Marwest Apartment Real Estate Investment Trust

Management's Discussion and Analysis

For the three and nine months ended September 30, 2021

(Expressed in Canadian Dollars)

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Marwest Apartment Real Estate Investment Trust ("the Trust") should be read in conjunction with the Trust's condensed consolidated interim financial statements and the notes thereto for the period ended September 30, 2021, which are available on the Trust's profile on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. The financial information contained in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Trust had no commercial operations for the period from July 2, 2020 (date of formation) to September 30, 2020 as the Trust was not established until July 2, 2020, therefore there is no comparative information presented in this MD&A.

The Trust's Board of Trustees approved the content of this Management's Discussion and Analysis on November 24, 2021. Disclosure in this document is current to that date unless otherwise stated. Additional information relating to the Trust can be found on SEDAR at www.sedar.com and also on the Trust's website at www.marwestreit.com.

Forward-Looking Disclaimer

Certain statements contained in this MD&A constitute forward-looking statements within the meaning of applicable Canadian securities laws which reflect the Trust's current expectations and projections about future results. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Trust to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The forward-looking statements made in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A. Actual results and developments are likely to differ, and may differ materially from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions that may prove to be incorrect. Except as specifically required by applicable Canadian securities law, the Trust undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. These forward-looking statements should not be relied upon as representing the Trust's views as of any date subsequent to the date of this MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Trust. The MD&A may contain certain statements of current estimates, expectations, forecasts and projections.

OVERVIEW

The Trust is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust dated July 2, 2020, which was amended on April 30, 2021 pursuant to an amended and restated declaration of trust (the "Declaration of Trust"). The Trust was a closed-ended real estate investment trust at December 31, 2020 and converted to an open-ended real estate investment trust on April 30, 2021 pursuant to a resolution passed by the Board of Trustees.

The Trust owns and operates a portfolio of income-producing multi-family rental properties located in Western Canada. the Trust is focused on becoming a leading Western Canadian multi-family REIT specializing in high quality, income producing properties. Headquartered in Winnipeg, Manitoba, we target favourable markets and leverage strong, intuitive management to drive unitholder returns.

The Trust's management team and Trustees have over 100 years of combined experience in multi-residential real estate. They bring a strong combination of development, construction, management, and financing experience, along with significant governance expertise. The Trust has an external asset and property management agreement through the Marwest Group of Companies ("the Marwest Group"). The Marwest Group is a fully integrated real estate group that specializes in development, construction, and property management. Now in its third generation of operations, the Marwest Group has developed over 12,000 units, and currently manages over 2,500 units, providing the Trust with an array of top calibre tools, industry know-how and strong relationships. The Trust will continue to benefit from the expertise and strong infrastructure that is currently in place through the Marwest Group.

The Trust's Units are listed on the Toronto Venture Exchange ("TSX-V") under the symbol "MAR.UN".

The Trust's portfolio consists of two multi-family residential rental properties located in Winnipeg, Manitoba, comprising an aggregate of 251 rental units. These properties were purchased on April 30, 2021 and are indirectly owned by MAR REIT L.P., subsidiary of the Trust. Following the public offering which closed on August 10, 2021, Management closed on the purchase of all the Limited Partnership Units of Marwest (Element) Apartments L.P. which owns a 112 unit building in Winnipeg, Manitoba on November 15, 2021. The newly acquired property is indirectly owned by MAR REIT L.P. and was settled by issuing 1,029,211 Exchangeable Units at $1.15 per Exchangeable Unit to related parties of the Manager and cash of $1,103,602.

The Trust was established under the laws of Manitoba. The principal and registered office of the Trust is 500-220 Portage Avenue, Winnipeg, Manitoba.

Current Portfolio

The Trust's current portfolio consists of newer generation investment properties that were constructed in 2006 (103 units), and 2017-2019 (148 units). Newer generation portfolios typically require fewer maintenance expenses and capital expenditures compared to older generation portfolios, and in Manitoba, new generation rentals are generally exempt from rent control. The Manitoba Government has enacted a rental freeze in 2022 and 2023, whereby landlords are not permitted to increase rental rates outside of the rental guidelines, subject to certain exemptions. Both multi-family rental properties that the Trust has acquired in its qualifying transaction are exempt from the rental freeze due to the age of the buildings and the Trust will continue to adjust rental rates as the market allows.

Acquisition Pipeline

The Trust has a relationship with the Marwest Group which is a private group of companies held by related parties of Marwest Asset Management Inc. (the "Manager"). The relationship with the Marwest Group affords the Trust the opportunity to potentially access the Marwest Group's development pipeline, which consists of certain properties that are stabilized and under development in Western Canada. Through related parties, the Marwest Group owns an interest in the pipeline properties. The pipeline is an asset to the Trust, as it provides the Trust with potential access to acquire properties prior to the properties being listed on the open market, thus assisting the Trust to achieve its growth strategy. The independent Trustees will be responsible for the negotiation of the purchase price of the property/properties or limited partnership(s) from the Marwest Group and/or any related parties or third parties with an interest in the asset.

The Trust will also seek third party acquisitions from other developers or multi-family owners in target markets across Western Canada.

Distribution

The Board of Trustees have adopted a monthly distribution policy pursuant to which the REIT will pay monthly distributions. The initial distribution will be to Unitholders of record on December 31, 2021 in the amount of $0.00125 per unit ($0.015 annualized) and will be paid on or about January 15, 2022. Distributions are subject to suspension, amendment or termination at any time. The Board of Trustees will approve all subsequent distributions on a monthly basis and anticipates each monthly distribution will be the same as the initial distribution for the foreseeable future.

Business Strategy and Objectives

The objectives of the Trust are:

(a) to grow Unitholder value through capital investment strategies, and active asset and property management;
(b) to provide Unitholders with stable and predictable cash distributions that grow over the long term; and
(c) to grow the Trust’s asset base across strategic markets through intensification and acquisition programs.

Management believes it can accomplish these objectives given access to the capital markets and the relationship that the Trust has with the Marwest Group.

Declaration of Trust

The investment policies of the Trust are outlined in the Declaration of Trust, a copy of which is available on SEDAR. Some of the principal investment guidelines and operating policies set out in the Declaration of Trust are set out below:

- The Trust will focus on acquiring, holding, developing, maintaining, improving, leasing and managing income-producing rental assets within Canada and other jurisdictions the Trustees may determine from time to time;
- The Trust may make its investments and conduct its activities directly or indirectly, through an investment by way of joint ventures, co-ownerships, partnerships (general or limited) and limited liabilities companies;
- The Trust may invest in mortgages and mortgage bonds and similar instruments where: (i) the real property which is security for such mortgages and similar instruments is income producing real property which otherwise meets the other investment guidelines of the Trust; or (ii) the aggregate book value of the investments of the Trust in mortgages, after giving effect to the proposed investment, will not exceed 15% of Gross Book Value;
- Once the Gross Book Value reaches $300,000,000, the Trust shall not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of the Trust would be more than 75% of Gross Book Value or, if determined by the Independent Trustees, in their sole and absolute discretion, more than 75% of the appraised value of the assets and properties of the Trust and its Subsidiaries instead of Gross Book Value;
- The Trust will follow proper business practices when looking to acquire an investment property by way of obtaining appraisals, environmental reports, and sufficient insurance coverage.

As of November 24, 2021, the Trust was in compliance with its investment guidelines and operating policies.

The foregoing is a general summary only and is qualified entirely by the terms of the Declaration of Trust.

Non-IFRS Measures

The Trust's financial statements are prepared in accordance with IFRS. Management's Discussion and Analysis also contains certain non-IFRS measures commonly used by entities in the real estate industry as useful metrics for measuring performance. Readers are cautioned that the following measures as calculated by the Trust may not be comparable to similar measures presented by others as there is no standardized meaning of the non-IFRS measures under IFRS. Readers are cautioned to not place undue reliance on such non-IFRS measures.

Net Operating Income ("NOI")
The Trust calculates Net Operating Income as revenue less property operating expenses such as utilities, repairs and maintenance and realty taxes. Charges for interest or other expenses not specific to the day-to-day operations of the Trust's properties are not included.

Funds from Operations ("FFO")
The Trust calculates FFO substantially in accordance with the guidelines set out in the white paper titled "White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS" by the Real Property Association of Canada ("REALpac") as revised in February 2019. FFO is defined as IFRS consolidated net income adjusted for items such as unrealized changes in the fair value of the investment properties, effects of puttable instruments classified as financial liabilities and changes in fair value of financial instruments and derivatives. FFO should not be construed as an alternative to net income or cash flows provided by or used in operating activities determined in accordance with IFRS. The Trust regards FFO as a key measure of operating performance.

Adjusted Funds from Operations ("AFFO")
The Trust calculates AFFO substantially in accordance with the guidelines set out in the white paper titled "White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS" by REALpac as revised in February 2019. AFFO is defined as FFO adjusted for items such as maintenance capital expenditures and straight-line rental revenue differences. AFFO should not be construed as an alternative to net income or cash flows provided by or used in operating activities determined in accordance with IFRS. The Trust regards AFFO as a key measure of operating performance. The Trust also uses AFFO in assessing its capacity to make distributions. Run-rate AFFO is defined as the budgeted AFFO for 2022.

The following other non-IFRS measures are defined as follows:

- "FFO per unit" is calculated as FFO divided by the weighted average number of Units of the Trust and Exchangeable Units of MAR REIT L.P. (the "Partnership") outstanding over the period

- "AFFO per unit" is calculated as AFFO divided by the weighted average number of Units of the Trust and Exchangeable Units of the Partnership outstanding over the period
- "AFFO Payout Ratio" is the proportion of the total distributions on Trust Units and Exchangeable Units of the Partnership to AFFO
- "Debt-to-Gross Book Value ratio" is calculated by dividing total interest-bearing debt consisting of mortgages by total assets and is used as the Trust's primary measure of its leverage.
- "Debt Service Coverage ratio" is the ratio of NOI to total debt service consisting of interest expenses recorded as finance costs and principal payments on mortgages.
- "Liquidity ratio" is the ratio of current assets to current liabilities.

FINANCIAL OPERATIONS AND RESULTS

Since the acquisition of the initial portfolio the Trust has been operating under the ongoing challenges related to the COVID-19 pandemic. The Trust reported strong occupancy numbers since commencing operations, without experiencing any set-backs related to collections or the valuation of investment properties. During the COVID-19 pandemic, the Trust has followed all public health guidelines, such as closing on-site fitness facilities, closing common areas, continuing to lease apartments with virtual showings or by appointment only, as well as enhanced cleaning of high-touch surfaces, and lastly encouraging the use of online portals to coordinate resident service requests and rental payments.

Lease Payments and Collections

Management continues to see multi-family rentals experience little downside during the pandemic. Rental collections have continued at pre-pandemic levels and occupancy rates remain high for the class of assets that the Trust has acquired.

Since April 30, 2021 the Trust has had a turnover ratio of 36.76 percent (34.91 percent for the three months ended September 30, 2021) and an occupancy rate of 98.77 percent (98.9 percent for the three months ended September 30, 2021).

Outlook

Consistent with its business strategy, Management continues to look for further acquisition opportunities which will require additional capital. Management believes it will close another transaction within the next twelve months, due to the strategic relationship that the Trust has with the Marwest Group and the ability to raise capital within the market.

Liquidity

The Trust's liquidity ratio was 50.29 percent at September 30, 2021. The Trust's Debt-to-Gross Book Value ratio was 66.65 percent at September 30, 2021. The liquidity needs of the Trust are funded primarily by cash flows from operating the Trust's investment properties. Cash flow from operations are dependent on occupancy rates, rental rates, collection of operating costs and the level of operating expenses.

Valuation

Fair value of residential properties is typically determined using the direct capitalization approach. Stabilized net operating income for each property is capitalized at an appropriate capitalization rate and then a deduction is made for certain capital expenditures that each property may require. Stabilized net operating income for each property is estimated by forecasting results for the following 12-month period. Capitalization rates reflect the characteristics, location and market of each property. Fair value is determined based on internal valuation models incorporating market data and valuations performed by external appraisers. At September 30, 2021 both properties were valued internally by management. The weighted-average capitalization rate used at September 30, 2021 was 5.00 percent.

The Trust's investment properties are recorded at a fair value of $57,200,000 at September 30, 2021, through the nine-months ended September 30, 2021, the Trust recorded a fair value gain of $3,201,090 ($2,943,310 for the three months ended September 30, 2021). The fair value gain was attributable to the decrease in the capitalization rate of 5.22 percent at April 30, 2021 to 5.00 percent at September 30, 2021 as a result of market factors.

(Expressed in Canadian Dollars)

Performance Measures

The following outlines the IFRS and non-IFRS measures that the Trust uses to measure performance for the three and nine months ended September 30, 2021:

Operating	Three months ended September 30, 2021	Nine months ended September 30, 2021
Number of properties	2	2
Total multi-family units	251	251
Total rentable square feet	236,091	236,091
Average monthly rent per suite	$ 1,514.91	$ 1,512.49
Weighted average occupancy rate	98.90%	98.77%
The rent collection at September 30, 2021 was 97.81%		

Financial measures	Three months ended September 30, 2021	Nine months ended September 30, 2021
Revenue	$ 1,153,245	$ 1,932,200
NOI [1]	713,676	1,206,553
NOI Margin [1]	61.88%	62.44%
FFO [1]		
Net income and comprehensive income	5,366,130	4,855,259
Fair value gain on properties	(2,943,310)	(3,201,090)
Fair value gain on unit-based compensation	(5,960)	(5,960)
Fair value gain on warrant liability	(311,848)	(311,848)
Fair value gain on exchangeable units	(1,864,292)	(883,086)
FFO [1]	240,720	453,275
Weighted average number of Units	16,786,203	9,676,590
FFO/unit [1]	$ 0.01	$ 0.05
AFFO [1]		
FFO [1]	$ 240,720	$ 453,275
Capital expenditures	(52,911)	(81,192)
Leasing costs	(3,779)	(18,923)
AFFO [1]	184,030	353,160
Weighted average number of Units	16,786,203	9,676,590
AFFO/unit [1]	$ 0.01	$ 0.04

FFO and AFFO for the nine months ended September 30, 2021 represents 5 months of active operations since completing the qualifying transaction on April 30, 2021. The variation in FFO and AFFO per unit in the three versus nine months ended relates to the weighted average number of units outstanding based on unit issue dates.

Total assets at September 30, 2021 are $63,572,118, the increase from December 31, 2020 is due to the completion of the qualifying transaction representing the acquisition of 251 multi-family rental units and the commencement of commercial operations.

Total liabilities at September 30, 2021 include mortgages payable of $42,373,812 and Exchangeable Units of $8,928,977.

[1]Non- IFRS Measures

(Expressed in Canadian Dollars)

Leverage:		
Debt-to-Gross Book Value ratio [1]:		
Total interest-bearing debt	$	42,373,812
Total assets on balance sheet		63,572,118
Debt-to-Gross Book Value ratio [1]		66.65%
Debt Service Coverage ratio [1]:		
Net Property Operating Income for the nine months ended September 30, 2021 [1]	$	1,206,553
Mortgage payments for the period ended September 30, 2021		892,195
Debt Service Coverage ratio [1]		1.35
Weighted average term to maturity on fixed rate debt		79.41 months
Weighted average interest rate on fixed debt		2.78%

Review of Financial Performance

The following tables highlight selected information for the Trust's portfolio for the period ended September 30, 2021:

Summary of Statement of Net loss		Three months ended September 30, 2021		Nine months ended September 30, 2021
Revenue from investment properties	$	1,153,245	$	1,932,200
Property operating expenses		(314,080)		(517,622)
Realty taxes		(125,489)		(208,025)
Net Operating Income [1]		713,676		1,206,553
NOI Margin [1]		61.88%		62.44%
General and administrative		(219,932)		(325,041)
Finance costs		(253,024)		(428,237)
Fair value gain on:				
Investment properties		2,943,310		3,201,090
Unit-based compensation		5,960		5,960
Warrants liability		311,848		311,848
Exchangeable Units		1,864,292		883,086
Net Income and Comprehensive Income	$	5,366,130	$	4,855,259

Net operating income
Since acquiring the two properties on April 30, 2021, the Trust reported $1,206,553 of net operating income ($713,676 in the three months ended September 30, 2021).

Revenue from investment properties consists of rental revenue from residential lease agreements, parking revenue and other property income.

General and administrative expenses
General and administrative expenses relate to the administration of the Trust, including: legal fees, audit fees, Trustee compensation, other public company costs.

Finance costs
Finance costs comprise of interest expense on mortgages payable; amortization of financing charges and mark-to-market adjustments on the mortgages payable, and is offset by interest income.

[1]Non- IFRS Measures

(Expressed in Canadian Dollars)

Summary of Finance costs		Three months ended September 30, 2021		Nine months ended September 30, 2021
Interest on mortgages	$	290,751	$	488,686
Amortization of financing charges		4,543		9,066
Amortization of CMHC fees		7,453		12,424
Amortization of mark-to-market adjustments		(46,525)		(77,541)
Interest income		(3,198)		(4,398)
Total	$	253,024	$	428,237

Fair value gain on Exchangeable Units

The Exchangeable Units are issued by MAR REIT L.P. The Exchangeable Units are economically equivalent to Trust Units, in that it will receive distributions equal to the distributions paid on Trust Units and are exchangeable into Trust Units at the holder's option. The Exchangeable Units are classified as financial liabilities and measured at fair value with any changes in fair value recorded in net income. The fair value gain or loss on the Exchangeable Units is measured every period by reference to the closing trading price of the Trust Units. An increase in the Trust Unit closing price over the period results in a fair value loss, whereas a decrease in the Trust Unit closing price results in a fair value gain.

For the nine months ended September 30, 2021, the unit price decreased from $1.00 to $.90 and for the three months ended September 30, 2021 the unit price decreased from $1.10 to $0.90, resulting in a fair value gain of $883,086 and $1,864,292 respectively.

Assessment of Financial Position

Investment Properties
The following table summarizes the changes in investment properties

Summary of Changes in Investment Properties		
Operating balance	$	-
Additions:		
Acquisitions of investment properties		53,898,795
Capital expenditures		81,192
Direct leasing costs		18,923
Fair value gain		3,201,090
Closing balance	$	57,200,000

Capital expenditures incurred related to suite upgrades.

Valuation
Under the direct capitalization approach the estimated 12 month stabilized forecasted net operating income is utilized on the individual properties, less estimated aggregate future capital expenditures to determine fair value. Capitalization rates fluctuate based on market conditions. The weighted-average capitalization rates for the properties were 5 percent at September 30, 2021.

Exchangeable Units
The Exchangeable Units will receive distributions equivalent to the distributions that will be paid on Trust Units and are exchangeable at the holder's option into Trust Units. One Special Voting Unit in the Trust is issued to the holder of Exchangeable Units for each Exchangeable Unit held. The limited IAS 32 exception for presentation as equity does not extend to Exchangeable Units. As a result, the Exchangeable Units are classified as financial liabilities.

(Expressed in Canadian Dollars)

At September 30, 2021 there were 9,812,063 Exchangeable Units and 9,843,434 Special Voting Units outstanding. At November 24, 2021 there were 10,841,274 Exchangeable Units and 10,872,645 Special Voting Units outstanding subsequent to closing the acquisition of Marwest (Element) L.P. on November 15, 2021.

Mortgages Payable

The Trust's mortgages are at fixed interest rates that are secured by the investment properties. The mortgages bear interest at a weighted average contractual interest rate of 2.78 percent and mature at dates between October 2023 and June 2030.

Trust Units

The Trust's Declaration of Trust authorizes the issue of an unlimited number of Trust Units. As at September 30, 2021, there were 8,831,564 Trust Units outstanding with a carrying value of $6,791,350. As at November 24, 2021, there were 8,831,564 Trust Units and 4,271,891 warrants outstanding.

Liquidity, Capital Resources and Contractual Commitments

The Trust's capital structure is set out in the table below:

Liabilities		
Exchangeable Units	$	8,928,977
Warrant liability		115,341
Unit based compensation liability		28,548
Mortgages		42,373,812
Unitholders' equity		11,544,408
Total	$	62,991,086

The Exchangeable Units are economically equivalent to Trust Units and are exchangeable for Trust Units at the Exchangeable Unitholders' option. The limited IAS 32 exception for presentation as equity does not extend to the Exchangeable Units. Exchangeable Units are not indebtedness for borrowed money and are not included in the determination of Debt-to-Gross Book Value ratio.

The Trust expects to be able to meet all of its current ongoing obligations and expects to finance future acquisitions by issuing equity and using leverage as needed. Liquidity is also expected to be provided by cash flow from operations.

Cash Flows and Use of Funds

		Nine months ended September 30, 2021
Cash provided by operating activities	$	292,669
Cash provided by investing activities		61,089
Cash provided by financing activities		4,453,070
Change in cash during the period	$	4,806,828

Until April 30, 2021, the Trust was a capital pool corporation under the TSX Venture Exchange ("TSX-V") with limited operating activities before completing the qualifying transaction on that date.

ACCOUNTING ESTIMATES AND POLICIES, CONTROLS AND PROCEDURES AND RISK ANALYSIS

Critical Judgments in Applying Accounting Policies

The following are the critical judgments that have been made in applying the Trust's accounting policies:

Investment Property Acquisitions
The Trust must assess whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3. This assessment requires Management to make judgments on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, are capable of being conducted and managed as a business and the Trust obtains control of the business.

Income Taxes
The Trust is a mutual fund trust and a real estate investment trust as defined in the Income Tax Act (Canada). The Trust is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. The Trust is a real estate investment trust if it meets the prescribed conditions under the Income Tax Act (Canada) relating to the nature of its assets and revenue. The Trust uses judgment in reviewing the real estate investment trust conditions and assessing their interpretation and application to the Trust's assets and revenue, and has determined that it qualifies as a real estate investment trust for the current period.

Critical Accounting Estimates and Assumptions
The Trust makes estimates and assumptions that affect the carrying amounts of assets and liabilities and the reported amount of income for the period. Actual results could differ from estimates. The estimates and assumptions that the Trust considers critical include the valuation of residential investment properties. In applying the Trust's policy with respect to investment properties, estimates and assumptions are required to determine the valuation of the properties under the fair value model.

The Trust has used the best information available as at September 30, 2021, in determining the potential impact of the COVID-19 pandemic on the carrying amounts of assets and liabilities, earnings for the period and risks disclosed in the condensed consolidated interim financial statements for the period ended September 30, 2021. The estimates that could be most significantly impacted by COVID-19 include those underlying the valuation of investment properties and the estimated credit losses on accounts receivable. Actual results may differ from those estimates.

Risks and Uncertainties

The Trust faces a variety of risks, many of which are inherent in the real estate business. They include, but are not limited to, the following:

Operating History
The Trust has just commenced operations and does not have an operating history. The Trust's growth is dependent on identifying and acquiring investment properties that are accretive to AFFO and FFO.

Real Estate Industry Risk
Risks in the real estate industry include changes in general economic conditions (such as the availability and cost of mortgage financing), local conditions (such as an oversupply of space or a reduction in the demand for real estate in the area), government regulations (such as new or revised residential tenancies legislation), the attractiveness of the properties to tenants, competitors in the area, as well as the ability to find and maintain tenancies where the tenants have stable employment, which is a risk during the COVID-19 pandemic.

Real estate is relatively illiquid, with the degree of liquidity fluctuating in relation to demand for the perceived desirability of the assets. Such illiquidity may limit the Trust's ability to vary its portfolio promptly in response to changing economic, investment or other conditions. If it were necessary to accelerate the liquidation of the Trust's investment properties, the proceeds may be significantly less than the fair market value of its properties. The Trust is currently operating in a concentrated geographic area, which increases the risk if a downturn in the local conditions of the area in which the Trust's investment properties are located.

The Trust is exposed to significant expenditure, such as property taxes, utilities, insurance and mortgage payments. These costs have very little fluctuations based on occupancy rates of the investment properties. As stated, the Trust's properties require significant mortgage payments, and if the Trust were unable to meet the mortgage payment obligations, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale.

The Trust owns newer generation properties which require ongoing maintenance and enhancements for the benefit of our residents. Management does not expect to incur significant capital expenditures over the coming twelve months.

Property Acquisition Risk and Access to Capital
The Trust's growth is dependent on identifying and acquiring investment properties that provide accretive acquisitions related to AFFO, FFO, and commencing distributions to Unitholders. If the Trust cannot complete further acquisitions it will have a negative impact on the ability to generate stable cash flows and future distributions. The current market to acquire multi-family properties is very competitive, thereby increasing purchase prices and decreasing yields. Competitors may have access to greater financial resources than those of the Trust. The Trust may require additional financing or capital raises to complete acquisitions which may or may not be available The Trust has a strategic relationship with the Marwest Group of Companies which provides potential future acquisition opportunities. Further details regarding the acquisition pipeline can be found on SEDAR in the prospectus dated August 3, 2021.

The Trust needs access to capital markets in order to continue to acquire properties and/or restructure mortgage debt. There can be no assurances that the Trust will have access to sufficient capital or access to capital on favourable terms for future property acquisitions, financing or refinancing purposes, or funding operating expenses. Failure of the Trust to access required capital could have a material adverse effect on the Trust's business, cash flows, financial condition and financial performance and ability to make distributions to Unitholders.

Changes in Legislation
The Trust is subject to laws and regulations governing the ownership and leasing of real property, landlord/tenant relationships, employment standards, environmental matters, taxes and other matters, including laws and regulations imposing restrictions to limit the spread of the COVID-19 pandemic and laws and regulations limiting rent increases and imposing restrictions on evictions during the COVID-19 pandemic. It is possible that future changes in applicable federal, provincial, municipal or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirement affecting the Trust (including with retroactive effect). Any changes in the laws to which the Trust is subject could materially adversely affect the Trust's rights and title to its assets or its ability to carry on its business in the ordinary course.

Risks Associated with External Asset and Property Management Agreement
The Trust relies on the Manager with respect to the management of the Trust's assets and the management of the Trust's properties. If the Trust were to lose the services provided by the Manager, the Trust may experience an adverse impact on its business operations. The Trust may be unable to duplicate the quality and depth of the services available to it by handling such services internally or by retaining another service provider.

Litigation
The Trust may become directly or indirectly involved in legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Trust and as a result could have a material adverse effect on the Trust's assets, liabilities, business, financial condition and performance. Even if the Trust prevails in such proceedings, the cost and diverted time of management could negatively impact the Trust.

Valuations of Properties
The valuation of Investment Properties by internal valuation techniques or externally acquired appraisals is an estimate of market value and caution should be used in evaluating data with respect to appraisals. It is an estimate of value based on information gathered in the investigation, internal valuation/appraisal techniques employed and reasoning both quantitative and qualitative, leading to an opinion of value. Internal valuations and appraisals are based on various assumptions of future expectations of property performance and while the internal valuation team/appraiser's internal forecast of net income for the properties appraised are considered to be reasonable at that time, some of the assumptions may not materialize or may differ materially from actual experience in the future. Internal valuations and/or appraisals are not guarantees of future value and there is no assurance that an internally derived or appraised value actually reflects an amount that would be realized upon a current or future sale of any of the properties or that any projections included in the internal valuation or appraisal will be attainable. In addition, as prices in the real estate market fluctuate over time in response to numerous factors, the value of the property as shown in an internal valuation or appraisal may be an unreliable indication of its current market value.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Trust Units may trade at a premium or a discount to values implied by internal valuations or appraisals.

General Uninsured Losses
The Trust carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are certain types of risks which are uninsurable or not economically insurable. Should an uninsured or underinsured loss occur, the Trust could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, and would continue to be obligated to repay any recourse mortgage indebtedness on such properties. There is a risk that any significant increase in insurance costs will impact negatively upon the profitability of the Trust.

Key Personnel
The Trust's executive officers have a significant role in the Trust's success and oversee the execution of the Trust's strategy. The Trust's ability to retain its management team or attract suitable replacements should any members of the management team leave is dependent on, among other things, the competitive nature of the employment market.

Tax-related Risks
1. Mutual Fund Trust Status – The Trust intends to qualify at all relevant times as a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders.
2. The REIT Exception – Canadian tax legislation relating to the federal income taxation of Specified Investment Flow Through trusts or partnerships provided that certain distributions from a SIFT will not be deductible in computing the SIFT's taxable income and that the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as return of capital should generally not be subject to tax. Under the SIFT rules, the taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Exception"). The REIT Exception is comprised of a number of technical tests and the determination as to whether the Trust qualifies for the REIT Exception in an particular taxation year can only be made with certainty at the end of that taxation year. The Trust expects to qualify for the REIT Exception in 2021 and subsequent taxation years, such that it will be exempt from the SIFT rules. However, no assurances can be given that the Trust will satisfy the REIT Exception in any particular year. If the SIFT rules apply to the Trust, they may adversely affect the marketability of the Units, the amount of cash available for distributions and the after-tax return to investors.
3. Non-resident ownership – Under current law, a trust may lose its status under the Tax Act as a mutual fund trust if it can reasonably considered that the trust was established or is maintained primarily for the benefit of non-residents of Canada, except in limited circumstances. Accordingly, the Declaration of Trust provides that non-residents of Canada may not be the beneficial owners of more than 49% of the Trust Units (determined on a basic or fully-diluted basis). The Trustees also have various powers that can be used for the purpose of monitoring and controlling the extent of a Non-Resident ownership of the Trust Units.
4. Tax-Basis of Acquired Properties – The partnership has acquired, and may from time to time in the future acquire, certain properties on a fully or partially tax-deferred basis, such that the tax cost of these properties will be less than their fair market value. If one or more of such properties are disposed of, the gain realized by the Partnership for tax purposes (including any income inclusions arising from the recapture of previously claimed CCA on depreciable property) will be in excess of that which it would have realized if it had acquired the properties at a tax cost equal to their fair market values. For the purpose of claiming CCA, the UCC of such properties acquired by the Partnership will be equal to the amounts jointly elected by the Partnership and the transferor on a tax-deferred acquisition of such property. The UCC of such property will be less than the fair market value of such property. As a result, the CCA that the Partnership may claim in respect of such properties will be less than it would have been if such properties had been acquired with a tax cost basis equal to their fair market values.
5. General taxation – There can be no assurance that Canadian federal or provincial tax laws, the judicial interpretation thereof, or the administrative and assessing practices and policies of the CRA, the Department of Finance (Canada) and any other tax authority or tax policy agency will not be changed in a manner that adversely affects the Trust, its affiliates or Unitholders, or that any such taxing authority will not challenge tax positions adopted by the Trust and its affiliates. Any such change or challenge could increase the amount of tax payable by the Trust or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of such distributions.

Financial Risk Management
In the normal course of business, the Trust is exposed to a number of risks that can affect its operating performance.

These risks and the actions taken to manage them are as follows:

i) Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other price risk.

Interest rate risk is the risk that changes in market interest rates will affect the Trust's financial instruments. As of September 30, 2021, the Trust's mortgages bore interest at fixed rates.

Management monitors anticipated interest rate changes and mitigates the negative impact of interest rate increases by locking in interest rates early where applicable.

The Trust's financial statement presentation currency is in Canadian dollars. Operations are located in Canada and the Trust has limited operational transactions in foreign-denominated currencies. As such, the Trust has no significant exposure to currency risk.

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

The Trust is exposed to other price risk on its Exchangeable Units. A 1% change in the prevailing market price of the Exchangeable Units as at September 30, 2021 would have a $89,290 change in the fair value of the Exchangeable Units.

ii) Credit risk
Credit risk is the risk that tenants may experience financial difficulty and be unable to fulfill their lease commitments. An allowance for impairment is taken for all expected credit losses.

Management mitigates this risk by carrying out appropriate due diligence on the prospective tenant and obtaining security deposits. Management monitors the collection of residential rent receivables on a regular basis with strict procedures that fall within the provincial regulations designed to minimize credit loss in the case of non-payment. The risk of exposure to credit risk is generally limited to the carrying amount of the financial statements.

The Trust's maximum exposure to credit risk is equivalent to the carrying value of each class of financial asset as separately presented in cash and accounts and other receivables.

Management assesses the impairment of tenant receivables on an individual basis and uses the simplified approach measure expected credit losses; this will be at the lifetime expected credit losses associated with the arrangement.

Management determines that an amount receivable is credit impaired based upon previous collection history, as well as forward looking information where available regarding economic trends in the tenant's industry and the region the tenant is in. Impairment losses are recognized in the condensed consolidated interim statement of income and comprehensive income within investment properties
operating expenses.

(iii) Liquidity risk
Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they become due. The Trust manages this risk by ensuring it has sufficient cash on hand to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities.

(Expressed in Canadian Dollars)

An analysis of the contractual cash flows at September 30, 2021 associated with the Trust's material financial liabilities is set out below:

	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter	Total
Mortgages payable - principal and interest	$ 2,106,164	$ 2,106,165	$ 13,605,474	$ 1,334,540	$ 29,078,639	$ 48,230,982
Accounts payable and accrued liabilities	268,627	-	-	-	-	268,627
Security deposits	297,200	15,205	-	-	-	312,405
	$ 2,671,991	$ 2,121,370	$ 13,605,474	$ 1,334,540	$ 29,078,639	$ 48,812,014

COVID-19 risk

In the month of March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Trust is not known at this time.

RELATED PARTY TRANSACTIONS

In the normal course of operations, the Trust enters into various transactions with related parties. In addition to the related party transaction disclosed elsewhere in the consolidated interim financial statements, related party transactions include:

	Three months ended September 30, 2021	Nine months ended September 30, 2021
Property management fees	$ 47,869	$ 81,592
Salary reimbursement	33,696	63,865
Board compensation	24,319	40,535

On July 2, 2020, the Trust issued 800,000 Trust Units to certain seed Unitholders, including Trustees, Officers and related parties of the Trust, at $0.25 per Unit for gross proceeds of $200,000.

On April 30, 2021, in conjunction with the closing of the qualifying transaction, the Trust issued 4,006,308 of the Exchangeable Units of MAR REIT L.P. and 168,965 Trust Units were issued to related parties of the Trustees, Officers and related parties of the Trust.

On April 30, 2021, the Trust and the Manager entered into an asset management agreement with a term of ten years, with subsequent renewal periods for further five-year terms. On April 30, 2021, a sub-agreement between the Manager and Marwest Management Canada Ltd., a company under common control, was completed for the property management of Marwest Apartments I L.P. and Marwest Apartments VII L.P.

The Board of Trustees were issued 30,371 Deferred Units on September 30, 2021 at an aggregated value of $34,508. The Trustees were also remunerated $1,000 per board meeting subsequent to the completion of the qualifying transaction on April 30, 2021, for a total of $6,027.

CONTINGENCIES AND COMMITMENTS

The Trust is subject to claims and legal actions that arise in the ordinary course of business. It is the opinion of Management that any ultimate liability that may arise from such matters would not have a significant adverse effect on the condensed consolidated financial statements of the Trust.

FUTURE CHANGES IN ACCOUNTING STANDARDS

The following accounting standards under IFRS have been issued or revised, however are not yet effective and as such have not been applied by the Trust.

Classification of Liabilities as Current or Non-Current
On January 23, 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, providing a more general approach to the classification of liabilities based on the contractual agreements in place at the reporting date. The amendments apply to annual reporting periods beginning on or after January 1, 2023, earlier adoption is permitted.

The amendments to IAS 1 affect only the presentation of liabilities in the balance sheet and seek to clarify that the classification of liabilities as current or non-current should be based on the rights that are in existence at the end of the reporting period. Further, the amendments make clear that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and that the settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The Trust intends to adopt the amendments in its consolidated financial statements beginning on January 1, 2023 when the amendments become effective. The Trust is assessing the potential impact of the amendments, however does not expect them to have a material impact on the Trust's consolidated financial statement.

SUBSEQUENT EVENTS

The Trust completed the acquisition of Marwest (Element) Apartments L.P. on November 15, 2021, as described in the Management Information Circular dated October 11, 2021. The Trust acquired 100 percent of the issued and outstanding partnership units in Marwest (Element) Apartments L.P. through its subsidiary, MAR REIT L.P. Marwest (Element) Apartments L.P. own the multi-family investment properties located at 85 Fiorentino and 30 El Tassi Drive (“Element”), Winnipeg, Manitoba. The aggregate purchase price of $2,367,194 reflects the value of the investment property less the mortgages payable assumed by the Trust. The purchase price was satisfied by the issuance of 1,029,211 exchangeable limited partnership units in MAR REIT L.P. at $1.15 per Exchangeable Unit and $1,183,602 in Cash. The exchangeable limited partnership units of MAR REIT L.P. are exchangeable into Trust Units of the Trust at the option of the holder.