



BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three and nine months ended September 30, 2020

November 10, 2020

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PRESENTATION

This Management's Discussion and Analysis ("MD&A") of BSR Real Estate Investment Trust (the "REIT") is prepared as of November 10, 2020 and outlines the REIT's operating strategies, risk profile considerations, business outlook and analysis of its results of operations and financial condition for the three and nine months ended September 30, 2020.

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 \$135.0 million or approximately \$119.2 million, net of underwriters' fees and other transaction costs. In addition, on May 18, 2018, a \$30.0 million debt was converted to 3,000,000 Units. In connection with the IPO, the REIT indirectly acquired an interest in BSR Trust, LLC ("BSR") and 47 garden-style, multi-family communities.

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 \$5.7 million and \$16.9 million for the three and nine months ended September 30, 2020 (\$5.2 million and \$15.1 million for the three and nine months ended September 30, 2019).

On September 17, 2019, the REIT completed a follow-on offering of 3,797,300 Units ("September 2019 Offering") for total gross proceeds of \$40.0 million or \$37.9 million net of issue and other transaction costs. Concurrently with the closing of the September 2019 Offering, the REIT completed a non-brokered private placement ("Concurrent Private Placement") of 1,416,000 Units to Vision Capital Corporation on behalf of investment funds that it manages for proceeds of \$15.0 million.

On November 8, 2019, the REIT announced the filing and receipt for a final short form base shelf prospectus valid for a 25-month period ending December 8, 2021, during which time the REIT may issue Units, debt securities, subscription receipts and warrants, at prices and on terms based on market conditions at the time of sale and set forth in an accompanying prospectus supplement, for an aggregate offering of up to \$500 million.

During the nine months ended September 30, 2020, the REIT purchased and canceled 89,900 Units under its normal course issuer bid and automatic securities purchase plan at an average price of \$8.57 per Unit. The normal course issuer bid expired on March 27, 2020.

On September 3, 2020, the REIT issued, on a bought deal basis, \$40.0 million aggregate principal of 5.00% convertible unsecured subordinated debentures due September 30, 2025 ("convertible debentures" or "debentures"). The debentures are convertible at the option of the holder into Units of the REIT at \$14.40 per Unit. On October 5, 2020, the underwriters of the above-mentioned convertible debentures exercised their option to acquire a further \$2.5 million of convertible debentures.

This MD&A should be read in conjunction with the REIT's consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2020 and September 30, 2019, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("the IASB").

All amounts are stated in thousands of U.S. dollars, unless otherwise noted. Financial data has been prepared in accordance with IFRS and its interpretations adopted by the IASB. This MD&A has been prepared based on information available to management as of November 10, 2020. Additional information about the REIT, including the REIT's current annual information form in respect of the year ended December 31, 2019 (the "AIF"), can be found on SEDAR at www.sedar.com or on the REIT's website at www.bsreit.com.

The registered office of the REIT is at 333 Bay Street, Suite 3400, Toronto, Ontario. The Units trade on the Toronto Stock Exchange (the "TSX") in U.S. dollars under the symbol "HOM.U". As of June 10, 2019, the Units also began trading on the TSX in Canadian dollars under the symbol "HOM.UN". The REIT's convertible debentures are listed and publicly traded on the TSX in U.S. dollars under the symbol "HOM.DB.U".

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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 current consolidated financial statements 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, performance, business prospects, opportunities for the REIT (including exit or sale plans, 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) and the potential impact of and response measures to be taken with respect to COVID-19. 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 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, current economic conditions and the anticipated impact of COVID-19.

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;
- developments and changes in applicable laws and regulations; and
- the impact of COVID-19 on the operations, business and financial results of the REIT.

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

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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 update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. These cautionary statements qualify all forward-looking information in this MD&A.

ACCOUNTING POLICIES

The REIT's accounting policies are described in the consolidated financial statements for the year ended December 31, 2019, with the exception of the following accounting policy in respect of the convertible debentures and a new accounting amendment, issued by the IASB, applicable to the period.

The convertible debentures are convertible into Units. As Units are redeemable at the option of the holder and are therefore considered puttable instruments in accordance with IAS 32, the convertible debentures are considered a liability containing liability-classified embedded derivatives. The REIT has elected to classify and measure its convertible debentures as financial liabilities measured at fair value through profit and loss ("FVTPL") with the changes in fair value being recognized in the consolidated statements of net income (loss) and comprehensive income (loss).

IFRS 3, Business Combinations ("IFRS 3") was issued by the IASB and adopted by the REIT effective January 1, 2020. The impact of the amendments to IFRS 3 is described in note 3 of the condensed consolidated interim financial statements for the three and nine months ended September 30, 2020.

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 and Adjusted Funds from Operations

In February 2019, 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 funds from operations ("FFO") and adjusted funds from operations ("AFFO") and to help promote more consistent disclosure from reporting issuers. The REIT's method of calculating FFO and AFFO is substantially in accordance with REALPAC's recommendations, but may differ from other issuers' methods and, accordingly, may not be comparable to FFO and AFFO, respectively, reported by other issuers.

The REIT defines FFO as IFRS consolidated net income or loss adjusted for items such as unrealized changes in the estimated fair value of investment properties, the effect of changes in value of puttable instruments classified as financial liabilities,

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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, transaction costs expensed as a result of the issuance of convertible debentures, changes in the fair value of financial instruments which are economically effective hedges but do not qualify or were not designated for hedge accounting and operational revenue and expenses from right of use assets. FFO 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 regards FFO as a key measure of operating performance.

The REIT defines AFFO as FFO adjusted for items such as actual maintenance capital expenditures incurred, straight-line rental revenue differences, severance/retention costs associated with the disposition of investment properties, realized rental guaranties associated with properties in lease up and losses on extinguishment of debt. 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 regards AFFO as a key measure of operating performance.

Net Operating Income

Net operating income ("NOI") is defined as total revenue from properties (i.e. rental revenue and other property income) 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. Additionally, the REIT elects to adjust for severance/retention costs on dispositions. 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 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:

- "Same Community" results are used by management to evaluate performances of investment properties owned by the REIT during comparative periods. The Same Community results in this MD&A remove the results of the nine acquisitions referred to as Wimberly, Cielo, Madrone, Auberry, Satori, Ariza, Wolf Ranch, Broadstone and Castle Hill. Further, the Same Community results in this MD&A remove the results of the 20 properties disposed of from December 31, 2018 to September 30, 2020 referred to as Briarwood, Spring Valley, Fox Trail, South Pointe, Bowman Heights, Waterford, Dove Creek, Longridge, Summer Pointe, 93 Twenty, Ridge Park, Inverness, Charleston Crossing, Countryside Village, Ridgewood, Westwood Village, Summer Green I, Summer Green II, Summer Brook and Summer Lake. Same Community results in this MD&A also remove the results of Wimbledon Green II which is currently in lease-up.
- "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 is representative of the combined REIT Units, Class B Units and issued Deferred Units.
- "AFFO per Unit" is defined as AFFO divided by the weighted average Unit count for the period, which is representative of the combined REIT Units, Class B Units and issued Deferred Units.
- "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 the book value of the total assets of the REIT and its consolidated subsidiaries, as shown on its then most recent consolidated statement of financial position prepared in accordance with IFRS.
- "Debt to Gross Book Value Ratio" is calculated by dividing debt, which consists of total loans and borrowings and convertible debentures, by Gross Book Value.

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- "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 governed by the second amended and restated declaration of trust of the REIT dated April 23, 2020 (the "Declaration of Trust"), as it may be further amended and restated from time to time, and established 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 having employment and population growth as well as diverse economies including industry, government and education, with a particular focus on the Sunbelt region which is generally considered the southeastern and southwestern regions of the United States. The REIT currently operates in Arkansas, Texas, Oklahoma and Mississippi;
- enhance the value of the REIT's assets and maximize long term Unit value through active internal asset and property management programs and procedures;
- expand the asset base of the REIT and increase the REIT's AFFO per Unit primarily through acquisitions in attractive growth markets, improvement of its properties using targeted capital expenditures and recycling of capital through strategic dispositions; and
- provide Unitholders with predictable, sustainable, growing and tax efficient cash distributions.

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 portfolio of 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 23,158,226 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.

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. As of September 30, 2020, the Bailey/Hughes Holders together owned 16,693,992 Class B Units and 3,455,046 Units, together representing an approximate 44% ownership interest in the REIT (determined as if all Class B Units securities are redeemed for Units).

Following the IPO, the REIT has acquired 12 properties for a total combined contractual purchase price of \$557.3 million. The REIT has sold 26 properties for a total combined contractual purchase price of \$389.2 million, subsequent to the IPO. Properties acquired and sold after December 31, 2018 are described in detail below.

In March 2019, the REIT acquired Wimberly, a 372-apartment unit multifamily complex in Dallas, Texas, for a contractual purchase price of \$53.1 million. Wimberly, built in 1995, is located in North Dallas, near the high-traffic interchange of the George Bush Turnpike and Dallas North Tollway and in close proximity to major Dallas-area employers such as Liberty Mutual Insurance, JPMorgan Chase and Toyota USA. The transaction was funded using the REIT's senior secured credit facility provided by a U.S. chartered bank affiliated with BMO Nesbitt Burns Inc. (the "Credit Facility") and the assumption of an existing mortgage with a fair value of \$32.4 million, including a discount on the assumed mortgage of \$0.2 million, and the assumption of \$0.1 million of working capital.

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In April 2019, the REIT sold Briarwood and Spring Valley in Little Rock, Arkansas and Fox Trail and South Pointe in Shreveport, Louisiana for gross proceeds of \$32.1 million for the 773 apartment units.

In June 2019, the REIT sold Waterford and Bowman Heights in Little Rock, Arkansas for gross proceeds of \$22.1 million for the 336 apartment units.

In August 2019, the REIT acquired Cielo and Madrone, two adjacent garden-style apartment communities located in Austin, Texas, totalling 554 apartment units built in 2014 and 2015, respectively. These properties were acquired for a gross purchase price of \$104.5 million. 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 \$1.4 million of working capital.

In August 2019, the REIT sold Dove Creek and Longridge in Baton Rouge, Louisiana for gross proceeds of \$30.9 million for the 310 apartment units.

In September 2019, the REIT sold Summer Pointe in Shreveport, Louisiana for gross proceeds of \$13.9 million for the 200 apartment units.

In October 2019, the REIT acquired Satori at Long Meadow Apartments ("Satori") in Richmond, Texas located in the Houston metropolitan statistical area ("MSA") and Auberry at Twin Creeks ("Auberry") in Allen, Texas located in the Dallas MSA for a total contractual purchase price of \$92.8 million, totalling 516 apartment units. To mitigate any potential lease up risk, the REIT and the seller 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 using \$56.9 million in mortgage debt (of which \$20.3 million was assumed) and the Credit Facility.

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.

In January 2020, the REIT sold Westwood Village in Shreveport, Louisiana for a contractual purchase price of \$16.0 million for the 248 apartment units.

In March 2020, the REIT acquired Ariza at Plum Creek ("Ariza"), a 349 apartment unit garden-style community in Kyle, Texas located in the Austin MSA, for a total contractual purchase price before working capital adjustments and closing costs of \$55.0 million. The transaction was funded with \$35.8 million in mortgage debt and the REIT's Credit Facility.

In April 2020, the REIT sold Summer Green I, Summer Green II and Summer Brook located in Longview, Texas for a combined contractual purchase price, prior to working capital adjustments and selling costs, of \$52.5 million for the 632 apartment units.

In May 2020, the REIT sold Summer Lake located in Longview, Texas for a contractual purchase price, prior to working capital adjustments and selling costs, of \$17.3 million for the 252 apartment units.

In June 2020, the REIT acquired Retreat at Wolf Ranch Apartments ("Wolf Ranch"), a 303 apartment unit garden-style community in Georgetown, Texas located in the Austin MSA for a total contractual purchase price before working capital adjustments and closing costs of \$51.6 million. The transaction was funded with \$26.5 in mortgage debt, and the REIT's Credit Facility was used for the balance.

In July 2020, the REIT acquired Broadstone Park West, a 370 apartment unit, garden-style residential community in Houston, Texas for a contractual purchase price, prior to working capital adjustments and selling costs, of \$51.0 million. The REIT funded the transaction through the issuance of 847,573 Units to the seller, on a private placement basis, and cash, of which \$39.7 million was funded through the Credit Facility.

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In September 2020, the REIT acquired Aura Castle Hills, a 276 apartment unit garden-style residential community in Lewisville, Texas and the Dallas/Fort Worth MSA for a total contractual price of \$51.8 million. The transaction was funded using the REIT's Credit Facility.

In November 2020, the REIT sold Indian Hills, Overbrook I, Overbrook V, Woodland Oaks, Baystone and Vanderbilt for a combined contractual purchase price of approximately \$130 million for the 1,483 apartment units.

Proceeds from dispositions mentioned above are used to retire loans and borrowings and to fund future acquisitions.

The REIT currently owns 34 multifamily garden-style residential properties consisting of 8,198 apartment units. 70% of the apartment units are located in Texas, 16% are located in Arkansas, 12% are located in Oklahoma and the remaining 2% are located in Mississippi.

The investment guidelines of the REIT are outlined in the Declaration of Trust. As of September 30, 2020, the REIT was in compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

HIGHLIGHTS

Three months ended September 30, 2020 ("Q3 2020") Highlights

- Same Community revenues for Q3 2020 increased 3.1% over the three months ended September 30, 2019 ("Q3 2019");
- Weighted average rent was \$1,011 per apartment unit as of September 30, 2020 compared to \$900 per apartment unit as of September 30, 2019, a 12.3% improvement;
- Same Community weighted average rent was \$909 per apartment unit as of September 30, 2020 compared to \$900 per apartment unit as of September 30, 2019, a 1.0% improvement;
- Same Community NOI for Q3 2020 increased 4.9% over Q3 2019;
- Same Community NOI Margin was 52.5% for Q3 2020 compared to 51.6% for Q3 2019;
- Debt to Gross Book Value as of September 30, 2020 was 50.8%;
- The REIT acquired Broadstone Park West, a 370 apartment unit, garden-style residential community in the Houston, Texas market for \$51.0 million, or \$137,838 per apartment unit;
- The REIT acquired Aura Castle Hills, a 276 apartment unit, garden-style residential community in the Dallas/Fort market for \$51.8 million, or \$187,681 per apartment unit;
- On September 3, 2020, the REIT issued \$40.0 million of 5% convertible debentures maturing September 30, 2025 with a conversion price of \$14.40 per Unit; and
- During Q3 2020, the REIT collected 98.0% of total monthly revenue compared to the historical average of 99.0%.

Subsequent Highlights

- On October 5, 2020, underwriters of the above-mentioned convertible debentures exercised their option to acquire a further \$2.5 million of convertible debentures;
- On November 10, 2020, the REIT sold six noncore properties for \$130 million in the Little Rock, Arkansas and Houston, Texas metropolitan statistical markets ("MSA") reducing the portfolio's weighted average age to 18 years old compared to 29 years old at the time of the REIT's IPO in 2018. NOI from properties located in the REIT's primary markets now comprises 88% of total NOI compared to 52% at the time of the IPO.
- In the month of October 2020, the REIT collected 98.0% of monthly revenue compared to the historical average of 99.0%; and
- As of October 31, 2020, the REIT had 21 rent deferral agreements outstanding representing \$6.3 thousand in deferred rent.

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OUTLOOK

COVID-19 Mitigation

The REIT's highest priority is the health and safety of its residents and team members. Given the fluid nature of the pandemic, we continue to monitor all locations in which BSR operates in order to adjust policies and procedures as necessary to provide a safe environment to live and work. A combination of measures has been implemented at each of our properties based on requirements from state and local governments and recommendations from the Center for Disease Control ("CDC") including:

- Closure of non-essential common areas at all properties in higher risk areas;
- Closure of apartment offices to external traffic in higher risk areas;
- Sanitization of regularly touched surfaces on a more frequent basis;
- Virtual or self-guided apartment tours; and
- Contactless doorstep delivery of packages.

To prevent the further spread of the coronavirus, the CDC issued an order to temporarily halt certain residential evictions for nonpayment of rent if a declaration is provided to the landlord stating the resident meets specific eligibility requirements. To date the REIT has received 14 declarations related to the order representing approximately \$34.6 thousand in unpaid rent.

BSR provided \$0.3 million of additional benefits to employees such as paid time off, onsite bonuses and medical reimbursements, spent \$0.1 million on disinfectant foggers and pumps, PPE and other cleaning supplies and chose to forgo \$0.3 million in late fee income during the nine months ended September 30, 2020 related to the COVID-19 pandemic. The REIT resumed charging late fees in mid-August 2020. The REIT has received no government subsidies related to the pandemic.

The impact of the COVID-19 pandemic on the REIT's operations to-date has not been material; however, this could change if residents become unable to pay rent in future periods. See "Risk Factors".

Capital Recycling and Acquisition Strategy

Management believes characteristics of and trends in the United States multifamily sector suggest 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 properties are located, (iii) larger multifamily transaction volume and external growth opportunities in the U.S. than in Canada, (iv) an absence of rent control policies in the majority of U.S. metropolitan areas, (v) regulatory frameworks that tend to be more landlord-friendly compared to most Canadian provinces and (vi) there is significant new product being developed as well as older product being repurposed. 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.

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. Moreover, the millennial age cohort continues to show a greater propensity to rent driven by large student loans and a desire for a more flexible lifestyle. Currently, 51% of the REIT's residents are millennials.

As an established regional owner and operator of multifamily communities, the REIT expects to leverage its concentrated regional scale and internal management platform to make acquisitions primarily in the attractive markets within the Sunbelt region consistent with its proven acquisition strategy. The REIT's internal management platform is highly scalable given the REIT's ability to acquire properties with only a marginal increase in general and administrative expenses; therefore, as the

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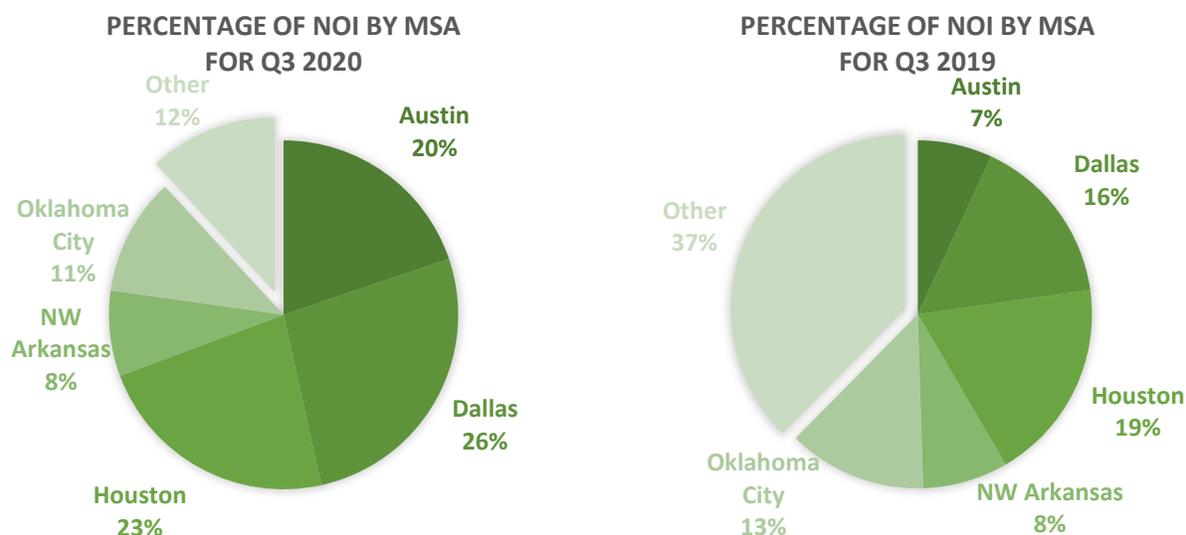
Amounts in thousands of U.S. dollars (except for unit amounts, per unit amounts and as otherwise noted)

REIT transitions into a net acquirer of assets, more of the cash flows generated by the portfolio will likely be retained, thereby increasing FFO and AFFO. The REIT’s acquisitions to-date fit BSR’s acquisition strategy, as they are more modern properties, clustered in target markets with above average population growth and were either purchased at an attractive return or have potential for capital redevelopment using the BSR platform. The REIT will continue to seek acquisition targets in high growth markets, such as certain markets in Texas.

In addition, the REIT will continue to review its portfolio with the goal of recycling capital to maximize total Unitholder returns, by selling non-core properties that no longer meet the long-term growth strategy. The REIT sold 15 properties during 2019 and eleven during 2020. These sales crystallized the benefits of the upgrades previously performed on these assets, allowing the REIT to redeploy capital to properties in high growth markets where it can maximize the platform’s capabilities, consistent with the REIT’s acquisition strategy.

Since the IPO, the current portfolio’s weighted average age has declined by 11 years to 18 years old, from 29 years as of May 18, 2018, which is attributable to the nature of acquisitions and dispositions subsequent to the IPO. The REIT’s 12 acquisitions following the IPO added 3,511 apartment units with a weighted average year built of 2011 (9 years old) compared to the 26 dispositions to-date which total 5,149 apartment units with a weighted average year built of 1985 (35 years old).

The following charts depict the percentage of total NOI by MSA for the current portfolio of properties compared to the three months ended September 30, 2019, with an emphasis on the REIT’s primary markets of Austin, Dallas, Houston, Oklahoma City and Northwest Arkansas. The effects of the ongoing capital recycling program increased the percentage of NOI concentrated in the REIT’s primary markets by 25%, to 88% in the current portfolio compared to 63% for the three months ended September 30, 2019.



**Note that the Q3 2020 NOI excludes NOI from properties sold through November 10, 2020 and includes pro forma NOI for properties acquired after June 30, 2020.*

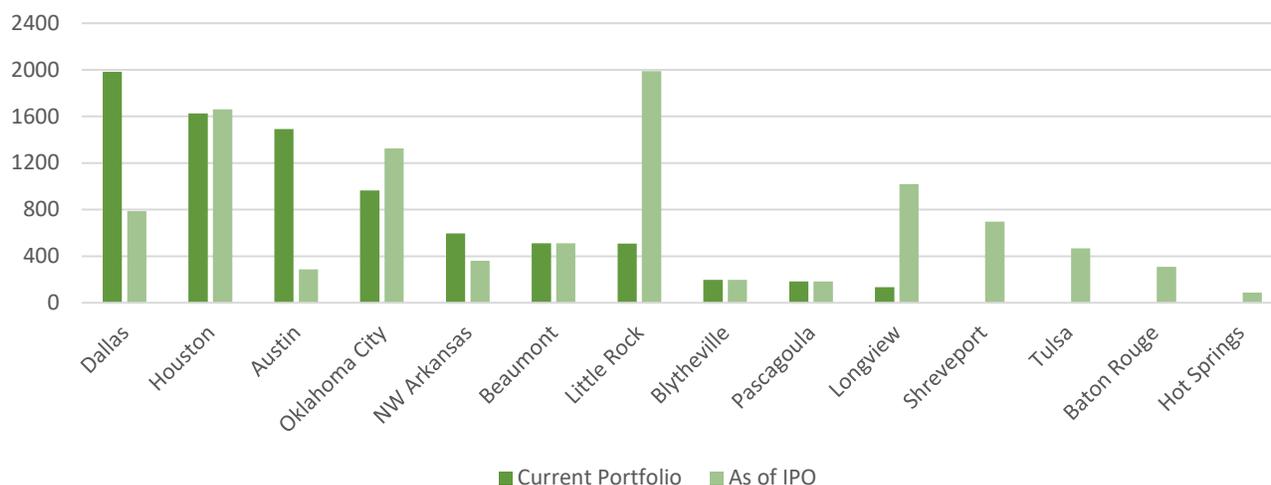
Further, the portfolio shift from the REIT’s ongoing clustering strategy toward the key markets of Austin, Dallas, Houston, Oklahoma City and Northwest Arkansas is shown in the chart below which presents apartment units by MSA for the portfolio as of the IPO compared to the current portfolio as of November 10, 2020.

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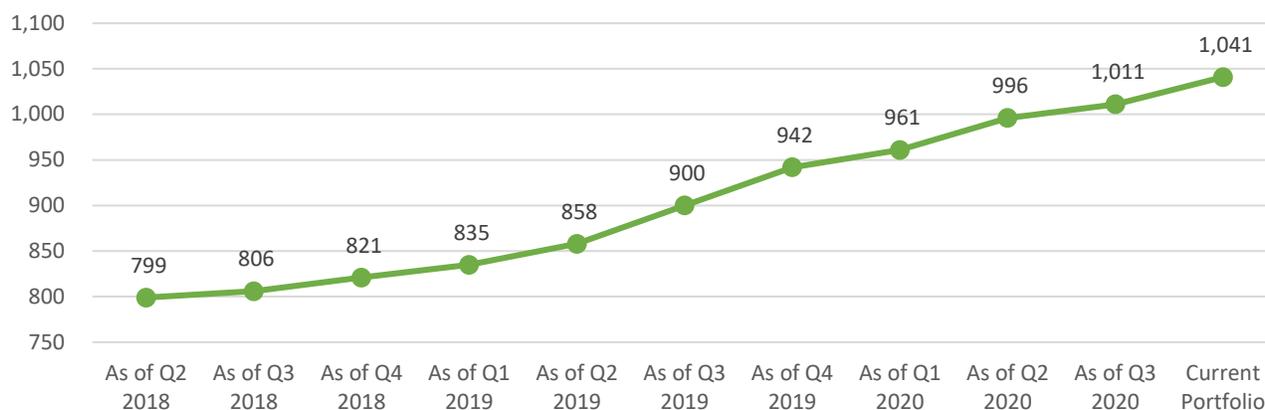
Amounts in thousands of U.S. dollars (except for unit amounts, per unit amounts and as otherwise noted)

Units by MSA - Current Portfolio (left column) vs. Portfolio as of the IPO (right column)



Additionally, the trend of weighted average monthly rent on in-place leases for the total portfolio has increased from \$799 per apartment unit as of Q2 2018 to \$1,041 per apartment unit for the current portfolio.

Trend of Average Monthly Rent on In-Place Leases



The current cap rate spreads between larger and smaller markets are at the lowest levels in the past 15 years. As a result, the REIT is planning to exit Beaumont, Blytheville, Pascagoula, Longview and certain assets in Little Rock and Houston to take advantage of this favourable time to recycle capital from noncore assets into larger markets with high growth potential while at the same time improving the average age of the portfolio.

Value-add programs have become increasingly popular within the Sunbelt region of the United States. As a result, prices on older properties with value-add potential continue to increase. Management has gained extensive experience in executing value-enhancing renovations and will continue to evaluate the current portfolio and acquisitions for opportunities to perform redevelopment activities with the appropriate returns. However, going forward, the REIT will also consider acquisitions of newer properties in growth markets if market conditions continue to trend in the same direction.

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BUSINESS PERFORMANCE MEASURES

The following table highlights certain key business performance measures as of September 30, 2020 compared to September 30, 2019.

	September 30, 2020	September 30, 2019
Number of investment properties	40	44
Total apartment units	9,681	9,758
Average monthly in-place leases	\$ 1,011	\$ 900
Average monthly in-place leases - Same Community * Properties	\$ 909	\$ 900
Weighted average ending occupancy rate	93.5%	94.9%
Retention rate	53.4%	54.0%
Debt to Gross Book Value *	50.8%	46.2%
Weighted average contractual interest rate of all loans and borrowings and convertible debentures	3.6%	3.9%
Weighted average contractual interest rate of all loans and borrowings	3.5%	3.9%
Weighted average contractual mortgage interest rate	3.9%	4.0%
Convertible debentures debt term (in years)	5.0	—
Weighted average debt term of all loans and borrowings (in years)	6.4	8.3
Weighted average mortgage debt term (in years)	9.0	10.1

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The following table highlights certain financial performance measures of the REIT for the three and nine months ended September 30, 2020, compared to the three and nine months ended September 30, 2019:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Change	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Change
Revenue	\$ 29,849	\$ 27,840	\$ 2,009	\$ 84,659	\$ 83,542	\$ 1,117
Revenue, Same Community * Properties	\$ 20,280	\$ 19,663	\$ 617	\$ 59,734	\$ 58,219	\$ 1,515
Revenue, Non-Same Community * Properties	\$ 9,569	\$ 8,177	\$ 1,392	\$ 24,925	\$ 25,323	\$ (398)
NOI *	\$ 15,233	\$ 14,533	\$ 700	\$ 44,138	\$ 44,835	\$ (697)
NOI *, Same Community * Properties	\$ 10,648	\$ 10,148	\$ 500	\$ 32,031	\$ 30,841	\$ 1,190
NOI *, Non-Same Community * Properties	\$ 4,585	\$ 4,385	\$ 200	\$ 12,107	\$ 13,994	\$ (1,887)
NOI Margin *	51.0%	52.2%	-120bps	52.1%	53.7%	-150bps
NOI Margin *, Same Community * Properties	52.5%	51.6%	90bps	53.6%	53.0%	60bps
NOI Margin *, Non-Same Community * Properties	47.9%	53.6%	-570bps	48.6%	55.3%	-670bps
FFO *	\$ 7,427	\$ 7,123	\$ 304	\$ 19,384	\$ 22,563	\$ (3,179)
FFO per Unit *	\$ 0.16	\$ 0.18	\$ (0.02)	\$ 0.43	\$ 0.56	\$ (0.13)
Maintenance capital expenditures	\$ (958)	\$ (722)	\$ (236)	\$ (2,449)	\$ (2,662)	\$ 213
Escrowed rent guaranty realized for Satori	\$ —	\$ —	\$ —	\$ 437	\$ —	\$ 437
Severance/retention costs on dispositions	\$ —	\$ 78	\$ (78)	\$ 186	\$ 218	\$ (32)
Loss on extinguishment of debt	\$ —	\$ —	\$ —	\$ 1,648	\$ —	\$ 1,648
Straight line rental revenue differences	\$ 21	\$ (24)	\$ 45	\$ 83	\$ (2)	\$ 85
AFFO *	\$ 6,490	\$ 6,455	\$ 35	\$ 19,289	\$ 20,117	\$ (828)
AFFO per Unit *	\$ 0.14	\$ 0.16	\$ (0.02)	\$ 0.43	\$ 0.50	\$ (0.07)
AFFO Payout Ratio *	87.5%	80.3%	720bps	87.4%	75.2%	1220bps
Weighted average unit count	45,255,977	40,535,441	4,720,536	44,972,437	40,031,852	4,940,585

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NOI for the three months ended September 30, 2020 totalled \$15.2 million, compared to the three months ended September 30, 2019 of \$14.5 million. The increase in total portfolio NOI for Q3 2020 compared to Q3 2019 was primarily the result of acquisitions contributing \$3.6 million as well as the increase in NOI from Same Community properties, discussed below, offset by property dispositions reducing NOI by \$3.4 million.

NOI from Same Community properties outperformed the Q3 2019 period by \$0.5 million, predominantly due to an increase in Same Community rental rates from \$900 as of September 2019 to \$909 as of September 2020 as well as higher utility reimbursements. These increases were offset by the absence of late rental fees of approximately \$0.1 million temporarily not being charged through mid August 2020 and \$0.1 million in additional expenses related to the COVID-19 pandemic.

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NOI Margin of 51.0% for Q3 2020 was lower than the NOI Margin of 52.2% for Q3 2019 as a result of properties in lease up offset by an increase in NOI Margin for Same Community Properties.

FFO was \$7.4 million for the three months ended September 30, 2020, or \$0.16 per Unit, compared to the three months ended September 30, 2019 of \$7.1 million, or \$0.18 per Unit. The increase of \$304 in FFO is the result of the \$0.7 million increase in NOI described above, offset by an increase in the amortization of deferred financing costs of \$0.2 million, an increase in interest expense of \$0.1 million due to higher debt offset by lower interest rates and higher general and administrative expenses of \$0.1 million related to an increase in share-based compensation.

AFFO was flat to the prior period at \$6.5 million, or \$0.14 per Unit, for the three months ended September 30, 2020, compared to the three months ended September 30, 2019 of \$6.5 million or \$0.16 per Unit. The increase of \$0.3 million in FFO discussed above was primarily offset by an increase in maintenance capital expenditures of \$0.2 million due to emergency only maintenance performed during the second quarter of 2020.

NOI for the nine months ended September 30, 2020 totalled \$44.1 million, compared to the nine months ended September 30, 2019 of \$44.8 million. The decrease in total portfolio NOI for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 was primarily the result of property dispositions reducing NOI by \$10.8 million, partially offset by acquisitions contributing \$8.9 million in NOI as well as the increase in NOI from Same Community properties discussed below.

NOI from Same Community properties for nine months ended September 30, 2020 outperformed the nine months ended September 30, 2019 by \$1.2 million, predominantly due to the increase in Same Community rental rates of \$1.1 million as well as an increase in utility reimbursements of \$0.5 million and an increase in fees associated with moving in or out of an apartment unit of \$0.2 million, partially offset by the absence of late rental fees of \$0.3 million related to the COVID-19 pandemic. The REIT resumed charging late fees in mid August of 2020. These increases in Same Community revenue were offset by an increase in property insurance expense of \$0.2 million and real estate taxes of \$0.1 million. The REIT paid \$0.3 million in COVID-19 expenses compared to the prior year offset by a decline in payroll expenses.

FFO was \$19.4 million for the nine months ended September 30, 2020, or \$0.43 per Unit, compared to the nine months ended September 30, 2019 of \$22.6 million, or \$0.56 per Unit. The decrease of \$3.2 million in FFO is mainly the result of a decrease of \$0.7 million in NOI, described above, as well as a \$1.6 million loss on extinguishment of debt, which includes the non-cash write-off of a \$1.4 million prepayment embedded derivative upon the refinancing of mortgage debt. General and administrative expenses contributed \$0.4 million to the decrease in FFO over the prior period, primarily related to an increase in share-based compensation and other employee benefits, offset by lower legal and professional fees and travel expenses. The REIT incurred severance/retention costs, related to the capital recycling program, of \$0.2 million during each of the comparative nine-month periods. These costs are not adjusted from FFO.

AFFO was \$19.3 million for the nine months ended September 30, 2020, or \$0.43 per Unit, compared to \$20.1 million, or \$0.50 per Unit, for the nine months ended September 30, 2019. The decrease of \$0.8 million was primarily the result of the change in FFO described above, partially offset by the exclusion of loss on extinguishment of debt of \$1.6 million and the inclusion of income related to the rent guaranty on the Satori acquisition of \$0.4 million. Further, maintenance capital expenditures decreased \$0.2 million over the prior year period due to emergency only maintenance during the second quarter of 2020. The severance/retention costs, discussed above, were adjusted from AFFO.

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The following table highlights key information about the properties as of September 30, 2020 and 2019, organized by MSA:

MSA	State	September 30, 2020			September 30, 2019		
		Number of Units	Avg Rent Per Unit	Occupancy Rate	Number of Units	Avg Rent Per Unit	Occupancy Rate
Austin	Texas	286	\$ 1,089	89.9%	286	\$ 1,065	97.9%
Beaumont	Texas	512	\$ 1,040	94.5%	512	\$ 1,068	93.7%
Dallas	Texas	1,120	\$ 1,069	95.8%	1,120	\$ 1,051	96.4%
Houston	Texas	1,662	\$ 991	93.4%	1,662	\$ 981	94.8%
Longview	Texas	134	\$ 793	99.3%	134	\$ 779	98.5%
	Texas	3,714	\$ 1,021	94.2%	3,714	\$ 1,013	95.5%
Blytheville	Arkansas	196	\$ 464	71.9%	196	\$ 448	70.9%
Northwest Arkansas	Arkansas	597	\$ 886	97.5%	597	\$ 881	95.6%
Little Rock	Arkansas	1,129	\$ 750	93.6%	1,129	\$ 732	93.9%
	Arkansas	1,922	\$ 771	92.6%	1,922	\$ 758	92.1%
Oklahoma City	Oklahoma	965	\$ 800	95.3%	965	\$ 784	94.2%
	Oklahoma	965	\$ 800	95.3%	965	\$ 784	94.2%
Pascagoula	Mississippi	184	\$ 661	100.0%	184	\$ 642	95.1%
	Mississippi	184	\$ 661	100.0%	184	\$ 642	95.1%
Total Same Community		6,785	\$ 909	94.1%	6,785	\$ 900	94.3%
Non-Same Community *		2,896	\$ 1,256	92.1%	2,973	\$ 899	96.1%
Total Portfolio		9,681	\$ 1,011	93.5%	9,758	\$ 900	94.9%

*The figures for Number of Units, Average Rent Per Unit and Occupancy Rate for Non-Same Community are presented for properties owned as of September 30, 2020 and September 30, 2019, respectively, which excludes properties sold prior to that date as these properties were not owned as of the last day of the period. Additionally, the Occupancy Rate for Non-Same Community excludes the impact of properties in lease-up.

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The following table highlights key information about the properties for the three months ended September 30, 2020 and 2019, organized by MSA:

MSA	State	Three months ended September 30, 2020		Three months ended September 30, 2019		Change in Revenue	Change in NOI *
		Revenue	NOI *	Revenue	NOI *		
Austin	Texas	\$ 946	\$ 468	\$ 953	\$ 442	\$ (7)	\$ 26
Beaumont	Texas	\$ 1,710	\$ 899	\$ 1,752	\$ 884	\$ (42)	\$ 15
Dallas	Texas	\$ 4,084	\$ 1,904	\$ 3,928	\$ 1,918	\$ 156	\$ (14)
Houston	Texas	\$ 5,660	\$ 2,958	\$ 5,462	\$ 2,694	\$ 198	\$ 264
Longview	Texas	\$ 338	\$ 145	\$ 328	\$ 155	\$ 10	\$ (10)
	Texas	\$ 12,738	\$ 6,374	\$ 12,423	\$ 6,093	\$ 315	\$ 281
Blytheville	Arkansas	\$ 213	\$ 79	\$ 202	\$ 69	\$ 11	\$ 10
Northwest Arkansas	Arkansas	\$ 1,700	\$ 1,065	\$ 1,660	\$ 1,102	\$ 40	\$ (37)
Little Rock	Arkansas	\$ 2,721	\$ 1,483	\$ 2,602	\$ 1,365	\$ 119	\$ 118
	Arkansas	\$ 4,634	\$ 2,627	\$ 4,464	\$ 2,536	\$ 170	\$ 91
Oklahoma City	Oklahoma	\$ 2,524	\$ 1,495	\$ 2,416	\$ 1,389	\$ 108	\$ 106
	Oklahoma	\$ 2,524	\$ 1,495	\$ 2,416	\$ 1,389	\$ 108	\$ 106
Pascagoula	Mississippi	\$ 384	\$ 152	\$ 360	\$ 130	\$ 24	\$ 22
	Mississippi	\$ 384	\$ 152	\$ 360	\$ 130	\$ 24	\$ 22
Total Same Community		\$ 20,280	\$ 10,648	\$ 19,663	\$ 10,148	\$ 617	\$ 500
Non-Same Community		\$ 9,569	\$ 4,585	\$ 8,177	\$ 4,385	\$ 1,392	\$ 200
Total Portfolio		\$ 29,849	\$ 15,233	\$ 27,840	\$ 14,533	\$ 2,009	\$ 700

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The following table highlights key information about the properties for the nine months ended September 30, 2020 and 2019, organized by MSA:

MSA	State	Nine months ended September 30, 2020		Nine months ended September 30, 2019		Change in Revenue	Change in NOI *
		Revenue	NOI *	Revenue	NOI *		
Austin	Texas	\$ 2,842	\$ 1,396	\$ 2,831	\$ 1,383	\$ 11	\$ 13
Beaumont	Texas	\$ 5,142	\$ 2,868	\$ 5,278	\$ 2,964	\$ (136)	\$ (96)
Dallas	Texas	\$ 12,068	\$ 6,079	\$ 11,568	\$ 5,827	\$ 500	\$ 252
Houston	Texas	\$ 16,407	\$ 8,317	\$ 16,159	\$ 8,166	\$ 248	\$ 151
Longview	Texas	\$ 997	\$ 468	\$ 974	\$ 476	\$ 23	\$ (8)
	Texas	\$ 37,456	\$ 19,128	\$ 36,810	\$ 18,816	\$ 646	\$ 312
Blytheville	Arkansas	\$ 614	\$ 209	\$ 579	\$ 166	\$ 35	\$ 43
Northwest Arkansas	Arkansas	\$ 5,008	\$ 3,269	\$ 4,898	\$ 3,238	\$ 110	\$ 31
Little Rock	Arkansas	\$ 8,115	\$ 4,520	\$ 7,700	\$ 4,038	\$ 415	\$ 482
	Arkansas	\$ 13,737	\$ 7,998	\$ 13,177	\$ 7,442	\$ 560	\$ 556
Oklahoma City	Oklahoma	\$ 7,428	\$ 4,448	\$ 7,180	\$ 4,214	\$ 248	\$ 234
	Oklahoma	\$ 7,428	\$ 4,448	\$ 7,180	\$ 4,214	\$ 248	\$ 234
Pascagoula	Mississippi	\$ 1,113	\$ 457	\$ 1,052	\$ 369	\$ 61	\$ 88
	Mississippi	\$ 1,113	\$ 457	\$ 1,052	\$ 369	\$ 61	\$ 88
Total Same Community		\$ 59,734	\$ 32,031	\$ 58,219	\$ 30,841	\$ 1,515	\$ 1,190
Non-Same Community		\$ 24,925	\$ 12,107	\$ 25,323	\$ 13,994	\$ (398)	\$ (1,887)
Total Portfolio		\$ 84,659	\$ 44,138	\$ 83,542	\$ 44,835	\$ 1,117	\$ (697)

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SELECTED QUARTERLY FINANCIAL INFORMATION

	Three months ended September 30, 2020			Three months ended December 31, 2019			Three months ended September 30, 2019			Three months ended December 31, 2018		
	Three months ended June 30, 2020	Three months ended March 31, 2020	Three months ended March 31, 2020	Three months ended June 30, 2019	Three months ended March 31, 2019	Three months ended June 30, 2019	Three months ended March 31, 2019	Three months ended June 30, 2019	Three months ended March 31, 2019	Three months ended June 30, 2019	Three months ended March 31, 2019	Three months ended June 30, 2019
Revenue:												
Rental revenue	\$ 25,880	\$ 24,061	\$ 24,094	\$ 24,477	\$ 24,290	\$ 24,462	\$ 24,202	\$ 22,911				
Other property income	3,969	3,227	3,428	3,645	3,550	3,531	3,507	3,351				
	29,849	27,288	27,522	28,122	27,840	27,993	27,709	26,262				
Expenses (Income):												
Property operating expenses	10,222	9,019	9,157	10,308	10,194	10,020	9,885	10,013				
Real estate taxes	—	—	14,708	817	—	—	9,645	1,205				
General and administrative expenses	1,847	1,915	1,954	2,114	1,757	1,990	1,549	1,569				
Fair value adjustment to investment properties	(24,397)	2,120	5,773	(4,604)	4,126	(14,879)	(1,379)	(1,106)				
Fair value adjustment to investment properties (IFRIC 21)	4,394	4,202	(10,995)	2,303	3,191	2,945	(6,955)	1,241				
Finance costs from operations	7,899	5,483	7,344	5,850	5,543	5,627	5,451	4,561				
Loss on disposition of investment properties	—	1,074	11	3,962	882	981	—	—				
Distributions on Class B Units	2,707	2,713	2,762	2,835	2,858	2,892	2,897	2,897				
Depreciation of right-of-use asset	33	32	33	33	33	32	33	—				
Fair value adjustment to derivatives and other financial liabilities	(12,512)	39,840	(68,569)	18,796	12,653	20,087	29,906	(35,769)				
Fair value adjustment to unit-based compensation	(125)	379	(505)	137	108	109	96	(75)				
Change in tenant in common interests	—	—	—	—	—	—	43	16				
Bargain purchase gain	—	—	—	—	—	—	—	381				
	(9,932)	66,777	(38,327)	42,551	41,345	29,804	51,171	(15,067)				
Net income (loss) and comprehensive income (loss)	\$ 39,781	\$ (39,489)	\$ 65,849	\$ (14,429)	\$ (13,505)	\$ (1,811)	\$ (23,462)	\$ 41,329				
Business Performance Measures												
FFO *	\$ 7,427	\$ 6,635	\$ 5,322	\$ 6,698	\$ 7,123	\$ 7,379	\$ 8,061	\$ 7,657				
FFO per Unit *	\$ 0.16	\$ 0.15	\$ 0.12	\$ 0.15	\$ 0.18	\$ 0.19	\$ 0.20	\$ 0.19				
AFFO *	\$ 6,490	\$ 6,192	\$ 6,607	\$ 6,273	\$ 6,455	\$ 6,188	\$ 7,474	\$ 6,216				
AFFO per Unit *	\$ 0.14	\$ 0.14	\$ 0.15	\$ 0.14	\$ 0.16	\$ 0.16	\$ 0.19	\$ 0.16				
AFFO Payout Ratio *	87.5%	90.0%	84.8%	89.6%	80.3%	80.3%	66.4%	79.9%				
Weighted average unit count	45,255,977	44,663,118	44,995,099	45,017,734	40,535,441	39,786,187	39,768,861	39,745,647				
Distributions declared	\$ 5,679	\$ 5,570	\$ 5,601	\$ 5,619	\$ 5,186	\$ 4,968	\$ 4,966	\$ 4,967				

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REVIEW OF SELECTED OPERATING INFORMATION

The following table highlights selected financial information of the REIT for the three and nine months ended September 30, 2020 compared to the three and nine months ended September 30, 2019. This information has been compiled from the current condensed consolidated financial statements and notes thereto.

	Three months ended September 30, 2020	Three months ended September 30, 2019	Change	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Change
Revenue:						
Rental revenue	\$ 25,880	\$ 24,290	\$ 1,590	\$ 74,035	\$ 72,954	\$ 1,081
Other property income	3,969	3,550	419	10,624	10,588	36
	29,849	27,840	2,009	84,659	83,542	1,117
Expenses (Income):						
Property operating expenses	10,222	10,194	28	28,398	30,099	(1,701)
Real estate taxes	—	—	—	14,708	9,645	5,063
General and administrative expenses	1,847	1,757	90	5,716	5,296	420
Fair value adjustment to investment properties	(24,397)	4,126	(28,523)	(16,504)	(12,132)	(4,372)
Fair value adjustment to investment properties (IFRIC 21)	4,394	3,191	1,203	(2,399)	(819)	(1,580)
Finance costs from operations	7,899	5,543	2,356	20,726	16,621	4,105
Loss on disposition of investment properties	—	882	(882)	1,085	1,863	(778)
Distributions on Class B Units	2,707	2,858	(151)	8,182	8,647	(465)
Depreciation on right-of-use asset	33	33	—	98	98	—
Fair value adjustment to derivatives and other financial liabilities	(12,512)	12,653	(25,165)	(41,241)	62,646	(103,887)
Fair value adjustment to unit-based compensation	(125)	108	(233)	(251)	313	(564)
Change in tenant in common interests	—	—	—	—	43	(43)
	(9,932)	41,345	(51,277)	18,518	122,320	(103,802)
Net income (loss) and comprehensive income (loss)	\$ 39,781	\$ (13,505)	\$ 53,286	\$ 66,141	\$ (38,778)	\$ 104,919

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Revenue

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.

	Three months ended September 30, 2020	Three months ended September 30, 2019	Change	Change %
Rental revenue	\$ 25,880	\$ 24,290	\$ 1,590	6.5%
Other property income	3,969	3,550	419	11.8%
	\$ 29,849	\$ 27,840	\$ 2,009	7.2%

The increase in rental revenue for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019 is primarily the result of property acquisitions net of dispositions, as well as higher rental rates across the portfolio. Acquisitions increased rental revenue by \$6.6 million, partially offset by dispositions which reduced rental revenue by \$5.3 million. Same Community rental rates increased from \$900 as of September 2019 to \$909 as of September 2020.

The increase in other property income for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019 is primarily the result of Same Community higher utility reimbursement income of \$0.3 million as well as the impact of property acquisitions net of dispositions. Acquisitions increased other property income by \$0.9 million partially offset by dispositions which reduced other property income by \$0.8 million. As previously noted, the impact of the REIT temporarily discontinuing the charging of late rental fees through mid August 2020, due to the COVID-19 pandemic, was \$0.1 million.

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Change	Change %
Rental revenue	\$ 74,035	\$ 72,954	\$ 1,081	1.5%
Other property income	10,624	10,588	36	0.3%
	\$ 84,659	\$ 83,542	\$ 1,117	1.3%

The increase in rental revenue for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019 is primarily the result of Same Community rental rates which increased from \$900 as of September 2019 to \$909 as of September 2020, offset by dispositions net of acquisitions. Dispositions reduced rental revenue by \$16.6 million partially offset by acquisitions which increased rental revenue by \$16.5 million.

Other property income was flat for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019 as a result of Same Community higher utility reimbursement income of \$0.5 million offset by dispositions net of acquisitions. Dispositions reduced other property income by \$2.4 million partially offset by acquisitions which increased other property income by \$2.1 million. As previously discussed, the REIT temporarily discontinued the charging of late rental fees in the second quarter of 2020 through mid August 2020, due to the COVID-19 pandemic, thus forgoing approximately \$0.3 million in other income.

Property operating expenses

Property operating expenses are comprised mainly of payroll, rental, administrative, maintenance and insurance expenses, as well as, other costs associated with the management of the investment properties.

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	Three months ended September 30, 2020	Three months ended September 30, 2019	Change	Change %
Property operating expenses	\$ 10,222	\$ 10,194	\$ 28	0.3%

Property operating expenses were flat for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019 as a result of an increase in Same Community property operating expenses, discussed below, offset by the impact of dispositions net of acquisitions. Dispositions reduced property operating expenses by \$2.3 million partially offset by acquisitions which increased property operating expenses by \$2.2 million.

Same Community property operating expenses increased by \$0.1 million primarily due to expenses related to the COVID-19 pandemic.

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Change	Change %
Property operating expenses	\$ 28,398	\$ 30,099	\$ (1,701)	-5.7%

The decrease in property operating expenses for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019 is primarily the result of property dispositions net of acquisitions. Dispositions reduced property operating expenses \$7.2 million partially offset by acquisitions which increased property operating expenses \$5.3 million. This decrease was offset by higher property insurance costs of \$0.2 million on Same Community properties for the nine months ended September 30, 2020 compared to the prior year. Furthermore, the REIT provided \$0.3 million of additional benefits to employees such as paid time off, onsite bonuses and medical reimbursements and spent \$0.1 million on disinfectant foggers and pumps, PPE and other cleaning supplies all of which were offset by a decline in payroll expenses.

Real estate taxes

Annual property taxes are recognized when the realty tax obligation is imposed. There were no real estate tax expenses for the three months ended September 30, 2020 or the three months ended September 30, 2019.

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Change	Change %
Real estate taxes	\$ 14,708	\$ 9,645	\$ 5,063	52.5%

Real estate taxes for the nine months ended September 30, 2020 and nine months ended September 30, 2019 are predominately comprised of realty tax obligations imposed for properties owned in the states of Texas and Arkansas. The increase in real estate taxes in those jurisdictions is directly attributable to the higher value of investment properties owned throughout the nine months ended September 30, 2020 versus the comparative period, as a result of property acquisitions throughout 2019 which represented \$5.3 million in real estate taxes, as well as higher property taxes imposed on properties with continuity across the comparative periods, predominately in Texas, offset by a reduction due to property dispositions.

General and administrative expenses

General and administrative expenses include payroll and benefits for certain REIT employees, professional fees, trustee fees, insurance and other administrative costs.

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	Three months ended September 30, 2020	Three months ended September 30, 2019	Change	Change %
General and administrative expenses	\$ 1,847	\$ 1,757	\$ 90	5.1%

The increase in general and administrative expenses for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019 is primarily related to an increase in share-based compensation.

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Change	Change %
General and administrative expenses	\$ 5,716	\$ 5,296	\$ 420	7.9%

The increase in general and administrative expenses for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019 is primarily related to an increase in share-based compensation and other employee benefits, offset by lower legal and professional fees and travel expenses.

Fair value adjustment to investment properties

In accordance with IFRS, management has elected to use the fair value model to account for investment properties. Fair value adjustments were determined based on the movement of various parameters, including changes in NOI and capitalization rates.

For the three months ended September 30, 2020, overall investment properties increased by \$129.0 million as a result of two property acquisitions discussed above which increased the investment property portfolio by \$101.5 million, an increase in fair value of \$24.4 million and additions to investment properties of \$3.1 million.

For the nine months ended September 30, 2020, overall investment properties increased by \$147.9 million as a result of four property acquisitions for \$208.2 million, an increase in fair value of \$16.5 million and additions to investment properties of \$9.0 million. These increases were offset by five property disposition which reduced the investment property portfolio by \$85.8 million.

Further information can be found in the "Investment property portfolio" section below.

Fair value adjustment to investment properties (IFRIC 21)

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.

	Three months ended September 30, 2020	Three months ended September 30, 2019	Change	Change %
Fair value adjustment to investment properties (IFRIC 21)	\$ 4,394	\$ 3,191	\$ 1,203	37.7%

The increase in the fair value adjustment to investment properties (IFRIC 21) expense of \$1.2 million for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019 is primarily the result of property

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acquisitions net of dispositions. Acquisitions contributed \$1.6 million to the fair value adjustment partially offset by the reduction of \$0.4 million to the fair value adjustment as a result of dispositions.

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Change	Change %
Fair value adjustment to investment properties (IFRIC 21)	\$ (2,399)	\$ (819)	\$ (1,580)	192.9%

The increase in the fair value adjustment to investment properties (IFRIC 21) gain of \$1.6 million for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019 is primarily the result of property acquisitions and dispositions which contributed a combined \$1.2 million to the fair value adjustment. The remainder of the increase is a result of higher annual property taxes versus the comparative period.

Finance costs from operations

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, interest expense on convertible debentures, transaction costs for the issuance of convertible debentures and distributions to tenant in common interests.

	Three months ended September 30, 2020	Three months ended September 30, 2019	Change	Change %
Finance costs from operations	\$ 7,899	\$ 5,543	\$ 2,356	42.5%

The increase in finance costs from operations for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019 is primarily attributable to the transaction costs for the issuance of convertible debentures of \$2.0 million and higher finance costs due to the timing of acquisitions. Additionally, amortization of deferred financing costs was \$0.2 million higher than the comparative period.

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Change	Change %
Finance costs from operations	\$ 20,726	\$ 16,621	\$ 4,105	24.7%

The increase in finance costs from operations for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019 is primarily attributable to a loss on extinguishment of debt of \$1.6 million which includes the non-cash write-off of a \$1.4 million prepayment embedded derivative upon the refinancing of mortgage debt as well as the transaction costs for the issuance of convertible debenture and higher finance costs due to the timing of acquisitions and dispositions and higher amortization of deferred financing costs.

Loss on disposition of investment properties

Loss on disposition of investment properties is determined as the difference between the net sale proceeds and the carrying amount of the investment property and is recognized in the statement of income and comprehensive income in the year of sale. Investment properties are carried at fair value which is the sales price; therefore, the resulting loss represents costs incurred to sell the assets such as brokerage fees, title, real estate tax credits, legal and other costs associated with sales.

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There was no loss on disposition of investment properties recorded during the three months ended September 30, 2020. The REIT incurred a loss on disposition of investment properties of \$1.1 million during the nine months ended September 30, 2020 as a result of the disposition of one investment property during the first quarter of 2020 and four investment properties during the second quarter of 2020.

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.

	Three months ended September 30, 2020	Three months ended September 30, 2019	Change	Change %
Distributions on Class B Units	\$ 2,707	\$ 2,858	\$ (151)	-5.3%

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Change	Change %
Distributions on Class B Units	\$ 8,182	\$ 8,647	\$ (465)	-5.4%

Distributions on Class B Units for the three and nine months ended September 30, 2020 decreased as compared to the three and nine months ended September 30, 2019 due to the redemption of Class B Units subsequent to the comparative period end.

Fair value adjustment to derivatives and other financial liabilities

Fair value adjustments to derivatives and other financial liabilities consists of fair value adjustments recorded to Class B Units, interest rate swaps, convertible debentures, prepayment embedded derivatives and Unit-based compensation.

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 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 results from the fair value of Class B Units as of the end of the period.

The REIT is subject to three 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 consolidated financial statements.

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 IFRS 9, Financial Instruments: Recognition and Measurement, (“IFRS 9”) 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.

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	Three months ended September 30, 2020	Three months ended September 30, 2019
Fair value adjustment to Class B Units	\$ (13,232)	\$ 16,544
Fair value adjustment to convertible debentures	(1,080)	—
Fair value adjustment to interest rate swaps	(406)	787
Fair value adjustment to prepayment embedded derivatives	2,206	(4,678)
Fair value adjustment to derivatives and other financial liabilities	\$ (12,512)	\$ 12,653

For the three months ended September 30, 2020, the REIT recognized a fair value gain to Class B Units of \$13.2 million. The fair value gain was a result of a decrease in the Unit closing price from \$10.55 per Unit as of June 30, 2020 to \$9.94 per Unit as of September 30, 2020. For the three months ended September 30, 2019, the fair value loss was a result of the increase in Unit closing price from \$10.23 per Unit as of June 30, 2019 to \$10.95 per Unit as of September 30, 2019.

For the three months ended September 30, 2020, the REIT recognized a fair value gain to convertible debentures of \$1.1 million. The fair value gain was a result of a decrease in the convertible debentures' closing price of \$97.30 as of September 30, 2020 from \$100.00 at the date of issuance.

For the three months ended September 30, 2020, the REIT recognized a fair value gain to interest rate swaps of \$0.4 million. Fair value adjustments were due to current forecasted LIBOR rates as of September 30, 2020.

For the three months ended September 30, 2020, the REIT recognized a fair value loss to prepayment embedded derivatives of \$2.2 million. The fair value loss to prepayment embedded derivatives was the result of changes in the proxy LIBOR based interest rate swap options as of September 30, 2020.

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Fair value adjustment to Class B Units	\$ (36,895)	\$ 68,181
Fair value adjustment to convertible debentures	(1,080)	—
Fair value adjustment to interest rate swaps	5,783	1,591
Fair value adjustment to prepayment embedded derivatives	(9,049)	(7,126)
Fair value adjustment to derivatives and other financial liabilities	\$ (41,241)	\$ 62,646

For the nine months ended September 30, 2020, the REIT recognized a fair value gain to Class B Units of \$36.9 million. The fair value gain was a result of a decrease in the Unit closing price from \$11.65 per Unit as of December 31, 2019 to \$9.94 per Unit as of September 30, 2020. For the nine months ended September 30, 2019, the fair value loss was a result of the increase in Unit closing price from \$8.00 as of December 31, 2018 to \$10.95 per Unit as of September 30, 2019.

For the nine months ended September 30, 2020, the REIT recognized a fair value gain to convertible debentures of \$1.1 million as noted above.

For the nine months ended September 30, 2020, the REIT recognized a fair value loss to interest rate swaps of \$5.8 million. Fair value adjustments were due to current forecasted LIBOR rates as of September 30, 2020.

For the nine months ended September 30, 2020, the REIT recognized a fair value gain to prepayment embedded derivatives of \$9.0 million. The fair value gain to prepayment embedded derivatives was the result of changes in the proxy LIBOR based interest rate swap options as of September 30, 2020.

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Change in tenant in common interests

Tenant in common interests represent the ownership interests in a consolidated subsidiary not owned by the REIT. Under International Accounting Standard 32 ("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 remeasurement of the tenant in common interests. There was no change in tenant in common interests for the three or nine months ended September 30, 2020 or the three months ended September 30, 2019. There was a \$43 change in tenant in common interests for the nine months ended September 30, 2019, which was reflective of the change in the overall fair value of the properties affiliated with the tenant in common agreements in the comparative period.

Net income (loss) and comprehensive income (loss)

	Three months ended September 30, 2020	Three months ended September 30, 2019	Change
Net income (loss) and comprehensive income (loss)	\$ 39,781	\$ (13,505)	\$ 53,286

Net income and comprehensive income for the three months ended September 30, 2020 was greater than the net loss and comprehensive loss for the three months ended September 30, 2019 by \$53.2 million primarily as the result of the fair value adjustments to investment properties and Class B Units, discussed above.

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Change
Net income (loss) and comprehensive income (loss)	\$ 66,141	\$ (38,778)	\$ 104,919

Net income and comprehensive income for the nine months ended September 30, 2020 was greater than the net loss and comprehensive loss for the nine months ended September 30, 2019 by \$104.9 million primarily as the result of the fair value adjustments to investment properties and Class B Units, discussed above.

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Net Operating Income, Funds from Operations and Adjusted Funds from Operations

Below is a summary of FFO and AFFO for the three and nine months ended September 30, 2020 and the three and nine months ended September 30, 2019, with additional detail in the section titled "Reconciliation of Non-IFRS Measures".

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
NOI *	\$ 15,233	\$ 14,533	\$ 44,138	\$ 44,835
NOI Margin *	51.0%	52.2%	52.1%	53.7%
FFO *	\$ 7,427	\$ 7,123	\$ 19,384	\$ 22,563
FFO per Unit *	\$ 0.16	\$ 0.18	\$ 0.43	\$ 0.56
Maintenance capital expenditures	\$ (958)	\$ (722)	\$ (2,449)	\$ (2,662)
Escrowed rent guaranty realized for Satori	\$ —	\$ —	\$ 437	\$ —
Severance/retention costs on dispositions	\$ —	\$ 78	\$ 186	\$ 218
Loss on extinguishment of debt	\$ —	\$ —	\$ 1,648	\$ —
Straight line rental revenue differences	\$ 21	\$ (24)	\$ 83	\$ (2)
AFFO *	\$ 6,490	\$ 6,455	\$ 19,289	\$ 20,117
AFFO per Unit *	\$ 0.14	\$ 0.16	\$ 0.43	\$ 0.50
AFFO Payout Ratio *	87.5%	80.3%	87.4%	75.2%

*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.

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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.

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 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 unaudited FFO and AFFO for the periods presented:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Net income (loss) and comprehensive income (loss)	\$ 39,781	\$ (13,505)	\$ 66,141	\$ (38,778)
<i>Adjustments to arrive at FFO</i>				
Distributions on Class B Units	2,707	2,858	8,182	8,647
Fair value adjustment to investment properties	(24,397)	4,126	(16,504)	(12,132)
Fair value adjustment to investment properties (IFRIC 21)	4,394	3,191	(2,399)	(819)
Property tax liability adjustment, net (IFRIC 21)	(4,394)	(3,191)	2,399	819
Fair value adjustment to derivatives and other financial liabilities	(12,512)	12,653	(41,241)	62,646
Fair value adjustment to unit-based compensation	(125)	108	(251)	313
Loss on disposition of investment properties	—	882	1,085	1,863
Convertible debenture issuance costs	1,973	—	1,973	—
Principal payments on lease liability	(33)	(32)	(99)	(94)
Depreciation of right-to-use asset	33	33	98	98
Funds from Operations ("FFO")	\$ 7,427	\$ 7,123	\$ 19,384	\$ 22,563
FFO per Unit	\$ 0.16	\$ 0.18	\$ 0.43	\$ 0.56
<i>Adjustments to arrive at AFFO</i>				
Maintenance capital expenditures	(958)	(722)	(2,449)	(2,662)
Escrowed rent guaranty realized for Satori	—	—	437	—
Severance/retention costs on dispositions	—	78	186	218
Loss on extinguishment of debt	—	—	1,648	—
Straight line rental revenue differences	21	(24)	83	(2)
Adjusted Funds from Operations ("AFFO")	\$ 6,490	\$ 6,455	\$ 19,289	\$ 20,117
AFFO per Unit	\$ 0.14	\$ 0.16	\$ 0.43	\$ 0.50
Weighted average unit count	45,255,977	40,535,441	44,972,437	40,031,852

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 that 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.

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Set out below is a reconciliation of the unaudited NOI and NOI margin for the periods presented:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Total revenue	\$ 29,849	\$ 27,840	\$ 84,659	\$ 83,542
Property operating expenses	(10,222)	(10,194)	(28,398)	(30,099)
Real estate taxes	—	—	(14,708)	(9,645)
	19,627	17,646	41,553	43,798
Property tax liability adjustment (IFRIC 21)	(4,394)	(3,191)	2,399	819
Severance/retention costs on dispositions	—	78	186	218
Net Operating Income ("NOI")	\$ 15,233	\$ 14,533	\$ 44,138	\$ 44,835
NOI margin	51.0%	52.2%	52.1%	53.7%

Debt to Gross Book Value

Set out below is a reconciliation of the Debt to Gross Book Value as of September 30, 2020 and September 30, 2019:

	September 30, 2020	September 30, 2019
Loans and borrowings (current portion)	\$ 18,979	\$ 22,056
Loans and borrowings (non-current portion)	576,037	478,059
Convertible debentures	38,920	—
Total loans and borrowings and convertible debentures ("Debt")	633,936	500,115
Gross Book Value	\$ 1,248,399	\$ 1,081,493
Debt to Gross Book Value	50.8%	46.2%

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2020, the capital structure of the REIT was as follows:

	September 30, 2020
<i>Indebtedness</i>	
Loans and borrowings (current portion)	\$ 18,979
Loans and borrowings (non-current portion)	576,037
Convertible debentures	38,920
Class B Units	214,665
	848,601
<i>Unitholders' equity</i>	
Unitholders' equity	359,427
Total capitalization	\$ 1,208,028

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 NOI generated from property operations. For the nine months ended September 30, 2020, cash provided by operating activities was \$40.2 million. Business operations are also financed using property-specific mortgages, credit facilities and equity financing.

As of September 30, 2020, liquidity was \$41.2 million consisting of cash and cash equivalents of \$6.8 million and \$34.4 million available borrowing capacity under a revolving line of credit.

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As of September 30, 2020, current liabilities of \$50.1 million exceeded current assets of \$25.2 million, resulting in a working capital deficit of \$24.9 million. Current liabilities include \$19.0 million of current mortgages payable, predominately comprised of three mortgage loans maturing in 2020 and 2021, totalling \$17.2 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 the impact of COVID-19 and other factors beyond the REIT's control.

Mortgage notes as of September 30, 2020 mature at various dates from 2020 through 2056. Outside of the regular principal amortization of existing loans and borrowings; balloon payments on property mortgages totalling \$17.2 million come due in the next twelve months. For the property mortgages maturing in the next twelve months, there are no existing refinancing commitments; however, the REIT anticipates refinancing this debt to extend the maturity date through a new property mortgage or other credit facilities.

The REIT funds capital expenditures with cash flow from operations and available borrowing capacity under existing credit facilities.

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, 2020, the REIT's mortgage debt was 91% fixed or economically hedged to fixed rates and 77% 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 adjustments to derivatives and other financial liabilities" for more detail. 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	\$ 595,016	\$ 602,490	\$ 20,400	\$ 209,639	\$ 34,631	\$ 3,944	\$ 333,876
Interest payable	1,197	141,581	19,393	16,131	14,199	13,295	78,563
Interest rate swaps	7,088	7,270	1,707	1,692	1,575	1,492	804
Convertible debentures	38,920	50,000	2,000	2,000	2,000	2,000	42,000
Lease liability	69	104	104	—	—	—	—
Tenant in common interests	3,792	3,792	125	125	125	125	3,292
Capital improvements liability	653	653	653	—	—	—	—
Accounts payable and other liabilities	27,572	27,572	27,572	—	—	—	—
	\$ 674,307	\$ 833,462	\$ 71,954	\$ 229,587	\$ 52,530	\$ 20,856	\$ 458,535

DISTRIBUTIONS

The REIT initially adopted a distribution policy pursuant to which the REIT makes cash distributions to Unitholders and, through BSR, Class B Unitholders, on a monthly basis. Pursuant to this distribution policy, distributions are paid to Unitholders and Class B 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

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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 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:

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash provided by operating activities	\$ 40,225	\$ 42,840
Less: Interest paid	(16,428)	(15,664)
	23,797	27,176
Less: Distributions paid to Unitholders	(8,606)	(6,238)
Less: Distributions paid to Class B Unitholders	(8,223)	(8,664)
Excess of cash provided by operating activities over distributions paid	\$ 6,968	\$ 12,274

Total distributions declared to Unitholders and Class B Unitholders were \$5.7 million and \$16.9 million for the three and nine months ended September 30, 2020, respectively (\$5.2 million and \$15.1 million for the three and nine months ended September 30, 2019).

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 40 properties as of September 30, 2020. A reconciliation of the carrying value for investment properties at the beginning and end of the period is set out below:

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	Nine months ended September 30, 2020
Investment properties in use, beginning of period	\$ 1,041,917
Property acquisitions	208,239
Property dispositions	(85,825)
Transfer of investment property under development to in use	16,433
Additions to investment properties	8,007
Change in fair value of investment properties	16,504
Investment properties in use, end of period	1,205,275
Investment property under development, beginning of period	15,466
Additions to investment property under development	967
Transfer of investment property under development to in use	(16,433)
Investment property under development, end of period	—
Investment properties, end of period	\$ 1,205,275

INVESTMENT PROPERTY VALUATION

The REIT uses an internal valuation process to value the investment properties as of September 30, 2020. 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.

The REIT also continues to review market capitalization, discount and terminal capitalization rates as well as its future cash flow projections and the valuation of its properties in light of the COVID-19 pandemic. The carrying value of the REIT's investment properties reflects its best estimate for the highest and best use as at September 30, 2020. It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on the REIT's business and operations, both in the short term and in the long term. In a long-term scenario, total rental income could be impacted by future demand and a decline in market rents and other fees, which ultimately impact the underlying valuation of investment property. The REIT could also experience COVID-19-related delays to repositioning initiatives.

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, 2020	December 31, 2019
Capitalization rates		
High	10.0%	10.0%
Low	4.3%	4.5%
Weighted average	5.2%	5.7%

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INVESTMENT PROPERTY ACQUISITIONS

The REIT acquired four investment properties, Ariza, Wolf Ranch, Broadstone and Castle Hill, during the nine months ended September 30, 2020. The acquisitions added 1,298 apartment units to the portfolio. Refer to the "Business Overview" section above for further information on the nature, prices and funding for these acquisitions.

INVESTMENT PROPERTY DISPOSITIONS

During the nine months ended September 30, 2020, the REIT sold five investment properties, Westwood Village, Summer Green I, Summer Green II, Summer Brook, and Summer Lake, which consisted of 1,132 apartment units.

In November 2020, the REIT sold six investment properties, Indian Hills, Overbrook I, Overbrook V, Woodland Oaks, Baystone and Vanderbilt, which consisted of 1,483 apartment units.

Refer to the "Business Overview" section above for further information on the nature, prices and uses of funds from these dispositions.

CASH FLOWS

The REIT held cash and cash equivalents of \$6.8 million as of September 30, 2020. The changes in cash flows for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019 are as follows:

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash provided by operating activities	\$ 40,225	\$ 42,840
Cash used in investing activities	(133,781)	(47,980)
Cash provided by financing activities	63,387	18,247
Change in cash and cash equivalents during the period	\$ (30,169)	\$ 13,107

Operating activities

Operating activities for the nine months ended September 30, 2020 generated a net cash inflow of \$40.2 million. 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).

Investing activities

Investing activities for the nine months ended September 30, 2020 generated a net cash outflow of \$133.8 million. This was largely driven by the net cash spent to acquire four properties for \$201.3 million and additions to investment properties of \$10.2 million, offset by net proceeds received of \$76.7 million from the disposition of five investment property.

Financing activities

Financing activities for the nine months ended September 30, 2020 generated a net cash inflow of \$63.4 million. This was largely driven by proceeds from the issuance of loans and borrowings of \$236.3 million and proceeds from the issuance of convertible debentures, net of transaction costs of \$38.0 million. These inflows were offset by \$172.8 million of principal payments of loans and borrowings, \$16.4 million interest paid, distributions paid to Unitholders and Class B Unitholders of \$16.8 million and the redemption of Class B Units in exchange for cash of \$3.2 million.

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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 of September 30, 2020 was 23,787,506. In addition, there were 21,596,107 Class B Units outstanding.

During the nine months ended September 30, 2020, the REIT purchased and canceled 89,900 Units under its normal course issuer bid and automatic securities purchase plan at an average price of \$8.57 per Unit. The normal course issuer bid expired on March 27, 2020.

Deferred Units issued to the REIT's board of trustees as of September 30, 2020 totalled 164,463. Unvested Restricted Units ("RUs") and Performance Units ("PUs") issued to the REIT's management as of September 30, 2020 totalled 88,732 RUs and 168,686 PUs, respectively.

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. Upon notice of redemption, BSR may redeem the Class B Units for cash or Units in its sole discretion. Therefore, the Class B Units meet the definition of a financial liability under IAS 32. During the nine months ended September 30, 2020, BSR redeemed and canceled 308,160 Class B units for cash.

The weighted average unit counts for the three and nine months ended September 30, 2020 were 45,255,977 and 44,972,437, respectively. The weighted average unit counts for the three and nine months ended September 30, 2019 were 40,535,441 and 40,031,852, respectively. The unit count includes the combined Units, Class B Units and issued Deferred Units, weighted based on the respective ownership dates during the periods.

As of September 30, 2020, the REIT's convertible debentures are not considered to be dilutive to Unitholders; however, when it has been determined that the convertible debentures would have a dilutive effect upon conversion at the holders' contractual conversion price, a diluted units calculation will be included in the metrics presented herein.

TRANSACTIONS WITH RELATED PARTIES

The consolidated financial statements include the following related party transactions:

- Distributions on Units of \$1.3 million were declared to Bailey/Hughes Holders during the nine months ended September 30, 2020 (\$1,263 for the nine months ended September 30, 2019).
- Distributions on Class B Units of \$5.3 million were declared to key management personnel, primarily the Bailey/Hughes Holders, during the nine months ended September 30, 2020 (\$5.3 million 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.
- Compensation expenses include \$2.0 million paid to key management personnel during the nine months ended September 30, 2020 (\$1.9 million for the nine months ended September 30, 2019). The REIT's Chief Executive Officer did not receive any compensation for services rendered during either of the periods presented.
- The REIT leases its Little Rock, Arkansas corporate headquarters from an irrevocable trust controlled by the family of the REIT's Chief Executive Officer and Executive Vice President & Chief Investment Officer. The current operating lease term expires in 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The REIT adopted an environmental and social responsibility policy on August 1, 2018 (the "E&S Policy"). The E&S Policy outlines the REIT's approach to environmental sustainability and social responsibility from a corporate governance perspective as well as the REIT's commitments to embed these practices into its business model, which commitments include to: (i) comply with all applicable environmental laws and regulations; (ii) assess sustainability-related risks and capture value-added opportunities; (iii) support diversity and inclusion; (iv) aim to provide safe and healthy environment for all employees and residents; and (iv) promote a culture where all of the REIT's employees share the foregoing

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commitments. Environmental, Social and Governance (ESG) disclosure is becoming increasingly valued by investors across the real estate industry. BSR currently has the following programs and practices in place, fostering a positive impact across the platform.

Environmental

- Operating policy to obtain a Phase I environmental report conducted by independent and experienced consultant prior to acquiring a property, and if recommended, to also obtain a Phase II environmental report;
- Use of a resident utility billing system to bill back residents for utility usage based on square footage;
- Use of a third-party utility biller providing vacant apartment unit charge backs, energy consumption variance reporting, pre-acquisition energy audits and detection of water leaks;
- Use of LED lights and Energy-Star approved appliances;
- Use of low-flow toilets and high efficiency fixtures to reduce water consumption when performing renovations;
- Use of smart irrigation systems to conserve water usage through the analysis of weather data;
- Use of submetering to encourage water conservation;
- Air filters and suite appointments are changed and inspected on a quarterly basis;
- Flood, wind and water-stress risk is monitored; and
- Portfolio wide water usage in water-stressed regions is only 15%.

Social

- Voluntary employee turnover is kept below the industry average (16.2% in 2019 compared to the industry average of 33.6%);
- Use of salary surveys to create pay ranges for positions to ensure fair and equal pay;
- Maternity or paternity leave is provided to employees upon the birth of a child;
- Use of a comprehensive training program which includes a career succession program;
- Use of recognition programs to reward and motivate high performing individuals;
- Use of annual performance and career development reviews for employees;
- Use of annual employee surveys to drive improvement of the employee experience increasing the composite score each year;
- Additional bonuses and paid time off for employees related to sick time and childcare related to COVID-19;
- Use of rent deferral programs for residents who have encountered reduced hours or job loss due to COVID-19;
- Use of a non-discrimination policy; and
- Use of a diversity policy to measure the REIT's progress towards adding additional women to the REIT's board of trustees and senior management team subject to positions becoming available.

Governance

- Use of a third-party anonymous whistleblower hotline;
- Use of an annual board survey to gauge completeness and effectiveness of corporate governance;
- Use of a code of business conduct and ethics;
- Use of a disclosure and confidential information policy; and
- Each employee acknowledges annually the company's policies and procedures have been reviewed after the updated employee handbook is distributed.

Furthermore, for the fourth consecutive year, BSR was named as one of the best places to work in the state of Arkansas by Arkansas Business and the Best Companies Group.

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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.

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 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, 2020. 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.

As mentioned above, 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.

IFRS AMENDMENTS ADOPTED

On October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The REIT adopted the amendments in its condensed consolidated interim financial statements on January 1, 2020. The adoption of the amendments to IFRS 3 did not have a material impact on the financial statements.

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.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS 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 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

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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 the Chief Financial Officer have evaluated, or caused an evaluation under their direct supervision of, the design of disclosure controls and procedures and internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as of September 30, 2020. Based on this evaluation, the REIT has concluded that it has a) designed disclosure controls and procedures to provide reasonable assurance that (i) material information relating to the REIT is made known to the Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the interim filings are being prepared and (ii) information required to be disclosed by the REIT in its various reports filed or submitted under securities legislation is recorded, processed, summarized and reported within time periods specified in securities legislation; and b) designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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.

FINANCIAL RISK MANAGEMENT

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 disclosure in this MD&A is subject to the risk factors outlined below.

Liquidity risk is the risk that the REIT will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The REIT's liquidity is subject to macroeconomic, financial, competitive and other factors that are beyond the REIT's control including the recent COVID-19 disruption.

Liquidity risk is managed through cash flow forecasting. Management monitors forecasts of the REIT's liquidity requirements to ensure it has sufficient cash to meet operational needs through maintaining sufficient cash and/or availability on the undrawn Credit Facility and the Line of Credit and ensuring that it meets its financial covenants related to debt agreements. Such forecasting involves a significant degree of judgment, takes into consideration current and projected macroeconomic conditions, the REIT's cash collection efforts, debt financing plans, and covenant compliance required under the terms of debt agreements. There is a risk that such liquidity forecasts may not be achieved and that currently available debt financing may no longer be available to the REIT at terms and conditions that are favorable to the REIT, or at all.

RISK FACTORS

The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT. The AIF contains a detailed summary of risk factors pertaining to the REIT and its business under the heading "Risk Factors", which section is hereby incorporated herein by reference. The disclosures in this MD&A are subject to the risk factors outlined in the AIF. Other risks and uncertainties that the REIT does not presently consider to be material, or of which the REIT is not presently aware, may become important factors that affect the REIT's future financial condition and results of operations. The occurrence of any of the risks discussed in the AIF could materially and adversely affect the business,

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prospects, financial condition, results of operations, cash flow or the ability of the REIT to make cash distributions to Unitholders and Class B Unitholders or the value of the Units.

The impact of the COVID-19 pandemic on the REIT's operations to-date has not been material; however, this could change if residents become unable to pay rent in future periods. Given the high level of uncertainty surrounding the impact of COVID-19, the REIT has made contingency plans should conditions worsen, such as the possible suspension of capital improvement projects and acquisitions and the lowering of the monthly distribution if necessary, to preserve the financial flexibility of the REIT. The REIT is monitoring the situation closely and will continue to take efforts to minimize the risk to residents, team members and stakeholders.