



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2017

INTRODUCTION

This management's discussion and analysis ("MD&A"), dated November 24, 2017, should be read in conjunction with Urbanfund Corp.'s ("Urbanfund" or the "Company") unaudited interim condensed consolidated financial statements for the three-month and nine-month periods ended September 30, 2017 and 2016 and the notes thereto (collectively, the "Consolidated Statements") prepared in accordance with International Financial Reporting Standards ("IFRS"). In addition, please refer to the notes of the audited consolidated financial statements as at and for the year ended December 31, 2016 for disclosure of the Company's significant accounting policies.

Unless otherwise specified, all information in this MD&A refers to the results of our continuing operations only, amounts are in Canadian dollars.

CORPORATE PROFILE

Urbanfund is a Toronto-based real estate development and operating company listed on the TSX Venture Exchange ("TSX-V") under the symbol UFC. The Company is a reporting issuer in Alberta, British Columbia and Ontario.

The Company's focus is to identify, evaluate and invest in real estate or real estate related projects. The Company's assets are located in Toronto, Brampton, Belleville, Kitchener and London, Ontario, Montreal and Quebec City, Quebec and Dartmouth, Nova Scotia.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain "forward-looking statements" within the meaning of applicable securities legislation. Forward-looking statements reflect management's beliefs, plans, estimates and expectations regarding the Company's growth, results of operations, performance, business prospects and opportunities, access to capital, proposed development and redevelopment plans, repayment of indebtedness and cash-flow.

Such statements, including statements about the Company's future plans and intentions, results, levels of activity, performance, goals or achievements or other future events, repayment of indebtedness, contractual obligations and future dividend payments, proposed development and redevelopment plans, and proposed acquisition, renovation, condominium conversion and sale of 11-13 Edvac Drive, 4 Alfred Kuehne Drive, in Brampton, Ontario, anticipated timing and quantum of receipt of distributions from the Project (as defined herein) and constitute forward-looking statements. Wherever possible, words such as "may", "will", "should", "could", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", or "potential" or the negative or other variations of these words, or similar words or phrases, have been used to identify these forward-looking statements. These statements reflect management's current beliefs and assumptions and are based on information currently available to management as at the date hereof.

Forward-looking statements involve significant risk, uncertainties and assumptions. Many factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements.

Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including: general economic and market segment conditions, interest rates, costs outside of the Company's control such as real estate taxes and utilities, the ability of tenants to satisfy their contractual rent obligations and any unforeseen repair, maintenance or replacement of the Company's assets.

More detailed assessment of the risks that could cause actual results to materially differ than current expectations is contained in the "Risks and Uncertainties" section of this MD&A.

PORTFOLIO SUMMARY

Income Properties

The Company's income properties as at September 30, 2017 were comprised of the following:

1. An 84 suite townhouse complex located at the corner of Don Mills Road and Van Horne Avenue, in Toronto, Ontario (the "Don Mills Property");
2. A 72,761 square foot one-storey commercial shopping centre located at 305 North Front Street, Belleville, Ontario (the "Belleville Property");
3. A 16,000 square foot one-storey commercial shopping centre located 476-480 Wonderland Road South, London, Ontario (the "London Property");
4. A 10% interest in a portfolio of 9 residential projects consisting of 1,678 residential suites located in Quebec City and Montreal (the "Quebec Properties"); and
5. A 65% interest in a residential building with 40 units located at 48 Weber Street, Kitchener, Ontario ("48 Weber").

Properties Under Development

The Company's properties under development as at September 30, 2017 were comprised of the following:

1. A 65% interest in a multi-residential rental complex redevelopment project located at 61 Roy Street West, Kitchener, Ontario ("61 Roy");
2. A 65% interest in a residential complex located at 65 Roy Street, Kitchener, Ontario ("65 Roy");
3. A 65% interest in a proposed multi-residential rental development site located at 59-65 Weber Street East, Kitchener, Ontario ("59-65 Weber");
4. A 50% interest in 2 buildings totaling 64,000 square foot industrial redevelopment project located at 11-13 Edvac Drive, Brampton, Ontario (the "Brampton Property"); and
5. A 65% interest in a multi-residential rental construction site located at 51, 55 and 59 Scott Street, Kitchener, Ontario ("51-59 Scott").

Investment in Real Estate Project (One Bloor Street East)

On September 2009, the Company invested \$2,000,000 (a purchase price of \$1,233,333 and a deposit of \$766,667 for future development costs) for a 10% interest in a limited partnership, which in turn has a 33.3% interest in the One Bloor Street East real estate project (the "Project").

The Project is a high-density residential and commercial mixed-use site located at the southeast corner of Yonge and Bloor Streets in Toronto, Ontario. Initial tenant occupancy of the residential units began in November 2016, and the Project is projected to be completed and fully occupied by the second quarter 2018.

In prior periods, the Company received \$322,667 related to cost recoveries. In May 2017, the Company received a distribution of \$1,677,333, relating to a return of equity previously invested in the Project. As at June 30, 2017, the return of capital eliminated the investment in real estate project on the Company's interim condensed consolidated statements of financial position.

On June 2017, the Company received its first distribution, relating to a return on investment of the Project, in the amount of \$1,666,667. On November 17, 2017, the Company received its second distribution in the amount of \$1,500,000. See "Subsequent Events".

The Company anticipates future distributions; however, the precise timing and quantum of these future distributions is uncertain and will be in the discretion of the Project's managing partner.

Investment in Highfield Park Residential Portfolio

On August 21, 2017, the Company invested for a 20% interest in Highfield Park Residential Inc., the remaining 80% interest was retained by a Westdale Construction Co. Limited ("Westdale"). On October 10, 2017, Urbanfund contributed pro rata additional capital of \$7,450,000 towards the purchase of the Highfield Park portfolio ("Highfield Park").

On October 10, 2017, Highfield Park Residential Inc. purchased Highfield Park for \$113,000,000 plus closing costs, funded by a \$77,000,000 mortgage and \$36,000,000 in equity contributions. Highfield Park comprises 1,354 residential units, located within 20 low-rise buildings over a 37-acre community located in Dartmouth, Nova Scotia. See "Subsequent Events".

PRESENTATION OF FINANCIAL INFORMATION AND NON-GAAP MEASURES

Presentation of Financial Information

Unless otherwise specified herein financial results, including related historical comparatives contained in this MD&A are based on Urbanfund's interim condensed consolidated financial statements as at and for the period ended September 30, 2017, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretation Committee ("IFRIC").

Non-IFRS Measures

Funds from operations ("FFO") is a measure sometimes used by Canadian real estate companies as an indicator of financial performance, however, it does not have a standardized meaning prescribed by IFRS. This measure may differ from similar computations as reported by other real estate companies and, accordingly, may not be comparable to similarly termed measures by other such issuers.

FFO is a financial measure that should not be construed as an alternative to net income, cash flow from operations, or any other operating or liquidity measurement prescribed under IFRS. The Company presents FFO in accordance with the recommendations of the Real Property Association of Canada ("REALpac") White Paper on Funds from Operations revised April 2014. FFO is not intended to represent operating profits for the period or from a property. Furthermore, it should not be viewed as an alternative to net income, cash flow from operating activities or similar measures of financial performance calculated in accordance with IFRS. FFO is a widely accepted supplemental measure of financial performance for real estate companies, however, it does not represent amounts available for capital programs, debt service obligations, commitments or uncertainties. FFO should not be interpreted as an indicator of cash generated from operating activities and is not indicative of cash available to fund operating expenditures, or for the payment of cash distributions. FFO is simply one measure of operating performance. A reconciliation of net income before taxes to FFO is presented under "Funds from Operations".

Statement of Comprehensive Income

For the nine-month period ended September 30, 2017, the Company reported rental revenues of \$4,119,105 compared to \$3,675,433 for the corresponding nine-month period 2016. Rental revenues increased by \$443,672, is primarily attributable to the lease up by 48 Weber and the Brampton Property coming online.

For the nine-month period ended September 30, 2017, the Company reported rental expenses of \$2,223,464 compared to \$2,015,376 for the corresponding nine-month period 2016. Increase in rental expenses of \$208,088 is primarily attributable to the costs relating to 48 Weber and the Brampton Property. Overall, rental expenses remain relatively consistent with the prior nine-month period.

For the nine-month period ended September 30, 2017, the Company reported financing costs of \$737,718 compared to \$686,456 for the corresponding nine-month period 2016. The increase in financing costs of \$51,262 is attributable to the related mortgages for 48 Weber, the Brampton Property and the non-revolving term facility.

For the nine-month period ended September 30, 2017, the Company reported income before income taxes of \$2,660,688 compared to \$2,469,061 for the corresponding nine-month period 2016. Increase in income before taxes of \$191,627 is primarily attributable to an increase in interest income relating to the loan receivable from the private company and the fair market value adjustment relating to marketable securities. Income before income taxes remains relatively stable for the nine-month period ended September 30, 2017 versus the corresponding nine-month period in 2016, however, the current period income represents Urbanfund's realization of its share of profit from the investment in real estate project, whereas the prior period primarily represents a fair value adjustment related to 48 Weber.

Funds from Operations

FFO for the three-month and nine-month periods ended September 30, 2017 and 2016 were as follows:

	Three-months ended September 30,		Nine-months ended September 30,	
	2017	2016	2017	2016
Income before income taxes	\$ 197,865	\$ 223,674	\$ 2,660,688	\$ 2,469,061
<u>Adjustments:</u>				
Interest and dividend income	(15,078)	(10,241)	(83,017)	(35,503)
Fair value adjustment on marketable securities	(3,336)	13,838	(76,953)	(14,496)
Realized loss on foreign currency translation	-	-	-	94,700
Unrealized gain (loss) on foreign currency translation	1,898	(437)	3,674	2,929
Fair value adjustment on investment properties	5,532	12,265	86,066	(1,744,396)
FFO	186,881	239,099	2,590,458	772,295

For the nine-month period ended September 30, 2017, FFO was \$2,590,458 compared to \$772,295, for the corresponding nine-month period 2016. Increase of \$1,818,163 is primarily attributable to Urbanfund's realization of its share of profit from the investment in real estate project. For the three-month period ended September 30, 2017, FFO was \$186,881 compared to \$239,099, for the corresponding three-month period 2016. The decrease of \$52,218 is primarily attributable to a combination of increased rental expenses and financing costs, relating to 48 Weber and the Brampton property.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Urbanfund expects to meet all of its obligations, including dividends to shareholders and property maintenance and capital expenditure commitments as they become due. The Company has financing sources to fulfil its commitments including cash flow from its operating activities and mortgages payable secured by income properties and properties under development.

Cash Flows

Cash flow provided by operating activities represents the primary source of liquidity to fund dividends, debt service, capital improvements and proposed acquisitions. The Company's cash flow from operating activities is dependent upon the occupancy level of its income properties, the rental rates on its leases, the collectability of rent from its tenants and the level of property operating expenses. Material changes in these factors may adversely affect Urbanfund's net cash flow from operating activities and liquidity. See "Risks and Uncertainties".

Changes in cash for the three-month and nine-month periods ended September 2017 and 2016 were as follows:

	Three-months ended September 30,		Nine-months ended September 30,	
	2017	2016	2017	2016
Cash provided by (used in) operating activities	\$ (9,803)	\$ 13,622	\$ 2,445,209	\$ 205,140
Cash provided by (used in) investing activities	203,660	(414,166)	(947,573)	(2,862,460)
Cash provided by (used in) financing activities	(545,195)	2,449,534	(1,193,235)	3,285,967
Net change in cash and cash equivalents	(351,338)	2,048,990	304,401	628,647
Cash and cash equivalents, beginning of period	8,618,371	6,254,925	7,962,632	7,675,268
Cash and cash equivalents, end of period	\$ 8,267,033	\$ 8,303,915	\$ 8,267,033	\$ 8,303,915

As of September 30, 2017, the Company had cash and cash equivalents in the amount of \$8,267,033 and marketable securities of \$411,744 (September 30, 2016 - \$7,962,632 and \$336,344, respectively).

Cash provided by operating activities for the nine-month period ended September 30, 2017 was \$2,445,209 and related primarily to the net cash generated from property operations, as well as the profit from the Project. Cash used in investing activities for the nine-month period ended September 30, 2017 was \$947,573, which related primarily to the acquisition of 51-59 Scott, net additions to properties under development and repayment of the investment in the Project. Cash used in financing activities for the nine-month period ended September 30, 2017 was \$1,193,235, which related primarily to repayment of mortgages payable and the non-revolving term facility.

DEBT PROFILE

Mortgages Payable

As at September 30, 2017, the Company had mortgages payable in the amount of \$28,886,616, which was comprised of: (i) \$11,401,487 representing a mortgage payable for the Don Mills Property; (ii) \$4,932,749 representing mortgage payable for the Belleville Property and London Property; (iii) \$5,448,848 representing mortgages payable on the Quebec Properties; (iv) \$4,678,532 representing mortgage payable on 48 Weber; (v) \$625,000 representing mortgage payable on 59-65 Weber; and (vi) \$1,800,000 representing mortgage payable on the Brampton property.

The current portion of the mortgages payable includes \$8,683,154 representing mortgages payable for the Belleville Property and London Property, maturing in July 2018 and the Quebec Properties vendor take-back mortgage, which matures in May 2018.

The following table sets out the principal payments over each of the next five fiscal years and the percentage of total mortgages payable based on the Company as at September 30, 2017:

	Mortgages payable	Percentage of total mortgages payable
2017	\$ 906,816	3.14%
2018 (i)	8,258,915	28.59%
2019	2,581,749	8.94%
2020	826,421	2.86%
2021	686,960	2.38%
Thereafter	15,625,755	54.09%
	\$ 28,886,616	100.00%

(i) On October 5, 2017, Urbanfund refinanced its existing first mortgage relating the Belleville Property. As at September 30, 2017, the maturing portion of the principal balance due in 2018 relating to the Belleville Property was \$4,932,749. See "Subsequent Events". If the refinancing was reflected in the above table as at September 30, 2017, the percentage of total mortgages payable due in 2018 would be reduced from 28.59% to 9.65%.

Non-Revolving Term Facility

On August 19, 2016, the general partner of Weber Investments LP and Weber Investments 3 LP established a one-year second rank non-revolving term facility ("Term Facility") with a Canadian chartered bank for a maximum amount of \$900,000. The Term Facility bore interest at the bank's prime lending rate plus 1.25%. Amounts drawn were secured by a second rank general security agreement and cross-collateralized on the properties held under Weber Investments LP and Weber Investments 3 LP.

As at September 30, 2017, the principal amount outstanding under the Term Facility was \$464,050 matured and was repaid in full, plus \$794 accrued interest.

Contingencies

On August 1, 2017, Urbanfund commenced proceedings to place one of its limited partners and the development and construction manager (the "Limited Partner") for the Company's Kitchener investment properties and properties under development into default under the applicable limited partnership agreements. The Limited Partner's units in the limited partnerships will be purchased for cancellation, and the general partner of each limited partnership will complete any outstanding construction. The Company will continue operating and redeveloping the properties and planned. As at September 30, 2017, the Company does not have an estimate of the financial effect, if any, on these interim condensed consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As of September 30, 2017, total assets were \$68,360,762 compared to \$66,752,087 as of December 31, 2016, increase of \$1,608,675 is primarily due to the acquisition of 51-59 Scott Street, net additions to properties under development, offset with the repayment of the investment in the One Bloor Street East Project.

SUMMARY OF QUARTERLY RESULTS

The following selected financial data is derived from the unaudited quarterly financial statements of Urbanfund:

Quarter Ended	Revenue	Net Income	Basic Net Income Per Share ⁽¹⁾	Diluted Net Income Per Share ⁽²⁾
September 30, 2017	\$ 1,307,855	\$ 507,198	\$ 0.011	\$ 0.010
June 30, 2017	\$ 1,406,358	\$ 1,772,792	\$ 0.040	\$ 0.034
March 31, 2017	\$ 1,404,892	\$ 418,127	\$ 0.009	\$ 0.008
December 31, 2016	\$ 1,280,138	\$ 1,728,996	\$ 0.039	\$ 0.033
September 30, 2016	\$ 1,254,331	\$ 191,822	\$ 0.004	\$ 0.004
June 30, 2016	\$ 1,241,055	\$ 1,374,576	\$ 0.031	\$ 0.027
March 31, 2016	\$ 1,180,047	\$ 178,878	\$ 0.004	\$ 0.003
December 31, 2015	\$ 1,152,900	\$ 1,994,193	\$ 0.046	\$ 0.039

Notes:

¹ Basic net income per share is calculated by dividing the net income by the weighted average number of common shares outstanding during the period.

² Diluted net income per share is calculated by dividing the applicable net income by the sum of the weighted average number of common shares and all additional shares that would have been outstanding if potentially dilutive common shares had been issued during the period. The dilutive effect of outstanding stock options on net income per share is calculated by determining the proceeds for the exercise of such securities which are then assumed to be used to purchase Common Shares.

DIVIDENDS

The Company confirmed on June 17, 2015 that it had adopted a dividend policy (the "Dividend Policy"), a dividend reinvestment plan for holders of common shares in the capital of the Company (the "Common Shares") and a dividend reinvestment plan for the holder of Series A, first preferred shares (the "Preferred Shares") in the capital of the Company (collectively, the "DRIP").

As part of the Company's long-term strategy to maximize shareholder value, the board of directors has approved the implementation of the Dividend Policy. Pursuant to the Dividend Policy, as amended by the board resolution on June 14, 2017, the Company intends to pay an annual aggregate dividend of \$0.01 per Common Share and \$0.01 per Preferred Share, payable quarterly in the amount of \$0.0025 per Common Share and Preferred Share. The record date for dividends is anticipated to be set as the last business day of March, June, September and December in each year and the payment date in each case is anticipated to be approximately two weeks from the record date.

The DRIP is a voluntary program permitting holders of Common Shares and Preferred Shares to automatically, and without charge, reinvest dividends to acquire additional Common Shares at a specified discount to the volume-weighted average market price calculated as of the date of the dividend payment.

The Company has reserved an aggregate of 2,000,000 Common Shares for the issuance to participants enrolled in the DRIP. During the three-month period September 30, 2017, the Company issued 161,807 common shares for an aggregate issue price of \$87,055 to shareholders participating in the DRIP.

During 2017, the Company made dividend payments on each of: (i) January 15, 2017 to shareholders of record as of December 31, 2016; (ii) April 15, 2017 to shareholders of record as of March 31, 2017; and (iii) July 17, 2017 to shareholders of record as of June 30, 2017; (iii) October 16, 2017 to the shareholders of record as of September 30, 2017.

RELATED PARTY TRANSACTIONS

Property management for the Company's investment properties are provided on a fee-basis by Westdale, Urbanfund's largest shareholder. Ronald Kimel, the Urbanfund's Chairman, is also a director and officer of Westdale.

All services provided to the Company by Westdale are provided on customary market terms and conditions. During the nine-month period ended September 30, 2017, the Company paid or accrued for Westdale \$76,631 as compared with \$74,852 for the same period ended September 30, 2016. Management cost reimbursements for the period ended September 30, 2017 amounted to \$169,778 as compared to \$161,150 for the period ended September 30, 2016.

FUTURE ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Policies

Any adoption of new accounting policies will be indicated in the notes to the Consolidated Statements.

IFRS 9 - Financial Instruments

IFRS 9 Financial Instruments was issued in final form in July 2014 by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements.

The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Urbanfund is currently assessing the impact of IFRS 9.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services.

The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with earlier application is permitted.

Urbanfund will not be early adopting IFRS 15 and is reviewing the impact of the elections of presenting under the modified retrospective approach, whereby the Company will recognize transitional adjustments in retained earnings on the date of initial application (January 1, 2018) without restatement.

IFRS 16 - Leases

IFRS 16, Leases was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied.

Urbanfund will not be early adopting IFRS 16. The Company is currently evaluating the effects of the current contracts to determine whether any changes are required and the effects of those changes on these consolidated financial statements. The Company does not expect a material impact on the classification of its tenant leases on the adoption of this standard.

IAS 40 - Investment Properties

The IASB issued amendments to provide guidance on transfers to, or from investment properties. IAS 40 amendments state that an entity shall transfer a property to, or from, investment properties, when, and only when, there is evidence of a change in use. A change in use occurs if the property meets, or ceases to meet, the definition of an investment property. The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

RISKS AND UNCERTAINTIES

The Company is exposed to a number of risks and uncertainties that could impact future results. The nature of the Company's business, especially in the real estate sector, means that it is affected by general economic conditions and competitive factors. The Company operates in a capital-intensive business environment. The Company faces several areas of risk.

The Company's real estate investments are subject to the normal operating risks common to the industry, including seasonal and cyclical fluctuations, costs for construction materials and labour and changes in interest rates. The Company is reviewing its current debt position in an effort to take advantage of the favourable interest rate environment.

The following are specific and general risks that could affect the Company and that each reader should carefully consider. Additional risks and uncertainties not presently known to the Company or that the Company does not currently believe to be material, could impair the Company's business operations and its operating results and as a result could materially impact its business, results of operations, prospects and financial condition.

Economic Risks

Any deterioration in the North American and global economies, including the North American credit markets represents a significant risk to the Company and its ability to grow the portfolio. The Company may require mortgage funds for future acquisitions and there is no assurance that the Company will be able to secure such funds on a commercially beneficial basis, or at all. The failure to raise sufficient funds could have a material adverse effect on the business of the Company and the market value of its securities.

Real Estate Industry Risk

All real estate investments are subject to a degree of risk. They are affected by various factors including changes in general economic conditions (such as the availability of long term mortgage funds) and in local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from other available space, the ability of the owner to provide adequate maintenance at an economic cost and various other factors. In addition, fluctuations in interest rates may affect the Company.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. Tenants may default in performing their obligations under their leases. No assurance can be given that the Company will be able to quickly re-lease space vacated by a tenant on favorable terms, if at all.

In addition, although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that tenants will continue to occupy the Company's premises. The Company's income and funds from operations would be adversely affected if a number of tenants were to become unable or unwilling to meet their obligations to the Company or if the Company were unable to lease a significant amount of available space in its properties on economically favourable lease terms. Furthermore, the Company may experience delays and incur substantial costs in enforcing its rights as lessor. The Company may also incur costs in making improvements or repairs to a property required by a new tenant.

Certain significant expenditures involved in real property investments, such as real estate taxes, maintenance costs and mortgage payments, represent liabilities which must be met regardless of whether the property is producing any income. If the Company is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or power of sale.

Real property investments are relatively illiquid. This illiquidity will tend to limit the ability of the Company to vary its property portfolio promptly in response to changed economic or investment conditions. If the Company were required to quickly liquidate its assets, there is a risk that the Company would realize sale proceeds of less than the stated value of the properties of the Company. The Company's property portfolio is concentrated in Ontario and Quebec. As a result, economic and real estate conditions in Ontario and Quebec will significantly affect the Company's revenues and the value of its properties.

Lease Renewal and Rental Increase Risks

Income properties generate income through rent payments made by tenants of the properties. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the Company than the existing lease. The Company is dependent on leasing markets to ensure vacant residential space is leased, expiring leases are renewed and new tenants are found to fill vacancies. A disruption in the economy could have a significant impact on how much space tenants will lease and the rental rates paid by tenants. This would affect the income produced by the Company's properties as a result of downward pressure on rents.

Environmental Risks

As an owner and manager of real property, the Company is subject to various Canadian federal, provincial, and municipal laws relating to environmental matters. These laws could encumber the Company with liability for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the Company's ability to sell its real estate, or to borrow using real estate as collateral, and could potentially also result in claims or other proceedings against the Company. The Company has formal policies and procedures to review and monitor environmental exposure. The Company has made and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Although the Company is not aware of any material non-compliance with environmental laws at any of its properties nor is it aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties, no assurance can be given that environmental laws will not result in significant liability to the Company in the future or otherwise adversely affect the Company's business, financial condition or results of operations. The Company has formal policies and procedures to review and monitor environmental exposure. The Company has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and the Company may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on the Company's business, financial condition or results of operation.

Competition Risk

The real estate business is extremely competitive. Numerous other developers, acquirers, managers and owners of office, industrial and retail properties will compete with the Company in seeking properties. The existence of competing developers and owners could have an adverse effect on the Company's ability to acquire properties and on the rents charged or concessions granted. There can be no guarantee that additional properties will be available to the Company at fair prices or at all.

General Uninsured Losses

The Company carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risk (generally of a catastrophic nature such as war, terrorist acts or environmental contamination) which may be either uninsurable, in whole or in part, or, in the opinion of management, not economically insurable. Should an uninsured or underinsured loss occur, the Company could lose its investment in, and anticipated profit and cash flows from, one or more of its properties, and the Company would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

Credit Risk – Leases

The key credit risk to the Company is the possibility that its tenants will be unable or unwilling to fulfill their lease term commitments. Key drivers of demand include employment levels, population growth, demographic trends and consumer confidence. The failure by tenants to fulfill their lease commitments could have a material adverse effect upon financial position of the Company.

Local Real Estate Market Risk and Asset Concentration

There is a risk that the Company would be negatively affected by the new supply of, and demand for, multi-unit residential suites in its local market areas. Any significant amount of new construction will typically result in an imbalance in supply and cause downward price pressure on rents.

Rent Control Legislation Risk

Rent control legislation, the risk of the implementation of new legislative rent controls or the amendment to existing legislative rent controls in the markets the Company operates may have an adverse impact on the Company's operations. (Don Mills Property and Quebec Properties) The *Residential Tenancies Act in Ontario* and the *Régie du logement in Quebec* are responsible for providing criteria and restrictions for the ability of a landlord to increase rents above an annually prescribed guideline. In Ontario, a rental increase guideline has been established and was 2.0% for 2016, 1.5% for 2017 and 1.8% for 2018.

In Quebec, landlords and tenants are free to negotiate a rental increase that they deem just and reasonable. If the landlord and tenant have difficulty in reaching an agreement, the *Régie du logement* offers assistance in fixing the rent increase based on approved *Régie du logement* indexes published annually.

Utility and Property Tax Risk

Utility and property tax risk relates to the potential loss the Company may experience as a result of higher resource prices and well as its exposure to significant increases in property taxes. Over the past few years, property taxes have increased as a result of revaluations of municipal properties and their adherent tax rates. For the Company, these revaluations have resulted in significant increases in some property assessments due to enhancements. Utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the Company cannot pass on to the tenant may have a negative material impact on the Company.

Public Market Risk

It is not possible to predict the price at which the Company's common shares will trade and there can be no assurance that an active trading market for the common shares will be sustained. The common shares will not necessarily trade at values determined solely by reference to the value of the properties of the Company. Accordingly, the common shares may trade at a premium or a discount to the value implied by the value of the Company's properties. The market price for the common shares may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the Company.

Significant Shareholders

As at the date hereof, directors and officers hold, directly or indirectly, 76.5% of the outstanding common shares and 100% of the preferred shares. The market price of the common shares could be significantly affected if the holders of these shares sell them or are perceived by the market as intending to sell them.

Joint Arrangements in Real Estate Investments

From time to time the Company owns or may own property or properties with other joint venture partners. The Company could be adversely affected by a default by a joint operation of a property under the terms of a mortgage, lease or other agreement.

Financing and Repayment of Indebtedness

The Company has outstanding indebtedness in the form of mortgages and, as such, is subject to the risks normally associated with debt financing, including the risk that the Company's cash flow will be insufficient to meet required payments of principal and interest.

There is a possibility that the Company's internally generated cash may not be sufficient to repay all of its outstanding indebtedness. However, the Company may elect to repay indebtedness through refinancing or through the issuance of equity securities. Upon the expiry of the term of the financing on any particular property owned by the Company, refinancing on a conventional mortgage loan basis may not be available in the amount required or may be available only on terms less favourable to the Company than the existing financing.

This will be dependent upon the economic circumstances prevailing at such time. Also, a credit disruption in the capital markets could have an adverse impact on the Company's ability to meet its obligations and grow its business.

The real estate industry is highly capital-intensive. The Company will require access to capital to maintain its properties, as well as to fund its development, redevelopment and renovation initiatives and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms. The Company's financing may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Company's cost of borrowing. In addition, interest rates affect the profitability of commercial properties as interest paid on mortgages secured by commercial properties represents a significant cost in the ownership of properties.

Dependence on Key Personnel

The management of the Company depends on the services of certain key personnel. The termination of employment by any of these key personnel or the cessation of involvement with the Company by such personnel could have a material adverse effect on the Company and its operations.

Potential Conflicts of Interest

The Company may be subject to various conflicts of interest because of the fact that directors and officers of the Company are engaged in other real estate-related business activities. The Company may become involved in transactions which conflict with the interests of the foregoing. Directors may from time to time deal with persons, firms, institutions or corporations with which the Company may be dealing, or which may be seeking investments similar to those desired by the Company. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Directors and officers of the Company are required to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Acquisition and Growth Risks

The Company's external growth prospects will depend in large part on identifying suitable development and acquisition opportunities, pursuing such opportunities, conducting necessary due diligence, consummating acquisitions (including obtaining necessary consents) and effectively operating the properties acquired by the Company. If the Company is unable to manage its growth and integrate its acquisitions effectively, its business, operating results and financial conditions could be adversely affected. Developments and acquisitions may not meet operational or financial expectations due to unexpected costs or market conditions, which could impact the Company's performance.

The Company's business plan includes growth through identification of suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If the Company is unable to find suitable growth opportunities or manage its growth effectively, its business, operating results and financial conditions may be adversely affected. There can be no assurance that the Company will consistently be able to acquire assets on an accretive basis.

Proposed Acquisitions

There can be no assurance that the Company will complete any proposed acquisitions or sales described herein or otherwise on the basis described or on expected closing dates, if at all. In the event the Company does not complete proposed acquisitions or sale, the Company's financial performance may be negatively impacted until suitable acquisitions with appropriate investment returns can be made. There is no assurance that such suitable investments will be available to the Company in the near future or at all.

Interest Risk

Interest risk is the combined risk that the Company would experience a loss as a result of its exposure to a higher interest rate environment (interest rate risk) and the possibility that at the term end of a mortgage the Company would be unable to renew the maturing debt either with the existing or an additional lender (renewal risk). The Company attempts to manage its interest rate risk by maintaining a balanced, maturing portfolio with mortgage debt being financed for periods ranging between 5 and 10 years. There can however, be no assurance that the renewal of debt will be on as favourable of terms as the Company's existing debt.

Appraisals of Properties

An appraisal is an estimate of market value and caution should be used in evaluating data with respect to appraisals. It is a measure of value based on information gathered in the investigation, appraisal techniques employed and reasoning quantitative and qualitative, leading to an opinion of value. The analysis, opinions, and conclusions in an appraisal are typically developed based on, and in conformity with, or interpretation of the guidelines and recommendations set forth in the Canadian Uniform Standards of Appraisal Practice. Appraisals are based on various assumptions of future expectations of property performance and while the appraiser's internal forecast of net income for the properties appraised are considered to be reasonable at that time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

Equity markets for small capitalized public companies are subject to varying degrees of risk and may not always be available to access additional capital. As a result, capital may not be available for future growth when and if required. Management, however, believes that additional capital will be forthcoming for new projects based on their merit. Further, management utilizes the Company's asset base to take advantage of capital raising initiatives when opportunities arise. It is the intention that upon favourable changes in the capital markets for publicly traded real estate companies, the Company intends to, on an as required basis, access additional capital through share issues.

Dividends

The declaration and payment of future dividends and the quantum of any such dividends will be subject to the Company's board of directors' determination, in its discretion, taking into account, among other things, business performance, financial condition, growth plans and expected capital requirements, statutory solvency tests, as well as any contractual restrictions on such dividends, including any agreements entered into with lenders to the Corporation or its subsidiaries. There can be no assurance that dividends will be paid at the intended rate or at any rate in the future.

SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements are prepared by management in accordance with IFRS and are generally in accordance with the recommendations of the Real Property Association of Canada. The Company's significant accounting policies have been applied on a consistent basis and are detailed in the notes to the consolidated financial statements as at and for the year ended December 31, 2016.

INVESTOR RELATIONS

No investor-relation activities were undertaken by or on behalf of the Company during the three-month period ended September 30, 2017. No investor-relations arrangements or contracts were entered into by the Company during the three-month period ended September 30, 2017.

SUBSEQUENT EVENTS

On October 5, 2017, Urbanfund refinanced its existing first mortgage relating the Belleville Property totaling \$10,150,000 with a 5-year term at 3.95%. The additional funds of \$7,450,000, unrelated to the Belleville Property, were contributed as capital towards the Highfield Park investment.

On October 10, 2017, Urbanfund, through the investment in associate with Westdale, purchased the Highfield Park for \$113,000,000 plus customary closing costs. The purchase was funded by \$77,000,000 mortgage with a 10-year term at 3.80% and the balance through equity contributions. Highfield Park comprises of 1,354 residential units, located within 20 low-rise buildings over a 37-acre community located in Dartmouth, Nova Scotia.

On November 10, 2017, Urbanfund, through its joint operation with Takol Real Estate Inc., acquired 4 Alfred Kuehne Blvd. ("4 Alfred") for \$4,700,000 plus customary closing costs. The purchase was funded by \$3,600,000 in equity contributions and balance through a mortgage funded by a Canadian chartered bank. The total mortgage was financed at \$3,100,000, with a 2-year term at 5.50%. 4 Alfred is comprised of one industrial building aggregating 46,790 square feet located in Brampton, Ontario.

On November 17, 2017, Urbanfund received its second distribution, in the amount of \$1,500,000, relating to a return on investment in the Project.

OUTLOOK

Management believes that the Company will continue to benefit from the stable demand for both residential and commercial rental accommodation. Canada's overall economy has been demonstrating strong growth in the prior quarter. This growth together with the positive outlook resulted in the Bank of Canada easing on its stance and increasing interest rates by 50 basis points so far in 2017. Comments by the Bank of Canada in its recent rate decision has lowered the expectation of future rate hikes, however the possibility exists. Overall, the Company remains well positioned to withstand an increasing interest rate environment through staggered portfolio mortgage maturities.

The Company expects consistent growth for the remainder of 2017 and over the long term. Urbanfund will continue to invest in real estate and related joint ventures to provide opportunities for additional growth of Urbanfund's portfolio and increase cash flows. For the fourth quarter and full year 2017, the Company expects same property net operating income growth assuming current market conditions prevail.

DISCLOSURE OF OUTSTANDING SHARE DATA

Details of the Company's outstanding share data are as follows:

	As at September 30, 2017	As at date hereof
Common shares	44,902,734	45,098,140
Series A, First preferred shares	7,425,000	7,425,000

ADDITIONAL INFORMATION

Additional information regarding Urbanfund can be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and options to purchase the Company's securities authorized for issuance under equity compensation plans, all as of December 31, 2016, is contained in the Company's Management Information Circular which was furnished in connection with the Company's annual and special meeting of shareholders that was held on June 14, 2017.