



BSR REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Financial Statements (In U.S. dollars)

For the three and nine months ended September 30, 2019, for the three months ended September 30, 2018 and the period from January 9, 2018 to September 30, 2018 (Unaudited)

BSR REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Financial Position (Unaudited)

In thousands of U.S. dollars

	Note	September 30, 2019	December 31, 2018
Assets			
Non-current assets			
Investment properties	8	\$ 1,028,698	\$ 937,551
Right-of-use asset	17	196	—
Prepayment embedded derivatives	19(e)	14,090	6,964
		1,042,984	944,515
Current assets			
Cash and cash equivalents		20,684	7,577
Restricted cash	5	12,586	12,594
Resident and other receivables, net	6	2,632	2,337
Prepaid expenses and other assets	7	2,607	1,940
		38,509	24,448
Total assets		\$ 1,081,493	\$ 968,963
Liabilities and Unitholders' Equity			
Non-current liabilities			
Loans and borrowings	10	\$ 478,059	\$ 433,045
Lease liability	17	200	—
Class B Units	12	248,949	185,266
Interest rate swaps	19(d)	2,094	606
Tenant in common interests	11	3,792	3,749
		733,094	622,666
Current liabilities			
Accounts payable and other liabilities	9	25,210	19,679
Interest rate swaps	19(d)	252	149
Loans and borrowings	10	22,056	37,956
		47,518	57,784
Total liabilities		780,612	680,450
Unitholders' equity			
Unitholders' equity		300,881	288,513
Total liabilities and unitholders' equity		\$ 1,081,493	\$ 968,963

See accompanying notes to condensed consolidated interim financial statements.

BSR REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Net (Loss) Income and Comprehensive (Loss) Income (Unaudited)

In thousands of U.S. dollars

		Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Period from January 9, 2018 to September 30, 2018 *
	Note				
Revenue:					
Rental revenue		\$ 24,290	\$ 22,248	\$ 72,954	\$ 32,927
Other property income		3,550	3,349	10,588	4,884
	14	27,840	25,597	83,542	37,811
Expenses (Income):					
Property operating expenses	15	10,194	9,881	30,099	14,337
Real estate taxes		—	—	9,645	—
General and administrative expenses		1,757	1,470	5,296	2,362
Fair value adjustment to investment properties	8	4,126	(9,661)	(12,132)	(8,416)
Fair value adjustment to investment properties (IFRIC 21)		3,191	2,251	(819)	3,359
Finance costs from operations	16	5,543	4,383	16,621	6,497
Loss on disposition of investment properties	4	882	—	1,863	—
Distributions on Class B Units	16	2,858	2,897	8,647	4,266
Depreciation of right-of-use asset	17	33	—	98	—
Fair value adjustment to derivatives and other financial liabilities	16	12,653	696	62,646	(11,853)
Fair value adjustment to unit-based compensation	24	108	(4)	313	(6)
Change in tenant in common interests	11,16	—	19	43	(27)
Bargain purchase gain	4	—	—	—	(75,331)
		41,345	11,932	122,320	(64,812)
Net (loss) income and comprehensive (loss) income		\$ (13,505)	\$ 13,665	\$ (38,778)	\$ 102,623

**There were no results of operations for the period from January 9, 2018 to May 18, 2018 and, as such, the comparative results presented above for the period from January 9, 2018 to September 30, 2018 consist of the operating results for the 136 day period from May 18, 2018 to September 30, 2018.*

See accompanying notes to condensed consolidated interim financial statements.

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Condensed Consolidated Interim Statements of Changes in Unitholders' Equity (Unaudited)

In thousands of U.S. dollars

	REIT units	Distributions	Cumulative net income	Total
Balance, as of January 9, 2018	\$ —	\$ —	\$ —	\$ —
Units issued, net of issuance costs (Note 13)	149,718	—	—	149,718
Net income and comprehensive income	—	—	102,623	102,623
Distributions	—	(3,047)	—	(3,047)
Balance, as of September 30, 2018	\$ 149,718	\$ (3,047)	\$ 102,623	\$ 249,294
Balance, as of December 31, 2018	\$ 149,678	\$ (5,117)	\$ 143,952	\$ 288,513
Net loss and comprehensive loss	—	—	(38,778)	(38,778)
Units issued, net of issuance costs (Note 13)	57,619	—	—	57,619
Distributions	—	(6,473)	—	(6,473)
Balance, as of September 30, 2019	\$ 207,297	\$ (11,590)	\$ 105,174	\$ 300,881

See accompanying notes to condensed consolidated interim financial statements.

BSR REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

In thousands of U.S. dollars

	Note	Nine months ended September 30, 2019	Period from January 9, 2018 to September 30, 2018
Operating activities			
Net (loss) income and comprehensive (loss) income		\$ (38,778)	\$ 102,623
Adjustments for:			
Fair value adjustment to investment properties	8	(12,132)	(8,416)
Fair value adjustment to derivatives and other financial liabilities	16	62,646	(11,853)
Fair value adjustment to unit-based compensation	24	313	(6)
Change in tenant in common interests	11	43	(27)
Depreciation of right-of-use asset	17	98	—
Unit-based compensation	24	912	441
Finance costs from operations	16	16,621	6,497
Loss on disposition of investment properties	4	1,863	—
Accrued distributions on Class B Units	16	8,647	4,266
Change in non-cash operating assets and liabilities	23	2,607	422
Bargain purchase gain	4	—	(75,331)
Cash provided by operating activities		42,840	18,616
Investing activities			
Acquisition of investment properties	4, 8	(123,599)	(3,764)
Cash balances transferred in acquisition of BSR Initial Properties	4	—	2,400
Net proceeds from sale of investment properties	4, 8	95,778	—
Additions to investment properties	8	(20,454)	(6,935)
Restricted cash withdrawals, net of deposits	5	295	(1,352)
Cash used in investing activities		(47,980)	(9,651)
Financing activities			
Proceeds from issuance of units, net of issuance costs		53,104	123,025
Proceeds from issuance of loans and borrowings	10	201,458	18,350
Principal payments of loans and borrowings	10	(203,892)	(132,894)
Payment of mortgage financing costs	10	(1,664)	(155)
Termination of interest rate swap agreement	19(d)	—	20
Contributions from tenant in common interest	11	—	409
Principal payments of lease liability	17	(94)	—
Redemption of Class B Units in exchange for cash	12	(99)	—
Distributions paid to Class B Unitholders	12	(8,664)	(3,300)
Distributions paid to Unitholders		(6,238)	(2,357)
Interest paid		(15,664)	(6,005)
Cash provided by (used in) financing activities		18,247	(2,907)
Change in cash and cash equivalents during the period		13,107	6,058
Cash and cash equivalents, beginning of period		7,577	—
Cash and cash equivalents, end of period		\$ 20,684	\$ 6,058

See accompanying notes to condensed consolidated interim financial statements.

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Notes to Condensed Consolidated Interim Financial Statements

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(1) Description of the entity

BSR Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust of the REIT dated January 9, 2018 (the "Declaration of Trust"), under the laws of the Province of Ontario, when one trust unit was issued for ten dollars. The REIT's Declaration of Trust was amended and restated on May 18, 2018. The principal business of the REIT is to acquire multi-family residential rental properties across the United States.

The operations of the REIT commenced on May 18, 2018 when it completed an Initial Public Offering ("IPO") of 13,500,000 units ("Units") for gross proceeds of \$135,000 or approximately \$119,178 net of underwriters' fees and other transaction costs. In addition, on May 18, 2018, \$30,000 in debt was converted to 3,000,000 Units increasing the total gross proceeds to \$165,000. In connection with the IPO, the REIT indirectly acquired an interest in BSR Trust, LLC ("BSR"). This acquisition resulted in the REIT indirectly acquiring 47 garden-style, multi-family communities (the "BSR Initial Properties").

On September 17, 2019, the REIT completed a follow-on offering of 3,797,300 Units ("September 2019 Offering") for total gross proceeds of \$40,251 or \$38,094 net of issue and other transaction costs. Concurrently with the closing of the September 2019 Offering, the REIT also completed a non-brokered private placement ("Concurrent Private Placement") of 1,416,000 Units for proceeds of \$15,010.

As of September 30, 2019, the REIT owns 44 multifamily garden-style residential properties located across five bordering states in the Sunbelt region of the United States, which stretches across the South Atlantic and Southwest portions of the United States. The REIT currently operates in Arkansas, Texas, Oklahoma, Louisiana and Mississippi. The registered office of the REIT is at 333 Bay Street, Suite 3400, Toronto, Ontario.

(2) Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standard Board ("IASB").

These condensed consolidated interim financial statements were approved by the Board of Trustees on November 12, 2019.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties, derivative financial instruments and Class B Units, which have been measured at fair value. The condensed consolidated interim financial statements are presented in U.S. dollars, which is the REIT's functional currency.

The REIT owns, manages and operates multifamily properties located in the United States as noted above. Management, when measuring the REIT's performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the REIT has a single reportable segment for disclosure purposes in accordance with International Financial Reporting Standards ("IFRS").

(3) Summary of significant accounting policies

The condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the period from January 9, 2018 to December 31, 2018, which have been prepared in accordance with IFRS, as issued by the IASB. The condensed consolidated interim financial statements follow the same accounting policies as described in the

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consolidated financial statements for the period from January 9, 2018 to December 31, 2018 with the exception of the following new accounting standard that was issued by the IASB and is applicable in the period:

IFRS 16, Leases (“IFRS 16”)

On January 13, 2016, the IASB issued IFRS 16. IFRS 16 replaces 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.

The REIT adopted IFRS 16 effective January 1, 2019 using the modified retrospective approach. On January 1, 2019 the REIT recognized both a right-of-use asset and lease liability of \$294. There was no impact to equity as a result of the adoption of IFRS 16. Refer to note 17 for more information.

(4) Business combination, asset acquisitions and dispositions

(a) Business combination

On May 18, 2018, the REIT indirectly acquired BSR Initial Properties. As a result of the transactions, the REIT acquired all issued and outstanding Class A units, Class C units and Common units of BSR Trust, LLC in exchange for the issuance of \$500 of Units and \$231,582 of Class B Units. The acquisition of BSR Initial Properties was accounted for as a business combination using the purchase method of accounting.

(b) Asset acquisitions

On June 1, 2018, the REIT acquired a 200 unit garden-style residential community, Brandon Place, located in Oklahoma City, Oklahoma, for \$22,231, which was settled for cash of \$3,764, the assumption of \$436 of working capital, the assumption of the existing mortgage with a fair value of \$19,846, including a discount on the assumed mortgage of \$128 and a prepayment premium derivative valued at \$943.

On October 25, 2018, the REIT acquired Towne Park, a 237-unit, garden style residential community in Springdale, Arkansas for a gross purchase price of \$29,033. The transaction was initially funded using the REIT’s Credit Facility and the assumption of \$299 of working capital deficit. On November 29, 2018, the REIT placed a 10-year, interest only fixed term mortgage of \$18,785 on Towne Park, at an interest rate of approximately 4.48%.

On December 20, 2018, the REIT acquired Riverhill Apartments, a 334-unit multifamily complex in Grand Prairie, Texas for a gross purchase price of \$45,290. The transaction was funded using the REIT’s Credit Facility and the assumption of \$42 of working capital deficit.

On March 27, 2019, the REIT acquired Wimberly Apartments, a 372-unit multifamily complex in Grand Prairie, Texas for a gross purchase price of \$53,050. The transaction was funded using the REIT’s Credit Facility and the assumption of an existing mortgage with a fair value of \$32,353, including a discount on the assumed mortgage of \$240, and the assumption of \$106 of working capital.

On August 27, 2019, the REIT acquired Cielo and Madrone, two adjacent Class A garden style apartment communities located in Austin, Texas, totalling 554 apartment units. These properties were acquired for a gross purchase price of \$104,450. The transaction was funded using net proceeds from the September 2019 Offering and Concurrent Private Placement as well as cash on hand, the REIT’s Credit Facility and the assumption of \$1,431 of working capital deficit.

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(c) Dispositions

In April 2019, the REIT sold Briarwood and Spring Valley in Little Rock, Arkansas and Fox Trail and South Pointe in Shreveport, Louisiana for combined gross proceeds of \$31,670, totalling 773 apartment units. As part of these sales, \$19,446 was used to retire related mortgage financing and \$11,139 to reduce the balance outstanding under the Credit Facility.

In June 2019, the REIT sold Waterford and Bowman Heights in Little Rock, Arkansas for combined gross proceeds of \$22,050, totalling 336 apartment units. As part of these sales, \$6,450 was used to retire related property encumbered financing and \$14,923 to reduce the balance outstanding under the Credit Facility.

In August 2019, the REIT sold Dove Creek and Longridge in Shreveport, Louisiana for combined gross proceeds of \$30,900, totalling 310 apartment units. As part of these sales, \$16,315 was used to retire related property encumbered financing.

In September 2019, the REIT sold Summer Pointe in Shreveport, Louisiana for gross proceeds of \$13,900, totalling 200 apartment units. As part of this sale, \$9,035 was used to retire related property encumbered financing and \$3,630 to reduce the balance outstanding under the Credit Facility.

Loss on disposition of investment properties of \$1,863 represents the difference between the net sale proceeds (sale price less transactional closing costs) and the value of the investment properties on the date of disposition. Such loss is primarily comprised of selling costs. The loss on disposition of investment properties is recognized in the statement of income and comprehensive income in the year of sale.

(5) Restricted cash

	September 30, 2019	December 31, 2018
Tenant security deposits	\$ 880	\$ 901
Replacement reserve	3,746	4,434
Lender escrow deposits	7,960	7,259
Restricted cash	\$ 12,586	\$ 12,594

(6) Resident and other receivables, net

	September 30, 2019	December 31, 2018
Resident receivables, net	\$ 261	\$ 233
Utility reimbursements and other receivables	2,371	2,104
Resident and other receivables, net	\$ 2,632	\$ 2,337

(7) Prepaid expenses and other assets

	September 30, 2019	December 31, 2018
Prepaid insurance	\$ 1,342	\$ 791
Other assets	1,265	1,149
Prepaid expenses and other assets	\$ 2,607	\$ 1,940

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(8) Investment properties

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

	Nine months ended September 30, 2019	Period from January 9, 2018 to December 31, 2018
Investment properties in use, beginning of period	\$ 934,801	\$ —
Property acquisition on May 18, 2018 - BSR Initial Properties	—	818,483
Property acquisition on June 1, 2018 - Brandon Place	—	22,231
Property acquisition on October 25, 2018 - Towne Park	—	29,033
Property acquisition on December 20, 2018 - Riverhill	—	45,290
Property acquisition on March 27, 2019 - Wimberly	52,827	—
Property acquisition on August 27, 2019 - Cielo	61,300	—
Property acquisition on August 27, 2019 - Madrone	43,150	—
Dispositions	(98,590)	—
Additions to investment properties	10,442	10,718
Transfer of undeveloped land to investment property under development	—	(476)
Change in fair value of investment properties	12,132	9,522
	1,016,062	934,801
IFRIC 21 fair value adjustment	2,052	—
IFRIC 21 real estate tax liability adjustment	(2,052)	—
Investment properties in use, end of period	1,016,062	934,801
Investment property under development, beginning of period	2,750	—
Transfer of undeveloped land to investment property under development	—	476
Additions to investment property under development	9,886	2,274
Investment property under development, end of period	12,636	2,750
Investment properties, end of period	\$ 1,028,698	\$ 937,551

The REIT used an internal valuation process to value the investment properties as of September 30, 2019. The REIT engages third party appraisers to prepare valuations on a portion of the portfolio annually, such that the entire portfolio is appraised at least once every three years.

The estimated 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.

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The high, low, and overall weighted average capitalization rates applicable to the REIT are set out below:

	September 30, 2019
Capitalization rates	
High	10.0%
Low	4.8%
Weighted average	5.9%

	December 31, 2018
Capitalization rates	
High	10.0%
Low	5.0%
Weighted average	6.1%

The fair values of investment properties are most sensitive to changes in capitalization rates. As of September 30, 2019, a 25 basis-point increase in the weighted average capitalization rate would decrease the value of the investment properties by \$42,117 while a 25 basis-point decrease in the weighted average capitalization rate would increase the value of the investment properties by \$45,873.

(9) Accounts payable and other liabilities

	September 30, 2019	December 31, 2018
Trade payables	\$ 1,235	\$ 429
Accrued capital expenditures	637	763
Accrued property tax liabilities	10,900	7,432
Accrued and other liabilities	6,623	5,536
Distributions payable	1,873	1,656
Interest payable on loans and borrowings	1,331	1,233
Tenant security deposits	863	901
Rent received in advance	1,748	1,729
Accounts payable and other liabilities	\$ 25,210	\$ 19,679

(10) Loans and borrowings

	September 30, 2019	December 31, 2018
Fixed or economically hedged to fixed rate mortgage notes payable	\$ 376,161	\$ 348,519
Variable rate mortgage notes payable	13,185	24,970
Net unamortized discount on mortgage notes payable	(6,276)	(6,683)
Net unamortized deferred financing costs	(2,080)	(627)
Credit Facility	119,125	104,822
Total loans and borrowings	500,115	471,001
Less: current portion of loans and borrowings	(22,056)	(37,956)
Non-current loans and borrowings	\$ 478,059	\$ 433,045

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Mortgage notes

The REIT's weighted average contractual interest rate on mortgage notes as of September 30, 2019 and December 31, 2018 was approximately 4.0% and 3.9%, respectively, which excludes the finance cost impact of the amortization of discounts on mortgage notes and the amortization of deferred financing costs. With the inclusion of these items, the REIT's weighted average effective interest rate on mortgage notes as of September 30, 2019 and December 31, 2018 was approximately 4.1%. Mortgage notes as of September 30, 2019 mature at various dates from 2019 through 2056.

On January 30, 2019, the REIT placed a 10-year, interest only fixed-term mortgage of \$26,900 on the Riverhill property at a fixed interest rate of approximately 4.36%. Net cash proceeds from the mortgage were used to reduce the outstanding balance under the Credit Facility. As a result of this refinance, the REIT incurred financing costs of \$305.

Line of Credit

On January 24, 2019, the REIT entered into a revolving line of credit (the "Line of Credit") for \$35,000, maturing on January 24, 2022, with a fixed interest rate of 6.5%. On June 21, 2019 the Line of Credit was amended with a fixed interest rate of 5.1%. As of September 30, 2019, there was no balance outstanding on the Line of Credit.

Credit Facility

The REIT maintains a revolving credit facility (the "Credit Facility") with a maximum revolving credit availability of \$175,000. The Credit Facility is currently secured by 10 of the REIT's investment properties and is due on January 30, 2022, with an option by the REIT to extend for one additional year, subject to meeting certain conditions. The Credit Facility bears interest at the Adjusted LIBOR rate, as defined in the Credit Facility, plus 1.65% to 2.15% based on meeting certain leverage ratios as defined in the Credit Facility. Alternatively, the REIT has the ability to borrow using base rate loans at a rate equal to 0.65% to 1.15% plus the greatest of the bank's prime rate, the Federal Funds Rate plus 0.5%, or the one-month LIBOR rate, plus 1.0%. As of September 30, 2019 and December 31, 2018, the balance outstanding on the Credit Facility was \$119,125 and \$104,822, respectively, at a variable interest rate of 3.7% as of September 30, 2019 and 4.2% as of December 31, 2018.

During the nine months ended September 30, 2019, the REIT has refinanced six property level mortgages with outstanding balances totalling \$34,538 through the Credit Facility. As a result of these refinances, the REIT incurred financing costs totalling \$311 as well as an aggregate loss on extinguishment of debt of \$61.

Total loans and borrowings

Scheduled maturities of principal and interest on all outstanding loans and borrowings as of September 30, 2019, are in the schedule below. Contractual Interest for variable rate loans and borrowings is calculated using the respective actual contractual interest rates as of September 30, 2019.

	Principal	Balloon payment	Contractual Interest	Total payments
2019	\$ 832	\$ 3,920	\$ 5,036	\$ 9,788
2020	3,456	19,130	19,383	41,969
2021	3,405	19,358	18,468	41,231
2022	3,363	119,125	13,837	136,325
2023	3,054	37,064	12,403	52,521
Thereafter	94,650	201,114	93,337	389,101
	\$ 108,760	\$ 399,711	\$ 162,464	\$ 670,935

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The REIT's debt agreements contain customary representations, warranties, and events of default, which require the REIT to comply with affirmative and negative covenants. As of September 30, 2019, the REIT was in compliance with all financial covenants of its debt agreements.

The following schedule presents the cash flows and non-cash changes within total loans and borrowings:

	Nine months ended September 30, 2019	Period from January 9, 2018 to September 30, 2018
Loans and borrowings, beginning of period	\$ 471,001	\$ —
<i>Cash flows</i>		
Proceeds from issuance of loans and borrowings	201,458	18,350
Principal payments of loans and borrowings	(203,892)	(132,894)
Payment of mortgage financing costs	(1,664)	(155)
	(4,098)	(114,699)
<i>Non-cash changes</i>		
Loans assumed in property acquisition on May 18, 2018 - BSR Initial Properties	—	487,832
Loan assumed in property acquisition on June 1, 2018 - Brandon Place	—	19,846
Loan assumed in property acquisition on March 27, 2019 - Wimberly	32,353	—
Amortization of deferred financing costs	212	1
Amortization of net discount on mortgage notes payable	647	269
	33,212	507,948
Loans and borrowings, end of period	\$ 500,115	\$ 393,249

(11) Tenant in common interests

	Nine months ended September 30, 2019	Period from January 9, 2018 to September 30, 2018
Tenant in common interests, beginning of period	\$ 3,749	\$ —
<i>Cash changes</i>		
Contributions from tenant in common interest	—	409
<i>Non-cash changes</i>		
Tenant in common interests assumed on May 18, 2018 - BSR Initial Properties	—	2,200
Change in tenant in common interests	43	(27)
Tenant in common interests, end of period	\$ 3,792	\$ 2,582

(12) Class B Units

On May 18, 2018, BSR Trust, LLC issued Class B Units with a fair value of \$231,582. The Class B Units are economically equivalent to Units and are entitled to receive distributions equal to those provided to holders of Units. These Class B Units have been classified as a liability in accordance with IFRS.

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 REIT Unit closing price as of the end of the reporting period. An increase in the REIT Unit closing price over the period results in a fair value loss whereas a decrease in the REIT Unit closing price over the period results in a fair value gain.

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As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The REIT has recorded Class B units at their fair value, which has been assessed to equal the closing market price of the units at each valuation date (Level 2).

The following table presents the outstanding units and the change in fair value of the Class B Units for the nine months ended September 30, 2019:

	Units	Value
Class B Units, as of January 9, 2018	—	\$ —
<i>Non-cash changes</i>		
Class B Units issued, May 18, 2018	23,158,226	231,582
Fair value adjustments	—	(46,316)
Class B Units, as of December 31, 2018	23,158,226	\$ 185,266
<i>Cash changes</i>		
Redemption of Class B Units in exchange for cash	(9,649)	(99)
<i>Non-cash changes</i>		
Redemption of Class B Units in exchange for Units	(413,551)	(4,399)
Fair value adjustments	—	68,181
Class B Units, as of September 30, 2019	22,735,026	\$ 248,949

(13) Unitholders' equity

The REIT is authorized to issue an unlimited number of Units. Units are ordinary units of the REIT, each of which represents a unitholders' proportionate undivided beneficial interest and voting rights in the REIT.

On March 26, 2019, the TSX accepted the REIT's notice of intention to make a normal course issuer bid for a portion of Units. Pursuant to the notice, the REIT may purchase for cancellation up to a maximum of 1,312,686 Units, or approximately 10% of the public float, over the 12-month period commencing March 28, 2019. The REIT did not purchase any Units for cancellation during the nine months ended September 30, 2019.

As noted above, on September 17, 2019, the REIT completed the September 2019 Offering of 3,797,300 Units for total gross proceeds of \$40,251 or \$38,094 net of issue and other transaction costs. Concurrently, the REIT also completed the Concurrent Private Placement for 1,416,000 Units for proceeds of \$15,010.

	Units	Value
Units outstanding, classified as equity, as of January 9, 2018	—	\$ —
Units issued on IPO closing, May 18, 2018	13,500,000	135,000
Units issued for acquisition consideration, May 18, 2018	50,000	500
Units issued in settlement of loan payable, May 18, 2018	3,000,000	30,000
	16,550,000	165,500
Less: Issue costs	—	(15,822)
Units outstanding, classified as equity, as of December 31, 2018	16,550,000	\$ 149,678
Units issued on completion of the September 2019 Offering, net of issue costs	3,797,300	38,094
Units issued on completion of the Concurrent Private Placement	1,416,000	15,010
Issuance of Units for unit-based compensation	11,345	116
Issuance of Units for Class B Units	413,551	4,399
Units outstanding, classified as equity, as of September 30, 2019	22,188,196	\$ 207,297

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(14) Revenue

Base rent is allocated to lease components based on relative stand-alone selling prices. The stand-alone selling price of the rental component is determined using an adjusted market assessment approach and the stand-alone selling price of the service components is determined using an expected cost plus a margin approach.

Revenue from the rental components is recognized on a straight-line basis over the lease term and includes the recovery of property taxes and insurance as well as consideration related to late rent, month-to-month leases and payments for early terminations. Revenue recognition commences when a resident has the right to use the property and is recognized pursuant to the terms of the lease agreement. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are deferred as prepaid rents.

Revenue related to the service components of the REIT's leases is accounted for in accordance with IFRS 15, Revenue from Contracts with Customers. These services consist primarily of the recovery of utility, property maintenance and amenity costs, as well as resident liability insurance premiums, and is recognized over time when the services are provided. Payments are due at the beginning of each month and any payments made in advance of scheduled due dates are recorded as contract liabilities included as part of accounts payable and other liabilities.

Revenue from lease components and revenue related to service components is as follows:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Period from January 9, 2018 to September 30, 2018
Lease revenue	\$ 23,181	\$ 21,051	\$ 69,534	\$ 31,184
Revenue from services	4,659	4,546	14,008	6,627
Total revenue	\$ 27,840	\$ 25,597	\$ 83,542	\$ 37,811

(15) Property operating expenses

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Period from January 9, 2018 to September 30, 2018
Employee wages and benefits	\$ 4,143	\$ 3,994	\$ 12,664	\$ 5,990
Utility costs	2,367	2,296	6,891	3,283
Repairs and maintenance expense	1,601	1,468	4,308	2,052
Other property based costs	2,083	2,123	6,236	3,012
Property operating expense	\$ 10,194	\$ 9,881	\$ 30,099	\$ 14,337

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(16) Finance costs

Finance costs incurred and charged (recovered) as part of income (loss) are as follows:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Period from January 9, 2018 to September 30, 2018
Finance costs from operations				
Interest expense at stated rate	\$ 5,250	\$ 4,129	\$ 15,618	\$ 6,151
Interest expense on lease liability	2	—	8	—
Amortization of deferred financing costs	101	1	212	1
Amortization of net discount on loans and borrowings	188	190	647	269
Loss on extinguishment of debt	—	—	61	—
Interest (income) expense on interest rate swaps	(30)	51	(10)	64
Distributions to tenant in common interests	32	12	85	12
Finance costs from operations	\$ 5,543	\$ 4,383	\$ 16,621	\$ 6,497
Fair value adjustment to derivatives and other financial liabilities				
Fair value adjustment to Class B Units	16,544	(231)	68,181	(11,810)
Fair value adjustment to interest rate swaps	787	(137)	1,591	(79)
Fair value adjustment to prepayment embedded derivatives	(4,678)	1,064	(7,126)	36
Fair value adjustment to derivatives and other financial liabilities	\$ 12,653	\$ 696	\$ 62,646	\$ (11,853)
Finance costs				
Finance costs from operations	5,543	4,383	16,621	6,497
Fair value adjustment to derivatives and other financial liabilities	12,653	696	62,646	(11,853)
Distributions on Class B Units	2,858	2,897	8,647	4,266
Change in tenant in common interests	—	19	43	(27)
Finance costs	\$ 21,054	\$ 7,995	\$ 87,957	\$ (1,117)

(17) Leases, right-of-use asset and lease liability

The REIT leases apartments of multifamily properties to residents under noncancelable operating leases. The leases generally have a term of one year, or less. There were no residents that accounted for more than 10% of the REIT's total rental revenue for the three or nine months ended September 30, 2019.

At September 30, 2019, the total future contractual minimum rent lease payments expected to be received under noncancelable leases are as follows:

	September 30, 2019
1 year	\$ 57,203
2 years	563
	\$ 57,766

The REIT's Little Rock, Arkansas headquarters is leased with a term that expires in March 2021 (see note 22). This lease requires monthly payments of \$11. The headquarters lease is accounted for as a right-of-use asset with a corresponding lease liability under IFRS 16. The REIT recognized \$8 in interest expense on the lease liability for the nine months ended September 30, 2019.

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The following tables present the change in the right-of-use asset and corresponding lease liability for the nine months ended September 30, 2019:

	Nine months ended September 30, 2019
Right-of-use asset, as of January 1, 2019	\$ 294
Depreciation of right-of use asset	(98)
Right-of-use asset, as of September 30, 2019	\$ 196

	Nine months ended September 30, 2019
Lease liability, as of January 1, 2019	\$ 294
Principal payments on lease liability	(94)
Lease liability, as of September 30, 2019	\$ 200

The REIT recorded lease expenses of \$73 during the nine months ended September 30, 2019 for additional low-value leased office equipment, which are exempt under IFRS 16.

(18) Commitments and contingencies

The REIT is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, management believes that the final outcome of such matters will not have a material adverse effect on these condensed consolidated interim financial statements.

(19) Financial instruments

(a) Risk management

The REIT's activities expose it to market risk, credit risk and liquidity risk. Risk management is carried out by management of the REIT.

Market risk is the risk that the fair value or 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 market price risk. In addition to the interest rate risk of variable rate mortgages, there is interest rate risk associated with the REIT's fixed rate mortgages due to the expected requirement to refinance such mortgages in the year of maturity. To manage exposure to interest rate risk, the REIT endeavours to manage maturities of fixed rate mortgages and match the nature of the mortgage with the cash flow characteristics of the underlying asset. This risk is also minimized through the REIT's current strategy of having the majority of its mortgages in fixed term arrangements. As such, the REIT's cash flows are not significantly impacted by a change in market interest rates.

As of September 30, 2019, the REIT's mortgage debt was 97% fixed or economically hedged to fixed rates, which excludes the Credit Facility. With the Credit Facility and Line of Credit included, as of September 30, 2019, the REIT's debt was 90% fixed or economically hedged to fixed rates.

Management manages a portion of its variable-rate mortgages using interest rate swaps that alter its exposure to the impact of changing interest rates. The interest rate swaps are not designated as hedging instruments and as a result, the changes in fair value are recognized in earnings as an adjustment to finance costs in the consolidated statement of net loss and comprehensive loss. As of September 30, 2019, a 100 basis-point change in interest

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rates, assuming all other variables are constant, would result in a \$373 change in the REIT's finance costs over the next 12 months.

The REIT has no exposure to currency or other market price risk.

The REIT's assets consist primarily of multifamily properties. Credit risk arises from the possibility that residents in investment properties may not fulfill their lease or contractual obligations. The REIT mitigates its credit risks by attracting residents of sound financial standing and by diversifying its mix of residents. It also monitors resident payment patterns and discusses potential resident issues with property managers on a regular basis. Cash carries minimal credit risk as all funds are maintained with reputable financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk is the risk that the REIT will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The REIT manages maturities of the fixed rate mortgages and monitors the repayment dates to ensure sufficient capital will be available to cover obligations. As at September 30, 2019, the REIT had a working capital deficiency of \$9,009. In the normal course of business, a portion of the REIT's borrowings under mortgage notes, the Credit Facility and the Line of Credit with a maturity date less than one year will be considered current liabilities prior to being replaced with longer-term financing. Of the total deficiency, \$19,420 relating to balloon payments within the current portion of mortgage notes is expected to be refinanced with long-term mortgages.

The following table provides information on the carrying balance and the non-discounted contractual maturities of financial liabilities 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	\$ 500,115	\$ 508,471	\$ 22,821	\$ 26,464	\$ 122,456	\$ 40,263	\$ 296,467
Interest payable	1,331	162,464	19,651	18,721	14,970	12,814	96,308
Interest rate swaps	2,346	2,322	260	566	600	507	389
Lease liability	200	207	137	70	—	—	—
Tenant in common interests	3,792	3,792	125	125	125	125	3,292
Capital improvements liability	637	637	637	—	—	—	—
Accounts payable and other liabilities	23,242	23,242	23,242	—	—	—	—
	\$ 531,663	\$ 701,135	\$ 66,873	\$ 45,946	\$ 138,151	\$ 53,709	\$ 396,456

(b) Fair value of financial instruments

The following information relates to estimated fair values of the REIT's financial instruments not measured at fair value on the REIT's consolidated statement of financial position:

Cash and cash equivalents, restricted cash, resident and other receivables and accounts payable and other liabilities (excluding interest rate swaps) are carried at amortized cost, which, due to their short-term nature, approximates fair value.

Tenant in common interests are carried at amortized cost, which approximates fair value.

The lease liability is carried at amortized cost, which approximates fair value.

Loans and borrowings are carried at amortized cost. For disclosure purposes in (c) below, the REIT estimates the fair value of loans and borrowings using discounted cash flows based on the rates that could be obtained for similar debt instruments with similar terms and maturities. The fair value of loans and borrowings qualifies as Level 2 in the fair value hierarchy above.

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There were no transfers of assets between fair value levels during the periods presented herein.

(c) Loans and borrowings

	September 30, 2019	December 31, 2018
Carrying amount	\$ 500,115	\$ 471,001
Fair value	\$ 550,112	\$ 468,835

(d) Interest rate swaps

The REIT has entered into receive-variable based on 1 Month USD – LIBOR/pay fixed interest rate swap agreements related to certain loans. The interest rate swaps are not designed as a hedge for accounting purposes. These swaps are used to manage interest rate exposure over the period of the interest rate swaps. The differential to be paid or received on all swap agreements is accrued as interest rates change and is recognized in finance costs over the life of the respective agreements. The interest rate swaps contain no credit risk-related contingent features.

On June 10, 2019, the REIT entered into a receive-variable based on 1 Month USA – LIBOR/pay fixed interest rate swap on a notional value of \$80,000 at a fixed rate of 1.84%, maturing on June 10, 2024.

On September 9, 2019, the REIT entered into a future receive-variable based on 1 Month USA – LIBOR/pay fixed interest rate swap on a notional value of \$20,000 at a fixed rate of 1.21%. The future swap begins on January 2, 2020 and matures on August 30, 2024.

The following table is a summary of the aggregate current and non-current fair value of interest rate swaps in a liability position held for the period presented herein:

	September 30, 2019	December 31, 2018
<i>Interest rate swaps</i>		
Current portion	\$ (252)	\$ (149)
Non-current portion	(2,094)	(606)
Interest rate swaps, end of period	\$ (2,346)	\$ (755)

The following table is a summary of the REIT's interest rate swap agreements and the respective carrying values as of September 30, 2019:

	Maturity date	Fixed rate	Original notional amount	Notional amount	Carrying value and fair value
<i>Interest rate swap agreements, as of September 30, 2019</i>					
Raymond James	9/1/2025	5.07%	\$ 12,265	\$ 5,285	\$ (767)
Bank of Montreal	8/30/2024	1.21%	20,000	20,000	118
Bank of Montreal	6/10/2024	1.84%	80,000	80,000	(1,697)
			\$ 112,265	\$ 105,285	\$ (2,346)

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The following table is a summary of the REIT's interest rate swap agreements and the respective carrying values as of December 31, 2018:

	Maturity date	Fixed rate	Original notional amount	Notional amount	Carrying value and fair value
<i>Interest rate swap agreements, as of December 31, 2018</i>					
Bank of America	6/1/2019	1.71%	\$ 15,000	\$ 12,833	\$ 51
Raymond James	9/1/2025	5.07%	12,265	6,000	(806)
			\$ 27,265	\$ 18,833	\$ (755)

The valuation of these instruments was determined using discounted cash flow analyses based on the contractual terms of the derivatives, including the period to maturity of each instrument, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values determined are based on significant other observable inputs (Level 2). In addition, the REIT considered its own and the respective counterparties' risk of non-performance in determining the fair value of its derivative financial instruments by estimating the current and potential future exposure under the derivative financial instruments that both the REIT and the counterparties were at risk for as of the valuation date. This total expected exposure was then discounted using discount factors that contemplate the creditworthiness of the REIT and the counterparties to arrive at a credit charge. This credit charge was then netted against the value of the derivative financial instruments determined using the discounted cash flow analysis described above to arrive at a total estimated fair value of the interest rate swap agreements.

Changes in fair value are recognized as net change in fair value of interest rate swaps in the accompanying consolidated statement of net loss and comprehensive loss.

The following table summarizes the beginning and ending fair value and the unrealized gain (loss) for the interest rate swaps for the period presented:

	Nine months ended September 30, 2019	Period from January 9, 2018 to December 31, 2018
Interest rate swaps, beginning of period	\$ (755)	\$ —
<i>Cash changes</i>		
Termination of interest rate swap agreement	—	(20)
<i>Non-cash changes</i>		
Interest rate swaps, acquired on May 18, 2018 - BSR Initial Properties	—	(699)
Fair value adjustment to interest rate swaps	(1,591)	(36)
Interest rate swaps, end of period	\$ (2,346)	\$ (755)

(e) *Prepayment embedded derivatives*

Certain mortgages payable (note 10) contain prepayment options that represent embedded derivatives that require bifurcation from the host contract. The prepayment options are measured at fair value, with changes in the fair value being recognized as net change in fair value of prepayment embedded derivatives in the consolidated statement of net loss and comprehensive loss.

The fair value of the prepayment embedded derivatives has been determined using a LIBOR based interest rate swap options ("swaptions") as a proxy. The swaptions were structured to mirror the financial conventions of the respective loans, including payment periods, accrual basis, principal amortization, prepayment dates and prepayment premiums. The swaptions were structured as fixed receiver with a strike rate set on market as of the

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date of the loan agreement with exercise premiums to match the underlying loans plus a cost of refinancing upon exercise. The resulting swaption price would represent a proxy for the value of the prepayment rights embedded in the underlying loans. The fair values determined are based on significant other observable inputs (Level 2).

The following table summarizes the beginning and ending fair value and the unrealized gain (loss) for the prepayment embedded derivatives for each period presented:

	Nine months ended September 30, 2019	Period from January 9, 2018 to December 31, 2018
Prepayment embedded derivatives, beginning of period	\$ 6,964	\$ —
<i>Non-cash changes</i>		
Prepayment embedded derivatives, acquired on May 18, 2018 - BSR Initial Properties	—	4,679
Prepayment embedded derivative, acquired on June 1, 2018 - Brandon Place	—	943
Fair value adjustment to prepayment embedded derivatives	7,126	1,342
Prepayment embedded derivatives, end of period	\$ 14,090	\$ 6,964

(20) Capital management

The REIT's policy is to maintain an appropriate capital base to support ongoing operations, maintain creditor and market confidence and sustain future developments of the business. Capital consists of cash and cash equivalents, loans and borrowings, Class B Units and Unitholders' equity. The REIT monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also making appropriate distributions to the unitholders on a regular basis.

In managing its capital structure, the REIT monitors performance and adjusts its capital based on its investment strategies and changes to economic conditions. To maintain or adjust its capital structure, the REIT may issue equity or new debt, issue new debt to replace existing debt (with different characteristics) or reduce existing debt.

(21) Employee benefit plan

Management of the REIT has adopted a defined contribution plan under Internal Revenue Service ("IRS") code section 401(k) for all eligible employees. Employees become eligible after 60 days of service with BSR. A participant may elect to defer up to the maximum percentage of compensation permissible under Code Section 401(k).

Management of the REIT elects to match employee deferrals at its discretion. Employer matching contributions to the Plan totalled \$95 for the nine months ended September 30, 2019.

(22) Related party transactions

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

- 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. Distributions on Units of \$1,263 were declared to Bailey/Hughes holders for the nine months ended September 30, 2019.
- Distributions on Class B Units of \$5,339 were declared to key management personnel, primarily the Bailey/Hughes Holders, for the nine months ended September 30, 2019. 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.

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- Compensation expenses include \$1,477 paid to key management personnel for the nine months ended September 30, 2019, which includes short-term employee compensation and benefits and unit-based compensation. The REIT's Chief Executive Officer did not receive any compensation for services rendered during the period.
- 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 lease term expires in 2021 (see note 17).

(23) Supplemental cash flow disclosures

Change in non-cash working capital comprises the following:

	Nine months ended September 30, 2019	Period from January 9, 2018 to September 30, 2018
Resident and other receivables, net	(468)	\$ 918
Prepaid expenses and other assets	(734)	557
Accounts payable and other liabilities	3,809	(1,053)
	\$ 2,607	\$ 422

(24) Deferred unit compensation and unit-based compensation

Remuneration of trustees (deferred unit compensation)

The REIT adopted the Omnibus Equity Incentive Plan effective as of May 18, 2018. The purpose of the Equity Incentive Plan is to promote a greater alignment of interests between the non-executive Trustees and the Unitholders. Under the Equity Incentive Plan, Trustees have the option to elect to receive up to 100% of all fees that are otherwise payable in cash in the form of Deferred Units. A Deferred Unit award is an award denominated in notional units that entitles the participant to receive Units or, if so elected by the participant and subject to the approval of the Board of Trustees, cash measured by the value of the Units in the future. The REIT shall match 100% of the total value of the annual board retainer fee that a Trustee elects to receive in the form of Deferred Units. Accordingly, the number of Deferred Units to be awarded to a Trustee is equal to (i) the value of all fees that the Trustee elects to receive in the form of Deferred Units plus an additional 100% of the annual board retainer fee elected to be received in the form of Deferred Units pursuant to the REIT's obligation to match, (ii) divided by the volume-weighted average trading price of a Unit on the TSX for the five trading days prior to the date of the award. Elections are irrevocable for the year in respect of which they are made. The Deferred Units earn additional Deferred Units for distributions that would otherwise have been payable in cash. Deferred Units granted to Trustees vest immediately upon grant.

For the nine months ended September 30, 2019, \$448 of deferred unit compensation expense was recognized in general and administrative expenses in the consolidated statement of net loss and comprehensive income (loss). The Deferred Units are measured at fair value at each reporting period and the change in fair value is recognized in Fair value adjustment to unit-based compensation in the consolidated statement of net loss and comprehensive income (loss).

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	Units	Value
Deferred units, as of January 9, 2018	—	\$ —
<i>Non-cash changes</i>		
Deferred trust units issued	56,888	500
Fair value adjustments	—	(45)
Deferred units issued, as of December 31, 2018	56,888	\$ 455
<i>Non-cash changes</i>		
Deferred trust units issued	44,731	448
Fair value adjustments	—	209
Deferred units issued, as of September 30, 2019	101,619	\$ 1,112

Unit-based compensation

The Equity Incentive Plan provides for awards of Restricted Units, Performance Units and Deferred Units and other awards denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Units.

Restricted Units (“RUs”) and Performance Units (“PUs”) are awarded to members of the senior executive team to align the interests of the senior executive team more closely with the interests of the Unitholders. RUs and PUs are denominated in notional units that entitles the participant to receive Units or, if so elected by the participant and subject to the approval of the Board of Trustees, cash measured by the value of the Units in the future. RUs vest in three equal instalments over a three-year period from the initial award and will be settled by Units issued from treasury or, if so elected by the participant and subject to the approval of the Board of Trustees, cash payable upon vesting. PUs will vest subject to performance criteria and targets established and set forth in the award agreements, and to the extent earned, will vest and become nonforfeitable on the third anniversary of the initial award. RUs and PUs earn additional RUs and PUs for distributions that would otherwise have been payable in cash. These additional RUs and PUs vest on the same basis as the initial RUs and PUs to which they relate.

The RUs and PUs are considered a financial liability due to the contractual obligation for the Trust to deliver trust units at the option of the participant, subject to board approval. The RUs and PUs are measured at fair value with changes in fair value recognized in Fair value adjustment to unit-based compensation in the consolidated statement of net income (loss) and comprehensive income (loss). On May 18, 2018, the REIT granted 51,000 and 38,250 RUs and PUs, respectively, with a grant date fair value of \$10.00 per Unit. On March 31, 2019, the REIT granted 39,646 and 59,469 RUs and PUs, respectively, with a grant date fair value of \$9.32 per Unit. The REIT granted an additional 4,278 RUs and 4,154 PUs for distributions that would otherwise have been payable in cash with a grant date fair value equivalent to the market value of the Units on each distribution date. On May 18, 2019, 17,909 RUs vested pursuant to the May 18, 2018 Omnibus Equity Incentive Plan and were settled through the issuance of 11,345 Units with a weighted average Unit price of \$10.22.

For the three and nine months ended September 30, 2019, unit-based compensation expense of \$156 and \$464 has been recognized in general and administrative expense, respectively. A fair value loss of \$45 and \$104 for the three and nine months ended September 30, 2019, respectively, has been recognized in fair value adjustment to unit-based compensation in the consolidated statement of income (loss) and comprehensive income (loss). As of September 30, 2019, 77,015 RUs and 101,873 PUs were unvested with a carrying amount of \$528 recorded in accounts payable and other liabilities in the condensed consolidated interim financial statements.

(25) Subsequent events

The REIT acquired Satori at Long Meadow Apartments (“Satori”) in Richmond, Texas and Auberry at Twin Creeks (“Auberry”) in Allen Texas on October 29, 2019 and October 30, 2019, respectively, for a total contractual purchase price of \$92.8 million, totalling 516 apartment units. Satori is currently in the lease up phase. To mitigate any potential lease up risk, BSR and the seller have entered into a Rent Guaranty Escrow Agreement, allowing the REIT to collect monthly stabilized rental revenue of up to \$1.1 million from the seller through June 2020. The transactions were funded

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using \$56.9 million in mortgage debt (of which \$20.3 million was assumed) and the Credit Facility and Line of Credit for the balance.

In November 2019, the REIT sold 93 Twenty, Charleston Crossing, Inverness and Ridge Park in Tulsa, Oklahoma, Countryside Village in Moore, Oklahoma, and Ridgewood in Hot Springs, Arkansas for gross proceeds of \$74.4 million for the 915 apartment units. As part of this sale, \$39.4 million was used to retire related property encumbered financing and the remainder was used to reduce the balance outstanding under the Credit Facility.