



WALL FINANCIAL CORPORATION

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITIONS AND
RESULTS OF OPERATIONS**

YEAR ENDED JANUARY 31, 2018

April 20, 2018



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The following discussion of Wall Financial Corporation's (the "Company") financial conditions and results of operations should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended January 31, 2018 and 2017. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

The financial statements underlying this Management's Discussion and Analysis ("MD&A"), including comparative information, have been prepared in Canadian dollars, and in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), unless otherwise noted, using the same accounting policies as described in notes 2 and 3 of the Company's consolidated financial statements for the years ended January 31, 2018 and 2017.

The Board of Directors of the Company (the "Board"), on the recommendation of the Audit Committee, approved the content of this MD&A on April 20, 2018.

The role of the Audit Committee and the Board in respect of financial information included in this MD&A and the consolidated financial statements is set out in the Overview section of this MD&A. Additional information relating to the Company, its activities and operations, including the Annual Information Form, is available through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning the Company's future objectives, strategies to achieve those objectives, as well as statements with respect to management's plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "anticipate," "believe," "continue," "estimate," "expect," "intent," "objective," "outlook," or "plan," or similar expressions or statements that events, conditions or results "will," "may," "could," or "should" occur or be achieved. Such forward-looking statements reflect management's current beliefs, expectations, estimates, projections and assumptions that were made in light of management's experience and perception of historical trends, as well as information currently available to management.

This MD&A contains forward-looking statements concerning planned increases in rental units and rates, average daily rates and occupancy rates, timing for commencement and completion of construction and renovations, anticipated timing of the closings of sales, anticipated growth, anticipated cost and financing of planned projects, recovery of cash flow, capital expenditures and investments, property acquisitions, development plans, changes in total unit numbers, outlook with respect to financing availability and operating and financial conditions. These statements are subject to inherent uncertainties and risks, including, but not limited to: general business and economic conditions in the Company's operating regions, pricing pressures and other competitive factors, results of the Company's ongoing efforts to market its developments, the ability to obtain rezoning of certain properties and the availability and terms of financing. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements. The Company, except as required by applicable law, undertakes no obligation to publicly update or revise any forward looking statements.

OVERVIEW

Wall Financial Corporation is a real estate investment and development company incorporated under the laws of the Province of British Columbia in January 1969.

All of the Company's current revenue is generated from assets that are situated in Metro Vancouver and the Lower Mainland of British Columbia. The Company's activities are concentrated as follows: development and management of residential and commercial rental units, development and construction of residential housing for sale, and development and management of hotel properties.

The Company is governed by the Board who follow the corporate governance guidelines established for public companies. In January 2005, the Company formalized its governance policy by adopting a Code of Business Conduct and Ethics, a Disclosure Policy, and an Insider Trading Policy. The Board has three committees: the Audit Committee, the Management and Investment Committee, and the Governance and Nomination Committee.

The Audit Committee consists of three directors, all of whom are independent directors. The Audit Committee operates pursuant to the Audit Committee Charter of the Company and meets quarterly to review internal controls and financial disclosure including the consolidated financial statements and management's discussion and analysis.

The Management and Investment Committee consists of four directors, all of whom are independent directors. The Management and Investment Committee meets quarterly or as needed to review new development projects, and to review and administer agreements related to the participation of related parties in development projects.

The Governance and Nomination Committee consists of three directors, all of whom are independent directors. The Governance and Nomination Committee meets at least annually and as needed to review the Board composition and the effectiveness of the Board, to review all significant proposed related party transactions for any potential conflict of interest, to monitor and review the Company's Code of Conduct, and to review and recommend executive compensation.

STRATEGIES AND RISK MANAGEMENT

Strategies

The hotel, residential, and commercial properties owned by the Company provide an income stream and capital appreciation that is utilized for acquisitions, investments in development properties, reduction of debt, and payment of dividends to shareholders. As at January 31, 2018, the Company owns and manages 934 hotel units (188 at the Westin Wall Centre Vancouver Airport Hotel, and 746 at the Sheraton Vancouver Wall Centre Hotel). It also owns and manages 1,400 residential and commercial rental units located in Metro Vancouver. This includes the recently constructed 276-unit Richards and Drake tower ("Wall Centre Yaletown") located in downtown Vancouver, B.C., and the 40-unit residential rental property at 1111 Seymour Street in Vancouver, B.C. ("1111 Seymour"), both of which completed construction in October, 2017.

The Company actively develops for sale residential housing units with a primary focus on high-rise multi-family projects. It is the Company's strategy to acquire land for development that is zoned for its intended use or where the required rezoning is contemplated and encouraged by the governing authorities. There are five properties under active development as at January 31, 2018: Eagle Mountain subdivision in Abbotsford, B.C. (262 single-family lots); Phase 2 of Wall Centre Central Park ("Central Park") in Vancouver, B.C. (332 condominium units); Strathcona Village in Vancouver, B.C. (280 market residential units and 70 affordable housing units); Phase 2 of the Shannon Wall Centre Kerrisdale ("Shannon Wall") project in Vancouver, B.C. (322 condominium units); and the first of six phases of the Trails ("Trails") project in North Vancouver, B.C. (62 townhome and low-rise residential units).

Risk management:

All real estate investments are subject to a degree of risk and uncertainty. In the normal course of its business, the Company is exposed to various risks that could adversely impact the Company's financial condition, results of operations, and the value of the Company's common shares. Certain of these risks and the Company's actions are summarized below. The risks set out below are not the only risks faced by the Company. Other risks and uncertainties may also affect our business, financial condition and results of operations.

General risks:

We are exposed to the micro- and macro-economic conditions that affect the markets in which the Company operates and owns assets. In general, a decline in economic conditions will result in downward pressure on the Company's margins and asset values as a result of lower demand for the services and products offered by the Company. Specifically, general inflation and interest rate fluctuations; population growth and migration; job creation and employment patterns; consumer confidence; government policies, regulations and taxation; and availability of credit and financing could pose a threat to our ongoing business operations.

International economic forces and conditions will impact the Company's hotel business as a significant portion of the Company's hotel business is from conventions and tourists from the US. The Company adapts its business plan to reflect current conditions and management believes that the Company has sufficient resources to carry its operations through uncertain times.

The Company participates in joint arrangements under the normal course of business that may have an effect on certain assets and businesses. These joint arrangements may involve risks that would not otherwise be present if the third parties were not involved, including the possibility that the partners have different economic or business interests or goals. Also, within these arrangements, the Company may not have sole control of major decisions relating to these assets and businesses, such as: decisions relating to the sale of the assets and businesses; timing and amount of distributions of cash from such entities to the Company and its joint arrangement partners; and capital expenditures.

Industry risks:

Real estate investments are generally subject to varying levels of risk. These risks include changes to general economic conditions, government and environmental regulations, local supply/demand, and competition from other real estate companies. Real estate assets are relatively illiquid in down markets, particularly raw

land. As a result, the Company may not be able to quickly rebalance its portfolio in response to changing economic or investment conditions.

Concentration of assets risk:

The majority of the Company's assets are located in Metro Vancouver. Adverse changes in economic conditions in Metro Vancouver may have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and ability to pay dividends. The Metro Vancouver economy is influenced by the demand for new housing in the region, which is primarily impacted by interest rates, growth in employment, migration, and general economic conditions.

Investment properties:

In its operation of residential rental properties, the Company's primary risks are general economic conditions and local market conditions, reduced revenue growth in the event of increased vacancy rates, the inability to increase rental rates due to oversupply, restrictive government legislation or changes to government legislation, and the failure to maintain the properties at a competitive level.

The Company manages these risks by insisting on a high standard of maintenance and invests only in those locations highly desired by tenants. Vacancy rates are stable in Metro Vancouver and remain at a relatively low rate of 1% to 2% and rental rates are increasing. The Company is proceeding with capital improvements at those properties where the greatest benefit in terms of increased rents may be achieved.

Hotels:

In its hotel operations, the Company is exposed to a variety of risks such as changes in market and economic conditions, an increase in the supply of hotel rooms, currency rate fluctuations, and changes in the labour market. These risks are managed by securing long-term relationships with clients, developing and enhancing relationships with international hotel chains and their reservation systems, and ensuring a strong and open relationship with staff.

Properties under development:

There are a variety of risks associated with the Company's development activities such as municipal regulatory requirements and environmental considerations that affect the approval for planning, subdivision and use of land. During this period, the market conditions in general and/or the market for condominium units in the size and price range in the Company's developments may change dramatically. Other risks include increasing costs of construction, reduced demand for new residential units, and general market risk. The Company is also subject to risk that the actual performance of acquisitions made by the Company may be materially different from the assumptions made in purchasing the properties.

The Company manages the risks associated with its development activities as follows:

- Acquiring land for development that is zoned for its intended use or where the required re-zoning is contemplated and encouraged by the governing authorities.
- Managing construction costs through fixed-price contracts with general contractors or sub-contractors.

- Undertaking pre-sale programs where feasible and securing the sales with non-refundable deposits.
- Encouraging purchasers to secure and lock-in purchase financing.

Environmental Matters:

As an owner of real property, the Company is subject to various federal, provincial and municipal laws and other requirements relating to environmental matters. Under such requirements, the Company could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous substances. The failure to remove or remediate such substances, if any, could adversely affect the Company's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in the Company incurring expenses, including in connection with orders or claims against the Company. The Company is not aware of any material non-compliance with environmental requirements at any of the properties or otherwise affecting the Company or its business. The Company is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or otherwise affecting the Company or its business or any pending or threatened claims relating to environmental conditions at its properties or otherwise affecting the Company or its business. The Company has policies and procedures to review, monitor and manage environmental exposure.

The Company plans to make the necessary capital and operating expenditures to facilitate compliance with environmental laws and other requirements. Although there can be no assurances, the Company does not believe that costs relating to environmental matters will have a material adverse effect on the Company's business, financial condition or results of operations. Moreover, environmental laws and other requirements can change and the Company may become subject to more stringent environmental laws and other requirements in the future, including those related to greenhouse gas emission reduction. Compliance with more stringent environmental laws and other requirements could have an adverse effect on the Company's business, financial condition or results of operation.

Catastrophic and general uninsured losses:

A catastrophic loss includes the loss of or extreme damage to a property or portfolio of properties, loss of life, or disability that could have a material adverse effect on the Company's business, financial condition, prospects, results of operations, or reputation. A significant injury, loss of life or damage to property could be a result of accidents incurred by employees, contractors, or residents due to unsafe work environment, properties, lack of appropriate safety precautions, or natural disasters, beyond the control of the Company, such as fire, flood, or earthquakes. The Company will continue to prevent and mitigate the impact of catastrophic loss of life or property by continuing to provide safe work sites for employees and contractors and providing safe living areas for residents by adhering to the Company's occupational health and safety standards. The Company will mitigate the financial impact of potential losses by maintaining an adequate and cost effective insurance program for the operation of the Company's business.

The Company carries General Liability and All Risks Property coverage including Business Interruption and Rental Income, with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. The Company has insurance for earthquake and flood risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, the Company could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but the Company would continue to be obliged to repay any recourse mortgage indebtedness on such properties.

Technology and information security:

The Company is also subject to technology and information security risk, including the risk that confidential information held by the Company is stolen or accessed causing financial or personal harm to the affected individual(s) or the Company's business. The Company reduces this risk through enhancement of policies and procedures, and monitoring and auditing to ensure compliance related to information technology, safety of data, and secure storage of physical files. The Company is also subject to risks related to reliance on key personnel and catastrophic and general uninsured loss.

A summary of the financial risks that arise from the Company's financial assets and liabilities are summarized under the Financial Instruments and Risk Management section on pages 16 to 17.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following is a summary of the Company's financial information for the three and twelve months ended January 31, 2018, 2017, and 2016, all expressed in Canadian dollars:

Revenue and earnings	Three months ended January 31			Year ended January 31		
	2018	2017	2016	2018	2017	2016
Total revenue and other income	\$ 20,759,915	\$ 56,731,604	\$ 72,146,298	\$ 295,936,507	\$ 309,457,302	\$ 133,293,827
Net earnings (loss) attributable to shareholders of the Company	\$ (1,479,761)	\$ 17,734	\$ 15,742,796	\$ 12,426,057	\$ 19,493,635	\$ 23,223,077
Earnings per share	\$ (0.04)	\$ 0.00	\$ 0.47	\$ 0.37	\$ 0.58	\$ 0.70

Balance sheet	January 31		
	2018	2017	2016
Total assets	\$1,316,007,993	\$ 1,022,783,372	\$ 900,300,627
Total non-current liabilities	\$ 231,548,633	\$ 163,158,493	\$ 110,566,509
Dividends paid	\$ 16,976,683	\$ 20,372,021	\$ -
Dividends paid per share	\$ 0.50	\$ 0.60	\$ -

The variations in the financial data provided above are discussed in greater detail on page 7 under "Discussion of Operations".

Significant variations with respect to revenues are typically the result of the timing and quantity of residential and commercial unit sales closing at the development properties. The fluctuations in the total assets owned by the Company are predominantly the result of development activities undertaken by the Company. Total assets and non-current liabilities are also impacted by the acquisitions and dispositions of investment properties, which the Company manages and reviews on an ongoing basis to maximize value for shareholders. Dividends fluctuate as the Company is on a flexible dividend policy; the amount and timing of dividends will be based on the Company's availability of and need for cash flow.

OVERALL PERFORMANCE AND QUARTERLY INFORMATION

The Company operates in three different segments of the real estate industry: ownership and management of residential and commercial rental properties, the development and sale of residential housing (referred to as development properties), and the ownership and management of hotel properties.

The charts below show the Company's property holdings as at January 31, 2018 and revenue derived from such segments for the twelve months ended January 31, 2018.



Revenues

	Three months ended January 31		Year Ended January 31	
	2018	2017	2018	2017
Investment properties (rental)	\$ 6,172,735	\$ 4,811,926	\$ 21,342,349	\$ 17,094,946
Property, plant, & equipment (hotel)	14,301,885	13,747,127	76,210,250	66,221,266
	20,474,620	18,559,053	97,552,599	83,316,212
Properties under development for sale	230,646	38,221,755	198,161,538	219,499,688
	\$ 20,705,266	\$ 56,780,808	\$ 295,714,137	\$ 302,815,900

Earnings (loss) before income taxes and non-controlling interest

	Three months ended January 31		Year Ended January 31	
	2018	2017	2018	2017
Investment properties (rental)	\$ (2,536,234)	\$ (9,773)	\$ (1,455,007)	\$ (14,605)
Property, plant, & equipment (hotel)	727,391	649,199	20,067,386	14,778,671
	(1,808,843)	639,426	18,612,379	14,764,066
Properties under development for sale	(353,451)	1,100,600	9,030,125	27,693,477
Corporate and general expenses	(2,268,732)	(1,129,852)	(7,159,653)	(5,161,136)
	\$ (4,431,026)	\$ 610,174	\$ 20,482,851	\$ 37,296,407

DISCUSSION OF OPERATIONS

For the year ended January 31, 2018, the Company earned revenue of \$295,714,137 with a gross margin of \$49,836,465 compared with revenue of \$302,815,900 with a gross margin of \$54,310,454 for the prior year.

Revenues for the three and twelve months ended January 31, 2018 from rental operations were higher than the comparative periods in the prior year due generally to the addition of the 1111 Seymour and Wall Centre Yaletown properties to the Company's rental portfolio, as well as higher rental rates generated from renovated suites upon turnover. Similarly, revenues for the three and twelve months ended January 31, 2018 were higher than the comparative prior year periods due to higher rates achieved from the renovated

hotel suites, as well as management's strategies to increase rates. There were no closings of condominium units during the three months ended January 31, 2018 while there were 103 units that closed during the three months ended January 31, 2017, resulting in higher revenues from real estate operations for the three and twelve months ended January 31, 2017.

Gross margin for the year ended January 31, 2017 was higher than this fiscal 2018 year due to higher margins on the condominium units that closed during the prior year.

There were no significant changes to general and administrative costs during the year ended January 31, 2018 compared with the prior year. General and administrative costs of \$3,494,906 for the fiscal 2018 year are consistent with the costs from the prior year of \$3,730,967.

Depreciation and amortization expense for the year ended January 31, 2018 was \$14,423,624 compared to \$13,548,474 for the prior year. This increase is primarily due to the amortization of the newly constructed Wall Centre Yaletown and 1111 Seymour rental properties.

Finance costs of \$11,657,454 for the year ended January 31, 2018 include interest paid of \$28,489,237, less interest capitalized to the development projects of \$16,292,497, and an interest rate swap gain of \$539,286. In the prior year end, finance costs were \$6,376,008 which included interest paid of \$25,611,907 less interest capitalized to the development projects of \$18,634,812, and an interest rate swap gain of \$601,087. Interest paid was higher in the current fiscal year due to an increase in construction financing, which is reflective of the increased construction and development activities undertaken by the Company. Interest capitalized decreased compared to the prior year mainly due to the completion of the various development projects, and rental properties, the related interest for which is now expensed.

REVENUE-PRODUCING PROPERTIES

Residential and Commercial Rentals

At January 31, 2018, the Company owns and manages 1,390 residential units and ten commercial units in thirteen properties in Metro Vancouver. The Company's portfolio of rental properties includes the recently constructed Wall Centre Yaletown and 1111 Seymour residential rental properties, both of which received an occupancy permit in late October 2017. The 1111 Seymour property is fully leased while the Wall Centre Yaletown property is over 95% leased.

Combined revenues from the residential and commercial rental units increased from \$17,094,946 for the prior year to \$21,342,349 for the year ended January 31, 2018 due to higher re-rental rates from substantial upgrades to rental units upon turnover, the lease-up of the 1111 Seymour and Wall Centre Yaletown rental properties, and revenues received from properties purchased during the year and held pending development activity. The increase in the Company's rental portfolio, particularly the 1111 Seymour and Wall Centre Yaletown properties, increased depreciation and interest expense, resulting in a net loss of \$1,455,077 for the year ended January 31, 2018 compared with the net loss of \$14,605 for the prior year, the loss for which was driven by depreciation and interest expense recorded as a result of the Shannon rental property which completed construction in October 2015.

Residential rental market conditions remain stable. All residential units are leased primarily for a one-year term and all leasing arrangements are governed by the *Residential Tenancy Act* (British Columbia), which now

requires that most fixed term residential tenancies automatically become month-to-month at the end of their term. Rental rates may be increased on tenant turnover or on the anniversary date of each tenant's date of occupancy, the increases for which will be restricted to the maximum percentage equal to BC's Consumer Price Index + 2% (currently 4.0%). The average turnover rate for all of the Company's units is approximately 30% annually.

Acquisitions and Dispositions

On October 31, 2017, the Company acquired a future development property located in Vancouver, B.C. for a gross purchase price of \$130 million. This property is leased back to the vendor as the Company works to obtain rezoning for the site.

Construction of the Wall Centre Yaletown and 1111 Seymour rental properties were completed in October 2017. These properties were previously classified as properties under development on the statement of financial position, and the aggregate costs of \$106 million under properties under development were reclassified as investment properties during the month of October 2017.

On July 26, 2017, the Company purchased a commercial rental property located in Burnaby, B.C. for gross purchase price of \$1,800,000. This property will be held while the Company completes a land assembly in that area.

In February 2017, the Company completed construction of an additional three rental units at a rental property in North Vancouver, B.C.

On August 2, 2016, the Company acquired three legal lots totalling 35,529 sq. ft. to create a development site with the potential for up to 120,000 square feet of residential area in the Cambie and 43rd neighbourhood of Vancouver, B.C. for a gross purchase price of approximately \$35,000,000. The site is within the Cambie Phase 3 Community Plan and requires rezoning and development approval.

In June 2016, the Company acquired two rental units at 1050 Burrard Street, Vancouver B.C. at a gross purchase price of \$954,800, and in the third quarter of fiscal 2018, the Company acquired an additional two rental units at the same property for a gross purchase price of \$1,497,000.

There were no dispositions of investment rental properties for the past two completed fiscal years.

Hotels

The Company owns and manages two hotel properties in Metro Vancouver: the Sheraton Vancouver Wall Centre Hotel and the Westin Wall Centre Vancouver Airport Hotel.

The Sheraton Vancouver Wall Centre Hotel is the largest single hotel property in British Columbia with 746 guestrooms and 45,000 sq. ft. of meeting space. To remain competitive and to increase revenues from the hotel, the Company completed a \$40 million renovation project at the hotel in the prior year, which included interior alterations and improvements to update the guest rooms, corridors, and lobby in both the north and south towers. All renovation costs have been capitalized and depreciation taken.

Occupancy for the year ended January 31, 2018 was 77% with an average daily rate (“ADR”) of \$214 compared to occupancy of 71% with an ADR of \$193 for the prior year. Revenue increased from \$54,937,580 in the prior year to \$63,223,282 for the year ended January 31, 2018. Occupancy, ADR and revenue for the current year were higher than the prior year due to management’s continued emphasis and focus on maximizing ADR through its group conventions and transient room business.

The Westin Wall Centre Vancouver Airport Hotel is located near the Vancouver International Airport and consists of 188 guestrooms and 9,900 sq. ft. of meeting space. Revenue for the year ended January 31, 2018 was \$12,986,968 with occupancy of 78% and an ADR of \$198. For the year ended January 31, 2017, revenue was \$11,283,686 with occupancy of 79% and an ADR of \$156. Management remains focused on maximizing ADR, which resulted in higher revenues generated for the year ended January 31, 2018 compared with the prior year.

The combined revenues for the hotel properties for the year ended January 31, 2018 of \$76,210,250 were higher than revenues for the prior year of \$66,221,266 while combined earnings from hotel operations, before income taxes, increased from \$14,778,671 in the prior year to \$20,067,386 for the year ended January 31, 2018. The increase in revenues and earnings were generally due to an increase in the ADR as a result of the renovations and management’s focus on higher rated businesses.

DEVELOPMENT PROPERTIES

Properties under development for sale increased from \$449,494,413 as at January 31, 2017 to \$495,295,605 as at January 31, 2018. This change is mainly due to the closing of 728 units at the Central Park project, and the transfer of approximately \$106 million in costs related to the Wall Centre Yaletown and 1111 Seymour rental properties that were reclassified from properties under development to investment properties in the statement of financial position in October, 2017. This decrease was offset by the acquisition of a development property in North Vancouver, B.C. in April, 2017 for a gross purchase price of \$138,500,000.

Revenue from the sale of properties under development was \$198,161,538 for the year ended January 31, 2018 compared with \$219,499,688 in the prior year. The Company recorded earnings from development operations of \$9,030,125 for the year ended January 31, 2018 compared with \$27,693,477 in the prior year. This decrease was predominantly due to the closing of higher priced units, which resulted in higher margins, at the Binning project in the prior year compared with the current year closings at the Central Park project.

Properties Under Development Completed Over the Past Three Fiscal Years

Project	Description	Fiscal Year
Shannon Wall Centre Kerrisdale	Phase 1 of a 10-acre development project consisting of 600 residential units located in the Kerrisdale neighbourhood at 57 th and Granville Street in Vancouver, B.C. Phase 1 was substantially completed in November, 2015, and consisted of 65 condominium units, of which 59 units have closed as at October 31, 2016. The remaining six units in Shannon Wall have been retained as rental units, of which five have been rented.	2016

Binning Tower	A 170-unit condominium tower located on leased land in the Wesbrook neighborhood at the University of British Columbia. Construction substantially completed in May, 2016 and all sales have closed.	2017
Mandarin Residences	A two tower project consisting of 347 residential units located on a property on No. 3 Road in Richmond, B.C. The project was developed with Fairmont Pacific Properties Limited, an arm's length 50% joint venture managing partner. All 347 sales have closed.	2017
Wall Centre Central Park	A four tower project consisting of 1,060 residential units located in Vancouver, B.C. Development is being conducted in two phases. All 728 condominium units in Phase 1 have closed as at July 31, 2017.	2017

Projects Under Active Development

The Company has five projects under active development as at January 31, 2018:

Project	Description	Estimated Cost to Complete
Eagle Mountain	An 80 acre, single-family subdivision property in Abbotsford B.C. with approvals in place for 262 building lots. The property is being developed with a 15% non-controlling interest partner. Development is being phased. The current phases, Phase V and Phase VI, consist of 31 lots and 70 lots respectively, all of which are fully serviced. For Phase V, 30 lots have sold and closed and for Phase VI, 68 lots have sold and closed. Servicing work is now complete on the next phase of 74 lots, sales for which are expected to commence in late April, 2018.	\$5,692,000
Wall Centre Central Park	A four tower project consisting of 1,060 residential units at Boundary and Vanness in Vancouver, B.C., with development conducted in two phases. All 728 condominium units in Phase 1 have closed as at January 31, 2018, and all 332 residential units in Phase 2 are expected to close by the end of May, 2018.	\$12,898,000
Shannon Wall Centre Kerrisdale Phase 2	A five-acre development project consisting of 322 residential units located in the Kerrisdale neighbourhood at 57th and Granville Street in Vancouver, B.C. As at January 31, 2018, 311 of the 322 residential units are under contract for sale. Construction is now underway with completion of the first of four buildings expected in late 2018, and the balance by the spring of 2019.	\$83,995,000
Strathcona Village	A three-tower mid-rise mixed-use project with 280 market residential units, and 60,000 sq. ft. of light industrial space. The project also includes the construction of 70 affordable housing units, which comprises the community amenity contribution for the project, and upon completion, will be transferred to the City of Vancouver. All 280 units are under contract for sale and the Company is underway with the sale of the light industrial space. Construction is expected to complete by May with all units expected to close by the end of June, 2018.	\$4,968,000

Trails North Vancouver	On April 13, 2017, the Company, along with other investors, acquired property located in North Vancouver, B.C. for a gross purchase price of \$138,500,000 to develop approximately 300 residential units. The Company has a 28.6% interest in the property and will guarantee all loans incurred in respect of the property. Development and construction will be conducted in six phases, with the first phase, consisting of 62 townhome and low-rise residential units, expected to commence in May, 2018.	\$69,255,000
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Acquisitions

On April 12, 2018 the Company acquired leased land located at the University of British Columbia for a gross purchase price of \$82,884,000 for a future development. The Company has a 75% interest in the development while the wholly owned company of the President of the Company has a 25% interest.

SUMMARY OF QUARTERLY RESULTS

The following sets forth certain financial information expressed in Canadian dollars for the Company with respect to the eight most recently completed quarterly periods. This information should be read in conjunction with the applicable condensed consolidated interim financial statements and notes, and MD&A.

	Revenue and Other Income	Net Earnings (Loss)**	Per Share
January 31, 2018	\$ 20,759,915	\$ (1,479,761)	\$ (0.04)
October 31, 2017	28,499,206	4,619,734	0.14
July 31, 2017	132,875,815	6,853,737	0.20
April 30, 2017	113,801,571	2,432,347	0.07
January 31, 2017	63,334,214	17,734	0.01
October 31, 2016	36,237,029	7,148,239	0.21
July 31, 2016	188,078,555	12,638,609	0.37
April 30, 2016	21,807,503	(310,947)	-

All the financial data above is prepared in accordance with IFRS, using the same accounting policies and methods of application as described in notes 2 and 3 of the Company's consolidated financial statements for the year ended January 31, 2018.

** Net earnings pertain to net earnings (loss) (diluted and non-diluted) and comprehensive income (loss) attributable to shareholders of the Company.

Variations over the quarters are generally the result of the timing of residential and commercial unit closings at the development properties and the seasonal fluctuations characteristic of the tourism and hospitality industry in which the Company's hotels operate.

Revenue and other income, as well as net earnings, for the quarters ended July 31, 2016, January 31, 2017, April 30, 2017, and July 31, 2017, were greater than the other quarters due mainly to the closing of residential condominium units at the Company's development projects: July 31, 2016 – 167 units at the Binning project; January 31, 2017 – 103 units at Phase 1 of the Central Park project; April 30, 2017 – 280 units at Phase 1 of the Central Park project; and July 31, 2017 – 345 units at Phase 1 of the Central Park project. The net loss for the quarter ended January 31, 2018 was mainly due to higher depreciation and interest expense on the 1111 Seymour and Wall Centre Yaletown rental properties.

Fluctuations in earnings (loss) for the quarters will also be impacted by the timing of sales and marketing expenses incurred at the Company's development projects, which are expensed as they are incurred.

INVESTMENTS

There are no significant changes in investment activities or investment strategies for fiscal 2018.

BANK INDEBTEDNESS AND CREDIT FACILITIES

The Company has bank lines of credit or demand loans secured by property, plant and equipment and certain investment properties. Most of the Company's bank lines of credit have been in place for many years. Interest rates are based on prime and banker's acceptance rates. At January 31, 2018, the Company borrowed \$366,877,190 (2017 - \$298,156,917) on available construction financing facilities in the form of Canadian dollar prime rate loans, letters of credit, and bankers' acceptances. The maximum available funding under such facilities is \$501,896,738 (2017 - \$633,761,584). The credit facilities are secured by first mortgages and assignment of rents and insurance proceeds on the related properties. The borrowings are due on demand.

At January 31, 2018, the Company's borrowings of \$248,249,809 (2017 - \$49,942,781) are made available by way of lines of credit with a maximum available aggregate amount of \$291,643,750 (2017 - \$106,000,000). The debt is secured by fixed and floating demand debentures, second mortgages, and an assignment of rents on certain investment properties, and property, plant, and equipment. The borrowings are due on demand and interest rates are based on a spread over prime or banker acceptance rates.

All floating rate debt obligations are in good standing, and the Company maintains excellent relations with its lenders.

MORTGAGES PAYABLE

Mortgages payable decreased from \$225,128,140 as at January 31, 2017 to \$218,631,275 as at January 31, 2018 due mainly to repayments of loan principal.

At January 31, 2018, the Company held \$89,173,327 (2017 - \$92,010,836) in mortgages on property, plant and equipment. Of this amount, \$13,900,000 (2017 - \$14,500,000) bear interest at bankers' acceptance rates plus applicable stamping fees. Two interest rate swaps are in place to fix the interest rates on the remaining balance of the mortgages payable of \$75,273,327, with \$37,679,645 (2017 - \$38,776,395) fixed at 3.27% for a term of 4 years maturing November 2, 2019, and with the balance of \$37,593,681 (2017 - \$38,734,441) fixed at 2.99% for a term of 2 years maturing March 2, 2018.

For the year ended January 31, 2018, a mark-to-market gain in the fair value of the interest rate swap of \$539,286 (2017 - \$601,087) was recorded in finance costs on the statement of earnings. As at January 31, 2018, the fair value of the interest rate swap asset is \$714,673 (2017 - \$175,387) and is included with accounts receivable on the statement of financial position.

Mortgages payable on investment properties of \$129,457,948, net of financing fees of \$3,468,970 (2017 - \$133,117,304, net of financing fees of \$3,633,689) bears interest at fixed rates ranging from 1.97% to 6.50% (2017 - 2.46% to 6.50%).

All mortgages are secured by first and second fixed charges over the Company's properties under development for sale, investment properties, and property, plant, and equipment.

Fixed rate mortgage maturity dates range from 2018 to 2026.

CONTRACTUAL OBLIGATIONS

Principal instalments payable within the next five fiscal years, excluding financing fees, and thereafter on mortgages payable as at January 31, 2018 are as follows:

	Total	1 Year	2 to 3 Years	4 to 5 Years	After 5 Years
Mortgages payable	\$ 222,100,245	\$ 93,118,127	\$ 54,163,015	\$ 10,414,906	\$ 64,404,197

COMMITMENTS AND CONTINGENCIES

The Company has entered into hotel franchise agreements in respect of its two hotel properties. Fees charged are calculated based on monthly gross hotel revenues and are paid monthly.

At January 31, 2018, the estimated costs to complete properties under construction are approximately \$176,930,000 (2017 - \$278,180,000). These costs predominantly reflect construction expenditures for the Central Park, Shannon Wall, Strathcona Village, and Trails projects.

LIQUIDITY AND FINANCIAL CONDITION

As at January 31, 2018, cash and cash equivalents totalled \$34,676,293. Net cash used in operations was \$132,582,192, primarily as a result of funds used in development activities of \$307,413,941 (which includes the acquisition of a development property located in North Vancouver, B.C. of \$138,500,000), interest paid of \$28,489,237, and taxes paid of \$7,107,223. This was offset in part by the recovery of costs through real estate sales of \$171,398,034, and cash flow from operations of \$46,817,191.

Investment activities decreased cash by \$149,519,111 due mainly to the acquisition of an investment property located in Vancouver, B.C. for \$130 million.

Financing activities increased cash by \$289,314,037, primarily due to a net increase in bank financing of \$267,027,301, and contributions received from non-controlling interests of \$58,215,004, most of which related to the acquisition of the Trails property. This increase was partially offset with dividends paid on July 13, 2017 of \$16,976,683.

DISCLOSURE OF OUTSTANDING SHARE DATA

The authorized capital of the Company consists of 54,000,000 common shares without par value. The number of common shares issued and fully paid as at April 13, 2018 was 33,953,365 (2017 – 33,953,365).

On June 20, 2016, the Board approved the issuance of 1,000,000 options to purchase common shares under the Stock Option Plan (2008) ("the Plan") to certain officers/directors of the Company. The options granted

had an exercise price of \$14.51 per common share to be exercised from September 20, 2016 to September 26, 2016 inclusive. The Company distributed 840,000 common shares on September 20, 2016 through the exercise of options at an exercise price of \$14.51 per common share for gross proceeds of \$12,188,399.

For the year ended January 31, 2018, no options were granted; 1,310,000 common shares are available for future issuance under the Plan.

DIVIDENDS

On June 15, 2017, the Board approved a dividend of \$0.50 per common share for each share held on June 29, 2017. This dividend of \$16,976,683 was paid on July 13, 2017.

On October 24, 2016, the Board approved a dividend of \$0.60 per common share for each share held on November 7, 2016. This dividend of \$20,372,021 was paid on November 21, 2016.

The Company has a flexible dividend policy, and the amount and timing of dividends is based on the cash flow of the Company and the cash flow required by the Company to meet planned growth and to fund future developments and investments.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company's significant accounting estimates and judgements are described in note 2 to the January 31, 2018 audited consolidated financial statements, and the Company's significant accounting policies are described in note 3 to these financial statements.

CHANGES IN ACCOUNTING POLICIES

The Company's significant accounting policies and standards are described in note 3 of the Company's consolidated financial statements for the year ended January 31, 2018.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures within the Company have been designed to provide reasonable assurance that all relevant information is identified to senior management to ensure appropriate and timely decisions are made regarding public disclosure. The Company's management, including the President, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), has designed internal controls over financial reporting (as defined in the Canadian Securities Administrator's National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS.

Under the supervision of the President, the CEO and the CFO, the operating effectiveness of the disclosure controls and procedures and internal control over financial reporting were assessed using the criteria set forth by the Integrated Framework issued by the Committee of Sponsoring Organization of the Treadway

Commission (COSO 2013 Framework) in Internal Control Over Financial Reporting. Based on these evaluations, the CEO and the CFO concluded that as at January 31, 2018:

- (i) Disclosure controls and procedures were effective to provide reasonable assurance that material information was made known to management and information required to be disclosed by the Company in its annual filings, interim filings and other reports filed by the Company under securities legislations was recorded, processed, summarized and reported within the periods specified in securities legislation.
- (ii) Internal controls over financial reporting were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

For the year ended January 31, 2018, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company's management will continue to periodically evaluate the Company's disclosure controls and procedures and internal control over financial reporting and will make any modifications from time to time as deemed necessary.

Based on their inherent limitations, disclosure controls and procedures and internal control over financial reporting may not prevent or detect misstatements, and even those controls determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at January 31, 2018, the Company's financial assets and liabilities consisted primarily of cash and cash equivalents, amounts receivable, deposits held in trust, bank indebtedness, accounts payable and accrued liabilities, income taxes payable, loans from shareholders, and mortgages payable. These financial instruments relate to the Company's normal course of business, with respect to the financing of its day-to-day operations, capital expenditures and acquisitions.

The carrying values of the Company's amounts receivable, deposits held in trust, accounts payable and accrued liabilities generally approximate their fair values due to their short term nature with the exception of interest rate swap contracts which are recorded at fair value. The face value of bank and other indebtedness approximates its fair value, as it is due on demand. The fair value of mortgages payable is estimated by discounting the future contractual cash flows at the market interest rate that is available to the Company for similar financial instruments.

The Company is exposed to interest rate and credit risks associated with its financial assets and liabilities. Management continually performs risk assessments to ensure that all significant risks related to the Company's operations have been reviewed and assessed to reflect changes in market conditions and the Company's operating activities. The Company does not enter into financial instrument arrangements for speculative purposes.

Interest rate risk:

Certain debt on the Company's properties bears interest at floating rates. Fluctuations in interest rates will impact the cost of financing incurred in the future. The Company monitors its interest rate exposure on an ongoing basis.

Based on the debt outstanding for the year ended January 31, 2018, management has determined that every 1% increase or decrease in the applicable interest rates results in a corresponding \$1,741,000 decrease or increase in the Company's net earnings.

Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk is the full carrying value of the financial instrument.

The Company is exposed to credit risk with respect to amounts receivable. This risk is mitigated by the Company's general policy to secure loans receivables with real estate property. For its hotel operations, the Company's credit policy is designed to ensure there is a standard credit practice throughout the Company to measure and monitor credit risk. The policy outlines delegation of authority, the due diligence process required to approve a new customer or counterparty and the maximum amount of credit exposure per single entity. The Company also regularly monitors credit risk and exposure to any single customer or counterparty.

Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the maintenance of sufficient available credit facilities to Company ongoing operational and capital requirements.

The Company regularly monitors its operations and cash flows to ensure that current and future obligations will be met. The Company believes that its current sources of liquidity are sufficient to cover its currently known short and long term cash obligations.

The maturities of the Company's financial liabilities are as follows:

	Value	Maturity
Accounts payable and accrued liabilities	\$ 42,786,965	Less than 1 year
Bank and other indebtedness	615,126,999	Less than 1 year
Current portion of mortgages payable	93,118,127	Less than 1 year
Loans from shareholder	10,000,000	On demand
Non-current portion of mortgages payable	125,513,148	2018 – 2026
Non-current portion of loans from shareholder	90,000,000	Less than 2 years

The Company enjoys excellent relations with several major Canadian chartered banks and numerous fixed-term lenders. With a solid base of revenue-producing properties, the Company's credit facilities have been maintained and, in some cases, enhanced.

Over the current fiscal year, the Company's credit requirements consist of the following:

- Capital improvements to certain investment properties and the hotels. Improvements will be funded primarily from operating cash flow.
- Re-financing term debt on investment properties as it matures. Given the current interest rates and the stable cash flow from rental apartments, management does not anticipate any difficulty in re-financing term debt.
- Construction financing for properties under development. It is management's policy to not proceed with significant new construction or land purchases if financing commitments are not in place.

OFF-BALANCE SHEET FINANCING

In the normal course of development operations, the Company is required to issue letters of credit as collateral for the completion of obligations pursuant to development agreements signed with municipalities. Under IFRS, these letters of credit are disclosed as commitments of the Company and only recorded on the Consolidated Statement of Financial Position if they are drawn upon.

The Company has outstanding letters of credit at January 31, 2018 of \$35,103,262 (2017 - \$48,932,147) related primarily to public works and services to be performed by the Company as required in respect of its development projects.

TRANSACTIONS BETWEEN RELATED PARTIES

As at January 31, 2018, the Company has loans payable of \$100,000,000 (2017 - \$99,911,458) due to a company owned by a significant shareholder of the Company. Of this amount, \$80,000,000 is secured by a second mortgage on the Sheraton Wall Centre and Westin Wall Centre hotel properties, and bears interest at the greater of 4.75% and prime plus 1.00%. The \$80,000,000 loan is due on October 31, 2020, with \$10,000,000 payable per annum upon written notice provided to the Company. The remaining balance of \$20,000,000 is secured by a charge over property under development, bears interest at 6.00% and is due on April 11, 2020.

For the year ended January 31, 2018, the Company recorded interest on loans payable to the significant shareholder totaling \$4,668,786 (2017 - \$3,328,000).

On April 13, 2017, the Company, along with other investors, acquired property located in North Vancouver, B.C., for a gross purchase price of \$138,500,000 for a future development. The Company has a 28.6% interest in the property and will guarantee all loans incurred in respect of the property and development. The other investors in this property include a wholly owned company of the President of the Company, and a wholly owned company of a director of the Company, which in aggregate comprise an 18.60% interest in this property. All the other remaining investors are arm's length with the Company.

As discussed under "Properties Under Development" on page 10, a wholly owned company of the President of the Company holds a 25% interest in a project on leased land at the University of British Columbia.

In the normal course of its business activities, the Company sells individual condominium units in properties held-for-sale to significant shareholders, directors, and officers on similar terms as sales to unrelated parties. As at January 31, 2018, the total value of the condominium units, in properties under development for sale under contract to shareholders, directors, and officers to be received upon closing is \$1,506,110 (2017 - \$2,045,910).

These transactions are in the normal course of business and are measured at the exchange amount of consideration established and agreed to by the related parties. In management's opinion, the exchange amount approximates fair market value.

In the year ended January 31, 2018, the Company sold two condominium units to an officer of the company for gross proceeds of \$539,800 (2017 - \$2,689,981) on similar terms as sales to unrelated parties.

CAPITAL MANAGEMENT

The Company's primary objective when managing capital is to provide financial capacity and flexibility to meet its strategic objectives.

The Company's liquidity needs are for development costs, potential property acquisitions, scheduled debt maturities and non-recurring capital expenditures. The Company's strategy is to meet these needs with one or more of the following: cash flow from operations; credit facilities; and refinancing opportunities.

The following schedule details the components of the Company's capital as at January 31, 2018 and 2017:

	2018	2017
Liabilities:		
Bank and other indebtedness	\$ 615,126,999	\$ 348,099,698
Loans from shareholder	100,000,000	99,911,458
Mortgages payable	218,631,275	225,128,140
Shareholders' equity:		
Share capital	24,099,401	24,099,401
Non-controlling interest	83,026,123	30,906,982
Total capital	\$ 1,040,883,798	\$ 728,145,679

The Company is subject to covenants on some of its credit facilities, which are monitored on an ongoing basis. The Company is in compliance with all of its covenants.

OUTLOOK FOR OPERATING CONDITIONS

Rental Apartments

With the recent completion of the two strata rental properties in downtown Vancouver in October 2017, our portfolio has increased to 1,390 residential units and ten commercial units. Vacancy rates remain very low and we continue to focus on modernizing units in older properties on tenant turnover. Our intent is to continue to identify and develop new strata rental properties and anticipate our next such project to be in the Cambie Corridor of Vancouver.

Hotel Operations

Room revenues and profits from operations continue to improve at both hotel properties as we benefit from our focus on increasing rates and the overall increase in demand in the hospitality industry. We expect these trends to continue over the next year where we are experiencing a solid group booking pattern, increased occupancy, and higher room rates, which will be offset in part by higher operating costs due primarily to wage and salary increases.

Development Properties

Both the Strathcona Village and the Wall Centre Central Park Phase 2 projects will complete by June 2018, while the first phase of Shannon Phase 2 is scheduled for completion in September 2018. We anticipate commencing with marketing and construction of the first phase of The Trails project in North Vancouver in May 2018 and starting with pre-sales at the new UBC site in June 2018.

The City of Vancouver is scheduled to adopt the revised Cambie Corridor Phase 3 plan, which, if approved, will authorize a potential development of approximately 300,000 sq. ft. for our site on Cambie. We anticipate submitting a rezoning application in December 2018.

Financing

All of the Company's credit facilities remain in good standing and we have been able to successfully arrange construction and take-out financing as required.

NON-STANDARD MEASURES

Throughout this MD&A, we refer to terms that are not specifically defined in the CICA Handbook and do not have any standardized meaning prescribed by IFRS. These non-standard measures may not be comparable to similar measures presented by other companies.

We believe these non-standard measures are useful in assisting investors in understanding components of our financial results. The non-standard terms that are referred to in this MD&A are defined below.

ADR = average daily rate, which represents the average rental income per paid occupied room in a given time period. ADR is calculated by dividing the rooms revenue earned by the number of rooms sold.

Gross margin = gross revenues less cost of sales and operating expenses.

Occupancy (%) = calculated by dividing the total number of rooms occupied by the total number of rooms available.

Revenue and other income = gross revenue plus earnings from investments in joint ventures and investment and other income