



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the three months ended March 31, 2019

**May 23, 2019**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following Management's Discussion and Analysis ("MD&A") outlines the financial position and results of operations of Maplewood International Real Estate Investment Trust ("Maplewood" or the "REIT") for the three months ended March 31, 2019. This MD&A should be read in conjunction with the REIT's unaudited interim condensed consolidated financial statements and accompanying notes for the same period and consolidated financial statements and accompanying notes for the years ended December 31, 2018 and December 31, 2017.

The information contained in the MD&A, including forward-looking information, is based on information available to Management as of May 23, 2019.

## **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to our future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes and plans and objectives of or involving the REIT. Particularly, statements regarding our future operating results and economic performance are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Forward looking-information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what we currently expect. The forward-looking statements made in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian law, the REIT undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

## **BASIS OF PRESENTATION**

This MD&A should be read in conjunction with with the REIT's unaudited interim condensed consolidated financial statements and accompanying notes for the three months ended March 31, 2019, prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. This MD&A should also be read in conjunction with the REIT's consolidated financial statements and accompanying notes for the year ended December 31, 2018 and December 31, 2017, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The REIT's functional currency is the Canadian dollar. Unless otherwise stated, amounts expressed in this MD&A are in Canadian dollars.

On August 13, 2018, the REIT's unitholders approved the sale of the REIT's sole investment property in the Netherlands (the "Property") and the special distribution to unitholders of the net cash proceeds from the sale of the Property, all as more particularly described in the REIT's management information circular dated July 16, 2018.

The REIT continues to actively market the Property for sale and will report on further developments with respect to any purchase offer once a binding and unconditional purchase and sale agreement has been executed, or the REIT otherwise determines that disclosure is necessary or appropriate.

## **NON-IFRS MEASURES**

Certain terms used in this MD&A such as funds from operations (“FFO”), adjusted funds from operations (“AFFO”) and net operating income (“NOI”), including their derivations such as recurring FFO, recurring AFFO, and property AFFO, are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO, AFFO and NOI are supplemental measures of a Canadian real estate investment trust’s performance and the REIT believes that FFO, AFFO and NOI are relevant measures of its ability to earn and distribute cash returns to the Unitholders. The IFRS measurements most directly comparable to FFO, AFFO and NOI are cash flow from operating activities and net income.

The REIT calculates FFO in accordance with the guidelines set out by the Real Property Association of Canada (“REALpac”), as defined in RealPac’s Whitepaper on FFO and AFFO, issued February 2019.

The REIT calculates AFFO in accordance with the guidelines set out by the Real Property Association of Canada (“REALpac”), as defined in RealPac’s Whitepaper on FFO and AFFO, issued February 2017. The REIT believes that AFFO is an important measure of our economic performance and is indicative of our ability to pay distributions; however, it does not represent cash flow from operating activities as defined under IFRS.

“NOI” is defined as investment properties revenue less investment properties operating expenses.

FFO, AFFO and NOI should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the REIT’s performance. The REIT’s method of calculating FFO, AFFO and NOI may differ from other issuers’ methods and accordingly may not be comparable to measures used by other issuers.

## **BUSINESS OVERVIEW**

The REIT is an unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario pursuant to the declaration of trust dated May 30, 2013, as amended and restated on September 9, 2013 (the “Declaration of Trust”).

Prior to its reorganization as a real estate investment trust, the REIT was known as Holland Global Capital Corporation (“Holland Global”), a capital pool company, as defined in Policy 2.4 of the TSX Venture Exchange (the “TSXV”). Holland Global was incorporated under the Business Corporations Act (Ontario) on January 15, 2013. Holland Global completed its initial public offering on April 5, 2013 and Holland Global’s shares were listed for trading on the TSXV on April 11, 2013.

Pursuant to a plan of arrangement on September 9, 2013, the common shares of Holland Global were exchanged for REIT Units of the REIT, or Class B LP Units of Maplewood International Limited Partnership (“MILP”), a wholly-owned subsidiary of the REIT (the “Plan of Arrangement”). The REIT became the continuing public entity with its REIT Units listed on the TSXV under the symbol MWI.UN.

The REIT is considered to be a continuation of Holland Global following the continuity of interest method of accounting. As a result, the financial statements reflect a continuation of the Holland Global with the results of the Holland Global from January 15, 2013 to September 9, 2013, and the REIT from that date forward.

On September 16, 2013, the REIT completed the acquisition of its first investment property located at Einsteinstraat 1 in s’-Gravenzande, the Netherlands (the “Property”), otherwise known as the Qualifying Transaction previously announced by Holland Global.

## **INVESTMENT OBJECTIVE AND STRATEGY**

Maplewood was established as a Canadian based international real estate investment vehicle to invest in high-quality income producing commercial real estate outside of Canada. Our initial geographic focus is on the investment grade countries of Europe, with an initial target market of the Netherlands.

The objectives of the REIT are to:

- (a) provide Canadian investors with international real estate diversification that delivers attractive risk-adjusted investment yields;
- (b) build a diversified, growth-oriented portfolio of income producing commercial properties in target markets outside of Canada, with an initial focus on the Netherlands;
- (c) grow the value of assets and maximize the long-term value of REIT Units through the active and efficient management of the REIT's assets; and
- (d) provide predictable, sustainable and growing cash distributions on a tax-efficient basis.

### **The Netherlands**

Management believes that the current yields on certain commercial real estate in certain European countries are higher than yields currently available from commercial real estate in Canada. Notably, in certain European countries that have attractive sovereign credit ratings, such as the Netherlands, the higher yields on commercial real estate are even more compelling on a risk-adjusted basis.

The Netherlands enjoys a strong economic position within Europe and globally. The Netherlands has a market-based mixed economy that is noted for its stable industrial relations, moderate unemployment and inflation, a sizable trade surplus, and an important role as a European transportation hub. Dutch industrial activity is predominantly in food processing, chemicals, petroleum refining, and electrical machinery. The Netherlands' location gives it prime access to markets in the United Kingdom and Germany, with the port of Rotterdam being the largest port in Europe.

Management believes these are positive indicators of a stable and growing economy, one that is appealing to investors seeking stable, sustainable and growing cash flows. In addition, Management believes the Netherlands' operating and business environment in the real estate sector is comparable to Canada's in many important ways. For example, in comparing the Dutch market to the Canadian market, Management believes there is a similar focus in the Netherlands on building and maintaining long-term relationships with tenants, the brokerage community and lenders, as well as a similar leasing environment.

### **Target Markets**

In addition to investments in the Dutch market, the REIT will seek opportunities to invest in income-producing properties outside of Canada that provide stable, sustainable and growing cash flows. In considering future acquisitions, the REIT will focus on countries with a stable business and operating environment, a liquid market for real estate investments, a legal framework that provides adequate rights and protections for owners of property and a manageable foreign investment regime.

Although the REIT will not be restricted in the geographies in which it may invest outside of Canada, it will have an initial focus primarily on the following target markets:

- the Netherlands, where Management believes there will be more opportunities for acquiring additional assets to complement the Initial Property;
- Germany, whose economy is the largest in Europe and one of the most stable; and
- other investment grade countries in Europe, to the extent that those markets are compelling to Management and provide the potential to realize synergies with the REIT's asset base.

**SUMMARY OF SELECTED FINANCIAL AND OPERATIONAL INFORMATION**

	Mar. 31, 2019	Dec. 31, 2018	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018
<b>Investment Property Information</b>					
Gross leasable area (sq. ft.)	<b>130,405</b>	130,405	130,405	130,405	130,405
Occupancy rate	<b>100%</b>	100%	100%	100%	100%
Weighted average lease term (years)	<b>7.3</b>	7.5	7.8	8.0	8.3
<b>Leverage Information</b>					
Debt to gross book value of assets	<b>45.3%</b>	44.8%	46.6%	47.3%	47.9%
Weighted average interest rate on debt	<b>4.2%</b>	3.6%	3.6%	3.6%	3.6%
Weighted average term to maturity on debt (years)	<b>4.8</b>	5.0	0.1	0.3	0.5
Interest coverage ratio <sup>(1)</sup>	<b>4.1</b>	4.7	4.7	4.6	4.6
Debt service coverage ratio <sup>(2)</sup>	<b>2.0</b>	2.1	2.5	2.4	2.4
	<b>For the Three Months ended Mar. 31 2019</b>	For the Three Months ended Dec. 31 2018	For the Three Months ended Sept. 30, 2018	For the Three Months ended Jun. 30, 2018	For the Three Months ended Mar. 31, 2018
<b>Results of Operations</b>					
Net operating income ("NOI")	<b>\$ 229,852</b>	\$ 225,550	\$ 227,211	\$ 230,079	\$ 232,467
NOI margin	<b>93.0%</b>	93.1%	93.1%	93.0%	93.1%
NOI yield <sup>(3)</sup>	<b>9.4%</b>	9.2%	9.3%	9.4%	9.5%
Funds from operations ("FFO") <sup>(4)</sup>	<b>\$ 108,269</b>	\$ 9,347	\$ 132,419	\$ 136,344	\$ 127,582
Adjusted funds from operations ("AFFO") <sup>(4)</sup>	<b>\$ 103,969</b>	\$ 5,047	\$ 128,019	\$ 131,944	\$ 123,082
FFO per Unit (basic)	<b>\$ 0.02</b>	\$ 0.00	\$ 0.02	\$ 0.02	\$ 0.02
AFFO per Unit (basic)	<b>\$ 0.02</b>	\$ 0.00	\$ 0.02	\$ 0.02	\$ 0.02
Property AFFO <sup>(5)</sup>	<b>\$ 169,482</b>	\$ 165,271	\$ 174,015	\$ 176,082	\$ 177,272
Property AFFO yield <sup>(6)</sup>	<b>15.7%</b>	15.3%	16.1%	16.3%	16.4%

(1) Calculated as NOI divided by interest expense on debt.

(2) Calculated as NOI divided by the sum of interest expense on debt and principal repayments on debt.

(3) Calculated as annualized NOI divided by original purchase price of the Property in Canadian dollars (calculated as purchase price of €6,750,000 plus land transfer tax of €405,000, at the exchange rate of 1.37284 on the closing date).

(4) See FFO and AFFO for calculations.

(5) Calculated as AFFO plus general and administrative expenses.

(6) Calculated as annualized Property AFFO divided by the original equity investment in the Property in Canadian dollars (calculated as purchase price of €6,750,000 plus land transfer tax of €405,000 and less mortgage debt of €4,000,000, at the exchange rate of 1.37284 on the closing date).

## RESULTS OF OPERATIONS

The REIT presented quarter-over-quarter comparison between March 31, 2019, December 31, 2018, September 30, 2018, June 30, 2018 and March 31, 2018.

	<b>For the three months ended Mar. 31, 2019</b>	For the three months ended Dec. 31, 2018	For the three months ended Sept. 30, 2018	For the three months ended Jun. 30, 2018	For the three months ended Mar. 31, 2018
Investment property revenue	<b>\$ 247,231</b>	\$ 242,364	\$ 244,147	\$ 247,282	\$ 249,742
Investment property operating expenses	<b>(17,379)</b>	(16,814)	(16,936)	(17,203)	(17,275)
<b>Net operating income</b>	<b>229,852</b>	225,550	227,211	230,079	232,467
Finance costs - operations	<b>(56,070)</b>	(55,979)	(48,796)	(49,597)	(50,695)
General and administrative expenses	<b>(65,513)</b>	(160,224)	(45,996)	(44,138)	(54,190)
<b>Operating income</b>	<b>108,269</b>	9,347	132,419	136,344	127,582
Fair value adjustments to investment property	<b>(28,214)</b>	257,325	-	-	(38,843)
Deferred income tax expense	-	(98,000)	-	-	-
<b>Net income</b>	<b>80,055</b>	168,672	132,419	136,344	88,739
<b>Other comprehensive income (loss):</b>					
Foreign currency translation adjustments	<b>(257,113)</b>	261,496	(149,046)	(210,614)	318,825
<b>Comprehensive income (loss)</b>	<b>\$ (177,058)</b>	\$ 430,168	\$ (16,627)	\$ (74,270)	\$ 407,564

### Investment Property Revenue

Investment property revenue includes base rent. For the three months ended March 31, 2019, investment property revenue was \$247,231, an increase of \$4,867 as compared to \$242,364 for the three months ended December 31, 2018, driven by the lease indexation on January 1, 2019.

### Investment Property Operating Expenses

Investment property operating expenses include repairs and maintenance, property taxes, property insurance, and property management fees. For the three months ended March 31, 2019, investment property operating expenses were \$17,379, consistent with the operating expenses for the three months ended December 31, 2018.

### Net Operating Income

Net operating income ("NOI") is not a measure defined by IFRS and, accordingly the term does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures defined by other issuers. We define NOI as investment property revenue less investment property operating expenses. NOI for the three months ended March 31, 2019 was \$229,852, an increase of \$4,302 as compared to \$225,550 for the three months ended December 31, 2018, driven by the lease indexation on January 1, 2019.



**Finance Costs - Operations**

Finance costs - operations includes interest expense on mortgages payable. For the three months ended March 31, 2019, finance costs - operations were \$56,070, as compared to \$55,979 for the three months ended December 31, 2018.

**General and Administrative Expenses**

General and administrative expenses consist of management compensation expenses, head office costs and public company costs. For the three months ended March 31, 2019, general and administrative expenses were \$65,513, a decrease of \$94,711 as compared to \$160,224 for the three months ended December 31, 2018, primarily due to higher professional services costs incurred during the prior period.

**Fair Value Adjustments to Investment Property**

The REIT has elected to use the fair value model to account for its investment property. As at March 31, 2019, the fair value of the investment property was determined by Management to be \$11,243,000 (€7,510,000), based on an independent appraisal performed on the Property as at December 31, 2018.

**Deferred Income Taxes**

The REIT has certain subsidiaries in the Netherlands that are taxable for income tax purposes in the Netherlands. Deferred tax liabilities relates to the difference in the tax and book basis of the investment property, partially offset by deferred tax assets related to tax loss carryforwards.

**FFO AND AFFO**

Funds from operations for the three months ended March 31, 2019, December 31, 2018, September 30, 2018, June 30, 2018, and March 31, 2018, are calculated as follows:

	<b>For the three months ended Mar. 31, 2019</b>	For the three months ended Dec. 31, 2018	For the three months ended Sept. 30, 2018	For the three months ended Jun. 30, 2018	For the three months ended Mar. 31, 2018
Net income	\$ 80,055	\$ 168,672	\$ 132,419	\$ 136,344	\$ 88,739
Adjusted for:					
Deferred income tax expense	-	98,000	-	-	-
Fair value adjustments to investment property	<b>28,214</b>	(257,325)	-	-	38,843
<b>FFO</b>	<b>\$ 108,269</b>	\$ 9,347	\$ 132,419	\$ 136,344	\$ 127,582
Units outstanding	<b>5,980,037</b>	5,980,037	5,980,037	5,980,037	5,980,037
<b>FFO per Unit (basic)</b>	<b>\$ 0.02</b>	\$ 0.002	\$ 0.02	\$ 0.02	\$ 0.02

## MAPLEWOOD INTERNATIONAL REIT 2019 First Quarter MD&A

Adjusted funds from operations for the three months ended for the three months ended March 31, 2019, December 31, 2018, September 30, 2018, June 30, 2018, and March 31, 2018, are calculated as follows:

	<b>For the three months ended Mar. 31, 2019</b>	For the three months ended Dec. 31, 2018	For the three months ended Sept. 30, 2018	For the three months ended Jun. 30, 2018	For the three months ended Mar. 31, 2018
FFO	<b>\$ 108,269</b>	\$ 9,347	\$ 132,419	\$ 136,344	\$ 127,582
Adjusted for:					
Normalized maintenance capital expenditures	<b>(4,300)</b>	(4,300)	(4,400)	(4,400)	(4,500)
<b>AFFO</b>	<b>\$ 103,969</b>	\$ 5,047	\$ 128,019	\$ 131,944	\$ 123,082
Units outstanding	<b>5,980,037</b>	5,980,037	5,980,037	5,980,037	5,980,037
<b>AFFO per Unit (basic)</b>	<b>\$ 0.02</b>	\$ 0.001	\$ 0.02	\$ 0.02	\$ 0.02

### Property AFFO

	<b>For the three months ended Mar. 31, 2019</b>	For the three months ended Dec. 31, 2018	For the three months ended Sept. 30, 2018	For the three months ended Jun. 30, 2018	For the three months ended Mar. 31, 2018
AFFO	<b>\$ 103,969</b>	\$ 5,047	\$ 128,019	\$ 131,944	\$ 123,082
General and administrative expenses	<b>65,513</b>	160,224	45,996	44,138	54,190
<b>Property AFFO</b>	<b>\$ 169,482</b>	\$ 165,271	\$ 174,015	\$ 176,082	\$ 177,272
<b>Property AFFO yield <sup>(1)</sup></b>	<b>15.7%</b>	15.3%	16.1%	16.3%	16.4%

(1) Calculated as annualized Property AFFO divided by the original equity investment in the Property in Canadian dollars (calculated as purchase price of €6,750,000 plus land transfer tax of €405,000 and less mortgage debt of €4,000,000, at the exchange rate of 1.37284 on the closing date).

The following is a reconciliation of AFFO and cash provided by operating activities for the three months ended March 31, 2019, December 31, 2018, September 30, 2018, June 30, 2018 and March 31, 2018.

	<b>For the three months ended Mar. 31, 2019</b>	For the three months ended Dec. 31, 2018	For the three months ended Sept. 30, 2018	For the three months ended Jun. 30, 2018	For the three months ended Mar. 31, 2018
Cash flow from operating activities	<b>\$ (193,932)</b>	\$ 143,438	\$ 149,306	\$ 79,692	\$ 160,011
Change in non-cash working capital	<b>302,201</b>	(134,091)	(16,887)	56,652	(32,429)
Normalized maintenance capital expenditures	<b>(4,300)</b>	(4,300)	(4,400)	(4,400)	(4,500)
<b>AFFO</b>	<b>\$ 103,969</b>	\$ 5,047	\$ 128,019	\$ 131,944	\$ 123,082

## **INVESTMENT PROPERTY**

On September 16, 2013, the REIT completed the acquisition of its first investment property, located at Einsteinstraat 1 in s'-Gravenzande, the Netherlands. (the "Property"). The Property is a large-scale industrial complex, comprised of approximately 130,405 square feet of gross leasable area of which approximately 20,785 square feet are used for an integrated 3-storey office building. The Property is 100% leased pursuant to an annual inflation-indexed lease with a remaining lease term of approximately 7.3 years, and with unlimited automatic five-year renewal terms, to Rexnord FlatTop Europe B.V., a wholly-owned subsidiary of Rexnord Corporation ("Rexnord"), a leading global industrial components company headquartered in Milwaukee, Wisconsin, USA, with approximately 8,000 employees worldwide. Rexnord has a corporate history dating back to 1892 and is listed on the New York Stock Exchange.

As at March 31, 2019, the fair value of the investment property was determined by Management to be \$11,243,000 (€7,510,000), based on an independent appraisal performed on the Property as at December 31, 2018.

## **MORTGAGES PAYABLE**

As at March 31, 2019, the REIT had \$5,194,937 (€3,470,000) of principal amount of mortgages payable, which were secured by a first charge on the Property. The mortgages matured on September 12, 2018 and were renewed on a month-to-month basis under the existing terms until December 31, 2018. On January 1, 2019, the REIT renewed the mortgages on the Property in the aggregate principal amount of €3,500,000 for concurrent terms of 5 years, both with a maturity date of December 31, 2023. One mortgage in the principal amount of €1,750,000 bears a floating interest rate of 3-month Euribor plus a spread of 4.13% and the other mortgage in the principal amount of €1,750,000 bears a fixed interest rate of 4.75%. Both mortgages have a principal amortization term of approximately 20 years.

## **EQUITY**

### **REIT Units and Class B LP Units**

The discussion of equity includes Class B LP Units, which along with related Special Voting Units are economically equivalent to the REIT Units, and are exchangeable at the option of the holder on a one-for-one basis for the REIT Units. The Class B LP Units meet the definition of a financial liability under IAS 32, Financial Instrument-Presentation and are classified as fair value through profit or loss, measured at fair value at each reporting period with any changes in fair value recorded in profit or loss. The distributions on Class B LP Units are accounted for as finance costs.

The REIT's Declaration of Trust authorizes the issuance of an unlimited number of REIT Units. Each REIT Unit represents a unitholder's ownership interest in the REIT and carries voting rights.

Pursuant to the Plan of Arrangement on September 9, 2013, 40,500,000 common shares of Holland Global shares were exchanged for 687,500 REIT Units and 4,375,000 Class B LP Units.

On September 10, 2013, the REIT issued 625,000 Private Placement Units, comprised of one REIT Unit and one warrant, at a price of \$3.20 per Private Placement Unit, for gross proceeds of \$2,000,000. Each warrant

entitled the holder to purchase a REIT Unit at an exercise price of \$3.20 within 24 months of the date of issuance.

On October 13, 2015, 4,125,000 Class B LP Units were exchanged to REIT Units. There were nil Class B LP Units outstanding as at December 31, 2015.

On March 8, 2016, the REIT terminated its distribution reinvestment plan (the "DRIP"), as contemplated in the REIT's management information circular dated February 19, 2016 and approved at the REIT's special meeting of Unitholders on March 22, 2016. As a result, DRIP fractional units were cancelled and paid out in cash to Unitholders.

### **Unit Option Plan**

Under the REIT's Unit Option Plan, the Board of Trustees may from time to time, at its discretion, grant trustees, officers, employees and consultants options to purchase REIT Units.

Pursuant to the Plan of Arrangement, on September 9, 2013, 4,050,000 of outstanding options of Holland Global were exchanged for Unit Options on an eight-for-one basis.

On November 12, 2014, 30,000 Unit Options were exercised for gross proceeds of \$24,000.

The Unit Options expired on April 5, 2018.

### **Warrants**

#### **Agent's Warrants**

On April 5, 2013, in connection with its completed initial public offering, Holland Global granted to the agent an option to purchase up to 400,000 common shares, at a price of \$0.10 per share (the "Agent's Warrants"). The Agent's Warrants expire 24 months from the date the common shares of Holland Global are listed on the TSXV.

Pursuant to the Plan of Arrangement on September 9, 2013, 400,000 of outstanding Agent's Warrants were exchanged for 50,000 REIT Unit warrants at an exercise of \$0.80 per REIT Unit warrant.

The Agent's Warrants expired on April 5, 2015.

#### **Private Placement Warrants**

On September 10, 2013, the REIT issued 625,000 Private Placement Units, comprised of one REIT Unit and one warrant, at a price of \$3.20 per Private Placement Unit, for gross proceeds of \$2,000,000. Each warrant entitles the holder to purchase a REIT Unit at an exercise price of \$3.20 within 24 months of the date of issuance.

The private placement warrants expired on September 10, 2015.

### **Special Distribution**

On December 20, 2018, the REIT's Board of Trustees declared a special cash distribution of \$0.03 per unit to unitholders of record on December 31, 2018, which was paid on January 15, 2019.

## **LIQUIDITY AND CAPITAL RESOURCES**

The REIT's primary sources of capital are cash generated from operations, mortgage financing, equity and debt issues. The REIT's primary uses of capital include the payment of distributions, debt servicing, property maintenance, tenant improvements, leasing costs and property acquisitions.

The REIT's Declaration of Trust provides that total indebtedness of the REIT may not exceed 65% of the Gross Book Value as defined; as at March 31, 2019, this ratio was 45.3% according to the calculation as defined in the Declaration of Trust.

For the three months ended March 31, 2019, the changes in cash and cash equivalents are summarized as follows:

Operating activities used cash flows of \$193,932 due the change in non-cash working capital, financing activities used cash flows of \$59,884, for principal repayment of mortgages, investing activities used cash flows of \$27,765 for building improvements.

## **SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies, including significant judgments and critical accounting estimates made by management of the REIT, are described in Note 3 of the REIT's audited consolidated financial statements for the years ended December 31, 2018 and December 31, 2017.

## **INTERNAL CONTROLS**

The REIT'S Chief Executive Officer and Chief Financial Officer are designing or causing to be designed disclosure controls and procedures and internal controls over financial reporting, as those terms are defined in National Instrument 52-109, "Certification of Disclosure in Issuers' annual and interim Filings" to provide reasonable assurance regarding the reliability of financial reporting.

## **RISKS AND UNCERTAINTIES**

The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT. Certain of these risks are described below. The management information circular of Holland Global dated August 9, 2013 (the "Circular") and prospectus of Holland Global dated August 9, 2013 (the "Prospectus") contains a detailed summary of risk factors pertaining to the REIT and its business. The Circular and Prospectus are each available on SEDAR at [www.sedar.com](http://www.sedar.com). There have been no changes to the nature or the number of risk factors pertaining to the REIT.

### **Real Property Ownership and Tenant Risks**

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the properties. The properties generate revenue through rental payments made by the tenants thereof. The ability to lease unoccupied suites in properties may be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, competition from other available properties, and various other factors. Cash available for distribution to Unitholders will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a

significant amount of available space in the properties becomes vacant and cannot be leased on economically favourable lease terms. If properties owned by the REIT do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, the REIT's results from operations and ability to make distributions to Unitholders will be adversely affected.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant will be replaced. The terms of any subsequent lease may be less favourable to the REIT than those of an existing lease. Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for a property or revenues to be derived therefrom. Reported estimated market rents can be seasonal and the significance of any variations from quarter to quarter would materially affect the REIT's annualized estimated gain-to-lease amount. There can be no assurance that upon the expiry or termination of existing leases, the average occupancy rates and revenues will be consistent with historical occupancy rates and revenues and it may take a significant amount of time for market rents to be recognized by the REIT due to internal and external limitations on its ability to charge these new market-based rents in the short term.

### **Illiquidity**

Real estate investments are relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT were to need to liquidate a property, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property. In addition, by concentrating commercial rental properties, the REIT is exposed to the adverse effects on that segment of the real estate market and will not benefit from a diversification of its portfolio by property type.

### **Interest Rate Risk**

The REIT may be subject to higher interest rates in the future, given the current economic climate. The REIT may also be unable to renew its maturing debt either with an existing or a new lender, and if it is able to renew its maturing debt, significantly lower loan-to-value ratios may be used. The REIT will seek to manage this risk by negotiating fixed interest rates where possible.

### **Public Market Risk**

It is not possible to predict the price at which the Units will trade and there can be no assurance that an active trading market for the Units will be sustained. The Units will not necessarily trade at values determined solely by reference to the value of the Property or future properties acquired by the REIT. Accordingly, the Units may trade at a premium or a discount to values implied by the value of the Property or future properties acquired by the REIT. The market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the REIT.

### **Acquisitions**

The REIT's strategy includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If the REIT is unable to manage its growth effectively, it could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to Unitholders will increase in the future.

### **Access to Capital**

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance that the REIT will have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, the REIT may not be able to borrow funds due to the limitations set forth in the Declaration of Trust. In addition, global financial markets have experienced a sharp increase in volatility during recent years. This has been, in part, the result of the re-valuation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. It is possible that financing which the REIT may require in order to grow and expand its operations, upon the expiry of the term of financing, on refinancing any particular property owned by the REIT or otherwise, may not be available or, if it is available, may not be available on favourable terms to the REIT. Failure by the REIT to access required capital could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. As well, the degree of leverage could affect the REIT's ability to obtain additional financing in the future.

### **Changes in Currency Exchange Rates Could Adversely Affect the REIT's Business**

Substantially all of the REIT's investments and operations will be conducted in currencies other than Canadian dollars; however, the REIT will pay distributions to Unitholders in Canadian dollars. The REIT will also raise funds primarily in Canada from the sale of securities in Canadian dollars and invest such funds indirectly through its Subsidiaries in currencies other than Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on the REIT's financial results, which will be denominated and reported in Canadian dollars, and on the REIT's ability to pay cash distributions to Unitholders. When appropriate, the REIT intends to implement active hedging programs in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to Unitholders if the Canadian dollar increases in value compared to foreign currencies. However, to the extent that the REIT fails to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge changes in foreign currency rates, the REIT's financial results, and the REIT's ability to pay distributions to Unitholders, may be negatively impacted.

Hedging transactions involve the risk that counterparties, which are generally financial institutions, may be unable to satisfy their obligations. If any counterparties default on their obligations under the hedging contracts or seek bankruptcy protection, it could have an adverse effect on the REIT's ability to fund planned activities and could result in a larger percentage of future revenue being subject to currency changes.

### **Taxation of the REIT and the REIT's Subsidiaries**

Although the REIT and its Subsidiaries have been structured with the objective of maximizing after-tax distributions, taxes (including withholding, land transfer, and other taxes) in the various jurisdictions in which the REIT invests will reduce the amount of cash available for distribution to the REIT by the REIT's Subsidiaries and, therefore, reduce the amount of cash available for distribution by the REIT to Unitholders. No assurance can be given as to the future level of taxation suffered by the REIT or the REIT's Subsidiaries.

**QUARTERLY RESULTS**

	For the three months ended March 31, 2019	For the three months ended December 31, 2018	For the three months ended September 30, 2018	For the three months ended June 30, 2018
Investment property revenue	\$ 247,231	\$ 242,364	\$ 244,147	\$ 247,282
Investment property operating expenses	(17,379)	(16,814)	(16,936)	(17,203)
<b>Net operating income</b>	229,852	225,550	227,211	230,079
Finance costs - operations	(56,070)	(55,979)	(48,796)	(49,597)
General and administrative expenses	(65,512)	(160,224)	(45,996)	(44,138)
<b>Income before undernoted:</b>	108,269	9,347	132,419	136,344
Fair value adjustments to investment property	(28,214)	257,325	-	-
Deferred income tax expense	-	(98,000)	-	-
<b>Net income</b>	80,055	168,672	132,419	136,344
Other comprehensive income (loss):				
Foreign currency translation adjustments	(257,113)	261,496	(149,046)	(210,614)
<b>Comprehensive income (loss)</b>	\$ (117,058)	\$ 430,168	\$ (16,627)	\$ (74,270)
<b>Net income</b>	\$ 88,055	\$ 168,672	\$ 132,419	\$ 136,344
Adjusted for:				
Fair value adjustments to investment property	28,214	(257,325)	-	-
Deferred income tax expense	-	98,000	-	-
<b>FFO</b>	\$ 108,269	\$ 9,347	\$ 132,419	\$ 136,344
<b>FFO per Unit (basic)</b>	\$ 0.02	\$ 0.002	\$ 0.02	\$ 0.02
<b>FFO</b>	\$ 108,269	\$ 9,347	\$ 132,419	\$ 136,344
Adjusted for:				
Normalized maintenance capital expenditures	(4,300)	(4,300)	(4,400)	(4,400)
<b>AFFO</b>	\$ 103,969	\$ 5,047	\$ 128,019	\$ 131,944
<b>AFFO per Unit (basic)</b>	\$ 0.02	\$ 0.001	\$ 0.02	\$ 0.02



**MAPLEWOOD INTERNATIONAL REIT 2019 First Quarter MD&A**

	For the three months ended March 31, 2018	For the three months ended December 31, 2017	For the three months ended September 30, 2017	For the three months ended June 30, 2017
Investment property revenue	\$ 249,742	\$ 237,554	\$ 233,886	\$ 234,856
Investment property operating expenses	(17,275)	(17,851)	(20,033)	(18,940)
<b>Net operating income</b>	232,467	219,703	213,853	215,916
Finance costs - operations	(50,695)	(49,408)	(48,847)	(49,828)
General and administrative expenses	(54,190)	(90,646)	(37,437)	(88,456)
<b>Income before undernoted:</b>	127,582	79,649	127,569	77,632
Fair value adjustments to investment property	(38,843)	355,402	-	-
Deferred income tax expense	-	(146,000)	-	-
<b>Net income</b>	88,739	289,051	127,569	77,632
Other comprehensive income (loss):				
Foreign currency translation adjustments	318,825	109,638	(36,505)	196,477
<b>Comprehensive income</b>	\$ 407,564	\$ 398,689	\$ 91,064	\$ 274,109
<b>Net income</b>	\$ 88,739	\$ 289,051	127,569	77,632
Adjusted for:				
Fair value adjustments to investment property	38,843	(355,402)	-	-
Deferred income tax expense	-	146,000	-	-
<b>FFO</b>	\$ 127,582	\$ 79,649	\$ 127,569	\$ 77,632
<b>FFO per Unit (basic)</b>	\$ 0.02	\$ 0.01	\$ 0.02	\$ 0.01
<b>FFO</b>	\$ 127,582	\$ 79,649	\$ 127,569	\$ 77,632
Adjusted for:				
Normalized maintenance capital expenditures	(4,500)	(4,300)	(4,200)	(4,200)
<b>AFFO</b>	\$ 123,082	\$ 75,349	\$ 123,369	\$ 73,432
<b>AFFO per Unit (basic)</b>	\$ 0.02	\$ 0.01	\$ 0.02	\$ 0.01