FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021

(In US Dollars)

Flagship Communities Real Estate Investment Trust
Condensed Consolidated Interim Statements of Financial Position (Unaudited)
(In thousands of US dollars)

	Note		June 30, 2021		December 31, 2020
Current Assets					
Cash and cash equivalents		**$**	**79,295**	$	11,499
Tenant receivables, net	5		**478**		638
Prepaids and other assets	6		**2,741**		1,226
Lender escrow deposits	7		**2,405**		1,825
Total current assets			**84,919**		15,188
Investment properties	8		**456,102**		428,391
Property and equipment, net	9		**1,987**		1,800
			458,089		430,191
Total Assets		**$**	**543,008**	$	445,379
Current Liabilities					
Trade and other payables		**$**	**498**	$	598
Other liabilities	10		**6,058**		5,140
Mortgages payable, net	12		**533**		514
Total current liabilities			**7,089**		6,252
Mortgages payable, net	12		**221,444**		219,344
Class B Units	13		**88,136**		73,399
			309,580		292,743
Total Liabilities			**316,669**		298,995
Unitholders' Equity					
Unitholder's equity	14		**226,339**		146,384
Total Liabilities and Unitholders' Equity		**$**	**543,008**	$	445,379

Subsequent events (Note 26)

See accompanying notes to the condensed consolidated interim financial statements.

Flagship Communities Real Estate Investment Trust
Condensed Consolidated Interim Statements of Net (Loss) Income and Comprehensive (Loss) Income (Unaudited)
(In thousands of US dollars)

		Refer to Note 1	
	Note	**Three months ended June 30, 2021**	Six months ended June 30, 2021
Revenues			
Rental revenue and related income	16	**$ 9,835**	$ 19,484
Property operating expenses	17	**3,405**	6,614
Net operating income		**6,430**	12,870
Other Expenses/(Income)			
General and administrative	18	**1,398**	2,689
Finance costs from operations	19	**1,960**	3,877
Accretion of mark-to-market adjustment on mortgages payable	4,12,19	**(258)**	(515)
Depreciation and amortization	9	**41**	74
Other (income)		**(12)**	(21)
Fair value adjustment - Class B units	13,19	**12,455**	14,737
Distributions on Class B units	19	**692**	1,385
Fair value (gain) on investment properties	8	**(8,085)**	(14,278)
Transaction costs	14	**184**	236
Net (loss) income and comprehensive (loss) income		**$ (1,945)**	$ 4,686

See accompanying notes to the condensed consolidated interim financial statements.

Flagship Communities Real Estate Investment Trust
Condensed Consolidated Interim Statement of Changes in Unitholders' Equity (Unaudited)
(In thousands of US dollars)

				Refer to Note 1		
	Note	Units	Units	Distributions	Cumulative Net Income	Total Unitholders' Equity
Balance, December 31, 2020		7,226,185	$ 99,898	$ (852)	$ 47,338	$ 146,384
Units issued, net of issuance costs	14	4,500,000	77,303	-	-	77,303
Net income and comprehensive income		-	-	-	4,686	4,686
Distributions		-	-	(2,034)	-	(2,034)
Balance, June 30, 2021		**11,726,185**	**$ 177,201**	**$ (2,886)**	**$ 52,024**	**$ 226,339**

See accompanying notes to the condensed consolidated interim financial statements.

Flagship Communities Real Estate Investment Trust
Condensed Consolidated Interim Statement of Cash Flows (Unaudited)
(In thousands of US dollars)

		Refer to Note 1
		Six Months Ended June 30, 2021
Cash flow provided by operating activities		
Net income and comprehensive income	$	4,686
Add (deduct):		
Depreciation and amortization		74
Fair value adjustment on Class B units		14,737
Distributions paid to Class B Unitholders		1,385
Accretion of mark-to-market adjustment on mortgages payable		(515)
Fair value gain on investment properties		(14,278)
Transaction costs associated with issuance of Units		236
Finance costs from operations		3,877
Change in non-cash working capital		
Tenant receivables, net		160
Prepaids and other assets		(127)
Escrows		(580)
Trade and other payables		(100)
Other liabilities		727
		10,282
Cash flow provided by financing activities		
Proceeds from issuance of Units, net of costs		77,303
Transaction costs associated with issuance of Units		(236)
Distributions paid to Unitholders		(1,843)
Distributions paid to Class B Unitholders		(1,385)
Proceeds from mortgages payable		3,000
Issuance costs associated with financing activities		(131)
Repayment of mortgages payable		(237)
Interest paid		(3,877)
		72,594
Cash flow (used in) investing activities		
Cash paid for asset acquisitions		(11,825)
Cash paid for pending acquisitions		(1,388)
Cash received for asset disposal		414
Capital expenditures on investment properties		(2,022)
Purchase of property and equipment		(259)
		(15,080)
Increase in cash and cash equivalents		67,796
Cash and cash equivalents, beginning of period		11,499
Cash and cash equivalents, ending of period	**$**	**79,295**

See accompanying notes to the condensed consolidated interim financial statements.

1. Nature of Operations

Flagship Communities Real Estate Investment Trust (the "REIT" or the "Trust") is an unincorporated, open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario. The registered office of the REIT is located at 199 Bay Street, Suite 4000, Toronto, ON, M5L 1A9. The head office of the REIT is located at 467 Erlanger Road, Erlanger, Kentucky 41018, United States.

The REIT was formed for the purpose of owning and operating a portfolio of income-producing manufactured housing communities ("MHCs") located in the United States.

The operations of the REIT commenced on October 7, 2020, when it completed an initial public offering ("IPO") of 6,250,000 trust units ("Units") for gross proceeds of $93,750 or approximately $85,255 net of underwriters' fees and other issuance costs. In connection with the IPO, the REIT indirectly acquired a 100% interest in a portfolio of 45 MHCs with 8,255 lots located in Kentucky, Indiana, Ohio, and Tennessee (the "Initial Communities"), together with a fleet of approximately 600 manufactured homes for lease to residents of the Initial Communities and the REIT's head office property in Erlanger, Kentucky (collectively, the "Initial Portfolio").

As at June 30, 2021, the REIT owns 55 (December 31, 2020 - 52) MHCs located across Arkansas, Kentucky, Indiana, Ohio, and Tennessee.

The REIT's operations commenced on October 7, 2020 and as such, there are no comparative figures presented for the condensed consolidated interim statements of net (loss) income and comprehensive (loss) income, condensed consolidated interim statement of changes in unitholders' equity and condensed consolidated interim statement of cash flows.

2. Basis of Presentation

(a) Statement of compliance

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standard Board ("IASB"). These condensed consolidated interim financial statements were approved by the Board of Trustees on August 10th, 2021.

(b) Basis of presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties, class B units ("Class B Units") of the REIT's subsidiary, Flagship Operating, LLC, and deferred trust units ("DTUs") which have been measured at fair value. The condensed consolidated interim financial statements are presented in thousands of U.S. dollars, which is the REIT's functional currency.

(c) Principles of consolidation

The REIT consolidates its interest in entities in which it has control. Control is defined by the power to govern an entity's financial and operating policies so as to be able to obtain benefits from its activities. These condensed consolidated interim financial statements comprise the financial statements of the REIT and its subsidiaries, including, Flagship Operating GP, LLC, which owns Legacy Properties GP, LLC and Flagship Properties, LLC. Subsidiaries are entities controlled by the REIT. The financial statements of the subsidiaries are prepared for the same reporting periods as the REIT using consistent accounting policies. All intercompany balances, transactions and unrealized (gains) and losses arising from intercompany transactions are eliminated upon consolidation.

(d) Use of estimates, judgments and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant estimates, judgements and assumptions include the fair values assigned to investment properties, Class B Units, DTUs, and business combinations. Actual results may differ from these estimates.

Estimates

Investment properties - The fair value of investment properties is dependent on available comparable transactions, future cash flows over the holding period, discount rates and capitalization rates applicable to those assets. The review of anticipated cash flows involves assumptions relating to occupancy and rental rates. In addition to reviewing anticipated cash flows, management assesses changes in the business climate and other factors which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

Class B Units - The Class B units have been classified as financial liabilities and are measured at fair value through profit or loss ("FVTPL"). The fair value of the Class B Units is measured every period by reference to the traded value of the Units, with changes in measurement recorded in the statement of net (loss) income and comprehensive (loss) income. The Class B Units have a 12 month hold period, ending October 07, 2021, therefore, the fair values used were based on the share prices on those respective dates, and discounted using the average volatility of comparable companies in the same industry.

DTUs - The DTUs have been classified as puttable instruments, required to be accounted for as financial liabilities, and are measured at FVTPL. The fair value of the outstanding DTUs is measured every period by reference to the volume-weighted average closing price of a Unit on the TSX for the five trading days immediately preceding the last day of the period, with changes in measurement recorded in the statement of net (loss) income and comprehensive (loss) income.

Judgements

Business combinations - When the REIT acquires new investment properties, the REIT reviews each acquisition in accordance with International Financial Reporting Standards ("IFRS") 3 to determine if it qualifies as an asset acquisition or business combination. It reviews each acquisition to determine if inputs, processes and outputs have been acquired to ensure each such acquisition is accounted for appropriately.

3. Significant Accounting Policies

The condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the period from August 12, 2020 to December 31, 2020, which have been prepared in accordance with IFRS, as issued by the IASB. The condensed consolidated interim financial statements follow the same accounting policies as described in the consolidated financial statements for the period from August 12, 2020 to December 31, 2020.

(a) Employee Benefits

Unit Based Compensation

The REIT maintains an Omnibus Equity Incentive Plan (“Equity Incentive Plan”) for its employees and trustees. The Equity Incentive Plan provides for awards of Restricted Units (“RU”), Performance Units (“PU”), DTUs, and Options, each as defined therein. Awards under the Equity Incentive Plan may be settled by Units issued from treasury or, if so elected by the participant and subject to the approval of the Board of Trustees, cash measured by the value of the Units on the settlement date. Awards earn additional Units for distributions that would otherwise have been payable in cash. These additional Units vest on the same basis as the initial units to which they relate.

Awards are redeemable at the holder's option and therefore are a puttable instrument in accordance with IAS 32, Financial Instruments: Presentation ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case the puttable instruments may be presented as equity. Awards do not meet the exemption conditions of IAS 32 and are presented as a liability.

DTUs are recorded in trustee fees, included in general and administrative expenses on the statement of net (loss) income and comprehensive (loss) income, at the volume-weighted average closing price of a Unit on the TSX for the five trading days immediately preceding the date of grant. The liability is measured every period, and upon settlement, with changes in measurement recorded in Fair value adjustment – DTUs on the statement of net (loss) income and comprehensive (loss) income.

(b) Standards issued but not yet effective for the three and six months ended June 30, 2021:

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however early adoption is permitted.

The REIT is currently assessing the impact of this standard.

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

4. Business Combination

The Initial Communities were indirectly owned by Flagship Communities LLC ("FCLLC") and by Legacy SSK Portfolio ("SSK Entities"). Following certain reorganization transactions, upon closing of the IPO, FCLLC merged with and into a limited liability company subsidiary of the REIT, and the SSK Entities were contributed to Flagship Operating, LLC. As a result, upon completion of the merger and contribution, and certain related transactions on October 7, 2020, all of the Initial Communities and the remaining assets comprising the Initial Portfolio are indirectly held by the REIT through its indirect ownership of Flagship Operating, LLC.

The acquisition was determined to be accounted for as a business combination. The identifiable net assets acquired were as follows:

Investment properties	$	411,599
Cash and cash equivalents		914
Accounts receivable		1,017
Prepaid and other assets		10,152
Property and equipment		1,822
Escrows		2,707
Mortgages payable		(233,734)
Trade and other payables		(40)
Other liabilities		(6,023)
		188,414
Excess of fair value of net assets acquired over consideration paid		(46,459)
Net assets acquired	**$**	**141,955**
Consideration paid by the REIT consisted of the following:		
Class B Units	$	74,594
Trust Units		580
Cash		57,694
Cash held in escrow		9,087
Total consideration	**$**	**141,955**

The mortgages payable acquired include a mark-to-market adjustment of $7,115 using the expected interest rates of all existing loans from the Initial Communities (Note 12).

Flagship Operating, LLC issued 5,432,940 Class B Units at a price of $15.00 per Unit, discounted to $13.73 at IPO, for total proceeds of $74,594. The Class B Units carry a 12-month selling restriction from issue date which was deemed to be an attribute of the Units. This attribute required that the Unit value be fair valued at IPO (see Note 13). The REIT issued 38,685 Units at a price of $15.00 per Unit, which was the price at IPO, as part of the consideration for total proceeds of $580. The cash held in escrow of $9,087 is a cash reserve held by the lender that was released upon transfer of ownership.

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

5. Tenant Receivables, Net

		As at June 30, 2021		As at December 31, 2020
Tenant receivables	**$**	**518**	$	725
Allowance for doubtful accounts		**(40)**		(87)
Total	**$**	**478**	$	638

Tenant receivables include lot rent, utilities, miscellaneous fees, and other recoverable charges. An allowance for credit losses is maintained for estimated losses resulting from the inability of tenants to meet obligations under lease agreements. The REIT actively reviews receivables and determines the potentially uncollectible accounts on a per-tenant basis. An accounts receivable is written down to its estimated realizable value when the REIT has reason to believe that the tenant will not be able to fulfill its obligations under the lease agreement.

6. Prepaids and Other Assets

The REIT's prepaids and other assets consist of the following:

	Note		**As at June 30, 2021**		As at December 31, 2020
Prepaid insurance		**$**	**342**	$	424
Lender reserves			**339**		421
Deposits on pending acquisitions	26		**1,388**		-
Other prepaids and deposits			**672**		381
Total		**$**	**2,741**	$	1,226

7. Lender Escrow Deposits

Escrows for real estate taxes, insurance, and capital repairs are maintained under the control of the mortgagor for payment on behalf of the REIT. As at June 30, 2021, the REIT had lender escrow balances of $2,405 (December 31, 2020 - $1,825).

8. Investment Properties

A reconciliation of the carrying value for investment properties at the beginning and end of the financial period is set out below:

		Six months ended June 30, 2021		Year ended December 31, 2020
Investment properties, opening balance	**$**	**428,391**	$	-
Acquisitions - Oct 7, 2020		**-**		411,599
Capital expenditures		**2,022**		889
Acquisitions of investment properties		**11,825**		12,945
Disposal of investment properties		**(414)**		-
Fair value (gain) on investment properties		**14,278**		2,958
Ending balance	**$**	**456,102**	$	428,391

Asset Acquisitions

During the six months ended June 30, 2021, the REIT acquired the following:

On January 4, 2021, the REIT expanded its Oakview Pointe MHC with the acquisition of 8 new lots for $50, bringing the entire community to 149 home sites.

On January 5, 2021, the REIT acquired an MHC having 77 lots and 49 rental homes in the Louisville, Kentucky market for $3,000.

On February 9, 2021, the REIT acquired an MHC having 74 lots and 52 rental homes in the Bowling Green, Kentucky market for $3,000.

On May 12, 2021, the REIT acquired an MHC having 167 lots and 112 rental homes in the Little Rock, Arkansas market for $5,300.

On May 27, 2021, the REIT expanded its Pinecrest Pointe MHC with the acquisition of 3 adjacent acres containing 10,000 square feet of self-storage for $285.

Acquisition costs were capitalized and totaled $190 for the six months ended June 30, 2021.

During the period from August 12, 2020 to December 31, 2020, the REIT acquired the following:

On October 7, 2020, and in connection with the IPO, the REIT acquired investment properties of $411,599 (Note 4).

On December 17, 2020, the REIT announced the acquisition of seven MHCs consisting of 379 lots and 91 rental homes for $12,945 before working capital adjustments and closing costs. The acquisitions were all within the REITs initial footprint with three MHCs (197 lots) in Evansville, Indiana, two MHCs (101 lots) in Northern Kentucky, and two MHCs (81 lots) in Paducah, Kentucky. The transactions were funded using cash from the gross proceeds from IPO (Note 4).

Acquisition costs were capitalized and totaled $203 for the period ended December 31, 2020.

Investment properties consist of MHCs and a fleet of rental homes for lease to residents of the MHCs. The REIT used a combination of internal valuation methodologies and external appraisals to value the investment properties as at June 30, 2021 and December 31, 2020.

The REIT engages third party appraisers to prepare valuations such that the entire portfolio of MHCs is appraised at least once every year. The estimated fair value of the MHCs was determined using the direct capitalization method. The direct capitalization method analyzes the relationship of one year's stabilized net operating income to total MHC value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in MHC value over an investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

A significant change in occupancy rates, rents or capitalization rates per annum would result in a significant change in the fair value of the MHCs.

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

The key metrics of the capitalization rates applicable to the REIT's MHCs as at June 30, 2021 and December 31, 2020 were as follows:

Capitalization Rates	**As at June 30, 2021**	As at December 31, 2020
High	**7.00%**	6.25%
Low	**5.35%**	5.35%
Weighted Average	**5.39%**	5.52%
% Change		
+ 0.025	**4.44 %**	4.45 %
- 0.025	**(4.87) %**	(4.88) %
$ Change		
+ 0.025	**$19,453**	$19,079
- 0.025	**($21,350)**	($20,920)

The fair values of MHCs are sensitive to changes in capitalization rates.

9. Property and Equipment

	Equipment - Office and Maintenance	**Head Office Building**	**Head Office Land**	**Head Office Land Improvements**	**Farm Land**	**Total**
Cost						
At August 12, 2020	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
October 7, 2020 acquisition (Note 4)	802	500	224	26	271	1,823
Additions	1	-	-	-	-	1
At December 31, 2020	**$ 803**	**$ 500**	**$ 224**	**$ 26**	**$ 271**	**$ 1,824**
Additions	245	-	-	-	14	259
At June 30, 2021	**$ 1,048**	**$ 500**	**$ 224**	**$ 26**	**$ 285**	**$ 2,083**
Accumulated depreciation						
At August 12, 2020	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
October 7, 2020 acquisition (Note 4)	-	-	-	-	-	-
Additions	20	4	-	-	-	24
At December 31, 2020	**$ 20**	**$ 4**	**$ -**	**$ -**	**$ -**	**$ 24**
Additions	72	-	-	-	-	72
At June 30, 2021	**$ 92**	**$ 4**	**$ -**	**$ -**	**$ -**	**$ 96**
Net book value						
At August 12, 2020	$ -	$ -	$ -	$ -	$ -	$ -
At December 31, 2020	$ 783	$ 496	$ 224	$ 26	$ 271	$ 1,800
At June 30, 2021	**$ 956**	**$ 496**	**$ 224**	**$ 26**	**$ 285**	**$ 1,987**

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

10. Other Liabilities

		As at June 30, 2021		As at December 31, 2020
Property related accruals	**$**	**2,549**	$	2,010
Tenant security deposits		**1,883**		1,722
Distributions payable		**729**		538
Unearned revenue		**830**		870
DTUs		**67**		-
Total	**$**	**6,058**	$	5,140

11. Line of Credit

On May 12, 2021 the REIT entered into a revolving line of credit ("Line of Credit") for $5,000. The Line of Credit matures on May 12, 2024 and incurs interest at Prime plus 0.50%. As at June 30, 2021 there was no outstanding balance on the Line of Credit and unamortized deferred issuance costs were $22 (December 31, 2020 - $Nil and $Nil, respectively)

12. Mortgages Payable, Net

Mortgages payable are shown net of unamortized mark-to-market adjustment and unamortized deferred issuance costs. The balances are as follows:

		As at June 30, 2021		As at December 31, 2020
Mortgages payable	**$**	**215,763**	$	213,000
Unamortized mark-to market adjustment		**6,343**		6,858
Unamortized deferred issuance costs		**(129)**		-
Total mortgages payable		**221,977**		219,858
Less: current portion		**(533)**		(514)
Amount classified as non-current portion	**$**	**221,444**	$	219,344

The REIT's weighted average contractual annual interest rate on its mortgages payable as of June 30, 2021 was approximately 3.49% (December 31, 2020 - 3.57%), which excludes the impact of the amortization of the mark-to-market adjustment.

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

The mortgages payable balances as at June 30, 2021, excluding unamortized mark-to market adjustment and unamortized deferred issuance costs, are due as follows:

Period ending December 31,		Principal payments
2021	$	277
2022		602
2023		735
2024		772
2025		820
2026		866
Thereafter		211,691
Total	**$**	**215,763**

The REIT's mortgages payable contains customary representations, warranties, and events of default, which require the REIT to comply with affirmative and negative covenants. As at June 30, 2021, the REIT was in compliance with all financial covenants relating to its mortgages payable.

As at June 30, 2021, $6,343 (December 31, 2020 - $6,858) of the mark-to-market adjustment related to mortgages assumed pursuant to the October 7, 2020 acquisition was outstanding (Note 4).

13. Class B Units

On October 7, 2020, Flagship Operating, LLC issued Class B Units with a fair value of $74,594 (Note 4). The fair value on October 7, 2020 was calculated using the IPO price for a unit, and discounted using the average rates of volatilities of comparable companies as there was a 12-month restricted period on these shares. The Class B Units are economically equivalent to Units and are entitled to receive distributions equal to those provided to holders of Units. The Class B Units have been classified as a liability in accordance with IFRS. Class B Units are measured at fair value with any changes in fair value recorded in profit or loss. On December 31, 2020 and June 30, 2021, the fair value adjustment of the Class B Units was calculated using the REIT Unit's closing price on those respective dates, and discounted using average rates of volatilities of comparable companies. For the three and six months ended June 30, 2021, this resulted in a fair value adjustment of $12,455 and $14,737, respectively.

The following table presents the outstanding units and the change in fair value of the Class B Units for the six months ended June 30, 2021.

	Class B Units		Value
Class B Units, August 12, 2020	-	$	-
Class B units issued, October 7, 2020	5,432,940		74,594
Fair value adjustments	-		(1,195)
Class B Units, December 31, 2020	5,432,940	$	73,399
Fair value adjustment	-		14,737
Class B Units, June 30, 2021	**5,432,940**	**$**	**88,136**

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

14. Unitholders' Equity

The REIT is authorized to issue an unlimited number of Units. Units are ordinary trust units of the REIT, each of which represents a unitholders' proportionate undivided beneficial interest and voting rights in the REIT.

	Number of Units		Value
Units outstanding, August 12, 2020	-	$	-
Units issued on IPO closing, October 7, 2020 (a)	6,250,000		93,750
Units issue for acquisition consideration, October 7, 2020 (b)	38,685		580
Units issued - overallotment, October 22, 2020 (c)	937,500		14,063
Less: issue costs (d)	-		(8,495)
Units outstanding, December 31, 2020	7,226,185		99,898
Units issued on equity offering closing June 14, 2021, including exercise of an overallotment option (f)	4,500,000		81,000
Less: issue costs (g)	-		(3,697)
Units outstanding, June 30, 2021	**11,726,185**	**$**	**177,201**

(a) The REIT entered into an underwriting agreement and filed a long-form prospectus for the purpose of completing the IPO, which closed on October 7, 2020. The REIT raised gross proceeds of $93,750 (excluding any exercise of the over-allotment option) pursuant to the IPO through the issuance of 6,250,000 Units at a price of $15.00 per Unit.

(b) The REIT issued 38,685 Units at a price of $15.00 per Unit for gross proceeds of $580 as part of the consideration for the acquisition on October 7, 2020 (Note 4).

(c) On October 22, 2020, pursuant to the exercise of the over-allotment option granted to the underwriters in connection with the IPO, the REIT issued an additional 937,500 Units at $15.00 per Unit, resulting in gross proceeds of $14,063. The net proceeds from the exercise of the over-allotment option were used by the REIT to fund future acquisitions and for general business purposes.

(d) Issuance costs relating to the IPO and over-allotment including underwriters' fees and other costs directly associated was approximately $8,495 and were charged directly to unitholders' equity.

(e) The REIT adopted the Omnibus Equity Incentive Plan on December 1, 2020. On May 10, 2021 Unitholders passed an ordinary resolution at the REIT's unitholder meeting to approve the Omnibus Equity Incentive Plan, including any previous grants of award and all unallocated awards issuable thereunder (See Note 25).

(f) On June 9, 2021, the REIT filed a supplement to a base shelf prospectus and entered into an underwriting agreement for the purpose of completing an equity offering, which closed on June 14, 2021. The REIT raised gross proceeds of $81,000 (including from the exercise, in part, of an over-allotment option granted to the underwriters of the offering) pursuant to the equity offering through the issuance of 4,500,000 Units at a price of $18.00 per Unit.

(g) Issuance costs relating to the equity offering and over-allotment including underwriters' fees and other costs directly associated was approximately $3,697 and were charged directly to unitholders' equity.

(h) Transaction costs relating to the equity offering and over-allotment were charged directly to transaction expense.

15. Related Party Transactions

In connection with the IPO, the REIT indirectly acquired the Initial Communities from entities owned and managed by certain executive officers of the REIT, as a result of which the REIT's Chief Executive Officer and Chief Investment Officer acquired beneficial ownership, or control or direction over, directly or indirectly, 17,408 Units and 5,396,687 Class B Units.

On closing of the IPO, the REIT and Empower, an entity majority-owned by the REIT's Chief Executive Officer and Chief Investment Officer, entered into certain agreements that govern the relationships between such parties and their affiliates. Empower will acquire and develop MHCs that do not meet the REIT's investment criteria and conduct home sales, including sales of manufactured homes located on the Initial Communities, under the ''You Got it Homes'' brand.

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

(a) Compensation expenses include $298 and $689 incurred to key management personnel during the three and six months ended June 30, 2021, respectively, which includes short-term employee compensation and benefits.

(b) For the three and six months ended June 30, 2021, the REIT billed Empower Park a total of $354 and $614, of which $312 and $551 was payroll and benefits, $15 and $21 was management fees, and $27 and $42 in other miscellaneous items, respectively. As of June 30, 2021, the REIT had a receivable from Empower Park of $11 (December 31, 2020 - $203).

(c) For the three and six months ended June 30, 2021, the REIT incurred expenses from affiliates totaling $266 and $494, respectively. The services provided by these affiliates include HVAC, paving/concrete repair, legal, IT and landscape services.

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

The table below breaks out spending for each related party.

As at June 30, 2021, the REIT had accounts payable and accrued liabilities due to related parties of $Nil (December 31, 2020 - $7).

Company Name	Ownership & Control	Description of Services	Three months ended June 30, 2021	Six months ended June 30, 2021
Call Now HVAC	50% owned by the REIT's Chief Executive Officer ("CEO"), Chief Investment Officer ("CIO" and another holder of Class B Units. Managing member of the entity is a non-related party	Provides HVAC services for the communities including installing new air conditioner units as well as services existing units.	$ 145	$ 207
KOI	50% owned by the REIT's CEO and 50% by an immediate family member. Employees include other immediate family members of the CEO.	Provides black top and concrete services for the communities as well as a number of other maintenance services.	$ 24	$ 65
BG3	100% owned by the brother of the REIT's CEO.	Provides landscaping services for various investment properties.	$ 13	$ 89
Adams Stepner Wolterman and Dusing (ASWD)	A holder of Class B Units with significant ownership of the REIT is a former partner and is currently compensated for any work that he completes on behalf of Adam Stepner Wolterman and Dusing	Law firm that helps the Portfolio with various legal matters such as loan closings, acquisition diligence, contract reviews, etc.	$ 8	$ 14
JDK	100% owned by the brother of the REIT's CEO.	IT and desktop support	$ 10	$ 20
Empower Park	50% owned by the REIT's CEO, CIO and another holder of Class B Units.	Empower acquires and develop MHCs that do not meet the REIT's investment criteria and conducts home sales, including sales of manufactured homes located on the Initial Communities. Per agreement with Empower Park, the REIT will pay floor plan interest on homes within the Initial Communities as well as reimburse Empower for any gross profit losses on home sales within the Initial Communities	$ 66	$ 99
Total			**$ 266**	**$ 494**

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

16. Revenues

The REIT's revenues consist of rental revenue and related income, including reimbursements of utility costs.

	Three months ended June 30, 2021	Six months ended June 30, 2021
Rental revenue	**$ 8,400**	$ 16,621
Utilities reimbursement	**1,118**	2,201
Fee income	**268**	613
Other	**49**	49
Total Revenues	**$ 9,835**	$ 19,484

17. Property Operating Expenses

	Three months ended June 30, 2021	Six months ended June 30, 2021
Utility costs	**$ 1,121**	$ 2,345
Payroll and benefits	**834**	1,567
Other property-based costs	**931**	1,667
Property and related real estate taxes	**519**	1,035
Total Operating Expenses	**$ 3,405**	$ 6,614

18. General and Administrative Expenses

	Three months ended June 30, 2021	Six months ended June 30, 2021
Payroll and benefits	**$ 830**	$ 1,482
Legal / Consulting	**88**	335
Audit and tax fees	**106**	217
Taxes and insurance	**98**	188
Trustee fees	**67**	132
Travel	**48**	103
Other	**161**	232
Total Operating Expenses	**$ 1,398**	$ 2,689

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

19. Finance Costs

Finance costs incurred and charged (recovered) as part of income are as follows:

Finance costs from operations	**Three months ended June 30, 2021**	Six months ended June 30, 2021
Interest expense	**$ 65**	$ 120
Interest - mortgages	**1,895**	3,757
Finance costs from operations	**$ 1,960**	$ 3,877
Fair value adjustment to financial liabilities		
Fair value adjustment - Class B units	**$ 12,455**	$ 14,737
Fair value adjustment to financial liabilities	**$ 12,455**	$ 14,737
Finance costs		
Finance costs from operations	**$ 1,960**	$ 3,877
Fair value adjustment to financial liabilities	**12,455**	14,737
Accretion of mark-to-market adjustment on mortgages payable	**(258)**	(515)
Distributions on Class B Units	**692**	1,385
Finance costs	**$ 14,849**	$ 19,484

20. Employee Benefit Plan

Management of the REIT has adopted a defined contribution plan under Internal Revenue Service code section 401(k) for all eligible employees. A participant may elect to defer up to the maximum percentage of compensation permissible under Code Section 401(k). Management of the REIT elects to match employee deferrals under the Basic Safe Harbor Match: The REIT matches 100% of the first 3% of each employee's contribution and 50% of the next 2%. Employer matching contributions to the Plan totalled $24 and $40 during the three and six months ended June 30, 2021, respectively.

21. Segment Reporting

The REIT owns, manages and operates multifamily properties located in the United States. Management, when measuring the REIT's performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the REIT has a single reportable segment for disclosure purposes in accordance with IFRS.

22. Commitment and Contingencies

The REIT is subject to claims and litigation in the ordinary course of business. Management does not believe that any such claim or litigation will have a material adverse effect on the business, assets, or results of operations of the REIT.

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

23. Capital Management

The REIT's policy is to maintain an appropriate capital base to support ongoing operations, maintain creditor and market confidence and sustain future developments of the business. Capital consists of cash and cash equivalents, loans and borrowings, Class B Units and unitholders' equity. The REIT monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also making appropriate distributions to the unitholders on a regular basis.

24. Financial Instruments and Risk Management

Financial Instruments

The carrying values of the REIT's short-term financial assets and liabilities approximate their fair values due to their short periods to maturity.

Fair Value Hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data

Level 3 – inputs for assets and liabilities not based upon observable market data

The following table summarizes the categories and fair values of the REIT's financial instruments.

	Fair value as at June 30, 2021		
	Level 1	**Level 2**	**Level 3**
Financial Assets and Liabilities			
DTUs	-	$ (67)	-
Class B Units	-	$ (88,136)	-
Mortgages payable	-	$ (216,633)	-

	Fair value as at December 31, 2020		
	Level 1	**Level 2**	**Level 3**
Financial Assets and Liabilities			
Class B Units	-	$ (73,399)	-
Mortgages payable	-	$ (233,518)	-

The fair value of the mortgages payable as at June 30, 2021 was estimated by discounting expected cash flows using a rate of 3.49% (December 31, 2020 – 3.13%), which is the expected rate available for debt of similar terms at the end of each respective period.

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

Financial Risk Factors

The REIT's risk exposure and the impact on the REIT's financial instruments are summarized below:

(a) Credit risk

Financial instruments that potentially subject the REIT to significant concentrations of credit risk consist principally of cash and cash equivalents and accounts receivables. The REIT regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss. Credit risk arises from the possibility that residents in investment properties may not fulfill their lease or contractual obligations. The REIT mitigates its credit risks by attracting residents of sound financial standing and by diversifying its mix of residents. It also monitors resident payment patterns and discusses potential resident issues with property managers on a regular basis. Cash carries minimal credit risk as all funds are maintained with reputable financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

The REIT has considered the cash flow difficulties that may be experienced by the tenants due to the impact of COVID-19 and the probability of default. The REIT entered into rent deferral agreements with some tenants experiencing difficulties to minimize credit losses in the event of default. The REIT continues to assist tenants on a case-by-case basis dependent upon need. The maximum exposure to credit risk is the carrying amount of the financial assets.

(b) Liquidity risk

The REIT is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The REIT manages maturities of the fixed rate mortgages payable and monitors the repayment dates to ensure sufficient capital will be available to cover obligations. The REIT constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. As at June 30, 2021, the REIT had working capital of $77,830 (December 31, 2020 - $8,936). All of the REIT's financial liabilities are due within one year except for mortgages payable.

As at June 30, 2021	**Carrying Amount**	**Contractual cash flows**	**Within 1 year**	**1 to 2 years**	**2 to 5 years**	**5+ years**
Trade and other payables	$ 498	$ 498	$ 498	$ -	$ -	$ -
Other liabilities	6,058	6,058	6,058	-	-	-
Mortgages payable	221,977	285,944	8,639	16,721	25,083	235,501
Total	**$ 228,533**	**$ 292,500**	**$ 15,195**	**$ 16,721**	**$ 25,083**	**$ 235,501**

As at December 31, 2020	**Carrying Amount**	**Contractual cash flows**	**Within 1 year**	**1 to 2 years**	**2 to 5 years**	**5+ years**
Trade and other payables	$ 598	$ 598	$ 598	$ -	$ -	$ -
Other liabilities	5,140	5,140	5,140	-	-	-
Mortgages payable	219,858	284,579	8,508	16,328	24,649	235,094
Total	$ 225,596	$ 290,317	$ 14,246	$ 16,328	$ 24,649	$ 235,094

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

(c) Interest rate risk

The REIT is exposed to interest rate risk as a result of its mortgages; however, this risk is mitigated through Management's strategy to structure its mortgages in fixed-term arrangements. The REIT also structures its financings so as to stagger the maturities of its debt, minimizing the exposure to interest rate volatility in any one year. The REIT does not have any mortgages maturing in the next 12 months.

25. Unit-based Compensation

Deferred Trust Units

Under the Equity Incentive Plan, non-employee trustee's have the option to elect to receive up to 100% of retainer fees, that are otherwise payable in cash, in the form of DTUs. Accordingly, the number of DTUs to be awarded to a non-employee trustee is equal to (i) the value of the retainer that the non-employee trustee elects to receive in the form of DTUs, (ii) divided by the volume-weighted average closing price of a Unit on the TSX for the five trading days immediately preceding the date of grant. Once made, elections are irrevocable for the year in respect of which they are made and are effective for subsequent calendar years until terminated by the non-employee trustee. DTUs granted to non-employee trustee's vest immediately upon grant.

The following tables summarize DTUs activity for the three and six months ended June 30, 2021 and the number of DTUs outstanding as at June 30, 2021 and December 31, 2020.

	Three months ended June 30, 2021	Six months ended June 30, 2021
Balance at beginning of period	**$ -**	$ -
Trustee fees	**67**	67
Fair value adjustment - DTU	**-**	-
Balance at end of period	**$ 67**	**$ 67**

	As at June 30, 2021	As at December 31, 2020
Outstanding at beginning of year	**-**	-
Granted	**3,758**	-
Outstanding at end of year	**3,758**	**-**

26. Subsequent Events

On July 2, 2021, the REIT announced the acquisition of two MHCs comprising 677 lots for an aggregate purchase price of approximately US$66.4 million (the "Acquisitions"). Total deposits outstanding on these acquisitions as at June 30, 2021 was $1,328.

On August 10, 2021 the REIT signed a commitment on a loan, in which the July 2021 Acquisitions were collateral, for $29,700. The interest rate on the note is 3.08% fixed for 20 years with the first 84 payments being interest only