



Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

November 14, 2023

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the three and nine months ended September 30, 2023 (unaudited)
Amounts in Thousands of US Dollars (except for per unit amounts)

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Presentation

This Management’s Discussion and Analysis (“MD&A”) is prepared as at November 14, 2023 and outlines Flagship Communities Real Estate Investment Trust’s (the “REIT” or “Flagship”) operating strategies, risk profile considerations, business outlook and analysis of its financial performance and financial condition for the three and nine months ended September 30, 2023 and 2022.

This MD&A should be read in conjunction with the REIT’s condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2023 and 2022, as well as the REIT’s audited consolidated financial statements and accompanying notes for the year ended December 31, 2022 and the REIT’s MD&A for the year ended December 31, 2022 (the “Annual MD&A”). These documents, as well as additional information relating to the REIT (including the REIT’s most recently filed annual information form (the “Annual Information Form”)) can be accessed under the REIT’s SEDAR profile at www.sedar.com or on the REIT’s website at www.flagshipcommunities.com.

This MD&A is based on condensed consolidated interim financial statements prepared by management in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. All amounts are stated in thousands of U.S. dollars, unless otherwise noted.

The trust units of the REIT (“Units”) trade on the Toronto Stock Exchange in U.S. dollars under the symbol “MHC.U” and in Canadian dollars under the symbol “MHC.UN”.

Forward Looking Statements

This MD&A contains statements that include forward-looking information (within the meaning of applicable Canadian securities laws). Forward-looking statements are identified by words such as “believe”, “anticipate”, “project”, “expect”, “intend”, “plan”, “will”, “may”, “can”, “could”, “would”, “must”, “estimate”, “target”, “objective”, and other similar expressions, or negative versions thereof, and include statements herein concerning: the REIT’s investment strategy and creation of long-term value; the REIT’s intention to continue to expand, including on a clustered basis and newly-entered geographies, and to convert rental homes to tenant owned homes as opportunities allow; expected sources of funding for future acquisitions; macro characteristics and trends in the United States real estate and housing industry, as well as the manufactured housing community (“MHC”) industry specifically; the continued ability of the REIT’s MHCs to be stable or strengthen in the foreseeable future and over the longer term; and the REIT’s target indebtedness as a percentage of Gross Book Value. These statements are based on the REIT’s expectations, estimates, forecasts, and projections, as well as assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies that could cause actual results to differ materially from those that are disclosed in such forward-looking statements. While considered reasonable by management of the REIT as at the date of this MD&A, any of these expectations, estimates, forecasts, projections, or assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those expectations, estimates, forecasts, projections, or assumptions could be incorrect. Material factors and assumptions used by management of the

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REIT to develop the forward-looking information in this MD&A include, but are not limited to, the REIT's current expectations about: vacancy and rental growth rates in MHCs and the continued receipt of rental payments in line with historical collections; demographic trends in areas where the MHCs are located; further MHC acquisitions by the REIT; the applicability of any government regulation concerning MHCs and other residential accommodations; the availability of debt financing and future interest rates, which continue to be volatile and have trended upward since the REIT's formation in 2020; increasing expenditures and fees, in connection with the ownership of MHCs, driven by inflation; and tax laws. When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as they are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under the heading "Risks and Uncertainties" herein or in the Annual MD&A, or discussed in the Annual Information Form. There can be no assurance that forward-looking statements will prove to be accurate as actual outcomes and results may differ materially from those expressed in these forward-looking statements. Further, certain forward-looking statements included in this MD&A may be considered as "financial outlook" for purposes of applicable Canadian securities laws, and as such, the financial outlook may not be appropriate for purposes other than to understand management's current expectations and plans relating to the future, as disclosed in this MD&A. Forward-looking statements are made as of the date of this MD&A and, except as expressly required by applicable law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Use of Estimates

The preparation of condensed consolidated interim 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 of Flagship Operating, LLC ("Class B Units"), Restricted Units ("RUs"), Deferred Trust Units ("DTUs"), and business combinations. Actual results may differ from these estimates.

Non-IFRS Financial Measures

In this MD&A, the REIT uses certain financial measures that are not defined under IFRS including certain non-IFRS ratios, to measure, compare and explain the operating results, financial performance and cash flows of the REIT. These measures are commonly used by entities in the real estate industry as useful metrics for measuring performance. However, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other publicly traded entities. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

Funds from Operations and Adjusted Funds from Operations

Funds from operations (“FFO”) and adjusted funds from operations (“AFFO”) are calculated in accordance with the definition provided by the Real Property Association of Canada (“REALPAC”).

FFO is defined as IFRS consolidated net income (loss) adjusted for items such as distributions on redeemable or exchangeable units (including distributions on the Class B Units), unrealized fair value adjustments to Class B Units, unrealized fair value adjustments to investment properties, unrealized fair value adjustments to unit based compensation, loss on extinguishment of acquired mortgages payable, gain on disposition of investment properties, and depreciation. FFO should not be construed as an alternative to consolidated net income (loss) or consolidated cash flows provided by (used in) operating activities determined in accordance with IFRS. The REIT’s method of calculating FFO is substantially in accordance with REALPAC’s recommendations but may differ from other issuers’ methods and, accordingly, may not be comparable to FFO reported by other issuers. Refer to section “Reconciliation of FFO, FFO per Unit, AFFO and AFFO per Unit” for a reconciliation of FFO to AFFO to consolidated net income (loss).

“FFO per Unit (diluted)” is defined as FFO for the applicable period divided by the diluted weighted average Unit count (including Class B Units, vested RUs and vested DTUs) during the period.

AFFO is defined as FFO adjusted for items such as maintenance capital expenditures, and certain non-cash items such as amortization of intangible assets, and premiums and discounts on debt and investments. AFFO should not be construed as an alternative to consolidated net income (loss) or consolidated cash flows provided by (used in) operating activities determined in accordance with IFRS. The REIT’s method of calculating AFFO is substantially in accordance with REALPAC’s recommendations. The REIT uses a capital expenditure reserve of \$60 per lot per year and \$1,000 per rental home per year in the AFFO calculation. This reserve is based on management’s best estimate of the cost that the REIT may incur, related to maintaining the investment properties. This may differ from other issuers’ methods and, accordingly, may not be comparable to AFFO reported by other issuers. Refer to section “Reconciliation of FFO, FFO per Unit, AFFO and AFFO per Unit” for a reconciliation of AFFO to consolidated net income (loss).

“AFFO Payout Ratio” is defined as total cash distributions of the REIT (including distributions on Class B Units) divided by AFFO.

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“AFFO per Unit (diluted)” is defined as AFFO for the applicable period divided by the diluted weighted average Unit count (including Class B Units, vested RUs and vested DTUs) during the period.

The REIT believes these non-IFRS financial measures and ratios provide useful supplemental information to both management and investors in measuring the operating performance, financial performance and financial condition of the REIT. The REIT also uses AFFO in assessing its distribution paying capacity.

Other Real Estate Industry Metrics

Additionally, this MD&A contains several other real estate industry financial metrics:

- “Acquisitions” means the REIT’s properties, excluding Same Communities (as defined below) (i.e., Acquisitions Revenue, as well as Acquisitions net operating income (“NOI”), and Acquisitions NOI Margin (as defined below)), and such measure is used by management to evaluate period-over-period performance of such investment properties throughout both respective periods. These results reflect the impact of acquisitions of investment properties.
- “Debt to Gross Book Value” is calculated by dividing indebtedness, which consists of the total principal amounts outstanding under mortgages payable and credit facilities, by Gross Book Value (as defined below). Refer to section “Calculation of Other Real Estate Industry Metrics – Debt to Gross Book Value”.
- “Gross Book Value” means, at any time, the greater of: (a) the value of the assets of the REIT and its consolidated subsidiaries, as shown on its then most recent consolidated statement of financial position prepared in accordance with IFRS, less the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT; and (b) the historical cost of the investment properties, plus (i) the carrying value of cash and cash equivalents, (ii) the carrying value of mortgages receivable; and (iii) the historical cost of other assets and investments used in operations.
- “Liquidity” is defined as (a) cash and cash equivalents, plus (b) borrowing capacity available under any existing credit facilities.
- “NOI Margin” is defined as NOI divided by total revenue. Refer to section “Calculation of Other Real Estate Industry Metrics – NOI and NOI Margin”.
- “Rent Collections” is defined as the total cash collected in a period divided by total revenue charged in that same period.
- “Same Community” means all properties which have been owned and operated continuously since January 1, 2022 by the REIT and such measures (i.e., Same Community Revenue, as well as Same Community NOI, Same Community NOI Margin, and Same Community Occupancy) are used by management to evaluate period-over-period performance.
- “Weighted Average Lot Rent” means the lot rent for each individual community multiplied by the total lots in that community summed for all communities divided by the total number of lots for all communities.

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- “Weighted Average Mortgage Interest Rate” is calculated by multiplying each mortgage's interest rate by the mortgage balance and dividing the sum by the total mortgage balance.
- “Weighted Average Mortgage Term” is calculated by multiplying each mortgage’s remaining term by the mortgage balance and dividing by the sum by the total mortgage balance.

Highlights

Three months ended September 30, 2023

- Rental revenue for the three months ended September 30, 2023 was \$18,154 compared to \$15,042 for the three months ended September 30, 2022, an increase of \$3,112 or 20.7%.
- Same Community Revenue¹ for the three months ended September 30, 2023 was \$15,689, compared to \$14,222 for the three months ended September 30, 2022, an increase of \$1,467 or 10.3%.
- Net income and comprehensive income for the three months ended September 30, 2023 was \$28,980 compared to \$14,910 for the three months ended September 30, 2022, an increase of \$14,070 or 94.4%.
- Net income and comprehensive income per Unit (diluted) for the three months ended September 30, 2023 was \$1.37 versus \$0.76 for the three months ended September 30, 2022.
- FFO per unit (diluted)² for the three months ended September 30, 2023 was \$0.297 compared to \$0.272 for the three months ended September 30, 2022 which was an increase of \$0.025 per Unit, or 9.2%
- AFFO per unit (diluted)² for the three months ended September 30, 2023 was \$0.260 compared to \$0.235 for the three months ended September 30, 2022 which was an increase of \$0.025 per Unit, or 10.6%.
- NOI for the three months ended September 30, 2023 was \$11,830 compared to \$9,848 for the three months ended September 30, 2022, an increase of \$1,982 or 20.1%.
- Same Community NOI¹ for the three months ended September 30, 2023 was \$10,360 compared to \$9,345 for the three months ended September 30, 2022, an increase of \$1,015 or 10.9%.
- NOI Margin¹ for the three months ended September 30, 2023 was 65.2% compared to 65.5% for the three months ended September 30, 2022.
- Same Community NOI Margin¹ for the three months ended September 30, 2023 was 66.0% compared to 65.7% for the three months ended September 30, 2022.
- Debt to Gross Book Value¹ as at September 30, 2023 was 39.9% compared to 42.9% as at December 31, 2022.
- Total portfolio occupancy was 83.5% as at September 30, 2023, an increase of 0.4% compared to December 31, 2022

¹ Refer to section “Other Real Estate Industry Metrics”.

² Refer to section “Non-IFRS Financial Measures”.

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- Same Community¹ Occupancy increased to 85.0% as at September 30, 2023 compared to 83.6% as at September 30, 2022, an increase of 1.4%, demonstrating the REITs ability to drive occupancy growth utilizing the home ownership model.
- Rent Collections¹ for the three months ended September 30, 2023 was 99.3%, which is up from 98.2% for the three months ended September 30, 2022.

Nine months ended September 30, 2023

- Rental revenue for the nine months ended September 30, 2023 was \$52,291 compared to \$43,098 for the nine months ended September 30, 2022, an increase of \$9,193 or 21.3%.
- Same Community Revenue¹ for the nine months ended September 30, 2023 was \$45,827, compared to \$41,670 for the nine months ended September 30, 2022, an increase of \$4,157 or 10.0%.
- Net income and comprehensive income for the nine months ended September 30, 2023 was \$66,586 compared to \$43,366 for the nine months ended September 30, 2022, an increase of \$23,220 or 53.5%.
- Net income and comprehensive income per Unit (diluted) for the nine months ended September 30, 2023 was \$3.22 versus \$2.21 for the nine months ended September 30, 2022.
- FFO per unit (diluted)² for the nine months ended September 30, 2023 was \$0.891 compared to \$0.832 for the nine months ended September 30, 2022 which was an increase of \$0.059 per Unit, or 7.1%.
- AFFO per unit (diluted)² for the nine months ended September 30, 2023 was \$0.780 compared to \$0.723 for the nine months ended September 30, 2022 which was an increase of \$0.057 per Unit, or 7.9%.
- NOI for the nine months ended September 30, 2023 was \$34,478 compared to \$28,566 for the nine months ended September 30, 2022, an increase of \$5,912 or 20.7%.
- Same Community NOI¹ for the nine months ended September 30, 2023 was \$30,301 compared to \$27,793 for the nine months ended September 30, 2022, an increase of \$2,508 or 9.0%.
- NOI Margin¹ for the nine months ended September 30, 2023 was 65.9% compared to 66.3% for the nine months ended September 30, 2022.
- Same Community NOI Margin¹ for the nine months ended September 30, 2023 was 66.1% compared to 66.7% for the nine months ended September 30, 2022.
- Rent Collections¹ for the nine months ended September 30, 2023 was 99.3%, which is up from 98.4% for the nine months ended September 30, 2022.

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Business Overview

Objectives

Flagship Communities Real Estate Investment Trust is an unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust dated August 12, 2020 (as subsequently amended and restated, the “Declaration of Trust”) under the laws of the Province of Ontario. The registered office of the REIT is located at 199 Bay Street, Suite 4000, Toronto, Ontario, M5L 1A9, Canada. The head office of the REIT is located at 467 Erlanger Road, Erlanger, Kentucky, 41018, United States. The REIT has been formed for the purpose of owning and operating a portfolio of income-producing MHCs, and related assets, all of which are located in the United States.

The operations of the REIT commenced on October 7, 2020, when it completed its initial public offering of 6,250,000 Units for gross proceeds of \$93,750. Following certain reorganization transactions, and certain related transactions, some of which took place on November 2, 2020, all of the REIT’s initial MHCs and the remaining assets comprising the REIT’s initial “portfolio” became indirectly held by the REIT through its indirect ownership of Flagship Operating, LLC. The initial portfolio was comprised of 45 MHCs with 8,255 lots located in four contiguous states in the U.S.: (i) Kentucky; (ii) Indiana; (iii) Ohio; and (iv) Tennessee (the “Initial Communities”).

As at September 30, 2023, the REIT owned a 100% interest in a portfolio of 72 MHCs with 13,246 lots as well as two RV resort communities with 470 sites, located in seven contiguous states: (i) Arkansas; (ii) Illinois; (iii) Indiana; (iv) Kentucky; (v) Missouri; (vi) Ohio; and (vii) Tennessee. These MHCs and RV resort communities are strategically concentrated in key markets where management has comprehensive knowledge and experience, including the REIT’s largest markets of Louisville, Cincinnati and Evansville. As at September 30, 2023, the REIT also owned a fleet of approximately 1,300 manufactured homes for lease to residents. The REIT plans to continue its strategy of converting rental homes to tenant owned homes however, from time to time, the rental home fleet may grow as a result of property acquisitions and targeted additions based on community needs.

The REIT is internally managed by a vertically integrated team of seasoned MHC professionals with expertise across the spectrum of real estate investment management, including: acquisitions, underwriting, financing, asset management, property management, operations, development and redevelopment, accounting, regulatory affairs, marketing, and human resources.

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The primary objectives of the REIT are to:

- Provide Unitholders an opportunity to invest in a portfolio of MHCs and RV resort communities located in attractive U.S. markets;
- Provide Unitholders with predictable, sustainable and growing cash distributions;
- Enhance the value of the REIT's portfolio and maximize the long-term value of the Units through proactive asset and property management, disciplined capital management and value-add investment opportunities; and
- Expand the asset base of the REIT in its existing operational footprint and target growth markets by leveraging management's extensive industry experience and relationships to acquire MHCs and RV resort communities that are expected to be accretive to the REIT's AFFO per Unit.

Nine months ended September 30, 2023

On February 28, 2023, the REIT acquired a 20 acre MHC in Austin, Indiana for approximately \$2,000 from a related party, Empower Park, LLC ("Empower")(see section "Transactions with Related Parties"). The acquisition includes 120 MHC homesites, which include 94 developed lots and 26 lots for additional expansion. The purchase price for the acquisition was satisfied by \$16 cash and the issuance of 120,598 Class B Units by Flagship Operating, LLC.

On March 22, 2023, pursuant to the ATM Offering (as defined below), the REIT raised gross proceeds of \$20,000 through the issuance of 1,176,471 Units at a price of \$17.00 per Unit ("March ATM Offering"). The net proceeds from the March ATM Offering were used by the REIT to fund subsequent acquisitions and for general business purposes.

On May 4, 2023, the REIT acquired three MHCs comprising 660 lots for approximately \$21,000. The MHCs had an average occupancy of 67% at the time of acquisition and are located in the REITs existing markets in Arkansas, Indiana and Tennessee. These acquisitions align with the REITs strategy to increase presence in core markets to enhance efficiencies and achieve economies of scale.

On May 23, 2023, pursuant to the ATM Offering, the REIT raised gross proceeds of \$2,965 through the issuance of 174,400 Units at a price of \$17.00 per Unit ("May ATM Offering"). The net proceeds from the May ATM Offering were used by the REIT to fund a subsequent acquisition and for general business purposes.

On June 7, 2023, following the lapsing of the REIT's previous short form base shelf prospectus dated May 7, 2021, the REIT filed a new base shelf prospectus. Subsequently, the REIT re-established the ATM Offering pursuant to a new prospectus supplement dated June 28, 2023. Pursuant to the ATM Offering, the REIT may issue Units, from time to time, up to an aggregate amount of \$50,000.

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On September 18, 2023, the REIT borrowed \$7,995 from a life insurance lender, for which two MHCs were the collateral (“September 18th bridge notes”). The interest rate on the notes are variable at 3.75% over the Secured Overnight Financing Rate³ (“SOFR”) and is adjusted each month until the notes are paid in full. As at September 30, 2023 the notes are accruing interest at 9.05%. The notes mature in 12 months with monthly payments being interest only until maturity at which time any accrued and unpaid interest, and the principal balances, are due in full. These funds were used to fund subsequent acquisitions and for general business purposes.

On September 19, 2023, the REIT acquired a MHC comprising 309 lots for approximately \$23,000. The MHC had an average occupancy of 95% at the time of acquisition and is located in the REITs existing markets in Indiana. At closing, the REIT borrowed \$12,693 from a life insurance lender, for which the MHC was the collateral (“September 19th bridge note”). The interest rate on the note is variable at 3.75% over the SOFR and is adjusted each month until the note is paid in full. As at September 30, 2023 the note is accruing interest at 9.05%. The note matures in 12 months with monthly payments being interest only until maturity at which time any accrued and unpaid interest, and the principal balance, are due in full. This acquisition aligns with the REITs strategy to increase presence in core markets to enhance efficiencies and achieve economies of scale.

Year ended December 31, 2022

On February 15, 2022, the REIT acquired a 13-acre resort MHC from a related party, Empower, for approximately \$8,200 (see section “Transactions with Related Parties”). This community consists of 100 lots, with a 99% occupancy rate (as of the date of acquisition), and a 141-boat slip marina. The purchase price for the acquisition was satisfied by \$7,533 in cash and the issuance of 37,448 Class B Units by Flagship Operating, LLC.

On March 24, 2022, the REIT borrowed \$9,049 from an agency lender, for which one MHC was the collateral. The interest rate on the note is 4.37% fixed for 30 years with the first 180 monthly payments being interest only. These funds were used to fund acquisitions and for general business purposes.

On April 13, 2022, the REIT borrowed \$18,000 from a life insurance lender, for which one MHC was the collateral. The interest rate on the note is 3.80% fixed for 20 years with the first 60 monthly payments being interest only. These funds were used to fund acquisitions and for general business purposes.

On April 29, 2022, the REIT acquired an MHC in Riverton Illinois which included 103 lots and 74 rental homes for \$6,250. The community was 89% occupied as of time of the acquisition and is the REIT’s second community in Illinois.

³ a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities

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On May 17, 2022, the REIT filed a supplement to its base shelf prospectus, dated May 7, 2021, and entered into an equity distribution agreement for the purpose of completing at-the-market offering(s) (the “ATM Offering”). Pursuant to the ATM Offering, the REIT may issue Units, from time to time, up to an aggregate amount of \$50,000.

On May 18, 2022, the REIT acquired two MHCs in Florence Kentucky which included 345 lots for \$22,500. The combined occupancy was 70% as of time of the acquisition and further increases the REIT concentration in core states which enhances efficiencies and achieves economies of scale.

On September 30, 2022, the REIT borrowed \$14,421 as a supplemental borrowing on its Fannie Mae credit facility for which ten communities are the collateral. The interest rate on this note is 5.79% for 12 years with all payments being interest only for the full term. These funds were used to fund acquisitions and for general business purposes.

On July 7, 2022, the REIT borrowed \$10,700 from a life insurance lender, for which one MHC was the collateral. The interest rate on the note is 4.98% for 20 years with the first 60 monthly payments being interest only. These funds were used to fund acquisitions and for general business purposes.

On September 22, 2022, the REIT acquired two MHCs in Louisville, Kentucky and Bloomington, Illinois which included 584 lots and 97 rental homes for \$32,300. Combined occupancy of these two MHCs was 79% as of time of the acquisition. At closing, the REIT borrowed \$8,600 from a life insurance lender, for which one MHC was the collateral. The interest rate on the note is 4.86% for 20 years with the first 72 monthly payments being interest only.

On November 14, 2022, the REIT announced that the Board of Trustees of the REIT (the “Board”) approved a 5% increase to its cash distribution to holders of Units (“Unitholders”) to \$0.0468 per Unit per month or \$0.562 per Unit per year. The new monthly cash distribution commenced with the November 2022 distribution, paid in December 2022.

On November 30, 2022, the REIT acquired a 20-acre resort MHC, in Marblehead, Ohio where the REIT has an existing market presence, for approximately \$7,800. This community was fully occupied as of time of the acquisition and consists of 100 lots with each lot including a boat slip.

On November 30, 2022, the REIT borrowed \$8,500 from a life insurance lender, for which the two resort MHCs, were the collateral. The interest rate on these notes is 6.15% for 20 years with the first 60 monthly payments being interest only. These funds were used to partially fund the November 30, 2022, acquisition.

On December 22, 2022, the REIT borrowed \$7,099 as an additional borrowing on its Fannie Mae credit facility for which three communities are the collateral. The interest rate on this note is 5.46% for 10 years with all payments being interest only for the full term. These funds will be used to fund future acquisitions and for general business purposes.

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Subsequent to the nine months ended September 30, 2023

On October 16, 2023, the REIT acquired a 62 site manufactured housing resort community in Lakeview, Ohio for approximately \$3,000. At the time of acquisition, the MHC had an average occupancy of 95%. The community also includes 62 boat slips, three wave runner docks and a clubhouse. At closing the REIT paid \$1,000 and borrowed \$2,000 from the seller. The interest rate on the note is fixed at 3.00% for 72 months. Monthly payments are interest only until maturity at which time any accrued and unpaid interest, and the principal balance, are due in full.

Business Performance Measures

The following tables present an overview of certain performance measures of the REIT as at September 30, 2023 and December 31, 2022 or for the three and nine months ended September 30, 2023 or 2022.

	As at September 30, 2023	As at December 31, 2022
Total communities	74	69
Total lots	13,716	12,601
Weighted Average Lot Rent*	\$415	\$388
Total portfolio occupancy	83.5%	83.1%
Debt to Gross Book Value*	39.9%	42.9%
Weighted Average Mortgage Interest Rate*	4.09%	3.78%
Weighted Average Mortgage Term*	10.3	11.7 Years

* Refer to section "Other Real Estate Industry Metrics".

	For the three months ended September 30, 2023		For the three months ended September 30, 2022	
Rental revenue and related income	\$	18,154	\$	15,042
Net income and comprehensive income	\$	28,980	\$	14,910
Net income and comprehensive income (basic)	\$	1.87	\$	1.05
Net income and comprehensive income (diluted)	\$	1.37	\$	0.76
Distributions Declared per unit (Units)	\$	0.140	\$	0.134
Distributions Declared per unit (Class B Units)	\$	0.140	\$	0.134
NOI	\$	11,830	\$	9,848
NOI Margin**		65.2%		65.5%
FFO*	\$	6,267	\$	5,337
FFO Per Unit* (diluted)	\$	0.297	\$	0.272
AFFO*	\$	5,489	\$	4,616
AFFO Per Unit* (diluted)	\$	0.260	\$	0.235
AFFO Payout Ratio*		53.9%		56.8%
Weighted average units (basic)		15,492,056		14,141,185
Weighted average units (diluted)		21,132,226		19,637,962

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	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Rental revenue and related income	\$ 52,291	\$ 43,098
Net income and comprehensive income	\$ 66,586	\$ 43,366
Net income and comprehensive income (basic)	\$ 4.42	\$ 3.07
Net income and comprehensive income (diluted)	\$ 3.22	\$ 2.21
Distributions Declared per unit (Units)	\$ 0.421	\$ 0.401
Distributions Declared per unit (Class B Units)	\$ 0.421	\$ 0.401
NOI	\$ 34,478	\$ 28,566
NOI Margin**	65.9%	66.3%
FFO*	\$ 18,403	\$ 16,336
FFO Per Unit* (diluted)	\$ 0.891	\$ 0.832
AFFO*	\$ 16,111	\$ 14,187
AFFO Per Unit* (diluted)	\$ 0.780	\$ 0.723
AFFO Payout Ratio*	53.7%	55.5%
Weighted average units (basic)	15,051,641	14,141,185
Weighted average units (diluted)	20,656,025	19,625,617

* Refer to section "Non-IFRS Financial Measures".

** Refer to section "Other Real Estate Industry Metrics".

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

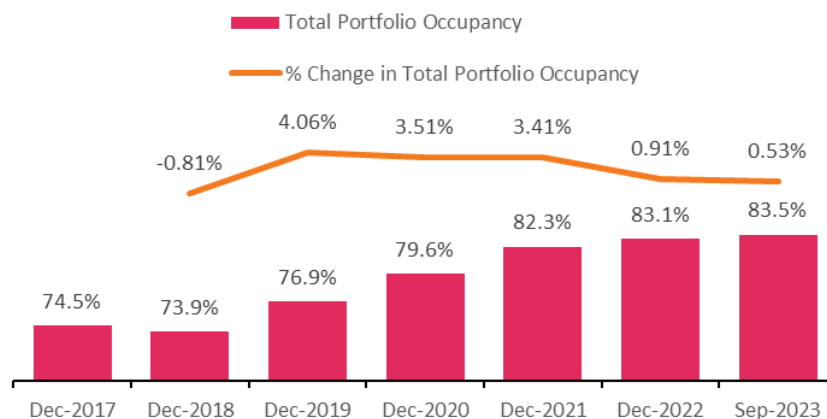
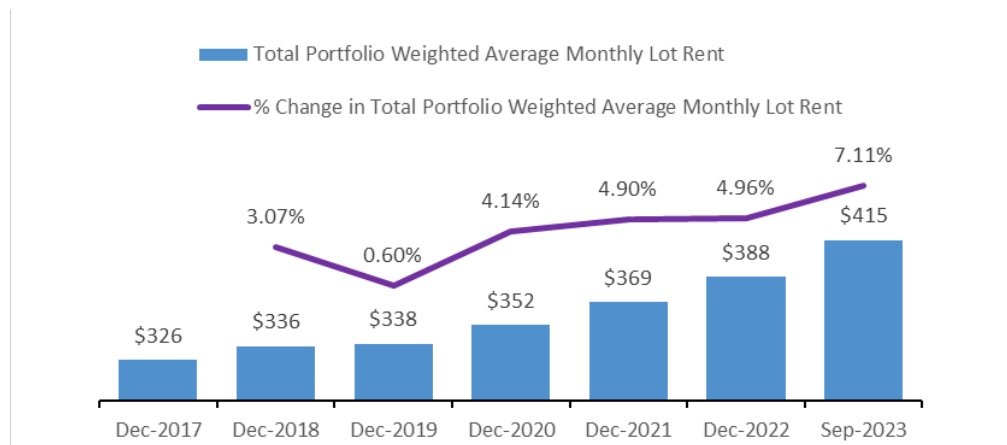
For the three and nine months ended September 30, 2023 (unaudited)

Amounts in Thousands of US Dollars (except for per unit amounts)

The following table highlights certain information about communities as at September 30, 2023, organized by Metropolitan Statistical Area (“MSA”):

MSA	State	Number of lots	\$ Average Lot Rent	Occupancy
Louisville	KY	4104	\$ 434	80.0%
Lexington	KY	899	\$ 395	94.2%
Paducah	KY	492	\$ 297	85.4%
Cincinnati	OH	2839	\$ 452	88.2%
Dayton	OH	125	\$ 546	96.0%
Evansville	IN	2502	\$ 371	76.8%
Knoxville	TN	164	\$ 350	97.6%
Little Rock	AR	819	\$ 350	71.4%
St. Louis	MO	502	\$ 540	92.6%
Springfield	IL	336	\$ 429	86.0%
Bloomington	IL	364	\$ 416	82.7%
Other		570	\$ 356	98.1%
Total Portfolio		13,716	\$ 415	83.5%

The charts below show the total portfolio Weighted Average Lot Rent (see section “Other Real Estate Industry Metrics”) and occupancy growth since 2017 for communities owned by the REIT, or the preceding entities prior to the reorganization and related transactions that created the REITs initial portfolio, in that year:



Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the three and nine months ended September 30, 2023 (unaudited)

Amounts in Thousands of US Dollars (except for per unit amounts)

The following tables highlight certain financial performance measures of the REIT for the three and nine months ended September 30, 2023, versus the three and nine months ended September 30, 2022.

	For the three months ended		For the three months ended		
	September 30, 2023		September 30, 2022		Variance
Rental revenue and related income	\$	18,154	\$	15,042	\$ 3,112
Same Community Revenue ¹	\$	15,689	\$	14,222	\$ 1,467
Acquisitions Revenue ¹	\$	2,465	\$	820	\$ 1,645
Net income and comprehensive income	\$	28,980	\$	14,910	\$ 14,070
NOI, total portfolio	\$	11,830	\$	9,848	\$ 1,982
Same Community NOI ¹	\$	10,360	\$	9,345	\$ 1,015
Acquisitions NOI ¹	\$	1,470	\$	503	\$ 967
NOI Margin ¹ , total portfolio		65.2%		65.5%	-0.3%
Same Community NOI Margin ¹		66.0%		65.7%	0.3%
Acquisitions NOI Margin ¹		59.6%		61.3%	-1.7%

	For the nine months ended		For the nine months ended		
	September 30, 2023		September 30, 2022		Variance
Rental revenue and related income	\$	52,291	\$	43,098	\$ 9,193
Same Community Revenue ¹	\$	45,827	\$	41,670	\$ 4,157
Acquisitions Revenue ¹	\$	6,464	\$	1,428	\$ 5,037
Net income and comprehensive income	\$	66,586	\$	43,366	\$ 23,220
NOI, total portfolio	\$	34,478	\$	28,566	\$ 5,912
Same Community NOI ¹	\$	30,301	\$	27,793	\$ 2,508
Acquisitions NOI ¹	\$	4,177	\$	773	\$ 3,405
NOI Margin ¹ , total portfolio		65.9%		66.3%	-0.4%
Same Community NOI Margin ¹		66.1%		66.7%	-0.6%
Acquisitions NOI Margin ¹		64.6%		54.1%	10.5%

¹ Refer to section "Other Real Estate Industry Metrics".

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the three and nine months ended September 30, 2023 (unaudited)
Amounts in Thousands of US Dollars (except for per unit amounts)

Selected Quarterly Financial Information

Performance measures	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Total communities	74	73	70	69	68	66	64	63
Total lots	13,716	13,407	12,743	12,601	12,500	11,913	11,454	11,328
Weighted Average Lot Rent**	\$ 415	\$ 415	\$ 418	\$ 388	\$ 385	\$ 384	\$ 385	\$ 369
Occupancy	83.5%	83.3%	83.4%	83.1%	83.1%	83.3%	83.1%	82.8%
Rental revenue and related income	\$ 18,154	\$ 17,379	\$ 16,758	\$ 15,700	\$ 15,042	\$ 14,363	\$ 13,693	\$ 12,192
Net income and comprehensive income	\$ 28,980	\$ 21,391	\$ 16,215	\$ 684	\$ 14,910	\$ 26,024	\$ 2,433	\$ 53,451
Net income and comprehensive income (basic)	\$ 1.87	\$ 1.39	\$ 1.14	\$ (0.05)	\$ 1.05	\$ 1.84	\$ 0.17	\$ 4.28
Net income and comprehensive income (diluted)	\$ 1.37	\$ 1.02	\$ 0.82	\$ (0.03)	\$ 0.76	\$ 1.33	\$ 0.12	\$ 3.04
NOI	\$ 11,830	\$ 11,578	\$ 11,118	\$ 10,367	\$ 9,848	\$ 9,460	\$ 9,258	\$ 8,199
NOI Margin**	65.2%	66.6%	66.3%	66.0%	65.5%	65.9%	67.6%	67.2%
FFO*	\$ 6,267	\$ 6,233	\$ 5,903	\$ 4,865	\$ 5,337	\$ 5,434	\$ 5,563	\$ 4,618
FFO Per Unit* (diluted)	\$ 0.297	\$ 0.297	\$ 0.298	\$ 0.248	\$ 0.272	\$ 0.277	\$ 0.284	\$ 0.263
AFFO*	\$ 5,489	\$ 5,468	\$ 5,153	\$ 4,114	\$ 4,616	\$ 4,716	\$ 4,854	\$ 3,924
AFFO Per Unit* (diluted)	\$ 0.260	\$ 0.260	\$ 0.260	\$ 0.209	\$ 0.235	\$ 0.240	\$ 0.248	\$ 0.223
AFFO Payout Ratio*	53.9%	53.7%	53.4%	64.8%	56.8%	55.7%	54.0%	59.5%

* Refer to section "Non-IFRS Financial Measures".

** Refer to section "Other Real Estate Industry Metrics".

Flagship Communities Real Estate Investment Trust
Management Discussion and Analysis
For the three and nine months ended September 30, 2023 (unaudited)
Amounts in Thousands of US Dollars (except for per unit amounts)

Review of Selected Operating Information – Q3 2023

The following tables highlight selected financial information of the REIT. This information has been compiled from the condensed consolidated interim financial statements, and notes thereto, and should be read in conjunction with the condensed consolidated interim financial statements and notes.

The following tables highlight certain operating information of the REIT for the three and nine months ended September 30, 2023, versus the three and nine months ended September 30, 2022.

	For the three months ended		For the three months ended		
	September 30, 2023		September 30, 2022		Variance
Revenue					
Rental revenue and related income	\$	18,154	\$	15,042	\$ 3,112
Expenses (Income)					
Property operating expenses	\$	6,324	\$	5,194	\$ 1,130
General and administrative	\$	2,340	\$	1,887	\$ 453
Finance costs from operations	\$	3,565	\$	2,954	\$ 611
Accretion of mark-to-market adjustment on mortgages payable	\$	(257)	\$	(257)	\$ -
Depreciation	\$	103	\$	76	\$ 27
Other (income)	\$	(85)	\$	(73)	\$ (12)
Fair value adjustment - Class B Units	\$	(6,985)	\$	(1,915)	\$ (5,070)
Distributions on Class B Units	\$	785	\$	732	\$ 53
Fair value adjustment - investment properties	\$	(16,541)	\$	(8,458)	\$ (8,083)
Fair value adjustment - unit-based compensation	\$	(75)	\$	(8)	\$ (67)
	\$	(10,826)	\$	132	\$ (10,958)
Net income and comprehensive income	\$	28,980	\$	14,910	\$ 14,070

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the three and nine months ended September 30, 2023 (unaudited)

Amounts in Thousands of US Dollars (except for per unit amounts)

	For the nine months ended		For the nine months ended		
	September 30, 2023		September 30, 2022		Variance
Revenue					
Rental revenue and related income	\$	52,291	\$	43,098	\$ 9,193
Expenses (Income)					
Property operating expenses	\$	17,813	\$	14,532	\$ 3,281
General and administrative	\$	6,645	\$	5,381	\$ 1,264
Finance costs from operations	\$	10,438	\$	7,758	\$ 2,680
Accretion of mark-to-market adjustment on mortgages payable	\$	(772)	\$	(772)	\$ -
Depreciation	\$	288	\$	209	\$ 79
Other (income)	\$	(236)	\$	(137)	\$ (99)
Fair value adjustment - Class B Units	\$	(7,226)	\$	(23,552)	\$ 16,326
Distributions on Class B Units	\$	2,337	\$	2,194	\$ 143
Fair value adjustment - investment properties	\$	(43,495)	\$	(5,796)	\$ (37,699)
Fair value adjustment - unit-based compensation	\$	(87)	\$	(85)	\$ (2)
	\$	(14,295)	\$	(268)	\$ (14,027)
Net income and comprehensive income	\$	66,586	\$	43,366	\$ 23,220

Revenue

	For the three months ended		For the three months ended			
	September 30, 2023		September 30, 2022		Variance	Variance %
Rental revenue and related income	\$	18,154	\$	15,042	\$ 3,112	20.7%

Rental revenue consists of lot rent, home rent, utility reimbursements, and other miscellaneous income collected at the communities. For the three months ended September 30, 2023, the higher revenue as compared to the prior period was primarily driven by lot rent increases and occupancy increases across the portfolio as well as Acquisitions. Acquisitions accounted for \$1,645 of the increase versus the prior period. Same Community Revenue was approximately \$1,467 higher than the prior period. The increase in Same Community Revenue was a result of increasing monthly lot rent year over year, growth in Same Community Occupancy, and increased utility revenues.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the three and nine months ended September 30, 2023 (unaudited)

Amounts in Thousands of US Dollars (except for per unit amounts)

	For the nine months ended		For the nine months ended		Variance	Variance %
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022		
Rental revenue and related income	\$	52,291	\$	43,098	\$ 9,193	21.3%

For the nine months ended September 30, 2023, the higher revenue as compared to the prior period was primarily driven by Acquisitions as well as lot rent increases and occupancy increases across the portfolio. Acquisitions accounted for \$5,037 of the increase versus the prior period. Same Community Revenue was approximately \$4,156 higher than the prior period. The increase in Same Community Revenue was a result of increasing monthly lot rent year over year, growth in Same Community Occupancy, and increased utility revenues.

Property Operating Expenses

The following tables highlight property operating expenses of the REIT.

	For the three months ended		For the three months ended		Variance	Variance %
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022		
Operating expenses	\$	6,324	\$	5,194	\$ 1,130	21.8%

Operating expenses are comprised mainly of utilities, common area and maintenance expenses, payroll, insurance, property taxes and other costs associated with the management and maintenance of the investment properties. Operating expenses increased by \$1,130 for the three months ended September 30, 2023, versus the three months ended September 30, 2022. The drivers for the increase were Acquisitions as well as inflationary pressures on wages, utilities, and property taxes. Acquisitions accounted for \$677 of the increase in operating expenses while only accounting for \$995 of the total operating expenses incurred during the three months ended September 30, 2023.

The table below provides a breakdown of operating expenses for the period:

Operating Expenses	For the three months ended		For the three months ended	
	September 30, 2023	September 30, 2023	September 30, 2022	September 30, 2022
Utilities	\$	2,196	\$	1,742
Payroll and benefits	\$	1,360	\$	1,157
Taxes and insurance	\$	1,524	\$	1,248
Repairs and maintenance	\$	577	\$	469
Other	\$	667	\$	578
Total Operating Expenses	\$	6,324	\$	5,194

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the three and nine months ended September 30, 2023 (unaudited)

Amounts in Thousands of US Dollars (except for per unit amounts)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022	Variance	Variance %
Operating expenses	\$ 17,813	\$ 14,532	\$ 3,281	22.6%

Operating expenses increased by \$3,281 for the nine months ended September 30, 2023 versus the nine months ended September 30, 2022. The drivers for the increase were Acquisitions as well as inflationary pressures on wages, utilities, and property taxes. Acquisitions accounted for \$1,632 of the increase in operating expenses while only accounting for \$2,287 of the total operating expenses incurred during the nine months ended September 30, 2023.

The table below provides a breakdown of operating expenses for the period:

Operating Expenses	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Utilities	\$ 6,226	\$ 5,037
Payroll and benefits	\$ 3,992	\$ 3,092
Taxes and insurance	\$ 4,303	\$ 3,657
Repairs and maintenance	\$ 1,364	\$ 1,191
Other	\$ 1,928	\$ 1,555
Total Operating Expenses	\$ 17,813	\$ 14,532

General and Administrative

The following tables highlight general and administrative expenses of the REIT.

	For the three months ended September 30, 2023	For the three months ended September 30, 2022	Variance	Variance %
General and administrative	\$ 2,340	\$ 1,887	\$ 453	24.0%

General and administrative expenses include payroll and benefits for certain REIT employees, legal / consulting fees, audit and tax fees, taxes and insurance, trustee fees, travel, and other administrative costs. For the three months ended September 30, 2023, the \$453 higher spend compared to the prior period is primarily the result of higher audit fees and tax fees, as well as inflationary pressures on salaries and benefits for certain REIT employees, and increased spending in outsourced services such as marketing and information technology services.

The table below provides a breakdown of general and administrative expenses:

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the three and nine months ended September 30, 2023 (unaudited)

Amounts in Thousands of US Dollars (except for per unit amounts)

General and administrative	For the three months ended September 30, 2023		For the three months ended September 30, 2022	
Payroll and benefits	\$	1,232	\$	1,033
Legal / Consulting	\$	165	\$	140
Audit and tax fees	\$	162	\$	98
Taxes and insurance	\$	180	\$	152
Trustee fees	\$	122	\$	134
Travel	\$	171	\$	137
Other	\$	308	\$	193
Total General and administrative	\$	2,340	\$	1,887

	For the nine months ended September 30, 2023		For the nine months ended September 30, 2022		Variance	Variance %
General and administrative	\$	6,645	\$	5,381	\$ 1,264	23.5%

For the nine months ended September 30, 2023, the \$1,264 higher spend compared to the prior period is primarily the result of higher audit fees and tax fees, as well as inflationary pressures on salaries and benefits for certain REIT employees, and increased spending in outsourced services such as marketing and information technology services.

The table below provides a breakdown of general and administrative expenses:

General and administrative	For the nine months ended September 30, 2023		For the nine months ended September 30, 2022	
Payroll and benefits	\$	3,513	\$	3,099
Legal / Consulting	\$	544	\$	396
Audit and tax fees	\$	494	\$	287
Taxes and insurance	\$	523	\$	379
Trustee fees	\$	361	\$	336
Travel	\$	456	\$	378
Other	\$	754	\$	506
Total General and administrative	\$	6,645	\$	5,381

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the three and nine months ended September 30, 2023 (unaudited)

Amounts in Thousands of US Dollars (except for per unit amounts)

Finance Cost from Operations

	For the three months ended		For the three months ended		Variance	Variance %
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022		
Finance costs from operations	\$	3,565	\$	2,954	\$ 611	20.7%

Finance costs from operations consist of interest expense on loans and borrowings, amortization of deferred financing costs, floorplan interest and other miscellaneous interest expense. For this period, interest expense on loans and borrowings accounted for \$3,302 and floorplan interest and other miscellaneous interest expense was \$235. Amortized deferred financing cost was \$28. Of the \$611 increase in finance costs from operations compared to the three months ended September 30, 2022, \$579 was the result of the REIT's new debt placed during 2022 and 2023, approximately 45% of which originated in September 2022 or later. Floor plan interest on homes located on the REIT's investment properties, included in miscellaneous interest expense, accounted for an additional \$29 of the increase and was due to increases in floor plan interest rates as well as the value of manufactured homes on which floor plan interest was incurred.

	For the nine months ended		For the nine months ended		Variance	Variance %
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022		
Finance costs from operations	\$	10,438	\$	7,758	\$ 2,680	34.5%

For this period, interest expense on loans and borrowings accounted for \$9,572 and floorplan interest and other miscellaneous interest expense was \$771. Amortized deferred financing cost was \$95. Of the \$2,680 increase in finance costs from operations compared to the nine months ended September 30, 2022, \$2,331 was the result of the REIT's new debt placed during 2022 and 2023, approximately 45% of which originated in September 2022 or later. Floor plan interest on homes located on the REIT's investment properties, included in miscellaneous interest expense, accounted for an additional \$285 of the increase and was due to increases in floor plan interest rates as well as the value of manufactured homes on which floor plan interest was incurred.

Other (Income)

	For the three months ended		For the three months ended		Variance	Variance %
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022		
Other (income)	\$	(85)	\$	(73)	\$ (12)	16.4%

Other (income) is made up of property management fees, asset management fees and note receivable interest that the REIT charges to Empower – see “Transactions with Related Parties”. For the three months ended September 30, 2023, other (income) was higher than the prior period due to note receivable interest and management fees charged to Empower in the period.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the three and nine months ended September 30, 2023 (unaudited)

Amounts in Thousands of US Dollars (except for per unit amounts)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022	Variance	Variance %
Other (income)	\$ (236)	\$ (137)	(99)	72.3%

For the nine months ended September 30, 2023, other (income) was higher than the prior period due to note receivable interest and management fees charged to Empower in the period.

Fair Value Adjustment - Class B Units

For the three and nine months ended September 30, 2023, the REIT recognized a fair value (gain) on Class B Units of \$(6,985) and \$(7,226), respectively ((\$1,915) and (\$23,552) for the three and nine months ended September 30, 2022, respectively). Class B Units are measured at fair value with any changes in fair value recorded in "fair value adjustment – Class B Units" on the consolidated statement of net income and comprehensive income. The fair value as at September 30, 2023 and December 31, 2022 was calculated using the Unit closing price as at the end of the respective reporting period.

Distributions on Class B Units

The Class B Units are redeemable for cash or Units, at the option of the REIT, and, therefore, the Class B Units meet the definition of a financial liability under IAS 32. The distributions paid to the holders of Class B Units are treated as interest expense and reflected on the consolidated statement of net income and comprehensive income within the REIT's financial statements. For the three and nine months ended September 30, 2023 the REIT paid distributions on Class B Units of \$785 and \$2,331, respectively (\$731 and \$2,192 for the three and nine months ended September 30, 2022, respectively).

Fair Value Adjustment – Investment Properties

In accordance with IFRS, management has elected to use the fair value model to account for investment properties. Overall, the fair value of investment properties increased by \$16,541 and \$43,495 for the three and nine months ended September 30, 2023, respectively (increased by \$8,458 and \$5,796 for the three and nine months ended September 30, 2022, respectively). Fair value adjustments were determined based on the movement of various parameters, including changes in NOI and capitalization rates. The major driver of this increase in fair value for the three and nine months ended September 30, 2023 was an increase in the trailing twelve months NOI.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the three and nine months ended September 30, 2023 (unaudited)

Amounts in Thousands of US Dollars (except for per unit amounts)

Net Income and Comprehensive Income

	For the three months ended September 30, 2023	For the three months ended September 30, 2022	Variance	Variance %
Net income and comprehensive income	\$ 28,980	\$ 14,910	\$ 14,070	94.4%

Net income and comprehensive income for the three months ended September 30, 2023 was \$14,471 more than the prior period as a result of the fair value gain on investment properties and Class B Units for the three months ended September 30, 2023 being \$13,153 more than in the same period in 2022, as well as other variances previously described.

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022	Variance	Variance %
Net income and comprehensive income	\$ 66,586	\$ 43,366	\$ 23,220	53.5%

Net income and comprehensive income for the nine months ended September 30, 2023 was \$23,620 more than the prior period as a result of the fair value gain on investment properties and Class B Units for the nine months ended September 30, 2023 being \$21,373 more than in the same period in 2022, as well as other variances previously described.

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis
For the three and nine months ended September 30, 2023 (unaudited)
Amounts in Thousands of US Dollars (except for per unit amounts)

NOI, FFO, AFFO

Below is a summary of the NOI, FFO and AFFO for the three and nine months ended September 30, 2023 and 2022. The diluted weighted average Unit count for the three and nine months ended September 30, 2023 was 21,132,226 and 20,656,025, respectively (19,637,962 and 19,625,617 for the three and nine months ended September 30, 2022, respectively).

As at September 30, 2023, there were 21,138,219 Units outstanding (including the combined number of Units, Class B Units, vested RUs and vested DTUs).

AFFO per Unit for the three and nine months ended September 30, 2023 and 2022 was \$0.260 and \$0.235, and \$0.780 and \$0.723, resulting in an increase of 10.6% and 7.9%, respectively.

FFO per Unit for the three and nine months ended September 30, 2023 and 2022 was \$0.297 and \$0.272, and \$0.891 and \$0.832, resulting in an increase of 9.2% and 7.1% respectively.

For the three and nine months ended September 30, 2023, the increase was the result of the REIT's ability to grow Same Community Revenue and NOI. Same Community Revenues for the three and nine months ended September 30, 2023 exceeded the three and nine months ended September 30, 2022 by \$1,467 and \$4,157, respectively. These increases are driven by lot rent increases implemented during the year, occupancy growth throughout the year, increases in utility revenues, and economies of scale from operating in existing markets.

NOI Margins and Same Community NOI Margins for the three months ended September 30, 2023 were 65.2% and 66.0%, a (decrease)increase of (0.3%) and 0.3% compared to the three months ended September 30, 2022, respectively.

NOI Margins and Same Community NOI Margins for the nine months ended September 30, 2023, were 65.9% and 66.1%, a decrease of (0.4%) and (0.6%) compared to the nine months ended September 30, 2022, respectively. The decrease in margins was the result of an increase in payroll and benefits as the REIT returned to regular staffing levels from below average levels in 2022.

The following tables highlight a summary of the NOI, FFO and AFFO of the REIT.

	For the three months ended		For the three months ended			
	September 30, 2023	September 30, 2022	Variance	Variance %		
NOI	\$ 11,830	\$ 9,848	\$ 1,982	20.1%		
NOI Margin**	65.2%	65.5%	-0.3%	-0.5%		
FFO*	\$ 6,267	\$ 5,337	\$ 930	17.4%		
FFO Per Unit*	\$ 0.297	\$ 0.272	\$ 0.025	9.2%		
AFFO*	\$ 5,489	\$ 4,616	\$ 873	18.9%		
AFFO per Unit*	\$ 0.260	\$ 0.235	\$ 0.025	10.6%		
AFFO Payout Ratio*	53.9%	56.8%	-2.9%	-5.1%		

* Refer to section "Non-IFRS Financial Measures".

** Refer to section "Other Real Estate Industry Metrics".

Flagship Communities Real Estate Investment Trust

Management Discussion and Analysis

For the three and nine months ended September 30, 2023 (unaudited)

Amounts in Thousands of US Dollars (except for per unit amounts)

	For the nine months ended		For the nine months ended			
	September 30, 2023		September 30, 2022		Variance	Variance %
NOI	\$	34,478	\$	28,566	\$ 5,912	20.7%
NOI Margin**		65.9%		66.3%	-0.4%	-0.7%
FFO*	\$	18,403	\$	16,336	\$ 2,067	12.7%
FFO Per Unit*	\$	0.891	\$	0.832	\$ 0.059	7.1%
AFFO*	\$	16,111	\$	14,187	\$ 1,923	13.6%
AFFO per Unit*	\$	0.780	\$	0.723	\$ 0.057	7.9%
AFFO Payout Ratio*		53.7%		55.5%	-1.8%	-3.2%

* Refer to section "Non-IFRS Financial Measures".

** Refer to section "Other Real Estate Industry Metrics".

Reconciliation of FFO, FFO per Unit, AFFO and AFFO per Unit

The REIT uses the following non-IFRS key performance indicators: FFO, FFO Per Unit, AFFO, AFFO per Unit.

The calculations of these measures and the reconciliation to net income and comprehensive income, are set out in the following tables:

	For the three months ended		For the three months ended	
	September 30, 2023		September 30, 2022	
Net income and comprehensive income	\$	28,980	\$	14,910
<i>Adjustments to arrive at FFO</i>				
Depreciation	\$	103	\$	76
Fair value adjustment - Class B Units	\$	(6,985)	\$	(1,915)
Distributions on Class B Units	\$	785	\$	732
Fair value adjustment - investment properties	\$	(16,541)	\$	(8,458)
Fair value adjustment - unit based compensation	\$	(75)	\$	(8)
Funds from Operations ("FFO")	\$	6,267	\$	5,337
FFO per Unit (diluted)	\$	0.297	\$	0.272
<i>Adjustments to arrive at AFFO</i>				
Accretion of mark-to-market adjustment on mortgage payable	\$	(257)	\$	(257)
Capital Expenditure Reserves	\$	(521)	\$	(464)
Adjusted Funds from Operations ("AFFO")	\$	5,489	\$	4,616
AFFO per Unit (diluted)	\$	0.260	\$	0.235

In the calculation of AFFO, the REIT uses a capital expenditure reserve of \$60 per lot per year and \$1,000 per rental home per year. This reserve is based on management's best estimate of the cost that the REIT may incur, related to maintaining the investment properties. The REIT believes this approach is more relevant as a reserve normalizes seasonal impacts of such costs. For the three months ended September 30, 2023, the capital

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expenditure reserve was \$521 as compared to actual spending of \$631 (for the three months ended September 30, 2022 the capital expenditure reserve was \$464 as compared to actual spending of \$721).

	For the nine months ended September 30, 2023		For the nine months ended September 30, 2022	
Net income and comprehensive income	\$	66,586	\$	43,366
<i>Adjustments to arrive at FFO</i>				
Depreciation	\$	288	\$	209
Fair value adjustment - Class B Units	\$	(7,226)	\$	(23,552)
Distributions on Class B Units	\$	2,337	\$	2,194
Fair value adjustment - investment properties	\$	(43,495)	\$	(5,796)
Fair value adjustment - unit based compensation	\$	(87)	\$	(85)
Funds from Operations ("FFO")	\$	18,403	\$	16,336
FFO per Unit (diluted)	\$	0.891	\$	0.832
<i>Adjustments to arrive at AFFO</i>				
Accretion of mark-to-market adjustment on mortgage payable	\$	(772)	\$	(772)
Capital Expenditure Reserves	\$	(1,520)	\$	(1,377)
Adjusted Funds from Operations ("AFFO")	\$	16,111	\$	14,187
AFFO per Unit (diluted)	\$	0.780	\$	0.723

For the nine months ended September 30, 2023, the capital expenditure reserve was \$1,520 as compared to actual spending of \$1,799 (for the nine months ended September 30, 2022 the capital expenditure reserve was \$1,377 as compared to actual spending of \$1,543).

For the three and nine months ended September 30, 2023 the REIT has spent \$4,927 and \$23,847 in total capital expenditures (excluding Acquisitions). Much of the spending is related to non "maintenance" capital expenditures. The REIT considers capitalized spending during the first 18-24 months after acquisition of a new community to be "growth" capital expenditures as work is done to bring the community and rental homes up to the REITs standards including adding community amenities. The other significant category for "growth" capital expenditure would be related to the purchase of the rental homes that the REIT has added during the three and nine months ended September 30, 2023. This spending is done to enhance revenues, and is not considered "maintenance" capital expenditure for the purposes of calculating AFFO and AFFO Per Unit.

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Calculation of Other Real Estate Industry Metrics

NOI and NOI Margin

The REIT uses the following non-IFRS key performance indicators: NOI and NOI Margin.

The tables below lay out the calculation of the REIT's NOI for the three and nine months September 30, 2023 and 2022:

NOI

	For the three months ended September 30, 2023		For the three months ended September 30, 2022	
Net income and comprehensive income	\$	28,980	\$	14,910
<i>Adjustments to arrive at NOI</i>				
General and administrative	\$	2,340	\$	1,887
Finance costs from operations	\$	3,565	\$	2,954
Accretion of mark-to-market adjustment on mortgage payable	\$	(257)	\$	(257)
Depreciation	\$	103	\$	76
Other (income)	\$	(85)	\$	(73)
Fair value adjustment - Class B units	\$	(6,985)	\$	(1,915)
Distributions on Class B units	\$	785	\$	732
Fair value adjustment - investment properties	\$	(16,541)	\$	(8,458)
Fair value adjustment - unit based compensation	\$	(75)	\$	(8)
NOI	\$	11,830	\$	9,848

	For the nine months ended September 30, 2023		For the nine months ended September 30, 2022	
Net income and comprehensive income	\$	66,586	\$	43,366
<i>Adjustments to arrive at NOI</i>				
General and administrative	\$	6,645	\$	5,381
Finance costs from operations	\$	10,438	\$	7,758
Accretion of mark-to-market adjustment on mortgage payable	\$	(772)	\$	(772)
Depreciation	\$	288	\$	209
Other (income)	\$	(236)	\$	(137)
Fair value adjustment - Class B units	\$	(7,226)	\$	(23,552)
Distributions on Class B units	\$	2,337	\$	2,194
Fair value adjustment - investment properties	\$	(43,495)	\$	(5,796)
Fair value adjustment - unit based compensation	\$	(87)	\$	(85)
NOI	\$	34,478	\$	28,566

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NOI Margin

	For the three months ended September 30, 2023		For the three months ended September 30, 2022	
Rental revenue and related income	\$	18,154	\$	15,042
Property operating expenses	\$	6,324	\$	5,194
Net Operating Income ("NOI")	\$	11,830	\$	9,848
NOI Margin		65.2%		65.5%

	For the nine months ended September 30, 2023		For the nine months ended September 30, 2022	
Rental revenue and related income	\$	52,291	\$	43,098
Property operating expenses	\$	17,813	\$	14,532
Net Operating Income ("NOI")	\$	34,478	\$	28,566
NOI Margin		65.9%		66.3%

Debt to Gross Book Value

The following table lays out the REIT's Debt to Gross Book Value (see section "Other Real Estate Industry Metrics").

	As at September 30, 2023		As at December 31, 2022	
Mortgages payable, net (current portion)	\$	758	\$	732
Mortgages payable, net (non-current portion)	\$	350,952	\$	331,830
Line of Credit	\$	6,000	\$	10,000
Total Debt	\$	357,710	\$	342,562
Gross Book Value	\$	895,871	\$	799,268
Debt to Gross Book Value		39.9%		42.9%

Since December 31, 2022, Debt to Gross Book Value has decreased by (3.0%) due to the fair value gain in investment property as well as investment property acquisitions paid for with capital from the March ATM Offering and the May ATM Offering.

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Liquidity and Capital Resources

As at September 30, 2023 and December 31, 2022, the capital structure of the REIT was as follows:

	As at September 30, 2023	As at December 31, 2022
Indebtedness		
Mortgages payable (current portion)	\$ 758	\$ 732
Mortgages payable (non-current portion)	\$ 350,952	\$ 331,830
Class B Units	\$ 83,814	\$ 88,785
	\$ 435,524	\$ 421,347
Unitholders equity		
Unitholders equity	\$ 439,812	\$ 357,745
Total capitalization	\$ 875,336	\$ 779,092

Liquidity and capital resources are used to fund capital investments in the investment properties, acquisition activities, servicing of debt obligations and distributions to Unitholders. The principal source of Liquidity is cash flow generated from property operations. For the three and nine months ended September 30, 2023, net cash from operating activities was \$9,805 and \$28,497, respectively. Business operations are also financed using property-specific mortgages, and equity financing.

On May 12, 2021 the REIT entered into a revolving line of credit (“Line of Credit”), secured by the investment property of two MHCs, for \$5,000.

On December 22, 2022 the REIT renewed the Line of Credit, increasing the Line of Credit by \$5,000, and adding two additional resort communities as collateral, taking the total available capacity to \$10,000.

The line is for three years with a floating interest rate at 0.5% above the Wall Street Journal Prime rate. Payments will be interest only for the full term. As at September 30, 2023, the REIT had \$6,000 outstanding on the Line of Credit (as at December 31, 2022 - \$10,000).

As at September 30, 2023, Liquidity¹ was \$9,922 (as at December 31, 2022, Liquidity was \$16,926) consisting of cash, cash equivalents, and available capacity on lines of credit.

The REIT expects to be able to meet all obligations as they become due using some or all of the following sources of liquidity:

- cash flow generated from property operations;
- property-specific mortgages; and
- existing cash and cash equivalents on hand

In addition, subject to market conditions, the REIT may raise funding through equity financing.

¹ Refer to section “Other Real Estate Industry Metrics”.

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On May 17, 2022, the REIT filed a supplement to the (final) short form base shelf prospectus, pursuant to which, for a period of 12 months thereafter, the REIT (and Unitholders) may sell up to an aggregate of \$50,000 of Units pursuant to the ATM Offering.

On March 22, 2023, pursuant to the March ATM Offering, the REIT raised gross proceeds of \$20,000 through the issuance of 1,176,471 Units at a price of \$17.00 per Unit.

On May 23, 2023, pursuant to the March ATM Offering, the REIT raised gross proceeds of \$2,965 through the issuance of 174,400 Units at a price of \$17.00 per Unit.

On June 7, 2023, the REIT filed a (final) short form base shelf prospectus, pursuant to which, for a period of 25 months thereafter, the REIT (and Unitholders) may sell up to an aggregate of \$350,000 of (i) Units; (ii) senior or subordinated unsecured debt securities of the REIT; (iii) subscription receipts; (iv) warrants; and (v) securities comprised of more than one of the foregoing, or any combination thereof.

On June 28, 2023, the REIT filed a supplement to the (final) short form base shelf prospectus, pursuant to which, for a period of 12 months thereafter, the REIT may sell up to an aggregate of \$50,000 of Units pursuant to the ATM Offering.

The REIT believes that its capital structure will provide it with financial flexibility to pursue future growth strategies. However, the REIT's ability to fund operating expenses, capital expenditures and future debt service requirements will depend on, among other things, future operating performance, which will be affected by general economic, industry, financial and other factors, including factors beyond the REIT's control.

The REIT currently has 16 unencumbered investment properties with a total fair value of \$28,077 as at September 30, 2023.

The table below sets out the upcoming principal payments due by year.

Year	Principal payments due during period	% of Total Principal
2023	\$ 245	0.1%
2024	\$ 21,460	6.1%
2025	\$ 820	0.2%
2026	\$ 867	0.2%
2027	\$ 1,226	0.4%
Thereafter	\$ 325,221	93.0%
TOTAL	\$ 349,839	

Debt Financing

The REIT seeks to maintain a debt profile consisting of borrowings from various sources of low-cost capital, which may include debt from regional and national banks, government-sponsored entities such as Fannie Mae and Freddie Mac, insurance companies, commercial mortgage-backed security (CMBS) lenders and publicly issued bonds.

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The REIT's overall borrowing philosophy is to obtain secured debt, principally on a fixed rate or effectively fixed rate basis, which will allow the REIT to: (i) achieve and maintain staggered maturities to lessen exposure to re-financing risk in any particular period; (ii) achieve and maintain fixed rates to lessen exposure to interest rate fluctuations; and (iii) extend loan terms and fixed rate periods as long as possible when borrowing conditions are favorable. Subject to market conditions and the growth of the REIT, management currently intends to target Debt to Gross Book Value of approximately 45%-55%. Interest rates and loan maturities will be reviewed on a regular basis to ensure appropriate debt management strategies are implemented.

As at September 30, 2023 the REIT's Weighted Average Mortgage Interest Rate (see section "Other Real Estate Industry Metrics") as at September 30, 2023 was 4.09% (as at December 31, 2022 – 3.78%) and a Weighted Average Mortgage Term (see section "Other Real Estate Industry Metrics") to maturity of 10.3 years (as at December 31, 2022 – 11.7 years). The REIT's mortgages mature at various dates beginning in 2024.

With the addition of the September 18th bridge notes and September 19th bridge note (see section "Business Overview"), the REIT introduced \$20,688 in variable rate notes to its debt profile. The interest rate on these notes is variable at 3.75% over the SOFR and is adjusted each month until the note is paid in full. As at September 30, 2023 the note is accruing interest at 9.05%.

The introduction of variable rate notes increased the Weighted Average Mortgage Interest Rate to 4.09% as at September 30, 2023, compared to 3.78% as at December 31, 2022.

With a term of 12 months, these notes also had an impact on the Weighted Average Mortgage Term to maturity, decreasing to 10.3 years as at September 30, 2022 compared to 11.7 years as at December 31, 2023.

Variable rate bridge notes such as these are a tool the REIT can use to quickly raise capital while working to secure permanent long term fixed rate financing. The REIT intends to refinance these notes with fixed rate long-term debt before maturity.

As at September 30, 2023, the REIT's Debt to Gross Book Value ratio was 39.9% (as at December 31, 2022 – 42.9%).

As at September 30, 2023, the REIT was in compliance with all debt covenants with various lenders.

Pursuant to the Declaration of Trust, the REIT shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the REIT (including convertible debentures) would be more than 65% of Gross Book Value.

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Class B Units

As partial consideration for the Initial Communities, Flagship Operating, LLC issued Class B Units to certain retained interest holders. The holders of Class B Units are entitled to receive distributions from Flagship Operating, LLC proportionately to the distributions made by the REIT to holders of Units. The Class B Units are redeemable by the holder thereof for cash or Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by Flagship Operating, LLC and as directed by the REIT in its sole discretion, subject to certain limitations and restrictions, and therefore are considered a puttable instrument. As a result, the Class B Units have been classified as financial liabilities and are measured at FVTPL (fair value through profit or loss). The fair value of the Class B Units is measured every period, with changes in measurement recorded in Fair value adjustment – Class B Units in the consolidated statement of net income and comprehensive income.

As at November 14, 2023, the total number of Class B Units outstanding was 5,587,629 (as at December 31, 2022 - 5,467,031).

Unit-Based Compensation

The REIT adopted the Omnibus Equity Incentive Plan (the “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 Equity Incentive Plan, including any previous grants of award and all unallocated awards issuable thereunder. The Equity Incentive Plan provides for awards of RUs, Performance Units (“PUs”), 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, cash measured by the value of the Units on the settlement date. Awards earn additional awards for distributions that would otherwise have been payable in cash. These additional awards vest on the same basis as the initial award to which they relate.

Under the Equity Incentive Plan, RUs can be issued to better align the interests of the recipient with the interests of Unitholders and to facilitate the retention of key employees through long term ownership of Units. The number of RUs to be awarded to a recipient is equal to (i) the monetary value of the award, (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. RUs are granted at the discretion of the executive team, with approval from the Board of Trustees, and vest over six years in equal installments.

RUs are recognized at their grant date fair value in payroll and benefits, included in general and administrative expenses on the consolidated statement of net income and comprehensive income, with a corresponding increase in the liability, as the respective RUs vest. Grant date fair value is the value of the award. The liability is measured every period, and upon settlement, with changes in measurement recorded in Fair value adjustment - unit based compensation on the consolidated statement of net income and comprehensive income.

As at November 14, 2023, the total number of RUs outstanding was 184,721, of which 10,251 are vested (as at December 31, 2022 – 62,458 and Nil, respectively)

No PUs have been granted under the Equity Incentive Plan.

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Under the Equity Incentive Plan, non-employee trustees have the option to elect to receive up to 100% of trustee 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 trustee fees 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 trustees vest immediately upon grant.

DTUs are recorded at their grant date fair value in trustee fees, included in general and administrative expenses on the consolidated statement of net income and comprehensive income, with a corresponding increase in the liability. Grant date fair value is the value of the trustee fees that the non-employee trustee elects to receive in the form of DTUs. The liability is measured every period, and upon settlement, with changes in measurement recorded in Fair value adjustment – unit based compensation on the consolidated statement of net income and comprehensive income.

As at November 14, 2023, the total number of DTUs outstanding was 55,320 (as at December 31, 2022 – 28,565).

Units

The REIT is authorized to issue an unlimited number of Units. No Unit has any preference or priority over another. Each Unit represents a Unitholder's proportionate undivided beneficial ownership interest in the REIT and confers the right to one vote at any meeting of Unitholders and to participate pro rata in any distributions by the REIT, whether of net income, net capital gain or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. Units are fully paid and non-assessable when issued and are transferable.

As at November 14, 2023, the total number of Units outstanding was 15,492,056 (as at December 31, 2022 – 14,141,185).

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Distributions

The REIT has adopted a distribution policy pursuant to which the REIT and Flagship Operating, LLC make cash distributions to Unitholders and holders of Class B Units, respectively, on a monthly basis. Pursuant to this distribution policy, distributions are paid to Unitholders and holders of Class B Units of record at the close of business on the last business day of a month on or about the 15th day of the following month. Distributions must be approved by the Board and are subject to change depending on the general economic outlook and financial performance of the REIT. The REIT does not use net income in accordance with IFRS as the basis to establish the level of distributions as net income includes, among other items, non-cash fair value adjustments related to its property portfolio. In lieu of cash distributions, holders of RUs and holders of DTUs receive additional RUs and DTUs, respectively, with a grant date fair value equal to the corresponding distributions that would have been payable on the applicable quantity of underlying Units.

In accordance with National Policy 41-201 - Income Trusts and Other Indirect Offerings, the REIT provides the following additional disclosure relating to cash distributions:

	For the three months ended		For the three months ended		For the nine months ended		For the nine months ended	
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022	
Cash Provided by operating activities	\$	9,805	\$	8,836	\$	28,497	\$	23,396
Less finance cost from operations	\$	3,565	\$	2,954	\$	10,438	\$	7,758
	\$	6,240	\$	5,882	\$	18,059	\$	15,638
Less distributions paid to unitholders	\$	2,175	\$	1,892	\$	6,319	\$	5,676
Less distributions paid to Class B unitholders	\$	785	\$	731	\$	2,331	\$	2,192
Excess cash provided by operating activities over distributions paid	\$	3,280	\$	3,259	\$	9,409	\$	7,770
Net income and comprehensive income	\$	28,980	\$	14,910	\$	66,586	\$	43,366
Less distributions paid to unitholders	\$	2,175	\$	1,892	\$	6,319	\$	5,676
Excess net income and comprehensive income over distributions pa	\$	26,805	\$	13,018	\$	60,267	\$	37,690

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Total distributions declared to Unitholders and holders of Class B Units was \$2,960 and \$8,719 for the three and nine months ended September 30, 2023 (\$2,624 and \$7,870 for the three and nine months ended September 30, 2022).

On November 14, 2022, the REIT announced that the Board approved a 5% increase to its monthly cash distribution to Unitholders to \$0.0468 per Unit per month or \$0.562 per Unit per year. The new monthly cash distribution commenced with the November 2022 distribution, paid in December 2022.

The AFFO Payout Ratio¹ for the three and nine months ended September 30, 2023 was 53.9% and 53.7% compared to 56.8% and 55.5% in the comparable period in 2022, respectively.

Contractual Commitments

The following table provides information on the carrying balance and the non-discounted contractual maturities of financial liabilities of the REIT as at September 30, 2023. Contractual Interest for variable rate loans and borrowings is calculated using the respective actual contractual interest rates as of September 30, 2023:

	Carrying amount	Contractual cash flows	1 Year	1 to 2 Years	2 to 5 years	5+ years
Trade and other payables	\$ 1,443	\$ 1,443	\$ 1,443	\$ -	\$ -	\$ -
Other liabilities	12,924	12,924	12,924	-	-	-
Mortgages payable	351,710	483,147	15,032	47,433	66,796	353,886
	\$ 366,077	\$ 497,514	\$ 29,399	\$ 47,433	\$ 66,796	\$ 353,886

Investment Property Portfolio

A property is determined to be an investment property when it is held either to earn rental income, capital appreciation or for both. Investment properties include land, buildings, land improvements, and building improvements. The REIT's 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. The estimated fair value of the MHC's was determined using the direct capitalization income method. The direct capitalization method analyzes the relationship of one year's NOI to total property value. The NOI is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property 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.

¹ Refer to section "Non-IFRS Financial Measures".

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The investment property portfolio had 74 communities as at September 30, 2023 (as at December 31, 2022 – 69). A reconciliation of the carrying amount for investment properties at the beginning and end of the period is set out below:

	As at September 30, 2023	As at December 31, 2022
Investment properties, opening balance	\$ 770,043	\$ 670,523
Capital expenditures	\$ 15,999	\$ 16,095
Acquisitions of investment properties	\$ 46,476	\$ 77,300
Disposal of investment properties	\$ (2,418)	\$ (1,827)
Fair value adjustment - investment properties	\$ 43,495	\$ 7,952
Total investment properties, end of period	\$ 873,595	\$ 770,043

Investment Property Valuation

A significant increase (decrease) in estimated rents or occupancy rates, per annum in isolation would result in a significantly higher (lower) fair value. A significant increase (decrease) in capitalization rate estimates in isolation would result in significantly lower (higher) fair value. The REIT used a combination of internal valuation methodologies and external appraisals to value the investment properties as at September 30, 2023 and December 31, 2022. The REIT engages third party appraisers to prepare valuations of the communities such that the entire portfolio is appraised at least once every three years. The REIT uses these appraisals along with, other market data, as part of the internal valuation methodology when determining fair value.

The high, low, and overall weighted average of the capitalization rates applicable to the community portfolio are set out below along with the impact of a 25 basis-point increase or (decrease) in the weighted average capitalization rate on the carrying value of investment properties in a dollar and percentage terms:

	As at September 30, 2023	As at December 31, 2022
Capitalization Rates of Investment Properties		
High	7.00%	7.00%
Low	4.50%	4.50%
Weighted Average	4.83%	4.80%
% Change		
+0.025	4.95%	4.99%
-0.025	(5.50%)	(5.54%)
\$ Change		
+0.025	\$40,914	\$36,499
-0.025	(\$45,448)	(\$40,569)

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Cash Flows

The REIT held cash and cash equivalents of \$5,922 as at September 30, 2023. The changes in cash flows are as follows:

	For the nine months ended September 30, 2023		For the nine months ended September 30, 2022	
Cash provided by operating activities	\$	28,497	\$	23,396
Cash provided by financing activities	\$	6,453	\$	44,904
Cash (used in) investing activities	\$	(45,954)	\$	(78,996)
Change in cash and cash equivalents during the period	\$	(11,004)	\$	(10,696)

Operating activities for the nine months ended September 30, 2023

Operating activities for the period generated a net cash inflow of \$28,497 (\$23,396 inflow for the nine months ended September 30, 2022). This cash flow from operating activities was largely driven by cash inflows from normal business operations (net income adjusted for non-cash items and financing or investing activities).

Financing activities for the nine months ended September 30, 2023

Financing activities for the period generated a net cash inflow of \$6,453 (\$44,904 inflow for the nine months ended September 30, 2022). This was largely driven by proceeds from the March ATM Offering and May ATM Offering. These inflows were offset by paying \$4,000 on the Line of Credit, as well as interest paid of \$9,892.

Investing activities for the nine months ended September 30, 2023

Investing activities for the period resulted in a net cash outflow of \$45,954 (\$78,996 outflow for the nine months ended September 30, 2022). This was largely driven by acquisitions of and capital expenditures on investment properties during the nine months ended September 30, 2023.

Transactions with Related Parties

The REIT and Empower, an entity majority-owned by the REIT's Chief Executive Officer and Chief Investment Officer, are party to 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 investment properties, under the "You Got it Homes" brand.

Transactions between the REIT and Empower are governed by the Services Agreement (see "Services Agreement" in the Annual Information Form) or agreements relating directly to the specific transaction.

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

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- On July 2, 2021 the REIT entered into a promissory note (“Note Receivable-Related Party”) in the amount of \$2,460 with Empower. The Note Receivable-Related Party includes monthly interest only payments and matures on July 2, 2031 at which time the entire principal balance and any unpaid interest is due. The Note Receivable-Related Party incurs interest at the Wall Street Journal Prime rate. For the three and nine months ended September 30, 2023, interest revenue, included in other (income) on the consolidated statements of net income and comprehensive income, was \$50 and \$147 (\$36 and \$81 for the three and nine months ended September 30, 2022).
- On February 15, 2022 the REIT acquired a 13-acre manufactured housing resort community from a related party, Empower, for \$7,533 and 37,448 Class B Units. The number of Class B Units issued was calculated by reference to the volume-weighted average closing price of a Unit for the 10 trading days prior to the date of closing which was \$16.70. Total consideration paid was \$8,230.
- On February 28, 2023 the REIT acquired a 20-acre manufactured housing resort community from a related party, Empower, for \$16 and 120,598 Class B Units. The number of Class B Units issued was calculated by reference to the volume-weighted average closing price of a Unit for the 10 trading days prior to the date of closing which was \$18.60. Total consideration paid was \$2,271.
- Payroll and benefits include \$432 and \$1,595 incurred to key management personnel during the three and nine months ended September 30, 2023, respectively, which includes short-term employee payroll and benefits, and RUs (\$297 and \$1,220 for the three and nine months ended September 30, 2022).
- For the three and nine months ended September 30, 2023, the REIT billed Empower a total of \$463 and \$1,440, of which \$415 and \$1,311 was payroll and benefits, \$33 and \$100 was management fees, and \$15 and \$29 was other miscellaneous items, respectively (\$433 and \$1,087; \$377 and \$959; \$34 and \$68; \$22 and \$60 for the three and nine months ended September 30, 2022, respectively). These amounts are recorded as an offset to the expense in which they relate, or in the case of management fees, in other (income), on the consolidated statements of net income and comprehensive income. As at September 30, 2023 and December 31, 2022, the REIT had a receivable, included in tenant and other receivables, net, from Empower of \$479 and \$224, respectively.

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- For the three and nine months ended September 30, 2023 and 2022, the REIT was billed for services provided by related parties that included HVAC, paving/concrete repair and landscape services. As at September 30, 2023 and December 31, 2022, the REIT had total accounts payable and accrued liabilities due to related parties of \$448 and \$148, respectively.

Company Name	Ownership & Control	Description of Services	For the three months ended September 30, 2023	For the three months ended September 30, 2022	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Call Now HVAC	50% owned by the REIT's Chief Executive Officer ("CEO") and Chief Investment Officer ("CIO"). Managing member of the entity is a non-related party	Provides HVAC services to various properties including installing new air conditioning units as well as servicing existing units.	\$132	\$119	\$375	\$316
BG3	100% owned by the brother of the REIT's CEO.	Provides landscaping services to properties.	\$261	\$139	\$545	\$312
Empower Park	Wholly owned by the REIT's CEO and CIO.	Acquires and develops MHCs that do not meet the REIT's investment criteria, conducts sales of manufactured homes located on the REIT's investment properties and conducts sales of manufactured homes to the REIT for use in the REIT's rental fleet. The REIT has agreed to pay floor plan interest on homes located on the REIT's investment properties and reimburse Empower for any losses on home sales within the REIT's investment properties.	\$1,588	\$1,500	\$6,896	\$2,595
Total			\$1,981	\$1,758	\$7,816	\$3,223

The increase in spending versus the comparable period with Empower is the result of the REIT buying homes from Empower to add to the rental fleet within various communities and from a large increase in floor plan interest rates as well as the value of manufactured homes on which floor plan interest is incurred.

Management believes these related party transactions were done on commercial terms normally attainable from third parties.

Critical Accounting Estimates and Assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial period are outlined below.

Investment properties

A property is determined to be an investment property when it is held either to earn rental income, capital appreciation or for both. Investment properties include land, buildings, land improvements, and building improvements. The REIT used a combination of internal valuation methodologies and external appraisals to value the investment properties. The estimated fair value of the investment properties was determined using the direct capitalization income method. The direct capitalization method analyzes the relationship of one year's NOI to total property value. The NOI is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property 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 increase (decrease) in estimated rents or occupancy rates, per annum in isolation would result in a significantly higher (lower) fair value. A significant increase (decrease) in capitalization rate estimates in isolation would result in significantly lower (higher) fair value.

Changes in Accounting Policies

There have been no changes to significant accounting policies from the Annual MD&A.

Financial instruments

Classification

On initial recognition, in accordance with IFRS 9 - Financial Instruments ("IFRS 9"), the REIT determines the measurement of financial instruments based on the following categories:

- Measured at amortized cost
- Measured at fair value through profit or loss ("FVTPL")
- Measured at fair value through other comprehensive income

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Financial assets are measured at amortized cost if both of the following criteria are met and the asset is not designated as at FVTPL:

- Held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are measured at FVTPL or at amortized cost. A financial liability is measured at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities that are not measured at FVTPL are measured at amortized cost using the effective interest method.

The REIT has assessed the measurement of its financial instruments under IFRS 9 as follows:

<i>Financial Instrument</i>	<i>Measurement under IFRS 9</i>
Cash and cash equivalents	Amortized cost
Tenant and other receivables, net	Amortized cost
Prepays and other assets	Amortized cost
Lender Escrow Deposits	Amortized cost
Other non-current assets	Amortized cost
Note receivable – related party	Amortized cost
Trade and other payables	Amortized cost
Line of credit	Amortized cost
Other liabilities	Amortized cost
Mortgages payable, net	Amortized cost
Class B Units	FVTPL
RUs	FVTPL
DTUs	FVTPL

Measurement

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a (gain) loss at the time of initial recognition.

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Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

Fair value through profit or loss – Changes in fair value after initial recognition, whether realized or not, are recognized through the consolidated statements of net income and comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of net income and comprehensive income when the right to receive payment is established, the economic benefits will flow to the REIT, and the amount can be measured reliably.

Fair value through other comprehensive income – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of net income and comprehensive income when the right to receive payment is established, the economic benefits will flow to the REIT, and the amount can be measured reliably.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss (“ECL”) model in evaluating the credit loss for financial assets measured at amortized cost. The ECL on tenant and other receivables, net was computed using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The ECL models applied to other financial assets also required judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset.

Impairment losses, if incurred, would be recorded in general and administrative expenses in the consolidated statements of net income and comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statements of net income and comprehensive income. The impairment reversal would be limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

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Derecognition

Financial assets – The REIT derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred. (Gains) losses from the derecognition are recognized in the consolidated statements of net income and comprehensive income.

Financial liabilities – The REIT derecognizes a financial liability when the obligation specified in the contract is discharged, canceled or expires. The difference between the carrying amount of the derecognized financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of net income and comprehensive income.

Disclosure Controls and Internal Controls Over Financial Reporting

There have been no changes in the internal control over financial reporting of the REIT during the three months ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, the REIT's internal control over financial reporting.

Management, including the Chief Executive Officer and Chief Financial Officer, does not expect that control systems of the REIT will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met. Further, the design of a control system must reflect that there are resource constraints, and the benefits of controls must be considered relative to their costs. Inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Risk and Uncertainties

The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT. The Annual Information Form and Annual MD&A each contain a detailed summary of risk factors pertaining to the REIT and its business. These risk factors remain unchanged during the three months ended September 30, 2023, and new risk factors are described below. The disclosures in this MD&A are subject to the risk factors outlined in the Annual Information Form or Annual MD&A. Other risks and uncertainties that the REIT does not presently consider to be material, or of which the REIT is not presently aware, may become important factors that affect the REIT's future financial condition and results of operations. The occurrence of any of the risks discussed in the Annual Information Form could materially and adversely affect the business, prospects, financial condition, results of operations, cash flow or the ability of the REIT to make cash distributions to Unitholders or value of the Units of the REIT.

In addition to the risk factors detailed in the Annual Information Form and Annual MD&A, the REIT is subject to risks associated with new geopolitical events such as the conflict in Israel.