FIRM CAPITAL AMERICAN REALTY PARTNERS TRUST

CAPITAL PRESERVATION • DISCIPLINED INVESTING

MD&A

MANAGEMENT DISCUSSION AND ANALYSIS

SECOND QUARTER 2020
JUNE 30, 2020

FORWARD LOOKING STATEMENTS

*The following management's discussion and analysis ("**MD&A**") of the financial condition and results of operations of Firm Capital American Realty Partners Trust ("**FCUSA**" or the "**Trust**")* should be read in conjunction with the Trust's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2020 and June 30, 2019 and the audited consolidated financial statements for the year ended December 31, 2019 *. All disclosures including tables presented herein, related to an interim period are unaudited. This MD&A has been prepared taking into account material transactions and events up to and including August 11, 2020. Additional information about the Trust, including the Trust's Annual Information Form, required by NI 51-102, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our web site at www.firmcapital.com.*

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our 2020 objectives and our strategies to achieve those objectives, as well as statements with respect to management's beliefs, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

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

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

CORPORATE REORGANIZATION

On January 1, 2020, the Trust completed its plan of arrangement ("the Arrangement") to convert the Corporation into a Real Estate Investment Trust and began trading under symbols FCA.U and FCA.UN. Under the terms of the Arrangement, each outstanding common share of the Corporation was exchanged for one unit of the Trust. Accordingly, references to historical results and transactions will reference the Corporation while forward looking statements will reference the Trust.

The Trust 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:**
    - **Core Markets Wholly Owned Investments:** The Trust is focused on growing its wholly owned multi-residential property portfolio in large core

markets with attention to cities located in Texas, Florida, New Jersey, North and South Carolina, Colorado, Georgia and New York.

- **Core and Non-Core Markets: Joint Venture Investments:** The Trust will also purchase in both core and non-core markets where it lacks knowledge or experience, partial ownership interests in multi-residential properties with industry leaders as partners. These partners bring both expertise in operations and knowledge, especially in non-core markets. The Trust strives to have a minimum 50% ownership interest and will fund the equity in a combined preferred/common equity investment structure. The preferred equity provides a fixed rate of return for investors in the Trust, resulting in a secured structure ahead of the partners ownership interest, while the common equity provides investors an upside return for investors as the investment meets its targeted objectives.

- **Mortgage Debt Investments:** The Trust, using Firm Capital's 30-year plus experience as a leader in the mortgage lending industry, provides bridge lending of mortgage and preferred capital secured by residential/multi-residential properties.

BASIS OF PRESENTATION

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

Certain financial information presented in this MD&A reflects 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 Trust 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 Trust applies IFRS as described in Part I of the CPA Handbook - Accounting.

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

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

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

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

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

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

TRUST NAME CHANGE:

On August 11, 2020, to more reflect the investment activities of the Trust and its focus on multi-residential investments, the Board of Trustees has approved, subject to TSXV and regulatory approval, a name change to **"Firm Capital Apartment Real Estate Investment Trust"**;

EARNINGS

- For the three months ended June 30, 2020, Net Income was approximately $1.4 million, a 25% increase over the $1.1 million reported for the three months ended

March 31, 2020 and largely in line with the $1.4 million reported for the three months ended June 30, 2019. For the six months ended June 30, 2020, Net Income was $2.5 million, a decrease from the $3.1 million reported for the six months ended June 30, 2019;

- For the three months ended June 30, 2020, AFFO was approximately $0.5 million, largely in line with the $0.5 million reported for the three months ended March 31, 2020 and the three months ended June 30, 2019. For the six months ended June 30, 2020, AFFO was $0.9 million, in comparison to the $1.0 million reported for the six months ended June 30, 2019;
- Results for the three and six months ended June 30, 2020 are as follows:

	Three Months Ended			Six Months Ended	
	June 30, 2020	**March 31, 2020**	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Net Income	**$ 1,404,620**	**$ 1,111,310**	**$ 1,372,969**	**$ 2,515,932**	**$ 3,117,165**
FFO	**$ 1,630,223**	**$ 1,918,861**	**$ 510,278**	**$ 3,549,089**	**$ 947,074**
AFFO	**$ 465,085**	**$ 480,775**	**$ 498,203**	**$ 945,861**	**$ 999,156**
Distributions	**$ 498,265**	**$ 503,151**	**$ 409,183**	**$ 1,001,416**	**$ 818,366**
FFO Per Unit	**$ 0.19**	**$ 0.26**	**$ 0.07**	**$ 0.49**	**$ 0.14**
AFFO Per Unit	**$ 0.06**	**$ 0.07**	**$ 0.07**	**$ 0.13**	**$ 0.14**
Distributions Per Unit	**$ 0.06**	**$ 0.06**	**$ 0.06**	**$ 0.14**	**$ 0.13**

- **91% RENT COLLECTIONS:**
  Since the beginning of Q2/2020, the Trust has received approximately 91% of its expected rent and is actively either collecting the remaining rent or working with tenants who require assistance. By state, the rent collections are as follows:

	Rent Collections				
	April 2020	**May 2020**	**June 2020**	**July 2020**	**Weighted Average**
Texas	96%	95%	97%	92%	96%
Georgia	98%	95%	97%	95%	96%
Maryland	95%	92%	93%	99%	95%
New Jersey	94%	94%	94%	98%	95%
Connecticut	92%	91%	94%	86%	91%
Florida	97%	84%	85%	82%	87%
New York	87%	78%	84%	77%	82%
Weighted Average	**93%**	**90%**	**92%**	**89%**	**91%**

- **INCREASED NAV BY 11% CAGR TO $9.55 PER TRUST UNIT:**
  Since Q3/2017, the Trust has increased NAV from $7.85 per Unit to $9.55 per Unit (Pro-Forma the NCIB and accretive Trust Unit redemption as outlined below) for a +11% Compounded Annual Growth Rate ("**CAGR**");
- **ACCRETIVE TRUST UNIT REDEMPTION:**
  On July 27, 2020, the Trust redeemed 686,200 Trust Units (representing approximately 8% of the issued and outstanding trust units) at a price of CAD $5.35

per Trust Unit ($4.00 per Trust Unit) per Trust Unit representing total gross proceeds of CAD $3.7 million ($2.8 Million);

- **CAD $4.7 MILLION MORTGAGE INVESTMENTS:**
  During the six months ended June 30, 2020, the Trust invested in three bridge mortgages yielding between 9.00%-9.75% as part of its short term investment strategy to invest cash during the COVID-19 pandemic;

- **NORMAL COURSE ISSUER BID ("NCIB") ACTIVITY:**
  Trust Units: The Trust has purchased to date for cancellation 123,700 Trust units for total gross proceeds of $0.7 million through its NCIB; and

  Convertible Debentures: The Trust purchased for cancellation Convertible Unsecured Debentures under its NCIB having a face amount of CAD$61,000 at a weighted average price of $78.00 per Debenture, or CAD $47,710;

- **APPOINTMENT TO THE BOARD OF TRUSTEES:**
  The Trust is pleased to announce that Jonathan Mair has been appointed to the Board of Trustees, subject to regulatory approval. Jonathan first joined Firm Capital Corporation in 1997 and is COO and head of all credit strategies and lending. Since 1999, Jonathan has been on the Board of Directors of Firm Capital Mortgage Investment Corporation (TSX : FC), as well as previously the CFO and currently COO. Since 2013, Jonathan has been a member of the board of trustees of Firm Capital Property Trust (TSXV: FCD.UN). Prior to joining Firm Capital, Jonathan was with KPMG LLP. Jonathan holds a CPA (CA) designation and was with the insolvency group as a Trustee in Bankruptcy, specializing in real estate. Jonathan's vast experience in all aspects of real estate and real estate credit will be an added benefit to the Trust;

- **NEW YORK CITY JOINT VENTURE:**
  The Trust's asset manager is currently completing an arrangement with its partner in its New York City Portfolio joint venture investment that consists of eight multi-family buildings comprised of 127 residential units and two commercial units to assume a 45% ownership interest (from 22.5%) for no further cost to the Trust. The Trust plans on collapsing its preferred and common equity investment into one direct property investment, representing a 45% ownership interest and, subject to completion of documentation, the Trust will account for this investment as a pro-rata ownership under IFRS accounting rules. The remaining 55% of the joint venture is controlled by third parties including members of senior management and the board of trustees of the Trust. The completion of the arrangement is expected to occur during Q3/2020; and

- **DISTRIBUTIONS:**
  On August 11, 2020, the Trust declared and approved quarterly distributions of $0.059 per unit for unitholders on record on September 30, 2020 payable on or about October 15, 2020.

PROPERTY PORTFOLIO SUMMARY

As at June 30, 2020, the Trust had three distinct asset portfolios:

INVESTMENT PORTFOLIO

Multi-Family Investment Portfolio:

311 wholly-owned multi-family apartment units located across three portfolios in Florida (one portfolio) and Texas (two portfolios), with an aggregate IFRS valuation of approximately $48.3 million.

Equity Accounted and Preferred Investments:
Investment in Equity Accounted and Preferred Investments with ownership interests in 1,762 multi-family apartment units with an aggregate IFRS equity valuation of approximately $42.0 million (including accrued income) and a pro-rata real estate fair market valuation of $85.3 million ($213.2 million on an associate basis).

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

(In $millions unless otherwise stated)

Location	Units	Investment Properties	Ownership %	Pro- Rata Ownership of Investment Properties	Equity Accounted Investment	Preferred Investment	Total Investment	Preferred Yield
New York City	129	$ 34.2	22.8%	$ 7.8	$ -	$ 5.6	$ 5.6	8%
Brentwood, MD	118	17.9	25.0%	4.5	1.9	-	1.9	-
Bridgeport, CT	462	37.5	30.0%	11.2	2.4	2.8	5.2	9%
Irvington, NJ	189	21.0	50.0%	10.5	2.3	2.7	4.8	9%
Houston, TX	235	20.5	50.0%	10.2	2.9	3.6	6.5	9%
Bronx, NY	132	24.7	50.0%	12.4	1.9	5.2	7.0	8%
Hartford, CT	109	13.2	50.0%	6.6	1.2	0.9	2.2	8%
Canton, GA	138	19.0	50.0%	9.5	1.7	2.3	4.0	8%
Houston, TX	250	25.2	50.0%	12.6	1.3	3.5	4.8	9%
Total/ Weighted Average	**1,762**	**$ 213.2**	**34.1%**	**$ 85.3**	**$ 15.6**	**$ 26.4**	**$ 42.0**	**8.5%**

Preferred Capital Investments:

New York Portfolio: Investment of $2.4 million in a $10.5 million, interest only preferred capital investment 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 London Interbank Offered Rate (“LIBOR”) plus 10% per annum.

Houston Portfolio: Investment of $3.0 million in a $10.0 million preferred capital loan for a portfolio of five apartment buildings located in Houston, Texas. The Houston Preferred Capital earns an interest rate of 12% per annum during its initial term of two years, following which if the term is extended, at an interest rate of 18% per annum.

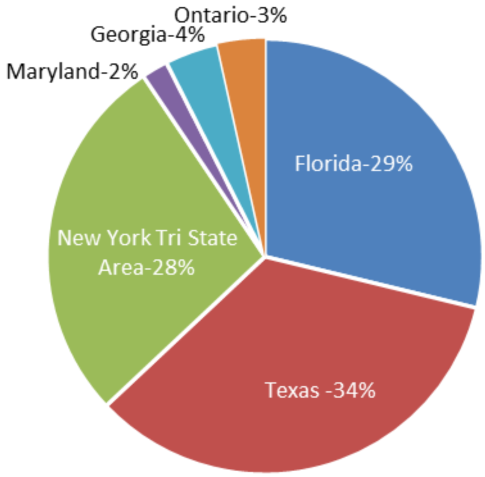
Mortgage Investments:

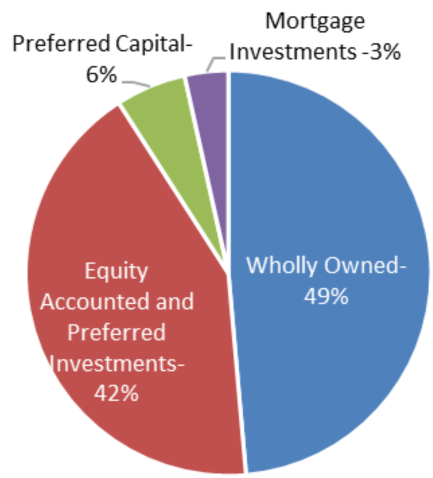
Investment of CAD $4.7 million ($3.5 million) in three bridge mortgages yielding between 9.00-9.75% as part of its short term investment strategy to invest cash during the COVID-19 pandemic.

Outlined below is a summary of the Investment Portfolio as at June 30, 2020 and March 31, 2020:

	June 30, 2020				March 31, 2020	
Region	**Number of Units**	**IFRS Value**	**Occupancy**	**Average Monthly Rent**	**Occupancy**	**Average Monthly Rent**
Multi-Family Investment Portfolio						
Florida Multi-Family	153	$28,618,783	90.2%	$ 1,370	92.8%	$ 1,406
Texas Multi-Family	158	19,692,400	95.6%	$ 912	96.8%	$ 931
Total / Weighted Avg.	**311**	**$48,311,183**	**92.0%**	**$ 1,137**	**94.9%**	**$ 1,165**
Equity Accounted and Preferred Investments						
New York City	129	$ 5,539,850	89.9%	$ 1,693	96.9%	$ 1,681
Brentwood, MD	118	1,943,572	94.1%	$ 1,309	92.4%	$ 1,344
Bridgeport, CT	462	5,180,157	96.8%	$ 863	92.9%	$ 864
Irvington, NJ	189	4,916,691	98.9%	$ 1,074	95.8%	$ 1,003
Houston, TX	235	6,480,113	95.7%	$ 853	94.9%	$ 837
Bronx, NY	132	7,025,275	99.2%	$ 1,407	97.7%	$ 1,423
Hartford, CT	109	2,176,205	86.2%	$ 1,145	89.0%	$ 1,121
Canton, GA	138	3,960,720	92.8%	$ 1,027	92.8%	$ 1,023
Houston, TX	250	4,797,359	90.8%	$ 950	90.8%	$ 903
Total / Weighted Avg.	**1,762**	**$42,019,942**	**94.6%**	**$ 1,058**	**93.5%**	**$ 1,043**
Preferred Capital Investments						
New York City	N/A	$ 2,579,599	N/A	N/A	N/A	N/A
Houston, TX	N/A	3,000,000	N/A	N/A	N/A	N/A
Total / Weighted Avg.		**$ 5,579,599**	**N/A**	**N/A**	**N/A**	**N/A**
Mortgage Investments		**$ 3,459,123**	**N/A**	**N/A**	**N/A**	**N/A**
Total / Weighted Avg.	**2,073**	**$99,369,847**	**94.2%**	**$ 1,094**	**93.7%**	**$ 1,116**

GEOGRAPHICAL AND ASSET CLASS PORTFOLIO DIVERSICATION BASED ON IFRS ASSET VALUES





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

PRO FORMA CONSOLIDATION OF EQUITY ACCOUNTED INVESTMENTS

Outlined below are the financial statements of the Trust including the pro forma consolidation of its interests in equity accounted investments: Assuming proportionate consolidation, the Trust would have total assets of approximately $154.7 million.

(In $thousands unless otherwise stated)

June 30, 2020

	The Trust (1)	**New York, NY**	**Brentwood, MD**	**Bridgeport, CT**	**Irvington, NJ**	**Houston, TX**	**Bronx, NY**	**Hartford, CT**	**Canton, GA**	**Houston, TX**	**Total**
Assets											
Cash & Restricted Cash	$ 8,609	$ 27	$ 71	$ 261	$ 31	$ 221	$ 56	$ 110	$ 271	$ 1,356	$ 11,012
Accounts Receivable	249	40	11	40	46	24	64	12	21	46	553
Other Assets & Investments	109	10	9	14	31	59	96	4	17	95	446
Mortgage Investments	3,459	-	-	-	-	-	-	-	-	-	3,459
Preferred Capital Investments	5,580	-	-	-	-	-	-	-	-	-	5,580
Investment Properties	48,311	7,783	4,467	11,250	10,514	10,243	12,352	6,608	9,500	12,618	133,647
	$66,317	**$ 7,861**	**$ 4,558**	**$ 11,564**	**$ 10,623**	**$10,548**	**$ 12,568**	**$ 6,734**	**$ 9,809**	**$14,114**	**$ 154,696**
Liabilities											
Accounts Payable	2,293	67	$ 41	$ 88	$ 135	$ 257	$ 136	$ 83	$ 143	$ 214	3,458
Other Liabilities	438	82	16	108	95	6	75	53	12	15	900
Long Term Liabilities	29,045	6,041	2,356	7,960	6,795	5,707	8,043	4,925	6,901	10,963	88,738
	$31,776	**$ 6,190**	**$ 2,414**	**$ 8,156**	**$ 7,026**	**$ 5,970**	**$ 8,254**	**$ 5,062**	**$ 7,056**	**$11,192**	**$ 93,096**
Equity											
Unitholders Equity	34,541	1,670	2,144	3,409	3,597	4,578	4,314	1,673	2,753	2,922	61,600
	$34,541	**$ 1,670**	**$ 2,144**	**$ 3,409**	**$ 4,258**	**$ 4,578**	**$ 4,314**	**$ 1,673**	**$ 2,753**	**$ 2,922**	**$ 62,262**
	$66,317	**$ 7,861**	**$ 4,558**	**$ 11,564**	**$ 10,623**	**$10,548**	**$ 12,568**	**$ 6,734**	**$ 9,809**	**$14,114**	**$ 154,696**

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

INVESTMENT PORTFOLIO OCCUPANCY AND AVERAGE RENT

Multi-Family Investment Portfolio:

Occupancy was 92.0%, compared to the 94.9% reported at March 31, 2020. The decrease is largely due to lower leasing and re-leasing activity during the COVID-19 pandemic.

Average monthly rents were $1,137 per month compared to the $1,165 reported for the three months ended March 31, 2020. This decrease is largely due to a decline in market rents drops during the COVID-19 pandemic.

Equity Accounted Investments:

Occupancy was 94.6%, a 110-basis point increase from the 93.5% reported at March 31, 2020. The increase is across all portfolios outside of New York. The decrease in the New York portfolios is largely due to the intensity of COVID-19 in the Tri State Area.

Average monthly rents were $1,058 per month, a 1% increase from the $1,043 average monthly rent at March 31, 2020. The increase was across the portfolio except for Bronx, NY and Brentwood, MD.

QUARTERLY FINANCIAL OVERVIEW

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

	Three Months Ended				Six Months Ended
	June 30, 2020	**Mar 31, 2020**	**Dec 31, 2019**	**Sept 30, 2019**	**June 30, 2020**
Rental Revenue	$ 1,033,978	$1,070,855	$ 1,055,947	$1,098,098	$2,104,833
Property Operating Expenses	(506,173)	(482,896)	(559,282)	(518,974)	(989,069)
Net Rental Income	**527,805**	**587,959**	**496,665**	**579,124**	**1,115,764**
Income from Equity Accounted and Preferred Investments	545,959	671,026	3,408,582	617,416	1,208,502
Income from Preferred Capital Investments	103,459	122,458	119,741	64,634	234,404
Income from Mortgage Investments	55,974	-	-	-	55,974
General and Administrative	(327,231)	(468,124)	(976,259)	(362,745)	(795,355)
Finance Costs	(439,185)	(429,345)	(445,578)	(462,399)	(865,864)
Convertible Debentures	1,146,983	848,363	(206,090)	-	1,992,678
Fair Value Adjustments of Investment Properties and Equity accounted investments	-	(1,768,263)	757,120	(6,464)	(1,768,263)
Other (1)	(209,144)	1,547,235	360,359	(5,405)	1,338,086
Net Income	**$ 1,404,620**	**$1,111,310**	**$ 3,514,541**	**$ 424,161**	**$2,515,932**

	Three Months Ended				Six Months Ended
	June 30, 2019	**Mar 31, 2019**	**Dec 31, 2018**	**Sept 30, 2018**	**June 30, 2019**
Rental revenue	$ 1,061,967	$1,138,684	$ 1,189,063	$1,392,611	$ 2,200,651
Property operating expenses	(499,650)	(506,603)	(569,243)	(594,009)	(1,006,253)
Net rental income (loss)	$ 562,317	$ 632,081	$ 619,820	$ 798,602	$ 1,194,397
Income from Equity Accounted and Preferred Investments	509,045	468,030	537,763	655,276	977,076
Income from Preferred Capital Investments	55,691	52,461	54,272	68,468	108,152
General and administrative	(390,655)	(407,954)	(457,628)	(444,684)	(798,609)
Finance costs	(224,139)	(310,098)	(349,234)	(656,184)	(534,237)
Fair value adjustments	860,367	1,303,368	944,690	1,903,024	2,163,736
Other (1)	343	6,307	1,003,474	(642,611)	6,647
Net Income	**$ 1,372,969**	**$1,744,195**	**$ 2,353,158**	**$1,681,890**	**$ 3,117,165**

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

REVIEW OF QUARTERLY AND YEAR TO DATE RESULTS

REVENUES

For the three months ended June 30, 2020, rental revenue was approximately $1.0 million, in comparison to the $1.1 million reported for the three months ended March 31, 2020 and the three months ended June 30, 2019. For the six months ended June 30, 2020, rental revenue was $2.1 million, a decrease from the $2.2 million reported for the six months ended June 30, 2019. The quarterly and annual decreases are largely due to collection issues as a result of the COVID-19 pandemic.

PROPERTY OPERATING EXPENSES

For the three months ended June 30, 2020, property operating expenses were approximately $0.5 million, largely in line with the $0.5 million reported for the three months ended March 31, 2020 and June 30, 2019. For the six months ended June 30, 2020, property operating expenses were $1.0 million, largely in line with the $1.0 million reported for the six months ended June 30, 2019.

NET RENTAL INCOME

For the three months ended June 30, 2020, net rental income was approximately $0.5 million, a decrease from the $0.6 million reported for the three months ended March 31, 2020 and June 30, 2019.

The quarterly decreases are largely due to the decreased collections as described above.

The following is a reconciliation of the Trust's net income to net rental income for the three and six months ended June 30, 2020 along with comparable information.

	Three Months Ended			Twelve Months Ended	
	Jun 30, 2020	**Mar 31, 2020**	**Jun 30, 2019**	**Jun 30, 2020**	**Jun 30, 2019**
Net income	**$1,404,620**	**$1,111,310**	**$1,372,969**	**$2,515,932**	**$3,117,165**
Income from equity accounted and preferred investments	(545,959)	(671,026)	(509,045)	(1,208,502)	(977,076)
Income from preferred capital investments	(103,459)	(122,458)	(55,691)	(234,404)	(108,152)
Income from Mortgage Investments	(55,974)	-	-	(55,974)	
Unit based expense/(recovery)	(4,961)	(575,026)	1,983	(579,987)	(292)
Fair value gain on investment properties	-	-	(860,367)	-	(2,163,736)
Fair value gain on equity investment properties	-	1,768,263	-	1,768,263	-
Finance costs	439,185	429,345	224,139	865,864	534,236
General and administrative	327,231	468,124	390,655	795,355	798,609
Foreign exchange (gain)/loss	214,105	(972,210)	(2,323)	(758,105)	(6,355)
Convertible Debentures	(1,146,983)	(848,363)	-	(1,992,678)	-
Net rental income	**$ 527,805**	**$ 587,959**	**$ 562,317**	**$1,115,764**	**$1,194,397**

INCOME FROM EQUITY ACCOUNTED AND PREFERRED INVESTMENTS

For the three months ended June 30, 2020, income from equity accounted and preferred investments was approximately a $0.5 million, in comparison to the $1.1 million net loss reported for the three months ended March 31, 2020 but in line with the $0.5 million reported for the three months ended June 30, 2019. The increase over the three months ended March 31, 2020 is largely due to the fair value loss reported in the prior period.

For the six months ended June 30, 2020, Income from equity accounted and preferred investments was a $0.5 million net loss in comparison to the $1.0 million reported for the six months ended June 30, 2019. This decrease is largely due to the fair value loss reported in Q1/2020 as described above.

	Three Months Ended			Six Months Ended	
	Jun 30, 2020	**Mar 31, 2020**	**Jun 30, 2019**	**Jun 30, 2020**	**Jun 30, 2019**
Income from Equity Accounted Investments	$ 545,959	$ (1,097,238)	$509,045	$ (559,761)	$ 977,076
Less: Fair Value Adjustments	-	1,768,263	-	1,768,263	-
Income Before Fair Value Adjustments	**$ 545,959**	**$ 671,026**	**$509,045**	**$1,208,502**	**$ 977,076**

For the three months ended June 30, 2020, income from equity accounted investments before fair value adjustments was $0.5 million, a 19% decrease over the $0.7 million reported for the three months ended March 31, 2020 and a 7% increase over the $0.5 million reported for the three months ended June 30, 2019. The quarterly decrease from the three months ended March 31, 2020 is largely due to cash collections as a result of the COVID-19 pandemic. However, the quarterly increase is largely due to impact of recent acquisitions and increased rents realized from the various value add programs.

For the six months ended June 30, 2020, income from equity accounted investments before fair value adjustments was $1.2 million, a 25% increase over the $1.0 million reported for the six months ended June 30, 2019. The annual increase is largely due to the impact of recent acquisitions and increased rents realized across the portfolio from the various value add programs.

The Trust categorizes its preferred investments using a 12 month expected credit loss approach. Investments with a low credit risk are assigned to stage 1, increased credit risk to stage 2 and, where in default , to stage 3. The determination of significant increase in credit risk considers different factors which vary based on the investment. The Trust assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and certain criteria are met which are specific to the individual customer/borrower and underlying asset, based on judgement.

Preferred investments and associated allowance for losses on preferred investments accounted at amortised cost at June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020			December 31, 2019		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Preferred investments	$20,840,107	$ -	$ 5,571,496	$17,055,350	$ 5,327,814	$ -
Allowance for losses of preferred investments	-	-	(31,647)	-	-	-
Preferred Investments, net of allowances	**$20,840,107**	**$ -**	**$ 5,539,849**	**$17,055,350**	**$ 5,327,814**	**$ -**

The following table outlines the Trust's investments in associates comprised of investments in common equity, accounted for using the equity method and preferred interests, accounted for as preferred investment loans as at and for the three months and months ended June 30, 2020 along with comparable information.

Equity Accounted and Preferred Investments, December 31, 2018	**$ 28,698,180**
Investments	
- Common Equity	860,000
- Preferred Equity	1,273,565
Income Earned	
- Common Equity	177,237
- Preferred Equity	799,839
Less: Distributions and interest received	(616,064)
Equity Accounted and Preferred Investments, June 30, 2019	**$ 31,192,757**
Investments	
- Common Equity	2,099,335
- Preferred Equity	2,034,794
Income Earned	
- Common Equity	272,803
- Fair Value Adjustments	2,807,848
- Preferred Equity	945,344
Less: Distributions and interest received	(887,516)
Equity Accounted and Preferred Investments, December 31, 2019	**$ 38,465,367**
Investments	
- Common Equity	1,360,915
- Preferred Equity	3,732,655
Income Earned	
- Common Equity	129,958
- Fair Value Adjustments	(1,768,263)
- Preferred Equity	1,078,544
Less: Distributions and interest received	(979,234)
Equity Accounted and Preferred Investments, June 30, 2020	**$ 42,019,942**

	June 30, 2020	December 31, 2019
Assets		
Cash	$ 740,470	$ 883,977
Restricted Cash	4,619,042	2,843,411
Accounts Receivable	778,541	531,860
Other Assets	733,808	719,398
Investment Properties	213,221,756	189,714,434
	$ 220,093,616	**$ 194,693,081**
Liabilities		
Accounts Payable	2,305,242	2,213,869
Security Deposits	1,135,143	1,085,447
Mortgages	145,087,507	124,648,326
	$ 148,527,892	**$ 127,947,642**
Equity		
Retained Earnings	$ 9,225,493	$ 11,263,777
Preferred Equity	34,922,560	30,229,177
Common Equity	27,417,671	25,252,485
	$ 71,565,725	**$ 66,745,438**
	$ 220,093,616	**$ 194,693,081**
Investment Allocation for the Trust		
Equity Accounted Investments	$ 15,639,986	$ 16,082,203
Preferred Investments	26,379,956	22,383,164
	$ 42,019,942	**$ 38,465,367**

	Three Months Ended		Six Months Ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Net Income				
Rental Revenue	$ 5,219,266	$ 4,075,540	$10,378,138	$ 7,722,999
Property Operating Expenses	(2,911,495)	(1,868,693)	(5,444,188)	(3,586,380)
Net Rental Income	**$ 2,307,771**	**$ 2,206,847**	**4,933,950**	**4,136,619**
General & Administrative	(28,017)	(182,643)	(53,662)	(449,779)
Interest Expense	(1,735,992)	(1,257,834)	(3,304,191)	(2,320,127)
Fair Value Adjustments	-	-	(4,698,934)	-
Net Income Before Interest from Preferred Investments	**$ 543,762**	**$ 766,370**	**$ (3,122,837)**	**$ 1,366,714**
Less: Interest from Preferred Investments	(765,376)	(562,088)	(1,497,304)	(1,015,595)
Net Income	**$ (221,614)**	**$ 204,282**	**$ (4,620,141)**	**$ 351,119**
Income Earned by the Trust				
Common Equity	$ (2,390)	$ 99,396	$ 129,958	$ 177,237
Fair Value Adjustments	-	-	(1,768,263)	-
Preferred Equity	548,349	409,649	1,078,544	799,839
	$ 545,959	**$ 509,045**	**$ (559,761)**	**$ 977,076**

On September 27, 2019, the Trust closed an equity accounted and preferred investment to acquire a 138 unit multi-family residential building located in Canton, GA (the **"Canton Acquistion"**). The purchase price for 100% of the Canton Acquisiton was $19.3 million (including transaction costs). The Canton Acquistion was financed, in part with a $14.0 million, 4.0% first mortgage due on September 26, 2029. The Trust contributed $2.1

million (100% ownership) of preferred equity yielding 8% and $1.6 million of common equity representing a 50% ownership stake in the investment.

On January 31, 2020, the Trust closed an equity accounted and preferred investment to acquire the Woodglen Village, a 250-unit multi-family residential portfolio located in Houston, TX (the **“Woodglen Acquisition”**). The purchase price for 100% of the Woodglen Acquisition was $27.9 million (including transaction costs). The Woodglen Acquisition was financed, in part with a $22.1 million, 4.6% first mortgage due on January 30, 2024. The Trust contributed $3.6 million (100% ownership) of preferred equity yielding 9% and $1.4 million of common equity representing a 50% ownership stake in the investment.

INCOME FROM PREFERRED CAPITAL INVESTMENTS

On December 18, 2017, the Trust closed a participation of $2.5 million in a $12.0 million preferred capital loan (the **“New York Preferred Capital”**) to fund the acquisition of a portfolio of three apartment buildings located in New York, New York. The New York Preferred Capital 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 thereafter that is the greater of 13% or London Interbank Offered Rate (**“LIBOR”**) plus 10% per annum. The investment yield is interest only and may be repaid by the borrower prior to maturity in whole or in part upon 30 days prior written notice.

On September 24, 2018, $2.5 million of the New York Preferred Capital was repaid leaving a principal balance of $9.5 million. Subsequently, on June 5, 2019, an additional $1.0 million was advanced leaving a total principal balance of $10.5 million. As at June 30, 2020, the Trust’s pro-rata principal balance was $2.5 million.

On November 15, 2019, the Trust closed on a participation of $3.0 million in a $10.0 million preferred capital loan (the “Houston Preferred Capital”) for a portfolio of five apartment buildings located in Houston, Texas. The Houston Preferred Capital earns an interest rate of 12% per annum during its initial term of two years, following which if the term is extended, at an interest rate of 18% per annum. As at June 30, 2020, the Trust’s pro-rata principal balance was $3.0 million.

The Trust categorizes its preferred capital investments using a 12 month expected credit loss approuch. Investments with a low credit risk are assigned to stage 1, increased credit risk to stage 2 and an where in default to stage 3. The determination of significant increase in credit risk takes into account different factors which vary based on the investment. The Trust assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and certain criteria are met which are specific to the individual customer/borrower and underlying asset, based on judgement.

Preferred capital investments and associated allowance for losses on preferred capital investments accounted at amortised cost at June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020			December 31, 2019		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Preferred capital	$ 3,000,000	$ -	$2,602,759	$ 3,000,000	$ -	$2,373,377
Allowance for losses of preferred capital investments	-	-	(23,160)	-	-	-
Preferred Capital Investments, net of allowances	**$ 3,000,000**	**$ -**	**$2,579,599**	**$ 3,000,000**	**$ -**	**$2,373,377**

FAIR VALUE ADJUSTMENTS ON INVESTMENT PROPERTIES

As of June 30, 2020, the Trust owned the following investment properties:

- 311 wholly owned apartment units with a fair value of approximately $48.3 million;
- 1,762 jointly owned apartment units with an investment fair value of approximately $42.9 million; and

Each quarter, the Trust determines the fair value of its wholly owned and equity accounted and preferred investment portfolios using a combination of an internally managed valuation model and external appraisals using the income approach as well as comparable property sales.

For the three months June 30, 2020, the total fair value adjustment to investment properties was $nil, in comparison to the $0.9 million reported for the three months ended June 30, 2019. For the six months ended June 30, 2020, the total fair value adjustment to investment properties was a $nil million net in comparison to the $2.2 million reported for the six months ended June 30, 2019.

For the three months June 30, 2020, the total fair value adjustment to equity accounted investment properties was $nil, in comparison to the $nil reported for the three months ended June 30, 2019. For the six months ended June 30, 2020, the total fair value adjustment to equity accounted investment properties was a $1.8 million net loss in comparison to the $nil reported for the six months ended June 30, 2019.

VALUATION AND LEVERAGE

For the three months ended June 30, 2020, the Investment Portfolio had a valuation of $99.4 million. Net of associated mortgage debt of approximately $17.7 million, leverage (defined as Mortgages / Investment Portfolio) was 17.8%. For the year ended December 31, 2019, the Investment Portfolio had a valuation of $92.0 million. Net of associated mortgage debt of approximately $17.8 million, leverage was 19.4%.

	Three Months Ended	
	Jun 30, 2020	Dec 31, 2019
Investment Portfolio (1)	$ 99,369,847	$92,005,921
Less: Mortgages (2)	(17,658,647)	(17,812,352)
Net Equity	**$ 81,711,200**	**$ 74,193,569**
Leverage (Mortgages / Investment Portfolio)	***17.8%***	***19.4%***

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

(2) Exclusive of the Convertible Debentures, including the Convertible Debentures at June 30, 2020, leverage would be 29.2%.

GENERAL AND ADMINISTRATIVE ("G&A")

For the three months ended June 30, 2020, G&A was approximately $0.3 million, a decrease from the $0.5 million reported for the three months ended March 31, 2020, and the $0.4 million reported for the three months ended June 30, 2019. These quarterly decreases are largely due to lower overhead costs during the COVID-19 pandemic.

For the six months ended June 30, 2020, G&A was $0.8 million, largely in line with the $0.8 million reported for the six months ended June 30, 2019.

FINANCE COSTS

For the three months ended June 30, 2020, finance costs were approximately $0.4 million, largely in line with the $0.4 million reported for the three months ended March 31,2019, but a 91% increase over the $0.2 million reported for the three months ended June 30, 2019. For the six months ended June 30, 2020, finance costs were $0.9 million, a 62% increase over the $0.5 million reported for the six months ended June 30, 2019.

On a normalized cash basis (excluding non-cash accretion expense), cash finance costs were approximately $0.4 million, largely in line with the $0.4 million reported for the three months ended March 31, 2020, but a 91% increase in comparison to the $0.2 million for the three months ended June 30, 2019. For the six months ended June 30, 2020, cash finance costs were $0.8 million, an 86% increase over the $0.5 million reported for the six months ended June 30, 2019.

	Three Months Ended			Six Months Ended	
	Jun 30, 2020	Mar 31, 2020	Jun 30, 2019	Jun 30, 2020	Jun 30, 2019
Finance Costs	$ 439,185	$ 429,345	$ 224,139	$ 865,864	$ 534,237
Less: Accretion/ Amortization	(11,499)	(11,499)	-	(22,998)	(82,234)
Cash Finance Costs	**$ 427,686**	**$ 417,846**	**$ 224,139**	**$ 842,866**	**$ 452,003**
% Change - Cash Finance Costs		**2 %**	**91 %**		**86 %**

The increases in the annual and quarterly cash finance costs in comparison to the three and six months ended June 30, 2019 are largely due to the higher interest costs associated with the convertible debenture offering in August 2019.

FUNDS FROM OPERATIONS ("FFO"), ADJUSTED FUNDS FROM OPERATIONS ("AFFO").

For the three months ended June 30, 2020, FFO was $1.6 million, a slight decrease over the $1.9 million reported for the three months ended March 31, 2020, but a significant improvement over the $0.5 million reported for the three months ended June 30, 2019. For the six months ended June 30,2020, FFO was $3.5 million, a significant improvement over the $1.0 million reported for the six months ended June 30, 2019.

For the three months ended June 30, 2020, AFFO was $0.5 million, largely in line with the $0.5 million reported for the three months ended March 31, 2020 and the three months ended June 30, 2019. For the six months ended June 30, 2020, AFFO was $0.9 million, in comparison to the $1.0 million reported for the six months ended June 30, 2019.

The increase FFO, in aggregate and on a per unit basis in comparison to the three and six months ended June 30, 2019 is largely due to the fair value gain associated with the decreased trading price of the convertible debentures.

The slight decrease in AFFO, in aggregate and on a per unit in comparison to the three and six months year ended June 30, 2019 is largely due to the impact of COVID-19.

	Three Months Ended			Twelve Months Ended	
	June 30, 2020	**Mar 31, 2020**	**Jun 30, 2019**	**June 30, 2020**	**Jun 30, 2019**
Net income	**$ 1,404,620**	**$1,111,310**	**$ 1,372,969**	**$ 2,515,932**	**$ 3,117,165**
Add (deduct):					
Income tax expense	-	-	-	-	-
Fair value gain on investment properties	-	-	(860,367)	-	(2,163,736)
Fair value loss on equity accounted investme	-	1,768,263	-	1,768,263	-
Foreign exchange (gain)/loss	214,105	(972,210)	(2,323)	(758,105)	(6,355)
Finance Fee amortization	11,499	11,499	-	22,998	-
FFO	**$ 1,630,223**	**$1,918,861**	**$ 510,279**	**$ 3,549,089**	**$ 947,074**
Add (deduct):					
Accretion Expense	-	-	-	-	82,234
Fair value gain on convertible debentures	(1,146,983)	(848,363)	-	(1,992,678)	-
Unit based (expense) / recovery	(4,961)	(575,026)	1,983	(579,987)	(292)
Capital expenditures	(13,195)	(14,699)	(14,058)	(27,894)	(29,860)
AFFO	**$ 465,085**	**$ 480,775**	**$ 498,204**	**$ 948,529**	**$ 999,156**
Weighted Average Units	**8,385,777**	**7,255,560**	**6,935,306**	**7,865,326**	**6,935,472**
FFO per share	**$ 0.19**	**$ 0.26**	**$ 0.07**	**$ 0.49**	**$ 0.14**
AFFO per share	**$ 0.06**	**$ 0.07**	**$ 0.07**	**$ 0.13**	**$ 0.14**

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			Twelve Months Ended	
	June 30, 2020	Mar 31, 2020	Jun 30, 2019	June 30, 2020	Jun 30, 2019
Net income	**$ 1,404,620**	**$1,111,310**	**$ 1,372,969**	**$ 2,515,932**	**$ 3,117,165**
Add (deduct):					
Income tax expense	-	-	-	-	-
Fair value gain on investment properties	-	-	(860,367)	-	(2,163,736)
Fair value loss on equity accounted investments	-	1,768,263	-	1,768,263	-
Foreign exchange (gain)/loss	214,105	(972,210)	(2,323)	(758,105)	(6,355)
Finance Fee amortization	11,499	11,499	-	22,998	-
FFO	**$ 1,630,223**	**$1,918,861**	**$ 510,279**	**$ 3,549,089**	**$ 947,074**
Add (deduct):					
Accretion Expense	-	-	-	-	82,234
Fair value gain on convertible debentures	(1,146,983)	(848,363)	-	(1,992,678)	-
Unit based (expense) / recovery	(4,961)	(575,026)	1,983	(579,987)	(292)
Capital expenditures	(13,195)	(14,699)	(14,058)	(27,894)	(29,860)
AFFO	**$ 465,085**	**$ 480,775**	**$ 498,204**	**$ 948,529**	**$ 999,156**
Weighted Average Units	**8,385,777**	**7,255,560**	**6,935,306**	**7,865,326**	**6,935,472**
FFO per share	**$ 0.19**	**$ 0.26**	**$ 0.07**	**$ 0.49**	**$ 0.14**
AFFO per share	**$ 0.06**	**$ 0.07**	**$ 0.07**	**$ 0.13**	**$ 0.14**

COMPARABLE CASH FLOWS

Comparable operating, investing and financing cash flows for the three months ended June 30, 2020, and 2019 are outlined below:

	Three Months Ended		Six Months Ended	
	June 30, 2020	**June 30, 2019**	**Jun 30, 2020**	**Jun 30, 2019**
Operating Activities	$ 539,488	$ 438,224	$ 669,658	$ 544,039
Investing Activities	(3,764,743)	(1,319,198)	(8,823,888)	(163,822)
Financing Activities	(1,253,572)	(138,513)	9,722,396	(2,051,889)
Increase/ (Decrease) in Cash	**$(4,478,827)**	**$ (1,019,487)**	**$1,568,167**	**$(1,671,672)**
Cash, Beginning of Period	13,087,514	2,353,421	7,040,520	3,005,606
Cash, End of Period	**$ 8,608,687**	**$ 1,333,934**	**$8,608,687**	**$ 1,333,934**

Net cash generated by operating activities increased in comparison to the three and six months ended June 30, 2019 largely due to the accretive impact of investments and increased rents realized as part of the value add programs increasing the Trust's working capital.

Net cash used by investing activities increased in comparison to the three and six months ended June 30, 2019 largely due to the new investments as described above.

Net cash used by financing activities increased in comparison to the three months ended June 30, 2019, largely due to the NCIB purchases which occurred during the three months ended June 30, 2020.

Net cash generated by financing activities increased in comparison to the six months ended June 30, 2019 largely due to the net proceeds received from the issuance of trust units, offset by the NCIB activity and higher cash distributions paid.

RELATED PARTY TRANSACTIONS

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

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

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

b) Acquisition Fee:

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

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

c) Performance Incentive Fees: 15% of AFFO once AFFO exceeds 8.0% of Net Asset Value ("**NAV**") per Unit.

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

e) Property Management Fees:

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

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

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

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

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

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

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

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

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

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

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

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

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

For the six months ended June 30, 2020, asset management fees were $303,508 (2019-$482,457), loan servicing fees were $43,745 (2019-$35,960), acquisition fees were $124,912 (2019-$61,000), debt placement fees were $27,662 (2019- $nil), equity placement fees were $31,623 (2019-$nil) and property management fees were $41,110 (2019-$44,716).

Asset Management fees and loan servicing fees are included in general and administrative expenses. Property management fees are included in property operating expenses. Finance costs associated with the promissory note are included in finance costs, while the acquisition fees and debt placement fees are capitalized to equity accounted investments. Equity Placement Fees have been capitalized against unitholders' equity.

As at June 30, 2020, the Trust has accrued $485,217 (December 31, 2019 - $722,859) under this Management Agreement, which is included in accounts payable and accrued liabilities.

MORTGAGES PAYABLE

As at June 30, 2020, the Trust had mortgages payable secured by the multi-family properties of $17,658,647 (including the current portion and net of unamortized financing costs) (December 31, 2019-$17,812,352) which bear interest at a weighted average interest rate of 4.37% (December 31, 2019- 4.37%) per annum, and have maturity dates ranging between October 2022 and June 2023.

	June 30, 2020	December 31, 2019
Mortgages payable	$ 17,834,229	$ 18,010,932
Less: current portion	(366,102)	(355,899)
Less: unamortized financing costs	(175,582)	(198,580)
	$ 17,292,545	$ 17,456,453

The following annual payments of principal and interest are required over the next four years in respect of these mortgages:

	Principal	Interest	Total
2020	$ 180,560	$ 382,404	$ 562,964
2021	375,241	775,148	1,150,389
2022	11,210,634	676,134	11,886,768
2023	6,067,794	127,451	6,195,245
Total	$ 17,834,229	$ 1,961,137	$ 19,795,367

CONVERTIBLE DEBENTURE

On August 8, 2019, the Trust closed a $13.7 million (CAD $18.1 million based on the Bank of Canada daily noon rate of exchange $1.3257), 6.25% convertible unsecured unsubordinated debenture (the "Convertible Debenture") offering. On August 13, 2019, the Trust closed an additional $1.0 million (CAD $1.3 million based on the Bank of Canada daily noon rate of exchange of $1.3236) of the Convertible Debenture. The Convertible Debenture is due on June 30, 2026. The Convertible Debenture can be converted into trust units at an exercise price of CAD $12.60 per trust unit (the “Conversion Option”) at any time prior to June 30, 2026. Each Convertible Debenture Unit also includes 79 trust unit purchase warrants (the “Warrants”) of the Trust. The warrants are exercisable at an exercise price of CAD $12.60 per trust unit for a period of two years expiring on August 7, 2021.

On May 20,2020, The Trust received approval from the TSX Venture Exchange (the “Exchange”) to commence a normal course issuer bid (the “Bid”) to purchase up to $1,810,800 principal amount of the Convertible Debenture being equal to 10% of the public float as at May 20, 2020. Pursuant to the policies of the Exchange, the Bid will be tied to the previously announced normal course issuer bid for the Trust's Trust Units and will therefore be deemed to commence on April 30, 2020 and will end on the earlier of April 29, 2021, or at such time as the Bid has been completed or the Bid is terminated at the Trust's discretion. For the three months ended June 30, 2020, the Trust purchased CAD $0.005 million of the principal of the Convertible Debentures.

UNITHOLDERS’ EQUITY

Unitholders’ Equity as of June 30, 2020 was $76,560,797 and consisted of the following:

	Number of Units	Unitholder's Equity
Balance at June 30, 2019	6,935,306	$ 62,002,396
Add: Net Income	-	3,938,697
Less: Distributions	-	(818,367)
Unitholder's Equity, December 31, 2019	**6,935,306**	**$ 65,122,724**
Issuance of Units from DRIP	2,669	21,623
Issuance of Units, Net of Issuance Costs	1,590,000	11,523,781
Revaluation of Warrants and Options	-	(979,891)
Warrants Exercised	1,000	8,500
Nornal Course Issuer Bid	(107,000)	(650,454)
Add: Net Income	-	2,515,932
Less: Distributions	-	(1,001,416)
Unitholder's Equity, June 30, 2020	**8,421,975**	**$ 76,560,797**

Outlined below are the key movements in Trust Units:

- On January 30, 2019, the Trust repurchased 1,000 common units through a Normal Course Issuer Bid a price of $6.80 per unit for a total gross proceeds of $0.007 million.
- On March 13, 2020, the Trust closed a marketed offering of 1,590,000 Trust Units at a price of $8.20 (CAD $10.90 per Trust Unit based on the Bank of Canada daily noon rate of exchange of $1.3745). The Trust raised total gross proceeds of $12.6 million ($11.5 million net of issuance costs).
- On April 28, 2020. The Trust received approval from the TSX Venture Exchange (the “Exchange”) to commence a normal course issuer bid (the “Bid”) to purchase up to 645,442 of its trust units being equal to 10% of the public float as at April 23 ,2020. Pursuant to the policies of the Exchange, the Bid commenced on April 30, 2020 and will end on the earlier of April 29, 2021, or such time as the bid has been completed

or the bid is terminated at the Trust's discretion. For the three months ended June 30, 2020, the Trust repurchased 107,000 Trust Units for a total gross proceeds of $0.7 million.

- On May 27, 2020, 1,000 warrants were exercised resulting in net proceeds of $0.008 million, while the remaining options expired.

DISTRIBUTIONS

For the three months ended June 30, 2020, the Trust declared distributions of $0.059 per Trust Unit resulting in total distributions of $498,265 (2019- $409,183). For the six months ended June 30, 2020, the Trust declared distributions of $0.118 per Trust Unit resulting in total Distributions of $1,001,416 (2019- $818,364). As at June 30, 2020, the Trust accrued $498,265, which is included in its accounts payable and accrued liabilities (2019- $409,183).

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

The excess/(shortfall) of cash flow from operating activities over distributions and net income and comprehensive income over distributions for the three and six months ended June 30, 2020 and comparable periods are outlined below:

	Three Months Ended			Six Months Ended	
	Jun 30, 2020	Mar 31, 2020	Jun 30, 2019	Jun 30, 2020	Jun 30, 2019
Total Operating Activities (A)	**$ 539,488**	**$ 130,169**	**$ 438,224**	**$ 669,658**	**$ 544,039**
Cash Finance Costs					
Finance Costs	439,185	429,345	224,139	$ 865,864	534,237
Less: Accretion/Amortization	(11,499)	(11,499)	-	(22,998)	(82,234)
Net Cash Interest Expense (B)	**$ 427,686**	**$ 417,846**	**$ 224,139**	**$ 842,866**	**$ 452,003**
Net Cash Flows from Operating Activities (A-B)	**$ 111,802**	**$ (287,677)**	**$ 214,085**	**$ (173,208)**	**$ 92,036**
Net Income	**$1,404,620**	**$1,111,310**	**$1,372,969**	**$ 2,515,932**	**$ 3,117,165**
Distributions	**$ 498,265**	**$ 503,151**	**$ 409,183**	**1,001,416**	**818,367**
Shortfall of Net Cash Flow From Operating Activities Over Distributions	**$ (386,463)**	**$ (790,828)**	**$ (195,098)**	**$ (1,174,624)**	**$ (726,331)**
Excess of Net Income Over Distributions	**$ 906,355**	**$ 608,159**	**$ 963,786**	**$ 1,514,516**	**$ 2,298,801**

For the three and six months ended June 30, 2020, the Trust had distributions in excess of net cash flows from operating activities. This distribution was funded from the Trust's cash on hand. The excess distribution was paid in the normal course from recurring cash flow and had no impact on the sustainability of distributions given that the distribution was covered from ongoing cash flows generated from the Trust's investment portfolio.

DIVIDEND REINVESTMENT PLAN & UNIT PURCHASE PLAN

On September 29, 2017, the Corporation announced that it had implemented a dividend reinvestment plan (the "**DRIP**") and a share purchase plan (the "**Purchase Plan**" and collectively with the DRIP, the "**Plans**"), each to be offered to holders of Common Shares resident in Canada and administered by TSX Trust Corporation (the "**Agent**"). On January 1, 2020, the Plans were assumed by the Trust pursuant to the Arrangement. The Plans enable Unitholders to increase their investment in the Trust by receiving distribution payments and/or optional cash payments in the form of Trust Units. Pursuant to the DRIP and Purchase Plan, holders of Trust Units may elect to: (a) have all cash distributions of the Trust automatically reinvested in additional Trust Units at the Average Market Price and (b) purchase Trust Units by contributing optional cash payments to the Trust, which will be invested for additional Trust Units at the Average Market Price.

If the Average Market Price is less than US$8.10, (the "**Reference Price**"), the Agent shall use such funds to purchase, at a cost less than the Reference Price, additional Trust Units for the participants through the facilities of the TSXV for a period of five (5) trading days following the relevant distribution date. To the extent the Agent is unable to purchase additional Trust Units at a cost less than the Reference Price because Trust Units are not offered or are offered at prices which, after payment of brokerage fees or commissions, would result in a cost at or exceeding the Reference Price, then the remaining funds will be applied to the purchase of Trust Units from the treasury of the Trust at the Reference Price. If the Average Market Price is equal to or more than the Reference Price, the funds will be applied to the purchase of Trust Units from the treasury of the Trust at the Average Market Price.

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

For the three months ended June 30, 2020, 2,669 Trust Units were issued from treasury for total gross proceeds of $21,623 to Unitholders who elected to receive their distributions under the DRIP.

WARRANTS

The Trust had the following warrants outstanding and exercisable as at June 30, 2020:

Issuance Date	Number of warrants		Weighted average exercise price		Warrants Reserve	Expiry Date
November 9, 2018	808,643	$	9.50	$	3,290	November 9, 2020
August 8, 2019 (i)	1,534,812	$	CAD 12.60		-	August 7, 2021
March 13, 2020 (ii)	1,590,000	$	10.75		71,348	March 13, 2022
Total/ Weighted Average	3,933,455		9.91	$	74,638	

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

Warrant Assumptions	June 30, 2020	January 1, 2020
Stock Price	$ 5.50	$ 6.51
Exercise Price	$9.50-$10.75	$8.50-$9.50
Expected Life in Years	0.16-1.95	0.41-0.86
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	$ 0.24	$ 0.24
Discount Rate - Bond Equivalent Yield	0.27%	1.65%

- On August 8, 2019, the Trust issued 1,534,812 Warrants as part of the Convertible Debenture offering as further described in note 8(b) of the condensed consolidated interim financial statements. The warrants have an exercise price of CAD $12.60 per Trust Unit and expire on August 7, 2021. As the functional currency of the Trust is USD, the Warrants were classified as embedded derivatives. The Trust has elected to classify and measure the Convertible Debenture at FVTPL with changes in fair value being recognized in finance costs.
- On March 13, 2020, the Trust issued 1,590,000 Warrants as part of the equity offering as further described in note 11(a)(ii) of the condensed consolidated interim financial statements. The Warrants have an exercise price $10.75 per Trust Unit and expire on March 13, 2022.

OPTIONS

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

The Trust had the following options outstanding and exercisable on June 30, 2020:

Issuance Date	Number of Options	Weighted average	Warrants Reserve	Expiry Date
August 17, 2017	368,738	$ 7.50	$ 206,836	August 17,2027
November 19, 2018	248,400	$ 8.30	124,321	November 19, 2028
Total/ Weighted Average	617,138	$ 7.82	$ 331,157	

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

Option Assumptions	June 30, 2020	January 1, 2020
Stock Price	$ 5.50	$ 6.51
Exercise Price	$7.50-$8.30	$7.50-$8.30
Expected Life in Years	7.13-8.39	7.69-8.89
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	$ 0.24	$ 0.24
Discount Rate - Bond Equivalent Yield	0.27%	1.65%

SUBSEQUENT EVENTS

Q3/2020 Distributions: On August 11, 2020, the Trust declared and approved quarterly distributions of $0.059 per unit for unitholders on record on September 30, 2020 payable on or about October 15, 2020.

Extension of New York Preferred Capital Loan: On July 1, 2020, the New York Preferred Capital loan was extended and will mature on January 1, 2023 earning 12% interest of which 9% will be paid monthly while the remainder will be paid on maturity.

NCIB Activity: Subsequent to the three months ended June 30, 2020, the Trust retired Convertible Debentures with a par value of approximately $50,000 and 12,100 Trust Units for a gross proceeds of approximately $59,000, at a weighted average of $4.13 per Trust Unit.

Trust Name Change: On August 11, 2020, the Board of Trustees has approved, subject to TSXV and regulatory approval, a name change to "Firm Capital Apartment Real Estate Investment Trust".

New Trustee: The board is pleased to announce that Jonathan Mair has been appointed to the board of trustees subject to TSXV and regulatory approval.

New York City Joint Venture: The Trust's asset manager is currently completing an arrangement with its partner in its New York City Portfolio joint venture investment that consists of eight multi-family buildings comprised of 127 residential units and two commercial units to assume a 45% ownership interest (from 22.5%) for no further cost to the Trust. The Trust plans on collapsing its preferred and common equity investment into one direct property investment, representing a 45% ownership interest and, subject to completion of documentation, the Trust intends to account for this investment as a joint arrangement. The completion of the arrangement is expected to occur during Q3/2020.

COVID-19 Impact: COVID-19 was declared a global pandemic which resulted in US federal and state governments enacting health and emergency measures to combat the spread of the virus which has led to an economic downturn.

The duration and impact of COVID-19 is currently unknown with federal and state governments providing various stimulus measures to stabilize economic conditions. As of August 11, 2020, the Trust has received approximately 91% of Q2/2020 rents and is actively either collecting the remaining rent or working with tenants who require assistance. While it is too early to determine if the Trust will be able to maintain its collection efforts in the months ahead, the Trust's tenant base is comprised primarily of residential tenants and the overall occupancy rate stands at approximately 94%.

Capitalization rates used in the valuation of investment properties, equity accounted and preferred investments as at June 30, 2020 are based on current market data available.

The Trust continues to review its cash flow projections and the fair value of its real estate portfolio in these challenging times. Capitalization rates could change materially as additional market data becomes available. As such, significant changes in assumptions concerning rental income, occupancy rates, tenant inducements and future market rents could negatively impact future real estate valuations and the Trust's overall operations as COVID-19 continues.

NEW CHANGES IN ACCOUNTING POLICIES

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

II. Amendments to References to the Conceptual Framework in IFRS Standards. On March 29, 2018, the IASB issued a revised version of its Conceptual Framework for Financial Reporting (the Framework), that underpins IFRS Standards. The IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards to update references in IFRS Standards to previous versions of the Conceptual Framework. Both documents are effective from January 1, 2020 with earlier application permitted. The Trust adopted the amendments on January 1, 2020 and did not experience a material impact reflected in these condensed consolidated interim financial statements.

III. Definition of Material (Amendments to IAS 1 and IAS 8). On October 31, 2018, the IASB refined its definition of material and removed the definition of material omission or misstatements from IAS 8. The definition of material has been aligned across IFRS Standards and the Framework. The amendments provide a definition and explanatory paragraphs in one place. Pursuant to the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments are effective for annual periods beginning on or after January 1, 2020.The Trust adopted the amendments on January 1, 2020 and did not experience a material impact reflected in these condensed consolidated interim financial statements.

IV. Unitholders' Equity: As part of the Arrangement completed on January 1, 2020 the common shares of the predecessor corporation were converted into trust units. The Trust Units are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with International Accounting Standard 32 (IAS 32) and as further described in note 11(a). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, puttable instruments may be presented as equity. To be presented as equity, a puttable instrument must meet all of the following conditions: (i) it must entitle the holder to a pro rata share of the entity's net assets in the event of the entity's dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class must have identical features; (iv) other than the redemption feature, there can be no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the instrument must be based substantially on the profit or loss of the entity or change in fair value of the instrument. This is called the "Puttable Instrument Exemption". The Trust Units meet the Puttable Instrument Exemption criteria and accordingly are presented as equity in the consolidated financial statements. The distributions on Trust Units are deducted from retained earnings.

As part of the Arrangement completed on January 1, 2020 (“arrangement date”), the common shares of the predecessor corporation were converted into trust units.

V. Unit-Based Compensation: The Trust has issued an options, warrants and deferred trust units (collectively the “Units”) as outlined in notes 11 (c), (d) and 17 of the condensed consolidated interim financial statements. These Units were granted to senior management, the Board of Trustees of the Trust, investors in the convertible debenture offering (note 8) and the unit issuance (note 11(a)(ii)). These Units provide holders with the right to receive Trust Units, which are puttable. The Trust measures these Units at fair value at the grant date, a compensation recovery/ expense is recognized over the vesting period. The fair values of the units are determined at both the Arrangement date and each reporting period and the change in fair value is recognized as a fair value adjustment to financial instruments. Unit-based compensation is classified as a liability.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF TRUSTEES

Management is responsible for the information disclosed in this MD&A, and has in place the appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is materially complete and reliable. In addition, the Trust’s Audit Committee and Board of Trustees provide an oversight role with respect to all public financial disclosures by the Trust, and have reviewed and approved this MD&A and the condensed consolidated interim financial statements as at June 30, 2020 and 2019.

CONTROLS AND PROCEDURES

The Trust maintains appropriate information systems, procedures and controls to ensure that information disclosed externally is complete, reliable, and timely. The Trust’s Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision of, the design and operating effectiveness of the Trust’s disclosure controls and procedures (as defined in National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings) as at June 30, 2020 and have concluded that such disclosure controls and procedures were appropriately designed and were operating effectively.

The Trust has also established adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Trust’s financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. The Trust’s Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision, of the design and operating effectiveness of the Trust’s internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings) as at June 30, 2020. Based on that assessment, it was determined that the Trust’s internal controls over financial reporting were appropriately designed and were operating effectively. In addition, the Trust did not make any changes to the design of the Trust's internal controls over financial reporting during the three months ended June 30, 2020 that would have materially affected or would be reasonably likely to materially affect the Trust's internal controls over financial reporting.

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

RISKS AND UNCERTAINTIES

GEOGRAPHIC CONCENTRATION

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

ACQUISITION RISK

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

CO-INVESTMENT/INVESTMENTS IN ASSOCIATES

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

PURCHASE AGREEMENTS

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

NON-REFUNDABLE DEPOSITS

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

OPERATIONAL RISKS

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

RISKS RELATED TO PREFERRED CAPITAL LOAN DEFAULTS

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

FORECLOSURE AND RELATED COSTS

One or more borrowers could fail to make payments according to the terms of their loan, and the Trust could therefore be forced to exercise its rights as the preferred creditor. The recovery of a portion of the Trust’s assets may not be possible for an extended period of time during this process and there are circumstances where there may be complications in the enforcement of the Trust’s rights as the preferred creditor. Legal fees and expenses and other costs incurred by the Trust in enforcing its rights as the 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 Trust. Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income or whether preferred capital loan payments are being made. The Trust may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

RISK OF PUBLIC HEALTH CRISES

Public health crises, pandemics and epidemics, including the novel coronavirus (COVID-19), could adversely impact the Trust's tenants and their ability to make regular rental payments due to decreased income. Accordingly, these events could have a material adverse effect on the Trust's business, financial conditions and cash flows. The Trust is continuously monitoring the impact of COVID-19 and will continue to transparently communicate with its staff, tenants and stakeholders.

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

RISK OF LOSS NOT COVERED BY INSURANCE

The Trust maintains insurance policies related to its business, including casualty, general liability, and other policies covering the Trust's business operations, employees, and assets. However, the Trust will be required to bear all losses that are not adequately covered by insurance, as well as any insurance deductibles. In the event of a substantial property loss, the existing insurance coverage may be insufficient to pay the full current market value or current replacement cost of such property loss. In the event of an uninsured loss, the Trust could lose some or all of its capital investment, cash flow and anticipated profits related to one or more properties. Although the Trust believes that its insurance programs are adequate, assurance cannot be provided that the Trust will not incur losses 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 Trust's current insurance policies expire, the Trust may encounter difficulty in obtaining or renewing property or casualty insurance on the properties at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (e.g., earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Even if the Trust is able to renew policies at levels and with limitations consistent with current policies, the Trust cannot be sure that it will be able to obtain such insurance at premiums that are reasonable. If the Trust is unable to obtain adequate insurance on the properties for certain risks, it could cause the Trust to be in default under specific covenants on certain of its indebtedness or other contractual commitments that it has which require the Trust to maintain adequate insurance on the properties to protect against the risk of loss. If this were to occur, or if the Trust were unable to obtain adequate insurance and the properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations.

ACCESS TO CAPITAL

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

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

FINANCING RISK

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

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

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

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

DEGREE OF LEVERAGE

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

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

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

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

RELIANCE ON PROPERTY MANAGEMENT

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

LITIGATION RISKS

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

LAWS BENEFITING DISABLED PERSONS

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

POTENTIAL CONFLICTS OF INTEREST WITH TRUSTEES

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

INTERNAL CONTROLS

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

U.S. LAWS AND REGULATIONS

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

U.S. CURRENCY RISK

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

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 Trust'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.

LIQUIDITY

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

RELIANCE ON ASSUMPTIONS

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

GENERAL REAL ESTATE OWNERSHIP RISKS

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

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

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

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

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

SUBSTITUTIONS FOR RESIDENTIAL RENTAL UNITS

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

COMPETITION

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

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

Trust's business, cash flows, financial condition and results of operations and ability to declare and pay any distributions to Unitholders.

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

CHANGES IN APPLICABLE LAWS

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

Lower revenue growth or significant unanticipated expenditures may result from the Trust's need to comply with changes in Applicable Laws, including (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; (ii) rent control or rent stabilization laws or other residential landlord/tenant laws; or (iii) other governmental rules and regulations or enforcement policies affecting the development, use, and operation of the properties, including changes to building codes and fire and life-safety codes.

ENVIRONMENTAL MATTERS

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

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

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

THE COSTS ARISING FROM RENOVATION OF PROPERTIES

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

FIXED COSTS AND INCREASED EXPENSES

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

The Trust is also subject to utility and property tax risk relating to increased costs that the Trust 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 Trust cannot charge back to the tenant may have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and the ability to make, declare, and pay any dividends. Unlike commercial leases, which generally are ''net'' leases and allow a landlord to recover expenditures from tenants, residential leases are generally ''gross'' leases and the landlord is not able to pass on costs to its tenants. Generally, the Trust's leases with tenants require the tenant to pay directly for their own utilities. The timing and amount of capital expenditures by the Trust will affect the amount of any distributions available to Unitholders.

INTEREST RATE RISK

Interest rate risk is the combined risk that the Trust would experience a loss 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 Trust would be unable to renew the maturing debt either with the existing lender or a new lender (renewal risk).

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

ASSUMPTIONS MAY PROVE INACCURATE

In determining whether a particular property meets its investment criteria, the Trust 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 Trust to pay too much for properties it acquires, to overvalue properties or to have properties not perform as expected, and adjustments to the assumptions made in evaluating potential purchases may result in fewer properties qualifying under the Trust's investment criteria. Reductions in the supply of properties that meet the Trust's investment criteria may adversely affect the Trust's operating results and ability to implement its business plan.

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

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

OUTLOOK

Despite the many challenges presented by COVID-19, the Trust had a number of accomplishments during the quarter and shortly thereafter:

- Collected approximately 91% of its quarterly rent despite having properties located in COVID-19 "hot spots" such as New York and New Jersey;
- Executed on a short term strategy by investing CAD$4.7 million into accretive mortgage investments that yield between 9.00%-9.75%;
- Redeemed 686,200 Trust Units at a price of CAD$5.35 per Trust Unit (US$4.00 per Trust Unit) representing total gross proceeds of approximately CAD$3.7 million ($2.8 Million); and
- Purchased for cancellation 123,700 Trust Units for total gross proceeds of approximately $0.7 million.

The cash collected during the quarter from both rental activities and mortgage investments have allowed the Trust to continue to pay its normal course distribution. Further, the redemption and cancellation of Trust Units for proceeds far lower than what they were originally issued for has been an accretive investment opportunity for the Trust. The Trust has effectively retained approximately $3.0 million of cash on its balance sheet at no cost, which in part increased NAV to $9.55 per Trust Unit and will generate annual distribution savings of approximately $0.2 million that will benefit unitholders over the long term.

Going forward, the Trust continues to pursue US real estate equity and debt investments through acquiring (i) income producing real estate investments in both core and non-core markets; and (ii) mortgage debt investments. With restrictions in place at the US/Canada border, its has been difficult for the Trust to undertake due diligence on new acquisitions. However with restrictions lifting for air travel, the Trust has re-commenced its acquisition program. With liquidity of approximately $7.8 million in the form cash on hand and mortgage investments available to be used for acquisitions, the Trust is not only well capitalized to weather the remainder of the COVID-19 pandemic, but also have cash available for future acquisitions.