



MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

URBANFUND CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED SEPTEMBER 30, 2018

PROPERTY PORTFOLIO	Accounting treatment under IFRS	Ownership Interest (%)	Site Size (sq. ft.)	Total Suites (#)
Property and Location				
ONTARIO				
<u>Residential</u>				
3080-3094 Don Mills Road & 200 Van Horne Avenue, Toronto	Wholly-owned	100%	200,812	84
59, 61, 65 Weber Street, Kitchener	Limited partnership	90%	17,300	(i), (ii)
51, 55, 59 Scott Street, Kitchener	Limited partnership	90%	16,700	(i), (ii)
<u>Commercial</u>				
476 Wonderland Road, London	Wholly-owned	100%	16,000	5
305 North Front Street, Toronto	Wholly-owned	100%	72,796	12
4 Alfred Kuehne, Brampton	Joint operation	50%	46,790	12
QUEBEC				
<u>Residential</u>				
7251 Avenue Malicorne, Montreal	Joint operation	10%	535,418	312
11 Rue Thibault, Levis	Joint operation	10%	97,757	90
11 Curé Pelleitier, Levis	Joint operation	10%	125,485	108
249 Avenue Du Pont-Scott, Quebec City	Joint operation	10%	172,803	192
2924 Rue De La Verdure, Quebec City	Joint operation	10%	246,665	208
890 Rue Bourgogne, Quebec City	Joint operation	10%	117,240	92
656 Avenue De Lestres, Quebec City	Joint operation	10%	473,515	396
4300 4e Avenue East, Quebec City	Joint operation	10%	394,938	280
<u>Commercial</u>				
352 Avenue Saint-Sacrement, Quebec City	Joint operation	10%	28,084	11
NOVA SCOTIA				
<u>Residential</u>				
10 Joseph Young Street, Dartmouth	Equity investment	20%	48,283	42
15 Highfield Park Drive, Dartmouth	Equity investment	20%	94,813	79
17 Highfield Park Drive, Dartmouth	Equity investment	20%	5,551	44
20 Joseph Young Street, Dartmouth	Equity investment	20%	43,562	39
21 Highfield Park Drive, Dartmouth	Equity investment	20%	85,076	71
25 Highfield Park Drive, Dartmouth	Equity investment	20%	85,078	71
30 Joseph Young Street, Dartmouth	Equity investment	20%	43,581	39
40 Joseph Young Street, Dartmouth	Equity investment	20%	86,243	75
47 Joseph Young Street, Dartmouth	Equity investment	20%	106,286	88
51 Joseph Young Street, Dartmouth	Equity investment	20%	104,610	87
55 Highfield Park Drive, Dartmouth	Equity investment	20%	90,241	72
65 Highfield Park Drive, Dartmouth	Equity investment	20%	90,161	72
76 Highfield Park Drive, Dartmouth	Equity investment	20%	135,533	128
80 Highfield Park Drive, Dartmouth	Equity investment	20%	66,882	56
86 Highfield Park Drive, Dartmouth	Equity investment	20%	66,117	53
90 Highfield Park Drive, Dartmouth	Equity investment	20%	66,117	53
94 Highfield Park Drive, Dartmouth	Equity investment	20%	66,117	53
95 Highfield Park Drive, Dartmouth	Equity investment	20%	104,651	86
96 Highfield Park Drive, Dartmouth	Equity investment	20%	96,703	75
98 Highfield Park Drive, Dartmouth	Equity investment	20%	86,081	71

- (i) Currently vacant land or vacant units, Urbanfund proposes to amalgamate the properties and develop a residential building, see *Investment Properties*.
(ii) The property is under development as at September 30, 2018 and the date of this MD&A.

URBANFUND CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED SEPTEMBER 30, 2018

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the results of the operations and financial condition for Urbanfund Corp. for the three and nine months ended September 30, 2018. This MD&A is dated November 28, 2018 and should be read in conjunction with the unaudited interim condensed consolidated financial statements as at and for the three and nine months ended September 30, 2018 ("Consolidated Financial Statements") and the annual audited consolidated financial statements and related notes for the year ended December 31, 2017 ("Annual Consolidated Financial Statements"). Unless the context indicates otherwise, references to "Urbanfund", "the Company", "we", "us" and "our" in this MD&A refer to Urbanfund Corp. and its consolidated operations.

FORWARD-LOOKING INFORMATION

Certain information included in this MD&A contains forward-looking information with the meaning of applicable Canadian securities laws. This information includes, but is not limited to, statements made in *Outlook, Business Overview and Strategy, Results from Operations, Investment Properties, Properties under Development, Inventory Properties, Other Real Estate Investments, Debt Profile*, and other statements concerning Urbanfund's objectives, its strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking information generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "would", "expect", "intend", "estimate", "anticipate", "believe", "should", "plan", "continue", or similar expressions suggesting future outcomes or events or the negative thereof. Such forward-looking information reflects management's beliefs and is based on information currently available. All forward-looking information in this MD&A is qualified by the following cautionary statements.

Forward looking information necessarily involve known and unknown risks and uncertainties, which may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond Urbanfund's control, affect the operations, performance and results of the Company and its subsidiaries, and could call actual results to differ materially from current expectations of estimated or anticipated events or results.

Although Urbanfund believes that the expectations reflected in such forward-looking information are reasonable and represent the Company's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Company's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially include but are not limited to: *Market Conditions, Real Estate Ownership, Additional Costs Related to Acquisitions, Additional Costs Related to Real Estate Projects and Lease Renewals and Rental Increases*. See *Risks and Uncertainties* for further information. The reader is cautioned to consider these factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information, as there can be no assurance that actual results will be consistent with such forward-looking information.

The forward-looking information included in this MD&A is made as of the date of this MD&A and should not be relied upon as representing Urbanfund's views as of any date subsequent to the date of this MD&A. Management undertakes no obligation, except as required by applicable law, to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

BUSINESS OVERVIEW AND STRATEGY

Business Overview

Urbanfund Corp. is an incorporated entity listed on the TSX Venture Exchange ("TSX-V") under the symbol UFC. The Company is a reporting issuer in Alberta, British Columbia and Ontario. Urbanfund's focus is to invest in Canadian real estate and real estate related projects with a focus on a mix of both residential and commercial properties. The Company's assets are located in Toronto, Brampton, Belleville, Kitchener, London, Ontario, Quebec City and Montreal, Quebec and Dartmouth, Nova Scotia.

Operational Highlights

Part of Urbanfund's strength is the ability to attract partners with proven track records with both residential and commercial development expertise. Urbanfund continues to build alliances with its strategic partners:

- *One Bloor Project* – Through September 30, 2018, Urbanfund received distributions relating to profit on the sales of real estate of \$800,000. Total profits received as of the date of this MD&A were \$4,966,667. See *Other Real Estate Investments*.

URBANFUND CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED SEPTEMBER 30, 2018

BUSINESS OVERVIEW AND STRATEGY (CONT'D)

Operational Highlights

- Edvac – Through September 30, 2018, the Company sold its units owned in the 11-13 Edvac Drive, Brampton, Ontario project. The Company has received distributions of \$3,020,000 which included a return of capital of \$1,625,000 and a distribution of income of \$1,395,000 on the sale of those units. See *Inventory Properties*.
- Weber Limited Partnerships – Through September 30, 2018, Urbanfund sold 48 Weber Street, 61 Roy Street and 65 Roy Street for \$7,300,000, less transaction costs of \$417,210. On the date of closing, the Company extinguished the mortgage payable related to 48 Weber Street and 65 Roy Street of \$4,568,918. See *Joint Operations and Limited Partnerships*.
- La Corporation Headway ("Quebec Headway") - With the scheduled completion of renovations of Domaine Anjou, Versant Nord and Complexe Renaissance, Quebec Headway is experiencing a higher tenant occupancy. Quebec Headway plans to continue with the renovation of its Quebec City investment properties with anticipation of similar in higher tenant occupancy and NOI. See *Joint Operations and Limited Partnerships*.
- Highfield Park Portfolio - In 2017, the Company invested \$7,569,980 for a 20% interest in Highfield Park Residential Inc. In turn Highfield Park Residential Inc. purchased the Highfield Park portfolio for \$113,000,000 plus customary closing costs, funded by way of a \$77,000,000 mortgage and \$36,000,000 in equity contributions. During the nine month period September 30, 2018, Urbanfund recognized \$277,321 of income and received \$200,000 of distributions relating to its equity investment. See *Other Real Estate Investments*.

Dividend Reinvestment Plan Extension

Urbanfund amended the number of shares available for issuance pursuant to its dividend reinvestment plans for holders of its common shares and Series A, first preferred shares, increasing the aggregate number of common shares available for issuance to 2,190,140 as at September 30, 2018. See *Dividend Reinvestment Plan*.

Objectives

The Company's objectives are to: (i) directly and indirectly acquire, own and operate a portfolio of properties and invest in real estate related projects with a focus on a mix of both residential and commercial properties; (ii) make stable quarterly cash distributions to shareholders; and (iii) enhance operating income and property values through active management.

Outlook

The real estate market in Canada continues to demonstrate continued performance for the first three quarters of 2018. During its meetings in January, July and October 2018, the Bank of Canada has increased the overnight lending rates, currently at 1.75%. We expect that the Bank of Canada will continue to increase interest rates in order to achieve the inflation target of approximately 2.00%. Urbanfund continues to be well positioned to withstand an increase in interest rates due to a strong balance sheet with ample cash to cover interest costs, fixed term mortgages payable and staggered debt maturities. See *Debt Profile*.

Canada continues to have increased immigration levels and the majority of the immigrants are moving towards Toronto and Montreal areas, creating a flow of capital to those regions. Management believes that the result is a rise to the costs of operating businesses and overall cost of living for individuals. The costs of overall operations of the business will increase similar to the trends in increases in rental rates, and overall will remain a fraction of the total business costs. Individuals will continue to feel the tightening with cost inflation and interest rate increases and purchasing a condominium or a house will continue to be a challenge for many. Management believes there will be a continued demand for rental units with an overall continued downwards trend in vacancy rates and an increase in overall rental rates.

With the United States-Mexico-Canada Agreement ("USMCA") drafted, subject to approval of U.S., the Canadian dollar has recovered from the start of the third quarter. However, with the Canadian dollar remaining relatively low by comparison to the U.S. dollar, this may attract more immigration and foreign capital to Canada. Overall, Urbanfund rental revenues from residential and non-industrial commercial tenants have remained and are expected to remain relatively unimpacted from any trade uncertainty into the future.

URBANFUND CORP.

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BUSINESS OVERVIEW AND STRATEGY (CONT'D)

Outlook (Cont'd)

Management believes that the Company will continue to benefit from the stable demand for both residential and commercial properties, while continuing to invest in other real estate projects which will continue to produce investment returns for further capital reinvestment and distribution of investment returns to our shareholders.

PRESENTATION OF FINANCIAL INFORMATION AND NON-IFRS MEASURES

Presentation of Financial Information

Unless otherwise specified herein, financial results, including historical comparatives, contained in this MD&A are based on Urbanfund's Consolidated Financial Statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Unless otherwise specified, amounts are in Canadian dollars and percentage changes are calculated using whole numbers.

Non-IFRS Measures

In addition to reported IFRS measures, industry practice is to evaluate real estate entities giving consideration to certain non-IFRS performance measures such as funds from operations, adjusted cash flows from operations and net operating income. Management believes that these measures are helpful to investors because they are widely recognized measures of Urbanfund's performance and provide a relevant basis of comparison to other real estate entities. In addition to IFRS results, these measures are also used internally to measure the operating performance of our property portfolio. These measures are not in accordance with IFRS and have no standardized definitions, as such, our computations of these non-IFRS measures may not be comparable to measures by other reporting issuers. In addition, Urbanfund's method of calculating non-IFRS measures may differ from other reporting issuers, and, accordingly, may not be comparable.

The Real Property Association of Canada ("REALpac") issued a white paper in February 2017 prescribing revised definitions for certain non-IFRS financial measures of cash flow and operating performance commonly used by the Canadian real estate industry. Urbanfund has reviewed these guidelines and adopted certain measures, where appropriate, commencing with our fourth quarter 2017 reporting.

Funds From Operations ("FFO")

Funds from Operations ("FFO") is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on a white paper published in April 2014 and subsequently revised in February 2017. In the view of management, FFO better presents operating performance over IFRS net income and comprehensive income, which does not necessarily provide a complete view on performance. IFRS's net income and comprehensive income include items such as fair value adjustments on investment properties which are subject to market fluctuations, which is not representative of the Company's year-over-year operating performance.

FFO is computed as IFRS consolidated net income and comprehensive income attributable to Urbanfund's shareholders adjusted for items such as, but not limited to, fair value adjustments on investment properties, transaction gains and losses and fair market value adjustments on marketable securities. FFO should not be construed as an alternative to net income or cash flows provided by or used in operating activities as determined in accordance with IFRS. A reconciliation of FFO to IFRS net income is presented under *Results from Operations* section of this MD&A.

Adjusted Cash Flows from Operations ("ACFO")

In February 2017, REALpac introduced a new non-IFRS measure called Adjusted Cash Flow from Operations ("ACFO"), which is intended to measure sustainable economic cash flow available for distributions. ACFO is used by management as an input, together with FFO to assess Urbanfund's distribution payout ratios.

ACFO is computed as cash provided by or used in operating activities per IFRS plus, but not limited to adjustments for working capital items not considered to be indicative of sustainable economic cash flows for distributions, such as changes to other assets, indirect taxes payable and income taxes payable, cash distributions from investments, realized gains or losses from available-for-sale marketable securities and deducts capital expenditures. ACFO should not be construed as an alternative to cash flows provided by or used in operating activities as determined in accordance with IFRS. A reconciliation of ACFO to IFRS cash flow from or used in operating activities is presented under *Results from Operations* section of this MD&A.

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PRESENTATION OF FINANCIAL INFORMATION AND NON-IFRS MEASURES (CONT'D)

Non-IFRS Measures (Cont'd)

Normalized Capital Expenditures

Normalized capital expenditures are an estimate made by management of the amount of ongoing capital investment required to maintain the condition of the physical property and the current rental revenues. Management will consider a number of items in estimating normalized capital expenditures given the age and size of the property portfolio, such as a review of historical capital expenditures and comparison of budgeted to actual on a quarterly basis.

Urbanfund does not obtain support from independent sources for normalized capital expenditures but relies on management's expertise in arriving at this estimate. Both the Chief Financial Officer and the Chief Executive Officer have extensive experience in residential and commercial real estate an in-depth knowledge of the property portfolio.

Actual capital expenditures can vary widely from quarter to quarter depending on a number of factors, management believes that normalized capital expenditures is a more relevant input than actual capital expenditures in assessing the Company's ACFO and for determining an appropriate level of dividends over time. A number of factors affect variations in capital expenditures, including, lease expiries, tenant vacancies, age and location of the properties, and market conditions.

Net Operating Income ("NOI")

NOI is a non-IFRS measure and is defined by Urbanfund as rental revenue from income properties less direct property costs such as utilities, property taxes adjusted to normalize the impact of the application requirements of *IFRIC 21*, *Levies*, repairs and maintenance, salaries, insurance, bad debt expenses, property management fees and other property specific costs. Management believes that NOI is a meaningful supplementary measure of the income generated from the Company's income properties and is used in evaluating the portfolio, as well as a key input in determining the value of the income properties.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA")

Adjusted EBITDA is a non-IFRS measure used by management as input in several of the debt metrics to measure Urbanfund's debt profile in assessing the ability of the Company to satisfy obligations, including servicing of our debt. Adjusted EBITDA is used as an alternative to net income because it excludes major non-cash items such as fair value adjustments to investment properties and unrealized gains or losses on available-for-sale marketable securities, interest costs, current and deferred income tax expenses and recoveries, equity accounted investments and other items that management considers to be non-operating in nature. A reconciliation of Adjusted EBITDA to IFRS net income is presented under *Debt Profile* section of this MD&A.

Debt to Adjusted EBITDA

Debt to Adjusted EBITDA is a non-IFRS measure calculated on a trailing 12-month basis and is defined as quarterly average total debt (net of cash and cash equivalents) divided by Adjusted EBITDA is calculated under *Debt Profile* section of this MD&A.

Debt Service Ratio

Debt service ratio is a non-IFRS measure calculated on a trailing 12-month basis and is defined as Adjusted EBITDA divided by the sum of total interest costs (including interest costs capitalized) and scheduled mortgage principal repayments. It measures Urbanfund's ability to meet debt obligations. Debt service ratio is calculated under *Debt Profile* section of this MD&A.

Interest Coverage Ratio

Interest coverage ratio is a non-IFRS measure calculated on a trailing 12-month basis and is defined as Adjusted EBITDA divided by the sum of total interest costs (including interest costs capitalized). It measures Urbanfund's ability to meet interest cost obligations. Interest coverage ratio is calculated under *Debt Profile* section of this MD&A.

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RESULTS FROM OPERATIONS

Select Quarterly Information

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Operating results				
Revenue	\$ 1,183,605	\$ 1,307,855	\$ 4,021,589	\$ 4,119,105
Income (loss) before taxes	(205,540)	197,865	3,785,693	2,660,688
Net income and comprehensive income	120,460	494,100	3,148,693	2,695,923
Per share basis, attributable to shareholders				
Basic income per share	\$ 0.006	\$ 0.011	\$ 0.073	\$ 0.060
Diluted income per share	\$ 0.006	\$ 0.010	\$ 0.063	\$ 0.052
Non-IFRS measures (i)				
FFO	\$ 760,651	\$ 211,975	\$ 2,852,070	\$ 2,413,375
ACFO	(144,930)	(277,093)	3,261,553	1,588,739

As at	September 30, 2018	December 31, 2017	September 30, 2017
Financial position			
Total assets	\$ 77,655,021	\$ 84,332,317	\$ 68,360,782
Total investment properties	\$ 56,257,766	\$ 61,427,685	\$ 58,552,259
Total debt	\$ 28,726,342	\$ 36,584,854	\$ 28,886,616
Non-IFRS measures (i)			
Debt to total assets		37%	43%
Debt to Adjusted EBITDA (ii)		3.24	4.80
Interest coverage ratio (ii)		8.06	5.83
Debt service ratio (ii)		1.72	2.57

(i) Represents non-IFRS measures. For definitions and basis of presentation for non-IFRS measures, refer to *Non-IFRS Measures* section of this MD&A.

(ii) Calculated on a trailing twelve month basis.

Summary of Quarterly Results

For the three months ended,	Revenue	Net income attributable to shareholders	Basic income per share	Diluted income per share
September 30, 2018	\$ 1,183,605	\$ 296,300	\$ 0.006	\$ 0.006
June 30, 2018	2,335,133	1,412,797	0.036	0.031
March 31, 2018	5,641,214	1,617,596	0.036	0.031
December 31, 2017	1,387,165	4,559,257	0.101	0.087
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

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Net Operating Income

The following table presents IFRS net operating income for the three and nine months ended September 30, 2018 and 2017:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Rental revenue	\$ 1,183,605	\$ 1,307,855	\$ 4,021,589	\$ 4,119,105
Rental expenses	585,260	766,413	1,937,284	2,223,464
NOI	\$ 598,345	\$ 541,442	\$ 2,084,305	\$ 1,895,641
NOI as a percentage of rental revenue	51%	41%	52%	46%

Rental revenue for the three months ended September 30, 2018 was \$1,183,605 in comparison to \$1,307,855, representing a decrease of \$124,250 due to the sale of 48 Weber Street property (see *Joint Operations and Limited Partnerships*) and realty tax recoveries on Urbanfund's wholly owned properties. Rental expenses for the three months ended September 30, 2018 were \$585,260 in comparison to \$766,413 representing a decrease of \$181,153 primarily due to capital repairs incurred during the quarter instead of general maintenance expenditures relating to the 305 North Front Street property and the sale of 48 Weber Street property.

NOI as a percentage of rental revenue for the three months September 30, 2018 has increased by 9% due to the IFRS treatment of capital expenditures versus maintenance expenditures. Taking this into consideration, NOI as a percentage of revenue is relatively stable and consistent with comparative period, which is expected due to Urbanfund's income property portfolio being stabilized.

Other Income

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Profit from investment in real estate project	\$ 300,000	\$ -	\$ 800,000	\$ 1,666,667
Income from equity accounted investment	91,100	-	277,321	-
Interest income	25,040	15,078	82,921	83,017
Fair value adjustment on marketable securities	20,428	1,438	100,488	73,279
Fair value adjustment on investment properties	-	-	209,104	-
Other income	\$ 436,568	\$ 16,516	\$ 1,469,834	\$ 1,822,963

Profit from investment in real estate project (the "Project") for the three months ended September 30, 2018 was \$300,000 relating to distributions relating to the closing of condominium units from the Project. See *Other Real Estate Investments*.

Income from equity accounted investment for the three months ended September 30, 2018 was \$91,100 due to the stub-period income pick-up of operations. See *Other Real Estate Investments*.

Interest income for the three months ended September 30, 2018 was \$25,040 in comparison to \$15,078 during the three months ended September 30, 2017, representing a nominal increase of \$9,962. This increase is due to an increase in interest from cash balances held by Urbanfund.

During the three months ended September 30, 2018, Urbanfund recognized fair value adjustments on marketable securities of \$20,428 in comparison to \$1,438 during the three months ended September 30, 2017, representing an increase of \$18,990. This is due to the relative decrease in the fair value adjustment of marketable securities held for trading over the previous period.

During the three months ended September 30, 2018 and 2017, Urbanfund recognized fair value adjustments on investment properties of \$nil and \$nil, due to revaluation adjustments on our income properties relating to our wholly owned commercial and residential properties.

Other Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Financing costs	\$ 203,851	\$ 246,129	\$ 824,010	\$ 737,718
General and administrative costs	101,488	108,432	355,091	234,132
Fair value adjustment on investment properties	771,547	5,532	-	86,066
Other expenses	\$ 1,076,886	\$ 360,093	\$ 1,179,101	\$ 1,057,916

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Other Expenses (Cont'd)

Financing costs for the three months ended September 30, 2018 were \$203,851 in comparison to \$246,129 for the three months ended September 30, 2017, representing a decrease of \$42,278. The \$42,278 decrease relates to decreased financing costs due to the extinguishment of the mortgage related to 48 Weber Street, 61 Roy Street and 65 Roy Street properties.

General and administrative costs for the three months ended September 30, 2018 was \$101,488 in comparison to \$108,432 for the three months ended September 30, 2017, representing a nominal decrease of \$6,944 and is relatively stabilized in comparison to the prior quarter.

The fair value adjustment of investment properties for the three months ended September 30, 2018 was \$771,547 in comparison to \$5,532, representing an increase in \$766,015 primarily due to decreases in fair value of investment properties relating to our Quebec properties of \$209,104 and \$417,210 of transaction costs relating to the sale of 48 Weber Street, 61 Roy Street and 65 Roy Street properties.

Occupancy

We continually strive to ensure high rate of occupancy and a diversification of our tenant bases and anchor type to minimize the degree of reliance on any one single tenant. In the regular course of business, our occupancy of our Quebec properties will fluctuate between the second and third quarter, with expiry and assumption of new one-year residential tenant leases.

We actively monitor our building occupancies to ensure that tenants are replaced at economically or better lease terms and conditions. See *Risks and Uncertainties*.

The following table details our weighted average portfolio occupancy stratified by commercial and residential properties:

	2016				2017	2018		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Commercial properties	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Residential properties	94.2%	96.2%	94.3%	92.9%	95.6%	95.4%	95.9%	97.0%

Occupancy in our residential properties has improved primarily due to improvements in occupancy rates in Quebec Headway due to our renovations initiative. See *Joint Operations and Limited Partnerships*.

Funds from Operations ("FFO")

The following table presents a reconciliation of IFRS net income and comprehensive income attributable to shareholders to FFO:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income attributable to shareholders	\$ 296,300	\$ 507,198	\$ 3,326,693	\$ 2,698,117
<i>Add back / (deduct):</i>				
Interest income	(25,040)	(15,078)	(82,921)	(83,017)
Income from equity accounted investment	(91,100)	-	(277,321)	-
Distributions from equity accounted investment	200,000	-	200,000	-
Deferred income tax expense (recovery)	(369,000)	(283,000)	1,000	(212,000)
Fair value adjustment on marketable securities	(20,428)	(1,438)	(100,488)	(73,279)
Fair value adjustment on investment properties	771,547	5,532	(209,104)	86,066
Straight-line of rental revenue	(1,628)	(1,239)	(5,789)	(2,512)
FFO	\$ 760,651	\$ 211,975	\$ 2,852,070	\$ 2,413,375
Weighted average number of shares - basic	45,586,534	44,334,681	45,410,624	44,707,170
Weighted average number of shares - diluted	52,878,260	51,579,681	52,835,624	52,132,170
FFO per share - basic	\$ 0.017	\$ 0.005	\$ 0.063	\$ 0.054
FFO per share - diluted	\$ 0.014	\$ 0.004	\$ 0.054	\$ 0.046

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RESULTS FROM OPERATIONS (CONT'D)

Funds from Operations ("FFO") (Cont'd)

FFO for the nine months ended September 30, 2018 was \$2,852,070 in comparison to \$2,413,375 for the nine months ended September 30, 2017, representing an increase of \$438,695, which was primarily due to the following:

- An increase in operating income related to 11-13 Edvac Drive inventory property sales of \$1,410,655;
- An increase in distributions from equity accounted investment of \$200,000;
- Offset by:
 - A decrease in profit from the Project of \$866,667;
 - An increase in finance costs of \$86,292;
 - An increase in transaction costs, included in fair value adjustment of investment properties of \$417,210; and
- \$198,209 of other fluctuations related to nominal amounts that the Company decided not to investigate further.

Adjusted Cash Flows from Operations

The following table presents a reconciliation of IFRS net income and comprehensive income attributable to shareholders to FFO:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Cash provided by (used in) operating activities	\$ (74,945)	\$ (114,917)	\$ 4,073,204	\$ 2,235,146
Adjustments to working capital changes for ACFO (i)	204,175	(75,274)	310,349	201,399
Normalized capital expenditures (ii)	(450,000)	(100,000)	(1,300,000)	(850,000)
Non-controlling interests	175,840	13,098	178,000	2,194
ACFO	\$ (144,930)	\$ (277,093)	\$ 3,261,553	\$ 1,588,739

(i) Includes working capital changes that based on REALpac February 2017 whitepaper, are not indicative of sustainable cash flow for distribution. ACFO includes income taxes not relating to operating activities, tenant deposits, and deferred financing charges.

(ii) Normalized capital expenditures are management's estimate of ongoing capital investment required to maintain the condition of the property and current rental revenues. Refer to *Non-IFRS Measures* section of this MD&A for further details.

INVESTMENT PROPERTIES

Refer to note 5 of the Consolidated Financial Statements for the change in consolidated IFRS values of Urbanfund's investment properties.

Valuation Process

Urbanfund will measure majority of its income properties, using valuations prepared by its management team. This team consists of individuals who are knowledgeable and have specialized industry experience in real estate valuations. The internal valuations are reviewed and approved by the Chief Executive Officer on a quarterly basis.

Depending on the asset, management may opt to obtain an independent third-party appraisal from firms that employ experienced valuation professionals having the required qualifications in property appraisals for the purpose of assessing the internal valuations. Going forward, Urbanfund's management will judgmentally select properties for external appraisals on a rotating basis.

Capitalization Rates

The capitalization rates used in the valuation of income properties are based on the quality of the properties, the location and takes into account market data. The table below provides the weighted average capitalization rates stratified by commercial and residential properties:

	December 31, 2017			September 30, 2018		
	Minimum	Maximum	Average	Minimum	Maximum	Average
Commercial properties	5.50%	5.50%	5.50%	3.90%	5.30%	4.63%
Residential properties	3.60%	6.50%	4.45%	5.00%	8.00%	5.56%

**URBANFUND CORP.
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PROPERTIES UNDER DEVELOPMENT

Properties under development include those properties, or components thereof, that will undergo activities that will take a substantial period of time to prepare the properties for their intended use as income properties. The cost of a development property that is an asset acquisition comprises of cash, or the fair value of other consideration, paid to acquire the properties, including transaction costs, the development costs including property taxes and borrowing costs on specific debt. Properties under development are measured under IFRS at cost, until the point in which fair value can be reliably determinable, usually at the point of project completion.

Properties under development represent a significant pipeline for growth of Urbanfund's property portfolio. Properties under development are completed either independently or with a partner as defined in *Joint Operations and Limited Partnerships*. Management expects that the properties under development will continue to be of increasing importance to creating future NOI growth.

Management's current estimates and assumptions may change through the course of the development due to market conditions and other factors, see *Risks and Uncertainties*.

The following table presents Urbanfund's properties under development as at September 30, 2018 and December 31, 2017:

	Nine months ended September 30, 2018						Total
	61	51, 55, 59	59, 61, 65	65	11-13		
	Roy St.	Scott St.	Weber St.	Roy St.	Edvac Dr.		
Opening balance	\$ 581,543	\$ 2,197,721	\$ 1,680,212	\$ 738,209	\$ -	\$ 5,197,685	
Development costs	6,082	76,265	393,568	13,166	-	489,081	
Disposition	(587,625)	-	-	(751,375)	-	(1,339,000)	
Closing balance	\$ -	\$ 2,273,986	\$ 2,073,780	\$ -	\$ -	\$ 4,347,766	

	December 31, 2017						Total
	61	51, 55, 59	59, 61, 65	65	11-13		
	Roy St.	Scott St.	Weber St.	Roy St.	Edvac Dr.		
Opening balance	\$ 467,799	\$ -	\$ 1,483,541	\$ 629,628	\$ 2,687,471	\$ 5,268,439	
Acquisitions	-	2,100,000	-	-	-	2,100,000	
Development costs	113,744	97,721	196,671	108,581	-	516,717	
Transfers, net (i)	-	-	-	-	(2,687,471)	(2,687,471)	
Closing balance	\$ 581,543	\$ 2,197,721	\$ 1,680,212	\$ 738,209	\$ -	\$ 5,197,685	

(i) As at December 31, 2017, the 11-13 Edvac, Ontario property met the change in use criteria as evidenced by the commitment of management to complete the development with a view to sell, and therefore the carrying value of the property was transferred to inventory properties.

- **61 Roy St. and 65 Roy St.** - The Company sold 61 and 65 Roy St. together with 48 Weber St. for \$7,300,000, less total transaction costs of \$417,210. See *Joint Operations and Limited Partnerships*.
- **51, 55, 59 Scott St. and 59, 61, 65 Weber St.** - During the year ended December 31, 2017, Urbanfund acquired 51, 55, 59 Scott Street, Kitchener, Ontario. Together with our previously acquired 59, 61, 65 Weber Street, the Company plans to raze the existing vacant units, amalgamate the land and a multi-family rental building on site. The Company received approval of the site plan which will allow for building permit application to be submitted. The Company is expecting to secure the approvals in Q1 of 2019.

INVENTORY PROPERTIES

Inventory properties are properties acquired or under development which the Company intends to dispose all or part thereof in the ordinary course of business, rather than to hold on a long-term basis for capital appreciation or for rental income purposes or both. It is expected that Urbanfund will earn a return on these assets through a combination of NOI during development, which will be included in net income and sales of inventory properties.

Transfers into inventory properties are based on a change in use evidenced by the commencement of development expenditures with the view to sell, at which point an investment property would be transferred to inventory. Transfers from inventory property to investment property are based on a change in use evidenced by management's commitment to use a property for rental purposes or the commencement of an operating lease to another party.

**URBANFUND CORP.
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FOR THE PERIOD ENDED SEPTEMBER 30, 2018**

INVENTORY PROPERTIES (Cont'd)

As at September 30, 2018 and December 31, 2017, the movements in inventory property are as follows:

	Nine months ended September 30, 2018		
	11-13	4 Alfred	Total
	Edvac Dr.	Kuehne	
Opening balance	\$ 3,473,551	\$ 2,474,335	5,947,886
Development costs	254,157	384,712	638,869
Disposition	(3,727,708)	-	(3,727,708)
Closing balance	\$ -	\$ 2,859,047	\$ 2,859,047

	December 31, 2017		
	11-13	4 Alfred	Total
	Edvac Dr.	Kuehne	
Opening balance	\$ -	\$ -	\$ -
Transfers, net (i)	2,687,471	-	2,687,471
Acquisitions	-	2,350,000	2,350,000
Development costs	786,080	124,335	910,415
Closing balance	\$ 3,473,551	\$ 2,474,335	\$ 5,947,886

- (i) As at December 31, 2017, the 11-13 Edvac, Ontario property met the change in use criteria as evidenced by the commitment of management to complete the development with a view to sell, and therefore the carrying value of the property was transferred to inventory properties.
- **11-13 Edvac Dr.** - The Company together with its partner has sold units and received distributions of \$3,020,000 relating to a return of capital of \$1,625,000 and income of \$1,395,000 relating to profits on the sale of these units. Under IFRS, Urbanfund has consolidated 50% of the Edvac joint venture in the Consolidated Financial Statements.
 - **4 Alfred Kuehne** - During the year ended December 31, 2017, Urbanfund, together with its joint venture partner, Takol Real Estate Inc., purchased 4 Alfred Kuehne, Brampton, Ontario. The intention of the project is to renovate and sell the 12 units. As at the date of this MD&A, the Company has submitted a pending application with the Toronto Region Conservation Authority for permits to redevelop the property. The Company estimates project completion in Q4 of 2019.

JOINT OPERATIONS AND LIMITED PARTNERSHIPS

Urbanfund operates some of its real estate investments with its partners through joint operations or limited partnerships. A joint operation is a type of joint arrangement where Urbanfund has joint control of the rights to the assets and the obligations for the liabilities. Limited partnerships are structures where Urbanfund does not own all the equity in a consolidated subsidiary, and therefore the non-controlling equity interest is presented as a separate component of equity in our 2017 Annual Consolidated Financial Statements.

Select Financial Information of Joint Operations and Limited Partnerships

September 30, 2018	Method of consolidation under IFRS	Number of properties (i)	Properties (i)	Mortgages payable	Rental revenues	NOI
Quebec Headway	Proportionately consolidate	9	\$ 9,910,000	\$ 2,556,098	\$ 1,087,407	\$ 449,427
Edvac	Proportionately consolidate	- (iii)	-	-	34,214	10,286
Alfred Kuehne	Proportionately consolidate	1	2,859,047	1,524,742	99,193	39,724
Weber LP	Consolidate with NCI (ii)	1	928,083	-	265,157	92,805
Weber 2 LP	Consolidate with NCI (ii)	2	2,487,483	-	-	-
Weber 3 LP	Consolidate with NCI (ii)	1	932,200	-	-	-

- (i) Number of properties includes income properties, properties under development or inventory properties for the purpose of this table.
(ii) NCI means non-controlling interest in accordance with IFRS.
(iii) 11-13 Edvac was sold as of September 30, 2018.

**URBANFUND CORP.
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JOINT OPERATIONS AND LIMITED PARTNERSHIPS (CONT'D)

Sale of 48 Weber Street, 61 Roy Street and 65 Roy Street

On July 16, 2018, Urbanfund finalized its sale of 48 Weber Street, 61 Roy Street and 65 Roy Street for an aggregate purchase price of \$7,300,000, less total transaction costs of \$417,210. The net proceeds will be distributed in accordance with the limited partnership agreement:

- (i) to Urbanfund until it has received its initial capital contribution, plus an amount required to achieve an annualized internal rate of return equal to 6%;
- (ii) to the limited partner until it has received its initial capital contribution, plus an amount required to achieve an annualized internal rate of return equal to 6%; and
- (iii) thereafter, 90% to Urbanfund and 10% to the limited partner.

Development of Quebec Headway properties

Urbanfund is focused on optimizing the value of the existing properties held under Quebec Headway through its development program. As at September 30, 2018, select properties within the portfolio have completed significant renovations which have increased the attractiveness of the residential rental complexes for Domaine Anjou, Versant Nord and Complex Renaissance. Subsequent to the redevelopment the properties have experienced a higher rate of occupancy. Urbanfund plans to continue with the renovation of additional properties in the portfolio.

OTHER REAL ESTATE INVESTMENTS

Equity accounted investment

On August 21, 2017, Urbanfund invested \$7,569,980 for a 20% interest in Highfield Park Residential Inc., with the remaining 80% interest retained by Westdale Construction Co. Limited ("Westdale"), which in turn purchased the Highfield Park portfolio ("Highfield Park") for \$113,000,000 plus customary closing costs, funded by way of a \$77,000,000 mortgage and \$36,000,000 in equity contributions.

Highfield Park represents 1,354 units within 20 buildings spanning approximately 37 acres in Dartmouth, Nova Scotia. In the opinion of management, Highfield Park represented a competitive acquisition for Urbanfund to establish an immediate scale and presence in the Halifax residential market at an attractive price of approximately \$83,456 per unit.

Highfield Park has been accounted for as an equity accounted for investment, Urbanfund's share of the net income for the nine month period ended September 30, 2018 was \$277,321 (December 31, 2017 - \$109,417). During the three month period ended September 30, 2018, Urbanfund received distributions from Highfield Park of \$200,000 (December 31, 2017 - \$nil).

The following table presents the financial position of Highfield Park as at September 30, 2018 and December 31, 2017 in accordance with IFRS:

As at	September 30, 2018	December 31, 2017
Current assets	\$ 1,231,763	\$ 1,568,280
Non-current assets	114,931,117	114,269,590
Current liabilities	(1,447,670)	(1,269,498)
Non-current liabilities	(75,931,622)	(76,171,386)
Net assets	38,783,588	38,396,986
Equity accounted investment	\$ 7,756,718	\$ 7,679,397

Investment in Real Estate Project

In 2009, Urbanfund invested for a 10% interest in a limited partnership, which in turn has a 33% interest in the One Bloor Street East real estate project (the "Project"). The Project is a mixed-use skyscraper at the intersection of Bloor Street and Yonge Street in Toronto, Ontario. As at September 30, 2018, Urbanfund received distributions relating to profit on the sales of real estate of \$800,000, respectively. Total profits received from the Project as of the date of this MD&A were \$4,966,667.

**URBANFUND CORP.
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LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Cash Flow Management

The Company expects to meet all of its obligations, including dividends to shareholders, property maintenance, capital expenditures and other commitments as they become due. The Company has various financing sources to fund future acquisitions and continues to fund working capital needs from cash flows generated from operating activities.

Cash flows from operating activities are dependent on the occupancy levels of the Company's income properties. See *Risks and Uncertainties*.

The following table presents liquidity as a percentage of debt:

As at	September 30, 2018	December 31, 2017
Cash	\$ 9,173,546	\$ 8,002,475
Accounts receivable (i)	246,579	344,596
Marketable securities	555,390	446,825
Liquidity	\$ 9,975,515	\$ 8,793,896
Mortgages payable	28,726,342	36,584,854
Debt	\$ 28,726,342	\$ 36,584,854
Liquidity expressed as a percentage of debt	34.7%	24.0%

(i) As of the date of this MD&A, Urbanfund has collected its outstanding amounts due as at September 30, 2018, and therefore accounts receivable have been factored in Liquidity.

The Company's liquidity will be impacted by contractual commitments as outlined in the *Debt Profile*. Urbanfund's debt obligations can be funded by the Company's cash and cash equivalents, marketable securities, rental revenue from property operations.

DEBT PROFILE

Mortgages Payable

The following table presents mortgages payable, net of unamortized financing costs:

As at	September 30, 2018	December 31, 2017
Current	\$ 1,076,249	\$ 7,255,927
Non-current	27,408,809	29,055,011
	\$ 28,485,058	\$ 36,310,938
Mortgages payable	\$ 28,485,058	\$ 34,528,600
Mortgages payable on inventory property held for sale	-	1,782,338
	\$ 28,485,058	\$ 36,310,938

The following table sets out the principal payments of our mortgages payable:

As at September 30, 2018	Mortgages payable	Percentage of aggregate total
Remainder of 2018	\$ 276,304	1.0%
2019	2,617,090	9.1%
2020	1,112,499	3.9%
2021	1,038,614	3.6%
2022	9,801,303	34.1%
Thereafter	13,880,532	48.3%
Aggregate total mortgages payable, excluding unamortized financing costs	28,726,342	100.0%

**URBANFUND CORP.
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DEBT PROFILE (CONT'D)

Mortgages Payable (Cont'd)

During the nine months ended September 30, 2018, total mortgages payable were \$28,485,058 in comparison to \$36,310,938, representing a decrease of \$7,825,880. The decrease of \$7,825,880 is a result of:

- Decrease of \$1,782,338 relating to repayment of 11-13 Edvac mortgage;
- Decrease of \$625,000 relating to repayment of 59 Weber Street mortgage;
- Decrease of \$4,568,917 relating to repayment of 48 Weber Street and 61 Roy Street mortgage; and
- Decrease of \$849,625 relating to scheduled principal repayments.

Other Metrics

Other metrics are tracked and disclosed to help facilitate financial statement users' understanding of Urbanfund's ability to service debt and fixed charges, these metrics include debt to Adjusted EBITDA, interest coverage, and debt service coverage. The following table presents the interest coverage and debt service coverage calculation:

Twelve months ended	September 30, 2018	December 31, 2017
Interest coverage	8.06	5.83
Debt service coverage	1.72	2.57

(i) Refer to *Non-IFRS Measures* for further details on the method of calculation.

Urbanfund's goal is to reduce leverage and further improve our interest and debt service coverage. As at September 30, 2018, the interest coverage ratio improved as a result of decreased overall financing costs as a result of the extinguishment of the mortgages as identified above. As at September 30, 2018, the debt service coverage as decreased marginally as a result of principal repayments of 11-13 Edvac and 48 Weber Street, 61 Roy Street and 65 Roy Street mortgage.

The following table presents a reconciliation of consolidated net income from continuing operations attributable to shareholders to Adjusted EBITDA:

Twelve months ended	September 30, 2018	December 31, 2017
Net income attributable to shareholders	\$ 7,885,950	\$ 7,257,374
Add (deduct):		
Current income tax expense	2,092,695	1,556,000
Deferred income tax expense	2,526,000	1,944,000
Finance costs	868,604	991,561
Fair value adjustment on marketable securities	175,338	(122,237)
Fair value adjustment on investment properties	(7,512,017)	(5,673,753)
Adjusted EBITDA	\$ 6,036,570	\$ 5,952,945
Debt outstanding	\$ 28,726,342	\$ 36,584,854
Less: cash	(9,173,546)	(8,002,475)
Debt, net of cash and cash equivalents	\$ 19,552,796	\$ 28,582,379
Debt to Adjusted EBITDA	3.24	4.80

DIVIDEND REINVESTMENT PLAN ("DRIP")

On June 17, 2015, the Company adopted a dividend policy (the "Dividend Policy") and implemented dividend reinvestment plans for the Company's common and preferred shareholders (collectively, the "DRIP"). The DRIP is a voluntary program permitting holders of the Company's common and preferred shares to automatically, and without charge, reinvest quarterly dividends to acquire additional common shares at a discount to the volume-weighted average market price as of the date of payment.

On June 18, 2018, Urbanfund amended its Dividend Policy to increase the annual dividend to a rate of \$0.02 per common share and \$0.02 per preferred share, or 100% increase from the previous year, payable quarterly in the amount of \$0.005 per common and preferred share.

**URBANFUND CORP.
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DIVIDEND REINVESTMENT PLAN (“DRIP”) (CONT’D)

During the nine months ended September 30, 2018, 488,394 common shares were issued pursuant to the Company’s DRIP resulting in additional equity of \$292,067 (September 30, 2017 - 441,940 and \$210,063). The average participant rate of the DRIP was 77.9%.

The Company previously reserved an aggregate of 2,000,000 common shares for issuance to participants in the DRIP. Given the Company’s determination to afford shareholders the opportunity to participate in the DRIP, the Board of Directors has amended the DRIP policy to increase the number of common shares reserved for issuance pursuant thereto. On June 13, 2018, Urbanfund received TSX-V approval for the increase. Notwithstanding the foregoing, the maximum number of common shares reserved for issuance pursuant to the DRIP may not exceed 5% of the Company’s issued and outstanding common shares. As at September 30, 2018, the maximum number of additional common shares that may be reserved for issuance pursuant to the DRIP (including unissued common shares under the previous DRIP) was 2,190,140.

The record date for dividends is the last business day of each quarter and payment is approximately two weeks from the record date. The following table summarizes our quarterly distributions as at September 30, 2018.

	Payment date	Shareholders of record
2017, quarter 4 distribution	Jan. 16, 2018	Dec. 31, 2017
2018, quarter 1 distribution	Apr. 16, 2018	Mar. 31, 2018
2018, quarter 2 distribution	Jul. 16, 2018	Jun. 30, 2018
2018, quarter 3 distribution	Oct. 15, 2018	Sept. 28, 2018

OUTSTANDING SHARE DATA

The following table details Urbanfund’s outstanding share data as of September 30, 2018 and the date of this MD&A:

	September 30, 2018	Date of this MD&A
Common shares	45,586,534	45,842,925
Preferred shares (Series A)	7,425,000	7,425,000

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Company’s significant accounting policies are described in note 3 of the Annual Consolidated Financial Statements. The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures as of the date of the Annual Consolidated Financial Statements. Actual results may differ from estimates under different assumptions and conditions.

Our significant judgments include: (i) capitalization of tenant incentives and capital improvements to investment properties; (ii) lessor accounting; (iii) acquisitions of investment properties; (iv) joint arrangements; (v) significant influence investees; and (vi) classification of assets and liabilities as held for sale. Our significant estimates include: (i) capitalization rates and stabilized net operating income used in the fair value of investment properties; and (ii) fair value of marketable securities. Our significant judgments and estimates have been reviewed and approved by the Audit Committee for completeness of disclosure on what management believes would be relevant and useful to investors in interpreting the amounts and disclosures in our Annual Consolidated Financial Statements.

CHANGES IN ACCOUNTING POLICIES

Revenue from Contracts with Customers (“IFRS 15”)

The Company adopted IFRS 15 on its effective date of January 1, 2018 using the modified retrospective approach. IFRS 15 replaces IAS 18, *Revenue*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The standard requires entities to exercise judgment, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with customers.

The Company’s assessment included a review of the relevant contracts for the following key areas that are in the scope of IFRS 15, common area maintenance recoveries and inventory property sales. The Company has concluded that there are no significant differences in revenue recognition for these revenue streams between the point of transfer of risks and rewards under IAS 18 and the point of transfer of control under IFRS 15. No transitional adjustment has been recorded as at January 1, 2018.

The Company has adopted each of the accounting policies noted below on January 1, 2018:

URBANFUND CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED SEPTEMBER 30, 2018

CHANGES IN ACCOUNTING POLICIES (CONT'D)

Revenue from Contracts with Customers ("IFRS 15") (Cont'd)

(i) Rental revenue

Rental revenue is generated through operating leases, which create a legally enforceable right to use the underlying asset by the tenant and require Urbanfund to provide other services. Base rent and realty tax recoveries are accounted for pursuant to IAS 17, *Leases* and are therefore outside the scope of IFRS 15.

Common area maintenance ("CAM") recoveries are considered non-lease components and therefore are within the scope of IFRS 15. CAM services are integrated with property management services to the tenants in exchange for CAM recoveries. CAM services are considered to be a single performance obligation delivered to tenants. Urbanfund receives variable consideration for CAM recoveries and recognizes this as revenue over the period those services are provided.

(ii) Inventory property

Contracts with customers for inventory property sales include one distinct performance obligation. Revenue is measured at the transaction price agreed under the contract and is recognized when control over the inventory property has been transferred, which is when possession passes to the customer and the customer has the ability to use and obtain substantially all of the benefits of the inventory property.

Financial Instruments ("IFRS 9")

Effective January 1, 2018, the Company adopted IFRS 9 using the modified retrospective basis with no restatement of comparative periods. IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. 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. 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.

Under IFRS 9, financial assets are classified on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets after initial recognition are classified and measured either as: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI") with fair value gains or losses recycled to net income on derecognition; or (iii) fair value through profit and loss ("FVTPL"). Financial liabilities are classified and measured on two categories: (i) amortized cost; or (ii) FVTPL.

Financial assets

The Company's marketable securities were previously classified as fair value through profit and loss were measured at FVTPL, whereby fair value adjustments on marketable securities were recorded in net income. Under IFRS 9, the classification and measurement of marketable securities do not meet the measurement criteria to be held at amortized cost or FVOCI and are measured at FVTPL with fair value adjustments on marketable securities recorded in net income.

Financial liabilities

The Company's mortgages payable and mortgages payable associated with assets held for sale are measured at amortized cost using the effective interest method and remain substantially the same under IFRS 9.

No transitional adjustments have been recorded relating to the Company's adoption of IFRS 9 as at January 1, 2018.

Investment Properties ("IAS 40")

In December 2016, the IASB issued an amendment to IAS 40 clarifying certain existing requirements. The amendment requires that an asset be transferred to or from investment properties only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of an investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments were applied prospectively by Urbanfund on the effective date of January 1, 2018. There were no changes in the classification of any of Urbanfund's investment properties upon the adoption of these amendments.

URBANFUND CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED SEPTEMBER 30, 2018

FUTURE CHANGES IN ACCOUNTING POLICIES

Leases ("IFRS 16")

IFRS 16 was issued in May 2016. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains substantially unchanged, and the distinction between operating and finance leases is retained. IFRS 16 is effective for the Company's annual periods beginning on or after January 1, 2019, with early adoption permitted. Urbanfund will not be early adopting IFRS 16. The Company does not expect a material impact on the classification of its tenant leases on the adoption of this standard.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer have designed or caused to have designed controls to provide reasonable assurance that (i) material information relating to the Company is made known to management by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual and interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time frame specified in the securities legislation. Based on the evaluations, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were adequate and effective.

Urbanfund has established internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. Management, including the Company's Chief Executive Officer and Chief Financial Officer have determined that as at September 30, 2018, the internal controls over financial reporting were effective.

Due to the inherent limitation in all control systems, including well-designed and operated systems, no control can provide absolute assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected or prevented. These inherent limitations include, but are not limited to: (i) management's assumptions and judgments could be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people or management override.

RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may enter into transactions with entities whose directors are also Urbanfund's directors and/or part of Urbanfund's senior management. All such transactions are in the normal course of operations and are measured at market-based exchange amounts.

The Company engages Westdale, a related party, to perform management services. Westdale is owned and controlled by Ronald Kimel, who is also Chairman of Urbanfund. Urbanfund contracts Westdale to provide management services equal to 3% on wholly-owned residential properties and 4% on wholly-owned commercial properties. During the nine months ended September 30, 2018, property management fees and cost reimbursements were \$93,133 and \$175,198, respectively (September 30, 2017 - \$76,631 and \$169,778).

For further details on related party transactions, refer to note 14 of the Consolidated Financial Statements.

RISKS AND UNCERTAINTIES

The achievement of Urbanfund's objectives is, in part, dependent on the successful mitigation of business risks identified. Real estate investments are subject to a degree of risk. They are affected by various factors including changes in general economic and local market conditions, equity and credit markets, fluctuations in financing costs, attractiveness of investment properties to tenants, competition, credit ratings of existing tenants and other factors.

The following are risks that could affect Urbanfund that each reader should carefully consider. Additional risks and uncertainties may not be presently known to management, or that management believes is not material, which could adversely impact the results of our operations.

URBANFUND CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED SEPTEMBER 30, 2018

RISKS AND UNCERTAINTIES (CONT'D)

Market Conditions

Urbanfund faces risks associated with general market conditions and their potential effects. Current general market conditions may include, among other things, insolvency of market participants, tightening of lending standards, decreased availability of cash and changes in unemployment levels, retail sales levels and real estate values. These market conditions may affect occupancy levels and Urbanfund's ability to obtain credit on favourable terms.

Real Estate Ownership

All real property is subject to a degree of risk and uncertainty. The value of real property and any improvement thereto depend on the credit and financial stability of tenants and vacancy rates of such properties. The value of some of our properties could be adversely affected if tenants fail to comply with their contractual obligations, experience credit or financial instability. If a significant number of tenants are unable to meet their obligations under their leases or of a significant amount of available space in Urbanfund's property portfolio becomes vacant and cannot be re-leased on economically favourable terms, the properties may not generate sufficient rental revenues to meet operating expenses, including debt service, capital expenditures and dividend payments.

Certain significant expenditures involved with real estate ownership, such as property taxes, insurance costs, maintenance costs and mortgage payments represent liabilities which must be met, regardless of whether the property is generating rental revenue through tenant occupancy. Urbanfund continually seeks to re-lease vacant space resulting from tenant terminations.

Illiquidity of Investment Properties

Real estate investments are relatively illiquid. As a significant proportion of Urbanfund's capital is invested in physical assets, which can be difficult to sell, especially if local market conditions are poor. A lack of liquidity could limit Urbanfund's ability to sell components of the portfolio promptly in response to changing economic or investment conditions. If the Company were required to quickly liquidate its assets, there is a risk that we would realize proceeds less than the current value of our real estate investments.

Additional Costs Related to Acquisitions

There is a risk associated with any real estate acquisition or project, that there may be undisclosed or unknown liabilities and that Urbanfund may not be insured for some or all of these liabilities. These undisclosed or unknown liabilities may be material and have an adverse impact on the Company. Urbanfund ensures an appropriate level of due diligence prior to any real estate acquisition or project.

Additional Costs Related to Real Estate Projects

There is a risk associated with the possibility that completed developments will not be leased or sold, or that the costs to complete the development will exceed the initial estimates, resulting in a lower or less favourable return on investment. Urbanfund's real estate projects are subject to risks ordinarily attributable to construction projects, including: (i) delays in construction due to lack of municipal approvals; (ii) unfavourable cost variances in comparison to budget; and (iii) the subsequent failure to lease or sell the investment property.

Lease Renewals and Rental Increases

Growth of rental income is dependent on strong rental markets to ensure expiring leases are renewed and new tenants are found in a timely manner to fill vacancies. It is possible that we may face a disproportionate amount of space expiring in any one period. Upon lease expiry, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may also be less favourable. Additionally, rental rates could decline, tenant bankruptcies could increase, particularly in the event of a protracted disruption in the economy, such as a recession.

Rent Control Legislation

Rent control legislation and the risk of implementation of legislative rent controls or amendments in the markets Urbanfund operates may have an adverse impact. The *Residential Tenancies Act* in Ontario, the *Residential Tenancies Act* in Nova Scotia and the *Régie du Logement* in Quebec are responsible for providing the criteria for the ability to increase rents annually above a prescribed guideline. In Ontario, the rental increase guideline for 2019 is 1.8%. In Nova Scotia, the allowable rent increase for 2019 is 1.2%. In Quebec, Urbanfund is free to negotiate the rental increase with its tenants as deemed just and reasonable, however, if there is difficulty reaching an agreement, the *Régie du Logement* provides guidelines on annual indexed rent increases.

URBANFUND CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED SEPTEMBER 30, 2018

RISKS AND UNCERTAINTIES (CONT'D)

Joint Arrangements and Co-ownerships

Urbanfund participates in joint arrangements, partnerships and other similar arrangements (herein after "partners") that may involve risks and uncertainties not present absent third-party involvement, including, but not limited to: (i) dependency on the partners that are not under our control; (ii) the partners may have economic or business interests inconsistent with the Company; (iii) the partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such properties or repay the partners' share of obligations; (iv) whereby Urbanfund does not have control, the partners may enter into activities which may expose or subject Urbanfund or its subsidiaries to liability; and (v) the need to obtain the partners consent with respect to major decisions. Accordingly, we may not be able to favourably resolve issues with respect to such decisions, or we may become engaged in a dispute with the partners which may affect our ability to operate the joint arrangement, partnerships or other arrangements in question.

Mortgage Financing Risks

The real estate industry is highly capital intensive. Urbanfund will continue to require access to capital to maintain its properties, fund the development of its properties and invest in other real estate related projects. Given the relatively small size of the Canadian market place in comparison to global markets, there is a limited number of lenders from which Urbanfund can borrow, and there is no assurance that capital will be available when needed.

Urbanfund has outstanding indebtedness in the form of mortgages payable and is subject to the risks normally associated with debt financing, including the risk that we may not generate sufficient cash flow to meet the scheduled terms of repayment. Additionally, upon expiry of the financing, there is risk that the terms and conditions may be less favourable than the existing financing. Urbanfund's financial condition and results would be adversely affected if it were unable to obtain financing or cost-effective financing.

Equity Financing Risks

Equity markets for small capitalized public companies are subject to varying degrees of risk. The Company may not always have access to additional capital via equity offerings. As a result, in the absence of obtaining mortgage financing as identified in *Mortgage Financing Risks*, additional capital may not be available. In management's opinion, the risk of lack of financing is not significant, as the Company continues to leverage its existing asset base, as well as mortgage financing to take advantage of real estate opportunities, as they arise.

General Uninsured Losses

Urbanfund carries comprehensive general liability insurance for fire, flood and extended coverage for rental loss with policy specific limits and deductibles depending on the property. However, there are certain risks (generally catastrophic, 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, Urbanfund could be negatively impacted through loss of the investment, anticipated profits and cash flows from one or more of its investment properties. In addition, the Company would continue to be obligated to repay any balance of mortgages outstanding on such properties.

Environmental Matters

Under various environmental and ecological laws, Urbanfund could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances may adversely affect the Company's ability to sell such property or to borrow or use the property as collateral and could also result in claims against the Company by third parties. Urbanfund is not currently aware of any material non-compliance, liability or claim with respect to any of its properties that it believes would involve material expenditures to the Company.

Key Personnel

Urbanfund's executive and other senior officers have a significant role in the success of our operations. Our ability to retain our current management team or ensure suitable replacements could have an adverse effect on the Company and its operations.

We rely on the services of key personnel on our executive including the Chief Executive Officer and Chief Financial Officer and the loss of their services could have an adverse effect on the Company. We are mitigating this risk through implementation of succession planning.

URBANFUND CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED SEPTEMBER 30, 2018

RISKS AND UNCERTAINTIES (CONT'D)

Potential Conflicts of Interest

Urbanfund is subject to various conflicts of interest due to the directors and officers being engaged in other real estate related activities. The Company may become involved in transactions which may conflict with our overall business objectives. The directors, from time to time may enter into arrangements with individuals or companies with which may also be desirable to Urbanfund. The interests of these persons and/or companies could conflict with those of Urbanfund. In addition, the individuals or companies may be competing with Urbanfund for available investment opportunities.

Our directors or officers who are identified to be in conflict with are required to disclose material interests in material contracts and transactions and are refrained from voting on a resolution to approve a material contract or transaction.

Significant Shareholders

As of the date of this MD&A, our directors and officers hold, directly or indirectly, a majority of the outstanding common shares and 100% of the preferred shares. The market price of our common shares could be significantly affected if our directors or officers intend or are perceived to be selling their holdings in Urbanfund.

Dividends

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

Cyber Security Threats

A cyber incident is an intentional or unintentional event that could threaten the integrity, confidentiality or availability of the Company's information resources. These events include, but are not limited to, unauthorized access to information systems, a disruption to our information systems, or loss of confidential information. Urbanfund's primary risks that could result directly from the occurrence of a cyber incident include operational interruption, damage to our public image and reputation, and/or potentially impact the relationships with our tenants.

We have implemented processes, procedures and controls to mitigate these risks, including, but not limited to, firewalls and antivirus programs and training and awareness programs on the risks of cyber incidents. These procedures and controls do not guarantee that the financial results may not be negatively impacted by such an incident.

ADDITIONAL INFORMATION

These documents, as well as additional information relating to Urbanfund, have been filed electronically with the Canadian securities regulators through the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed through the SEDAR website at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Urbanfund's securities, common share issuances pursuant to the DRIPs and options to purchase the Company's securities authorized for issuance under equity compensation plans, as of December 31, 2017, are contained in Urbanfund's Management Information Circular which was furnished in connection with the annual and special meeting of the shareholders that was held on June 13, 2018.