



BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations
For the three months ended September 30, 2018 and the period from January 9, 2018 (date of
formation) to September 30, 2018
Quarterly Report – September 30, 2018

November 7, 2018

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Amounts in thousands of U.S. dollars (except for per unit amounts)

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PRESENTATION

This Management's Discussion and Analysis ("MD&A") is prepared as of November 7, 2018 and outlines BSR Real Estate Investment Trust's (the "REIT") operating strategies, risk profile considerations, business outlook and analysis of its financial performance and financial condition for the three months ended September 30, 2018 and the period from January 9, 2018 to September 30, 2018. The analysis provides a comparison to the REIT's financial forecast provided in the REIT's final prospectus dated May 11, 2018 (the "Prospectus"). The REIT was established on January 9, 2018 and had no material operations prior to May 18, 2018, when the REIT acquired an interest in BSR Trust, LLC ("BSR").

The operations of the REIT commenced on May 18, 2018 when it completed an initial public offering ("IPO") of 13,500,000 trust units ("Units") for gross proceeds of \$135,000 or approximately \$119,218, net of underwriters' fees and other transaction costs (including \$3,807 prepaid equity issuance costs acquired from BSR). In addition, on May 18, 2018, \$30,000 in debt was converted to 3 million REIT units increasing the total equity proceeds to \$165,000. Proceeds from the IPO were used to repay approximately \$122,300 of indebtedness of BSR (including approximately \$37,300 of indebtedness outstanding under the Credit Facility) and to fund transaction costs associated with the offering. In connection with the IPO, the REIT indirectly acquired an interest in BSR. This acquisition resulted in the REIT indirectly acquiring 47 garden-style, multi-family communities (the "BSR Initial Properties"). Of the BSR Initial Properties, 44% of the total apartment units are located in the state of Texas, 27% of the total apartment units are located in the state of Arkansas, 17% of the total apartment units are located in the state of Oklahoma, and the remaining 12% are located in Louisiana and Mississippi.

On June 1, 2018, the REIT acquired a 200 apartment unit garden-style residential community, Brandon Place, located in Oklahoma City, Oklahoma ("Brandon Place", and together with the BSR Initial Properties, the "Initial Properties"), for a contractual purchase price of \$23.4 million.

In connection with the IPO, the REIT announced monthly distributions of \$0.0417 per Unit, resulting in total distributions declared to holders of Units ("Unitholders") and holders of class B units ("Class B Units") of BSR ("Class B Unitholders") of \$4,967 for the three months ended September 30, 2018.

All amounts are stated in thousands of U.S. dollars, unless otherwise noted. Financial data has been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board (the "IASB"). This MD&A is dated as of November 7, 2018 and has been prepared based on information available to management as of November 7, 2018.

This MD&A should be read in conjunction with the REIT's unaudited condensed consolidated interim financial statements and accompanying notes for the period from January 9, 2018 to September 30, 2018, prepared in accordance with IFRS, including International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the IASB and with the unaudited pro forma condensed consolidated financial statements of the REIT as at and for the year ended December 31, 2017 and the financial forecast contained in the Prospectus. The REIT had no operations prior to May 18, 2018, the day the REIT completed its IPO and acquired the BSR Initial Properties.

Additional information about the REIT can be found on SEDAR at www.sedar.com, or on the REIT's website at www.bsreit.com.

FORWARD-LOOKING STATEMENTS

This MD&A of the REIT contains "forward-looking information" as defined under Canadian securities laws (collectively, "forward-looking statements"). This document should be read in conjunction with material contained in the REIT's combined consolidated interim financial statements for the period ended September 30, 2018 along with the REIT's other publicly filed documents. Forward-looking statements appear in this MD&A and include, but are not limited to, statements which reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations,

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performance, business prospects, opportunities of the REIT (including acquisitions, capital recycling, capital redevelopment, and rental rate increases), macroeconomic and industry trends (including those relating to job growth, population growth, vacancy and home ownership rates). The words "plans", "expects", "does not expect", "goals", "seek", "strategy", "future", "estimates", "intends", "anticipates", "does not anticipate", "projected", "believes" or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "should", "might", "likely", "occur", "be achieved" or "continue" and similar expressions identify forward-looking statements. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking statements. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

Such forward-looking statements are qualified in their entirety by the inherent risks, uncertainties and changes in circumstances surrounding future expectations which are difficult to predict and many of which are beyond the control of the REIT.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management of the REIT as of the date of this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The REIT's estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, the REIT's future growth potential, results of operations, future prospects and opportunities, demographic and industry trends, no change in legislative or regulatory matters, future levels of indebtedness, the tax laws as currently in effect, the continuing availability of capital and current economic conditions.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties. Forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ, possibly materially, from the results discussed in the forward-looking statements, including, but not limited to:

- the REIT's ability to execute its growth strategies;
- the impact of changing conditions in the U.S. multifamily housing market;
- increasing competition in the U.S. multifamily housing market;
- the effect of fluctuations and cycles in the U.S. real estate market;
- the marketability and value of the REIT's portfolio;
- changes in the attitudes, financial condition and demand of the REIT's demographic market;
- fluctuation in interest rates and volatility in financial markets; and
- developments and changes in applicable laws and regulations.

If any risks or uncertainties with respect to the above materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. Although management has attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known or risk factors that management believes are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information.

Certain statements included in this MD&A may be considered a "financial outlook" for purposes of applicable Canadian securities laws, and as such, the financial outlook may not be appropriate for purposes other than this document. All forward-looking statements are based only on information currently available to the REIT and are made as of the date of this MD&A. Except as expressly required by applicable Canadian securities law, the REIT assumes no obligation to publicly

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update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements in this MD&A are qualified by these cautionary statements.

ACCOUNTING POLICIES

The REIT's accounting policies are described in note 3 of the condensed consolidated interim financial statements for the periods ended September 30, 2018. In applying these policies, in certain cases it is necessary to use estimates, which management determines using information available to the REIT at the time. Management reviews key estimates on a quarterly basis to determine their appropriateness and any change to these estimates is applied prospectively in compliance with IFRS. Significant estimates are made with respect to the fair value of investment properties.

NON-IFRS MEASURES

In this MD&A, the REIT uses certain non-IFRS measures, including certain real estate industry metrics, to measure, compare and explain the operating results and financial performance of the REIT. These measures are commonly used by entities in the real estate industry as useful metrics for measuring performance. However, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other publicly traded entities. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO")

In February 2017, the Real Property Association of Canada ("REALPAC"), published a white paper titled "White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS". The purpose of the white paper is to provide reporting issuers and investors with guidance on the definition of FFO and AFFO and to help promote more consistent disclosure from reporting issuers. The REIT has reviewed the white paper and has implemented the recommended disclosures in this document.

FFO is defined as IFRS consolidated net income adjusted for items such as unrealized changes in the fair value of investment properties, the effect of puttable instruments classified as financial liabilities, property taxes accounted for under IFRS Interpretations Committee – 21 Levies, transaction costs expensed as a result of the purchase of a property being accounted for as a business combination, and changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting. 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 REIT's method of calculating FFO is in accordance with REALPAC's recommendations, but may differ from other issuers' methods and, accordingly, may not be comparable to FFO reported by other issuers. The REIT regards FFO as a key measure of operating performance.

AFFO is defined as FFO adjusted for items such as actual maintenance capital expenditures incurred and straight-line rental revenue differences. AFFO should not be construed as an alternative to net income (loss) or cash flows provided by or used in operating activities determined in accordance with IFRS. The REIT's method of calculating AFFO is in accordance with REALPAC's recommendations, but may differ from other issuers' methods and, accordingly, may not be comparable to AFFO reported by other issuers. The REIT regards AFFO as a key measure of operating performance.

Net Operating Income ("NOI")

Net operating income ("NOI") is defined as revenue from properties less direct property operating expenses and realty taxes prepared in accordance with IFRS, except for adjustments related to IFRS Interpretations Committee – 21 Levies. NOI should not be construed as an alternative to net income determined in accordance with IFRS. The REIT's method of calculating NOI may differ from other issuers' methods and, accordingly, may not be comparable to NOI reported by other issuers. The REIT regards NOI as an important measure of the income generated from the income producing properties and

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is used by the REIT in evaluating the performance of the REIT's properties. It is also a key input in determining the value of the REIT's properties.

Other Real Estate Industry Metrics

Additionally, this MD&A contains several other real estate industry metrics that could be considered non-IFRS financial measures:

- "AFFO Payout Ratio" is defined as total cash distributions of the REIT (including distributions on Class B Units) divided by AFFO.
- "Gross Book Value" means, at any time, the greater of (i) the book value of the assets of the REIT and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet prepared in accordance with IFRS, less any receivable reflecting interest rate subsidies on any debt assumed by the REIT; and (ii) the historical cost of the investment properties, plus (a) the carrying value of cash and cash equivalents, (b) the carrying value of mortgages receivable; and (c) the historical cost of other assets and investments used in operations.
- "Debt to Gross Book Value Ratio" is calculated by dividing debt, which consists of the total principal amounts outstanding under mortgages payable and credit facilities, by Gross Book Value.
- "NOI margin" is defined as NOI divided by total revenue.
- "FFO per Unit" is defined as FFO divided by the weighted average Unit count for the period, which uses the combined number of REIT Units and Class B Units
- "AFFO per Unit" is defined as AFFO divided by the weighted average Unit count for the period, which uses the combined number of REIT Units and Class B Units
- "Liquidity" is defined as (a) cash and cash equivalents (unrestricted), plus (b) borrowing capacity available under any existing credit facilities.

BUSINESS OVERVIEW

The REIT is an internally managed, unincorporated, open-ended real estate investment trust established pursuant to an amended and restated declaration of trust of the REIT dated May 18, 2018 (the "Declaration of Trust"), as it may be further amended and restated from time to time, under the laws of the Province of Ontario. A copy of the Declaration of Trust is available on SEDAR at www.sedar.com and print copies are available upon request. The REIT has been formed for the purpose of acquiring and owning multifamily real estate properties.

The objectives of the REIT are to:

- provide Unitholders with an opportunity to invest in a portfolio of quality multifamily real estate properties located in attractive U.S. markets, with a particular focus on the Sunbelt region, which stretches across the South Atlantic and Southwest portions of the United States, including Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and Washington, D.C.;
- provide Unitholders with predictable, sustainable, growing and tax efficient cash distributions;
- enhance the value of the REIT's assets and maximize long term Unit value through active internal asset and property management programs and procedures; and
- expand the asset base of the REIT and increase the REIT's AFFO per Unit primarily through acquisitions and improvements of its properties, including the Initial Properties, using targeted and strategic capital expenditures.

The investment guidelines of the REIT are outlined in the Declaration of Trust. As of September 30, 2018, the REIT was in compliance with all investment guideline and operating policies stipulated in the Declaration of Trust.

The Units trade on the Toronto Stock Exchange ("TSX") under the symbol "HOM.U". The registered office of the REIT is at 333 Bay Street, Suite 3400, Toronto, Ontario.

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Prior to the closing of the IPO, ownership and profit interests in BSR were held by approximately 400 members (the "Legacy BSR Holders"). Upon closing of the IPO, and following certain pre-closing reorganization events involving BSR, a subsidiary of the REIT merged with and into BSR (the "Merger"), with BSR continuing as the surviving entity. As a result, the REIT holds all of the class A units of BSR and the Initial Properties are indirectly held by the REIT, through its indirect ownership of BSR. In connection with the Merger, all of the issued and outstanding securities of BSR held by the Legacy BSR Holders were exchanged for 23,158,236 new Class B Units pursuant to a prescribed exchange formula taking into account the relative economic terms of the different classes of securities of BSR. The Class B Units are economically equivalent to Units and are redeemable by the holder thereof for cash or Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by BSR in its sole discretion.

As at September 30, 2018, the Legacy BSR Holders retained an aggregate approximate 66% ownership interest in the REIT (determined as if all redeemable securities are redeemed for Units). Certain of the Legacy BSR Holders are members or affiliates of the Bailey family or are members or affiliates of the Hughes family (collectively, the "Bailey/Hughes Holders"), who together founded BSR. The Bailey/Hughes Holders together own 17,210,733 Class B Units and 3,037,159 Units, together representing an aggregate approximate 51% ownership interest in the REIT, (determined as if all redeemable securities are redeemed for Units).

	Units *	Class B Units	Total Units	% of Total
Legacy BSR Holders	3,050,000	23,158,236	26,208,236	66%
Non-Legacy BSR Holders	13,536,517	—	13,536,517	34%
Total	16,586,517	23,158,236	39,744,753	100%

*Total Units represents public float

OUTLOOK

Selected operating results for the three months ended September 30, 2018 are as follows:

- Total revenue for the three month period was \$25,597, which is 1.7% higher than the forecast.
- NOI for the three month period was \$13,465, which is 3.6% higher than the forecast.
- NOI margin was 52.6% for the three month period which exceeded the forecast by 100 basis points.
- FFO for the three month period of \$7,593 was higher than the forecast by 2.7%.
- AFFO for the three month period of \$6,334 was in line with the forecast.
- The REIT announced monthly distributions of \$0.0417 per unit, resulting in total distributions declared to Unitholders and Class B Unitholders of \$4,967 for the three months ended September 30, 2018.

Management believes that certain characteristics of and trends in the United States multifamily sector suggest that this market offers an attractive investment. These trends include, but are not limited to, (i) favourable supply and demand fundamentals driven by demographics and declining homeownership rates, (ii) compelling population, demographic and job growth characteristics in the U.S., particularly in the Sunbelt region markets where the Initial Properties are located, (iii) larger multifamily transaction volume and external growth opportunities in the U.S. than in Canada, (iv) the relative stage of the U.S. real estate cycle, which management believes is earlier in its recovery as compared to the Canadian real estate cycle, (v) an absence of rent control policies in the majority of U.S. metropolitan areas, and (vi) regulatory frameworks that tend to be more landlord-friendly compared to most Canadian provinces. Together, these factors suggest to the REIT's management that U.S. multifamily assets, and in particular those located in the REIT's key target markets, may experience stronger cash flow growth and property value appreciation in the near-term relative to Canadian multifamily assets.

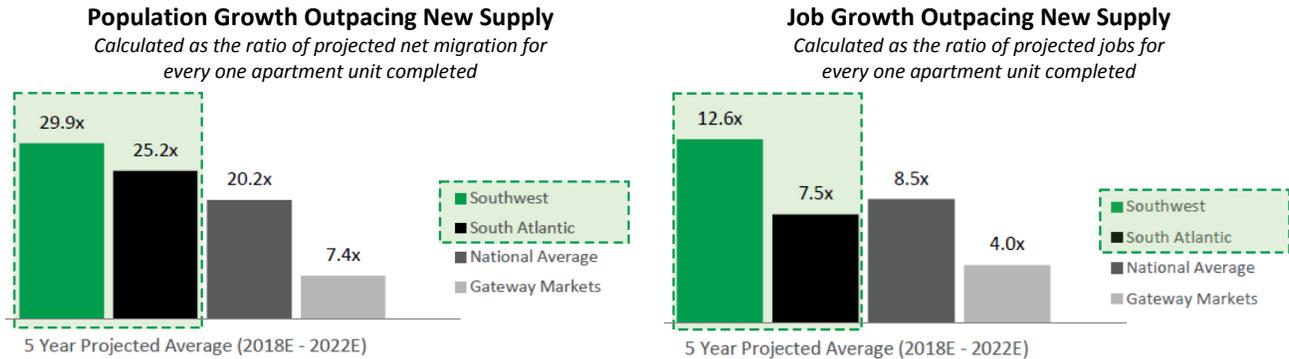
As compared to other real estate sectors, the shorter lease durations of the multifamily sector can provide a natural hedge against inflation. Vacancy rates continue to decrease while household formations are increasing, driving stronger demand.

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Moreover, the REIT expects the passing of the U.S. tax reform bill on December 22, 2017 to make homeownership less appealing to residents throughout the United States.

As presented in the charts below, growth in both population and jobs of the United States are projected to significantly exceed new apartment unit supply through 2022, particularly in the REIT's existing and targeted markets.



Source: Reis, Inc. (2018)

As an established regional owner and operator of multifamily communities, the REIT expects to leverage its concentrated regional scale and internalized management platform to make acquisitions primarily in the Sunbelt region consistent with its proven acquisition strategy. The REIT will continue to seek acquisition targets in high growth markets, such as certain markets in Texas, that provide for value enhancement opportunities including selective upgrades, renovations and operating improvements.

On October 25, 2018, the REIT acquired Towne Park, a 237-unit, garden style residential community in Springdale, Arkansas for \$28.9 million. Northwest Arkansas is the fastest growing region in the state of Arkansas and the 14th fastest growing metropolitan statistical area in the United States. The transaction was funded using the REIT's revolving credit facility.

On October 26, 2018, the REIT entered into a 4.48% fixed rate lock authorization for a 10-year term, interest only mortgage on Towne Park of approximately \$18.8 million which the REIT intends to use to repay the REIT's revolving credit facility. The REIT expects this mortgage to close during the next quarter.

In addition, the REIT will periodically review its portfolio with the goal of recycling capital into higher returning properties by disposing of properties that management believes have maximized their potential returns.

The REIT expects further upside rental rate increases and renewal of the existing investment property portfolio through acceleration of the REIT's ongoing renovation program.

In summary, the REIT intends to leverage management's longstanding relationships, experience and track record in identifying and acquiring multifamily assets in key U.S. markets where its vertically integrated operating platform can create value and maximize asset performance. Further, management intends to grow rental revenue through the continued capital redevelopment program to deliver stable, attractive returns to investors.

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BUSINESS PERFORMANCE MEASURES (UNAUDITED)

The following table highlights certain key business performance measures as of September 30, 2018 and for the three months ended September 30, 2018:

Performance Measures	
Total apartment units	9,879
Average monthly in-place leases for September 2018	\$ 806
Weighted average occupancy rate, as of September 30, 2018	93.6%
Retention rate, as of September 30, 2018	52.0%
Total revenues	\$ 25,597
NOI *	\$ 13,465
NOI margin *	52.6%
FFO *	\$ 7,593
FFO per Unit *	\$ 0.191
AFFO *	\$ 6,334
AFFO per Unit *	\$ 0.159
AFFO Payout Ratio *	78.4%
Debt to Gross Book Value, as of September 30, 2018 *	44.5%
Weighted average contractual interest rate of all loans and borrowings, as of September 30, 2018	3.9%
Weighted average debt term of all loans and borrowings, as of September 30, 2018 (in years)	10.1
Weighted average contractual mortgage interest rate, as of September 30, 2018	3.8%
Weighted average mortgage debt term, as of September 30, 2018 (in years)	11.0

The following table highlights certain key business performance measures for the period from January 9, 2018 to September 30, 2018. Since formation of the REIT occurred on January 9, 2018, and there were no operations of the REIT until the closing of the IPO on May 18, 2018, the activity from January 9, 2018 through June 30, 2018 is equal to the period from May 18, 2018 to June 30, 2018.

Performance Measures	
Total revenues	\$ 37,811
NOI *	\$ 20,115
NOI margin *	53.2%
FFO *	\$ 11,283
FFO per Unit *	\$ 0.284
AFFO *	\$ 9,422
AFFO per Unit *	\$ 0.237
AFFO Payout Ratio *	77.6%

**These measures are not recognized under IFRS and do not have standardized meanings prescribed by IFRS. Refer to section "Reconciliation of Non-IFRS Measures" for a reconciliation of these measures to standardized IFRS measures.*

As of December 31, 2017, the weighted average occupancy rate for BSR Initial Properties was 92.7% and average monthly in-place leases were \$777 per apartment unit.

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The following table highlights certain information about the properties as of September 30, 2018 and for the three months ended September 30, 2018, organized by metropolitan statistical area ("MSA"):

MSA	State	Number of Units	Avg Rent Per Unit	Occupancy Rate	Revenue	NOI *	NOI Margin *	NOI as % of		
								Total NOI	Forecast NOI	NOI Variance
Austin	Texas	286	\$ 1,017	95.5%	\$ 908	\$ 480	52.9%	3.6%	\$ 507	\$ (27)
Beaumont	Texas	512	\$ 1,066	95.5%	\$ 1,743	\$ 862	49.5%	6.4%	\$ 858	\$ 4
Dallas	Texas	786	\$ 997	96.4%	\$ 2,610	\$ 1,384	53.0%	10.3%	\$ 1,326	\$ 58
Houston	Texas	1,661	\$ 947	95.9%	\$ 5,318	\$ 2,745	51.6%	20.4%	\$ 2,743	\$ 2
Longview	Texas	1,018	\$ 719	96.8%	\$ 2,463	\$ 1,424	57.8%	10.6%	\$ 1,340	\$ 84
	Texas	4,263	\$ 920	96.1%	\$ 13,042	\$ 6,895	52.9%	51.2%	\$ 6,774	\$ 121
Blytheville	Arkansas	196	\$ 435	68.4%	\$ 190	\$ 50	26.3%	0.4%	\$ 39	\$ 11
Fayetteville	Arkansas	360	\$ 841	96.1%	\$ 984	\$ 621	63.1%	4.6%	\$ 585	\$ 36
Hot Springs	Arkansas	88	\$ 640	94.3%	\$ 184	\$ 109	59.2%	0.8%	\$ 91	\$ 18
Little Rock	Arkansas	1,990	\$ 675	90.4%	\$ 4,167	\$ 1,983	47.6%	14.7%	\$ 1,860	\$ 123
	Arkansas	2,634	\$ 684	89.6%	\$ 5,525	\$ 2,763	50.0%	20.5%	\$ 2,575	\$ 188
Oklahoma City	Oklahoma	1,325	\$ 744	93.5%	\$ 3,114	\$ 1,744	56.0%	13.0%	\$ 1,664	\$ 80
Tulsa	Oklahoma	467	\$ 804	93.8%	\$ 1,184	\$ 681	57.5%	5.1%	\$ 637	\$ 44
	Oklahoma	1,792	\$ 759	93.6%	\$ 4,298	\$ 2,425	56.4%	18.0%	\$ 2,301	\$ 124
Baton Rouge	Louisiana	310	\$ 877	97.1%	\$ 838	\$ 442	52.7%	3.3%	\$ 481	\$ (39)
Shreveport	Louisiana	696	\$ 660	92.0%	\$ 1,558	\$ 831	53.3%	6.2%	\$ 741	\$ 90
	Louisiana	1,006	\$ 729	93.5%	\$ 2,396	\$ 1,273	53.1%	9.5%	\$ 1,222	\$ 51
Pascagoula	Mississippi	184	\$ 636	91.3%	\$ 336	\$ 109	32.4%	0.8%	\$ 130	\$ (21)
	Mississippi	184	\$ 636	91.3%	\$ 336	\$ 109	32.4%	0.8%	\$ 130	\$ (21)
Total		9,879	\$ 806	93.6%	\$ 25,597	\$ 13,465	52.6%	100.0%	\$ 13,002	\$ 463

*These measures are not recognized under IFRS and do not have standardized meanings prescribed by IFRS. Refer to section "Reconciliation of Non-IFRS Measures" for a reconciliation of these measures to standardized IFRS measures.

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MSA	State	Number of Units	Revenue	NOI *	NOI Margin *	NOI as % of Total		Pro-rated	
						NOI	Forecast NOI **	NOI Variance	
Austin	Texas	286	\$ 1,339	\$ 712	53.2%	3.5%	\$ 743	\$ (31)	
Beaumont	Texas	512	\$ 2,606	\$ 1,360	52.2%	6.8%	\$ 1,257	\$ 103	
Dallas	Texas	786	\$ 3,809	\$ 2,052	53.9%	10.2%	\$ 1,942	\$ 110	
Houston	Texas	1,661	\$ 7,834	\$ 4,089	52.2%	20.3%	\$ 4,018	\$ 71	
Longview	Texas	1,018	\$ 3,646	\$ 2,103	57.7%	10.5%	\$ 1,962	\$ 141	
	Texas	4,263	\$ 19,234	\$ 10,316	53.6%	51.3%	\$ 9,922	\$ 394	
Blytheville	Arkansas	196	\$ 282	\$ 75	26.6%	0.4%	\$ 57	\$ 18	
Fayetteville	Arkansas	360	\$ 1,468	\$ 931	63.4%	4.6%	\$ 857	\$ 74	
Hot Springs	Arkansas	88	\$ 271	\$ 160	59.0%	0.8%	\$ 133	\$ 27	
Little Rock	Arkansas	1,990	\$ 6,172	\$ 2,932	47.5%	14.6%	\$ 2,723	\$ 209	
	Arkansas	2,634	\$ 8,193	\$ 4,098	50.0%	20.4%	\$ 3,770	\$ 328	
Oklahoma City	Oklahoma	1,325	\$ 4,612	\$ 2,682	58.2%	13.3%	\$ 2,437	\$ 245	
Tulsa	Oklahoma	467	\$ 1,744	\$ 993	56.9%	4.9%	\$ 933	\$ 60	
	Oklahoma	1,792	\$ 6,356	\$ 3,675	57.8%	18.3%	\$ 3,370	\$ 305	
Baton Rouge	Louisiana	310	\$ 1,228	\$ 650	52.9%	3.2%	\$ 705	\$ (55)	
Shreveport	Louisiana	696	\$ 2,310	\$ 1,207	52.3%	6.0%	\$ 1,085	\$ 122	
	Louisiana	1,006	\$ 3,538	\$ 1,857	52.5%	9.2%	\$ 1,790	\$ 67	
Pascagoula	Mississippi	184	\$ 490	\$ 169	34.5%	0.8%	\$ 190	\$ (21)	
	Mississippi	184	\$ 490	\$ 169	34.5%	0.8%	\$ 190	\$ (21)	
Total		9,879	\$ 37,811	\$ 20,115	53.2%	100.0%	\$ 19,042	\$ 1,073	

*These measures are not recognized under IFRS and do not have standardized meanings prescribed by IFRS. Refer to section "Reconciliation of Non-IFRS Measures" for a reconciliation of these measures to standardized IFRS measures.

**The pro-rated forecast has been calculated by dividing the financial forecast for the three months ended June 30, 2018 by 91 days and multiplying by 44 days, representing the actual number of days from May 18, 2018 to June 30, 2018. This has been added to the forecast for the three months ended September 30, 2018 to calculate the pro-rated forecast shown above.

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REVIEW OF SELECTED OPERATING INFORMATION – Q3 2018

The following tables highlight selected financial information of the REIT for the three months ended September 30, 2018 (unaudited) compared to the financial forecast contained in the Prospectus (the "forecast"). This information has been compiled from the condensed consolidated interim financial statements and notes thereto for the periods ended September 30, 2018 and the consolidated statements of forecasted net income and comprehensive income should be read in conjunction with the IFRS consolidated financial statements and notes included elsewhere in this MD&A.

	<i>Actual results</i> Three months ended September 30, 2018	<i>Forecasted</i> Three months ended September 30, 2018	Variance
	(unaudited)		
Revenue			
Rental revenue	\$ 22,248	\$ 22,032	\$ 216
Other property income	3,349	3,145	204
	25,597	25,177	420
Expenses			
Property operating expenses	(9,881)	(9,889)	8
General and administrative expenses	(1,470)	(1,427)	(43)
Fair value adjustment to investment properties	9,661	(82)	9,743
Fair value adjustment to investment properties (IFRIC 21)	(2,251)	(2,286)	35
Finance costs from operations	(4,383)	(4,185)	(198)
Distributions on Class B Units	(2,897)	(2,895)	(2)
Fair value adjustment to Class B Units	231	—	231
Fair value adjustment to interest rate swaps	137	—	137
Fair value adjustment to prepayment embedded derivatives	(1,064)	—	(1,064)
Fair value adjustment to unit-based compensation	4	—	4
Change in tenant in common interests	(19)	—	(19)
	(11,932)	(20,764)	8,832
Net income and comprehensive income	\$ 13,665	\$ 4,413	\$ 9,252

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NOI, FFO and AFFO

Below is a summary of the NOI, FFO and AFFO for the three months ended September 30, 2018, with additional detail in section "Reconciliation of Non-IFRS Measures". Based on the respective issuance dates, the weighted average Unit count for the three months ended September 30, 2018 was 39,730,184. As of September 30, 2018, there were 39,744,753 units outstanding. The unit count includes the combined number of Units and Class B Units.

	<i>Actual results</i> Three months ended September 30, 2018	<i>Forecasted</i> Three months ended September 30, 2018	Variance	Variance %
	(unaudited)			
Net Operating Income *	\$ 13,465	\$ 13,002	\$ 463	3.6%
NOI margin *	52.6%	51.6%	100bps	1.9%
Funds From Operations *	\$ 7,593	\$ 7,390	\$ 203	2.7%
FFO per Unit (In U.S. dollars) *	\$ 0.191	\$ 0.186	\$ 0.005	2.7%
Maintenance capital expenditures	\$ 1,147	\$ 990	\$ 157	15.9%
Adjusted Funds From Operations *	\$ 6,334	\$ 6,318	\$ 16	0.3%
AFFO per Unit (In U.S. dollars) *	\$ 0.159	\$ 0.159	—	— %
AFFO Payout Ratio *	78.4%	78.6%	-20bps	-0.3%

**These measures are not recognized under IFRS and do not have standardized meanings prescribed by IFRS. Refer to section "Reconciliation of Non-IFRS Measures" for a reconciliation of these measures to standardized IFRS measures.*

NOI for the three months ended September 30, 2018 totalled \$13,465, compared to the forecast of \$13,002. The 3.6% increase over forecast was primarily the result of the increase in total revenue due to higher than forecasted occupancy and higher than forecasted rental rates across the portfolio. NOI margin for the three months ended September 30, 2018 was 52.6%, which exceeded the forecast by 100 basis-points.

FFO was \$7,593 for the three months ended September 30, 2018, compared to the forecast of \$7,390. The 2.7% outperformance resulted from increased NOI, partially offset by higher interest expense primarily due to higher than forecasted amortization of discounts on loans and borrowings related to the fair valuation of debt that occurred upon the REIT's acquisition of BSR at the time of the IPO.

AFFO was in line with the forecast of \$6,334 for the three months ended September 30, 2018, or \$0.159 per Unit. AFFO was impacted by higher than forecasted maintenance capital expenditures which were due to seasonality (higher maintenance capital expenditures were incurred during the summer months whereas the forecast assumed an even weighting throughout the year) as well as an increase in planned spending on maintenance capital expenditures from \$400 to \$437 per apartment unit during the forecast period. The increase in spending is for the repair of staircases, landings and a retaining wall; and additional upgrades on acquisitions related to carpet, landscaping and fitness center improvements.

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Revenue

	<i>Actual results</i> Three months ended September 30, 2018	<i>Forecasted</i> Three months ended September 30, 2018	Variance	Variance %
Rental revenue	\$ 22,248	\$ 22,032	\$ 216	1.0%
Other property income	3,349	3,145	204	6.5%
	\$ 25,597	\$ 25,177	\$ 420	1.7%

Rental revenue consists of all rental related income earned from the investment properties, including rent earned from residents under lease agreements. Other property income mainly comprises fees associated with moving in or out, such as application fees and cleaning fees, late rental payment fees, renters' liability insurance, parking fees, utility charges and other fee income from residents under the terms of the lease arrangements.

The higher rental revenue as compared to the forecast of \$216 is primarily the result of BSR's capital redevelopment program, of which 54% is attributable to higher than forecasted occupancy and 46% is attributable to higher than forecasted rental rates across the portfolio. The higher other property income as compared to the forecast of \$204 is primarily the result of higher utility reimbursements and higher washer and dryer fees.

Property operating expenses

	<i>Actual results</i> Three months ended September 30, 2018	<i>Forecasted</i> Three months ended September 30, 2018	Variance	Variance %
Property operating expenses	\$ 9,881	\$ 9,889	\$ (8)	-0.1%

Property operating expenses are comprised mainly of building common area and maintenance expenses, payroll, insurance and other costs associated with the management and maintenance of the investment properties.

Real estate taxes

Annual property taxes are recognized when the realty tax obligation is imposed. For the three months ended September 30, 2018 there were no realty tax obligations imposed and as such there was no recognition of any real estate taxes.

General and administrative expenses

	<i>Actual results</i> Three months ended September 30, 2018	<i>Forecasted</i> Three months ended September 30, 2018	Variance	Variance %
General and administrative expenses	\$ 1,470	\$ 1,427	\$ 43	3.0%

General and administrative expenses include legal fees, audit fees, salaries and benefits for certain REIT employees, trustee fees, transfer agent fees, insurance and other administrative costs. The \$43 higher spend as compared to the forecast is primarily due to higher than forecasted travel expenses as well as incremental legal and professional fees.

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Fair value adjustment to investment properties

In accordance with IFRS, management has elected to use the fair value model to account for investment properties. Overall investment properties increased by \$14,478 as a result of additions to investment properties of \$4,817 and the change in fair value of investment properties of \$9,661 for the three months ended September 30, 2018. Fair value adjustments were determined based on the movement of various parameters, including changes in NOI and capitalization rates.

Fair value adjustment to investment properties (IFRIC 21)

	<i>Actual results</i> Three months ended September 30, 2018	<i>Forecasted</i> Three months ended September 30, 2018	Variance	Variance %
Fair value adjustment to investment properties (IFRIC 21)	\$ (2,251)	\$ (2,286)	\$ 35	-1.5%

Fair value adjustment to investment property (IFRIC 21) results from a pro rata property tax basis adjustment commonly included in property sales prices in the United States, as real estate taxes are recognized when the respective realty tax obligation is imposed for the year. The fair value adjustment to investment property (IFRIC 21) represents the difference between the presumed pro rata property tax basis adjustment over the period the obligation relates to and the recognition of the realty tax obligation when it is imposed.

Finance costs from operations

	<i>Actual results</i> Three months ended September 30, 2018	<i>Forecasted</i> Three months ended September 30, 2018	Variance	Variance %
Finance costs from operations	\$ 4,383	\$ 4,185	\$ 198	4.7%

Finance costs consist of interest expense on loans and borrowings, amortization of deferred financing costs, amortization of issuance (premium) discounts, interest paid on hedging instruments which are recognized in profit or loss and distributions to tenant in common interests. The \$198 higher finance costs as compared to the forecast are primarily attributable to \$127 higher than forecasted amortization of discounts on loans and borrowings. The remainder is attributable to incremental interest expense on the credit facility as a result of draws to fund the BSR's capital redevelopment program as well as timing of forecasted interest rate increases as compared to the forecast.

Distributions on Class B Units

Class B Units are designated as financial liabilities and are, in all material aspects, economically equivalent to the Units on a per unit basis. Distributions on Class B Units of \$2,897 for the three months ended September 30, 2018 were in line with the forecast. The distributions on Class B Units are accounted for as finance costs.

Fair value adjustment to Class B Units

For the three months ended September 30, 2018, the REIT recognized a fair value gain to Class B Units of \$231. Class B Units are measured at fair value with any changes in fair value recorded in profit or loss. The fair value adjustments of Class B Units are calculated using the Unit closing price as of the end of the reporting period. An increase in the Unit closing price

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over the period results in a fair value loss whereas a decrease in the Unit closing price over the period results in a fair value gain. The fair value adjustment for the three months ended September 30, 2018 results from the fair value of Class B Units as of the end of the period presented.

Fair value adjustment to interest rate swaps

The REIT is subject to two receive-variable based on 1 Month USD – London Interbank Offered Rate (“LIBOR”) / pay fixed interest rate swap agreements. These swaps are used to manage interest rate exposure over the period of the interest rate swaps. The valuation of these instruments was determined using a discounted cash flow analysis based on the contractual terms of the derivatives, including the period to maturity of each instrument, using observable market-based inputs, including interest rate curves and implied volatilities. Changes in fair value are recognized as a fair value adjustment to interest rate swaps in the condensed consolidated interim financial statements.

Fair value adjustments were due to changes in LIBOR rates as of September 30, 2018, resulting in a gain of \$137 for the three months ended September 30, 2018.

Fair value adjustment to prepayment embedded derivatives

Management considers whether a contract contains an embedded derivative at inception of the contract. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through the statements of comprehensive income. Under IAS 39, Financial Instruments: Recognition and Measurement, certain early redemption options that meet the definition of an embedded derivative are bifurcated from the financial liability and measured at fair value. The fair value of the prepayment embedded derivatives has been determined using LIBOR based interest rate swap options as a proxy. The fair value loss of \$1,064 attributable to prepayment embedded derivatives was a result of changes in the proxy LIBOR based interest rate swap options for the three months ended September 30, 2018.

Change in tenant in common interests

Tenant in common interests represent the ownership interests in certain consolidated subsidiaries not owned by BSR. Under International Accounting Standard (IAS) 32, the tenant in common interests meet the definition of a liability. Tenant in common interest holders are indemnified from the impact of the performance of the respective subsidiary; however, upon the sale of a property, the tenant in common interest holder would receive their interest in the proceeds from the property sale based on the respective tenant in common agreement. As such, the changes in expectation of what the tenant in common interests would receive as a result of changes in the fair value of the respective properties results in a re-measurement of the tenant in common interests. The change in tenant in common interests for the three months ended September 30, 2018 of \$19 was reflective of the change in the overall fair value of the properties affiliated with the tenant in common agreements.

Net income and comprehensive income

	<i>Actual results</i> Three months ended September 30, 2018	<i>Forecasted</i> Three months ended September 30, 2018	Variance
Net income and comprehensive income	\$ 13,665	\$ 4,413	\$ 9,252

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Net income and comprehensive income for the three months ended September 30, 2018 exceeded the forecast by \$9,252 as a result of the financial performance and activity noted above.

REVIEW OF SELECTED OPERATING INFORMATION – YEAR-TO-DATE 2018

The following tables highlight selected financial information of the REIT for the period from January 9, 2018 to September 30, 2018 compared to the pro-rated forecast. Results for the period are not directly comparable to the forecast included in the Prospectus, as the REIT commenced operations on May 18, 2018. This information has been compiled from the consolidated financial statements and notes thereto and should be read in conjunction with the IFRS consolidated financial statements and notes included elsewhere in this MD&A. Since formation of the REIT occurred on January 9, 2018, and there were no operations of the REIT until the closing of the IPO on May 18, 2018, the activity from January 9, 2018 through September 30, 2018 is equal to the activity during the period from May 18, 2018 to September 30, 2018.

	<i>Actual results</i> Period from January 8, 2018 to September 30, 2018	Pro-rated Forecast *	Variance
	(unaudited)		
Revenue			
Rental revenue	\$ 32,927	\$ 32,403	\$ 524
Other property income	4,884	4,632	252
	37,811	37,035	776
Expenses			
Property operating expenses	(14,337)	(14,627)	290
General and administrative expenses	(2,362)	(2,123)	(239)
Fair value adjustment to investment properties	8,416	(150)	8,566
Fair value adjustment to investment properties (IFRIC 21)	(3,359)	(3,366)	7
Finance costs from operations	(6,497)	(6,123)	(374)
Distributions on Class B Units	(4,266)	(4,295)	29
Fair value adjustment to Class B Units	11,810	—	11,810
Fair value adjustment to interest rate swaps	79	—	79
Fair value adjustment to prepayment embedded derivatives	(36)	—	(36)
Fair value adjustment to unit-based compensation	6	—	6
Change in tenant in common interests	27	—	27
Bargain purchase gain	75,331	—	75,331
	64,812	(30,684)	95,496
Net income and comprehensive income	\$ 102,623	\$ 6,351	\$ 96,272

**The pro-rated forecast has been calculated by dividing the financial forecast for the three months ended June 30, 2018 by 91 days and multiplying by 44 days, representing the actual number of days from May 18, 2018 to June 30, 2018. This has been added to the forecast for the three months ended September 30, 2018 to calculate the pro-rated forecast above.*

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Below is a summary of the NOI, FFO and AFFO for the period from January 9, 2018 to September 30, 2018, with additional detail in section "Reconciliation of Non-IFRS Measures". Based on the respective issuance dates, the weighted average Unit count for the period from May 18, 2018 to September 30, 2018 was 39,723,083.

	<i>Actual results</i>					
	Period from					
	January 8, 2018					
	to September		Pro-rated			
	30, 2018		Forecast **	Variance	Variance %	
	(unaudited)					
NOI *	\$	20,115	\$	19,042	\$ 1,073	5.6%
NOI margin *		53.2%		51.4%	180bps	3.5%
FFO *	\$	11,283	\$	10,796	\$ 487	4.5%
FFO per Unit (In U.S. dollars) *	\$	0.284	\$	0.272	\$ 0.012	4.5%
Maintenance capital expenditures	\$	1,716	\$	1,469	\$ 247	16.8%
Adjusted Funds From Operations *	\$	9,422	\$	9,177	\$ 245	2.7%
AFFO per Unit (In U.S. dollars) *	\$	0.237	\$	0.231	\$ 0.006	2.7%
AFFO Payout Ratio *		77.6%		80.2%	-260bps	-3.2%

**These measures are not recognized under IFRS and do not have standardized meanings prescribed by IFRS. Refer to section "Reconciliation of Non-IFRS Measures" for a reconciliation of these measures to standardized IFRS measures.*

*** For NOI, NOI margin, FFO and AFFO, the pro-rated forecast has been calculated as noted above. FFO per Unit and AFFO per Unit are calculated using the pro-rated forecast FFO and AFFO, respectively, divided by the actual weighted average Unit count for the period from May 18, 2018 to September 30, 2018.*

For the period from January 9, 2018 to September 30, 2018, revenues totalled \$37,811, compared to the forecast of \$37,035. The increase over forecast of \$776 was primarily the result of higher than expected occupancy for the entire portfolio as well as rental rate increases, both of which were attributable to BSR's capital redevelopment program, impacting earnings more quickly than forecasted.

NOI for the period from January 9, 2018 to September 30, 2018 totalled \$20,115, compared to the forecast of \$19,042. The 5.6% increase over forecast was primarily the result of the increase in total revenue, mentioned above, and lower than expected property operating expenses, which were primarily the result of lower than forecasted repairs and maintenance expense and other administrative costs. NOI margin for the period from January 9, 2018 to September 30, 2018 was 53.2%, which exceeded the forecast by 180 basis-points.

FFO was \$11,283 for the period from January 9, 2018 to September 30, 2018, compared to the forecast of \$10,796. The 4.5% outperformance resulted from increased NOI, partially offset by higher interest expense due to higher amortization of discounts on loans and borrowings and higher general and administrative costs due to incremental one-time non-cash compensation to the board of trustees of the REIT. AFFO was \$9,422 for the period from January 9, 2018 to September 30, 2018, or \$0.237 per Unit. The 2.7% higher AFFO compared to the forecast resulted from increased FFO, mentioned above, offset by higher than forecasted maintenance capital expenditures as discussed above.

RECONCILIATION OF NON-IFRS MEASURES

FFO, FFO PER UNIT, AFFO AND AFFO PER UNIT

In management's view, FFO and AFFO are accepted and meaningful measures of financial performance in the real estate industry and Unitholders, financial analysts and investors are better served when FFO and AFFO are provided.

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FFO and AFFO are measures which 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 REIT's method of calculating FFO and AFFO is in accordance with REALPAC's recommendations, but may differ from other issuers' methods and, accordingly, may not be comparable to FFO and AFFO reported by other issuers. The REIT regards FFO and AFFO as key measures of operating performance. The REIT also uses AFFO in assessing its distribution paying capacity.

Set out below is a reconciliation of the unaudited FFO and AFFO for the three months ended September 30, 2018 and the period from January 9, 2018 to September 30, 2018.

	Three months ended September 30, 2018	Period from January 8, 2018 to September 30, 2018
	(unaudited)	(unaudited)
Net income and comprehensive income	\$ 13,665	\$ 102,623
<i>Adjustments to arrive at FFO</i>		
Distributions on Class B Units	2,897	4,266
Fair value adjustment to investment properties	(9,661)	(8,416)
Fair value adjustment to investment properties (IFRIC 21)	2,251	3,359
Property tax liability adjustment, net (IFRIC 21)	(2,251)	(3,359)
Fair value adjustment to Class B Units	(231)	(11,810)
Fair value adjustment to interest rate swaps	(137)	(79)
Fair value adjustment to prepayment embedded derivatives	1,064	36
Fair value adjustment to unit-based compensation	(4)	(6)
Bargain purchase gain	—	(75,331)
Funds from Operations ("FFO")	\$ 7,593	\$ 11,283
FFO per Unit (In U.S. dollars)	\$ 0.191	\$ 0.284
<i>Adjustments to arrive at AFFO</i>		
Maintenance capital expenditures	(1,147)	(1,716)
Straight line rental revenue differences	(112)	(145)
Adjusted Funds from Operations ("AFFO")	\$ 6,334	\$ 9,422
AFFO per Unit	\$ 0.159	\$ 0.237

NOI AND NOI MARGIN

In management's view, NOI is an accepted and meaningful measure of financial performance in the real estate industry and Unitholders, financial analysts and investors are better served when NOI is provided. NOI is a measure which 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 REIT's method of calculating NOI may differ from other issuers' methods and, accordingly, may not be comparable to NOI reported by other issuers. The REIT regards NOI as a key measure of operating performance.

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Set out below is a reconciliation of the unaudited NOI and NOI margin for the three months ended September 30, 2018:

	Three months ended September 30, 2018	Period from January 8, 2018 to September 30, 2018
	(unaudited)	(unaudited)
Total revenue	\$ 25,597	\$ 37,811
Property operating expenses	(9,881)	(14,337)
Real estate taxes	—	—
	15,716	23,474
Property tax liability adjustment (IFRIC 21)	(2,251)	(3,359)
Net Operating Income ("NOI")	\$ 13,465	\$ 20,115
NOI margin	52.6%	53.2%

DEBT TO GROSS BOOK VALUE

Set out below is a reconciliation of the Debt to Gross Book Value as of September 30, 2018:

	September 30, 2018
	(unaudited)
Loans and borrowings (current portion)	\$ 34,034
Loans and borrowings (non-current portion)	359,215
Total loans and borrowings ("Debt")	393,249
Gross Book Value	\$ 883,485
Debt to Gross Book Value	44.5%

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2018, the capital structure of the REIT was as follows:

	September 30, 2018
<i>Indebtedness</i>	
Loans and borrowings (current portion)	\$ 34,034
Loans and borrowings (non-current portion)	359,215
Class B Units	219,772
	613,021
<i>Unitholders' equity</i>	
Unitholders' equity	249,294
Total capitalization	\$ 862,315

Liquidity and capital resources are used to fund capital investments in the investment properties, development and acquisition activities, servicing of debt obligations and distributions to Unitholders. The principal source of liquidity is net operating income generated from property operations. For the three months ended September 30, 2018, net cash from operating activities was \$13,439. Business operations are also financed using property-specific mortgages, credit facilities and equity financing.

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As of September 30, 2018, liquidity was \$31.1 million consisting of cash and cash equivalents of \$6.1 million and \$25.0 million available borrowing capacity under the Credit Facility.

On October 18, 2018, the REIT added one property, Longridge, to the borrowing base of the Credit Facility, increasing the revolving credit availability by \$8,450. There was no impact to the loans and borrowings outstanding.

As of September 30, 2018, current liabilities of \$52.1 million exceeded current assets of \$21.7 million, resulting in net working capital deficit of (\$30.4) million. Current liabilities include \$34.0 million of current mortgages payable, predominately comprised of four mortgage loans maturing in the first nine months of 2019, totalling \$31.1 million, along with regular principal amortization.

The REIT expects to be able to meet all obligations as they become due using some or all of the following sources of liquidity:

- cash flow generated from property operations;
- property-specific mortgages;
- existing cash and cash equivalents on hand; and
- available borrowing capacity under existing credit facilities.

In addition, subject to market conditions, the REIT may raise funding through equity financing. The REIT believes that its capital structure will provide it with financial flexibility to pursue future growth strategies. However, the REIT's ability to fund operating expenses, capital expenditures and future debt service requirements will depend on, among other things, future operating performance, which will be affected by general economic, industry, financial and other factors, including factors beyond the REIT's control.

Mortgage notes payable as of September 30, 2018 mature at various dates from 2019 through 2056. Outside of the regular principal amortization of existing loans and borrowings, there are no balloon payments due on loans and borrowings in 2018; balloon payments on property mortgages totalling \$35,001 come due in 2019. While there are no existing commitments regarding these property mortgages maturing in 2019, the REIT anticipates refinancing this debt to extend the respective maturity dates through new debt in the form of new property mortgages or other credit facilities.

As disclosed in the Prospectus, as of December 31, 2017, management identified approximately 3,000 additional apartment units that could benefit from a renovation program through 2020. The total targeted capital cost of these renovations would be \$20 to \$25 million. From January to September 2018, \$10.4 million was spent on capital expenditures specific to these renovations. The REIT has decided to accelerate this program with more spending sooner than forecasted. The REIT will likely finance future renovation capital expenditures using cash flow generated from property operations over the next three years, existing cash and cash equivalents on hand and available borrowing capacity under new or existing credit facilities, if necessary.

CONTRACTUAL COMMITMENTS

The REIT will seek to maintain a combination of short, medium and long-term debt maturities that are appropriate for the overall debt level of its portfolio, taking into account the availability of financing and market conditions, and the financial characteristics of each investment property. As of September 30, 2018, the REIT's mortgage debt was 93% fixed or economically hedged to fixed rates and 83% of total debt was fixed or economically hedged to fixed rates. Management administers a portion of its variable-rate mortgages payable using an interest rate swap that alters its exposure to the impact of changing interest rates. See section "Fair value adjustment to interest rate swaps" for more detail.

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The following table provides information on the carrying balance and the non-discounted contractual maturities of financial liabilities of the REIT with fixed repayment terms, including estimated interest payments:

	Carrying amount	Contractual cash flows	1 year	2 years	3 years	4 years	More than 4 years
Loans and borrowings	\$ 393,249	\$ 400,279	\$ 34,855	\$ 17,938	\$ 20,590	\$ 47,835	\$ 279,061
Interest payable	1,132	149,012	15,108	13,812	13,059	11,177	95,856
Interest rate swaps	640	733	109	164	141	116	203
Tenant in common interests	2,582	2,582	67	67	67	67	2,314
Capital improvements liability	989	989	989	—	—	—	—
Accounts payable and other liabilities	15,827	15,827	15,827	—	—	—	—
	\$ 414,419	\$ 569,422	\$ 66,955	\$ 31,981	\$ 33,857	\$ 59,195	\$ 377,434

DISTRIBUTIONS

The REIT adopted a distribution policy pursuant to which the REIT will make cash distributions to Unitholders and, through BSR, Class B Unitholders on each monthly distribution date equal to, on an annual basis, approximately 78% of estimated AFFO. Pursuant to this distribution policy, distributions will be paid to Unitholders of record at the close of business on the last business day of a month on or about the 15th day of the following month. Distributions must be approved by the board of trustees of the REIT and are subject to change depending on the general economic outlook and financial performance of the REIT. The REIT does not use net income in accordance with IFRS as the basis to establish the level of Unitholders' distributions as net income includes, among other items, non-cash fair value adjustments related to its property portfolio.

In accordance with National Policy 41-201 - Income Trusts and Other Indirect Offerings, the REIT provides the following additional disclosure relating to cash distributions:

	Three months ended September 30, 2018	Period from January 8, 2018 to September 30, 2018
Cash provided by operating activities	\$ 13,439	\$ 18,616
Less: Interest paid	(4,190)	(6,005)
	9,249	12,611
Less: Distributions paid to Unitholders	(2,357)	(2,357)
Less: Distributions paid to Class B Unitholders	(3,300)	(3,300)
Excess of cash provided by operating activities over distributions paid	\$ 3,592	\$ 6,954

Total distributions declared to Unitholders and Class B Unitholders were \$4,967 for the three months ended September 30, 2018 and \$7,313 for the period from January 8, 2018 to September 30, 2018.

INVESTMENT PROPERTY PORTFOLIO

Investment properties include land and land improvements, building and building improvements, as well as furniture and equipment. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

Management evaluates financial performance of the investment property portfolio by analyzing the performance of the portfolio in a given period. The investment property portfolio had 48 properties as of September 30, 2018.

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A reconciliation of the carrying value for investment properties at the beginning and end of the period is set out below:

	Period from January 9, 2018 to September 30, 2018
Investment properties, beginning of period	\$ —
Property acquisition on May 18, 2018 - BSR Initial Properties	818,483
Property acquisition on June 1, 2018 - Brandon Place	22,231
Additions to investment property	7,065
Change in fair value of investment property	8,416
	856,195
IFRIC 21 real estate tax liability adjustment	1,079
IFRIC 21 fair value adjustment	(1,079)
Investment properties, end of period	\$ 856,195

INVESTMENT PROPERTY VALUATION

The REIT uses an internal valuation process to value the investment properties as of September 30, 2018. The fair value of each investment property was determined using the direct capitalization income method. The stabilized future estimated cash flows are divided by an overall capitalization rate. The capitalization rates were derived in part from a combination of third-party information and the observation of industry trends (Level 3 inputs). Assumptions used to derive capitalization rates include property age, amenities, renovations, geographic region and location.

A significant increase (decrease) in estimated rents or occupancy rates per annum in isolation would result in a significantly higher (lower) fair value. A significant increase (decrease) in capitalization rate estimates in isolation would result in significantly lower (higher) fair value. Generally, a change in estimated rents is accompanied by a directionally similar change in the rent growth per annum assumption and an opposite change in future vacancy rate estimates.

The high, low, and overall weighted average capitalization rates are set out below:

	September 30, 2018
Capitalization rates	
High	10.0%
Low	5.0%
Weighted average	6.2%

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CASH FLOWS

The REIT held cash and cash equivalents of \$6,058 as of September 30, 2018. The changes in cash flow for the three months ended September 30, 2018 are as follows:

	Three months ended September 30, 2018
	(unaudited)
Cash provided by operating activities	\$ 13,439
Cash used in investing activities	(5,909)
Cash used in financing activities	(10,701)
Change in cash and cash equivalents during the period	\$ (3,171)

Operating activities for the three months ended September 30, 2018

Operating activities for the three month period generated a net cash inflow of \$13,439. This cash flow from operating activities was largely driven by cash inflows from normal business operations (net income adjusted for non-cash items and financing activities), offset by a change in non-cash operating assets and liabilities of \$1,239.

Investing activities for the three months ended September 30, 2018

Investing activities for the three month period generated a net cash outflow of \$5,909. This decrease in cash flows from investing activities was largely driven by a cash outflow of \$4,913 for additions to investment properties.

Financing activities for the three months ended September 30, 2018

Financing activities for the three month period generated a net cash outflow of \$10,701. This was largely driven by cash outflows of \$4,190 for interest paid and distributions paid to Unitholders and Class B Unitholders of \$3,300 and \$2,357, respectively.

UNITS OUTSTANDING

Under the Declaration of Trust, the REIT is permitted to issue an unlimited number of Units. The total number of Units outstanding as at September 30, 2018 was 16,586,517, including 35,153 deferred units. In addition, there were 23,158,236 Class B Units, 51,780 restricted units of the REIT and 38,835 performance units of the REIT outstanding. Subject to certain limitations, the Class B Units are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with IAS 32. The Class B Units are redeemable for cash or Units, at the option of BSR, and, therefore, the Class B Units meet the definition of a financial liability under IAS 32.

Based on the respective issuance dates, the weighted average Unit count for the three months ended September 30, 2018 was 39,730,184.

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UNITHOLDER TAXATION

Under Part I of the Income Tax Act (Canada), as amended from time to time, (the "Tax Act"), a real estate investment trust is not subject to income taxes to the extent that the income for tax purposes in a year does not exceed the amount distributed to the Unitholders. The REIT does not withhold any portion of distributions payable to non-U.S. Unitholders.

The REIT is taxed as a "mutual fund trust" for income tax purposes. The board of trustees of the REIT intends to distribute or designate all taxable income directly earned by the REIT to Unitholders of the REIT and to deduct such distributions and designations for income tax purposes.

TRANSACTIONS WITH RELATED PARTIES

The unaudited condensed consolidated interim financial statements include the following related party transactions:

- Distributions on Class B Units of \$1,763 and \$2,621 were declared to key management personnel during the three months ended September 30, 2018 and the period from January 9, 2018 to September 30, 2018, respectively. Key management personnel of the REIT are those persons having the authority and responsibility for planning, directing and controlling the activities of the REIT directly or indirectly.
- Compensation expenses include \$684 and \$1,015 paid to key management personnel during the three months ended September 30, 2018 and the period from January 9, 2018 to September 30, 2018, respectively.
- The REIT leases its Little Rock, Arkansas corporate headquarters from an irrevocable trust controlled by the family of the REIT's Chief Executive Officer. The current operating lease term expires in 2021.
- On May 18, 2018, the REIT issued 3,000,000 Units with a value of \$30,000 to an affiliate of the Chief Executive Officer in settlement of a related party loan.

FINANCIAL RISK MANAGEMENT, RISKS AND UNCERTAINTIES

The REIT's activities expose it to credit risk, market risk and liquidity risk. Risk management is carried out by the Chief Financial Officer under policies approved by senior executive management. The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT, BSR and the residents of the properties.

The Prospectus contains a detailed summary of risk factors pertaining to the REIT and its business. There have been no changes to the nature or the number of risk factors pertaining to the REIT since the date of the Prospectus. The disclosures in this MD&A are subject to the risk factors outlined in the Prospectus.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Management makes estimates and assumptions concerning the future. The resulting accounting estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial period are outlined below. Further information is set forth in note 4 of the combined and carve-out financial statements.

Investment properties

A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business. Investment property includes land and land improvements, building and building improvements, as well as furniture and equipment and certain intangibles, such as in-place leases, if any. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Unrealized gains and losses arising from changes in the fair

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value of investment properties are included in profit or loss in the period in which they arise. Fair values are primarily determined internally by management or externally by external appraisers using the direct capitalization income method.

Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably. All repairs and maintenance costs are expensed as incurred.

The REIT used an internal valuation process to value the investment properties as of September 30, 2018. The fair value of each investment property was determined using the direct capitalization income method. The stabilized future estimated cash flows are divided by an overall capitalization rate. The capitalization rates were derived in part from a combination of third-party information and the observation of industry trends (Level 3 inputs). Assumptions used to derive capitalization rates include property age, amenities, renovations, geographic region and location.

A significant increase (decrease) in estimated rents or occupancy rates per annum in isolation would result in a significantly higher (lower) fair value. A significant increase (decrease) in capitalization rate estimates in isolation would result in significantly lower (higher) fair value. Generally, a change in estimated rents is accompanied by a directionally similar change in the rent growth per annum assumption and an opposite change in future vacancy rate estimates.

FUTURE ACCOUNTING CHANGES

New standards and amendments to existing standards issued by the IASB may be relevant to the REIT in preparing the combined financial statements in future periods, including IFRS 16. The REIT intends to adopt IFRS 16 on the respective effective date.

On January 13, 2016, the IASB issued IFRS 16. IFRS 16 will replace IAS 17, Leases ("IAS 17"). The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset and a lease liability, representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, Revenue from Contracts with Customers, at or before the date of initial adoption of IFRS 16. The REIT has reviewed the potential impact of this standard and has concluded that the standard will not have a material impact.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The REIT's management maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, accurate, reliable and timely. The disclosure controls and procedures are designed to provide reasonable assurance that (i) material information relating to the REIT is made known to management by others, particularly during the period in which the filings are being prepared, and (ii) information required to be disclosed in its various reports are recorded, processed, summarized and reported within the time frames specified in securities legislation. As of the end of the period covered by this MD&A, the Chief Executive Officer and the Chief Financial Officer of BSR have reviewed and evaluated the REIT's disclosure controls and procedures (as that term is defined in National Instrument 52-109 – *Certification of Disclosures in Issuers' Annual and Interim Filings* ["NI 52-109"]) and, based upon that review and evaluation, concluded that those disclosure controls and procedures were effective and met the requirements thereof. Nevertheless, management does recognize that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives.

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NI 52-109 requires the Chief Executive Officer and Chief Financial Officer to certify that they are responsible for establishing and maintaining internal control over financial reporting for the REIT and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and Chief Financial Officer are also responsible for disclosing any changes to the internal controls for the REIT that have materially affected, or are reasonably likely to materially affect, the REIT's internal control over financial reporting.

Management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the disclosure controls or internal controls over financial reporting of the REIT will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met.

Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Chief Executive Officer and Chief Financial Officer have, using the framework and criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013), evaluated the design of the internal controls over financial reporting of the REIT and concluded that, as of September 30, 2018, and subject to the inherent limitations described above, internal controls over financial reporting were effective to provide reasonable assurance that information related to consolidated results and decisions to be made on those results were appropriate.

There have been no changes in the internal controls over financial reporting of the REIT during the period of this MD&A that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.