109)	963,173	1,621,346	97,598	141,103	23,161	$ 22,915,412
	$ 31,854,658	**$ 5,354,891**	**$ 1,232,235**	**$ 5,568,106**	**$ 3,628,011**	**$ 4,774,775**	**$ 6,937,522**	**$ 58,183,143**
	$ 52,653,798	**$ 10,773,435**	**$ 3,837,266**	**$13,851,715**	**$10,899,513**	**$10,765,717**	**$15,349,351**	**$118,130,794**

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

INVESTMENT PORTFOLIO OCCUPANCY AND AVERAGE RENT

Multi-Family Investment Portfolio:

Occupancy was 96.1%, a 190 basis point increase from the 94.2% reported at December 31, 2018. The increase was solely in the Texas portfolio.

Average monthly rents were $1,110 per month, largely in line with the $1,111 per month reported at December 31, 2018.

Equity Accounted Investments:

Occupancy was 91.8 %, a lower occupancy over the 92.5% reported at December 31, 2018. The decrease is reflected in the New York City, Houston, TX, and Bronx, NY properties offset by increases in the Bridgeport, CT, and Irvington, NJ properties.

Average monthly rents were $1,028 per month, a 2.1% increase in comparison to the $1,007 average monthly rent at December 31, 2018. The increases are reflected across the portfolio.

ATLANTA SINGLE FAMILY DISPOSITION PROGRAM UPDATE

To date, the Company has closed or sold firm 108 of the homes, or approximately 90% of the total Atlanta portfolio, for gross proceeds of approximately $11.3 million ($10.0 million net of estimated closing costs). Of these sales, 106 have officially closed for gross proceeds of $11.1 million ($10.0 million net of closing costs). The variance between gross and net proceeds of $1.3 million is attributed to closing costs which include, but are not limited to, selling commissions, legal fees and title document closing costs. The remaining two sales totalling gross proceeds of $0.2 million ($0.2 million net of estimated closing costs) are expected to close during Q2/2019. The remaining 12 homes represent only 2% of the Company’s total asset portfolio.

QUARTERLY FINANCIAL OVERVIEW

The following is a discussion of the combined results including discontinued operations as outlined in the financial statements and is reconciled using the table in this MD&A. The following is a review of selected quarterly financial information of the Company:

	Three Months Ended			
	March 31, 2019	**December 31, 2018**	**September 30, 2018**	**June 30, 2018**
Rental revenue	$ 1,138,684	$ 1,189,063	$ 1,392,611	$1,435,078
Property operating expenses	506,603	569,243	594,009	651,720
Net rental income	**632,081**	**619,820**	**798,602**	**783,358**
Income from Equity Accounted and Preferred Investments	468,030	537,763	655,276	2,381,320
Income from Preferred Capital Investments	52,461	54,272	68,468	67,740
General and administrative	353,577	337,839	399,864	388,146
Professional fees	54,377	119,789	44,820	61,794
Finance costs	310,098	349,234	656,184	529,952
Fair value adjustments	1,303,368	944,690	1,903,024	(321,308)
Other	6,307	1,003,474	(642,611)	(514,201)
Net income	**$1,744,195**	**$2,353,158**	**$1,681,890**	**$1,417,017**
Net income per share (Basic)	**$0.25**	**$0.36**	**$0.28**	**$0.23**

	Three Months Ended			
	March 31, 2018	**December 31, 2017**	**September 30, 2017**	**June 30, 2017**
Rental revenue	$ 1,404,766	$ 1,463,169	$ 1,589,040	$ 1,862,191
Property operating expenses	450,868	707,586	703,375	1,056,461
Net rental income (loss)	**953,898**	**755,583**	**885,665**	**805,730**
Income from Equity Accounted and Preferred Investments	290,936	166,379	152,723	48,216
Income from Preferred Capital Investments	66,267	28,575	-	-
General and administrative	379,233	353,458	314,725	446,551
Professional fees	86,033	14,652	37,858	28,107
Finance costs	517,770	593,268	774,378	728,643
Amortization	-	1,860	7,185	6,941
Fair value adjustments	92,575	(2,376,018)	114,675	(365,423)
Other	(58,197)	(578,456)	(148,471)	126,260
Net Income/ (loss)	**$ 177,295**	**$ 1,784,861**	**$ (358,904)**	**$ 135,387**
Net income per share (Basic)	**$ 0.03**	**$ 0.34**	**$ (0.07)**	**$ 0.03**

REVIEW OF QUARTERLY RESULTS

REVENUES

For the three months ended March 31, 2019, rental revenue was approximately $1.1 million, a 4% decrease over the $1.2 million reported at December 31, 2018 and a 15% decrease in comparison to the $1.4 million reported at March 31, 2018.

The quarterly decreases are largely due to the disposition of both single-family homes, offset by increased rents on new and renewal leasing activity from the Multi-Family Investment Portfolio.

PROPERTY OPERATING EXPENSES

For the three months ended March 31, 2019, property operating expenses were approximately $0.5 million, an 11% decrease over the $0.6 million reported at December 31, 2018 and a 12% decrease over the $0.6 million reported at March 31, 2018.

The quarterly decreases are largely due to the sale of single family homes combined with operational cost savings in the Multi-Family Investment Portfolio.

INCOME FROM EQUITY ACCOUNTED AND PREFERRED INVESTMENTS

For the three months ended March 31, 2019, income from equity accounted and preferred investments was approximately $0.5 million, an 13% decrease in comparison to the $0.5 million reported at December 31, 2018, but a 60% increase compared to the $0.3 million reported at March 31, 2018. This income represents the Company's share of earnings from it's common equity in addition to interest earned from the preferred equity and is higher over the three months ended March 31, 2018 reflecting the full impact of the 2018 acquisitions.

GENERAL AND ADMINISTRATIVE ("G&A") AND PROFESSIONAL FEES

For the three months ended March 31, 2019, G&A was approximately $0.4 million, largely in line with the $0.3 million reported at December 31, 2018, and the $0.4 million reported for the three months ended March 31, 2018. For the three months ended March 31, 2019, professional fees were approximately $0.05 million, a 54% decrease in comparison to the $0.1 million reported at December 31, 2018 and a 36% decrease over the $0.09 million reported for the three months ended March 31, 2018. This improvement is largely due to professional fees associated with the debt raised and repaid in 2018. These services were completed and did not continue into 2019.

FINANCE COSTS

For the three months ended March 31, 2019, finance costs were approximately $0.3 million, which is a 11% decrease over the $0.3 million reported at December 31, 2018, and a 41% decrease over the $0.5 million reported for the three months ended March 31, 2018.

On a normalized cash basis (excluding non-cash accretion expense), cash finance costs were approximately $0.2 million, which is a 21% decrease over the $0.3 million reported for the three months ended December 31, 2018 and a 49% decrease over the $0.4 million reported for the three months March 31, 2018.

	Three Months Ended		
	Mar 31, 2019	**Dec 31, 2018**	**Mar 31, 2018**
Finance Costs	$ 310,098	$ 349,234	$ 517,770
Less: Accretion Expense	(82,234)	(61,675)	(68,571)
Cash Finance Costs	**$ 227,864**	**$ 287,559**	**$ 449,200**
% Change - Cash Finance Costs		**(21) %**	**(49) %**

The decrease in cash interest expense over the three months ended December 31, 2018 and March 31, 2018 is largely attributable to the positive impact of debt repayments.

INVESTMENT PORTFOLIO RESULTS

Results for the three months ended March 31, 2019, December 31, 2018 and March 31, 2018 for the Investment Portfolio are as follows:

	Three Months Ended		
	Mar 31, 2019	Dec 31, 2018	Mar 31, 2018
Rental Revenue	**$ 1,070,863**	**$ 1,063,569**	**$ 1,000,294**
Operating Costs	(178,713)	(210,011)	(151,927)
Utilities	(85,863)	(89,248)	(77,151)
Property Taxes	(158,231)	(191,366)	(147,974)
Net Rental Income	**$ 648,056**	**$ 572,944**	**$ 623,242**
Income From Equity Investments	468,031	537,763	290,936
Income From Preferred Capital Investments	52,461	54,272	66,267
Fair Value Adjustment on Investment Properties	1,299,863	845,805	-
Total	**$ 2,468,411**	**$ 2,010,784**	**$ 980,445**

NET RENTAL INCOME

For the three months ended March 31, 2019, net rental income was approximately $0.6 million, a 12% increase over the $0.6 million reported for the three months ended December 31, 2018 and a 4% increase over the $0.6 million reported for the three months ended March 31, 2018. The increase in net rental income is largely due to the increased occupancy in the Texas Portfolio and the higher net rental income in both the Florida and Texas portfolios.

INCOME FROM EQUITY ACCOUNTED AND PREFERRED INVESTMENTS

The following table outlines the Company's investments in associates comprised of investments in common interests, accounted for using the equity method and preferred interests, accounted for as preferred capital loans as at and for the three months ended March 31, 2019 along with comparable information.

	March 31, 2019	December 31, 2018
Equity Accounted and Preferred Investments, Beginning of period	$ 28,698,180	$ 12,694,453
Investments		
- Preferred Equity	300,000	10,834,248
- Common Equity	1,520	4,503,500
- Redemption of Preferred Equity	-	(1,777,188)
Income Earned		
- Interest on Preferred Capital Loan	391,480	1,231,720
- Common Equity	76,551	(108,678)
- Fair Value Adjustments	-	2,742,253
Less: Distributions and interest received	(283,780)	(1,422,129)
Equity Accounted and Preferred Investments, End of period	**$ 29,183,951**	**$ 28,698,180**

	March 31, 2019	December 31, 2018
Assets		
Cash	$ 3,996,889	$ 4,437,769
Accounts Receivable	238,333	250,513
Other Assets	2,346,078	2,971,330
Investment Properties	152,358,838	151,062,573
	$ 158,940,139	**$ 158,722,185**
Liabilities		
Accounts Payable	1,272,443	1,360,264
Security Deposits	1,034,089	1,023,323
Mortgages	102,867,673	102,960,000
	$ 105,174,205	**$ 105,343,587**
Equity		
Retained Earnings / (Deficit)	$ 6,574,905	$ 6,398,977
Preferred Equity	26,576,121	26,055,870
Common Equity	20,614,908	20,923,751
	$ 53,765,934	**$ 53,378,597**
	$ 158,940,139	**$ 158,722,185**
Investment Allocation for the Company		
Preferred Equity	$ 19,006,509	$ 18,568,745
Common Equity	10,177,442	10,129,435
	$ 29,183,951	**$ 28,698,180**

	March 31, 2019	March 31, 2018
Net Income		
Rental Revenue	$ 3,649,371	$ 2,191,845
Property Operating Expenses	(1,640,995)	(1,143,296)
Net Rental Income	**2,008,376**	**1,048,549**
General & Administrative	(274,964)	(112,217)
Interest Expense	(1,062,292)	(663,298)
Net Income Before Preferred Equity Dividend	**$ 671,120**	**$ 273,034**
Less: Preferred Equity Dividend	(531,636)	(417,761)
Net Income / (Loss)	**$ 139,484**	**$ (144,727)**
Income Earned by the Company		
Preferred Equity	$ 391,480	$ 273,716
Common Equity	76,551	17,220
	$ 468,031	**$ 290,936**

For the three months ended March 31, 2019, the increase in equity accounted and preferred investments income over the three months ended March 31, 2018 was largely due to the Houston, TX, Irvington, NJ and Bronx, NY acquisitions.

INCOME FROM PREFERRED CAPITAL INVESTMENTS

On December 18, 2017, the Company closed a participation of $2.5 million in a $12.0 million preferred capital loan (the "**Preferred Capital**") originated by an entity affiliated with the Company to fund the acquisition by a New York based real estate investment firm on a portfolio of three apartment buildings in Manhattan, New York. The Preferred Capital earns an interest rate of 12% per annum during its initial term of three years and, if the term is extended by the Sponsor for a further two years, at an interest rate thereafter that is the greater of 13% or LIBOR plus 10% per annum.

On September 24, 2018, $2.5 million of the Preferred Capital was repaid leaving a principal balance of $9.5 million, of which $2.0 million represents the Company's pro-rata interest.

The income reported as at March 31, 2019 represents the Company's pro-rata share of interest and fee income earned from the Preferred Capital investment.

FAIR VALUE ADJUSTMENTS ON INVESTMENT PROPERTIES

For the three months ended March 31, 2019, the fair value adjustment to investment properties was $1.3 million, in comparison to the nil reported for the three months ended March 31, 2018. The variance over the same period in 2018 was due to a higher fair value adjustment of the investment properties due to increased net rents and lower capitalization rates in comparison to 2018.

VALUATION AND LEVERAGE

For the three months ended March 31, 2019, the Investment Portfolio had a valuation of $77.3 million. Net of associated mortgage debt of approximately $18.3 million, leverage (defined as Mortgages / Investment Portfolio) was 23.6%. For the three months ended March 31, 2018, the Investment Portfolio had a valuation of $66.4 million. Net of associated mortgage debt of approximately $18.6 million, leverage was 28.0%.

	Three Months Ended	
	Mar 31, 2019	**Mar 31, 2018**
Investment Portfolio (1)	$77,336,706	$66,428,027
Less: Mortgages	(18,267,852)	(18,601,253)
Net Equity	**$59,068,854**	**$47,826,774**
Leverage (Mortgages / Investment Portfolio)	***23.6%***	***28.0%***

(1) Includes equity and preferred capital investments which is net of the Company's share of associated mortgage debt

FAIR VALUE CALCULATION METHODOLOGY

As of March 31, 2019, the Company owned the following investment properties:

- 311 wholly owned apartment units with a fair value of approximately $46.2 million;
- 1,263 jointly owned apartment units with an investment fair value of approximately $29.2 million;
- Preferred capital investment for a fair value of approximately $2.0 million; and
- 17 single family homes with a fair value of approximately $1.6 million.

Each quarter, the Company determines the fair value of its single-family and multi-family portfolio using a combination of an internally managed valuation model, external appraisals using the income approach as well as comparable property sales. For the value of the single family home portfolio, the model calculates the increase/decrease in fair value of the properties based on a number of factors including, but not limited to the condition of the assets, the indices for specific regions and property classes, and historical sales executed by the Company and then makes adjustments for the anticipated net proceeds that would be received upon sale of the property. The fair value increase/decrease for the multi-family investment properties and joint venture investments are calculated using Net Rental Income and market capitalization rates.

NET RENTAL INCOME

The following is a reconciliation of the Company's Net Rental Income to net income for the three months ended March 31, 2019, December 31, 2018 and March 31, 2018:

	Three Months Ended		
	Mar 31, 2019	**Dec 31, 2018**	**Mar 31, 2018**
Net income	**$ 1,744,195**	**$ 2,353,158**	**$ 177,295**
Income from equity accounted and preferred investments	(468,031)	(215,236)	(290,936)
Income from preferred capital investments	(52,461)	(54,272)	(66,267)
Income tax expense/(recovery)	-	(1,310,328)	63,920
Share-based compensation	(2,275)	313,189	(1,108)
Fair value gain on investment properties	(1,303,368)	(944,690)	92,575
Fair value gain on equity investment properties	-	(322,527)	-
Foreign exchange (gain)/loss	(4,032)	(6,334)	(4,617)
Finance costs	310,098	349,234	517,770
Professional fees	54,378	119,789	86,033
General and administrative	353,576	337,839	379,233
Net rental income	**$ 632,080**	**$ 619,820**	**$ 953,898**

FUNDS FROM OPERATIONS ("FFO"), ADJUSTED FUNDS FROM OPERATIONS ("AFFO"), ADJUSTED FFO, ADJUSTED AFFO AND PAYOUT RATIOS

For the three months ended March 31, 2019, FFO was approximately $0.4 million, a significant increase compared to the $0.3 million net loss reported at December 31, 2018 and the $0.3 million reported for the three months ended March 31, 2018.

For the three months ending March 31, 2019, AFFO was approximately $0.5 million, a significant increase over the $0.08 million reported for the three months ended December 31, 2018 and the $0.4 million reported for the three months ended March 31, 2018.

For the three months ended March 31, 2019, FFO per share was $0.06 while AFFO per share was $0.07 compared to the $(0.04) and $0.01 per share respectively reported for the three months ended December 31, 2018 and the $0.05 and $0.06 per share respectively for the three months ended March 31, 2018.

The improvement in both FFO and AFFO, in aggregate and on a per share basis for the three months ended March 31, 2019 over the three months ended December 31, 2018 and March 31, 2018 is largely due to higher income from equity and preferred capital investments as well as higher net rental income due to a combination of the sale of single family homes and the Florida Mini-Multi Portfolio combined with operating expense efficiencies along with lower finance costs due to debt repayments.

	Three Months Ended		
	Mar 31, 2019	**Dec 31, 2018**	**Mar 31, 2018**
Net income	**$ 1,744,195**	**$ 2,353,158**	**$ 177,295**
Add (deduct):			
Income tax expense (recovery)	-	(1,310,328)	63,920
Fair value gain on investment properties	(1,303,368)	(993,927)	92,575
Fair value gain on equity accounted investments	-	(322,527)	-
Foreign exchange (gain)/loss	(4,032)	(6,334)	(4,617)
Depreciation	-	-	1,860
FFO	**$ 436,793**	**$ (279,960)**	**$ 331,035**
Add (deduct):			
Accretion expense	82,234	61,675	68,571
Share based compensation	(2,275)	313,189	(1,108)
Capital expenditures	(15,802)	(15,495)	(47,695)
AFFO	**$ 500,950**	**$ 79,409**	**$ 350,803**
FFO per share	**$ 0.06**	**$ (0.04)**	**$ 0.05**
AFFO per share	**$ 0.07**	**$ 0.01**	**$ 0.06**

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

	Three Months Ended		
	Mar 31, 2019	Dec 31, 2018	Mar 31, 2018
Total Operating Activities	**$ 105,815**	**$ 186,837**	**$ (490,840)**
Changes in non-cash working capital items:			
Accounts receivable	(11,352)	(103,199)	(61,975)
Other assets and prepaid expenses	(41,177)	90,258	166,744
Accounts payable and accrued liabilities	281,729	76,275	535,165
Change in equity accounted and preferred investments	185,771	(148,932)	245,185
Change in preferred capital investments	-	-	8,835
Foreign exchange gain	(4,032)	(6,334)	(4,617)
Capital expenditures	(15,802)	(15,495)	(47,695)
AFFO	**$ 500,950**	**$ 79,409**	**$350,803**
AFFO per share	**$ 0.07**	**$ 0.01**	**$ 0.06**

DIVIDENDS

For the three months ended March 31, 2019, dividends of $0.059 per common share were declared for shareholders of record on March 29, 2019, payable on April 15, 2019 resulting in total dividends of $409,180(March 31, 2018 - 344,681).

The policy of the Company is to pay cash dividends on or about the 15th day after each quarter end to shareholders of record on the last business day of the preceding quarter end. Dividends paid to shareholders who are non-residents of Canada will be subject to Canadian withholding tax.

The shortfall of cash flow from operating activities over dividends and net income / (loss) and comprehensive income / (loss) over dividends for the three months ended March 31, 2019, December 31, 2018 and March 31, 2018 are outlined below:

	Three Months Ended		
	Mar 31, 2019	**Dec 31, 2018**	**Mar 31, 2018**
Total Operating Activities (A)	**$ 105,815**	**$ 186,837**	**$ (490,840)**
Cash Finance Costs			
Finance Costs	$ 310,098	$ 349,234	$ 517,770
Less: Accretion Expense	$ (82,234)	(61,675)	(68,571)
Net Cash Interest Expense (B)	**$ 227,864**	**$ 287,559**	**$ 449,200**
Net Cash Flows from Operating Activities (A-B)	**$ (122,051)**	**$ (100,724)**	**$ (940,040)**
Net Income/(loss)	**$ 1,744,195**	**$ 2,353,158**	**$ 177,295**
Dividends	**$ 409,180**	**$ 390,164**	**$ 344,681**
Shortfall of Net Cash Flow From Operating Activities Over Dividends	**$ (531,231)**	**$ (490,888)**	**$ (1,284,721)**
Excess/(Shortfall) of Net Income/(Loss) Over Dividends	**$ 1,335,015**	**$ 1,962,994**	**$ (167,386)**

For the three months ended March 31, 2019, the Company had dividends in excess of net cash flow from operating activities. As such, a return of capital was provided to shareholders. This dividend was funded from the Company's cash on hand. The excess dividend was paid in the normal course from recurring cash flow and had no impact on the sustainability of dividends given that the dividend was covered from ongoing cash flows generated from the company's investment portfolio.

COMPARABLE CASH FLOWS

Comparable operating, investing and financing cash flows for the three months ended March 31, 2019, December 31, 2018, and March 31, 2018 are outlined below:

	Three Months Ended	
	Mar 31, 2019	**Mar 31, 2018**
Operating Activities	$ 105,815	$ (490,840)
Investing Activities	1,155,377	(6,831,543)
Financing Activities	(1,913,377)	1,421,884
Increase/(Decrease) in Cash & Cash Equivalents	**$ (652,185)**	**$ (5,900,499)**
Cash & Cash Equivalents, Beginning of Period	3,005,606	8,106,535
Cash & Cash Equivalents, End of Period	**$ 2,353,421**	**$ 2,206,036**

Cash provided by operating activities increased for the three months ended March 31, 2019 in comparison to the three months ended March 31, 2018 is largely due to higher net income from operations and improved management of working capital.

Cash provided by investing activities increased for the three months ended March 31, 2019 in comparison to the three months ended March 31, 2018 is largely due to lower equity and preferred investments.

Cash provided by financing activities decreased for three months ended March 31, 2019 in comparison to the three months ended March 31, 2018 largely due to the supplemental mortgage advance which occurred in 2018 that did not occur in 2019.

RECONCILIATION OF CONTINUING & DISCONTINUED OPERATIONS

The results of the single-family home portfolio, which the Company intends to sell, are reported in the Company's financial statements in income separate from continuing operations. The following table shows the Company's results of operations and discontinued operations as reported under International Financial Reporting Standards ("**IFRS**") and discontinued operations as found in note 20 of the financial statements:

	Continuing Operations	Discontinued Operations	Total
Three Months Ended March 31, 2019	$	$	$
Rental revenue	1,078,104	60,581	1,138,684
Operating costs	(183,517)	(14,209)	(197,726)
Utilities	(87,342)	(23,539)	(110,880)
Property taxes	(159,190)	(38,808)	(197,996)
Total Operating Expenses	(430,046)	(76,556)	(506,602)
Net rental income	648,056	(15,975)	632,080
Income from equity accounted and preferred investments	468,031	-	468,031
Income from preferred capital investments	52,461	-	52,461
General and administrative	(353,576)	-	(353,576)
Professional fees	(54,378)	-	(54,378)
Finance costs	(310,098)	-	(310,098)
Segment income (loss) from operations	450,495	(15,975)	434,520
Foreign exchange gain	4,032	-	4,032
Fair value adjustments of properties	1,299,863	3,505	1,303,368
Share based compensation	2,275	-	2,275
Net income (loss) for the period	**1,756,665**	**(12,470)**	**1,744,195**

	Continuing Operations	Discontinued Operations	Total
Three Months Ended March 31, 2018	$	$	$
Rental revenue	1,000,294	404,472	1,404,766
Operating costs	(151,927)	43,421	(108,506)
Utilities	(77,151)	(48,410)	(125,561)
Property taxes	(147,974)	(68,827)	(216,801)
Total Operating Expenses	(377,052)	(73,816)	(450,868)
Net rental income	623,242	330,656	953,898
Income from equity investments	290,936	-	290,936
Income from preferred capital investments	66,267	-	66,267
General and administrative	(379,233)	-	(379,233)
Professional fees	(86,033)	-	(86,033)
Finance costs	(517,770)	-	(517,770)
Depreciation and amortization	-	-	-
Segment income (loss) from operations	(2,591)	330,656	328,065
Foreign exchange gain	4,617	-	4,617
Fair value adjustments of properties	-	(92,575)	(92,575)
Share-based compensation	1,108	-	1,108
Net income (loss) before income taxes	3,134	238,081	241,215
Income tax (recovery) / expense	830	63,091	63,921
Net income (loss) for the period	**2,303**	**174,992**	**177,295**

DEBT FACILITIES

As at March 31, 2019, the Company's debt facilities totaled $18,267,852 with a weighted average interest rate of 4.37%:

Principal Outstanding	Interest Rate	Type	Security	Maturity
7,699,457	3.80%	Mortgage	Secured	October 1, 2022
3,903,051	5.81%	Supplemental Mortgage	Secured	October 1, 2022
3,974,409	4.22%	Mortgage	Secured	June 1, 2023
2,690,935	4.12%	Mortgage	Secured	June 1, 2023
$ 18,267,852	**4.37%**			

SHARE CAPITAL

Issued and outstanding common shares on a fully diluted basis as at March 31, 2019 consists of the following:

	Mar 31, 2019
Common shares	6,935,306
Warrants	1,658,803
Options	686,842
Deferred share units	5,833
Fully Diluted Shares	**9,286,784**

Outlined below are the key additions to the Company's fully diluted shares over the past twelve months:

- On November 9, 2018 the Company issued 808,643 common shares at a price of $8.10 per share for total gross proceeds of approximately $6.6 million. In addition, the Company issued 808,643 warrants to participants in the common share offering. The warrants have an exercise price of $9.50 per warrant and expire on November 9, 2020.
- On November 19, 2018, the Company issued 248,800 Options to members of senior management and the board. The Options have an exercise price of $8.30 per option and expire on November 19, 2028.
- On January 30, 2019, the Company repurchased 1,000 common shares through a Normal Course Issuer Bid a price of $6.80 per share for a total gross proceeds of $0.06 million

DIVIDEND REINVESTMENT PLAN & UNIT PURCHASE PLAN

On September 29, 2017, the Company announced the commencement of its Dividend Reinvestment Plan ("**DRIP**") and Share Purchase Plan (the "**Purchase Plan**" and collectively with the DRIP the "**Plans**") each to be offered to holders of shares of the Company.

The Plans enable shareholders to increase their investment in the Company by receiving dividend payments and/or optional cash payments in the form of common shares in the capital of the Company ("**Shares**").

Participation in the DRIP is optional and will not affect shareholders' cash dividends unless they elect to participate in the DRIP. Participants in the DRIP plan may obtain additional Shares of the Company by automatically reinvesting the cash dividends paid on Shares held by the DRIP plan participant. Shareholders can choose the number of Shares they would like to have enrolled in the DRIP. Shares available for the reinvestment of dividends may, at the discretion of the Company, be issued from treasury at the Average Market Price or be purchased on the open market at the applicable best efforts open market purchase price, all of which will be publicly announced by the Company. For the purposes of this announcement, "Average Market Price" means the volume weighted average price of the United States dollar traded Shares traded on the TSX Venture Exchange (the "**Exchange**") for the five trading days immediately preceding the relevant dividend payment date or the effective date of the purchase of additional Shares under the Purchase Plan, as applicable.

If a participant elects to purchase Shares under the Purchase Plan, all optional cash payments made by the participant under the Purchase Plan will be invested for additional Shares at the Average Market Price. The additional Shares under the Purchase Plan will be issued out of the treasury of the Company.

If the Average Market Price is less than US$7.50, the Agent shall use such funds to purchase, at a cost less than US$7.50 per Share, additional Shares for the participants through the facilities of the Exchange for a period of five trading days following the relevant dividend date. To the extent the Agent is unable to purchase additional Shares at a cost less than US$7.50 per Share because Shares are not offered or are offered at prices which, after payment of brokerage fees or commissions, would result in a cost at or exceeding US$7.50 per Share, then the remaining funds will be applied to the purchase of Shares from the treasury of the Company at US$7.50 per Share. If the Average Market Price is US$7.50 or more, the funds will be applied to the purchase of Shares from the treasury of the Company at the Average Market Price. Currently, there are 512,991 Shares reserved under the DRIP.

A minimum purchase of US$3,000 on the last business day of each calendar quarter (a "**Quarterly Purchase Date**") and maximum purchases of up to US$12,000 per year (payable in one lump sum or from time to time on a Quarterly Purchase Date) will be permitted under the Purchase Plan. The aggregate number of Shares that may be issued under the Purchase Plan may not exceed in each year 2% of the number (at the commencement of the fiscal year of the Company) of the outstanding Shares of the Company.

Shareholders should carefully read the complete text of the DRIP and consult their financial advisors about potential tax implications before making any decisions regarding their participation in the DRIP. Dividends reinvested under the DRIP are designated as "eligible" dividends for the purposes of the Income Tax Act (Canada) and any similar provincial legislation. Dividends are only payable as and when declared by the Company's board of directors.

RELATED PARTY TRANSACTIONS

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

I. On November 1, 2015, The Company entered into a Management Agreement with Firm Capital Realty Partners Advisors Inc. (the "**Manager**"), an entity related to a director of the Company. Under the terms of the Agreement, the Manager provides a number of services to the Company, and is entitled to certain fees payable monthly, as follows:

a) **Asset Management Fee:** 0.75% of the Gross Invested Assets of the Company,

b) **Acquisition Fee:**

   i. 1.0% of the first $300 million of aggregate Gross Book Value in respect of Properties acquired in a particular year; and thereafter

   ii. 0.75% of aggregate Gross Book Value in respect of Properties acquired in such year.

c) **Performance Incentive Fees:** 15% of Adjusted Funds from Operations (“AFFO”) once AFFO exceeds 8.0% of Net Asset Value (“**NAV**”) per share.

d) **Placement Fees:** 0.25% of the aggregate value of all debt and equity financing arranged by the Manager.

e) **Property Management Fees:**

   i. Multi-unit residential properties with 120 units or less, 4.0% of Gross Revenue collected from the property;

   ii. Multi-unit residential properties with more than 120 units, 3.5% of Gross Revenue collected from the property;

   iii. Industrial or commercial property, 4.25% of Gross Revenue collected from the property; provided, however, that for such properties with a single tenant 3.0% of Gross Revenue collected from the property

f) **Commercial Leasing Fees:** 3.0% of the net rental payments for the first year of the lease, and 1.5% of the net rental payments for each year during duration of the lease; provided, however, that where a third party broker arranges for the lease of any such property that is not subject to a long-term listing agreement, the Manager shall be entitled to reduced commission equal to 50% of the foregoing amounts with respect to such property.

g) **Commercial Leasing Renewal Fees:** Renewals of space leased on commercial terms (including lease renewals at the option of the tenant) which are handled exclusively by the Manager shall be subject to a 0.50% commission on the net rental payments for each year of the renewed lease. When a long-term listing agreement is in effect for leasing and marketing of space with a party other than the Manager, the Manager shall cooperate fully with the broker and the leasing fees will not be payable to the Manager.

h) **Construction Development Property Management Fees:** Where the Manager is requested by the Company to construct tenant improvements or to renovate same, or where the Manager is requested by the Company to construct, modify, or re-construct improvements to, or on, the Properties (collectively, “**Capital Expenditures**”), the Manager shall receive 5.0% of the cost of such Capital Expenditures, including the cost of all permits, materials, labour, contracts, and subcontracts; provided, however, that no such fee shall be payable unless the Capital Expenditures are undertaken following a tendering or procurement process wherein the total cost of such Capital Expenditures exceed $50,000.

i) **Loan Servicing Fees:** 0.25% per annum on the principal amount of each Mortgage Investment (other than syndicated loans serviced by third parties). The Loan Servicing Fee will be calculated as spread interest and deducted from the first interest received on a mortgage investment. Mortgage servicing fees will be payable as to 1/12 monthly based on the receipt of interest payments from borrowers. Loan Servicing Fees will not be payable in respect of the Company's cash balances or Non-Performing Loans held by the Company, except that the Manager shall be entitled to retain any overnight float interest on all accounts maintained by the Manager in connection with the servicing of the Company's Mortgage Investments. The Manager will retain all overnight float interest and related loan servicing fees as charged such as advance fees, discharge statement fees, realty tax escrow account charges, late payment and dishonoured payment charge fees, and all other such fees as charged by a loan servicing agent. This will only apply to the Mortgage Investments of the Company.

j) Origination, Commitment & Discharge Fees and Profit Sharing Fees: The Manager shall remit to the Company:

  i. 25% of all originating fees, commitment fees and renewal fees it receives from borrowers on mortgages it originates for the Company (prorated to reflect the Company's participation in the investment). The Manager will retain 100% of all originating fees, commitment fees, renewal fees and will remit 25% of such fees to the Company calculated on the Company's investment amount; and

  ii. 75% of any profit sharing, discharge fees, participation fees and profit made on discounted debt that the Mortgage Banker receives in respect of all Non-Conventional Mortgages and Special Profit Transactions it originates for the Company (with a 8.0% annual preferential return to be given to the Company on the Company's investment amount prior to the Manager receiving its share of such fees). The Manager shall retain 100% of all servicing charges paid by borrowers which are not identified above, including, without limitation, discharge statement administration fees and all fees identified.

k) **Term and Termination:** Initial term of ten years with automatic renewal for successive five year terms. The Company may terminate the Agreement any time after November 1, 2025 other than for cause upon the approval of two-thirds of the votes cast by shareholders at a meeting and upon 24 months prior written notice. Upon termination, the Company shall pay to the Manager the following:

  i. 2% of the Gross Invested Assets of the Properties and the Company's other assets; and

  ii. any amounts which would have been earned by the Manager under the Agreement for the uncompleted portion of the term (the "**Termination Payment**").

For the three months ended March 31, 2019, the Company has accrued and/or paid approximately $252,628 (March 31, 2018 - $214,937) in the form of asset, property, loan servicing, acquisition, placement and construction development property management fees. The Company has accrued $411,558 (March 31, 2018 - $593,353) under this Management Agreement, which is included in accounts payable and accrued liabilities.

SUBSEQUENT EVENTS

- **$1.0 million Promissory Note:** On April 2, 2019, the Company received a $1.0 million 8.5% interest only promissory note from the Firm Capital Corporation, a mortgage banker that is related to certain officers and directors of the Company. The promissory note is due on December 1, 2019;

  $12.2 million Hartford, CT Acquisition: On April 4, 2019, the Company closed an equity accounted and preferred investment to acquire a 109 unit multi- family residential portfolio comprised of two buildings located in Hartford, CT (the “Hartford portfolio”). The purchase price of the Hartford portfolio was $12.2 million (excluding closing costs). The acquisition was financed with a $10.0 million 4.81% first mortgage due April 3, 2039 and $3.0 million of equity. The Company contributed $0.6 million (100% ownership) of preferred equity and $1.2 million of common equity, representing a 50% ownership stake in the investment;

- **Seventh Consecutive Paid Dividend:** On April 15, 2019, dividends of $0.059 per common share were paid to shareholders of record on March 29, 2019. This payment represented the seventh consecutive dividend payment for the Company;

- **$0.5 Million in Single Family Home Sales:** Subsequent to March 31, 2019, the Company closed sales on five single family properties located in Atlanta located for gross proceeds of approximately $0.5 million (net proceeds of approximately $0.5 million); and

- **Dividend Declaration:** On May 10, 2019, the Company declared and approved quarterly dividends in the amount of $0.059 per common share for shareholders of record on September 30, 2019 payable on or about October 15, 2019.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied by the Company are described in note 2 of the condensed consolidated interim financial statements for the three months ended March 31, 2019, and accordingly, those financial statements should be referred to for a description of the significant accounting policies.

SIGNIFICANT ESTIMATES AND JUDGEMENTS

Equity Accounted Investments

Investments in entities where the Company exercises significant influence are accounted for using the equity method and are recorded initially at cost plus the Company’s share of income or loss to date including the fair value adjustments to the underlining investment properties with evidence from 3rd party appraisals less dividends or distributions received.

Preferred capital investments

Preferred capital investments are debt and/or equity investments provided to sponsors or borrowers to acquire real estate investments that are typically ranked above common equity and generate a fixed rate of return over the life of the investment.

Investment properties

The Company's investment properties include multi-family residential properties that are held to earn rental income. Investment properties acquired through a business combination are recognized at fair value. Investment properties acquired through an asset purchase are initially recognized at cost, which includes all amounts directly related to the acquisition of the properties. All costs associated with upgrading and extending the economic life of the existing properties, other than ordinary repairs and maintenance, are capitalized to investment properties. Investment properties are re-measured to fair value at each reporting date. Fair value is determined based on internal valuation models, statistical market evidence and valuations by third-party appraisers. Changes in the fair value of investment properties are recorded in the consolidated statement of income and comprehensive income in the period in which they arise. Investment properties are not amortized.

Assets held for sale and discontinued operations

Non-current assets and groups of assets and liabilities which are comprised of disposal groups are presented as assets held for sale where the asset or disposal group is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan. Where an asset or disposal group is acquired with a view to resale, it is classified as a current asset held for sale if the disposal is expected to take place within one year of the acquisition. Non-current assets held for sale and disposal groups are carried at fair value less costs to sell.

When a component of an entity has been disposed, or is reclassified as held for sale, and it represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, the related results of operations and gain or loss on reclassification or disposition are presented in discontinued operations. The profit or loss arising on disposition of assets or disposal groups that do not represent discontinued operations are presented in gains (losses) on disposition of investment properties.

Convertible debentures and valuation of derivative financial instruments

The Company has issued convertible debentures that have an embedded derivative feature, relating to the forced conversion upon the Company completing a going public transaction while meeting certain financing requirements. The derivative financial instrument is valued at the estimated additional equity value to be received above the par value of the convertible debentures upon conversion. The Company was required to estimate the period of time until the convertible debentures will be converted as well as the value of the forced conversion option.

Share-based compensation

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments on the date on which they are granted if the fair value of the goods or services received by the Company cannot be reliably estimated. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including expected life of the share-based payment, volatility and dividend yield, and making assumptions about them.

Deferred income taxes

Tax interpretations and regulations in the jurisdictions of operations are subject to change, and as such, income taxes are subject to measurement uncertainty. Deferred income taxes are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable income. Judgement is required in determining the manner in which the carrying amounts will be recovered.

CURRENT ACCOUNTING POLICY CHANGES

(a) New change in Accounting Policies

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

RISKS AND UNCERTAINTIES

INABILITY TO EXECUTE SINGLE-FAMILY HOME DISPOSITION PROGRAM AND BUSINESS STRATEGY

The Company is currently focused on, among other things, executing on its single-family property disposition program. Proceeds realized are intended to be used for working capital purposes and debt repayment. In addition, the Company intends to retain certain multi-residential properties and acquire additional multi-residential and commercial properties and invest in debt instruments in the U.S. This is a new business model that has not been tested on a national scale. The Company's assumptions are unproven, and if they prove to be incorrect, then it may fail to provide the financial returns that investors hope or expect to receive. Accordingly, there can be no assurances that the Company will be successful in implementing and completing its transformative rebranding and business strategy, including its newly adopted investment guidelines, as currently contemplated or at all. The failure of the Company in this regard may have a material adverse effect on the Company’s business, cash flows, financial condition and results of operations.

GEOGRAPHIC CONCENTRATION

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

ACQUISITION RISK

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

CO-INVESTMENT/INVESTMENTS IN ASSOCIATES

The Company currently is and may in the future become, invested in, or a participant in, directly or indirectly, investments in associates and partnerships with third parties. An investment in an associate or partnership involves certain additional risks, including: (i) the possibility that such associate/partners may at any time have economic or business interests or goals that will be or are inconsistent with those of the Company or take actions contrary to the Manager’s instructions or requests or to the Manager’s policies or objectives; (ii) the associate/partner may have control over all of the day to day and fundamental decisions relating to a property; the risk that such associates/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such properties or repay the associates/partners’ share of property debt guaranteed by the Company or its Subsidiary Entities or for which the Company or its Subsidiary Entities will be liable and/or result in the Company suffering or incurring delays, expenses and other problems associated with obtaining court approval of an investment in associates or partnership decisions; (iv) the risk that such associates/partners may, through their activities on behalf of or in the name of the associates or partnerships, expose or subject the Company or its Subsidiary Entities to liability; and (v) the need to obtain associates/

partners' consents with respect to certain major decisions or inability to have any decision making authority, including the decision to distribute cash generated from such properties or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the investments in associates and partnerships may be subject to certain requirements, such as rights of first refusal, rights of first offer or drag-along rights, and certain of the investment in associates and partnership agreements may provide for buy-sell or similar arrangements. Such rights may inhibit the Company's ability to sell an interest in a property or an investment in associates/partnership within the time frame or otherwise on the basis the Company desires. Additionally, drag-along rights may be triggered at a time when the Company may not desire to sell its interest in a property, but the Company may be forced to do so at a time when it would not otherwise be in the Company's best interest. In addition, associates/partners of the Company may sell their interest in the applicable entity to a third party with the result that the Company is investing in associates or partnering with an unknown third party.

PURCHASE AGREEMENTS

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

NON-REFUNDABLE DEPOSITS

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

OPERATIONAL RISKS

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

RISKS RELATED TO PREFERRED CAPITAL LOAN DEFAULTS

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

FORECLOSURE AND RELATED COSTS

One or more borrowers could fail to make payments according to the terms of their loan, and the Company could therefore be forced to exercise its rights as the preferred creditor. The recovery of a portion of the Company's assets may not be possible for an extended period of time during this process and there are circumstances where there may be complications in the enforcement of the Company's rights as the preferred creditor. Legal fees and expenses and other costs incurred by the Company in enforcing its rights as the preferred creditor against a defaulting borrower are usually recoverable from the borrower directly or through the sale of the secured property by power of sale or otherwise, although there is no assurance that they will actually be recovered. In the event that these expenses are not recoverable, they will be borne by the Company. Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income or whether preferred capital loan payments are being made. The Company may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

RISK OF NATURAL DISASTERS

The properties located in Florida may have sustained significant storm damage in the past and may sustain significant storm damage in the future. While the Company will take insurance to cover a substantial portion of the cost of such events, the Company's insurance is likely to include deductible amounts and exclusions such that certain items may not be covered by insurance. Future hurricanes, floods, or other natural disasters may significantly affect the Company's operations and some or all of the properties, and more specifically, may cause the Company to experience reduced rental revenue (including from increased vacancy), incur cleanup costs as well as administration and collection costs, or otherwise incur costs in connection with such events. Any of these events may have a material adverse effect on the Company's business, cash flows, financial condition, and results of operations and ability to declare and pay dividends, if any, to Company shareholders. As well, if the Company was unable to obtain adequate insurance, and the properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the Company's business, cash flows, and financial condition.

RISK OF LOSS NOT COVERED BY INSURANCE

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

RISK RELATED TO INSURANCE RENEWALS

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

ACCESS TO CAPITAL

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

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

FINANCING RISK

A portion of the cash flow generated by the properties will be devoted to servicing indebtedness, and there can be no assurance that the Company will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the Company is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt, or other financing. The failure of the Company to make or renegotiate interest or principal payments or obtain additional equity, debt, or other financing could have a material adverse effect on the Company's business, cash flows, financial condition, and results of operations.

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

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

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

DEGREE OF LEVERAGE

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

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

DEPENDENCE ON FIRM CAPITAL REALTY PARTENRS ADVISORS INC. ("FCARPI")

The Company's earnings and operations are impacted by FCRPAI's ability to source appropriate real estate investments that provide sufficient yields for investors and FCRPAI to maintain these real estate investments. The Company has also entered into a long-term contract with FCRPAI, as more particularly described in an agreement dated November 1, 2015 as posted on SEDAR (www.SEDAR.com). The Company is exposed to adverse developments in the business and affairs of FCRPAI, since the day to day activities of the Company are run by FCRPAI and since all of the Company's debt and equity investments are originated by FCRPAI.

RELIANCE ON PROPERTY MANAGEMENT

The Company relies upon independent management companies to perform property management functions in respect of certain of the Properties. To the extent the Company relies upon such management companies, the employees of such management companies will devote as much of their time to the management of the Properties as in their judgment is reasonably required and may have conflicts of interest in allocating management time, services and functions among the Properties and their other development, investment and/or management activities.

LITIGATION RISKS

In the normal course of the Company'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 Company and, as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition, and results of operations. Even if the Company 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 Company's business operations, which could have a material adverse effect on the Company's business, cash flows, financial condition, and results of operations.

LAWS BENEFITING DISABLED PERSONS

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

POTENTIAL CONFLICTS OF INTEREST WITH DIRECTORS

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

INTERNAL CONTROLS

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards in order to help ensure the reliability of its financial reports, in each case, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company’s results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market’s confidence in the Company’s condensed consolidated interim financial statements and material adverse effect on the trading price of the shares.

U.S. MARKET FACTORS

U.S. markets are currently experiencing increased levels of volatility due to a combination of many factors. At this time, although national and local economies are recovering from a severe recession, other factors such as the Brexit and Asian economies could affect such recovery from continuing, or perhaps even cause the economy to weaken substantially. Concern about the general stability of the markets and the strength of the economic recovery may lead lenders to reduce or cease to provide funding to businesses and consumers and force financial institutions to continue to take the necessary steps to restructure their business and capital structures; and in a worst case scenario, this could result in a complete loss of properties if a lender was to foreclose. The Company cannot predict when the real estate markets will return to their pre-downturn levels. The value of the properties may decline if market conditions worsen.

U.S. LAWS AND REGULATIONS

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

FLORIDA, GEORGIA & TEXAS WEATHER

Florida, Georgia, and Texas historically have experienced periods of extreme weather that have resulted in periods of severe thunderstorms, tornadoes, wind, and rain damage. Extreme weather, including hurricanes and/or tornadoes, can have a negative impact upon the Company's operating results and financial condition, including damage to property and equipment, increasing material costs, increasing labour costs, increasing insurance premiums, increased time to completion of renovation due to the foregoing factors, and increase in government regulations with respect to setbacks, drainage and engineering of seawalls, and other protective features.

CONTINGENT LIABILITIES ON DISPOSITION OF INVESTMENTS

In connection with the disposition of a real estate investment, the Company may be required to make representations about such property. The Company may also be required to indemnify purchasers of such properties to the extent that any such representations are inaccurate. These arrangements may result in the occurrence of contingent liabilities for which reserves or escrow accounts may be required. Such actions could result in losses to the Company and investors and/or delay the receipt of any dividends, if any, to Company Shareholders.

LIQUIDITY

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

RELIANCE ON ASSUMPTIONS

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

GENERAL REAL ESTATE OWNERSHIP RISKS

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

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

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

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

The short-term nature of residential tenant leases exposes the Company to the effects of declining market rent, which could have a material adverse effect the Company's results from operations and ability to declare and pay dividends, if any. Most of the

Company's residential tenant leases will be for a term of one year or less. Because the Company's residential tenant leases generally permit residents to leave at the end of their lease term without any penalty, the Company's rental revenue may have material adverse effects by declines in market rents more quickly than if such leases were for longer terms.

SUBSTITUTIONS FOR RESIDENTIAL RENTAL UNITS

Demand for the properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. With the recent global economic crisis and its impact on the U.S. credit markets, interest rates offered by financial institutions for financing home ownership have been at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low, demand for rental properties may be adversely affected. A reduction in the demand for rental properties may have a material adverse effect on the Company's ability to lease suites in the properties and on the rents charged. This, in turn, may have a material adverse effect on the Company's business, cash flows, financial condition, and results of operations and the ability to declare and pay any dividends, if any, to Company Shareholders.

COMPETITION

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

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

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

GOVERNMENT REGULATION

The Company's single-family home operations utilize the U.S. Government's Section 8 Housing Choice Voucher Program. The Company's operations must comply with the Section 8 Program's existing qualifications process to qualify newly-renovated homes for eligible participants to participate in the Section 8 Program. The Company has no assurances that the existing rules and regulations under such program will not adversely affect the Company's growth strategy, the timing or cost of renting any current or future properties, or that any additional Section 8 Program rules, regulations or standards will not be adopted or any existing Section 8 Program rules, regulations or standards will not be modified, changed or discontinued as they apply to the ''tenant-based'' or ''project-based'' voucher systems currently in place, and any such changes could have a material adverse effect on the Company's business, financial condition and results of operation. The Company also conducts its operations in adherence to determinations made by applicable local public housing governmental authorities. Such authorities make determinations on which individuals and properties qualify for Section 8 Program funding and the Company cannot ensure that such public housing governmental authorities will qualify or continue to qualify properties under the Section 8 Program.

CHANGES IN APPLICABLE LAWS

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

Lower revenue growth or significant unanticipated expenditures may result from the Company'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 residential landlord/tenant laws; or (iii) other governmental rules and regulations or enforcement policies affecting the development, use, and operation of the properties, including changes to building codes and fire and life-safety codes.

ENVIRONMENTAL MATTERS

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

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

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

THE COSTS ARISING FROM RENOVATION OF PROPERTIES

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

FIXED COSTS AND INCREASED EXPENSES

The failure to maintain stable or increasing average monthly rental rates combined with acceptable occupancy levels would likely have a material adverse effect on the Company's business, cash flows, financial condition, and results of operations and ability to declare and pay dividends, if any. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs, and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the Company is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

The Company is also subject to utility and property tax risk relating to increased costs that the Company 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, water, and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the Company cannot charge back to the tenant may have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and the ability to make, declare, and pay any dividends. Unlike commercial leases, which generally are ‘‘net’’ leases and allow a landlord to recover expenditures from tenants, residential leases are generally ‘‘gross’’ leases and the landlord is not able to pass on costs to its tenants. Generally, the Company’s leases with tenants require the tenant to pay directly for their own utilities. The timing and amount of capital expenditures by the Company will affect the amount of any dividends available to Company Shareholders.

INTEREST RATE RISK

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

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

ASSUMPTIONS MAY PROVE INACCURATE

In determining whether a particular property meets its investment criteria, the Company makes a number of assumptions, including assumptions related to estimated time of possession and estimated renovation costs and time frames, annual operating costs, market rental rates and potential rent amounts, time from purchase to leasing, and tenant default rates. These assumptions may prove inaccurate, causing the Company to pay too much for properties it acquires, to overvalue properties or to have properties not perform as expected, and adjustments to the assumptions made in evaluating potential purchases may result in fewer properties qualifying under the Company’s investment criteria. Improvements in the market prices for single-family homes in the Company’s target markets or decreases in the available inventory could also reduce the supply of properties that meet the Company’s investment criteria. Reductions in the supply of properties that meet the Company’s investment criteria may adversely affect the Company’s operating results and ability to implement its business plan.

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

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

OUTLOOK

The Company is actively pursuing new investment opportunities in both income producing real estate and mortgage debt on real estate, in major markets across the United States. Given the strong economic environment in the United States, the Company constantly sees tremendous value-add and income producing opportunities in the multi-family residential space. However, any new investments will require additional debt and equity capital and the Company intends to opportunistically raise such capital from both the private and public markets as and when required.