



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

URBANFUND CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

PROPERTY PORTFOLIO

Property and Location	Accounting treatment under IFRS	Ownership Interest (%)	Site Size (sq. ft.)	Total Suites (#)
ONTARIO				
3080-3094 Don Mills Road. & 200 Van Horne Avenue, Toronto	Wholly-owned	100%	200,812	84
305 North Front Street, Toronto	Wholly-owned	100%	72,796	12
476 Wonderland Road, London	Wholly-owned	100%	16,000	5
48 Weber Street, Kitchener	Limited partnership	90%	8,902	40 (v)
59, 61, 65 Weber Street, Kitchener	Limited partnership	90%	17,300	(i)
61 Roy Street, Kitchener	Limited partnership	90%	5,813	2 (ii) (v)
65 Roy Street, Kitchener	Limited partnership	90%	6,178	5 (ii) (v)
51, 55, 59 Scott Street, Kitchener	Limited partnership	90%	16,700	(i)
11-13 Edvac Drive, Brampton	Joint operation	50%	62,825	40 (iii)
4 Alfred Kuehne, Brampton	Joint operation	50%	46,790	12
1 Bloor Street East, Toronto	Investment, held at cost	3%	1,211,434	789 (iv)
NOVA SCOTIA				
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
QUEBEC				
7251 Avenue Malicorne Anjou, Montreal	Joint operation	10%	535,418	312
11 Rue Thibalt, Bureau 1, Quebec City	Joint operation	10%	97,757	90
11 Rue Thibalt, Bureau 1, Quebec City	Joint operation	10%	125,485	108
249 Avenue Du Pont-Scott, Bureau 105, Quebec City	Joint operation	10%	172,803	192
352 Avenue Saint-Sacrement, Quebec City	Joint operation	10%	28,084	11
2924 Rue De La Vardue, Bureau 102, St. Foy	Joint operation	10%	246,665	208
890 Rue Bourgogne, Bureau 1, St. Foy	Joint operation	10%	117,240	92
656 Avenue De Lestres, Bureau 3, St. Foy	Joint operation	10%	473,515	396
4300 4e Avenue East, Bureau 9, Charlesbourg	Joint operation	10%	394,938	280

- (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 December 31, 2017 and the date of this MD&A.
- (iii) As of the date of this MD&A, 33 of the 40 units have been renovated and sold, see *Events After the Balance Sheet Date*.
- (iv) As of the date of this MD&A, all units have been sold and Urbanfund has received a return on its initial investment of \$1,677,333 and profit distributions of \$3,666,667, see *Investment in Real Estate Project*.
- (v) On March 16, 2018, The Company entered into a conditional agreement to sell 48 Weber Street, 61 Roy Street and 65 Roy Street for \$7,300,000, plus customary closing costs, see *Events After the Balance Sheet Date*.

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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 year ended December 31, 2017. This MD&A is dated April 27, 2018 and should be read in conjunction with 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 *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 under 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 our strategic partners:

- *One Bloor Project* - Urbanfund received its first distribution relating to a return of capital of \$1,677,333, and further distributions relating to profit on the sales of real estate of \$3,666,667. Urbanfund expects further distributions, however, the timing and quantum of these distributions are uncertain and are at the discretion of the project's managing partner. See *Other Real Estate Investments*.

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BUSINESS OVERVIEW AND STRATEGY (CONT'D)

Operational Highlights

- Edvac - The Company substantially completed renovations of the 11-13 Edvac Drive, Brampton, Ontario project. Subsequent to year end, Urbanfund received a distribution from Edvac of \$1,850,000 relating to a return of capital of \$971,000 and income of \$879,000 relating to the profits on the sale of 33 of the 40 units. See *Inventory Properties*.
- Alfred Kuehne - The Company completed the acquisition of 4 Alfred Kuehne, Brampton, Ontario property with plans to renovate and sell the property. See *Inventory Properties*.
- Highfield Park Portfolio - 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"). 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. The Highfield Park portfolio represents 1,354 units within 20 buildings spanning approximately 37 acres in Dartmouth, Nova Scotia. See *Other Real Estate Investments*.
- Weber Limited Partnerships - Urbanfund acquired 51, 55, 59 Scott Street, Kitchener, Ontario see *Properties under Development*. Together with our previously acquired 59, 61, 65 Weber Street, the Company plans to raze the existing vacant units, amalgamate the land and construct a multi-family rental building. Approvals with the City of Kitchener are pending and are expected in Q4 of 2018 or Q1 of 2019.
- La Corporation Headway ("Quebec Headway") - With the scheduled completion of renovations of Domaine Anjou, Versant Nord and Complex 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.

Dividend Increase

As announced on June 16, 2017, our Board of Directors approved an increase in the annual dividend rate to \$0.01 per common share and \$0.01 per preferred share, representing a \$0.005 or 100% increase from the previous year.

Objectives

The Company's objectives are to: (i) directly and indirectly acquire, own and operating 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 monthly cash distributions to shareholders; and (iii) enhance operating income and property values through active management.

Outlook

The real estate market in Canada demonstrated stronger than anticipated growth in 2017 and together with a positive outlook on the economy, has resulted in the Bank of Canada increasing its overnight interest rate by 50 basis points in 2017. In its January 2018 meeting, the Bank of Canada increased the overnight rate an additional 25 basis points. As of April 18, 2018, the Bank of Canada has held its rate at 1.25%. In a statement accompanying interest rate hold, the projection identifies a stronger projection into 2018, we expect a continued trend of further rate increases over the next year. Urbanfund is well positioned to withstand an increase in interest rates due to a strong balance sheet with ample cash and cash equivalents to cover interest costs, fixed term mortgages payable and staggered debt maturities. See *Debt Profile*.

Canada continues to have increased immigration levels with people and the flow of capital moving towards urban areas such as Toronto and Montreal. 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 tightening, 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.

The possibility of U.S. exiting the North American Free Trade Agreement ("NAFTA") has raised concerns about various sectors in the economy, however, Urbanfund believes that the impact of the negotiations are centralized around the industrial sector, whereas most of Urbanfund rental revenues continue to be from derived from non-industrial commercial and residential tenants.

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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 to distribute 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 2017 Annual 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 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 it includes 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)

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 either 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.

RESULTS FROM OPERATIONS

Select Annual Information

Year ended December 31,	2017	2016	2015
Operating results			
Revenue	\$ 5,506,270	\$ 4,955,571	\$ 4,955,571
Net income before taxes	10,844,757	4,657,163	4,032,941
Net income and comprehensive income	7,344,757	4,069,163	3,263,182
Per share basis, attributable to shareholders			
Basic income per share	\$ 0.16	\$ 0.08	\$ 0.07
Diluted income per share	\$ 0.14	\$ 0.07	\$ 0.06
Non-IFRS measures			
FFO	\$ 3,185,350	\$ 418,732	\$ 2,257,688
ACFO	2,530,475	1,939,817	1,543,025

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RESULTS FROM OPERATIONS (CONT'D)

Select Annual Information (Cont'd)

As at December 31,	2017	2016	2015
Financial position			
Total assets	\$ 84,332,317	\$ 66,781,038	\$ 56,472,836
Total investment properties	61,427,685	55,638,439	45,925,489
Total debt	34,528,600	29,867,177	24,366,768
Non-IFRS measures			
Debt to total assets	41%	45%	43%
Debt to adjusted EBITDA	4.80	16.61	12.11
Interest coverage ratio	5.83	3.46	2.94
Debt service ratio	2.57	1.78	1.43

Summary of Quarterly Results

For the three month ended,	Revenue	Net income attributable to shareholders	Basic income per share	Diluted income per share
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
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

Net Operating Income

The following table presents IFRS net operating income for the three months and year ended December 31, 2017 and 2016:

	Three-months ended December 31,		Year-ended December 31,	
	2017	2016	2017	2016
Rental revenue	\$ 1,387,165	\$ 1,280,138	\$ 5,506,270	\$ 4,955,571
Rental expenses	707,948	648,143	2,931,412	2,663,519
NOI	\$ 679,217	\$ 631,995	\$ 2,574,858	\$ 2,292,052
NOI as a percentage of rental revenue	49%	49%	47%	46%

Rental revenue for the year ended December 31, 2017 was \$5,506,270 in comparison to \$4,955,571, representing an increase of \$550,699. The \$550,699 increase was primarily due to year-over-year base rent increases. Rental revenue for the three months ended December 31, 2017 was \$1,387,165 in comparison to \$1,280,138, representing an increase of \$107,027. The \$107,027 increase was primarily due to year-over-year base rent increases.

Rental expenses for the year ended December 31, 2017 was \$2,931,412 in comparison to \$2,663,519, representing an increase of approximately \$267,893 primarily due to an increase in repair and maintenance expenditures on Quebec Headway's investment properties. Rental expenses for the three months ended December 31, 2017 was \$707,948 in comparison to \$648,143, representing an increase of approximately \$59,805 primarily due to an increase in repair and maintenance expenditures on Quebec Headway's investment properties.

NOI as a percentage of rental revenue for the for the three months and year ended December 31, 2017 is relatively stable and consistent with the prior year, which is expected due to Urbanfund's income property portfolio being stabilized.

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RESULTS FROM OPERATIONS (CONT'D)

Other Income

	Three-months ended December 31,		Year-ended December 31,	
	2017	2016	2017	2016
Profit from investment in real estate project	\$ 2,000,000	\$ -	\$ 3,666,667	\$ -
Income from equity accounted investment	109,417	-	109,417	-
Interest and dividend income	16,398	14,678	99,415	50,181
Fair value adjustment on marketable securities	45,284	16,456	122,237	30,952
Fair value adjustment on investment properties	5,759,819	1,907,729	5,673,753	3,652,125
Other income	\$ 7,930,918	\$ 1,938,863	\$ 9,671,489	\$ 3,733,258

Profit from investment in real estate project for the three months and year ended December 31, 2017 was \$2,000,000 and \$3,700,000 respectively, relating to distributions relating to the sale of condominium units from our Investment in Real Estate Project. See *Other Real Estate Investments*.

Income from equity accounted investment for the three months and year ended December 31, 2017 was \$109,417 due to the stub-period income pick-up of operations from the Equity accounted investment. See *Other Real Estate Investments*.

Interest and dividend income for the year ended December 31, 2017 was \$99,415 in comparison to \$50,181, representing an increase of \$49,234. The \$49,234 increase relates to interest income from the operating loan to the private company of \$31,198 and a preferred interest distribution of \$24,910 from the Investment in Real Estate Project.

During the year ended December 31, 2017, we recognized fair value adjustments on marketable securities of \$122,237 in comparison to \$30,952 due to the increase in market value of our securities held for trading.

During the year ended December 31, 2017, we recognized fair value adjustments on investment properties of \$5,673,753 in comparison to \$3,652,125 primarily due to revaluation adjustments on our income properties relating to our wholly owned commercial and residential properties.

Other Expenses

	Three-months ended December 31,		Year-ended December 31,	
	2017	2016	2017	2016
Financing costs	\$ 253,843	\$ 242,736	\$ 991,561	\$ 929,192
General and administrative costs	174,271	141,276	406,403	342,582
Unrealized (gain) loss on foreign currency translation	(48)	(1,256)	3,626	1,673
Realized loss on foreign currency translation	-	-	-	94,700
Other expenses	\$ 428,066	\$ 382,756	\$ 1,401,590	\$ 1,368,147

Financing costs for the year ended December 31, 2017 was \$991,561 in comparison to \$929,192, representing an increase of \$62,369. The \$62,369 increase relates to additional financing costs related to up-financing of the 48 Weber Street & 65 Roy Street mortgage, and the short-term construction loan of 59 Weber Street.

While the short-term construction loan is extinguished, Urbanfund expects an increase in financing costs into 2018 due to the up-financing of 305 North Front Centre and the 4 Alfred Kuehne mortgage.

General and administrative costs for the year ended December 31, 2017 was \$406,403 in comparison to \$342,582, representing an increase of \$63,821. The \$63,821 increase relates to an increase in advertising expense of \$40,174 with the remainder the Company decided not to investigate further.

Unrealized and realized (gain) loss on foreign currency translation is nominal and relates to translation of amounts held in \$USD in our investment account.

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RESULTS FROM OPERATIONS (CONT'D)

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 quarter 2 and 3, 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			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Commercial properties	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Residential properties	77.9%	89.9%	91.8%	94.2%	96.2%	94.3%	92.9%	95.6%

Occupancy in our residential properties has improved primarily due to the lease up of 48 Weber Street investment property, which was a property under development in the prior year. Furthermore, occupancy rates have improved in Quebec Headway, particularly in the buildings which have recently had significant capital expenditures as a result of our renovations initiative.

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 December 31,		Year-ended December 31,	
	2017	2016	2017	2016
Net income and comprehensive income attributable to shareholders	\$ 4,596,686	\$ 1,005,211	\$ 7,257,374	\$ 3,474,272
<i>Add back / (deduct):</i>				
Interest and dividend income	(16,398)	(14,678)	(99,415)	(50,181)
Income from equity accounted investment	(109,417)	-	(109,417)	-
Deferred income tax expense	2,156,000	468,000	1,944,000	588,000
Fair value adjustment on marketable securities	(45,284)	(16,456)	(122,237)	(30,952)
Fair value adjustment on investment properties	(5,759,819)	(1,907,729)	(5,673,753)	(3,652,125)
Unrealized gain (loss) on foreign currency translation	48	(4,602)	(3,626)	(1,673)
Realized loss on foreign currency translation	-	-	-	94,700
Straight-line of rental revenue	(1,894)	(827)	(7,576)	(3,309)
FFO	\$ 819,922	\$ (471,081)	\$ 3,185,350	\$ 418,732
Weighted average number of shares - basic	45,097,694	44,459,156	44,804,477	44,195,298
Weighted average number of shares - diluted	52,522,694	51,884,156	52,229,477	51,620,298
FFO per share - basic	\$ 0.02	\$ (0.01)	\$ 0.07	\$ 0.01
FFO per share - diluted	\$ 0.02	\$ (0.01)	\$ 0.06	\$ 0.01

FFO for the year ended December 31, 2017 was \$3,185,350 in comparison to \$418,732, representing an increase of \$2,766,618. The \$2,766,618 increase, which was primarily due to the following:

- Increase in profit from investment in real estate project of \$3,666,667;
- Increase in net rental income of \$282,806, primarily due to contractual increases in rent and inflationary increases in rental expenses; and
- Offset by an increase in income tax expense of \$1,556,000 and \$373,145 of other fluctuations that the Company decided not to investigate further.

FFO for the three months ended December 31, 2017 was \$819,922 in comparison to \$(471,081), representing an increase of \$1,291,723, which was primarily due to the following:

- Increase in profit from investment in real estate project of \$2,000,000;
- Increase in net rental income of \$47,222, primarily due to contractual increases in rent and inflationary increases in rental expenses;
- Offset by an increase in income tax expense of \$1,379,235; and
- Offset by an increase in interest expense by \$253,843 and \$414,114 of other fluctuations that the Company decided not to investigate further.

**URBANFUND CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

RESULTS FROM OPERATIONS (CONT'D)

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 December 31,		Year-ended December 31,	
	2017	2016	2017	2016
Cash provided by operating activities	\$ 2,830,275	\$ 3,864,023	\$ 5,275,484	\$ 4,069,163
Adjustments to working capital changes for ACFO (i)	(764,728)	(678,634)	(370,970)	(290,912)
Capital expenditures (ii)	(678,189)	(511,240)	(2,712,755)	(2,044,960)
Non-controlling interests	21,599	206,526	338,716	206,526
ACFO	\$ 1,387,358	\$ 2,674,149	\$ 2,530,475	\$ 1,939,817

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

(ii) Capital expenditures includes the current year expenditures which estimate the ongoing capital investment required to maintain the condition of the investment properties.

INVESTMENT PROPERTIES

Refer to note 5 of the Annual 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, 2016			December 31, 2017		
	Minimum	Maximum	Average	Minimum	Maximum	Average
Commercial properties	5.90%	6.00%	5.95%	5.50%	5.50%	5.50%
Residential properties	4.64%	6.75%	5.22%	3.60%	6.50%	4.45%

Acquisitions

During the year ended December 31, 2017, Urbanfund acquired 51, 55, 59 Scott Street, Kitchener, Ontario for an aggregate purchase price of \$2,100,000 funded by way of capital contributions by both Urbanfund and our limited partner, pro-rata in accordance with our limited partnership agreements. See *Properties under Development* for more details.

During the year ended December 31, 2017, Urbanfund acquired 4 Alfred Kuehne, Brampton, Ontario for an aggregate purchase price of approximately \$2,350,000 funded by way of \$1,800,000 of cash and \$550,000 mortgage payable. See *Inventory Properties*.

**URBANFUND CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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INVESTMENT PROPERTIES (CONT'D)

Dispositions

On March 16, 2018, we entered into a conditional agreement to sell 48 Weber Street, 61 Roy Street and 65 Scott Street for \$7,300,000, plus customary closing costs. See *Events after the Balance Sheet Date*.

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 an 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 December 31, 2017 and 2016:

							2017
	61 Roy St.	51, 55, 59 Scott St.	59, 61, 65 Weber St.	65 Roy St.	11-13 Edvac Dr.		Total
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 (ii)	-	-	-	-	(2,687,471)		(2,687,471)
Closing balance	\$ 581,543	\$ 2,197,721	\$ 1,680,212	\$ 738,209	\$ -		\$ 5,197,685

							2016
	48 Weber St.	61 Roy St.	59, 61, 65 Weber St.	65 Roy St.	11-13 Edvac Dr.		Total
Opening balance	\$ 3,658,940	\$ 406,549	\$ -	\$ -	\$ -		\$ 4,065,489
Acquisitions	-	-	1,250,000	530,000	2,627,500		4,407,500
Development costs	976,936	61,250	233,541	99,628	59,971		1,431,326
Transfers, net (i)	(4,635,876)	-	-	-	-		(4,635,876)
Closing balance	\$ -	\$ 467,799	\$ 1,483,541	\$ 629,628	\$ 2,687,471		\$ 5,268,439

(i) During 2016, construction of the 48 Weber St., Kitchener, Ontario property was substantially complete and transferred to income properties.

(ii) 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.** - Subsequent to year end, Urbanfund entered into a conditional agreement to sell 61 and 65 Roy St. together with 48 Weber St. for \$7,300,000, plus customary closing costs. See *Events After the Balance Sheet Date*.
- **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 see *Investment Properties*. 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 is currently working with the City of Kitchener to secure development approvals, which are expected in Q4 of 2018 or Q1 of 2019.
- **11-13 Edvac Dr.** - During the year ended December 31, 2017, the property met the criteria from a change in use criteria and the balance was transferred to inventory properties. See *Inventory Properties* for progress relating to the project.

**URBANFUND CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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INVENTORY PROPERTIES

Inventory properties are investment properties acquired or under development for which the Company intends to dispose all or part of such properties 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.

As at December 31, 2017 the movements in inventory property are as follows:

	2017		
	11-13 Edvac Dr.	4 Alfred Kuehne	Total
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 joint venture partner, Takol Real Estate Inc., substantially completed renovations of the 11-13 Edvac Drive, Brampton, Ontario project. The property met the change in use criteria as evidenced by the commitment to sell the development. Subsequent to year end, on February 2, 2018, we sold 33 of the 40 units and received a distribution from Edvac of \$1,850,000 relating to a return of capital of \$971,000 from our initial investment of \$1,625,000, and income of \$879,000. Urbanfund anticipates closing of the remaining properties in Q1 2018. The assets and liabilities relating to 11-13 Edvac Dr. have been presented as available-for-sale in the 2017 Annual Consolidated Financial Statements, reference note 4 for further details.
- **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 develop 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

December 31, 2017	Method of consolidation under IFRS	Number of investment properties (i)	Investment properties (i)	Mortgages payable	Rental revenues	NOI
Quebec Headway	Proportionately consolidate	9	\$ 9,830,000	\$ 2,760,429	\$ 1,457,228	\$ 301,020
Edvac	Proportionately consolidate	1	3,473,551	1,782,338	241,266	131,012
Alfred Kuehne	Proportionately consolidate	1	2,474,335	1,524,742	16,202	(40,227)
Weber LP	Consolidate with NCI (ii)	2	8,788,001	4,633,423	433,338	191,441
Weber 2 LP	Consolidate with NCI (ii)	1	2,062,614	625,000	-	-
Weber 3 LP	Consolidate with NCI (ii)	1	1,647,069	-	-	-

(i) Number of investment 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.

URBANFUND CORP.

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JOINT OPERATIONS AND LIMITED PARTNERSHIPS (CONT'D)

Limited Partnerships

On August 1, 2017, Urbanfund commenced proceedings to place one of its limited partners (the "Limited Partner") into default under the terms of the limited partnership agreements. On August 4, 2017, the Limited Partner's units were purchased by Urbanfund for cancellation in accordance with the limited partnership agreements and the Limited Partner's equity interest of \$65,759 was transferred to Urbanfund.

Distributions by the Limited Partnerships are allocated to the limited partner who has contributed capital in excess of their pro-rata share such that each limited partner achieves an annualized internal rate of return of 6% on their excess contribution. Thereafter, the Limited Partnerships' distributions will be 90% to Urbanfund and 10% to the non-controlling interests (2016 - 65% to Urbanfund and 35% to the non-controlling interests). An officer of Urbanfund is also an officer of the general partners.

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, 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 2017 was \$109,417. The following table presents the financial position of Highfield Park as at December 31, 2017 in accordance with IFRS:

As at December 31,		2017
Current assets	\$	1,568,280
Non-current assets		114,269,590
Current liabilities		(1,269,498)
Non-current liabilities		(76,171,386)
Net assets		38,396,986
Equity accounted investment	\$	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.

In 2017, Urbanfund received distributions relating to a return on investment of the project of \$1,677,333 and further distributions of approximately \$3,666,667 relating to profit on the sales of the condominium units.

The project is estimated to be completed and fully occupied by the second quarter of 2018. Urbanfund anticipates further 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.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Cash Flow Management

We expect to meet all of our 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 our income properties. See *Risks and Uncertainties*.

**URBANFUND CORP.
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LIQUIDITY AND CAPITAL RESOURCES (CONT'D)

Liquidity and Cash Flow Management (Cont'd)

The following table presents liquidity as a percentage of debt:

As at December 31,	2017		2016	
Cash and cash equivalents	\$	8,002,475	\$	7,962,632
Accounts receivable (i)		344,596		227,386
Marketable securities		446,825		336,344
Liquidity	\$	8,793,896	\$	8,526,362
Mortgages payable		36,584,854		29,717,903
Debt	\$	36,584,854	\$	29,717,903
Liquidity expressed as a percentage of debt		24.0%		28.7%

(i) As of the date of this MD&A, Urbanfund has collected its outstanding amounts due as at December 31, 2017, and therefore, amounts 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 December 31,	2017		2016	
Current	\$	7,255,927	\$	1,752,548
Non-current		29,055,011		27,651,579
	\$	36,310,938	\$	29,404,127
Mortgages payable	\$	34,528,600	\$	29,404,127
Mortgages payable on inventory property held for sale		1,782,338		-
	\$	36,310,938	\$	29,404,127

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

As at December 31, 2017	Mortgages payable	Percentage of aggregate total
2018 (i)	\$ 7,255,927	19.8%
2019	2,580,978	7.1%
2020	1,066,769	2.9%
2021	988,531	2.7%
2022	9,746,637	26.6%
Thereafter	14,946,012	40.9%
Aggregate total mortgages payable, excluding unamortized financing costs	36,584,854	100.0%

(i) Urbanfund entered into negotiations with its lenders for the mortgages expiring in 2018 at similar terms and conditions. See *Events After the Balance Sheet Date*. If the refinancing was reflected in the above table as at December 31, 2017, the percentage of total mortgages payable due in 2018 would be reduced from 20% to approximately 11%.

During the year ended December 31, 2017, total mortgages payable was \$36,310,938 in comparison to \$29,404,127, representing and increase of \$6,906,811. The increase of \$6,906,811 is a result of:

- Increase in relating to 305 North Front Centre refinancing of \$10,150,000;
- Increase in relating to financing of 4 Alfred Kuehne acquisition of \$1,543,750; and
- Decrease of \$4,786,939 relating to scheduled principal repayments.

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

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:

For the year ended December 31,	2017	2016
Interest coverage	5.83	3.46
Debt service coverage	2.57	1.78

(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 December 31, 2017, the interest coverage and debt service coverage have improved in comparison to the prior year due an increase in the Adjusted EBITDA primarily due to realization of profits from the Investment in Real Estate Project offset by an increase in financing costs, primarily due to the non-revolving term facility, the mortgage take-out as a result of the acquisition of 4 Alfred Kuehne and the up-financing of 305 North Front Centre.

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

Year ended December 31,	2017	2016
Net income attributable to shareholders	\$ 7,257,374	\$ 3,474,272
Add (deduct):		
Current income tax expense	1,556,000	-
Deferred income tax expense	1,944,000	588,000
Finance costs	991,561	929,192
Unrealized loss on foreign currency translation	3,626	1,673
Fair value adjustment on marketable securities	(122,237)	(30,952)
Fair value adjustment on investment properties	(5,673,753)	(3,652,125)
Adjusted EBITDA	\$ 5,956,571	\$ 1,310,060
Debt outstanding	\$ 36,584,854	\$ 29,717,903
Less: cash and cash equivalents	(8,002,475)	(7,962,632)
Debt, net of cash and cash equivalents	\$ 28,582,379	\$ 21,755,271
Debt to Adjusted EBITDA	4.80	16.61

As at December 31, 2017, Debt to Adjusted EBITDA significantly improved to 4.80 mainly due to realization of profits from the Investment in Real Estate Project.

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 our 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 17, 2017, Urbanfund amended our current Dividend Policy to increase our annual dividend to a rate of \$0.01 per common share and \$0.01 per preferred share, payable quarterly in the amount of \$0.0025 per common and preferred share.

During the three months ended December 31, 2017, 164,912 common shares were issued pursuant to our DRIP resulting in additional equity of \$54,421. The average participant rate of the DRIP was 77.5%.

During the year ended December 31, 2017, 637,346 common shares were issued pursuant to our DRIP resulting in additional equity of \$315,680. The average participant rate of the DRIP was 77.5%.

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DIVIDEND REINVESTMENT PLAN (“DRIP”) (CONT’D)

The Company has reserved an aggregate of 2,000,000 common shares for issuance to participants in the DRIP. As at the date of this MD&A, an aggregate of 119,424 common shares remain available for issuance pursuant to the DRIP.

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 for the year ended December 31, 2017:

	Payment date	Shareholders of record
2016, quarter 4 distribution	Jan. 15, 2017	Dec. 31, 2016
2017, quarter 1 distribution	Apr. 15, 2017	Mar. 31, 2017
2017, quarter 2 distribution	Jul. 17, 2017	Jun. 30, 2017
2017, quarter 3 distribution	Oct. 16, 2017	Sept. 30, 2017

Our fourth distribution was declared to the shareholders of record on December 31, 2017 and was paid January 16, 2018.

OUTSTANDING SHARE DATA

The following table details Urbanfund’s outstanding share data as of December 31, 2017 and the date of this MD&A:

	December 31, 2017	Date of this MD&A
Common shares	44,902,734	45,453,260
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.

FUTURE CHANGES IN ACCOUNTING POLICIES

Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15 was issued in May 2014. 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 new revenue standard is applicable to all entities and 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.

The Company’s assessment includes a review of relevant contracts for the following key areas, which management believes are in scope of IFRS 15 including, but not limited to, inventory property sales and common area maintenance recoveries. The Company has assessed that the impact of IFRS 15 and has concluded that the pattern of revenue recognition will remain unchanged upon adoption of the standard. The impact may be limited to additional note disclosure on the disaggregation of revenue streams, specifically common area maintenance recoveries. The Company intends to adopt IFRS 15 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 of prior period comparatives.

URBANFUND CORP.

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FUTURE CHANGES IN ACCOUNTING POLICIES (CONT'D)

Financial Instruments ("IFRS 9")

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 Company assessed the key areas within the scope of IFRS 9, which includes, but not limited to the classification and measurement of available-for-sale securities. The Company intends to adopt the new standard on the required effective date of January 1, 2018 and will not restate comparative information. Quoted equity instruments currently held as available-for-sale financial assets with unrealized gains and losses are recorded in net income which is converged with the requirement under IFRS 9. The Company does not expect a significant impact on the Annual Consolidated Financial Statements upon adoption of the standard.

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.

Investment Properties ("IAS 40")

In December 2016, the IASB issued an amendment to IAS 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 are effective for annual period beginning on or after January 1, 2018, with early adoption permitted.

Urbanfund will apply the amendments when they become effective, prospectively, however, the current policy and practice is in line with the clarifications issued, and the Company does not expect a material impact on the classification of its Annual Consolidated Financial Statements.

Share-based Payment ("IFRS 2")

In June 2016, the IASB issued final amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company does not expect any impact to its Annual Consolidated Financial Statements, as the amendments are in line with the Company's current policy.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer have designed or caused to 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 CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING (CONT'D)

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 December 31, 2017, 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.

Key management personnel are those individuals that have the authority and responsibility for planning, directing and controlling the Company's activities, directly or indirectly. The Company's key management personnel include the Chief Executive Officer and the Chief Financial Officer and the Controller (collectively, "Key Management"). Compensation for key management, are charged pursuant to an agreement to provide management services equal to 3% on wholly-owned residential properties and 4% on wholly-owned commercial properties.

During the year ended December 31, 2017 the Company property management fees and cost reimbursements were \$146,674 and \$308,407, respectively (2016 - \$100,170 and \$225,556).

For further details on related party transactions, refer to note 21 of our 2017 Annual 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.

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.

URBANFUND CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

RISKS AND UNCERTAINTIES (CONT'D)

Real Estate Ownership (Cont'd)

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 2018 is 1.8%. In Nova Scotia, the allowable rent increase for 2018 is 0.8%. 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.

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.

URBANFUND CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

RISKS AND UNCERTAINTIES (CONT'D)

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.

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.

URBANFUND CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

RISKS AND UNCERTAINTIES (CONT'D)

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.

EVENTS AFTER THE BALANCE SHEET DATE

On February 2, 2018, Urbanfund received a distribution from Edvac of \$1,850,000 relating to a return of capital of \$971,000 and income of \$879,000 relating to the net profits on the sale of 33 of the 40 units.

On March 16, 2018, Urbanfund entered into a conditional agreement to sell its investment properties and properties under development for an aggregate purchase price of \$7,300,000, plus customary closing costs. The Company will use the proceeds to repay any remaining outstanding obligations and distribute the excess capital in accordance with the limited partnership agreement.

On April 1, 2018, Urbanfund entered into negotiations with its lenders to refinance its mortgage relating to 476-480 Wonderland Road and the vendor take back relating to Quebec Headway at similar terms and conditions (see Annual Consolidated Financial Statements note 14 for further details).

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, will be contained in Urbanfund's Management Information Circular to be furnished in connection with the annual and special meeting of the shareholders to be held on June 13, 2018.