



Management's Discussion and Analysis For the Period Ended March 31, 2024

Background

This Management's Discussion and Analysis (MD&A) of NexLiving Communities Inc. ("NexLiving" or "the Company") is dated May 15, 2024, and should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes for the periods ended March 31, 2024 and March 31, 2023 and the audited consolidated financial statements and accompanying notes for the years ended December 31, 2023, and December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). All amounts are in Canadian dollars unless otherwise specified. The financial statements and additional information, including news releases referenced herein, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR+) at www.sedarplus.ca under the Company's profile. The common shares of NexLiving are traded on the TSX Venture Exchange (the "Exchange" or "TSXV") under the symbol "NXLV".

Forward-Looking Information

Certain statements in this MD&A are forward-looking statements or information (collectively forward-looking statements). NexLiving is hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, NexLiving has assumed that the risks listed below will not adversely impact the business of NexLiving.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of NexLiving, that could influence actual results include, but are not limited to: limited operating history; operating risks; regulatory risks; substantial capital requirements and liquidity; financing risks and dilution to shareholders; competition; reliance on management and dependence on key personnel; uninsurable risks; exposure to potential litigation; dividends; and other factors beyond the control of NexLiving.

Furthermore, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, NexLiving undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of NexLiving or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Refer to the section titled "Risk and Uncertainties".

Non-IFRS Financial Measures

This MD&A contains several non-IFRS financial measures and ratios that management believes provide relevant supplementary information to both management and investors in measuring the operating and financial performance of the Company. These measures are commonly used by entities in the real estate industry; however, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar metrics presented by other publicly traded entities. These metrics should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

“FFO” is defined as net income adjusted for fair value gains (losses) and deferred tax expense.

“FFO per share - diluted” is defined as FFO for the applicable period divided by the diluted weighted average shares outstanding during the period.

“FFO payout ratio” is calculated by dividing the dividend paid per share by FFO per share for the corresponding period.

“Net Debt to GBV” is defined as the ratio of total debt, including outstanding mortgages payable and capital expenditure facilities to the fair value of the Company’s investment properties, net of the Company’s current cash balance. The use of Debt to GBV has been included for the purpose of improving the understanding of the Company’s current financial position.

“Same Property” results are used to evaluate performance of investment properties owned and operated by the Company continuously since January 1, 2023. Same property results are supplementary financial measures as defined in National Instrument 52-112. The Company believes same property results represent a meaningful measure of operating and financial performance as it allows the Company to gauge the leasing and operating performance of its portfolio on a consistent basis period-over-period. Same property results exclude the impact from acquisitions and dispositions completed during the comparative periods. As at March 31, 2024, the Company’s same property portfolio comprised of 1,016 units, representing 84% of the fair value of the Company’s investment property portfolio.

Company Overview

NexLiving Communities Inc. business is the ownership and management of multi-unit residential real estate with a focus on low and mid-rise properties in bedroom communities across Canada. The common shares of the Company are listed on the TSX Venture Exchange (“TSXV”) under the symbol “NXLV”.

Description of Business and Strategy

The Company specializes in owning, operating and managing multi-residential properties in bedroom communities located in Canada. The Company’s primary focus is on acquiring recently built or refurbished, highly leased multi-residential properties that offer attractive and convenient living options for residents. As at March 31, 2024, the Company owned 1,166 units in New Brunswick and Ontario.

The Company aims to deliver exceptional living experiences to our residents and provide comfortable, affordable housing solutions that cater to a wide range of demographics. The properties offer a range of modern and updated suites with one to three bedrooms, with a variety of amenities and features that allow residents to experience a hassle-free and maintenance-free lifestyle. Property management is currently handled by third party providers on a contract basis. A condo or hospitality style level of service is part of the business model, with third party providers consistently delivering a high level of service.

The Company is committed to investing in its properties to ensure that they are modern and energy efficient. For certain properties in its Ontario portfolio, the Company has undertaken a targeted value-add capital program to modernize and reposition large 1- and 2-bedroom suites.

The Company has developed a robust pipeline of qualified properties for potential acquisition. By screening properties identified to match the criteria set out in the Company business plan (proximity to healthcare, amenities, services and recreation), management has identified a number of attractive acquisition targets.

NexLiving has a highly scalable business model and is executing a growth strategy by quickly acquiring properties that meet our target criteria. The resulting revenue will allow the Company to spread fixed public company and other corporate costs across a larger revenue base, achieving economies of scale. The Company believes that properly managed execution of its growth strategy, with a focus on strong operational results, will help create a successful publicly listed real estate company, and value for our shareholders.

Selected Financial Information

The following tables contain a summary of selected operating and financial performance measures:

As at	31-Mar-24	31-Dec-23	Change
Number of suites	1,166	1,166	-
Occupancy	96.4%	96.8%	(40) bps
Debt to total assets	69.5%	69.8%	(26) bps
Net Debt to GBV*	68.4%	68.6%	(22) bps
Weighted average term to debt maturity (years)	4.3	4.6	(0.3) yrs
Weighted average contractual interest rate	3.71%	3.71%	-
Investment properties	241,216,000	240,618,000	0.2%
Total assets	248,154,096	247,227,172	0.4%
Total liabilities	172,590,399	172,593,730	0.0%
Net asset value	75,563,697	74,633,442	1.2%
Net asset value per share	\$ 4.54	\$ 4.49	1.2%

For the three months ended March 31	2024	2023	Change
Rental income	4,907,235	4,205,209	16.7 %
NOI	2,872,187	2,329,164	23.3 %
NOI margin	58.5%	55.4%	314 bps
Net income	1,003,100	2,644,781	(62.1)%
FFO*	804,181	555,613	44.7 %
FFO per share - diluted*	\$ 0.05	\$ 0.04	33.8 %
Dividends declared (per share)	\$ 0.01	\$ 0.01	-
FFO payout ratio*	21%	28%	(704) bps
Weighted average units outstanding - diluted	16,775,265	15,503,039	8.2 %
Same property revenue*	4,201,542	3,954,811	6.2 %
Same property operating expenses*	1,735,977	1,785,054	(2.7)%
Same property NOI*	2,465,565	2,169,757	13.6 %
Same property NOI margin*	58.7%	54.9%	382 bps

*Refer to section "Non-IFRS Financial Measures"

Quarterly Highlights

On January 21, 2024, the Company announced it had entered into an agreement to acquire a portfolio of multi-family assets in eastern Ontario and Québec consisting of 16 properties and 991 suites, and an appraised value of \$224 million as of October 2023, from Devcore Group Inc. and related entities in exchange for share consideration and the assumption of existing mortgages. On April 3, 2024, the Company received shareholder approval for the transaction at the Company's special meeting.

On February 21, 2024, the Company declared a dividend of \$0.01 per common share for the quarter ending March 31, 2024, representing \$0.04 per share on an annualized basis. The dividend was paid on March 31, 2024, to shareholders of record on March 8, 2024.

Subsequent Events

On April 3, 2024, the Company refinanced its mortgage on the 5 Woodhollow Park property and entered into a new \$9.3 million CMHC insured mortgage for a ten-year term with a fixed interest rate of 4.40%. The new mortgage replaced the maturing \$7.5 million mortgage.

On April 23, 2024, the Company refinanced its mortgage on the 49 Noel property and entered into a new \$9.4 million CMHC-insured mortgage for a ten-year term with a fixed interest rate of 4.18%. The new mortgage replaced the maturing \$8.7 million mortgage.

On May 15, 2024, the Company declared a dividend of \$0.01 per common share for the quarter ending June 30, 2024, representing \$0.04 per share on an annualized basis. The dividend is payable on June 28, 2024, to shareholders of record on June 7, 2024.

On May 15, 2024, the Board of Directors approved the issuance of 220,000 DSUs to directors and management of the Company. The DSUs vest over three years in accordance with the provisions of the Company's DSU Plan.

Summary of Quarterly Operating Results

The following table presents the quarterly operating results for the Company for the last eight quarters.

Three month period ended	31-Mar 2024	31-Dec 2023	30-Sep 2023	30-Jun 2023	31-Mar 2023	31-Dec 2022	30-Sep 2022	30-Jun 2022
Rental revenue	4,907,235	4,811,070	4,747,734	4,711,653	4,205,209	3,300,364	3,088,988	2,921,829
Operating costs	(2,035,048)	(1,905,361)	(1,785,089)	(1,872,655)	(1,876,045)	(1,492,279)	(1,292,328)	(1,134,219)
Net property operating income	2,872,187	2,905,709	2,962,645	2,838,998	2,329,164	1,808,085	1,796,660	1,787,610
Administrative expenses	(375,713)	(391,934)	(465,350)	(570,063)	(430,745)	(384,916)	(513,069)	(488,676)
Interest expense	(1,606,215)	(1,570,945)	(1,563,654)	(1,583,465)	(1,237,515)	(849,311)	(680,088)	(579,571)
Amortization expense	(128,875)	(108,299)	(103,699)	(92,878)	(105,832)	(108,257)	(126,939)	(139,397)
Accretion expense	-	-	-	-	-	-	(119,005)	(104,864)
Total finance costs	(1,735,090)	(1,679,244)	(1,667,353)	(1,676,343)	(1,343,347)	(957,568)	(926,032)	(823,832)
Interest income	42,797	22,176	3,029	4	541	34,417	18,217	14,566
Fair value gain (loss) on investment properties	198,919	(3,596,385)	(4,192,667)	808,194	2,239,168	2,466,785	2,629,006	472,953
Other income (loss)	241,716	(3,574,209)	(4,189,638)	808,198	2,239,709	2,501,202	2,647,223	487,519
Net income (loss) before income taxes	1,003,100	(2,739,678)	(3,359,696)	1,400,790	2,794,781	2,966,803	3,004,782	962,621
Deferred income tax (expense) recovery	-	(300,000)	350,000	(200,000)	(150,000)	(600,000)	-	-
Net income (loss) for the quarter	1,003,100	(3,039,678)	(3,009,696)	1,200,790	2,644,781	2,366,803	3,004,782	962,621
Basic net income per share	\$ 0.06	\$ (0.18)	\$ (0.18)	\$ 0.07	\$ 0.17	\$ 0.16	\$ 0.20	\$ 0.06
Diluted net income per share	\$ 0.06	\$ (0.18)	\$ (0.18)	\$ 0.07	\$ 0.17	\$ 0.16	\$ 0.20	\$ 0.06

Results of Operations

Revenue and NOI Growth

For the three months ended March 31, 2024, property revenue increased year-over-year by \$0.7 million (+17%) to \$4.9 million and net property operating income ("NOI") increased by \$0.5 million (+23%) to \$2.9 million, representing a 58.5% NOI margin (2022 – 55.4%).

Property revenue and NOI increased over the prior period due to the acquisition of 150 suites on February 28, 2023. Rent increases on tenant turnover and renewals also contributed to the increase in revenue over the period. Property operating expenses decreased over the prior period due to lower insurance, property maintenance and utility costs, which were partially offset by higher property taxes in New Brunswick. The comparative period also included non-recurring repair and maintenance costs related to winter storm damage at certain New Brunswick properties.

Same Property NOI

For the three months ended March 31, 2024, same property NOI increased by 13.6%, driven by a 6.2% increase in same property revenue and a 2.7% decrease in same property expenses. Same property revenue growth was driven by rent increases on renewal and tenant turnover coupled with higher occupancy rates across the same property portfolio. The decrease in same property operating expenses was related to lower insurance, property maintenance, and utility costs, which was partially offset by higher property taxes in New Brunswick. The comparative period also included non-recurring repair and maintenance costs related to winter storm damage at certain New Brunswick properties and excluding the impact of these costs would result in same property NOI growth of 11.1%.

Administrative Expenses and Stock-Based Compensation

Administrative expenses of \$283,913 for the three month ended March 31, 2024, were 23% lower than the prior period (2022 – \$369,345) due to the timing of management and consulting fees. Stock-based compensation expense was 49% higher than the prior period due to a vesting of the grants made in 2023 (2023 - \$61,400).

Fair Value Adjustment on Investment Properties

The fair value gain of \$198,919 (2022 – \$2,239,168) for the three months ended March 31, 2024, was driven by a higher NOI forecast during the period, due to higher rental rates across the Company's portfolio. Refer to section "Fair Value of Investment Properties" for more detail.

Finance Costs

Finance costs incurred for the three month period ended March 31, 2023, totaled \$1,735,090, an increase of 29% from last year (2022 – \$1,343,347). The increase in finance costs in both periods was due to mortgage debt placed in connection with a property acquisition completed during 2023, and higher interest rates on refinancings during the period.

Net Income and Net Income Per Share

For the three months ended March 31, 2024, net income of \$1,003,100 (2022 – \$2,794,781) and diluted net income per share of \$0.06 (2022 – \$0.17) both represented a 65% decrease from the prior period. The decrease was due to the smaller fair value gain on investment properties and higher finance costs, which was partially offset by higher net operating income in the current period.

Fair Value of Investment Properties

Capitalization Rates	31-Mar-24	31-Dec-23
New Brunswick	4.82%	4.82%
Ontario	4.50%	4.50%
	4.79%	4.79%

The Company's weighted average capitalization rate as at March 31, 2024, was unchanged at 4.79% from December 31, 2023. The gain in fair value recorded by the Company in the three month period ended March 31, 2024, was due to forecasted NOI growth from expected rent increases and operating expense efficiencies.

Occupancy

Region	31-Mar-24		31-Dec-23	
	Suites (#)	Occupancy (%)	Suites (#)	Occupancy (%)
New Brunswick	1,047	97.1%	1,048	97.8%
Ontario	119	89.9%	118	88.2%
	1,166	96.4%	1,166	96.8%

The Company's New Brunswick portfolio saw its occupancy decrease by 70 basis points during Q1 2024, due to normal turnover of tenants. Occupancy at the Company's Ontario portfolio increased by 170 basis points during Q1 2024 as the Company continued to lease up vacant units as repositioning work was completed.

Reconciliation of FFO

For the three months ended March 31	2024	2023
Net income (loss)	1,003,100	2,644,781
Fair value adjustments on investment properties	(198,919)	(2,239,168)
Deferred tax expense (recovery)	-	150,000
FFO*	804,181	555,613
FFO per share - diluted*	\$ 0.05	\$ 0.04
Weighted average shares outstanding - diluted	16,775,265	15,503,039

*Refer to section "Non-IFRS Financial Measures"

Liquidity and Capital Resources

At March 31, 2024, the Company reported cash of \$5.0 million, total current assets of \$6.9 million, total current liabilities of \$50.3 million and a working capital deficiency of \$43.4 million. The working capital deficiency includes \$46.9 million of mortgages payable maturing within twelve months from March 31, 2024. Although the Company expects to continue to renew upcoming mortgage maturities, there can be no assurance that it will have access to sufficient capital or access to capital on favourable terms. Subsequent to March 31, 2024, the Company refinanced two mortgages with a maturing balance of \$16.2 million that resulted in \$1.9 million of incremental proceeds.

Capital Structure

As at	31-Mar-24	31-Dec-23
Investment Properties	241,216,000	240,618,000
Other assets	6,938,096	6,609,172
Total assets	248,154,096	247,227,172
Mortgages payable	169,943,761	170,385,946
Other liabilities	2,646,638	2,207,784
Total liabilities	172,590,399	172,593,730
Net Asset Value	75,563,697	74,633,442
Net Asset Value per share	\$ 4.54	\$ 4.49

At March 31, 2024, the Company's Net Debt to GBV ratio was 68.4% (December 31, 2022 – 68.6%). The decrease in the ratio over 2024 was due to an increase in the fair value of the Company's investment properties and principal repayments on the Company's outstanding debt.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

Management Compensation

Key management included the Company's President & Chief Executive Officer, Chief Financial Officer & Secretary and Executive Vice Chair.

For the three months ended March 31	2024	2023
Cash and accrued compensation	168,499	180,783
Stock-based compensation	90,700	59,300
	259,199	240,083

Outstanding Share Data

The Company had 16,464,483 common shares issued and outstanding at March 31, 2024, and at May 15, 2024.

The Company had 52,500 stock options outstanding as of March 31, 2024, and at May 15, 2024, of which 15,000 have an exercise price of \$4.80 and an expiry date of May 15, 2030, and 37,500 have an exercise price of \$3.80 and an expiry date of April 20, 2031.

As at March 31, 2024 the Company had no warrants or convertible debentures outstanding.

As at March 31, 2024, a total of 426,450 (December 31, 2023 – 426,450) DSUs were outstanding of which 167,417 (December 31, 2023 – 426,450) DSUs have vested. On May 15, 2024, the Board of Directors approved the issuance of 220,000 DSUs to directors and management of the Company. The DSUs vest over three years in accordance with the provisions of the Company's DSU Plan. At May 15, 2024, there were 646,450 DSUs outstanding.

Risks and Uncertainties

The following are certain factors relating to the business of the Company. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected.

The following is a description of certain risks and uncertainties that may affect the business of the Company.

Operational Risks

Reliance on Management

The ability of the Company to successfully implement its business strategy and operate its business will depend in large part on the continued involvement of the Company's current management team. Shareholders should realize that they are relying on the experience, judgment, discretion, integrity and good faith of the management team. If the

Company loses the services of one or all of the members of its current management team, the business, financial condition and results of operations of NexLiving may be materially adversely affected.

Internal Controls

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

Volatility of Share Price

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility. A publicly traded company will not necessarily trade at values determined by reference to the underlying value of its business. The market price of the common shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements the Company makes, general economic conditions, and other factors. Increased levels of volatility and resulting market turmoil may adversely impact the price of the common shares. If the Company is required to access capital markets to carry out its business objectives, the state of domestic and international capital markets and other financial systems could affect its access to, and cost of, capital. Such capital may not be available on terms acceptable to the Company or at all, and this could have a material adverse impact on its business, financial condition, results of operations or prospects.

Dilution

NexLiving is authorized to issue an unlimited number of common shares and other securities for such consideration and on such terms and conditions as may be established by the Board without the approval of the Shareholders. It is currently anticipated that the Company may be required to conduct additional equity financings in order to finance additional property acquisitions and develop the business of the Company as currently planned and envisioned by management of the Company. Any further issuance of common shares pursuant to such equity financings will dilute the interests of existing Shareholders.

Financing Risks

The Company's business model is expected to be dependent on making investments in existing and new properties and the Company anticipates having to raise additional capital to fund these investments. While the Company may generate additional working capital through equity or debt offerings, or through the receipt of revenue or other payments from properties, there is no assurance that such funds will be sufficient to facilitate the development of NexLiving's business as envisioned or, in the case of equity financings, that such funds will be available on terms acceptable to the Company or at all.

Conflicts of Interest

Certain of the directors and officers of the Company will also serve as directors and/or officers of other companies. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers will be made in accordance with their duties and obligations under the Canada Business Corporation Act ("CBCA") and other applicable laws to deal fairly and in good faith with a view to the best interests of the Company and the Shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the CBCA, and other applicable laws.

Investment Concentration

While the Company's intention is to negotiate and fund additional investments in properties in different communities, it could take many years to create a diversified portfolio of multi-family rental properties and there is no guarantee the Company will ever achieve a portfolio of sufficient diversification. The Company may have a significant portion of its assets dedicated to a single property or community for an extended period of time. In the event that any such property or community is unsuccessful or experiences a downturn, this could have a material adverse effect on the Company's business, results of operations and financial condition.

Ability to Negotiate Additional Investments

A key element of the Company's growth strategy is expected to involve negotiating and finding investments in other multi-family rental properties. Achieving the benefits of future investments will depend in part on successfully identifying and capturing such opportunities in a timely and efficient manner and in structuring such arrangements to ensure a stable and growing stream of revenues. The Company's ability to identify investable multi-family rental properties and negotiate and fund additional investments in such a manner is not guaranteed.

Ability to Manage Future Growth

The Company's ability to achieve desired growth will depend on its ability to identify, evaluate and successfully negotiate and fund investments in other multi-family rental properties. As the Company grows, it will also be required to hire, train, supervise and manage new employees. Failure to manage any future growth or to successfully negotiate suitable investments effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

Effect of General Economic and Political Conditions

The Company's business and the business of its properties are expected to be subject to the impact of changes in national or international economic conditions, including but not limited to, recessionary or inflationary trends, equity market conditions, consumer credit availability, interest rates fluctuations, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. These economic conditions may be further affected by political events throughout the world that cause disruptions in the financial markets, either directly or indirectly. Adverse economic and political developments could have a material adverse effect on the Company and its financial condition, results of operations and cash flows.

Payment of Dividends

The Company paid a quarterly dividend of \$0.01 per common share for each of the previous four quarters, representing \$0.04 per share on an annualized basis.

The Company's ability to pay future dividends will depend on the Company's financial condition, operating results, capital requirements, contractual restrictions on the payment of dividends; prevailing market conditions and any other factors that the Board deems relevant.

Liquidity and Capital Resources

There is no guarantee that cash flow from real property investments will be readily available or will provide the Company with sufficient funds to meet its ongoing financial obligations. The Company may therefore require additional equity or debt financing to meet its operational requirements. There can be no assurance that such financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to the Company. The ability of the Company to arrange such financing in the future will depend in part upon prevailing capital market conditions as well as its business performance. Additionally, the Company will have to renew mortgages payable as they mature and there can be no assurance that it will otherwise have access to sufficient capital or access to capital on favorable terms.

Litigation

To the Company's knowledge, as of the date of this MD&A, no material claims or litigation have been brought against NexLiving. However, the Company may become party to litigation from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the common shares and could result in significant financial and management resources of the Company being expended in connection therewith. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

In addition to being subject to litigation in the ordinary course of business, in the future, the Company may be subject to class actions, derivative actions and other securities litigation and investigations. This litigation may be time consuming, expensive and may distract the Company from the conduct of its daily business. It is possible that the Company will be required to pay substantial judgments, settlements or other penalties and incur expenses that could have a material adverse effect on its operating results, liquidity or financial position. Expenses incurred in connection with these lawsuits, which would be expected to include substantial fees of lawyers and other professional advisors, and the Company's obligations to indemnify officers and directors who may be parties to such actions, could materially adversely affect the Company's reputation, operating results, liquidity or financial position.

Interest Rate Risk

The Company's financing arrangement may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Company's cost of borrowing. Additionally, the Company's mortgages will need to be re-financed upon maturity at future rates that will fluctuate. The Company expects its well laddered debt maturity profile to minimize the impact to its earnings from fluctuations in market interest rates, however, as market interest rates rise, the Company could see the cost of its borrowings rise during mortgage debt refinancing.

Real Estate Risks

Indirect Investment in Real Estate

An investment in the common shares is an investment in real estate through the Company's indirect interest in the investment properties it acquires. Investment in real estate is subject to numerous risks, including the factors listed below and other events and risk factors which are beyond the control of the Company.

General Real Estate Ownership Risks

All real property investments are subject to a degree of risk and uncertainty. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of such properties. The investment properties will generate revenue through rental payments made by the tenants thereof. The ability to rent vacant suites in the investment 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. 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 investment properties becomes vacant and cannot be re-leased on economically favourable terms, the investment properties may not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, and the Company's net income will be adversely affected.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the year of ownership of real property regardless of whether the investment properties are producing any income. Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the Company's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Company were to be required to quickly liquidate its real property investments, the proceeds might be significantly less than the aggregate carrying value of the investment properties

or less than what could be expected to be realized under normal circumstances. The Company may, in the future, be exposed to a general decline of demand by tenants for space in the investment properties. As well, certain of the leases of the investment properties held by the Company may have early termination provisions which, if exercised, would reduce the average lease term.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the investment properties or revenues to be derived therefrom. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the Company due to internal and external limitations on its ability to charge these new market-based rents in the short-term.

Government Regulation

Certain provinces in Canada may have enacted residential tenancy legislation which may impose, among other things, rent control guidelines that limit a landlord's ability to raise rental rates at its properties.

In addition to limiting a landlord's ability to raise rental rates, residential tenancy legislation in certain provinces may provide certain rights to tenants, while imposing obligations upon landlords. Residential tenancy legislation may also prescribe procedures which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the respective judicial or administrative body governing residential tenancies as appointed under a province's residential tenancy legislation, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

Further, residential tenancy legislation in certain provinces may provide tenants with the right to bring certain claims to the respective judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, landlords may, in the future, incur capital expenditures which may not be fully recoverable from tenants.

Residential tenancy legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of landlords to maintain the historical level of earnings of their properties.

Environmental Matters

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

Uninsured Losses

The Company will arrange for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for properties similar to investment properties to be owned by the Company and will endeavour to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to the investment properties, the Company could suffer a loss of capital invested and not realize any profits which might be anticipated from the disposition of the investment properties.

Risk of Natural Disasters

While the Company has insurance coverage for its existing investment property, the insurance coverage may not cover all natural disasters which may occur. Floods, hurricanes, storms, earthquakes, terrorism, or other natural disasters may significantly affect the Company's operations and the investment properties and may cause the Company to experience reduced rental revenue, incur clean-up costs or otherwise incur costs in connection with these natural

disasters. These events may have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and ability to make dividend payments to its Shareholders, to the extent declared.

Reliance on Property Management

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

Competition for Real Property Investments or Tenants

The Company will compete for suitable real property investments with individuals, corporations, real estate investment trusts and similar vehicles and institutions (both Canadian, U.S. and foreign) which are presently seeking, or which may seek in the future real property investments or tenants similar to those sought by the Company. Such competition could have an impact on the Company's ability to lease suites in the investment properties and on the rents charged. An increased availability of investment funds allocated for investment in real estate would tend to increase competition for real property investments and increase purchase prices, reducing the yield on such investments. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

Revenue Shortfalls

Revenues from the investment properties may not increase sufficiently to meet increases in operating expenses or debt service payments under the financing arrangements or to fund changes in the variable rates of interest charged in respect of such loans.

Fluctuations in Capitalization Rates

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

Canadian Market Factors

Any potential downturn in the national or regional economy could result in the loss of income and reduction in value of the investment properties.

Additional Information

This document, as well as additional information relating to the Company, is available on SEDAR+ at www.sedarplus.ca.