



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, 2023

November 8, 2023

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, 2023

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

TABLE OF CONTENTS

PRESENTATION	2
FORWARD-LOOKING STATEMENTS	2
ACCOUNTING POLICIES	4
NON-IFRS MEASURES	4
BUSINESS OVERVIEW	6
HIGHLIGHTS	7
OUTLOOK	9
ENVIRONMENTAL, SOCIAL AND GOVERNANCE	12
BUSINESS PERFORMANCE MEASURES	16
SELECTED QUARTERLY FINANCIAL INFORMATION	22
REVIEW OF SELECTED OPERATING INFORMATION	24
RECONCILIATION OF NON-IFRS MEASURES	32
LIQUIDITY AND CAPITAL RESOURCES	33
CONTRACTUAL COMMITMENTS	35
UNITHOLDERS EQUITY AND DISTRIBUTIONS	35
INVESTMENT PROPERTY PORTFOLIO	37
INVESTMENT PROPERTY VALUATION	37
CASH FLOWS	38
UNITS OUTSTANDING	39
TRANSACTIONS WITH RELATED PARTIES	39
CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS	40
DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING	40
FINANCIAL RISK MANAGEMENT	41
RISK FACTORS	41

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, 2023

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

PRESENTATION

This Management's Discussion and Analysis ("MD&A") of BSR Real Estate Investment Trust (the "REIT", "we" and "our") is prepared as of November 8, 2023 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, 2023.

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust of the REIT dated January 9, 2018, under the laws of the Province of Ontario, which was amended and restated on May 11, 2022 (the "Declaration of Trust"). The principal business of the REIT is to acquire and operate multi-family residential rental properties across the United States. The operations of the REIT commenced on May 18, 2018 when it completed an initial public offering ("IPO") and indirectly acquired an interest in BSR Trust, LLC ("BSR") and 47 garden-style, multi-family communities.

This MD&A should be read in conjunction with the REIT's condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2023, prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, 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 Accounting Standards ("IFRS") and its interpretations adopted by the IASB. This MD&A has been prepared based on information available to management as of November 8, 2023. Additional information about the REIT, including the REIT's current annual information form in respect of the year ended December 31, 2022 (the "AIF"), can be found on SEDAR at www.sedarplus.ca 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" and in Canadian dollars under the symbol "HOM.UN". The REIT's convertible debentures are listed and trade on the TSX in U.S. dollars under the symbol "HOM.DB.U" (the "Convertible Debentures").

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 condensed consolidated interim 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, portfolio expansion, capital recycling, capital redevelopment, property stabilizations 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 as well as any other forward-looking statements made within this MD&A. 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.

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, 2023

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

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, assumptions relating to the REIT's future growth potential, results of operations, demographic and industry trends, no changes in legislative or regulatory matters, the tax laws as currently in effect, a gradual recovery and growth of the general economy over 2023, the impact of COVID-19, lease renewals and rental increases, the ability to re-lease or find new tenants, the timing and ability of the REIT to sell certain properties, project costs and timing, a continuing trend toward land use intensification at reasonable costs and development yields, including residential development in urban markets, access to equity and debt capital markets to fund, at acceptable costs, future capital requirements and to enable refinancing of debts as they mature, the availability of investment opportunities for growth in the REIT's target markets, the valuations to be realized on property sales relative to current IFRS values, and the market price of the Units.

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;
- the impact of climate change;
- the impact of inflation; 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 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, including with respect to 2023 FFO, AFFO and Same Community portfolio guidance under "2023 Earnings and Same Store Portfolio Guidance", are 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 to understand management's current expectations relating to the future growth of the REIT, as disclosed herein. These forward-looking statements have been approved by management to be made as at the date of this MD&A. Certain material factors, estimates or assumptions were applied in drawing a conclusion or making a forecast or projection as reflected in this MD&A and actual results could differ materially from such conclusions, forecasts or projections. There can be no assurance that actual results, performance or achievements will be consistent with these forward-looking statements. The forward-looking statements contained in this document are expressly qualified in their entirety by this cautionary statement. 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.

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, 2023

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

ACCOUNTING POLICIES

The REIT's accounting policies are described in the consolidated financial statements for the year ended December 31, 2022. 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 financial measures, non-IFRS ratios and certain real estate industry supplementary financial measures 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 and we believe that providing these performance measures on a supplemental basis is helpful to investors in assessing the overall financial performance of the REIT's business. 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. Because non-IFRS financial measures, non-IFRS ratios and supplementary financial measures do not have standardized meanings prescribed under IFRS, securities regulators require that such measures be clearly defined, identified, and reconciled to their nearest IFRS measure. The reconciliations of the non-IFRS financial measures and non-IFRS ratios used in this MD&A are provided under "Reconciliation of Non-IFRS Measures".

Net Operating Income and NOI Margin

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 accounted for 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.

"NOI Margin" is defined as NOI divided by total revenue, as a percentage. Management believes that NOI Margin is a meaningful supplementary measure of operating performance of the REIT's income producing properties. NOI Margin is an important measure of the percentage of income generated from the income producing properties and is used by the REIT in evaluating the performance of the portfolio.

Same Community

"Same Community" results are used by management to evaluate performances of investment properties owned by the REIT during comparative periods. Same Community results are a meaningful measure of operating performance because it allows management to assess rent growth and leasing activity of its portfolio on a same property basis and the impact of capital investments. The REIT calculates Same Community results for revenue, NOI, NOI Margin and certain operating metrics.

Same Community results in this MD&A remove the results of the Alleia investment property which was considered non-stabilized during at least a portion of the comparative periods due to lease-up, as well as any recoveries related to historical dispositions.

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, 2023

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

The results of the properties excluded from Same Community results noted above comprise "Non-Same Community" results.

Funds from Operations and Adjusted Funds from Operations

In January 2022, 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, 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, losses on extinguishment of debt, change in tenant in common interests, operational revenue and expenses from right of use assets, transaction costs expensed as a result of property dispositions and restructuring costs. 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 and realized rental guaranties associated with properties in lease up. 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.

FFO per Unit and AFFO per Unit

"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, holders of class B units ("Class B Units") and issued deferred units of the REIT granted to trustees ("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 Deferred Units.

The REIT regards FFO per Unit and AFFO per Unit as an important measure to further evaluate the performance of FFO and AFFO on a per Unit basis in order to normalize for changes driven by unit issuances and therefore better compare the REIT's performance period to period.

AFFO Payout Ratio

"AFFO Payout Ratio" is defined as total cash distributions of the REIT (including distributions on Class B Units) divided by AFFO. The REIT uses the AFFO Payout Ratio in assessing its distribution paying capacity.

Gross Book Value

"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.

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, 2023

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

Debt to Gross Book Value Ratio

"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.

Liquidity

"Liquidity" is defined as (a) cash and cash equivalents (unrestricted), plus (b) borrowing capacity available under any existing credit facilities. This metric is a useful measure of the REIT's cash resources and credit available under committed credit facilities.

Net Asset Value and Net Asset Value per Unit

Net Asset Value ("NAV") is calculated as the sum of the value of Unitholders' equity and Class B Units as of the balance sheet date. NAV is a useful measure of the overall value of the REIT's investment properties (net of outstanding debt) as of a point in time and also serves as a measure to depict the overall value driven from the performance of the REIT's assets.

"NAV per Unit" is calculated by dividing NAV by the number of Units, Class B Units and issued Deferred Units outstanding as of the balance sheet date. The REIT regards NAV per Unit as an important measure to further evaluate the performance of NAV in order to normalize for changes driven by unit issuances and therefore better compare the REIT's overall value.

BUSINESS OVERVIEW

The REIT is an internally managed, unincorporated, open-ended real estate investment trust governed by the third amended and restated declaration of trust of the REIT dated May 11, 2022 (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.sedarplus.ca 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 holders of Units ("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 and Oklahoma;
- 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 and NAV per Unit primarily through acquisitions in attractive growth markets, improvement of its properties using targeted capital expenditures; 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. However, Class B Units do not carry a voting right with respect to matters put before Unitholders of the REIT for vote. The Class B Units are non-voting as a result of tax considerations

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, 2023

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

applicable to the cross-border REIT structure, and do not give the holders of Class B Units any enhanced economic or voting power at the REIT level relative to voting public Unitholders. Accordingly, the Class B Units do not create a traditional dual-class voting structure of the REIT.

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, 2023, the Bailey/Hughes Holders together owned 16,102,913 Class B Units and 4,151,626 Units, together representing an approximate 36% ownership interest in the REIT (determined as if all Class B Units securities are redeemed for Units).

Since the IPO, the REIT acquired 22 properties for a total contractual purchase price of approximately \$1.3 billion and sold 39 properties for a total contractual purchase price of \$760.6 million.

The REIT currently owns 31 multifamily garden-style residential properties consisting of 8,666 apartment units. 85% of the apartment units are located in Texas, 11% in Oklahoma and 4% in Arkansas. The REIT also owns one property under development in Austin, Texas. The investment guidelines of the REIT are outlined in the Declaration of Trust. As of September 30, 2023, the REIT was in compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

HIGHLIGHTS

Highlights for the three months ended September 30, 2023 ("Q3 2023")¹

- FFO per Unit for Q3 2023 of \$0.23 increased 8.3% over the three months ended September 30, 2022 ("Q3 2022");
- AFFO per Unit for Q3 2023 of \$0.21 increased 10.5% over Q3 2022;
- Weighted average rent increased 3.0% to \$1,504 per apartment unit as of September 30, 2023, compared to \$1,460 as of September 30, 2022;
- Excluding short term leases, during Q3 2023, rental rates for new leases and renewals changed -0.2% and 5.6%, respectively, over the prior leases, resulting in a blended increase of 2.7%;
- Same Community revenue for Q3 2023 increased 3.9% over Q3 2022;
- Same Community NOI for Q3 2023 increased 7.0% over Q3 2022;
- During Q3 2023, the REIT's AFFO Payout Ratio was 61.6% compared to 67.2% during Q3 2022;
- Weighted average occupancy increased to 95.2% as of September 30, 2023 compared to 94.7% as of September 30, 2022;
- Debt to Gross Book Value excluding the Convertible Debentures as of September 30, 2023 was 39.2%;
- During Q3 2023, the REIT used excess cash from operations to pay down \$9.0 million on its Credit Facility (defined below);
- In September 2023, the REIT extended \$160 million of mortgage notes by one year, to September 13, 2025, with no other contractual changes as a result of the extension; and
- During Q3 2023, the REIT purchased and canceled 11,700 Units under its normal course issuer bid ("NCIB") and automatic securities purchase plan ("ASPP") at an average price of \$12.46 per Unit.

Subsequent Highlights

- On October 4, 2023, the REIT renewed its NCIB for the 12-month period through October 5, 2024, permitting the REIT to purchase for cancellation up to a maximum of 3,186,336 Units, or approximately 10% of the public float as

¹ This section refers to certain non-IFRS measures including NAV per Unit, FFO per Unit, AFFO per Unit, Same Community, AFFO Payout Ratio and Debt to Gross Book Value. These measures are not recognized under IFRS and do not have standardized meanings prescribed by IFRS. For definitions, reconciliations and the basis of presentation of the REIT's non-IFRS measures, refer to sections "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures".

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, 2023

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

of September 27, 2023, over the 12-month period commencing October 6, 2023. The REIT concurrently renewed the ASPP.

- In October 2023, since the commencement of the renewed NCIB, the REIT purchased and cancelled 44,800 Units under the renewed NCIB and ASPP at an average price of \$10.73 per Unit.
- On November 1, 2023, the REIT entered into a new \$65 million interest rate swap at a fixed rate of 3.27% effective July 1, 2024 and maturing January 31, 2031, subject to the counterparty's optional early termination date of January 2, 2025.
- On November 3, 2023, the REIT entered into a new \$60 million interest rate swap at a fixed rate of 3.537% effective January 2, 2024 and maturing January 2, 2031, subject to the counterparty's optional early termination date of January 1, 2025.

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, 2023

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

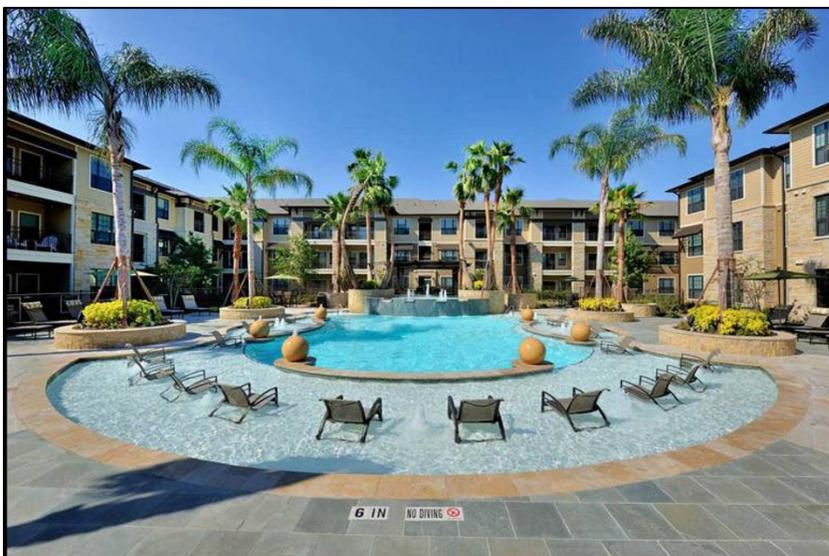
OUTLOOK

Acquisition Strategy

Management believes characteristics and trends in the REIT's target markets in the United States multifamily sector suggest these markets are 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, (iii) historically large multifamily transaction volume and external growth opportunities in the U.S., (iv) an absence of rent control policies, (v) regulatory frameworks that tend to be more landlord-friendly and (vi) the development of significant new product and repurposing of older product. 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.

Compared to other real estate sectors, the shorter lease durations of the multifamily sector can provide a natural hedge against inflation. The average BSR lease is 13 months. Rental rates continue to increase in the REIT's primary markets due to significant migration from the east and west coasts of the United States. Moreover, the millennial age cohort continues to show a greater propensity to rent driven by large student loans, rising home prices, recent increases in mortgage interest rates and a desire for a more flexible lifestyle.

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, with the REIT now positioned as a net acquirer of assets, more of the cash flows generated by the portfolio are retained, thereby increasing FFO and AFFO. The REIT's acquisitions to-date reflect its strategy of acquiring modern properties, clustered in target markets with above average population growth. These properties were either purchased at an attractive return or have potential for capital redevelopment or operating enhancements 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 opportunistically 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 and allowing the REIT to redeploy capital to properties in high growth markets where it can maximize the platform's capabilities.



Volterra at Westlake – Houston, Texas MSA

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, 2023

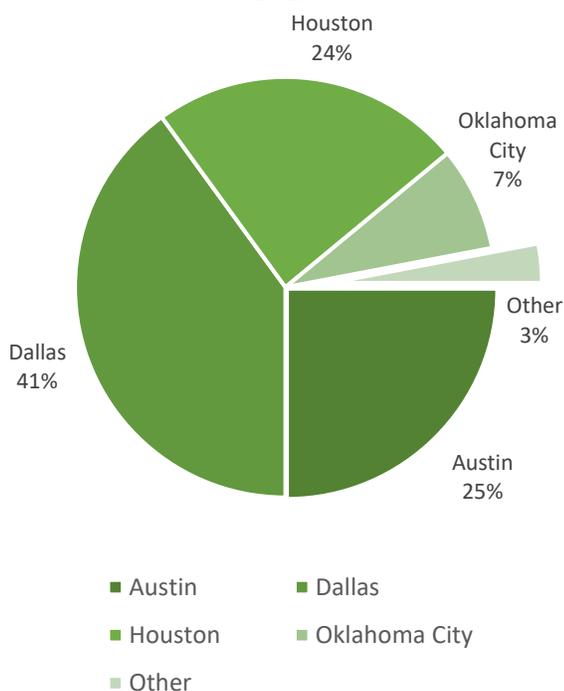
Amounts in thousands of U.S. dollars (except for unit amounts, per unit amounts and as otherwise noted)

Current Portfolio

The REIT currently owns 31 multifamily garden-style residential properties consisting of 8,666 apartment units, located in Texas (85%), Oklahoma (11%) and Arkansas (4%). With a primary focus on resident experience, our properties include many modern features and amenities such as resort style swimming pools, splash pads, upscale clubhouses, modern fitness centers, dog parks, pet care centers, garages and covered parking, bicycle storage, private work pods, business centers, community game rooms, and outdoor barbeque areas.

The following charts depict the percentage of total NOI by MSA for the portfolio of properties with an emphasis on the REIT’s primary markets of Austin, Dallas, Houston and Oklahoma City.

Percentage of NOI by MSA for Q3 2023



Aura 36Hundred – Austin, Texas MSA



Ariza Plum Creek – Dallas, Texas MSA



Brandon Place Apartment Homes – Oklahoma City, Oklahoma MSA

In July 2022, the REIT entered into an agreement to jointly develop phase II of Aura 36Hundred in the Austin, Texas metropolitan statistical area. The 238 apartment unit development is expected to be completed in 2024 with a projected total cost of \$59.5 million.

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, 2023

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

The weighted average monthly rent on in-place leases for the total portfolio has increased 18.0% from \$1,275 per apartment unit as of Q3 2021 to \$1,504 per apartment unit as of September 30, 2023. The weighted average monthly rent on in-place leases for the total portfolio has increased 3.0% from Q3 2022. Annual rent as a percentage of median household income in the United States is 35.3%. Annual rent as a percentage of median household income in the REIT's core markets averages less than 25.0%.

In conjunction with continued revenue growth in its primary markets of Dallas, Austin and Houston, Texas, the REIT expects continued growth in NOI and AFFO throughout 2023.

There continues to be strong investor demand for high-quality, well-located properties in the REIT's operating regions of the country, causing capitalization rates to adjust slower than the higher interest rate environment. Given the REIT's capital recycling program is now primarily complete and the REIT's strong liquidity position, management will remain patient as it waits for opportunities to make accretive acquisitions.



Cielo Apartments – Austin, Texas MSA

2023 Earnings and Same Store Portfolio Guidance

The REIT's 2023 guidance is outlined below for FFO per Unit and AFFO per Unit, along with its expectations for Same Community Properties for revenue, property operating expenses and NOI in 2023. The guidance does not include potential acquisitions, dispositions or future growth from the impact of properties currently under development.

The REIT has revised its 2023 guidance. In November 2023, a constitutional election ratified lowering real estate taxes for Texans, including multi-family residential rental properties. This decrease in real estate taxes for the REIT of approximately \$1.4 million, applies to the 2023 tax year, and is included in the guidance. These tax savings are offset by an increase in the cost of insurance and additional interest expense which has also been included in the revised guidance for 2023. These changes resulted in the range narrowing for FFO per Unit and AFFO per Unit, property operating expenses increasing and total revenue and NOI remaining unchanged.

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, 2023

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

Per Unit	Revised guidance for 2023	
	Range	Midpoint
Total Portfolio		
FFO per Unit	\$0.92 to \$0.94	\$0.93
AFFO per Unit	\$0.85 to \$0.87	\$0.86
Same Community Growth		
Total Revenue	5.0% to 7.0%	6.0%
Property Operating Expenses	5.0% to 7.0%	6.0%
NOI	6.0% to 8.0%	7.0%
Per Unit	Initial guidance for 2023	
	Range	Midpoint
Total Portfolio		
FFO per Unit	\$0.90 to \$0.96	\$0.93
AFFO per Unit	\$0.83 to \$0.89	\$0.86
Same Community Growth		
Total Revenue	5.0% to 7.0%	6.0%
Property Operating Expenses	4.0% to 6.0%	5.0%
NOI	6.0% to 8.0%	7.0%

Non-IFRS measures are presented to illustrate alternative relevant measures to assess the REIT's performance. See "Non-IFRS Measures". See also "Forward-Looking Statements", as the figures presented above are considered "financial outlook" for purposes of applicable Canadian securities laws and may not be appropriate for purposes other than to understand management's current expectations relating to the future growth of the REIT. Although the REIT believes that its anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information. The REIT reviews its key assumptions regularly and may change its outlook on a going-forward basis if necessary.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

At our core, BSR is focused on our company's impact on our residents, employees, stakeholders and communities where we operate and serve. The mission of BSR is to provide an exceptional living experience for residents at a community they are proud to call home while creating value for our Unitholders through strength, profitability and growth. BSR conducts business with integrity and strives for the highest ethical standards by always treating partners, team members, residents and vendors with respect, honesty and fairness. We believe that any interaction with our company should be a genuinely positive experience and we believe in leaving things better than we found them. This ideology has been integral to our success since the roots of the formation of BSR in 1956.

The REIT's Environmental and Social Responsibility 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. Additionally, the REIT's enhanced Diversity Policy (the "Diversity Policy") reflects the REIT's commitment toward adding additional members to the REIT's board of trustees and senior management team with diversity in business and other professional experience, gender, geography, age, race and ethnicity.

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, 2023

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

The following is an outline of the REIT's ongoing efforts to summarize our organization's impact:

Our Residents

BSR is committed to providing healthy and safe living spaces as well as exceptional customer service to our residents.

- J Turner Research publishes Online Reputation Assessment ("ORA") scores that quantify and rank top properties and management companies in the United States. The ORA score is an aggregate compilation of a property's ratings across various review sites on a scale of 0 to 100 and serves as a benchmark to compare and contrast a company's individual properties. As it is independently sourced, the ORA score is a robust indicator of resident satisfaction. BSR's ORA score was 81.11 for 2022 and the national ORA score average of all US multifamily properties was 62.88.
- To encourage resident health, wellness and quality of life, 100% of our apartment communities have on-site pools and fitness centers.
- For the convenience and accessibility of our residents, BSR uses virtual signatures on substantially all resident lease and related documents.
- Approximately 60% of our residents take advantage of the ability to pay virtually and submit service requests online, which also reduces waste.
- BSR provides its residents access to a credit builder program, which reports on-time rent payment history and paid-in-full status to TransUnion and Equifax to help residents build better credit scores. Residents also have access to credit insights, such as the factors that affect their score, and credit monitoring and identity theft protection up to \$1 million.
- BSR has a non-discrimination policy which protects residents and prospective residents from discrimination based on race, color, national origin, religion, sex, family status and disability as covered under the Fair Housing Act.

Our People

BSR is committed to maintaining a workplace culture that attracts, retains and rewards the best and brightest people.

- For the sixth 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.
- In the US, BSR was named one of the Best Places to Work in Multifamily, and Best Places to Work in Multifamily for Women at the Multifamily Innovation Awards in December 2022.
- As a result of our dedication to our employees, we have kept voluntary employee turnover below the industry average (26.1% in 2022 compared to the industry average of 31.2%). Further, the average tenure of our employees is five years.
- BSR is committed to providing a diverse and inclusive workforce with 49% female and 51% male representation of our team members. BSR maintains an ethnically diverse employee base representative of the markets in which we operate. Approximately 50% of all BSR team members are ethnically diverse.
- As of September 30, 2023, 58% of our employees chose to live at a BSR community, which shows the level of pride BSR team members have in our communities and also enhances the experience and service provided for all of our residents. Additionally, through September 30, 2023 we provided \$1.3 million in team member discounts on rent for those who choose to live at a BSR community (\$1.4 million for 2022).
- We perform a company-wide Team Member Satisfaction Survey every year and the feedback is meticulously reviewed by our executive team. Results are shared throughout the organization, along with action items from the results of the feedback in the survey. Our 2022 Team Member Satisfaction Survey had 65% participation by our employees, with a few key responses highlighted below:
 - 94% of our team members say BSR provides them the opportunity to excel in their position through professional development and in-house training.
 - 91% of our team members would confidently refer employment with us to a friend or colleague.

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, 2023

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

- 91% of our team members say their contributions to the company are recognized and appreciated.
- 93% of our team member say they look forward to going to work each day.
- 93% of our team members are proud of BSR's brand.
- Our comprehensive training program of 301 courses (82 offered in Spanish) includes topics such as fair housing and safety compliance, team member orientation, sales, maintenance and management development training. Of the courses offered, 38% were created in-house, providing a highly tailored learning experience for our employees. In 2022, BSR employees completed 5,187 training hours.
- In 2022, we introduced skills-based maintenance training on-line, using virtual reality technology which offers performance-based training courses where our maintenance team members can learn through short mini-modules.
- BSR team members have an opportunity to become "BSR Certified" which consists of completing orientation training and taking a certification exam with one of our area proctors. Certifications are available for the following positions: Community Manager, Assistant Community Manager, Leasing Specialist and Service Manager. Team members are able to test on a variety of position related policies and procedures to show they have a working knowledge of their role.
- For selected team members with a desire for advancement, our career succession program frames out a tailored development plan for promotion with specified performance goals, training requirements and respective certifications. In 2022, we promoted 16 team members internally. Of those promotions, 25% were graduates of the succession program and we currently have 17 candidates who are in the program or have graduated and are waiting for an opportunity to become available.
- Each quarter, we celebrate team member achievements in our internal newsletter, recognizing teams and individuals who demonstrated exceptional performance and excellence. We also use social media and our intranet site to celebrate our team members for achievements and certifications. Our annual Celebration of Excellence Award Ceremony recognizes our on-site management teams and the corporate team with awards based on financial performance and overall excellence. Our most recent Celebration of Excellence was held in April 2023 in Dallas, Texas.
- Our annual Maintenance Appreciation Week is a special time to reward the work performed and show appreciation to our service team members.
- We conduct salary surveys to create pay ranges for positions to ensure fair and equal pay.
- During the COVID-19 pandemic, BSR offered additional bonuses and paid time off for employees related to sick time and dependant care.
- In 2022, BSR's HR department hosted in-person roadshows to each of our MSA's to objectively review BSR's comprehensive healthcare benefits package with any employee, one-on-one, to ensure they properly understood the benefits offered and to answer any questions. The HR team held 29 meetings over two weeks with team members in advance of our open enrollment period as part of this program.

Our Stakeholders and Governance

BSR is committed to good corporate governance to maximize shareholder value in a manner consistent with the highest standards of integrity.

- The board of trustees maintains oversight of the individual committees' responsibilities and environmental, social and governance ("ESG") matters as a whole, along with overall enterprise risk management.
- The Diversity Policy reflects the REIT's commitment toward adding additional members to the REIT's board of trustees and senior management team with diversity in business and other professional experience, gender, geography, age, race and ethnicity. The REIT's board of trustees has 30% female representation and 70% male representation.
- Our executive management team, including our Chief Executive Officer and Chief Financial Officer, maintain regular contact with a broad base of investors, including through quarterly earnings calls, individual meetings and

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, 2023

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

other channels of communication, to understand their concerns. In 2022, senior management met with approximately 64 institutional investors, 12 research analysts and attended five investor conferences.

- BSR maintains high quality IT infrastructure and cybersecurity monitoring and protection initiatives including layered defenses with multi-factor authentication, AI powered prevention, detection and response to unknown threats, advanced AI based phishing and malicious content filtering, internal phishing campaigns and cyber security awareness simulation and training.
- Select members of BSR management and the board of trustees actively monitor our third-party anonymous whistleblower hotline.
- Our board survey is conducted every year, which is collectively discussed and reviewed to gauge completeness and effectiveness of corporate governance.
- BSR maintains a code of business conduct and ethics, as well as a disclosure and confidential information policy.
- BSR maintains an employee handbook which is virtually accessible by all team members. New employees receive a copy of the employee handbook and formally acknowledge their review of the company's policies and procedures.

Our Communities and Environment

BSR is committed to operating in an environmentally responsible manner, and we continue to identify and implement innovative sustainable practices.

- BSR formed the Home Away from Home Foundation (the "Foundation") in 2021. The Foundation provides apartment homes for those needing to travel for extended medical treatment and requiring temporary housing as well as for individuals who need temporary housing due to natural disasters. In 2023, BSR dedicated two apartment homes in the Little Rock, Arkansas MSA to individuals who lost their permanent residence as a result of a catastrophic tornado which moved through the metropolitan area of Little Rock.
- Through Q3 2023, BSR upgraded 3,274 apartment units with smart home and energy management technology, and approximately 2,600 additional apartment unit upgrades are planned through 2024. These upgrade initiatives support more efficient energy usage and improve the overall resident experience. We expect to see an energy reduction of 15-20% for our residents and around 50% savings for any vacant BSR apartment units under this program.
- BSR is investing in smart waste management across all properties to optimize dumpster capacity and identify contamination issues.
- As of September 30, 2023, utilities for 65% of BSR properties are sub-metered. On average, properties that are sub-metered are 38% more efficient than a non-sub-metered property due to residents directly paying for their actual usage.
- The REIT actively manages the energy consumption of vacant units to reduce waste.
- BSR uses smart irrigation systems to conserve water usage through the analysis of weather data.
- BSR uses a third-party utility biller providing vacant apartment unit charge backs, energy consumption variance reporting, pre-acquisition energy audits and detection of water leaks.
- When identifying properties to acquire, the REIT obtains a Phase I environmental report conducted by independent and experienced consultants prior to an acquisition, and if recommended, the REIT also obtains a Phase II environmental report.
- Air filters and suite appointments are changed and inspected on a quarterly basis.
- When performing renovations, the REIT prioritizes installation of low-flow toilets, LED lighting, high efficiency fixtures and Energy Star approved appliances to reduce water and energy consumption, if not previously installed.

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, 2023

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

BUSINESS PERFORMANCE MEASURES

The following table highlights certain key business performance measures as of September 30, 2023, compared to September 30, 2022.

	September 30, 2023	September 30, 2022
Number of investment properties	31	31
Total apartment units	8,666	8,666
Average monthly in-place leases	\$1,504	\$1,460
Average monthly in-place leases - Same Community * Properties	\$1,497	\$1,452
Weighted average ending occupancy rate	95.2%	94.7%
Retention rate	56.0%	54.0%
Weighted average contractual interest rate of all loans and borrowings and convertible debentures *	3.3%	3.5%
Weighted average contractual interest rate of all loans and borrowings *	3.2%	3.4%
Weighted average contractual mortgage interest rate *	3.3%	3.4%
Convertible debentures debt term (in years)	2.0	3.0
Weighted average debt term of all loans and borrowings (in years) *	4.1	4.6
Weighted average mortgage debt term (in years) *	4.7	5.4

**Note that these items exclude the construction loan for the investment property under development*

The following table highlights certain key business performance measures as of September 30, 2023, compared to December 31, 2022.

	September 30, 2023	December 31, 2022
Unitholders' equity	\$817,661	\$975,749
Debt to Gross Book Value *	41.3%	37.3%
NAV *	\$1,062,395	\$1,243,575
NAV per Unit *	\$18.66	\$21.75

**These measures are not recognized under IFRS and do not have standardized meanings prescribed by IFRS. For definitions, reconciliations and the basis of presentation of the REIT's non-IFRS measures, refer to sections "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures".*

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, 2023

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

The following table highlights certain key financial performance measures of the REIT for the three and nine months ended September 30, 2023, compared to the three and nine months ended September 30, 2022:

	Three months ended September 30, 2023	Three months ended September 30, 2022	Change	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Change
Revenue	\$ 42,079	\$ 40,549	\$ 1,530	\$ 125,707	\$ 116,881	\$ 8,826
Revenue, Same Community * Properties	\$ 40,016	\$ 38,518	\$ 1,498	\$ 119,572	\$ 111,007	\$ 8,565
Revenue, Non-Same Community * Properties	\$ 2,063	\$ 2,031	\$ 32	\$ 6,135	\$ 5,874	\$ 261
Net (loss) income and comprehensive (loss) income	(79,286)	\$ 23,787	\$ (103,073)	(141,340)	\$ 243,650	\$ (384,990)
NOI *	\$ 22,694	\$ 21,719	\$ 975	\$ 68,576	\$ 62,362	\$ 6,214
NOI *, Same Community * Properties	\$ 21,658	\$ 20,247	\$ 1,411	\$ 65,565	\$ 58,556	\$ 7,009
NOI *, Non-Same Community * Properties	\$ 1,036	\$ 1,472	\$ (436)	\$ 3,011	\$ 3,806	\$ (795)
NOI Margin *	53.9%	53.6%	30bps	54.6%	53.4%	120bps
NOI Margin *, Same Community * Properties	54.1%	52.6%	150bps	54.8%	52.7%	210bps
NOI Margin *, Non-Same Community * Properties	50.2%	72.5%	-2230bps	49.1%	64.8%	-1570bps
FFO *	\$ 13,081	\$ 12,082	\$ 999	\$ 39,377	\$ 34,784	\$ 4,593
FFO per Unit *	\$ 0.23	\$ 0.21	\$ 0.02	\$ 0.69	\$ 0.63	\$ 0.06
Maintenance capital expenditures	\$ (1,141)	\$ (920)	\$ (221)	\$ (3,474)	\$ (2,840)	\$ (634)
Escrowed rent guaranty realized	\$ —	\$ —	\$ —	\$ —	\$ 87	\$ (87)
Straight line rental revenue differences	\$ (2)	\$ 47	\$ (49)	\$ 68	\$ 183	\$ (115)
AFFO *	\$ 11,938	\$ 11,209	\$ 729	\$ 35,971	\$ 32,214	\$ 3,757
AFFO per Unit *	\$ 0.21	\$ 0.19	\$ 0.02	\$ 0.63	\$ 0.58	\$ 0.05
AFFO Payout Ratio *	61.6%	67.2%	-560bps	61.5%	67.4%	-590bps
Weighted average unit count	56,930,050	58,205,337	(1,275,287)	57,112,882	55,580,637	1,532,245

*These measures are not recognized under IFRS and do not have standardized meanings prescribed by IFRS. For definitions, reconciliations and the basis of presentation of the REIT's non-IFRS measures, refer to sections "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures".

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, 2023

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

Financial Summary for Q3 2023

Total portfolio revenue of \$42.1 million for Q3 2023 increased 3.8% compared to \$40.5 million in Q3 2022. Same Community properties contributed \$1.5 million to the overall increase, as described below.

Revenue from Same Community properties of \$40.0 million for Q3 2023 increased 3.9% from \$38.5 million in Q3 2022, primarily due to a 3.1% increase in average rental rates from \$1,452 per apartment unit as of September 30, 2022 to \$1,497 per apartment unit as of September 30, 2023.

The net (loss) income and comprehensive (loss) income change between Q3 2023 and Q3 2022 is primarily due to adjustments to fair value of investment properties and derivatives and other financial liabilities from June 30, 2023 to September 30, 2023 and June 30, 2022 to September 30, 2022, respectively, and is not considered comparable period over period.

The 4.5% increase in total portfolio NOI for Q3 2023 to \$22.7 million compared to \$21.7 million in Q3 2022 was the result of increases of \$1.4 million in NOI from Same Community properties, described below, partially offset by the reduction in NOI from Non-Same Community properties of \$0.4 million due to real estate tax refunds received during Q3 2022.

The 7.0% improvement in Same Community NOI to \$21.7 million for Q3 2023 compared to \$20.2 million in Q3 2022 was the result of the increase in revenue described above, as well as a \$0.7 million decrease in real estate taxes, primarily due to revised 2023 tax assessments, partially offset by an increase in property operating expenses of \$0.8 million due to higher repair and maintenance expenses, payroll costs and property insurance.

FFO was \$13.1 million, or \$0.23 per Unit, for Q3 2023 compared to \$12.1 million, or \$0.21 per Unit, for Q3 2022. The improvement was primarily the result of the higher NOI discussed above as well as a decrease of \$0.3 million in finance costs (net of finance income primarily from interest rate swaps, excluding the loss on extinguishment of debt in the comparative period), partially offset by \$0.3 million additional general and administrative expenses.

AFFO was \$11.9 million, or \$0.21 per Unit, for Q3 2023, compared to \$11.2 million, or \$0.19 per Unit, for Q3 2022. The improvement was primarily the result of the increase in FFO discussed above, partially offset by an increase in maintenance capital expenditures.

Net Asset Value was \$1.1 billion, or \$18.66 per unit, as of September 30, 2023 compared to \$1.3 billion, or \$22.32 per unit, as of September 30, 2022. The decrease is primarily due to a decrease in fair value of investment property values driven primarily by slight capitalization rate expansion subsequent to September 30, 2022 (net of increases in NOI).

Financial Summary for the nine months ended September 30, 2023

Total portfolio revenue of \$125.7 million for the nine months ended September 30, 2023 increased 7.6% compared to \$116.9 million for the nine months ended September 30, 2022. Same Community properties contributed \$8.6 million, as described below, and the non-stabilized property contributed \$0.3 million to the overall increase.

Revenue from Same Community properties of \$119.6 million for the nine months ended September 30, 2023 increased 7.7% from \$111.0 million for the nine months ended September 30, 2022, primarily due to 3.1% higher in average rental rates from \$1,452 per apartment unit as of September 30, 2022 to \$1,497 per apartment unit as of September 30, 2023.

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, 2023

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

The net (loss) income and comprehensive (loss) income change between the nine months ended September 30, 2023 and the nine months ended September 30, 2022 is primarily due to adjustments to fair value of investment properties and derivatives and other financial liabilities from December 31, 2022 to September 30, 2023 and December 31, 2021 to September 30, 2022, respectively, and is not considered comparable period over period.

The 10.0% increase in total portfolio NOI for the nine months ended September 30, 2023 to \$68.6 million compared to \$62.4 million for the nine months ended September 30, 2022 was the result of increases of \$7.0 million in NOI from Same Community properties, described below, partially offset by a reduction in NOI from Non-Same Community properties of \$0.8 million due to real estate tax refunds received during Q3 2022.

The 12.0% increase in Same Community NOI to \$65.6 million for the nine months ended September 30, 2023 compared to \$58.6 million for the nine months ended September 30, 2022 was the result of the increase in revenue described above, as well as a \$1.0 million decrease in real estate taxes, primarily due to revised 2023 tax assessments, partially offset by higher property operating expenses of \$2.5 million due to an increase in payroll costs, repair and maintenance expenses and the cost of insurance over the comparative period.

FFO was \$39.4 million, or \$0.69 per Unit, for the nine months ended September 30, 2023 compared to \$34.8 million, or \$0.63 per Unit, for the nine months ended September 30, 2022. The increase was primarily the result of the higher NOI discussed above, partially offset by an increase of \$0.8 million in finance costs (net of finance income primarily from interest rate swaps) associated with an increase in interest rates versus the comparative period as well as an increase of \$0.8 million in general and administrative expenses due to higher payroll expenses, travel costs and consulting fees.

AFFO was \$36.0 million, or \$0.63 per Unit, for the nine months ended September 30, 2023 compared to \$32.2 million, or \$0.58 per Unit, for the nine months ended September 30, 2022. The improvement was primarily the result of the increase in FFO discussed above, partially offset by higher maintenance capital expenditures of \$0.6 million. The increase in maintenance capital expenditures is primarily due to roof replacements and balcony restoration at Wimbledon Green and Westwood Park in the second quarter of 2023.

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, 2023

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

The following table highlights key information about the properties as of September 30, 2023, organized by complete MSA for the full portfolio. The rental growth rates shown for Q3 2023 are calculated as the average percentage change over the prior lease for new or renewed leases during the quarter, excluding short term leases.

MSA	State	Number of Units	Avg Rent Per Unit as of	Occupancy Rate as of	Effective New Lease Rate	Effective Renewal Lease Rate Growth	Effective Blended Lease Rate Growth
			September 30, 2023	September 30, 2023 *	Growth for Q3 2023	for Q3 2023	for Q3 2023
Austin	Texas	1,936	\$ 1,648	95.6%	-3.4%	4.5%	0.3%
Dallas	Texas	3,225	\$ 1,620	95.1%	0.5%	6.3%	3.5%
Houston	Texas	2,236	\$ 1,504	95.7%	1.8%	5.4%	3.7%
Little Rock	Arkansas	304	\$ 1,081	95.1%	3.4%	7.6%	5.9%
Oklahoma City	Oklahoma	965	\$ 953	94.2%	-0.5%	5.0%	2.7%
Total Portfolio		8,666	\$ 1,504	95.2%	-0.2%	5.6%	2.7%

The following table highlights key information about the properties as of September 30, 2023 and 2022, organized by MSA:

MSA	State	September 30, 2023			September 30, 2022		
		Number of Units	Avg Rent Per Unit	Occupancy Rate	Number of Units	Avg Rent Per Unit	Occupancy Rate
Austin	Texas	1,936	\$ 1,648	95.6%	1,936	\$ 1,627	95.9%
Dallas	Texas	3,225	\$ 1,620	95.1%	3,225	\$ 1,548	94.5%
Houston	Texas	1,836	\$ 1,475	95.4%	1,836	\$ 1,437	94.0%
	Texas	6,997	\$ 1,590	95.3%	6,997	\$ 1,541	94.8%
Little Rock	Arkansas	304	\$ 1,081	95.1%	304	\$ 1,020	94.4%
Oklahoma City	Oklahoma	965	\$ 953	94.2%	965	\$ 935	94.5%
Total Same Community		8,266	\$ 1,497	95.2%	8,266	\$ 1,452	94.7%
Non-Same Community *		400	\$ 1,636	96.8%	400	\$ 1,621	95.3%
Total Portfolio		8,666	\$ 1,504	95.2%	8,666	\$ 1,460	94.7%

*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, 2023 and September 30, 2022, 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 considered to be non-stabilized, due to lease-up activities (consisting of 400 units as of September 30, 2023 and September 30, 2022).

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, 2023

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

The following tables highlight key information about the properties for the three months ended September 30, 2023, compared to the three months ended September 30, 2022, organized by MSA:

MSA	State	Three months ended September 30, 2023		Three months ended September 30, 2022		\$ Change in Revenue	\$ Change in NOI *	% Change in Revenue	% Change in NOI *
		Revenue	NOI *	Revenue	NOI *				
Austin	Texas	\$ 10,490	\$ 5,190	\$ 10,188	\$ 5,202	\$ 302	\$ (12)	3.0%	-0.2%
Dallas	Texas	\$ 16,882	\$ 9,227	\$ 16,130	\$ 8,413	\$ 752	\$ 814	4.7%	9.7%
Houston	Texas	\$ 8,584	\$ 4,916	\$ 8,279	\$ 4,292	\$ 305	\$ 624	3.7%	14.5%
	Texas	\$ 35,956	\$ 19,333	\$ 34,597	\$ 17,907	\$ 1,359	\$ 1,426	3.9%	8.0%
Little Rock	Arkansas	\$ 1,062	\$ 594	\$ 1,003	\$ 569	\$ 59	\$ 25	5.9%	4.4%
Oklahoma City	Oklahoma	\$ 2,998	\$ 1,731	\$ 2,918	\$ 1,771	\$ 80	\$ (40)	2.7%	-2.3%
Total Same Community		\$ 40,016	\$ 21,658	\$ 38,518	\$ 20,247	\$ 1,498	\$ 1,411	3.9%	7.0%
Non-Same Community		\$ 2,063	\$ 1,036	\$ 2,031	\$ 1,472	\$ 32	\$ (436)	1.6%	-29.6%
Total Portfolio		\$ 42,079	\$ 22,694	\$ 40,549	\$ 21,719	\$ 1,530	\$ 975	3.8%	4.5%

**These measures are not recognized under IFRS and do not have standardized meanings prescribed by IFRS. For definitions, reconciliations and the basis of presentation of the REIT's non-IFRS measures, refer to sections "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures".*

The following tables highlight key information about the properties for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, organized by MSA:

MSA	State	Nine months ended September 30, 2023		Nine months ended September 30, 2022		Change in Revenue	Change in NOI *	% Change in Revenue	% Change in NOI *
		Revenue	NOI *	Revenue	NOI *				
Austin	Texas	\$ 31,234	\$ 16,371	\$ 29,303	\$ 15,437	\$ 1,931	\$ 934	6.6%	6.1%
Dallas	Texas	\$ 50,658	\$ 28,498	\$ 46,218	\$ 24,176	\$ 4,440	\$ 4,322	9.6%	17.9%
Houston	Texas	\$ 25,569	\$ 13,694	\$ 24,107	\$ 12,114	\$ 1,462	\$ 1,580	6.1%	13.0%
	Texas	\$ 107,461	\$ 58,563	\$ 99,628	\$ 51,727	\$ 7,833	\$ 6,836	7.9%	13.2%
Little Rock	Arkansas	\$ 3,144	\$ 1,765	\$ 2,916	\$ 1,700	\$ 228	\$ 65	7.8%	3.8%
Oklahoma City	Oklahoma	\$ 8,967	\$ 5,237	\$ 8,463	\$ 5,129	\$ 504	\$ 108	6.0%	2.1%
Total Same Community		\$ 119,572	\$ 65,565	\$ 111,007	\$ 58,556	\$ 8,565	\$ 7,009	7.7%	12.0%
Non-Same Community		\$ 6,135	\$ 3,011	\$ 5,874	\$ 3,806	\$ 261	\$ (795)	4.4%	-20.9%
Total Portfolio		\$ 125,707	\$ 68,576	\$ 116,881	\$ 62,362	\$ 8,826	\$ 6,214	7.6%	10.0%

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, 2023

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

SELECTED QUARTERLY FINANCIAL INFORMATION

	Three months ended September 30, 2023	Three months ended June 30, 2023	Three months ended March 31, 2023	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 2022	Three months ended March 31, 2022	Three months ended December 31, 2021
Revenue:								
Rental revenue	\$ 37,124	\$ 37,086	\$ 36,967	\$ 36,627	\$ 35,629	\$ 34,180	\$ 33,252	\$ 30,290
Other property income	4,955	4,957	4,618	5,010	4,920	4,607	4,293	3,771
	42,079	42,043	41,585	41,637	40,549	38,787	37,545	34,061
Expenses (Income):								
Property operating expenses	12,898	12,198	11,524	11,904	12,150	11,388	10,362	9,745
Real estate taxes	(1,327)	(945)	29,386	(2,382)	1,045	(1,331)	29,866	687
General and administrative expenses	2,446	2,595	2,544	2,589	2,177	2,393	2,235	2,247
Fair value adjustment to investment properties	111,080	71,805	16,526	43,071	23,449	(20,258)	(118,789)	(114,282)
Fair value adjustment to investment properties (IFRIC 21)	7,814	7,746	(22,163)	8,961	5,635	7,732	(22,328)	5,057
Finance costs from operations	10,570	10,320	9,941	8,608	8,519	6,986	6,365	12,231
Finance income from interest rate swaps and note receivable	(3,436)	(3,181)	(2,697)	(1,358)	(233)	(53)	(54)	(54)
Costs of disposition of investment properties	—	—	—	—	—	—	—	1,518
Restructuring costs	—	—	—	1,630	—	—	—	—
Distributions on Class B Units	2,663	2,665	2,668	2,670	2,671	2,678	2,648	2,595
Depreciation of right-of-use asset	34	33	33	34	33	33	33	32
Fair value adjustment to derivatives and other financial liabilities	(20,913)	(15,107)	8,964	(17,274)	(38,330)	(129,842)	65,607	42,512
Fair value adjustment to unit-based compensation	(464)	(170)	997	(396)	(354)	(1,771)	2,569	905
	121,365	87,959	57,723	58,057	16,762	(122,045)	(21,486)	(36,807)
Net (loss) income and comprehensive (loss) income	\$ (79,286)	\$ (45,916)	\$ (16,138)	\$ (16,420)	\$ 23,787	\$ 160,832	\$ 59,031	\$ 70,868

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, 2023

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

	Three months ended September 30, 2023	Three months ended June 30, 2023	Three months ended March 31, 2023	Three months ended December 31, 2022	Three months ended September 30, 2022	Three months ended June 30, 2022	Three months ended March 31, 2022	Three months ended December 31, 2021
Net (loss) income and comprehensive (loss) income	\$ (79,286)	\$ (45,916)	\$ (16,138)	\$ (16,420)	\$ 23,787	\$ 160,832	\$ 59,031	\$ 70,868
<i>Adjustments to arrive at FFO</i>								
Distributions on Class B Units	2,663	2,665	2,668	2,670	2,671	2,678	2,648	2,595
Fair value adjustment to investment properties	111,080	71,805	16,526	43,071	23,449	(20,258)	(118,789)	(114,282)
Fair value adjustment to investment properties (IFRIC 21)	7,814	7,746	(22,163)	8,961	5,635	7,732	(22,328)	5,057
Property tax liability adjustment, net (IFRIC 21)	(7,814)	(7,746)	22,163	(8,961)	(5,635)	(7,732)	22,328	(5,057)
Fair value adjustment to derivatives and other financial liabilities	(20,913)	(15,107)	8,964	(17,274)	(38,330)	(129,842)	65,607	42,512
Fair value adjustment to unit-based compensation	(464)	(170)	997	(396)	(354)	(1,771)	2,569	905
Restructuring costs	—	—	—	1,630	—	—	—	—
Costs of disposition of investment properties	—	—	—	—	—	—	—	1,518
Loss on extinguishment of debt	—	—	—	—	853	—	—	5,538
Principal payments on lease liability	(33)	(33)	(31)	(31)	(27)	(35)	(34)	(33)
Depreciation of right-to-use asset	34	33	33	34	33	33	33	32
Funds from Operations ("FFO") *	\$ 13,081	\$ 13,277	\$ 13,019	\$ 13,284	\$ 12,082	\$ 11,637	\$ 11,065	\$ 9,653
FFO per Unit *	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.23	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.19
<i>Adjustments to arrive at AFFO</i>								
Maintenance capital expenditures	(1,141)	(1,776)	(557)	(793)	(920)	(1,218)	(702)	(974)
Escrowed rent guaranty realized	—	—	—	—	—	5	82	265
Severance/retention costs on dispositions	—	—	—	—	—	—	—	106
Straight line rental revenue differences	(2)	25	45	8	47	54	82	43
Adjusted Funds from Operations ("AFFO") *	\$ 11,938	\$ 11,526	\$ 12,507	\$ 12,499	\$ 11,209	\$ 10,478	\$ 10,527	\$ 9,093
AFFO per Unit *	\$ 0.21	\$ 0.20	\$ 0.22	\$ 0.22	\$ 0.19	\$ 0.19	\$ 0.20	\$ 0.17
AFFO Payout Ratio *	61.6%	63.9%	59.1%	59.6%	67.2%	71.8%	63.3%	71.4%
Weighted average unit count	56,930,050	57,199,497	57,212,200	58,006,651	58,205,337	56,290,702	52,179,657	52,130,772
Distributions declared	\$ 7,349	\$ 7,369	\$ 7,394	\$ 7,451	\$ 7,528	\$ 7,525	\$ 6,666	\$ 6,495

*These measures are not recognized under IFRS and do not have standardized meanings prescribed by IFRS. For definitions, reconciliations and the basis of presentation of the REIT's non-IFRS measures, refer to sections "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures".

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, 2023

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

REVIEW OF SELECTED OPERATING INFORMATION

The following table highlights selected financial information of the REIT for the three and nine months ended September 30, 2023, compared to the three and nine months ended September 30, 2022. This information has been compiled from the current condensed consolidated interim financial statements and notes thereto.

	Three months ended September 30, 2023	Three months ended September 30, 2022	Change	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Change
Revenue:						
Rental revenue	\$ 37,124	\$ 35,629	\$ 1,495	\$ 111,177	\$ 103,061	\$ 8,116
Other property income	4,955	4,920	35	14,530	13,820	710
	42,079	40,549	1,530	125,707	116,881	8,826
Expenses (Income):						
Property operating expenses	12,898	12,150	748	36,620	33,900	2,720
Real estate taxes	(1,327)	1,045	(2,372)	27,114	29,580	(2,466)
General and administrative expenses	2,446	2,177	269	7,585	6,805	780
Fair value adjustment to investment properties	111,080	23,449	87,631	199,411	(115,598)	315,009
Fair value adjustment to investment properties (IFRIC 21)	7,814	5,635	2,179	(6,603)	(8,961)	2,358
Finance costs from operations	10,570	8,519	2,051	30,831	21,870	8,961
Finance income from interest rate swaps and note receivable	(3,436)	(233)	(3,203)	(9,314)	(340)	(8,974)
Distributions on Class B Units	2,663	2,671	(8)	7,996	7,997	(1)
Depreciation on right-of-use asset	34	33	1	100	99	1
Fair value adjustment to derivatives and other financial liabilities	(20,913)	(38,330)	17,417	(27,056)	(102,565)	75,509
Fair value adjustment to unit-based compensation	(464)	(354)	(110)	363	444	(81)
	121,365	16,762	104,603	267,047	(126,769)	393,816
Net (loss) income and comprehensive (loss) income	\$ (79,286)	\$ 23,787	\$ (103,073)	\$ (141,340)	\$ 243,650	\$ (384,990)

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three months ended September 30, 2023

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

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, 2023	Three months ended September 30, 2022	Change	Change %
Rental revenue	\$ 37,124	\$ 35,629	\$ 1,495	4.2%
Other property income	4,955	4,920	35	0.7%
	\$ 42,079	\$ 40,549	\$ 1,530	3.8%

The increase in rental revenue for the three months ended September 30, 2023 as compared to the three months ended September 30, 2022 is primarily the result of higher rental rates and higher occupancy across the Same Community properties, as well as the impact of the non-stabilized property. Same Community rental rates increased to \$1,497 as of September 2023 from \$1,452 as of September 2022, resulting in an increase of \$1.3 million, with a further \$0.2 million increase due to an improvement in Same Community occupancy.

Other property income was flat for the three months ended September 30, 2023 compared to the three months ended September 30, 2022.

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Change	Change %
Rental revenue	\$ 111,177	\$ 103,061	\$ 8,116	7.9%
Other property income	14,530	13,820	710	5.1%
	\$ 125,707	\$ 116,881	\$ 8,826	7.6%

The increase in rental revenue for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022 is primarily the result of higher rental rates and higher occupancy across the Same Community properties, as well as the impact of the non-stabilized property net of dispositions. Same Community rental rates increased to \$1,497 as of September 2023 from \$1,452 as of September 2022, resulting in an increase of \$6.7 million, with a further \$1.1 million increase due to an improvement in Same Community occupancy. The non-stabilized property increased rental revenue by \$0.3 million.

The increase in other property income of \$0.7 million for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022, is primarily from incremental service fees.

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.

	Three months ended September 30, 2023	Three months ended September 30, 2022	Change	Change %
Property operating expenses	\$ 12,898	\$ 12,150	\$ 748	6.2%

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three months ended September 30, 2023

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

The higher property operating expenses for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, is primarily the result of Same Community properties which increased by \$0.7 million related primarily to inflation in payroll costs, repair and maintenance expenses and the cost of insurance.

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Change	Change %
Property operating expenses	\$ 36,620	\$ 33,900	\$ 2,720	8.0%

The increase in property operating expenses for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022, is primarily the result of Same Community properties which increased by \$2.5 million related primarily to inflation in payroll costs, repair and maintenance expenses and the cost of insurance. Additionally, the non-stabilized property increased property operating expenses by \$0.2 million.

Real estate taxes and fair value adjustment to investment properties (IFRIC 21)

Annual property taxes are recognized when the realty tax obligation is imposed and recorded as real estate taxes.

Fair value adjustment to investment properties (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. Effectively, the fair value adjustment to investment properties (IFRIC 21) levels the annual property tax obligation proportionally throughout the year, offsetting the real estate taxes line item which is recorded at a single point in time during the year.

While these line items are presented separately on the statement of net income and comprehensive income, they should be aggregated to practically explain the movement in property taxes for the REIT for the comparative periods, as shown below.

	Three months ended September 30, 2023	Three months ended September 30, 2022	Change	Change %
Real estate taxes	\$ (1,327)	\$ 1,045	\$ (2,372)	-227.0%
Fair value adjustment to investment properties (IFRIC 21)	7,814	5,635	2,179	38.7%
	\$ 6,487	\$ 6,680	\$ (193)	-2.9%

The decrease in the combined real estate taxes and fair value adjustment to investment properties (IFRIC 21) for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, is primarily the result of the net impact of updated tax assessments for 2023. The combined real estate taxes and fair value adjustment to investment properties (IFRIC 21) decreased by \$0.7 million for Same Community properties and increased by \$0.5 million for Non-Same Community properties due to tax recoveries recorded in the prior year.

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three months ended September 30, 2023

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

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Change	Change %
Real estate taxes	\$ 27,114	\$ 29,580	\$ (2,466)	-8.3%
Fair value adjustment to investment properties (IFRIC 21)	(6,603)	(8,961)	2,358	-26.3%
	\$ 20,511	\$ 20,619	\$ (108)	-0.5%

The decrease in the combined real estate taxes and fair value adjustment to investment properties (IFRIC 21) for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022, is primarily the result of the net impact of updated tax assessments for 2023. The combined real estate taxes and fair value adjustment to investment properties (IFRIC 21) decreased by \$1.0 million for Same Community properties and increased by \$0.9 million for Non-Same Community properties due to tax recoveries recorded in the prior year.

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.

	Three months ended September 30, 2023	Three months ended September 30, 2022	Change	Change %
General and administrative expenses	\$ 2,446	\$ 2,177	\$ 269	12.4%

The increase in general and administrative expenses for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, is primarily related to higher payroll expenses.

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Change	Change %
General and administrative expenses	\$ 7,585	\$ 6,805	\$ 780	11.5%

The increase in general and administrative expenses for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, is primarily related to higher payroll expenses, travel costs and consulting fees.

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, 2023, overall investment properties decreased by \$102.0 million as a result of a decrease in fair value of \$111.1 million driven primarily by slight capitalization rate expansion during the quarter (net of increases in NOI), offset by additions to investment properties in use and under development of \$9.7 million.

For the nine months ended September 30, 2023, overall investment properties decreased by \$177.2 million as a result of a decrease in fair value of \$199.4 million driven primarily by slight capitalization rate expansion during the quarter (net of increases in NOI) and the disposal of land due to eminent domain of \$0.6 million, offset by additions to investment properties in use and under development of \$22.8 million.

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended September 30, 2023

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

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

Finance costs from operations and finance income

Finance costs from operations 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, loss on extinguishment of debt, transaction costs for the issuance of Convertible Debentures and distributions to tenant in common interests.

Finance income consists of interest income on interest rate swaps and interest income on a note receivable and other interest bearing accounts.

While these line items are presented separately on the statement of net income and comprehensive income, they should be aggregated to practically explain the overall movement in net finance costs for the REIT for the comparative periods, as shown below.

	Three months ended September 30, 2023	Three months ended September 30, 2022	Change	Change %
Finance costs from operations	\$ 10,570	\$ 8,519	\$ 2,051	24.1%
Finance income from interest rate swaps and note receivable	(3,436)	(233)	(3,203)	1374.7%
	\$ 7,134	\$ 8,286	\$ (1,152)	-13.9%

The decrease in finance costs from operations (net of finance income) for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, is primarily attributable to a \$0.9 million loss on extinguishment of debt in the comparative period as well as changes in hedged interest rates and total loans and borrowings outstanding versus the comparative period.

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Change	Change %
Finance costs from operations	\$ 30,831	\$ 21,870	\$ 8,961	41.0%
Finance income from interest rate swaps and note receivable	(9,314)	(340)	(8,974)	2639.4%
	\$ 21,517	\$ 21,530	\$ (13)	-0.1%

Finance costs from operations (net of finance income) for the nine months ended September 30, 2023 were flat as compared to the nine months ended September 30, 2022.

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, 2023	Three months ended September 30, 2022	Change	Change %
Distributions on Class B Units	\$ 2,663	\$ 2,671	\$ (8)	-0.3%

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three months ended September 30, 2023

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

Distributions on Class B Units for the three months ended September 30, 2023 were flat compared to the three months ended September 30, 2022, due to a slight reduction in the total number of Class B Units outstanding.

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Change	Change %
Distributions on Class B Units	\$ 7,996	\$ 7,997	\$ (1)	0.0%

Distributions on Class B Units for the nine months ended September 30, 2023 were flat compared to the nine months ended September 30, 2022, due to an increase in cash distributions to Class B unitholders (annualized \$0.52 per Class B Unit) beginning with the February 2022 distribution, offset by a reduction in the total number of Class B Units outstanding.

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

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 a SOFR based interest rate swap options as a proxy.

	Three months ended September 30, 2023	Three months ended September 30, 2022
Fair value adjustment to Class B Units - (gain)/loss	\$ (19,267)	\$ (20,299)
Fair value adjustment to convertible debentures - (gain)/loss	(1,253)	(1,670)
Fair value adjustment to interest rate swaps - (gain)/loss	(750)	(16,541)
Fair value adjustment to prepayment embedded derivatives - (gain)/loss	357	180
Fair value adjustment to derivatives and other financial liabilities - (gain)/loss	\$ (20,913)	\$ (38,330)

For the three months ended September 30, 2023, the REIT recognized a fair value gain on Class B Units of \$19.3 million as a result of a decrease in the Unit closing price from \$12.89 per Unit as of June 30, 2023 to \$11.95 per Unit as of September

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended September 30, 2023

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

30, 2023. For the three months ended September 30, 2022, the fair value gain of \$20.3 million was a result of the decrease in the Unit closing price from \$14.99 per Unit as of June 30, 2022 to \$14.00 per Unit as of September 30, 2022.

For the three months ended September 30, 2023, the REIT recognized a fair value gain on Convertible Debentures of \$1.3 million as a result of a decrease in the closing price of the REIT's Convertible Debentures to \$97.00 as of September 30, 2023 from \$100.00 per convertible debenture as of June 30, 2023. For the three months ended September 30, 2022, the REIT recognized a fair value gain on Convertible Debentures of \$1.7 million as a result of a decrease in the closing price of the REIT's Convertible Debentures to \$106.00 as of September 30, 2022 from \$110.00 per convertible debenture as of June 30, 2022.

For the three months ended September 30, 2023, the REIT recognized a fair value gain on interest rate swaps of \$0.7 million due to current forecasted SOFR rates as of September 30, 2023 as compared to the contractual rates inherent in the swaps.

For the three months ended September 30, 2023, the REIT recognized a fair value loss on prepayment embedded derivatives of \$0.4 million as a result of changes in the proxy London Inter-Bank Offered Rate ("LIBOR") and SOFR based interest rate swap options as of September 30, 2023.

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Fair value adjustment to Class B Units - (gain)/loss	\$ (22,095)	\$ (75,884)
Fair value adjustment to convertible debentures - (gain)/loss	(2,088)	(6,674)
Fair value adjustment to interest rate swaps - (gain)/loss	(3,393)	(22,156)
Fair value adjustment to prepayment embedded derivatives - (gain)/loss	520	2,149
Fair value adjustment to derivatives and other financial liabilities - (gain)/loss	\$ (27,056)	\$ (102,565)

For the nine months ended September 30, 2023, the REIT recognized a fair value gain on Class B Units of \$22.1 million as a result of a decrease in the Unit closing price from \$13.03 per Unit as of December 31, 2022 to \$11.95 per Unit as of September 30, 2023. For the nine months ended September 30, 2022, the fair value gain on Class B Units of \$75.9 million was a result of a decrease in the Unit closing price from \$17.69 per Unit as of December 31, 2021 to \$14.00 per Unit as of September 30, 2022.

For the nine months ended September 30, 2023, the REIT recognized a fair value gain on Convertible Debentures of \$2.1 million as a result of a decrease in the closing price of the REIT's Convertible Debentures to \$97.00 as of September 30, 2023 from \$102.00 per convertible debenture as of December 31, 2022. For the nine months ended September 30, 2022, the REIT recognized a fair value gain on Convertible Debentures of \$6.7 million as a result of a decrease in the closing price of the REIT's Convertible Debentures to \$106.00 as of September 30, 2022 from \$122.00 per convertible debenture as of December 31, 2021.

For the nine months ended September 30, 2023, the REIT recognized a fair value gain on interest rate swaps of \$3.4 million due to current forecasted SOFR rates as of September 30, 2023 as compared to the contractual rates inherent in the swaps.

For the nine months ended September 30, 2023, the REIT recognized a fair value loss on prepayment embedded derivatives of \$0.5 million as a result of changes in the proxy LIBOR and SOFR based interest rate swap options as of September 30, 2023.

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three months ended September 30, 2023

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

Net (loss) income and comprehensive (loss) income

	Three months ended September 30, 2023	Three months ended September 30, 2022	Change
Net (loss) income and comprehensive (loss) income	\$ (79,286)	\$ 23,787	\$ (103,073)

Net loss and comprehensive loss for the three months ended September 30, 2023 compared to the net income and comprehensive income for the three months ended September 30, 2022 was lower by \$103.1 million, primarily due to adjustments to fair value of investment properties and derivatives and other financial liabilities from June 30, 2023 to September 30, 2023 and June 30, 2022 to September 30, 2022, respectively, and is not considered comparable period over period.

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Change
Net (loss) income and comprehensive (loss) income	\$ (141,340)	\$ 243,650	(384,990)

Net loss and comprehensive loss for the nine months ended September 30, 2023 compared to the net income and comprehensive income for the nine months ended September 30, 2022 was lower by \$385.0 million, primarily due to adjustments to fair value of investment properties and derivatives and other financial liabilities from December 31, 2022 to September 30, 2023 and December 31, 2021 to September 30, 2022, respectively, and is not considered comparable period over period.

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three months ended September 30, 2023

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

RECONCILIATION OF NON-IFRS MEASURES

FFO, FFO per Unit, AFFO, AFFO per Unit and AFFO Payout Ratio

Set out below is a reconciliation of unaudited FFO and AFFO for the periods presented:

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Net (loss) income and comprehensive (loss) income	\$ (79,286)	\$ 23,787	\$ (141,340)	\$ 243,650
<i>Adjustments to arrive at FFO</i>				
Distributions on Class B Units	2,663	2,671	7,996	7,997
Fair value adjustment to investment properties	111,080	23,449	199,411	(115,598)
Fair value adjustment to investment properties (IFRIC 21)	7,814	5,635	(6,603)	(8,961)
Property tax liability adjustment, net (IFRIC 21)	(7,814)	(5,635)	6,603	8,961
Fair value adjustment to derivatives and other financial liabilities	(20,913)	(38,330)	(27,056)	(102,565)
Fair value adjustment to unit-based compensation	(464)	(354)	363	444
Loss on extinguishment of debt	—	853	—	853
Principal payments on lease liability	(33)	(27)	(97)	(96)
Depreciation of right-to-use asset	34	33	100	99
Funds from Operations ("FFO")	\$ 13,081	\$ 12,082	\$ 39,377	\$ 34,784
FFO per Unit	\$ 0.23	\$ 0.21	\$ 0.69	\$ 0.63
<i>Adjustments to arrive at AFFO</i>				
Maintenance capital expenditures	(1,141)	(920)	(3,474)	(2,840)
Straight line rental revenue differences	(2)	47	68	183
Adjusted Funds from Operations ("AFFO")	\$ 11,938	\$ 11,209	\$ 35,971	\$ 32,214
AFFO per Unit	\$ 0.21	\$ 0.19	\$ 0.63	\$ 0.58
Distributions declared	\$ 7,349	\$ 7,528	\$ 22,112	\$ 21,719
AFFO Payout Ratio	61.6%	67.2%	61.5%	67.4%
Weighted average unit count	56,930,050	58,205,337	57,112,882	55,580,637

NOI and NOI Margin

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

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Total revenue	\$ 42,079	\$ 40,549	\$ 125,707	\$ 116,881
Property operating expenses	(12,898)	(12,150)	(36,620)	(33,900)
Real estate taxes	1,327	(1,045)	(27,114)	(29,580)
	30,508	27,354	61,973	53,401
Property tax liability adjustment (IFRIC 21)	(7,814)	(5,635)	6,603	8,961
Net Operating Income ("NOI")	\$ 22,694	\$ 21,719	\$ 68,576	\$ 62,362
NOI margin	53.9%	53.6%	54.6%	53.4%

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three months ended September 30, 2023

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

NAV and NAV per Unit

Set out below is a reconciliation of the NAV and NAV per Unit as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Unitholders' equity	\$ 817,661	\$ 975,749
Class B Units	244,734	267,826
NAV	\$ 1,062,395	\$ 1,243,575
Unit count, as of the end of period	56,945,300	57,169,893
NAV per Unit	\$ 18.66	\$ 21.75

Debt to Gross Book Value

Set out below is a reconciliation of the Debt to Gross Book Value as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Loans and borrowings (current portion)	\$ 1,825	\$ 1,779
Loans and borrowings (non-current portion)	738,373	724,581
Convertible debentures	40,511	42,599
Total loans and borrowings and convertible debentures ("Debt")	780,709	768,959
Gross Book Value	\$ 1,889,829	\$ 2,063,275
Debt to Gross Book Value	41.3%	37.3%

If the Convertible Debentures were excluded from total loans and borrowings, Debt to Gross Book Value would be 39.2% as of September 30, 2023 (35.2% as of December 31, 2022).

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2023, the capital structure of the REIT was as follows:

	September 30, 2023	December 31, 2022
<i>Indebtedness</i>		
Loans and borrowings (current portion)	\$ 1,825	\$ 1,779
Loans and borrowings (non-current portion)	738,373	724,581
Convertible debentures	40,511	42,599
Class B Units	244,734	267,826
	1,025,443	1,036,785
<i>Unitholders' equity</i>		
Unitholders' equity	817,661	975,749
Total capitalization	\$ 1,843,104	\$ 2,012,534

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, 2023, cash provided by operating activities was \$56.2 million. Business operations are also financed using property-specific mortgages, credit facilities and equity financing.

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended September 30, 2023

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

As of September 30, 2023, the REIT had liquidity of \$200.1 million, consisting of cash and cash equivalents of \$3.9 million and \$196.2 million available on the Credit Facility (defined below). The REIT can obtain additional liquidity through adding properties to the borrowing base.

As of September 30, 2023, current liabilities of \$48.0 million exceeded current assets of \$33.4 million, resulting in a working capital deficit of \$14.9 million.

The REIT maintains a senior secured revolving credit facility provided by various U.S. chartered banks (the "Credit Facility") with a maximum revolving credit availability of \$500 million, of which \$435.1 million was available as of September 30, 2023. The Credit Facility is secured by thirteen borrowing base properties. On June 9, 2023, the Credit Facility was extended by one year to September 30, 2026, with no other contractual changes as a result of the extension. The Credit Facility currently bears interest at the Adjusted Term SOFR, as defined in the Credit Facility, plus 1.45% to 1.90% based on meeting certain leverage ratios as defined in the Credit Facility. Alternatively, the REIT has the ability to borrow using base rate loans at a rate equal to 0.45% to 0.90% plus the greatest of the bank's prime rate, the Federal Funds Rate plus 0.5%, or the one-month term SOFR rate, plus 1.0%. As of September 30, 2023 and December 31, 2022, the balance outstanding on the Credit Facility was \$239.0 million and \$233.5 million, respectively, at a variable interest rate of 6.9% and 5.9% as of September 30, 2023 and December 31, 2022, respectively.

The REIT has six receive-variable based on 1 Month USD-SOFR CME/pay fixed interest rate swap agreements on a notional value of \$382.0 million to manage interest rate exposure with respect to the Credit Facility, which are effective as of September 30, 2023.

In January 2023, the REIT entered into a receive-variable based on 1 Month USD-SOFR CME/pay fixed interest rate swap on a notional value of \$80 million at a fixed rate of 1.83%. The swap is effective beginning on June 10, 2024 and matures on April 26, 2030, subject to the counterparty's optional early termination date of June 10, 2025.

In May 2023, the REIT entered into a receive-variable based on 1 Month USD-SOFR CME/pay fixed interest rate swap on a notional value of \$50 million at a fixed rate of 2.245%. The swap is effective beginning on October 1, 2024 and matures on July 1, 2031, subject to the counterparty's optional early termination date of February 1, 2027.

In September 2023, the REIT extended \$160,000 of mortgage notes by one year, now due on September 13, 2025, with no other contractual changes as a result of the extension.

Mortgage notes as of September 30, 2023 mature at various dates from 2025 through 2056. Outside of the regular principal amortization of existing loans and borrowings; there are no balloon payments on property mortgages coming due in the next twelve months.

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

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. Although the COVID-19 pandemic has hindered operations and the portfolio recycling and growth strategy, its impact on the REIT's operations, business and financial results to-date has not been material; however, this could change if residents become unable to pay rent in future periods. See "Risk Factors".

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three months ended September 30, 2023

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

CONTRACTUAL COMMITMENTS

The REIT seeks to maintain a combination of short, medium and long-term debt maturities that are appropriate for the overall debt level of its portfolio, considering the availability of financing and market conditions, and the financial characteristics of each investment property. As of September 30, 2023, the REIT's mortgage debt was 100% fixed or economically hedged to fixed rates, excluding the Credit Facility and the construction loan for the investment property under development. With the Credit Facility included, as of September 30, 2023, the REIT's debt was 98% fixed or economically hedged to fixed rates, excluding net unamortized discounts of mortgages payable and net unamortized deferred financing costs.

Management administers a portion of its variable-rate loans and borrowings using interest rate swaps that alter the REIT's exposure to the impact of changing interest rates. See section "Fair value adjustments to derivatives and other financial liabilities" for more detail. 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.

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	5 years	More than 5 years
Loans and borrowings	\$ 740,198	\$ 745,837	\$ 1,825	\$ 209,430	\$ 277,837	\$ 862	\$ 119,584	\$ 136,299
Interest payable	1,530	147,906	40,365	39,382	27,283	9,962	9,322	21,592
Convertible debentures	40,511	41,764	—	41,764	—	—	—	—
Interest payable on convertible debentures	—	4,176	2,088	2,088	—	—	—	—
Lease liability	210	217	144	73	—	—	—	—
Capital improvements liability	2,121	2,121	2,121	—	—	—	—	—
Accounts payable and other liabilities	42,864	42,864	42,864	—	—	—	—	—
	\$ 827,434	\$ 984,885	\$ 89,407	\$ 292,737	\$ 305,120	\$ 10,824	\$ 128,906	\$ 157,891

UNITHOLDERS EQUITY AND DISTRIBUTIONS

On December 1, 2021, the REIT announced the filing of and receipt for a final short form base shelf prospectus (the "Shelf Prospectus"), valid until January 1, 2024, allowing the REIT to 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.

On December 8, 2021, the REIT announced an at-the-market equity program (the "ATM Program") under the Shelf Prospectus and a prospectus supplement thereto that allows the REIT to issue up to \$150.0 million of Units from treasury from time to time, at the REIT's discretion. The ATM Program is effective until the earlier of (i) the issuance and sale of all of the Units through the agents on the terms and conditions set forth in the Distribution Agreement, (ii) the Shelf Prospectus ceasing to be effective on January 1, 2024, and (iii) the termination of the Distribution Agreement. For the nine months ended September 30, 2023, no Units were issued using the ATM Program, and no Units have been issued under the ATM Program since its effective date.

On April 29, 2022, the REIT completed a follow-on offering of 5,888,000 Units for gross of approximately \$115.1 million, or \$109.7 million net of issue and other transaction costs, including the exercise of the over-allotment option by underwriters in full.

On October 4, 2023, the TSX accepted the REIT's notice of intention to make a NCIB commencing on October 6, 2023 for up to a maximum of 3,186,336 of its issued and outstanding Units. Unitholders may obtain a copy of the notice of intention,

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three months ended September 30, 2023

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

without charge, by contacting the Corporate Secretary of the REIT. The REIT concurrently renewed its ASPP in connection with the renewed NCIB.

Purchases under the NCIB are made through the facilities of the TSX and/or through alternative Canadian trading systems and in accordance with applicable regulatory requirements. The number of Units that can be purchased pursuant to the NCIB is subject to a current daily maximum of 11,256, subject to the REIT's ability to make block purchases of Units that exceed such limits. The NCIB will terminate on October 5, 2024, or such earlier time as the REIT completes its purchases pursuant to the NCIB or provides notice of termination.

The REIT purchased and canceled 1,079,507 Units under its existing NCIB and ASPP at an average price of \$13.55 per Unit through December 31, 2022. During the nine months ended September 30, 2023, the REIT purchased and cancelled 402,177 Units under its existing NCIB and ASPP at an average price of \$12.43. In total, for the 12-month period of the existing NCIB, the REIT purchased and cancelled a total of 1,481,684 Units at a weighted average price of \$13.25 per Unit.

In October 2023, since the commencement of the renewed NCIB, the REIT purchased and cancelled 44,800 Units under the renewed NCIB and ASPP at an average price of \$10.73 per Unit.

The REIT adopted a distribution policy pursuant to which the REIT makes cash distributions to Unitholders and, through BSR, holders of Class B Units ("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 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 February 2022, the REIT's board of trustees approved a 4% increase to the cash distribution to \$0.52 per Unit and Class B Unit on an annualized basis beginning with the February 2022 distribution to be paid on March 15, 2022.

For the nine months ended September 30, 2023, the REIT announced total distributions of \$0.39 per Unit, resulting in total distributions declared to Unitholders and Class B Unitholders of \$22.1 million for the period (\$21.7 million for the nine months ended September 30, 2022).

While cash flows provided by operating activities are generally sufficient to cover distribution requirements, the timing of expenses and fluctuations in non-cash working capital may result in a temporary shortfall. In these cases, some portion of distributions may come from the REIT's capital or financing sources other than cash provided by operating activities.

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, 2023	Nine months ended September 30, 2022
Cash provided by operating activities	\$ 56,214	\$ 63,267
Less: Interest paid	(29,916)	(19,460)
Add: Interest received	8,950	—
	35,248	43,807
Less: Distributions paid to Unitholders	(14,127)	(13,405)
Less: Distributions paid to Class B Unitholders	(8,000)	(7,970)
Excess of cash provided by operating activities over distributions paid	\$ 13,121	\$ 22,432

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three months ended September 30, 2023

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

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 31 properties as of September 30, 2023. A reconciliation of the carrying value for investment properties at the beginning and end of the period is set out below:

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Investment properties in use, beginning of period	\$ 2,001,528	\$ 1,918,167
Additions to investment properties in use	9,636	8,636
Disposal of land due to eminent domain	(602)	—
Proceeds from insurance claim	—	(1,214)
Change in fair value of investment properties	(199,411)	115,598
	1,811,151	2,041,187
IFRIC 21 fair value adjustment	6,603	8,961
IFRIC 21 real estate tax liability adjustment	(6,603)	(8,961)
Investment property in use, end of period	1,811,151	2,041,187
Investment property under development, beginning of period	19,567	—
Additions to investment property under development	13,135	14,419
Investment property under development, end of period	32,702	14,419
Investment properties, end of period	\$ 1,843,853	\$ 2,055,606

INVESTMENT PROPERTY VALUATION

The REIT uses an internal valuation process to value the investment properties as of September 30, 2023. 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. As part of management's internal valuation program, the REIT considers external valuations performed by independent national real estate valuation firms for a cross-section of properties that represent different geographical locations across the REIT's portfolio and updates, as deemed necessary, the valuation models to reflect current market data.

The estimated fair value of each investment property was determined using the direct capitalization income method. The stabilized future 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, capital expenditures assumptions and location.

For the nine months ended September 30, 2023, the decrease in fair value of investment properties of \$199.4 million was primarily driven by net expansion in the capitalization rates in our primary markets, partially offset by higher rental rates resulting in higher stabilized future cash flows.

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three months ended September 30, 2023

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

A significant increase (decrease) in stabilized future cash flows 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.

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

	September 30, 2023	December 31, 2022
Capitalization rates		
High	6.5%	6.0%
Low	4.6%	4.0%
Weighted average	4.9%	4.4%

CASH FLOWS

The REIT held cash and cash equivalents of \$3.9 million as of September 30, 2023. The changes in cash flows for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022 are as follows:

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cash provided by operating activities	\$ 56,214	\$ 63,267
Cash used in investing activities	(23,716)	(18,878)
Cash used in financing activities	(35,782)	(41,871)
Change in cash and cash equivalents during the period	\$ (3,284)	\$ 2,518

Operating activities

Operating activities for the nine months ended September 30, 2023 generated a net cash inflow of \$56.2 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, 2023 generated a net outflow of \$23.7 million. This was primarily driven by cash spent on additions of \$22.1 million, of which \$13.1 million relate to the investment property under development.

Financing activities

Financing activities for the nine months ended September 30, 2023 used \$35.8 million of cash. This was largely driven by principal payments of loans and borrowings of \$12.3 million, distributions paid to Unitholders and Class B Unitholders of \$22.1 million, Units purchased for cancellation under the NCIB of \$5.0 million and interest paid of \$29.9 million, partially offset by \$25.6 million in proceeds from the issuance of loans and borrowings and \$8.9 million in interest received.

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three months ended September 30, 2023

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

UNITS OUTSTANDING

The total number of Units, Class B Units and Deferred Units outstanding as of September 30, 2023 and September 30, 2022 are as follows:

	September 30, 2023	September 30, 2022
Units	36,084,795	37,388,788
Class B Units	20,479,837	20,554,586
Deferred Units	380,668	282,308
Total unit count outstanding	56,945,300	58,225,682
Weighted average unit count (three months ended)	56,930,050	58,205,337
Weighted average unit count (nine months ended)	57,112,882	55,580,637

Under the Declaration of Trust, the REIT is permitted to issue an unlimited number of Units.

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 International Accounting Standard 32 ("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.

Deferred Units are issued to the REIT's board of trustees and vest immediately upon grant.

The unit count includes the combined Units, Class B Units and issued Deferred Units, weighted based on the respective ownership dates during the periods.

Additionally, unvested Restricted Units ("RUs") and Performance Units ("PUs") issued to the REIT's management as of September 30, 2023 totalled 66,089 RUs and 170,851 PUs, respectively.

As of September 30, 2023, the REIT's Convertible Debentures are not considered to be dilutive to Unitholders; however, if it is determined that the Convertible Debentures would have a dilutive effect upon conversion at the holders' contractual conversion price, a diluted unit calculation will be included in the metrics presented herein.

TRANSACTIONS WITH RELATED PARTIES

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

- Distributions on Units of \$1.6 million were declared to Bailey/Hughes Holders during the nine months ended September 30, 2023 (\$1.6 million for the nine months ended September 30, 2022).
- 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, 2023 (\$5.2 million for the nine months ended September 30, 2022). 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 \$3.8 million paid to key management personnel for the nine months ended September 30, 2023 (\$6.3 million for the nine months ended September 30, 2022), which includes short-term employee compensation and benefits and unit-based compensation.
- The REIT leases its Little Rock, Arkansas corporate headquarters from an irrevocable trust controlled by the family of the REIT's President, Chief Executive Officer and Chief Investment Officer, Dan Oberste, and the Executive Vice-Chair of the Board, John S. Bailey. The current lease term expires in March 2025.

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three months ended September 30, 2023

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

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

Investment properties consist of investment properties in use and investment property under development. 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, except for investment property acquired in a business combination, where such costs are expensed as incurred. 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 using the direct capitalization income method. As part of management's internal valuation program, the REIT considers external valuations performed by independent national real estate valuation firms for a cross-section of properties that represent different geographical locations across the REIT's portfolio. On a quarterly basis, the valuation team reviews and updates, as deemed necessary, the valuation models to reflect current market data.

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 uses an internal valuation process to value the investment properties as of September 30, 2023. The fair value of each investment property was determined using the direct capitalization income method. The stabilized future 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.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The REIT's management maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, accurate, reliable and timely. 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 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

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended September 30, 2023

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

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 Disclosures in Issuers' Annual and Interim Filings (NI 52-109)) as of September 30, 2023. In making this assessment, the Chief Executive Officer and the Chief Financial Officer used the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on this evaluation, the REIT has concluded that (a) the design and operation of the REIT's disclosure controls and procedures were effective as of September 30, 2023 in order 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 and annual 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 that (b) internal controls over financial reporting were appropriately designed as of September 30, 2023 in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and in accordance with the 2013 COSO framework as published by the Committee of Sponsoring Organizations of the Treadway Commission.

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,

BSR REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Financial Condition and Results of Operations

for the three months ended September 30, 2023

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

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.