MILESTONE APARTMENTS REAL ESTATE INVESTMENT TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE PERIOD FROM JANUARY 17, 2013 TO MARCH 31, 2013

QUARTERLY REPORT - MARCH 31, 2013

May 14, 2013

Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations of Milestone Apartments REIT (the "REIT") is intended to provide readers with an assessment of the performance of the REIT for the 26 day period from March 6, 2013 through March 31, 2013 (the "26 Day Period"). This MD&A also outlines the REIT's capital structure, operating strategies and business outlook. All dollar amounts are in US$ thousands, unless otherwise noted.

The REIT was formed on January 17, 2013. On March 6, 2013, the REIT sold 20,000,000 units (each unit of the REIT, a "Unit") at C$10.00 per Unit pursuant to its initial public offering (the "IPO"), for gross proceeds of C$200,000. The proceeds from the IPO were used by the REIT to indirectly acquire an interest in a 52-property portfolio of multifamily garden-style residential properties (the "Properties") held, indirectly through wholly-owned subsidiary limited liability companies or limited partnerships, by Milestone Multifamily Investors LP, a Delaware limited partnership (the "Partnership"). As part of this transaction, the REIT also acquired Milestone Management LLC (the "Property Manager") through its acquisition of units of the Partnership. Transaction costs in the amount of $21,534 were netted against the gross proceeds from the IPO.

On March 26, 2013 and in connection with the exercise of the over-allotment option granted to the underwriters of the IPO, the REIT sold an additional 2,850,000 Units at C$10.00 per Unit, for gross proceeds of C$28,500. Direct costs of $1,609 were netted against gross proceeds of the exercise of the over-allotment option. The net proceeds of the over-allotment option were used by the REIT to indirectly redeem 2,850,000 Class B limited partnership units.

On March 19, 2013, the REIT announced that its initial monthly distribution for the 26 Day Period was C$0.04543 per Unit. Payment was made on April 15, 2013 to holders of Units (the "Unitholders") of record as at March 28, 2013.

This MD&A should be read in conjunction with the REIT's unaudited interim condensed consolidated financial statements and accompanying notes for the 26 Day Period, prepared in accordance with International Financial Accounting Standards ("IFRS") as issued by the International Accounting Standards Board. The 26 Day Period results reflect the fact that the REIT completed its IPO on March 6, 2013. The REIT had no operations prior to March 6, 2013. The discussion and analysis in this MD&A is based on information available to management as of May 13, 2013.

Additional information about the REIT can be found on SEDAR at www.sedar.com, or on the REIT's website at www.milestonereit.com .

Forward-looking Information

This MD&A contains forward-looking statements which reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the REIT. The words "plans", "expects", "does not expect", "scheduled", "estimates", "intends", "anticipates", "does not anticipate", "projects", "believes" or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "might", "occur", "be achieved" or "continue" and similar expressions identify forward-looking statements.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management of the REIT as of the date of this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The REIT's estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, the REIT's future growth potential, results of operations, future prospects and opportunities, the demographic and industry trends remaining unchanged, no change in legislative or regulatory matters, future levels of indebtedness, the tax laws as currently in effect remaining unchanged, the continual availability of capital and the current economic conditions remaining unchanged.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including those factors described under the heading "Risk Factors" in the REIT's prospectus dated February 27, 2013 (the "Prospectus"). These 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.

Non-IFRS Measures

All financial information has been prepared in accordance with IFRS. However, this MD&A also contains certain non-IFRS financial measures including funds from operations ("FFO"), "adjusted funds from operations ("AFFO"), net operating income ("NOI") and earnings before interest, taxes, depreciation and amortization ("EBITDA"). 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.

FFO is used in addition to net income to report operating results. FFO is an industry standard for evaluating operating performance and is defined as net income in accordance with IFRS, (i) plus or minus fair value adjustments on investment properties; (ii) plus or minus gains or losses from sales of investment properties; (iii) plus or minus other fair value adjustments; (iv) minus acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (v) plus distributions on redeemable or exchangeable units treated as interest expense; (vi) plus or minus any negative goodwill or goodwill impairment; and (vii) plus deferred income tax expense, after adjustments for equity accounted entities and joint ventures calculated to reflect FFO on the same basis as consolidated properties. FFO is not indicative of funds available to meet cash requirements.

AFFO is a supplemental measure to net income that is used in the real estate industry to assess the sustainability of future cash distributions. AFFO is defined as FFO subject to certain adjustments, including: (i) amortization of fair value market-to-market adjustments on long term debt and amortization of financing costs, (ii) adjusting for any differences resulting from recognizing property rental revenues on a straight-line basis, (iii) amortization of grant date fair value related to compensation incentive plans, (iv) adjusting for any non-cash compensation expense, and (v) deducting a reserve for normalized maintenance capital expenditures, as determined by the REIT. Other adjustments may be made to AFFO as determined by the Board of Trustees of the REIT (the "Trustees") in their sole discretion. Maintenance capital expenditures are estimated by management and represent capital expenditures that are required to maintain the existing earning potential of a property. Significant judgment is required to classify property capital investments. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital.

NOI is used by industry analysts, investors and management to measure operating performance of Canadian real estate investment trusts. NOI represents revenue from properties less property operating expenses as presented in the consolidated statements of comprehensive income prepared in accordance with IFRS, with operating expenses being adjusted for an estimated gross margin of 12% on third party property management revenues.

Business Overview

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to an amended and restated declaration of trust of the REIT dated as of March 6, 2013, as it may be further amended and restated from time to time (the "Declaration of Trust") under the laws of the Province of Ontario. A copy of the Declaration of Trust is available on SEDAR at www.sedar.com, and print copies are available upon request. The REIT was created in 2013 for the purpose of acquiring and owning multifamily properties in select target markets in the United States. The REIT indirectly acquired an interest in the Properties, comprising 16,944 units, located throughout the Southeast and Southwest United States currently held, indirectly through wholly-owned subsidiary limited liability companies or limited partnerships, by the Partnership. The REIT's objectives are to: (i) preserve, protect and grow Unitholders' cash distributions on a tax-efficient basis from investments in the United States multifamily real estate sector; (ii) enhance the value of the REIT's assets and maximize long-term Unitholder value through active management; and (iii) expand the asset base of the REIT and increase the REIT's AFFO per Unit, through revenue enhancement, expense rationalization and accretive acquisitions.

The investment guidelines of the REIT are outlined in the Declaration of Trust. As of March 31, 2013, the REIT was in compliance with all investment guideline and operating policies stipulated in the Declaration of Trust.

The Partnership was formed on April 13, 2006. As of March 31, 2013, the REIT owned all of the class A units of the Partnership, which represented an approximate 74.1% interest in the Partnership. MileSouth Apartment Portfolio LP ("MileSouth"), an affiliated entity of Invesco Ltd. holds 7,350,590 class B units of the Partnership ("Class B Redeemable Units"), each of which is redeemable for REIT units. MST Investors, LLC ("MST Investors"), an affiliate of The Milestone Group, LLC, holds 5,513,675 Class B Redeemable Units.

	REIT Units	Class B Units	Total Units	% of Total
Milesouth Retained Interest	14,000,000	7,350,590	21,350,590	42.9%
MST Investors Retained Interest	--	5,513,675	5,513,675	11.1%
Public Float	22,850,000	--	22,850,000	46.0%
Total	36,850,000	12,864,265	49,714,265	100.0%

The REIT has the benefit of a vertically integrated management platform providing expertise across the full spectrum of real estate management disciplines including its internal property management subsidiary which manages a portfolio of approximately 37,000 units across 11 states and employs over 900 employees. TMG Partners, L.P., an affiliate of The Milestone Group ("Milestone" or the "Asset Manager") is the external asset manager of the REIT.

The REIT's functional and reporting currency is the U.S. dollar and is stated in thousands of U.S. dollars, unless otherwise noted.

The following table highlights certain information about the properties as at March 31, 2013, organized by metropolitan statistical area:

Metropolitan Statistical Area	State	Number of Units	NRA (000 sq. feet)	Average Monthly In-Place Rents[1]	Occupancy
Phoenix	Arizona	1,370	1,120	$564	93.5%
Jacksonville[2]	Florida	1,390	1,031	$668	94.5%
Tampa	Florida	632	525	$764	94.5%
Atlanta	Georgia	736	775	$648	93.9%
Nashville	Tennessee	1,858	1,531	$690	94.7%
Austin	Texas	520	371	$718	95.8%
DFW	Texas	5,794	4,489	$692	95.8%
Houston	Texas	3,360	2,696	$734	95.4%
San Antonio	Texas	516	394	$770	96.1%
Salt Lake City	Utah	768	580	$761	95.7%
Total Portfolio		**16,944**	**13,514**	**$695[3]**	**95.2%[4]**

Notes:

(1) *The monthly market rent per unit represents the average monthly market rents for the property for March 31, 2013. The monthly market rent is calculated as total market rent per property, as estimated by management, divided by the number of apartment units.*

(2) *Includes property in Melbourne, FL.*

(3) *Weighted average market rental rate.*

(4) *Weighted average occupancy rate.*

Review of Selected Operating Information

The following tables highlight selected financial information of the REIT for the 26 Day Period (unaudited) as compared to the pro-rated financial forecast contained in the Prospectus (the "Forecast"). Results for the period are not directly comparable to the three month forecast included in the Prospectus, as the REIT commenced operations on March 6, 2013. This information has been compiled from the consolidated financial statements and notes thereto and should be read in conjunction with the IFRS consolidated financial statements and notes included elsewhere in this MD&A. Since formation of the REIT occurred on January 17, 2013, and there were no operations of the REIT until the IPO transaction on March 6, 2013, the activity from January 17, 2013 through March 31, 2013 is equal to the activity during the 26 Day Period.

Below is a summary of the FFO and AFFO for the 26 Day Period, with additional detail in "Funds from Operations and Adjusted Funds from Operations". As of March 31, 2013 there were 49,714,265 units outstanding.

	Actual results 26 Days Ended March 31, 2013 (Unaudited)	**Pro-rated 2013 Forecast**	**Variance**
Revenue			
Rental revenue	$9,677	$9,403	$274
Other revenue	$1,603	$1,534	$69
Total Revenue	$11,280	$10,937	$343
Operating expenses	$5,285	$5,643	$(358)
Income from operations	$5,995	$5,294	$701
Finance expense	$3,149	$2,186	$963
Depreciation expense	$15	$64	$(49)
G&A, asset management fees and other	$734	$570	$164
Income before fair value gains on investment properties and income taxes	$2,097	$2,474	$(377)
Income tax	$113	$77	$36
Net income	**$1,984**	**$2,397**	**$(413)**

Below is a summary of the FFO and AFFO for the 26 Day Period, with additional detail in "Funds from Operations and Adjusted Funds from Operations". As of March 31, 2013 there were 49,714,265 units outstanding.

Funds from Operations	$3,599	$3,116	$483
FFO (1) per Unit	$0.07	$0.06	$0.01
Adjusted Funds from Operations	$3,104	$2,441	$663
AFFO (1) per Unit	$0.06	$0.05	$0.01

Notes:

(1) *Refer to the " Non-IFRS Measures" section of this MDA section above and the detailed reconciliation below for the details of the FFO, AFFO and per unit calculations*

Net Operating Income

	26 Days Ended March 31, 2013 (Unaudited)	Pro-rated 2013 Forecast	Variance
Property revenue (1)	**$10,820**	**$10,478**	**$342**
Operating expenses (2)	**$4,904**	**$5,239**	**$(335)**
Net Operating Income	**$5,916**	**$5,239**	**$677**

Notes:

(1) Excludes property management revenue
(2) Operating expense adjusted for an estimated gross margin of 12% of property management revenue

Revenue

	26 Days Ended March 31, 2013 (Unaudited)	Pro-rated 2013 Forecast	Variance	%
Rental revenue	$9,677	$9,403	$274	3%
Other revenue	$1,603	$1,534	$69	4%
Total revenue	**$11,280**	**$10,937**	**$343**	**3%**

Rental revenue consists of all rental related income earned from the investment properties, including rent earned from tenants under lease agreements, property tax, and operating cost recoveries. Other income mainly comprises miscellaneous income receivable from tenants under the terms of the lease arrangements and management fees from property management. The majority of the $343 favorable variance is a result of actual occupancy for the entire portfolio being higher than forecasted occupancy. In addition, rental rates were higher than forecasted due to better than anticipated market conditions.

Property Operating Expenses

	26 Days Ended March 31, 2013 (Unaudited)	Pro-rated 2013 Forecast	Variance	%
Property operating expenses	**$5,285**	**$5,643**	**$(358)**	**(6)%**

Property operating expenses are comprised mainly of building common area and maintenance expenses, real estate taxes, insurance and other costs associated with the management and maintenance of the investment properties. The favorable variance is related to suite turnover costs to make suites ready for leasing being less than anticipated.

Income From Operations

	26 Days Ended March 31, 2013 (Unaudited)	Pro-rated 2013 Forecast	Variance
Total revenue	$11,280	$10,937	$343
Total operating expenses	$5,285	$5,643	$(358)
Acquisitions	$0	$0	$0
Income From Operations	**$5,995**	**$5,294**	**$701**

Income from operations is used by industry analysts, investors and management to measure operating performance of Canadian real estate investment trusts. Income from operations is unaudited and represents revenue from properties and management fee contracts less property operating expenses. Property operating expenses is comprised of the property operating and maintenance expenses plus real estate taxes, as presented in the consolidated statements of comprehensive income prepared in accordance with IFRS. The favorable variance is primarily attributable to increased occupancy, higher rental rates and lower than forecasted suite turnover costs. See revenue and expense variances explained above.

General and Administrative Expenses

	26 Days Ended March 31, 2013 (Unaudited)	**Pro-rated 2013 Forecast**	**Variance**	**%**
Management fees	$325	$323	$2	1%
Professional fees	$213	$77	$136	177%
Other	$196	$170	$26	15%
General and administrative expenses	**$734**	**$570**	**$164**	**29%**

The majority of the unfavorable variance relates to the timing of expenses. Professional fees are not incurred evenly throughout the period and are therefore not comparable to prorated forecast results. Management anticipates that annual levels of professional fees will be comparable to forecast results.

Management fees for the 26 Day Period were not materially different that the pro-rated 2013 Forecast.

Finance Costs

	26 Days Ended March 31, 2013 (Unaudited)	**Pro-rated 2013 Forecast**	**Variance**	**%**
Finance costs	$2,580	$1,516	$1,064	70%
Distributions to the Partners	$569	$670	$(101)	(15)%
Finance costs	**$3,149**	**$2,186**	**$963**	**44%**

Finance costs consist of interest expense on borrowings and losses on hedging instruments which are recognized in profit or loss. Distributions to the Partners were not materially different from the pro-rated 2013 Forecast. In addition, the unfavorable variance for interest expense is related to the $1,300 fair value adjustment on the Class B redeemable units

Income before Fair Value Gains on Investment Properties

	26 Days Ended March 31, 2013	Pro-rated 2013 Forecast	Variance	%
Income before fair value gains on investment properties	**$2,097**	**$2,474**	**$(377)**	**(15)%**

Income before fair value gains on investment properties is used by management to measure the operating results of the REIT, inclusive of the impact of interest expense. This measure provides income of the REIT, prior to the impact of fair value gains/losses, which may be significantly impacted by external market conditions and also represents a non-cash item. The measure is not defined by IFRS and, accordingly, the term does not necessarily have a standardized meaning and may not be comparable to similarly titled measures presented by other publically traded entities.

The unfavorable variance for Income before fair value gains on investment property is due to increased rental rates, increased occupancy, and lower suite turnover costs associated with getting suites ready for leasing for the 26 Day Period compared to the pro-rated 2013 Forecast. Please also see variances above.

Funds from Operations and Adjusted Funds from Operations

In Management's view, Funds From Operations ("FFO") and Adjusted Funds From Operations are accepted and meaningful measures of financial performance in the real estate industry and unitholders, financial analysts and investors are better served when FFO and AFFO are provided. FFO and AFFO are measures which should not be considered as alternative to net income, cash flow from operations or any other operating or liquidity measures prescribed under IFRS. The REIT's method of calculating FFO and AFFO may be different from methods used by others and accordingly may not be comparable.

Further to the "Non-IFRS Measures" section, set out below is a reconciliation of the unaudited FFO and AFFO for the 26 Day Period:

	26 Days Ended March 31, 2013 (Unaudited)
Income for the period	$1,984
Adjustments to arrive at FFO:	
Foreign currency exchange loss	$24
Amortization of management contracts	$48
Fair value adjustment on derivative instruments	$(326)
Fair value adjustment of Class B redeemable units	$1,300
Distributions on Class B redeemable units	$569
Funds from Operations	**$3,599**
FFO per Unit	**$0.07**
Maintenance capital expenditures	$(349)
Amortization of mark-to-market adjustment on fixed rate debt	$(297)
Amortization of deferred financing costs	$98
Unit based compensation expense	$53
Adjusted Funds from Operations	**$3,104**
AFFO per Unit	**$0.06**[1]

[1] Including Class B Redeemable Units of the Partnership as the Class B units are puttable into REIT units under certain conditions at the option of the holder.

FFO and AFFO are commonly used by entities in the real estate industry as useful metrics for measuring performance. The REIT uses FFO in addition to net income to report operating results. AFFO is a supplemental measure to net income that is used in the real estate industry to assess the sustainability of future cash distributions paid to the unitholders of the REIT.

Liquidity, Capital Resources and Contractual Commitments

As at March 31, 2013, the capital structure of the REIT was as follows:

	At March 31, 2013 (Unaudited)
Indebtedness	
Mortgages payable	$657,660
Class B Redeemable Units	$125,984
	$783,644
Unitholders' Equity	
Units (Authorized - unlimited, issued - #)	$333,299
Total capitalization	**$1,116,943**

The REIT will seek to maintain a combination of short, medium and long-term debt maturities that are appropriate for the overall debt level of its portfolio, taking into account the availability of financing and market conditions, and the financial characteristics of each investment property. A summary of future contractual debt obligations, based on principal debt maturities as of March 31, 2013, is as follows:

	Total	**2013**	**2014**	**2015**	**2016**	**2017**	**Thereafter**
Mortgages notes payable	**$643,999**	$8,451	$11,888	$231,993	$31,893	$7,134	$352,640
Interest Payable	**$141,683**	$18,415	$24,069	$18,636	$15,013	$14,398	$51,152
Dividend Payable	**$2,223**	$2,223	$0	$0	$0	$0	$0

Credit Facility

The Partnership has entered into an agreement with a U.S./Canadian bank pursuant to which the lender will provide the Partnership with a Credit Facility. The Credit Facility consists of a senior revolving operating credit facility in the principal amount of up to a maximum of $50 million, which has an initial maturity of two years. Variable rate interest is calculated and payable monthly under the Credit Facility at a rate equal to, at the borrower's option, (A) the U.S. 30-day LIBOR plus a margin of 425 basis points, or (B) the U.S. base rate (equal to the highest of (i) the prime rate, (ii) U.S. federal funds rate plus ½ of 1.00%, and (iii) one month Eurodollar rate plus 1.00%) plus a margin of 325 basis points. The Credit

Facility is available for general purposes, including working capital requirements, acquisitions, monthly distributions and capital expenditures for property improvements and renovations. At the Partnership's election at any time during the primary term of the Credit Facility, the Credit Facility may be secured by properties owned by the Partnership, at which time the variable rate interest will be adjusted.

Foreign Currency Gains or Losses

At closing the REIT entered into monthly hedging arrangements expiring March 2015 related to forecasted distribution amounts. The hedges are contracted with the Bank of Montreal ("BMO") and were valued at March 31, 2013 at $329, of which $289 is classified as current.

Distributions

The REIT adopted a distribution policy pursuant to which the REIT will make cash distributions to Unitholders and, through the Partnership, holders of Class B Redeemable Units on each monthly Distribution Date equal to, on an annual basis, approximately 90% of estimated AFFO. Pursuant to this distribution policy, distributions will be paid to Unitholders 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.

Investment Property Portfolio

The REIT evaluates its financial performance by analyzing the performance of its investment property portfolio in a given period. The investment property portfolio had 52 properties as of March 31, 2013.

Investment Properties

The fair value of the properties was determined using the direct capitalization income method. As of March 31, 2013, the properties were valued using an overall weighted capitalization rate of 6.5% (unaudited). The high and low capitalization rates are set out in the following table:

	At March 31, 2013 (Unaudited)
High capitalization rate	6.7%
Low capitalization rate	6.0%
Weighted average capitalization rate	6.5%

Investment Property Rollforward

	26 Days Ended March 31, 2013 (Unaudited)
Opening Balance	**$0**
Acquisitions of investment properties	$1,103,737
Additions	$359
Closing Balance	**$1,104,096**

Fair Value on Investment Properties

As part of the adoption of IFRS, management elected to adopt the fair value model to account for its investment properties. There was no fair value *gain or loss* recognized for the 26 Day Period. Fair value adjustments are determined based on the movement of various parameters, including changes in stabilized NOI and capitalization rates.

Acquisitions/Disposals

There were no acquisitions or disposals during the 26 Day Period.

Cash Flows

The REIT reported a cash balance of *$8,863* as at March 31, 2013. The changes in cash for the 26 Day Period are as follows:

	26 Days Ended March 31, 2013
Cash flows provided by (used in):	
Operating activities	$(3,016)
Investing activities	$(160,799)
Financing activities	$172,678
[*Increase*] in cash	**$8,863**

Operating activities for the 26 Day Period

Cash flows from operating activities for the 26 Day Period generated a net cash *outflow* of *$(3,016)*. The decrease of *$(3,016)* in cash flows from operating activities was largely driven by an increase in Accounts Payable and other accrued expenses of $8,902 attributable to normal operating expense accruals for the 26 Day Period. There was also $3,149 recorded as finance costs for such period. In addition, there was normal net income for the period of $1,984 from normal operations.

Investing activities for the 26 Day Period

Cash flows from investing activities for the 26 Day Period resulted in a net cash *outflow* of *$(160,799)*. The *decrease* of *$(160,799)* in net cash flows from investing activities was primarily due to the purchase of the initial properties on the date of the IPO of $(160,824).

Financing activities for the 26 Day Period

Cash flows from financing activities for the 26 Day Period resulted in a net cash *inflow* of *$*172,678. The *increase* of $172,678 in net cash flows from financing activities was driven by proceeds from issuance of Units of $198,980, including redemption of $26,302 of Class B redeemable units.

Transactions with Related Parties

The REIT has entered into an asset management agreement with the Asset Manager This agreement relates to the provision of asset management services by Asset Manager to the REIT in exchange for fees that are calculated at 0.40% of gross book value. Asset management fee expense for the 26 Day Period amounted to $325, as referred to in the notes to condensed consolidated financial statements.

Subsequent events

The REIT has evaluated subsequent events from the statement of assets and liabilities date through May 14, 2013, and determined there are no items to be disclosed.

Units Outstanding

The REIT is permitted to issue under its Declaration of Trust an unlimited number of trust Units. The total number of Units outstanding as of March 31, 2013 was 36,850,000. In addition, there are 12,864,265 Class B Redeemable Units of the Partnership outstanding and 1,425,000 Unit options outstanding as of the date of this MD&A.

Critical Accounting Estimates and Assumptions

A detailed description of the REIT’s accounting policies is set out in Note 2 to the REIT’s condensed consolidated interim financial statements for the period ended March 31, 2012. 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 amounts of assets and liabilities within the next financial period are outlined below.

Investment properties

Investment properties are recorded at fair value, with fair value being determined by appraisals performed by independent, U.S. certified appraisers. For the purpose of such appraisals, a direct capitalization income method is used to calculate fair value. In determining estimates of fair value of the investment properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. The primary assumptions underpinning the fair value determination are capitalization rates and discount rates.

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals.

Accounting for acquisitions:

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The REIT's acquisitions are generally determined to be asset purchases as the REIT does not acquire an integrated set of processes as part of the acquisition transaction.

Income taxes:

The REIT is a mutual fund trust pursuant to the Income Tax Act (Canada) and a real estate investment trust pursuant to the Code. Under the current tax legislation, the REIT is generally not liable to pay Canadian or US federal income tax provided that its taxable income is fully distributed to unitholders each year. The REIT has reviewed the requirements for real estate investment trust status and has determined that it qualifies as real estate investment trust pursuant to the Income Tax Act (Canada) and the Code.

Future Accounting Changes

New standards and amendments to existing standards issued by the International Accounting Standards Board may be relevant to the REIT in preparing the combined financial statements in future periods, including IFRS 9, and IAS 32. The REIT intends to adopt these standards on their respective effective dates. The extent of the impact of adoption of these standards on the REIT or the REIT properties has not yet been determined.

Controls and Procedures

Disclosure Controls and Procedures

The REIT's disclosure controls and procedures (as defined by National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*) provide reasonable assurance that (i) material information relating to the REIT, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the filings are being prepared, and (ii) material information required to be disclosed in the fillings or other reports filed or submitted by the REIT under securities legislation is recorded, processed, summarized and reported on a timely basis and within the time period specified by securities legislation. The REIT's Chief Executive Officer and Chief Financial Officer are evaluating the design and effectiveness of the disclosure controls.

Internal Controls over Financial Reporting

The REIT's Chief Executive Officer and Chief Financial Officer are designing or are causing to be designed or refined the REIT's internal controls over financial reporting (as defined in National Instrument 52-109, *Certification of Disclosure in Issuer's Annual and Interim Filings*) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management does not expect that the REIT's disclosure controls and procedures and internal controls over financial reporting will prevent all errors or fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The 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.

Financial Risk Management

The REIT's activities expose it to credit risk, market risk and liquidity risk. Risk management is carried out by the chief financial officer under policies approved by senior executive management. The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT and the Partnership. The Prospectus contains a detailed summary of risk factors pertaining to the REIT and its business. There have been no changes to the nature or the number of risk factors pertaining to the REIT since the date of the Prospectus. The disclosures in this MD&A are subject to the risk factors outlined in the Prospectus.

Financial Outlook

Select operating results for the reporting period ended March 31, 2013 are as follows:

- Total revenue is 3.1% higher than pro-rated forecast
- Operating expenses are 6.3% lower than pro-rated forecast
- Average total occupancy is 1.5% higher than pro-rated forecast
- Average monthly in-place rent is 1.6% higher than pro-rated forecast
- Initial distribution of C$0.04543 per unit for the stub-period March 6, 2013 to March 31, 2013, paid on April 15, 2013 to unitholders of record on March 28, 2013

Management believes that certain characteristics of and trends in the United States multifamily sector suggest that this market offers an attractive investment alternative for Canadian investors. These trends include, but are not limited to, (i) favorable supply and demand fundamentals driven by demographics and declining homeownership rates, (ii) compelling population, demographic and job growth characteristics in the U.S., particularly in the Southeast and Southwest markets where the Initial Properties are located, (iii) larger multifamily transaction volume and external growth opportunities in the U.S. than in Canada, (iv) the relative stage of the U.S. real estate cycle, which management believes is earlier in its recovery as compared to the Canadian real estate cycle, (v) an absence of rent control policies in the majority of U.S. metropolitan areas, and (vi) regulatory frameworks that tend to be more landlord-friendly compared to most Canadian provinces. Together, these factors suggest to the REIT's management that U.S. multifamily assets, and in particular those located in the REIT's key target markets, may experience stronger cash flow growth and property value appreciation in the near-term relative to Canadian multifamily assets.

The REIT intends to leverage management's longstanding relationships, experience and track record in identifying and acquiring multifamily assets in key U.S. markets where its vertically integrated operating platform can create value and maximize asset performance to deliver stable, attractive returns to investors. In addition, management intends to grow rental revenues throughout the portfolio and make acquisitions that are accretive to the REIT's AFFO per Unit.