NexLiving communities inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED MARCH 31, 2022

Background

This Management's Discussion and Analysis (MD&A) of NexLiving Communities Inc. ("NexLiving" or "the Company") is dated May 26, 2022, and should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes for the periods ended March 31, 2022 and March 31, 2021 and the audited consolidated financial statements and accompanying notes for the years ended December 31, 2021, and December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS). 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.sedar.com 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".

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 in Canada. The common shares of the Company are listed on the TSXV Venture Exchange ("TSXV") under the symbol "NXLV".

Description of Business and Strategy

The Company continues to execute on its plan to acquire recently built or refurbished, highly leased multi-residential properties in bedroom communities in Atlantic Canada and Ontario. The Company aims to satisfy the needs of the newly emerging 55+ resident. The demographic that has changed the world is now changing the way residential rental apartments cater to their requirements. Their desire for community, along with service and convenience amenities has led to the emergence of the 55+ active living segment. Apartments are the next "home", after years of owning they look forward to the carefree lifestyle provided through renting in a community of their peers. NexLiving intends to consolidate this emerging market niche. As at March 31, 2022, the Company owned 705 units in New Brunswick and Ontario.

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. As at March 31, 2022, Company had 150 suites under agreement and intends to acquire a minimum of 500 additional suites in the coming twelve months.

Today's active 55+ individual or family is interested in community and independence, and the properties that will attract like-minded residents. A lifestyle that eliminates the work and risk associated with a single-family home at a stage when the resident desires convenience and freedom. The 55+ demographic includes some 12 million Canadians.

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.

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 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	**March 31, 2022**	**December 31, 2021**	**Change**
Number of investment properties	25	25	-
Number of suites	705	705	-
Occupancy	99%	99%	-
Investment properties	126,161,345	125,162,000	0.8%
Total assets	146,569,548	143,758,717	2.0%
Total liabilities	82,807,186	82,956,832	-0.2%
Net asset value	63,762,362	60,801,885	4.9%
Net asset value per share	0.22	0.22	1.3%
Total liabilities to total assets	56.5%	57.7%	-121 bps
Debt to GBV*	64.7%	65.7%	-97 bps
Weighted average term to debt maturity (years)	1.9	2.1	-0.2
Weighted average contractual interest rate	2.12%	2.12%	-

** "Debt to GBV" is defined as the ratio of outstanding mortgages payable and convertible debentures to the fair value of the Company's investment properties. The use of Debt to GBV has been included for the purpose of improving the understanding of the Company's current financial position. The Company's method of calculating Debt to GBV may differ from other issuers' methods and, accordingly, these measures may not be comparable to measures used by other issuers.*

For the three months ended	March 31, 2022	March 31, 2021	Change
Rental income	2,553,345	1,752,067	45.7%
Net property operating income	1,278,089	952,273	34.2%
NOI margin	50.1%	54.4%	-430 bps
Net income	1,178,982	428,110	175.4%
FFO*	270,515	220,414	22.7%
FFO per share (cents per share) * - diluted	0.09	0.13	-29.8%
Dividends declared (cents per share)	0.05	0.05	-
Weighted average units outstanding - diluted	306,345,962	175,262,484	74.8%

** FFO is defined as net property operating income less administrative expenses, net interest expense and amortization expense. The Company's method of calculating FFO may differ from other issuers' methods and, accordingly, these measures may not be comparable to measures used by other issuers.*

Notable Events During the Period Ended March 31, 2022

Revenue and NOI Growth

Property revenue increased by $0.8 million (+46%) to $2.6 million and net property operating income ("NOI") increased by $0.3 million (+34%) to $1.3 million during the period, representing a 50.1% NOI margin (2021 – 54.4%).

The increase in property revenue and NOI was a result of having a full quarter of operations for the 156 suites acquired during the prior quarter.

NOI Margin

NOI margin decreased by 430 basis points from a year ago, largely driven by higher property tax assessments in New Brunswick (711 bps impact), and to a lesser extent, higher energy and excess snow removal costs (3 bps impact). The province of New Brunswick has proposed a phased reduction of the provincial property tax rate by 50% over the next three years. Had this new reduced tax rate been in place during the quarter, NOI margin would have been 54.7%.

The higher costs were partially offset by higher rental revenues, driven by rent increases on suite turnovers. During the quarter, management underwent a thorough review of portfolio costs, which is expected to result in excess of $100,000 of annual savings in 2022. The Company has also appealed the majority of property tax assessments, the outcome of which will not be known until late 2022.

Occupancy

NexLiving has maintained a high level of occupancy across its property portfolio. At March 31, 2022, 8 of its 705 suites were vacant representing an occupancy rate of 99%.

Below Market Rents

Management estimates that market rents are approximately 10-20% higher than NexLiving's average in place rents for similar suites. The differential between in place and market rents provide the Company with the ability to raise rents and increase yields on suite turnovers.

Exposure to Rent Controls

Approximately 85% of the Company's properties are located in New Brunswick and are subject to the province's recently introduced rent control legislation, which has limited rent increases to 3.8% for 2022. The temporary rent control legislation does not apply on suite turnovers.

Dividend Payments

On March 7, 2022, the Company declared a dividend of 0.05 cents per common share for the quarter ending March 31, 2022, representing 0.20 cents per share on an annualized basis. The dividend was paid on March 31, 2022, to shareholders of record on March 14, 2022.

Fair value of Investment Properties

The fair value of the Company's portfolio is $126.2 million at March 31, 2022, compared to a fair value of $125.2 million at December 31, 2021.

Liquidity Available for Acquisitions

The Company ended the period with $19.2 million of cash on the balance sheet, which was earmarked for the acquisition of buildings that under contract. Subsequent to period end, the Company announced the acquisition of two buildings, which consumed $6.1 million of cash on hand. The Company continues to evaluate buildings under contract that remain subject to satisfactory due diligence by the Company. If any, or all, of these acquisitions fail to materialize, management intends to direct any excess cash towards the reduction in debt and/or other property acquisitions.

Other Events During the Quarter

On January 14, 2022, the Company redeemed, without any penalty or premium, $225,000 of the 7.00% convertible debentures issued on April 27, 2020, and having a maturity date of April 27, 2022.

On March 7, 2022, the Company declared a dividend of 0.05 cents per common share for the quarter ending March 31, 2022. The dividend was paid on March 31, 2022, to shareholders of record on March 14, 2022.

During March 2022, a total of 4,012,500 warrants having an exercise price of $0.175 per common share were exercised to aggregate gross proceeds of $702,187 of which 3,437,500 warrants ($601,562) were held by directors of the Company. The remaining 2,487,500 warrants having an exercise price of $0.175 per common share expired unexercised on March 16, 2022.

Events Subsequent to March 31, 2022

On April 5, 2022, the Company completed the acquisition of a building in Riverview, NB ("Findlay Tower") with 64 suites for $11.7 million, excluding closing costs. Findlay Tower is a four-storey building with an elevator and one level of heated underground parking. The property was constructed in 2019 and is located at 1009 Cleveland Avenue, Riverview, NB. In connection with the acquisition, NexLiving has assumed a $9.25 million 40-year CMHC insured mortgage with a 1.76% interest rate and a maturity date of December 1, 2030.

On April 14, 2022, the Company completed the acquisition of a building in Lindsay, ON ("35 Angeline") with 58 suites for $13.4 million, excluding closing costs. 35 Angeline is a six-storey building with one elevator. The property was constructed in 1977 and is located at 35 Angeline Street S, Lindsay, ON. The Company intends to undergo a capital expenditure program, which is expected to materially increase the NOI of the building.

On April 19, 2022, the Company redeemed, without any penalty or premium, $850,000 of the 7% convertible debentures issued in 2020 in connection with the 75 Emma St. acquisition.

On April 25, 2022, the Company completed the refinancing of the mortgage for 75 Emma Street. The maturing mortgage was replaced with a CMHC insured first mortgage loan in the amount of $5,971,575. The loan has a 5 year term, 40 year amortization period and bears interest at the annual rate of 3.32% calculated semi-annually. The mortgage loan is secured by the 75 Emma Street property and a guarantee by NexLiving.

On May 16, 2022, the board of directors, in accordance with the terms of the Company's DSU plan, approved the issuance of 2,260,000 DSUs to directors, management and consultants of the Company. The DSUs vest over three years in accordance with the provisions of the company's DSU plan.

On May 12, 2022, the Company secured a non-revolving acquisition loan facility in the amount of $10,125,000 and a capex loan facility in the amount of $1,500,000. Both loan facilities are secured by the 35 Angeline Street property and a guarantee by NexLiving, and have a 2 year term. The acquisition loan facility bears interest at the fixed rate of 5.15% calculated daily and compounded semi-annually. The capex loan facility bears interest at a variable rate equal to the bank's prime rate plus 1.5%. To date the Company has drawn down the full amount of the acquisition loan facility.

Summary of Quarterly Operating Results

The following table presents the quarterly operating results for the Company for the last eight quarters as adjusted for the retrospective application of the change in accounting policy whereby investment properties are measured at fair value, subsequent to initial recognition (refer to note 4 to the Consolidated Financial Statements for the Year Ended December 31, 2021.

Quarter ended	**Mar 31, 2022**	**Dec 31, 2021**	**Sep 30, 2021**	**June 30, 2021**	**Mar 31, 2021**	**Dec 31, 2020**	**Sep 30, 2020**	**June 30, 2020**
Rental revenue	2,553,345	2,056,306	1,997,351	1,719,991	1,752,067	1,283,139	1,005,499	849,794
Operating costs	1,275,256	893,860	800,601	780,451	799,794	594,473	437,471	373,372
Net property operating income	1,278,089	1,162,446	1,196,750	939,540	952,273	688,666	568,028	476,422
Administrative expenses	435,852	382,799	411,104	487,071	254,191	266,182	239,561	694,078
Interest expense	484,935	493,820	446,732	414,640	413,585	362,645	272,210	244,272
Amortization expense	104,009	130,510	83,772	59,388	64,083	45,558	28,146	13,855
Accretion expense	86,446	242,758	284,607	271,056	256,804	237,418	169,332	135,513
Loss on settlement of bridge loans	-	-	-	-	-	-	-	80,000
Loss on modification of convertible debentures	-	-	88,000	-	-	-	-	-
Total finance costs	675,390	867,088	903,111	745,084	734,472	645,621	469,688	473,640
Interest income	(17,222)	-	-	-	-	-	-	-
Fair value (gain) loss on investment properties	(994,913)	(4,076,195)	(3,257,650)	(2,138,803)	(464,500)	(1,136,632)	(437,111)	(437,111)
Gain on sale of investment properties	-	-	-	(1,130)	-	-	-	-
Other income	(1,012,135)	(4,076,195)	(3,257,650)	(2,139,933)	(464,500)	(1,136,632)	(437,111)	(437,111)
Net income (loss) before income taxes	1,178,982	3,988,754	3,140,185	1,847,318	428,110	913,495	295,890	(254,185)
Deferred income tax recovery	-	-	-	-	-	234,000	-	-
Net income (loss) for the quarter	1,178,982	3,988,754	3,140,185	1,847,318	428,110	1,147,495	295,890	(254,185)
Basic net income (loss) per share	0.004	0.020	0.020	0.013	0.003	0.012	0.004	(0.003)
Diluted net income (loss) per share	0.004	0.019	0.020	0.012	0.003	0.011	0.003	(0.003)

Results of Operations for the Period Ended March 31, 2022

Rental Income

For the period ended March 31, 2022, the Company's investment properties generated rental income of $2,553,345 (2021 – $1,752,067) and NOI of $1,278,089 (2021 – $952,273). The increase in rental income and NOI was directly related to the increase in number of suites under ownership – 705 suites at March 31, 2022, compared to 533 suites at March 31, 2021.

The Company's net income for the period ended March 31, 2022, was $1,178,982 or $0.004 per share compared to $428,110 or $0.003 per share for the period ended March 31, 2021. Operating results for period ended March 31, 2022 include a fair value gain on the carrying value of investment properties of $994,913 compared to a fair value gain of $464,500 in the prior period.

Administrative Expenses

The following table details the changes in the Company's administrative expenses for the period ended March 31, 2022, compared to the prior period.

Period ended	March 31, 2022 3 months	March 31, 2021 3 months	Increase/decrease 3 months
Management wages and consulting fees	261,600	196,562	65,038
Filing and other fees	10,994	8,805	2,189
Insurance	7,125	6,187	938
Office and other	18,700	12,537	6,163
Professional fees	74,933	30,100	44,833
Stock-based compensation	62,500	-	62,500
Total administrative expenses	435,852	254,191	181,661

The increase in management wages and consulting fees for the period ended March 31, 2022 is due to the addition of the new President in June 2021 and revised monthly contracts for management and advisors.

The increase in office and other costs reflects the commencement of the monthly lease cost effective June 1, 2021, for the corporate office.

The increase in professional fees was due to costs incurred in relation to the Company's annual audit and included certain non-recurring expenses in connection with the Company's adoption of new accounting policies.

The increase in stock-based compensation expense related to the DSU's granted in May 2021 that are being recognized over a three-year vesting period.

Finance Costs

Finance costs incurred for the period ended March 31, 2022, totaled $675,390 (period ended March 31, 2021 - $734,472) comprised of mortgage and convertible debenture interest expense of $484,935 (period ended March 31, 2021 - $413,585), accretion expense relating to the convertible debentures of $86,446 (period ended March 31, 2021 – $256,804) and amortization of mortgages and convertible debenture costs of $104,009 (period ended March 31, 2021 – $64,083). The decrease in finance costs is attributable to lower accretion expense due to the lower convertible debenture balance this period versus the prior period, which was partially offset by higher interest and amortization expense due to the increased mortgage debt placed in connection with property acquisitions completed during 2021.

Funds from Operations ("FFO")

FFO is recognized as an industry-wide standard measure of a real estate entity's operating performance, and Management considers FFO per unit to be a key measure of operating performance. NexLiving calculates FFO substantially in accordance with the guidelines set out by RealPAC. FFO is defined as net property operating income less administrative expenses, net interest expense and amortization expense. Notwithstanding the foregoing, FFO does not have a standardized meaning under IFRS and is considered a non-IFRS financial measure; therefore, may not be comparable to similarly titled measures presented by other publicly traded companies.

FFO for the three months ended March 31, 2022 is calculated as follows:

For the three months ended	March 31, 2022	March 31, 2021
Net income (loss)	1,178,982	428,110
Fair value adjustments on investment properties	(994,913)	(464,500)
Accretion expense	86,446	256,804
FFO	**270,515**	**220,414**
FFO per share (cents per share) – diluted	0.09	0.13
Weighted average shares outstanding – diluted	306,345,962	175,262,484

Liquidity and Capital Resources

At March 31, 2022, the Company reported cash of $19.2 million, total current assets of $20.4 million, total current liabilities of $36.5 million and a working capital deficiency of $16.1 million. The working capital deficiency includes $31.0 million of mortgages payable maturing within 12 months from March 31, 2022, of which $4.5 million relates to 75 Emma Street and $11.0 million relates to the McLaughlin complex and $15.5 million relates to Findlay Estates. Subsequent to period end, the Company refinanced the Emma mortgage with a new $6.0 million mortgage. Although the Company expects 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.

The table below outlines NexLiving's key debt metrics:

As at	March 31, 2022	December 31, 2021
Weighted average term to debt maturity (years)	1.9	2.1
Weighted average effective interest rate (%)	2.12%	2.12%

Capital Structure

As at	March 31, 2022	December 31, 2021
Investment Properties	126,161,345	125,162,000
Other assets	20,408,203	18,596,717
Total assets	**146,569,548**	**143,758,717**
Mortgages payable	78,488,461	78,941,598
Convertible debentures	3,188,611	3,306,742
Accounts payable	1,130,114	708,492
Total liabilities	**82,807,186**	**82,956,832**
Net asset value	**63,762,362**	**60,801,885**
Net asset value per unit	**$0.22**	**$0.22**

At March 31, 2022, the Company's Debt to GBV ratio was 65% (December 31, 2021 - 66%). The reduction in the ratio over the course of three month period ended March 31, 2022 was driven by the increase in the fair value of the Company's investment properties, and the 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 Chief Executive Officer, President, Chief Financial Officer, Corporate Secretary and directors.

For the three months ended	March 31, 2022	March 31, 2021
Cash and accrued compensation	169,924	176,852
Stock-based compensation	62,500	-
Total	**232,424**	**176,852**

Annual compensation for each director is 125,000 DSU's. The Chairman receives an additional 35,000 DSU's for a total of 160,000.

Advisory and legal services

Advisory services primarily related to transactions were provided during the period ended March 31, 2022, by a corporation owned by two non-executive directors of the Company. The cost of these transaction advisory services during the year was $75,206 (period ended March 31, 2021 - $39,552).

Legal services were provided during the period ended March 31, 2021 by a firm of which an officer of the Company is the sole lawyer practitioner. The cost of these legal services during the period was $14,250.

Outstanding Share Data

The Company has 291,561,982 common shares issued and outstanding at May 26, 2022.

The Company has 1,050,000 stock options outstanding of which 300,000 have an exercise price of $0.24 and an expiry date of May 15, 2030, and 750,000 have an exercise price of $0.19 and an expiry date of April 20, 2031.

The Company has 12,024,377 common share purchase warrants outstanding as detailed in the following table.

Description	Expiry date	Exercise price	Number of warrants
Warrants issued in connection with exercise of Broker warrants	August 26, 2022	$0.25	290,876
Warrants issued March 2020 in connection with Denaco transaction	March 16, 2023	$0.27	7,000,000
Warrants issued in connection with McLaughlin acquisition	August 31, 2023	$0.27	2,500,000
Warrants issued pursuant to December 2020 Prospectus Offering	December 11, 2023	$0.24	2,233,501

The Company has the following convertible debentures outstanding as at May 26, 2022.

Description	Maturity date	Conversion price	Number of shares
August 2020 Debentures - $2,599,000 (McLaughlin acquisition)	August 31, 2023	$0.24	10,829,166

Subsequent to March 31, 2022, the Company granted a total of 2,260,000 DSUs to directors, officers and consultants. At May 26, 2022, the Company has 7,100,000 DSUs outstanding.

If all warrants and stock options were exercised, and all convertible debentures were converted, the number of common shares of the Company issued and outstanding would be 315,465,525 and the cash balance would increase by $3.17 million.

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 (as it is expected to be and as it has in the past) 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 and such Shareholders will have no pre-emptive rights in connection with such future issuances. In addition, conversion of the Convertible Debentures will also dilute the interests of existing Shareholders.

Financing Risks

The Company's business model is expected to be dependent on making investments in additional 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. If available, future equity financing may result in substantial dilution to the Shareholders.

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.

Limited Number of Future Investments

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 size. 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 investee 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 investee 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, 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 investee companies' business, financial condition, results of operations and cash flows.

Payment of Dividends

The Company paid a dividend of $0.0005 per common share for each of the four quarters in fiscal 2021, representing $0.002 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. The Company also plans to rely on additional equity financing to make investments in properties to grow the Company's business to the level envisioned by its management. 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 re-new 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
As market interest rates rise, the Company could see the cost of its borrowings rise during mortgage debt refinancing. The Company expects its well laddered debt maturity profile to minimize the impact to its earnings from fluctuations in market interest rates.

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.

Substitutions for Residential Rental Suites

Demand for rental suites in the investment properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. With the recent global economic crisis, interest rates offered by financial institutions for financing home ownership have been at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low or fail to rise, demand for rental suites may be adversely affected. A reduction in the demand for rental suites may have an adverse effect on the Company's ability to lease suites in the investment properties and on the rents charged.

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. The Province of New Brunswick recently enacted residential tenancy legislation that which has limited rent increases to 3.8% for 2022. The temporary rent control legislation does not apply on suite turnovers.

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.

Interest Rate Fluctuations

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.

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.

Impact of COVID-19

The impact of COVID-19 and variants of COVID-19 on the Company's operations as at May 26, 2022, has been minimal. The Company's portfolio of 705 rental suites were highly occupied and none of the tenants have requested deferral of their rent and all rents were collected in full. This reflects the demographic and quality of the Company's resident base. NexLiving's priority at this time continues to be operating in a manner that promotes the safety and health of our residents, staff, business partners and communities. The overall impact of COVID-19 and variants of COVID-19 on the Company's business will depend on a number of factors that are unknown at this time.

Additional Information

This document, as well as additional information relating to the Company, is available on SEDAR at www.sedar.com.