

A low-angle photograph of a tall American flag waving in the wind, set against a backdrop of modern skyscrapers. The flag's stars and stripes are clearly visible. The buildings are made of glass and steel, with many windows reflecting the sky. The overall scene conveys a sense of corporate strength and national identity.

FIRM CAPITAL APARTMENT REIT

CAPITAL PRESERVATION • DISCIPLINED INVESTING

FINANCIAL STATEMENTS

THIRD QUARTER 2022
SEPTEMBER 30, 2022

Condensed Consolidated Interim Financial Statements of

**FIRM CAPITAL APARTMENT REAL ESTATE
INVESTMENT TRUST**

For the Three and Nine Months Ended September 30, 2022 and 2021

(Expressed in US Dollars)

The accompanying unaudited condensed consolidated interim financial statements of Firm Capital Apartment Real Estate Investment Trust for the three and nine months ended September 30, 2022 have been prepared by and are the responsibility of management. These unaudited condensed consolidated interim financial statements, together with the accompanying notes, have been reviewed and approved by members of Firm Capital Apartment Real Estate Investment Trust's audit committee. In accordance with National Instrument 51 – 102 Firm Capital Apartment Real Estate Investment Trust discloses that these unaudited condensed consolidated interim financial statements have not been reviewed by Firm Capital Apartment Real Estate Investment Trust's auditors.

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Balance Sheets

(Expressed in US Dollars)

(Unaudited)

	Notes	September 30, 2022	December 31, 2021
Assets			
Current Assets			
Cash and Cash Equivalents		\$ 929,379	\$ 4,160,282
Restricted Cash		3,401,116	911,047
Accounts Receivable		722,487	676,880
Prepaid Expenses and Other Assets		368,661	184,592
Total Current Assets		5,421,643	5,932,802
Non-Current Assets			
Investment Properties	3	131,410,440	78,405,292
Equity Accounted Investments	4	8,755,157	23,280,118
Preferred Investments	4	8,908,842	17,246,878
Preferred Capital Investments	5	5,068,332	2,764,943
Total Non-Current Assets		154,142,771	121,697,231
Total Assets		\$ 159,564,415	\$ 127,630,033
Liabilities and Unitholders' Equity			
Current Liabilities			
Accounts Payable and Accrued Liabilities	12	6,001,430	3,574,389
Mortgages and Loan Payable	7(a),8	28,748,891	11,512,345
Unit Based Liabilities	9(c)	325,613	648,987
Total Current Liabilities		35,075,934	15,735,721
Non-Current Liabilities			
Mortgages and Loan Payable	7(a),8	46,911,443	19,108,614
Convertible Debentures Payable	6,8	12,872,579	15,079,288
Deferred Tax Liability		545,616	545,616
Total Non-Current Liabilities		60,329,638	34,733,518
Total Liabilities		95,405,572	50,469,238
Unitholders' Equity	9	64,158,842	77,160,795
Total Liabilities and Unitholders' Equity		\$ 159,564,415	\$ 127,630,033

Subsequent Event

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See accompanying Notes to the Condensed Consolidated Interim Financial Statements

(signed) "Geoffrey Bledin"

Geoffrey Bledin

Chairman & Trustee

(signed) "Sandy Poklar"

Sandy Poklar

President & CEO

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2022 and 2021
(Expressed in US Dollars)
(Unaudited)

	Notes	Three Months Ended		Nine Months Ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net Rental Income					
Rental Revenue		\$ 3,221,219	\$ 1,781,855	\$ 8,320,256	\$ 4,126,123
Property Operating Expenses	13	(1,727,437)	(819,708)	(4,526,620)	(2,000,125)
		1,493,782	962,147	3,793,635	2,125,999
Income from Investments					
Income from Equity Accounted Investments	4	183,383	292,422	659,161	794,796
Income from Preferred Investments	4	353,085	437,940	1,087,337	1,585,798
Income from Preferred Capital Investments	5	133,800	118,604	358,592	533,016
		670,268	848,965	2,105,090	2,913,610
Expenses					
General and Administrative	13	(598,903)	(567,154)	(1,339,638)	(1,657,724)
Finance Costs	13	(1,180,469)	(648,438)	(2,835,710)	(1,686,814)
		(1,779,371)	(1,215,592)	(4,175,348)	(3,344,539)
Net Income Before Fair Value and Other Adjustments		\$ 384,679	\$ 595,520	\$ 1,723,377	\$ 1,695,070
Fair Value Adjustments					
Investment Properties	3	(3,149,264)	3,346,266	(8,439,889)	4,869,716
Asset Acquisitions	3	-	-	29,226	108,902
Investment Properties Held in Equity Accounted Investments	4	-	901,771	(3,487,748)	2,419,562
Convertible Debentures	6,8	1,023,490	292,471	1,173,412	(2,472,723)
Unit Based Recovery (Expense)	9(c)	403,050	403,796	323,374	(460,963)
Other Adjustments					
Provision for Impairment - Equity Accounted Investments	4	(1,153,333)	-	(1,153,333)	-
Provision for Impairment - Preferred Investments	4	(175,872)	(3,223,306)	(2,329,550)	(5,087,088)
Provision for Impairment - Preferred Capital Investments	5	(13,850)	(327,861)	(1,474,645)	(945,881)
Foreign Exchange Gain	14	1,246,941	565,273	1,553,150	234,931
		(1,818,837)	1,958,410	(13,806,003)	(1,333,544)
Net Loss and Comprehensive Loss		\$ (1,434,159)	\$ 2,553,930	\$ (12,082,626)	\$ 361,525

See accompanying Notes to the Condensed Consolidated Interim Financial Statements

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

For the three and nine months ended September 30, 2022 and 2021

(Expressed in US Dollars)

(Unaudited)

	Notes	Trust Units	Deficit	Balance
Balance at January 1, 2021		91,020,205	(15,096,300)	75,923,905
Normal Course Issuer Bid	9(a)(i)	(798,469)	-	(798,469)
Net Income and Comprehensive Income		-	361,525	361,525
Distributions	9(g)	-	(1,356,448)	(1,356,448)
Unitholders' Equity, September 30, 2021		90,221,737	(16,091,223)	74,130,513
Net Income and Comprehensive Income		-	3,478,938	3,478,938
Normal Course Issuer Bid	9(a)(i)	-	-	-
Distributions	9(g)	-	(448,657)	(448,657)
Unitholders' Equity, December 31, 2021		90,221,737	(13,060,942)	\$ 77,160,795
Net Loss and Comprehensive Loss		-	(12,082,626)	(12,082,626)
Distributions		-	(919,327)	(919,327)
Unitholders' Equity, September 30, 2022		90,221,737	(26,062,895)	64,158,843
Trust Units Outstanding				7,604,375

See accompanying Notes to the Condensed Consolidated Interim Financial Statements

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows
For the three and nine months ended September 30, 2022 and 2021
(Expressed in US Dollars)
(Unaudited)

		Three Months Ended		Nine Months Ended	
	Notes	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
For the three and nine months ended					
Cash Flow from (used in) Operating Activities					
Net Loss		\$ (1,434,159)	\$ 2,553,930	\$ (12,082,626)	\$ 361,525
Add (Deduct):					
Adjustments for:					
Fair Value Adjustments to Investment Properties	3	3,149,264	(3,346,266)	8,439,890	(4,869,716)
Fair Value Adjustments on Asset Acquisitions	3	-	-	(29,226)	(108,902)
Fair Value Adjustments to Investment Properties Held in Equity Accounted Investments	4	-	(901,771)	3,487,748	(2,419,562)
Provision for Impairment of Equity Accounted Investments	4	1,153,333	-	1,153,333	-
Provision for Impairment of Preferred Investments	4	175,872	3,223,306	2,329,550	5,087,088
Provision for Impairment of Preferred Capital Investments	5	13,850	327,861	1,474,645	945,881
Fair Value Adjustments to Convertible Debentures	6,8	(1,023,490)	(292,471)	(1,173,412)	2,472,723
Fair Value Adjustments to Unit Based Compensation	9(c)	(403,050)	(403,796)	(323,374)	460,963
Mark to Market on Assumed Mortgages	8	(138,916)	-	(311,956)	-
Finance Cost Amortization	8	90,742	67,449	116,892	90,447
Unrealized Foreign Exchange Gain on Convertible Debentures	14	(843,191)	(463,849)	(1,033,296)	(11,232)
Income from Equity Accounted Investments, Net of Distributions		(156,656)	(6,323)	(722,813)	(340,133)
Income from Preferred Investments, Net of Distributions		(1,218)	(62,477)	(484,866)	(563,593)
Income from Preferred Capital Investments, Net of Distributions		(46,391)	135,927	(183,034)	(27,334)
Changes in Non-Cash Operating Working Capital:					
Accounts Receivable		(81,501)	(29,201)	16,686	1,219,144
Prepaid Expenses and Other Assets		98,184	192,520	(184,069)	89,097
Accounts Payable and Accrued Liabilities	12	880,852	544,457	1,845,974	929,233
Total Operating Activities		1,433,525	1,539,296	2,336,047	3,315,629
Cash Flows from (used in) Investing Activities					
Acquisition of assets, net of cash acquired	3	-	-	(7,656,173)	(2,516,520)
Investment in Equity Accounted Investments	4	(90,000)	-	(90,000)	(1,236,693)
Investment in Preferred Investments	4	(346,364)	(168,238)	(807,886)	(976,513)
Redemption of Preferred Investments	4	-	3,000,000	-	5,136,821
Investment in Preferred Capital Investments	5	-	(1,452,000)	(3,595,000)	(1,452,000)
Capital Expenditures on Investment Properties	3	(515,824)	(104,405)	(1,578,660)	(369,718)
Total Investing Activities		(952,188)	1,275,357	(13,727,719)	1,585,377
Cash Flows from (used in) Financing Activities					
Distributions Paid	9(g)	-	(448,658)	(897,316)	(1,356,448)
Normal Course Issuer Bid	9(a)(i)	-	(492,615)	-	(798,469)
Bank Indebtedness Advance	7(b),8	-	-	1,285,000	-
Bank Indebtedness Repayment	7(b),8	(1,285,000)	-	(1,285,000)	-
Mortgage and Loan Advances, Net of Deferred Finance Costs	7(a),8	17,923,324	-	27,707,224	-
Mortgage and Loan Repayments	7(a),8	(15,802,576)	(207,769)	(16,159,070)	(432,821)
Total Financing Activities		835,748	(1,149,042)	10,650,838	(2,587,738)
Increase in Cash, Cash Equivalents and Restricted Cash		1,317,085	1,665,611	(740,835)	2,313,268
Cash and Cash Equivalents, Beginning of Period		3,013,410	4,214,062	5,071,329	3,566,405
Cash and Cash Equivalents, End of Period		4,330,495	5,879,673	4,330,495	5,879,673
Consisting of:					
Cash and Cash Equivalents		929,379	4,664,490	\$ 929,379	\$ 4,664,490
Restricted Cash		3,401,116	1,215,183	3,401,116	1,215,183
See accompanying Notes to the Condensed Consolidated Interim Financial Statements					
Cash flows from operating activities include:					
Interest paid		\$ 1,228,643	\$ 580,990	\$ 2,857,734	\$ 1,596,368

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2022, and 2021
(Expressed in US Dollars unless otherwise noted)
(Unaudited)

1. Nature of operations

Firm Capital Apartment Real Estate Investment Trust (the "Trust") is a U.S. focused real estate investment trust that pursues multi-residential income producing real estate and related debt investments on both a wholly owned and joint venture basis. The Trust has ownership interests in a total of 1,846 apartment units diversely located in Florida, Connecticut, Texas, New York, New Jersey, Georgia and Maryland. The Trust trades on the TSXV exchange under the symbols FCA.U and FCA.UN.

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Trustees on November 15, 2022.

2. Basis of preparation

The significant accounting policies used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those described in note 2 and 3 of the Trust's audited consolidated financial statements for the year ended December 31, 2021.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting ("IAS 34") as issued by the IASB and follow the same accounting policies and methods of application as the audited annual consolidated financial statements of the Trust for the year ended December 31, 2021. These condensed consolidated interim financial statements do not contain all disclosures required by IFRS and accordingly should be read in conjunction with the 2021 audited annual consolidated financial statements and the notes thereto.

3. Investment properties

On June 7, 2021, the Trust completed the acquisition of a real estate portfolio ("New Jersey Portfolio") that was being recorded under equity accounted investments and preferred investments.

This transaction has been recognized as an asset acquisition whereby the associated costs have been capitalized. The fair value of the identifiable assets acquired and liabilities assumed have been determined at the date of transaction. The application of the acquisition method for the New Jersey Portfolio transaction is as follows:

Investment properties, including transaction costs	\$	22,292,997
Cash and restricted cash		109,237
Accounts receivable		199,787
Account payables and accrued liabilities		(378,709)
Mortgages payable		(13,533,056)
Net assets acquired	\$	8,690,256
Consideration:		
Purchase price	\$	2,516,520
Equity accounted and preferred investment		6,064,834
Fair value adjustment on acquisition		108,902
Total consideration	\$	8,690,256

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022, and 2021

(Expressed in US Dollars unless otherwise noted)

(Unaudited)

On February 8, 2022, the Trust completed the acquisition of a real estate portfolio ("Houston, TX Portfolio") that was being recorded under equity accounted investments and preferred investments.

This transaction has been recognized as an asset acquisition whereby the associated costs have been capitalized. The fair value of the identifiable assets acquired and liabilities assumed have been determined at the date of transaction. The application of the acquisition method for the Houston, TX transaction is as follows:

Investment properties, including transaction costs	\$	32,918,525
Cash and restricted cash		1,674,921
Accounts receivable		160,675
Account payables and accrued liabilities		(425,360)
Mortgages payable		(22,534,391)
Net assets acquired	\$	11,794,370
Consideration:		
Purchase price	\$	4,204,856
Equity accounted and preferred investment		8,018,922
Fair value adjustment on acquisition		(429,408)
Total Consideration	\$	11,794,370

On April 29, 2022, the Trust completed the acquisition of a real estate portfolio ("Second Houston, TX Portfolio") that was being recorded under equity accounted investments and preferred investments.

This transaction has been recognized as an asset acquisition whereby the associated costs have been capitalized. The fair value of the identifiable assets acquired and liabilities assumed have been determined at the date of transaction. The application of the acquisition method for the Second Houston, TX transaction is as follows:

Investment properties, including transaction costs	\$	26,947,852
Cash and restricted cash		30,400
Accounts receivable		98,383
Account payables and accrued liabilities		(178,022)
Mortgages payable		(11,420,504)
Net assets acquired	\$	15,478,109
Consideration:		
Purchase price	\$	5,076,998
Equity accounted and preferred investment		9,942,477
Fair value adjustment on acquisition		458,634
Total Consideration	\$	15,478,109

The investment properties as at September 30, 2022 consist of 985 multi-family apartment units in five portfolios located in Florida, Texas and New Jersey.

	September 30, 2022	December 31, 2021
Balance, beginning of period	\$ 78,405,292	\$ 49,585,840
Acquisition	59,866,377	22,292,997
Building improvements	1,578,660	570,255
Fair value adjustments to investment properties	(8,439,889)	5,956,200
Balance, end of period	\$ 131,410,440	\$ 78,405,292

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022, and 2021

(Expressed in US Dollars unless otherwise noted)

(Unaudited)

The Trust determined the estimated fair value of the investment properties using a combination of an internally managed valuation model and property appraisals. The key valuation assumptions for the properties are set out in the following table:

	September 30, 2022	December 31, 2021
Capitalization rate	5.25%-5.75%	4.25%-5.00%

The fair values of the Trust's investment properties are sensitive to changes in key valuation assumptions. Changes in capitalization rates would result in a change in fair value of the Trust's investment properties as set out in the following table:

	September 30, 2022
	\$
Capitalization rate increase by 25 basis points	(7,126,225)
Capitalization rate decrease by 25 basis points	4,620,709

4. Equity accounted and preferred investments

The Trust has invested in the following equity accounted and preferred investments.

(In \$millions unless otherwise stated).

Location	Units	Investment Properties	Common Equity Ownership %	Equity Accounted Investment - Common Equity	Preferred Investment	Total Investment	Preferred Yield
New York City	129	\$ 22.2	22.8%	\$ -	\$ -	\$ -	8%
Brentwood, MD	118	16.9	25.0%	1.6	0.1	1.7	8%
Bronx, NY	132	21.1	50.0%	-	-	-	8%
Hartford, CT	109	13.1	50.0%	1.1	1.4	2.5	8%
Canton, GA	138	24.1	50.0%	3.3	3.3	6.6	8%
Hyattsville, MD	235	36.5	50.0%	2.8	4.1	6.9	8%
Total/ Weighted Average	861	\$ 133.9	42.3%	\$ 8.8	\$ 8.9	\$ 17.7	8%

Related parties of the Trust have invested alongside the Trust and are bound by identical terms in the underlying partnership agreements in the following investments:

New York City: Certain officers and trustees of the Trust have an indirect interest or management oversight of approximately 14.6% of the preferred equity and 7.3% of the common equity;

Brentwood, Maryland: Certain officers and trustees of the Trust have an indirect interest or management oversight of approximately 20.0% of the common equity.

Outlined below are the details of the Trust's net investment in the equity accounted investment and preferred investments. The Equity accounted investments consist of common equity, accounted for using the equity method and preferred equity accounted for as preferred investment loans carried at amortized cost. In addition, the balance sheet and statement of income (each at 100% of the underlying property) and income allocation from the equity accounted and preferred investments as of September 30, 2022 and December 31, 2021 and for the three and nine months ended September 30, 2022 and 2021 are included below:

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022, and 2021

(Expressed in US Dollars unless otherwise noted)

(Unaudited)

	Equity Accounted Investments	Preferred Investments	Total
As at December 31, 2020	\$ 19,596,539	\$ 28,536,024	\$ 48,132,563
Investment Activity			
- Equity Accounted Investments	1,236,693	-	1,236,693
- Preferred Investments	-	976,513	976,513
- Derecognition of New Jersey Portfolio on Asset Acquisition	(3,360,757)	(2,704,077)	(6,064,834)
- Redemption of Preferred Investments	-	(5,136,821)	(5,136,821)
Income Items			
- Income from Equity Accounted Investments	794,796	-	794,796
- Fair Value Adjustments on Investment Properties	2,419,562	-	2,419,562
- Provision for Impairment on Preferred Investments	-	(5,087,088)	(5,087,088)
- Income from Preferred Investments	-	1,585,798	1,585,798
- Less: Distributions and interest received	(492,266)	(1,054,286)	(1,546,552)
As at September 30, 2021	20,194,567	17,116,063	37,310,630
Income Items			
- Income from Equity Accounted Investments	285,352	-	285,352
- Fair Value Adjustments on Investment Properties	2,936,059	-	2,936,059
- Provision for Impairment on Preferred Investments	-	66,457	66,457
- Income from Preferred Investments	-	460,644	460,644
- Less: Distributions and interest received	(135,859)	(396,288)	(532,147)
As at December 31, 2021	23,280,118	17,246,878	40,526,996
Investment Activity			
- Equity Accounted Investments	90,000	-	90,000
- Preferred Investments	-	807,886	807,886
- Derecognition of Houston, TX Portfolio on Asset Acquisition	(4,467,235)	(3,551,687)	(8,018,922)
- Derecognition of Second Houston, TX Portfolio on Asset Acquisition	(6,092,821)	(3,849,656)	(9,942,477)
Income Items			
- Income from Equity Accounted Investments	659,161	-	659,161
- Fair Value Adjustments on Investment Properties	(3,487,748)	-	(3,487,748)
- Provision for Impairment on Equity Accounted Investments	(1,153,333)	-	(1,153,333)
- Provision for Impairment on Preferred Investments	-	(2,329,550)	(2,329,550)
- Income from Preferred Investments	-	1,087,337	1,087,337
- Less: Distributions and interest received	(72,985)	(502,366)	(575,351)
As at September 30, 2022	8,755,157	8,908,842	17,663,999

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2022, and 2021
(Expressed in US Dollars unless otherwise noted)
(Unaudited)

	September 30, 2022	December 31, 2021
Assets		
Cash	\$ 282,284	\$ 788,251
Restricted Cash	2,662,579	4,635,344
Accounts Receivable	1,423,073	1,290,580
Other Assets	940,350	943,557
Investment Properties	133,901,746	204,811,406
	\$ 139,210,032	\$ 212,469,138
Liabilities		
Accounts Payable and Accrued Liabilities	2,606,103	2,952,377
Security Deposits	570,084	637,041
Mortgages	103,517,569	137,305,058
	\$ 106,693,756	\$ 140,894,476
Equity		
Retained Earnings (Deficit)	\$ (17,719,627)	\$ 11,179,381
Preferred Equity	24,753,469	30,700,770
Common Equity	25,482,434	29,694,509
	\$ 32,516,276	\$ 71,574,662
	\$ 139,210,032	\$ 212,469,138
Investment Allocation for the Trust		
Equity Accounted Investments	\$ 8,755,157	\$ 23,280,120
Preferred Investments	8,908,842	17,246,877
	\$ 17,663,999	\$ 40,526,997

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net Income				
Rental Revenue	\$ 3,636,517	\$ 4,984,085	\$ 10,849,445	\$ 15,504,724
Property Operating Expenses	(2,240,736)	(2,388,821)	(5,938,241)	(7,797,455)
Net Rental Income	1,395,780	2,595,264	4,911,203	7,707,269
General & Administrative	-	(22,685)	-	(58,215)
Interest Expense	(1,111,679)	(1,419,949)	(2,606,095)	(4,692,289)
Fair Value Adjustments on Investment Properties	-	(1,644,011)	(13,471,538)	(2,495,764)
Net Income (Loss) Before Interest from Preferred Investments	\$ 284,102	\$ (491,381)	\$ (11,166,429)	\$ 461,001
Less: Interest from Preferred Investments	(378,049)	(527,436)	(1,027,494)	(2,028,965)
Net Loss	(93,947)	(1,018,817)	(12,193,923)	(1,567,964)
Income Earned (Loss Incurred) by the Trust				
Income from Equity Accounted Investments	\$ 183,383	\$ 292,422	\$ 659,161	\$ 794,796
Provision for Impairment on Equity Accounted Investments	(1,153,333)	-	(1,153,333)	-
Fair Value Adjustments on Investment Properties	-	901,771	(3,487,748)	2,419,562
Income from Preferred Investments	353,085	(3,223,306)	1,087,337	(5,087,088)
Provision for Impairment on Preferred Investments	(175,872)	437,940	(2,329,550)	1,585,798
	(792,737)	(1,591,173)	(5,224,133)	(286,932)

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022, and 2021

(Expressed in US Dollars unless otherwise noted)

(Unaudited)

On February 25, 2021, the first mortgage on the Bronx, NY equity accounted investment was refinanced for a total gross proceeds of \$21.6 million. With the \$3.1 million net proceeds received from the refinancing and an additional \$2.0 million invested by equity accounted owners, the \$5.1 million of Preferred Equity was repaid. The new mortgage bears interest at 3.51% with a 12-year term amortizing over 30 years.

The Trust establishes loss provisions applicable to its preferred investments using a 12 month ECL approach as prescribed by IFRS 9. 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 borrower and underlying asset, based on judgement.

At each reporting date, the Trust assesses the borrower's ability to make contractual payments based on current market conditions. For the three months ended September 30, 2022, the impairment of preferred investments was \$175,872 (2021 - \$71,297). For the nine months ended September 30, 2022, the impairment of preferred investments was \$2,329,550 (2021 - \$1,863,782). The provisions were for the New York City Portfolio.

Preferred investments, associated allowance for losses and provision for impairment on preferred investments accounted at amortized cost at September 30, 2022 and December 31, 2021 are as follows:

	September 30, 2022				December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Preferred Investments	\$ 8,908,842	\$ -	\$ 7,866,170	\$16,775,012	\$ 15,538,876	\$ -	\$ 7,059,291	\$22,598,167
Allowance for losses of preferred investments	-	-	(515,989)	(515,989)	-	-	(330,659)	(330,659)
Provision for impairment of preferred investments	-	-	(7,350,181)	(7,350,181)	-	-	(5,020,631)	(5,020,631)
Preferred Investments, net of allowances and provisions	\$ 8,908,842	\$ -	\$ -	\$ 8,908,842	\$ 15,538,876	\$ -	\$ 1,708,001	\$17,246,878

At each reporting date, the Trust establishes loss provisions applicable to its equity accounted investments where there is objective evidence of impairment as a result of a loss event. For the three months ended September 30, 2022, the impairment loss on equity accounted investments was \$1,153,333 (2021 - \$nil). For the nine months ended September 30, 2022, the impairment loss on equity accounted investments was \$1,153,333 (2021 - \$nil). The provision for impairment was on the Bronx, NY Portfolio.

5. 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 Loan") to fund the acquisition of a portfolio of three apartment buildings located in New York City, New York. The New York Preferred Capital earned an interest rate of 12% per annum during its initial term of three years and has been extended for a further two years as outlined below. The investment yield is interest only and the loan may be repaid by the borrower prior to maturity in whole or in part upon 30 days prior written notice.

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% is paid monthly while the remainder will be paid on maturity.

On September 10, 2021, the Trust closed a participation of \$1.5 million in a \$4.8 million preferred capital loan (the "Houston Preferred Capital Loan") for a portfolio of five apartment buildings located in Houston, Texas. The Houston Preferred Capital earns an interest rate of 10% per annum and matures on September 9, 2025.

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On April 22, 2022, The Trust provided a \$3.5 million preferred capital loan ("South Dakota Preferred Capital Loan") for the recapitalization of a multi-residential portfolio located in Sioux Falls, South Dakota. The preferred capital loan earns 12% interest during the initial three year term.

The Trust establishes loss provisions applicable to its preferred capital investments using a 12 month ECL approach as prescribed by IFRS 9. 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 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 borrower and underlying asset, based on judgement.

At each reporting date, the Trust assesses the borrower's ability to make contractual payments based on current market conditions. For the three months ended September 30, 2022, the impairment of preferred capital investments was \$13,850 (2021 - \$618,020). For the nine months ended September 30, 2022, the impairment of preferred investments was \$1,474,645 (2021 - \$618,020). The Provisions were for the New York Preferred Capital Loan.

Preferred capital investments, associated allowance for losses on preferred capital investments accounted at amortized cost at September 30, 2022 and December 31, 2021 are as follows:

	September 30, 2022				December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Preferred Capital Investments	\$ 5,068,332	\$ -	\$ 3,406,758	\$ 8,475,090	\$ 1,468,900	\$ -	\$ 2,868,428	\$ 4,337,329
Allowance for losses of preferred capital investments	-	-	(635,445)	(635,445)	-	-	(275,718)	(275,718)
Provision for impairment on preferred capital investments	-	-	(2,771,313)	(2,771,313)	-	-	(1,296,668)	(1,296,668)
Preferred Capital Investments, net of allowances and provisions	\$ 5,068,332	\$ -	\$ -	\$ 5,068,332	\$ 1,468,900	\$ -	\$ 1,296,042	\$ 2,764,943

6. Convertible debentures payable

In 2019, the Trust issued \$12.8 million (CAD \$17.6 million) 6.25% convertible unsecured subordinated debenture (the "Convertible Debenture") maturing June 30, 2026. The convertible debentures had a conversion feature which expired on August 7, 2021.

7. Mortgages and loan payable

(a) Mortgages and loan payable

	September 30, 2022	December 31, 2021
Mortgages and loan payable	\$ 75,935,992	\$ 30,737,709
Less: current portion	(28,748,891)	(11,512,345)
Less: unamortized financing costs	(632,479)	(116,750)
Add: Mark to market on assumed mortgages	356,821	-
	\$ 46,911,443	\$ 19,108,614

As at September 30, 2022, the Trust had mortgages payable secured by the multi-family properties of \$75,660,334 (including the current portion and net of unamortized financing costs and mark to market on assumed mortgages) (December 31, 2021 - \$30,620,959) which bear interest at a weighted average

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interest rate of 4.72% (December 31, 2021 - 4.13%) per annum, and have maturity dates ranging between January 2023 and March 2038.

On June 7, 2021, the Trust assumed mortgages with a fair value of \$13.5 million (Note 3), as a result of the acquisition New Jersey Portfolio, which bear interest at 3.83% per annum, and mature on March 1, 2038.

On February 8, 2022, the Trust assumed mortgages with a fair value of \$22.6 million (Note 3), as a result of the acquisition of the Houston, TX Portfolio, which bear interest at 4.49% per annum, and mature on January 31, 2023.

On April 18, 2022, the Trust entered into an agreement with an entity affiliated to the Asset Manager of the Trust to borrow CAD \$13 million (the "Bridge Loan") to be used for the Second Houston, TX Transaction and the South Dakota Preferred Capital Loan. Summarized terms of the Bridge Loan are (i) interest rate of the greater of 6.0% per annum or the Canadian Chartered Bank Prime Rate plus a spread; (ii) two year term (iii) fully open for repayment at any time prior to maturity; (iv) 1% commitment fee. As at September 30, 2022, the balance on the Bridge Loan was \$5.0 million (CAD \$6.9 million).

On April 29, 2022, the Trust assumed mortgages with a fair value of \$11.4 million (Note 3), as a result of the Second Houston, TX Portfolio acquisition, which bear interest at 4.90% per annum, and mature on February 28, 2028.

On August 31, 2022, the Trust closed the refinancing of a first mortgage with the Federal National Mortgage Association ("Fannie Mae") on a multi-tenant residential property located in Sunrise, Florida for \$18.37 million. The mortgage bears interest at 4.77% per annum, interest-only, maturing on September 30, 2032.

The following annual payments of principal and interest are required in respect of these mortgages and loan:

	Principal	Interest	Total
2022	168,924	917,451	1,086,375
2023	28,711,218	2,143,160	30,854,378
2024	5,603,185	1,903,082	7,506,267
2025	559,974	1,877,753	2,437,727
2026	1,685,856	1,854,208	3,540,064
Thereafter	39,206,835	9,939,339	49,146,174
Total	\$ 75,935,992	\$ 18,634,993	\$ 94,570,985

(b) Bank indebtedness

The Trust has entered into a revolving operating facility with a Canadian Chartered Bank (the "Bank"). The total amount available under the facility is \$2 million. The interest rate is calculated using the secured overnight interest rate ("SOFR") plus a spread. Amounts drawn under this facility as of September 30, 2022 were \$nil (December 31, 2021 - \$nil).

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8. Changes in debt

The following table sets out an analysis of the movements in net debt during 2022 and 2021:

	Notes	Bank Indebtedness	Mortgages & loan	Convertible Debentures
As at December 31, 2020		\$ -	\$ 17,573,175	\$ 12,169,023
Assumed mortgages			13,533,056	
Repayments		-	(432,821)	-
Finance cost amortization	7(a), 13	-	90,447	-
Change in fair value of convertible debenture	6	-	-	2,472,722
Foreign exchange loss/(gain)	14	-	-	(11,232)
As at September 30, 2021		\$ -	\$ 30,763,857	\$ 14,630,513
Repayments		-	(163,405)	-
Finance cost amortization	7(a), 13	-	20,507	-
Change in fair value of convertible debenture	6	-	-	422,596
Foreign exchange loss	14	-	-	26,180
As at December 31, 2021		\$ -	\$ 30,620,959	\$ 15,079,288
Debt assumed	3,7(a)	-	33,686,283	-
Advances	7(a),7(b)	1,285,000	27,707,224	-
Repayments	7(a),7(b)	(1,285,000)	(16,159,070)	-
Finance cost amortization	7(a), 13	-	116,892	-
Mark to market of assumed mortgages	7(a), 13	-	(311,956)	-
Change in fair value of convertible debenture	6	-	-	(1,173,412)
Foreign exchange loss	14	-	-	(1,033,296)
As at September 30, 2022		\$ -	\$ 75,660,334	\$ 12,872,579

9. Unitholders' Equity

(a) Trust Units

In accordance with the Declaration of Trust, the Trust may issue an unlimited number of Trust Units and Class B Units. The Board of Trustees of the Trust has discretion with respect to the timing and amount of distributions.

Trust Units and Class B Units

No Trust Unit or Class B Unit will have any preference or priority over another. Each Trust Unit or Class B Unit represents a Unitholder's proportionate, undivided beneficial ownership interest in the Trust and confers the right to one vote at any meeting of Unitholders and to participate pro rata in any distributions by the Trust.

Conversion of Class B Units

Each Class B Unit is convertible at any time, at the option of the holder thereof and/or the Trust, into a Trust Unit, on the basis of one Trust Unit for each Class B Unit so converted. Notice of conversion of Class B Units will be given to and by each holder of Class B Units to be converted by the Trust not less than 30 and not more than 60 days prior to the date fixed for conversion.

Redemption of Trust Units and Class B Units at Option of Holder

Trust Units or Class B Units are redeemable at any time on demand by the holders by way of a redemption notice. Upon receipt of the redemption notice by the Trust, all rights to and under the Trust Units or Class B Units tendered for redemption shall be surrendered and the holder thereof will be entitled to receive a price per Trust Unit or Class B Unit (the "**Redemption Price**") equal to:

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- (i) in respect of the Trust Units, the lesser of: (1) 90% of the Market Price (as such term is hereinafter defined) of the Trust Units calculated on the date (the "**Redemption Date**") on which the Trust Units were surrendered for redemption; and (2) 100% of the Closing Market Price (as such term is hereinafter defined) on the principal market on which the Trust Units are listed for trading, on the Redemption Date; and
- (ii) in respect of the Class B Units, the Designated Percentage (as such term is hereinafter defined) of the Net Asset Value per Trust Unit and Class B Unit (as such term is hereinafter defined) calculated at the Valuation Time immediately preceding the date (the "**Class B Redemption Date**") on which the Class B Units were surrendered for redemption.

For purposes of this calculation, the "**Market Price**" as at a specified date will be:

- (i) an amount equal to the weighted average trading price of a Trust Unit on the principal exchange or market on which the Trust Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date;
- ii) an amount equal to the weighted average of the Closing Market Prices of a Trust Unit on the principal exchange or market on which the Trust Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or
- (iii) if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, an amount equal to the simple average of the following prices established for each of the 10 consecutive trading days ending on such date: the simple average of the last bid and last asking price of the Trust Units for each day on which there was no trading; the closing price of the Trust Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Trust Units for each day that there was trading, if the market provides only the highest and lowest prices of Trust Units traded on a particular day.

The "**Closing Market Price**" of a Trust Unit for the purpose of the foregoing calculations, as at any date will be:

- (i) an amount equal to the weighted average trading price of a Trust Unit on the principal exchange or market on which the Trust Units are listed or quoted for trading on the specified date and the principal exchange or market provides information necessary to compute a weighted average trading price of the Trust Units on the specified date;
- (ii) an amount equal to the closing price of a Trust Unit on the principal market or exchange if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Trust Units on the specified date;
- (iii) an amount equal to the simple average of the highest and lowest prices of the Trust Units on
- (iv) the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Trust Units on the specified date; or
- (v) the simple average of the last bid and last asking prices of the Trust Units on the principal market or exchange, if there was no trading on the specified date.

Further, for the purposes of the foregoing, "Net Asset Value of the Trust" as at a specified date means the total value of Trust's assets less the total of the Trust's liabilities, in each case, as at such date and in accordance with the applicable provisions of the Declaration of Trust, and "Net Asset Value per Trust Unit and Class B Unit" as at a specified date will be an amount equal to the Net Asset Value of the Trust on such date, divided by the number of issued and outstanding Trust Unit and Class B Units on such date. The Net Asset Value of the Trust and Net Asset Value per Trust Unit and Class B Unit shall be determined as of the Valuation Time on each Valuation Date.

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The aggregate Redemption Price payable by the Trust in respect of any Trust Unit or Class B Unit surrendered for redemption during any calendar month within 30 days after the end of the calendar month in which the Trust Units or Class B Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Trust Units or Class B Units is subject to the limitations that: (i) the total amount payable by the Trust in respect of such Trust Unit or Class B Unit and all other Trust Unit or Class B Units tendered for redemption in the same calendar month must not exceed \$50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) in respect of the Trust Units only, on the date such Trust Unit or Class B Units are tendered for redemption, the outstanding Trust Units must be listed for trading or quoted on any stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; (iii) in respect of the Trust Units only, the normal trading of Trust Units is not suspended or halted on any stock exchange on which the Trust Units are listed (or, if not listed on a stock exchange, in any market where the Trust Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10-day trading period commencing immediately before the Redemption Date; and (iv) in respect of the Trust Units only, the redemption of the Trust Units must not result in the delisting of the Trust Units from the principal stock exchange on which the Trust Units are listed.

Redemption of Class B Units at Option of Trust

The Trust will be entitled to redeem at any time or from time to time at the demand of the Trust and upon giving notice, all or any part of the Class B Units by payment of an amount in cash for each Class B Unit so redeemed (the "**Trust Redemption Price**") of the Net Asset Value per Trust Unit and Class B Unit calculated at the Valuation Time immediately preceding the Trust Redemption Date. Notice of redemption of Class B Units will be given to each holder of Class B Units to be redeemed by the Trust not less than 30 and not more than 60 days prior to the date fixed for redemption or conversion, as applicable.

Trust Units as at September 30, 2022 are as follows:

	Notes	Number of Trust Units	Value
Balance at December 31, 2020		7,714,675	\$ 91,020,206
Less: Normal Course Issuer Bid	9(a)(i)	(110,300)	(798,469)
Balance December 31, 2021 and September 30, 2022		7,604,375	90,221,737

- (i) On June 14, 2021, the Trust received approval from the TSXV to commence a NCIB to purchase up to 619,750 of Trust Units, being equal to 10% of the public float. The NCIB commenced on June 16, 2021 and ended on June 15, 2022. For the year ended December 31, 2021, 110,300 Trust Units were repurchased for a total gross cost of \$0.8 million at a weighted average cost of \$7.23 per Trust Unit. In 2022, no units were repurchased.

(b) Distribution Reinvestment Plan ("DRIP")

The Trust has implemented a dividend reinvestment plan (the "**DRIP**") and a unit purchase plan (the "**Purchase Plan**") and collectively with the DRIP, the "**Plans**"), each offered to holders of trust units resident in Canada and administered by TSX Trust Company (the "**Agent**"). 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 Plans, 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

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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 Plans. The aggregate number of Trust Units that may be issued under the Plans 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.

During 2022 and 2021, no Trust Units were issued under DRIP.

(c) Unit Based Liabilities

The Trust’s unit-based liabilities as at September 30, 2022 consists of the following:

Unit Based Liabilities	Notes	September 30, 2022	December 31, 2021
Deferred Trust Units	9(d)	\$ 26,949	\$ 37,973
Warrants	9(e)	-	29
Options	9(f)	298,664	610,985
Total Unit Based Liabilities		\$ 325,613	\$ 648,987

(d) Deferred Trust Units

On March 31, 2015, the Trust adopted a Deferred Trust Unit (“DTU”) plan. Under the terms of the plan, any units issued must be issued at a unit price which is a minimum of the volume weighted average trading price of the units on the TSXV for the five days trading immediately preceding the date on which DTUs are granted. Distributions equivalents are awarded in respect of DTU holders on the same basis as unitholders and credited to the DTU holders account as additional DTUs. The maximum DTUs which may be awarded under the DTU plan shall not exceed 10% of the issued and outstanding units. The DTU plan is designed such that the board may elect to pay out the DTUs in either cash or common units of the Trust. As at September 30, 2022, the outstanding liability was \$26,949.

For the three months ended September 30, 2022, the recovery under the DTU plan was \$10,616.

For the nine months ended September 30, 2022, the recovery under the DTU plan was \$11,024.

(e) Warrants

On March 13, 2022, all outstanding warrants expired.

(f) 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.

On March 16, 2021, the Trust granted options to certain trustees, officers and management of the Trust to purchase a total 119,500 Trust Units. 49,300 of the options have an exercise price of \$7.50 per Trust Unit and 70,200 of the options have an exercise price of \$8.30 per Trust Unit. 109,667 options granted have vested and the remaining 9,833 options will vest on March 16, 2023. The options expire on March 16, 2031.

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The Trust had the following options outstanding and exercisable on September 30, 2022:

Issuance Date	Number of Options	Weighted average exercise price	Fair Value of Options	Expiry Date
August 17, 2017	340,738	\$ 7.50	\$ 145,225	August 17, 2027
November 19, 2018	192,900	8.30	82,928	November 19, 2028
March 16, 2021	49,300	7.50	31,536	March 16, 2031
March 16, 2021	70,200	8.30	38,975	March 16, 2031
Total/ Weighted Average	653,138	\$ 7.82	\$ 298,664	

The fair value of options was calculated using the Black Scholes model. The following assumptions were used:

Option Assumptions	September 30, 2022	December 31, 2021
Stock Price	\$ 4.62	\$ 6.51
Exercise Price	\$7.50-\$8.30	\$7.50-\$8.30
Expected Life in Years	4.88-8.46	5.63-9.21
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	\$ 0.18	\$ 0.24
Discount Rate - Bond Equivalent Yield	4.11%	0.81%

For the three months ended September 30, 2022, the recovery under the option plan was \$392,434.

For the nine months ended September 30, 2022, the recovery under the option plan was \$312,321.

(g) Distributions

For the nine months ended September 30, 2022, the Trust declared distributions of \$0.12 per Trust Unit resulting in total distributions of \$919,327 (2021 – \$1,356,448). As at September 30, 2022, no distributions were accrued (2021 - \$448,658).

10. Risks

Risk management

In the normal course of its business, the Trust is exposed to a number of financial risks that can affect its operating performance. These risks, and the actions taken to manage them, are as noted below.

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in the market prices and includes foreign currency and interest rate risk.

Foreign currency risk

The Trust's operations are based principally in the United States of America, but it has exposure to foreign exchange risk from the \$CAD. Foreign exchange risk arises from the recognized financial assets and liabilities denominated in \$CAD. As a result of the convertible debenture offering as further described in note 6 of these condensed consolidated interim financial statements, the Trust has additional exposure to foreign currency risk as the cash proceeds and interest payments of the debenture are in \$CAD while it invests the net proceeds from the convertible debenture offering in \$USD. The Trust monitors the foreign currency market closely to mitigate these risks. The following \$CAD amounts are presented in \$USD to demonstrate the effects of changes in foreign exchange rates:

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	CAD
	\$
Cash, Other Assets	299,749
Total Liabilities	(25,017,182)
Total	(24,717,433)
Effect of +/- 10% change in exchange rate	(2,471,743)

Interest rate risk

The Trust is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates. As all mortgages, loans and notes payable bear interest at fixed rates, interest rate risk is limited to potential decreases in the interest rate offered on cash held with chartered Canadian and American financial institutions. The risk also exists of a change in interest rates when the Trust is required to renew its debt. The Trust's objective of managing interest rate risk is to minimize the volatility of earnings. Interest rate risk has been minimized as mortgages have been financed at fixed interest rates. As a result of debt not being subject to floating interest rates, changes in prevailing interest rates would not be expected to have a material impact on profit or loss.

Credit risk

Credit risk refers to the risk that a tenant, counterparty and/or preferred equity borrower will default on its contractual obligations resulting in financial loss to the Trust. Financial instruments which are potentially subject to credit risk for the Trust consists primarily of non-payment of accounts receivable. The Trust mitigates this risk by monitoring the credit worthiness of its tenants and borrowers. To ensure that tenants continue to meet their credit terms, the financial viability of tenants is kept under review. Credit risk, or the risk of a counterparty or preferred equity borrower defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Where appropriate, the Trust obtains collateral as security.

The credit risk on cash is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the consolidated financial statements, net of any expected credit losses, represents the Trust's maximum exposure to credit risk.

Financing Risk

The Trust is subject to the risks associated with debt financing, including the risk that the convertible debentures and mortgages secured by the properties will not be able to be refinanced or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness. 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 mortgages for the Houston, TX and Austin, TX portfolios mature during 2023 and the Trust is actively sourcing refinancing in the debt markets.

Liquidity risk

Liquidity risk is the risk that the Trust may not be able to generate sufficient cash resources to settle its obligations as they fall due. The Trust's strategy is to satisfy its liquidity needs using cash on hand, cash flows generated from operating activities, cash flow provided by financing activities, and divestitures of non-current assets. The mortgages for the Houston, TX and Austin, TX portfolios mature during 2023 and the Trust is actively sourcing refinancing in the debt markets.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer or settle a liability in an orderly transaction between market participants at the measurement date. The fair values of the Trust's cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities to approximate their carrying values due to their short-term nature.

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The Trust classifies its fair value measurements in accordance with the fair value hierarchy as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

September 30, 2022	Level 1
Convertible Debentures Payable	\$ 12,872,579

December 31, 2021	Level 1
Convertible Debentures Payable	\$ 15,079,288

- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following table summarizes information about assets measured at fair value on a recurring basis and categorized by level of significance of the inputs used in making the measurements:

September 30, 2022	Level 3
Investment properties	\$ 131,410,440

December 31, 2021	Level 3
Investment properties	\$ 78,405,292

There were no transfers between levels during the three and nine months ended September 30, 2022 and 2021.

11. Capital risk management

The capital of the Trust includes equity, which is comprised of issued unit capital and deficit. The Trust's objective when managing its capital is to safeguard the ability to continue as a going concern in order to provide returns for its unitholders, and other stakeholders and to maintain a strong capital base to support the Trust's core activities, which are the acquisition, ownership, management and rental of residential real estate properties as discussed in note 1 of these condensed consolidated interim financial statements.

Although the Trust is not subject to any formal covenants, there are certain restrictions under the different debts and mortgages that the Trust must target to stay in compliance. The Trust monitors these different debts and mortgages and was in compliance during the three and nine months ended September 30, 2022.

12. Related party transactions

(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:

1. **Asset Management Fee:** 0.75% of the Gross Invested Assets of the Trust,
2. **Acquisition Fee:**
 - a. 1.0% of the first \$300 million of aggregate Gross Book Value in respect of Properties acquired in a particular year; and thereafter
 - b. 0.75% of aggregate Gross Book Value in respect of Properties acquired in such year.
3. **Performance Incentive Fees:** 15% of Adjusted Funds from Operation ("AFFO") once AFFO exceeds \$0.63 per Unit.
4. **Placement Fees:** 0.25% of the aggregate value of all debt and equity financing arranged by the Manager.

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5. Property Management Fees:

- a. Multi-unit residential properties with 120 units or less, 4.0% of Gross Revenue collected from the property;
- b. Multi-unit residential properties with more than 120 units. 3.5% of Gross Revenue collected from the property.
- c. Industrial or commercial property, 4.25% of Gross Revenue are collected from the property; provided, however, that for such properties with a single tenant 3.0% of Gross Revenue collected from the property.

6. 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.

7. 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.

8. 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.

9. 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 dishonored 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.

10. Origination, Commitment & Discharge Fees and Profit Sharing Fees: The Manager shall remit to the Trust:

- a. 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
- b. 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 an 8.0% annual preferential return to be given to the Trust on the Trust's investment amount prior to the Manager receiving its share of such fees). The Manager shall retain 100% of all servicing charges paid by borrowers which are not identified above, including, without limitation, discharge statement administration fees and all fees identified.

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11. **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:

- a. 2% of the Gross Invested Assets of the Properties and the Trust's other assets; and
- b. any amounts which would have been earned by the Manager under the Agreement for the uncompleted portion of the term (the "**Termination Payment**").

The Trust entered into an agreement with an entity related to the Asset manager of the Trust, to borrow CAD \$13 million to be used for the Second Houston, TX acquisition and Preferred Capital Investment. Terms of the Bridge Loan are described in note 7 of these condensed consolidated financial statements. During the three and nine months ended September 30, 2022, the Trust paid \$234,424 (CAD \$307,000) of interest associated with the Bridge Loan. As at September 30, 2022, the balance on the Bridge Loan was \$5.0 million (CAD \$6.9 million).

For the three months ended September 30, 2022, asset management fees were \$380,300 (2021 - \$352,580), loan servicing fees were \$16,136 (2021 - \$13,870), acquisition fees were \$nil (2021 - \$nil), debt placement fees were \$58,425 (2021 - \$nil) and property management fees were \$22,210 (2021 - \$22,652).

For the nine months ended September 30, 2022, asset management fees were \$888,324 (2021 - \$955,889), loan servicing fees were \$39,647 (2021 - \$61,438), acquisition fees were \$297,750 (2021 - \$114,813), debt placement fees were \$107,941 (2021 - \$43,968) and property management fees were \$69,916 (2021 - \$66,784).

Asset Management fees and loan servicing fees are included in general and administrative expenses. Property management fees are included in property operating expenses. Acquisition fees and debt placement fees are capitalized to equity accounted investments. Transaction costs associated with the acquisition are capitalized to investment properties.

As at September 30, 2022, the Trust has accrued \$2,192,178 (December 31, 2021- \$1,306,022) under this Management Agreement, which is included in accounts payable and accrued liabilities.

13. Property Operating, General and Administrative and Finance Expenses

Property operating, general and administrative and finance expenses for the three and nine months ended September 30, 2022 and 2021 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Property Operating Expenses				
Property Taxes	\$ 457,629	\$ 260,130	\$ 1,351,764	\$ 647,254
Insurance	157,772	77,154	424,252	167,429
Operating Expenses	1,112,036	482,423	2,750,604	1,185,442
Total	\$ 1,727,437	\$ 819,708	\$ 4,526,620	\$ 2,000,125
	September 30, 2022		September 30, 2021	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
General and Administrative				
Asset Management Fees (note 12)	\$ 380,300	\$ 366,450	\$ 895,699	\$ 1,017,327
Public Company Expenses	44,145	68,399	56,283	173,520
Office and General	174,458	132,305	387,656	466,878
Total	\$ 598,903	\$ 567,154	\$ 1,339,638	\$ 1,657,724

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	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Finance Costs				
Bank interest expense	\$ 1,001,114	\$ 277,889	\$ 2,333,567	\$ 706,926
Convertible debenture interest expense	227,529	303,101	697,207	889,441
Mark to market of assumed mortgages	(138,916)	-	(311,956)	-
Finance cost amortization	90,742	67,449	116,892	90,447
Total	\$ 1,180,469	\$ 648,438	\$ 2,835,710	\$ 1,686,814

14. Foreign Exchange Gain

The foreign exchange gain for the three and nine months ended September 30, 2022 and 2021 are as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Foreign Exchange Gain				
Foreign exchange gain on convertible debentures (note 6)	\$ 843,191	\$ 463,849	\$ 1,033,296	\$ 11,232
Foreign exchange gain	403,750	101,423	519,854	223,698
Total	\$ 1,246,941	\$ 565,273	\$ 1,553,150	\$ 234,931

15. Subsequent Event

On November 15, 2022 the Trust initiated a strategic review process to identify, evaluate and pursue a range of strategic alternates with the goal of maximizing unitholder value.