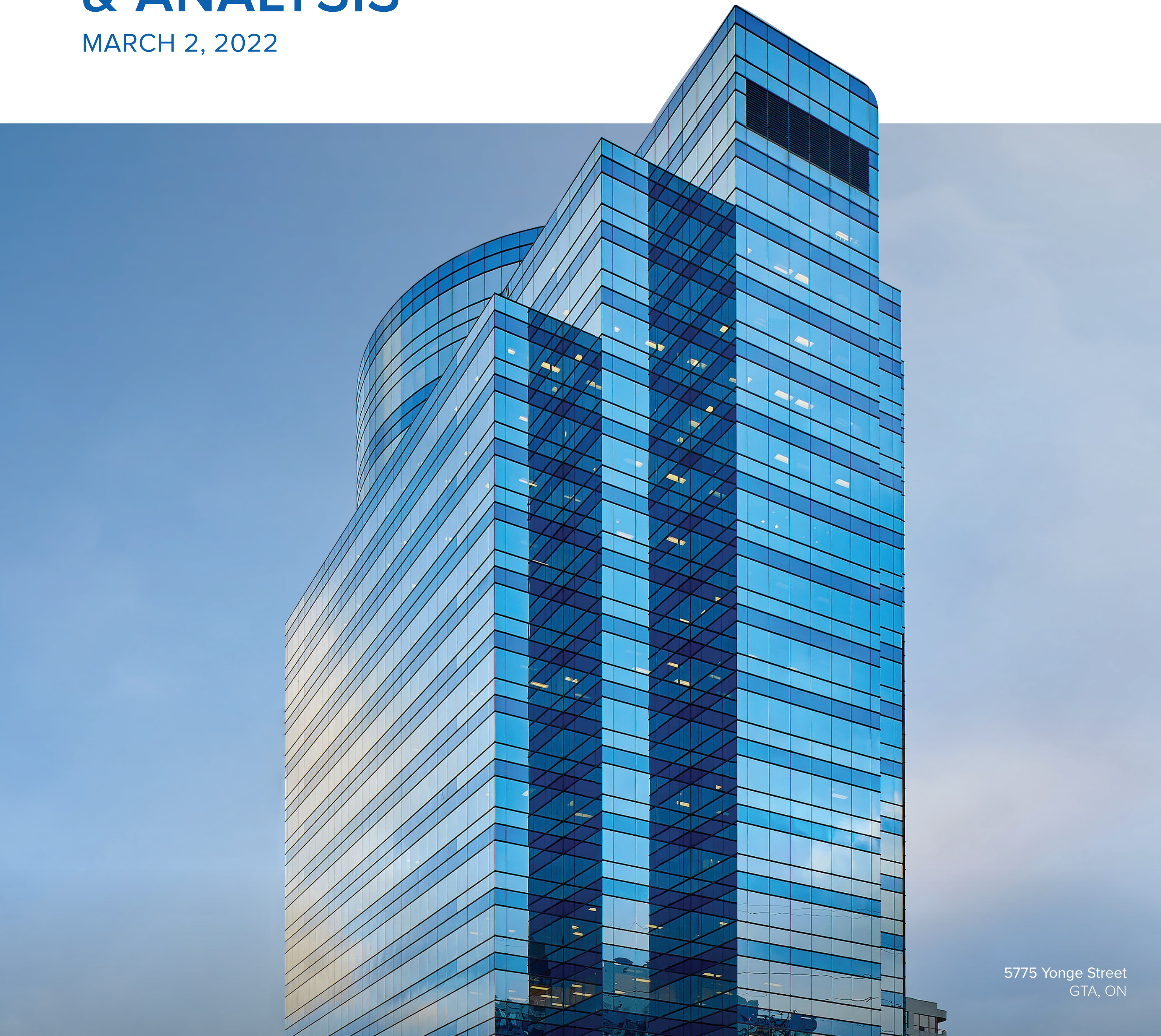
TSX: TNT.UN

YTD 2021

MANAGEMENT'S DISCUSSION & ANALYSIS

MARCH 2, 2022



5775 Yonge Street
GTA, ON

AT A GLANCE

Diversified portfolio of high quality assets spanning five provinces with a high concentration of government and credit rated tenants

$1.4 B
Total Assets

$680M
Market Capitalization

4.4 YR
Weighted Average Lease Term

46
Properties
(4.8 million square feet)

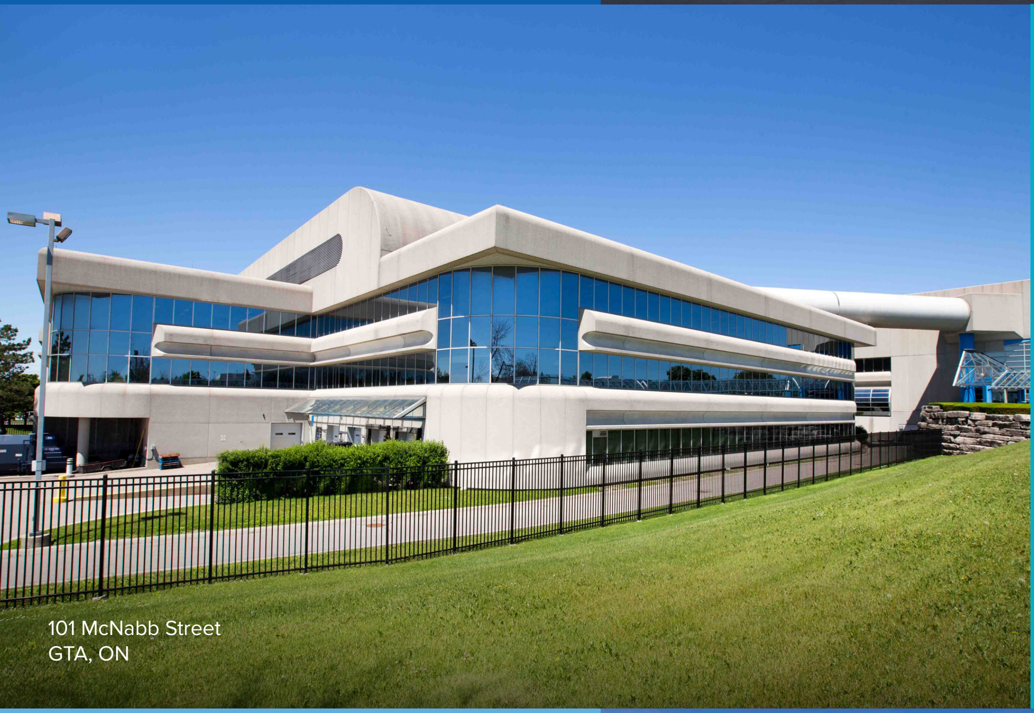
96%
Occupancy

76%
Revenues Generated from Goverment & Credit rated Tenants

120, 130, 134, 140 Eileen Stubbs Avenue
Halifax, NS

Stable
Contractual
Cash flow

6925 Century Avenue
GTA, ON


101 McNabb Street
GTA, ON

High Quality
Tenant Base

Focus on
Urban Areas


675 Cochrane Drive
GTA, ON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the consolidated financial results of True North Commercial Real Estate Investment Trust (the "REIT") is intended to provide readers with an assessment of the performance of the REIT for the years ended December 31, 2021 and 2020 and should be read in conjunction with the REIT's annual audited consolidated financial statements for the years ended December 31, 2021 and 2020, and accompanying notes thereto. These documents can be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and on the REIT's website at https://truenorthreit.com/ under the tab "Financial Reports" in the "Investor Relations" section.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking statements are provided for the purposes of assisting the reader in understanding the REIT's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future. Readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the REIT or the real estate industry and may include statements regarding the financial position, business strategy, budgets, projected costs, capital expenditures, financial results, taxes, plans and objectives of or involving the REIT. In some cases, forward-looking information can be identified by such terms as "may", "might", "will", "could", "should", "would", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", or the negative thereof or other similar expressions suggesting future outcomes or events.

This MD&A, and the documents incorporated by reference herein, contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the REIT's business and results of operations and the effect of the coronavirus (SARS- CoV-2) ("COVID-19") pandemic on the REIT's business and operations. Forward-looking statements involve known and unknown risks and uncertainties, which may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the REIT's control, affect the operations, performance and results of the REIT and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to, risks and uncertainties related to the trust units of the REIT ("Units"), risks related to the REIT and its business, and any risks related to the uncertainties surrounding the duration and the direct and indirect impact of the COVID-19 pandemic on the business, operations and financial condition of the REIT and its tenants, as well as on consumer behavior and the economy in general, including the ability to enforce leases, perform capital expenditure work, increase rents, raise capital through the issuance of Units or other securities of the REIT and obtain mortgage financing for the REIT's properties. The foregoing is not an exhaustive list of factors that may affect the REIT's forward-looking statements. Other risks and uncertainties not presently known to the REIT could also cause actual results or events to differ materially from those expressed in its forward-looking statements. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as there can be no assurance actual results will be consistent with such forward-looking statements.

Information contained in forward-looking statements is based upon certain material assumptions applied in drawing a conclusion or making a forecast or projection, including management's perception of historical trends, current conditions and expected future developments, as well as other considerations believed to be appropriate in the circumstances. There can be no assurance regarding: (a) the impact of COVID-19 on the REIT's business, operations and performance, including the performance of its Units; (b) the REIT's ability to mitigate any impacts related to COVID-19; (c) the effectiveness, acceptance and availability of vaccines (including vaccine booster shots), as well as the duration of associated immunity and efficacy of the vaccines against variants of COVID-19 which may prolong the impacts of COVID-19 on the Canadian economy, the impact of COVID-19 on the retail and commercial real estate industries, property occupancy levels and the REIT; (d) credit, market, operational, and liquidity risks generally; (e) Starlight Group Property Holdings Inc., or any of its affiliates ("Starlight"), continuing as asset manager of the REIT in accordance with its current asset management agreement; and (f) other risks inherent to the REIT's business and/or factors beyond its control which could have a material adverse effect on the REIT.

The forward-looking statements made 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.

NON-IFRS FINANCIAL MEASURES

Certain terms used in this MD&A such as funds from operations ("FFO"), adjusted funds from operations ("AFFO"), FFO and AFFO payout ratios, net operating income ("NOI"), same property net operating income ("Same Property NOI"), indebtedness ("Indebtedness"), gross book value ("GBV"), Indebtedness to GBV ratio, net earnings before interest, tax, depreciation and amortization and fair value gain (loss) on financial instruments and investment properties ("Adjusted EBITDA"), interest coverage ratio, adjusted cash provided by operating activities and Available Funds are not measures defined by International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board ("IASB"), do not have standardized meanings prescribed by IFRS and should not be compared to or construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. FFO, AFFO, FFO and AFFO payout ratios, NOI, Same Property NOI, Indebtedness, GBV, Indebtedness to GBV ratio, Adjusted EBITDA, interest coverage ratio, adjusted cash provided by operating activities and Available Funds as computed by the REIT may not be comparable to similar measures presented by other issuers.

FFO is a measure of operating performance based on the funds generated from the business of the REIT before reinvestment or provision for capital needs. FFO is calculated as net income adjusted for realized and unrealized fair value gains (losses), transaction costs on sale of investment properties, distributions on class B limited partnership units of True North Commercial Limited Partnership ("Class B LP Units"), and amortization of leasing costs and tenant inducements. The REIT calculates FFO in accordance with the guidelines set out by the Real Property Association of Canada ("Realpac"). Management considers this non-IFRS measure to be an important measure of the REIT's operating performance. Refer to "FFO and AFFO" for a reconciliation between net income and comprehensive income to FFO.

AFFO is an important performance measure to determine the sustainability of future distributions paid to holders of Units ("Unitholders"). In calculating AFFO, the REIT makes certain non-cash adjustments to FFO such as: amortization of fair value mark-to-market adjustments on assumed mortgages, amortization of deferred financing costs, straight-line rent, instalment note receipts, non-cash Unit-based compensation expense and a deduction of a reserve for capital expenditures, tenant inducements, and leasing costs. The method applied by the REIT to calculate AFFO differs from the definition of AFFO as defined by Realpac. Management considers this non-IFRS measure to be an important measure of the REIT's operating performance. Refer to "FFO and AFFO" for a reconciliation from FFO to AFFO.

For the purposes of calculating FFO and AFFO per Unit, Class B LP Units are included as Units outstanding on both a basic and diluted basis. Diluted amounts assume the conversion of any vested, unexercised and in the money Unit options and Incentive Units (as defined herein) of the REIT.

FFO and AFFO payout ratios are supplementary measures used by management to assess the sustainability of the REIT's distribution payments. These ratios are calculated using distributions declared divided by FFO and AFFO, respectively.

NOI is defined by the REIT as rental revenue from property operations less property operating costs and realty taxes. NOI is presented in this MD&A because management considers this non-IFRS measure to be a valuable measure for evaluating the operating performance of the REIT's properties. Refer to "Analysis of Financial Performance" for a reconciliation.

Same Property NOI is defined by the REIT as NOI for properties owned for an entire quarter or annual reporting period in both the current and comparative period. Adjustments are made to Same Property NOI to exclude non-cash items such as amortization of tenant inducements, leasing costs and straight-line rent. Same Property NOI is presented in this MD&A because management considers this non-IFRS measure to be a valuable measure for evaluating the operating performance of the REIT’s properties excluding the impact attributable to property acquisitions and dispositions. Refer to "Analysis of Financial Performance - Same Property Analysis" for a reconciliation.

Indebtedness is defined in the REIT’s third amended and restated declaration of trust dated as of May 11, 2021 (“DOT”) and is a measure of the amount of leverage utilized by the REIT. GBV is defined in the DOT and is a measure of the value of the REIT’s total assets. The Indebtedness to GBV ratio is a compliance measure in the DOT and establishes the limit of financial leverage for the REIT. The Indebtedness to GBV ratio is presented in this MD&A as management considers this non-IFRS measure to be an important measure of the REIT’s financial position. Refer to "Debt - Indebtedness to GBV" for calculation.

Adjusted EBITDA is defined by the REIT as net earnings before, where applicable, interest, taxes, depreciation, amortization and fair value gain (loss) on financial instruments and investment properties and excludes non-recurring items such as transaction costs on the sale of investment properties. Adjusted EBITDA, calculated on a twelve month trailing basis represents an operating cash flow measure the REIT uses in calculating the interest coverage ratio. Refer to "Debt - Adjusted EBITDA and Interest Coverage Ratio" for reconciliation.

The interest coverage ratio is used to monitor the REIT’s ability to service interest requirements on its outstanding debt. The ratio is calculated on a twelve month trailing basis by dividing Adjusted EBITDA by the REIT’s interest obligations for the period. Management considers this non-IFRS measure useful in assessing the REIT’s ability to service its debt obligations. Refer to "Debt - Adjusted EBITDA and Interest Coverage Ratio" for calculation.

Adjusted cash provided by operating activities measures the amount of sustainable cash provided by operating activities less finance costs paid. Adjusted cash provided by operating activities is presented in this MD&A because management considers this non-IFRS measure to be an important measure in assessing the REIT’s availability of cash flow for distribution. Refer to "Distributions" for reconciliation.

Available Funds is defined as the sum of cash and available funds from the REIT's undrawn Credit Facility (as defined herein). Management believes Available Funds is an important measure in determining the resources available to meet ongoing obligations. Refer to "Liquidity and Capital Investment - Liquidity" for reconciliation.

675 Cochrane Drive
GTA, ON

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BASIS OF PRESENTATION

The REIT's annual audited consolidated financial statements for the years ended December 31, 2021 and 2020 have been prepared in accordance with IFRS. The REIT's presentation currency is the Canadian dollar. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of dollars, except for Unit and per Unit information.

Certain time periods used in this MD&A are used interchangeably such as three months and year ended December 31, 2021 ("Q4-2021" and "YTD-2021"), respectively, three months and year ended December 31, 2020 ("Q4-2020" and "YTD-2020"), respectively, and three months ended September 30, 2021 ("Q3-2021").

OVERVIEW AND STRATEGY

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to the DOT, and governed by the laws of the Province of Ontario. The registered head office of the REIT is 1400 – 3280 Bloor Street West, Centre Tower, Toronto, Ontario, Canada, M8X 2X3. The Units are listed on the Toronto Stock Exchange ("TSX") under the symbol TNT.UN. As at December 31, 2021, the REIT owned and operated a portfolio of 46 office properties across Canada consisting of approximately 4.8 million square feet of gross leasable area ("GLA").

The objectives of the REIT are to:

- generate stable cash distributions on a tax-efficient basis;
- expand the asset base of the REIT and increase its distributable cash flow through acquisitions of commercial rental properties across Canada and such other jurisdictions where opportunities exist; and
- enhance the value of the REIT's assets to maximize long-term Unit value through active management of its assets.

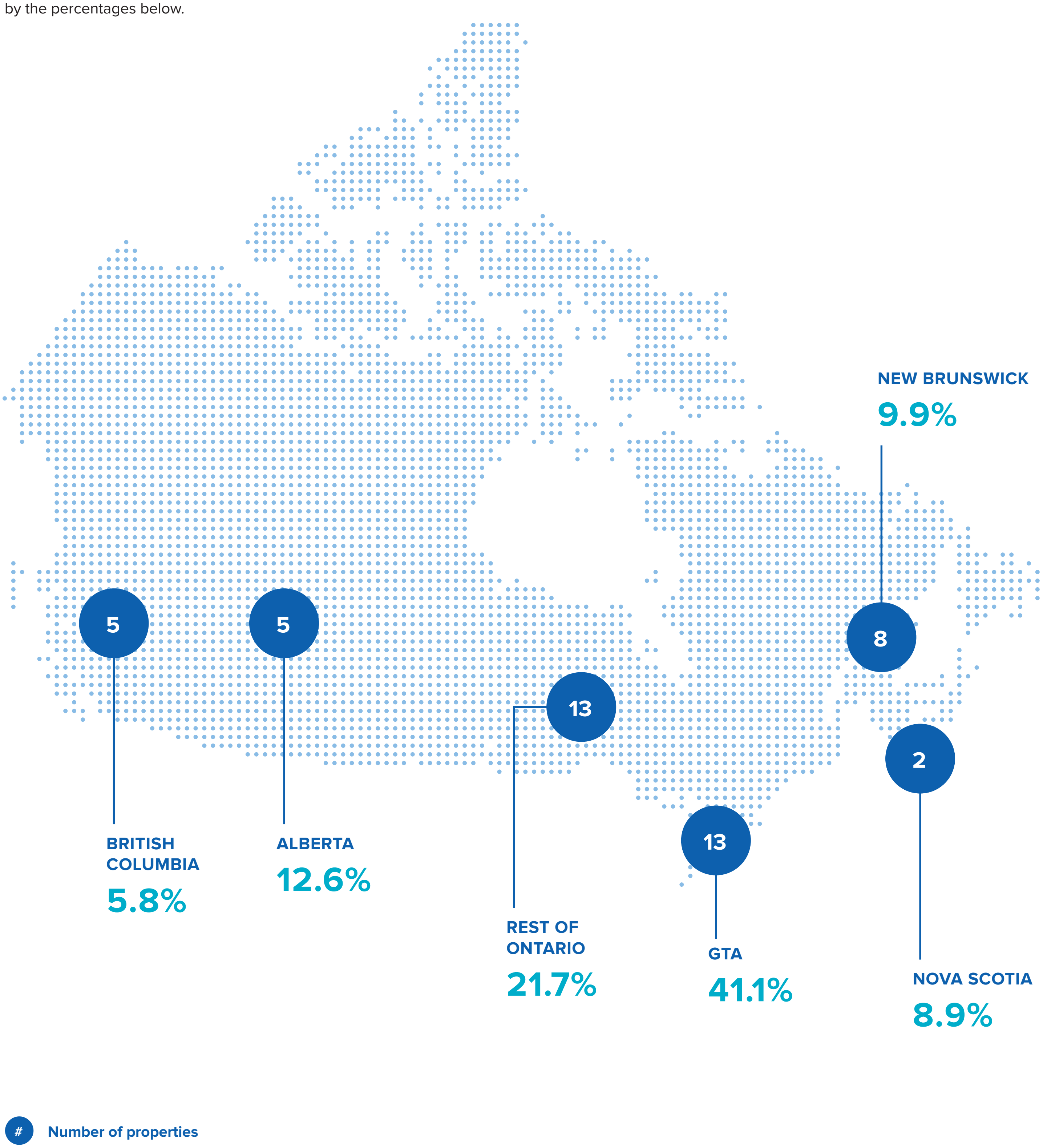
The REIT seeks to identify potential acquisitions using investment criteria that focus on the security of cash flow, capital appreciation, value enhancement through more efficient management of the assets being acquired and growth of FFO and AFFO per Unit.

PORTFOLIO OVERVIEW

As at December 31, 2021, the REIT's portfolio was comprised of 46 office properties totaling approximately 4.8 million square feet of GLA. See Appendix A for a detailed listing of the REIT's properties.

Current Portfolio & Geographic Diversification

GLA by province as at December 31, 2021 is denoted by the percentages below.



TENANT PROFILE

Top 20 tenants account for 69% of revenue. Approximately 76% of the REIT's portfolio revenue is generated by government and credit rated tenants.

35%
government tenants

\+

41%
credit rated tenants

=

76%
total government and credit rated tenants

The REIT's top 20 tenants as at December 31, 2021:

TENANT	% OF GROSS REVENUE	GLA	REMAINING LEASE TERM[1]
Federal Government of Canada	14.2%	661,800	5.9 years
Province of Alberta	9.8%	412,800	4.5 years
TD Insurance	6.1%	275,600	3.2 years
Province of Ontario	5.9%	237,200	2.5 years
Golder Associates Ltd.	3.9%	148,300	2.6 years
General Motors of Canada Company	3.4%	154,800	4.7 years
Province of New Brunswick	2.5%	172,400	1.0 years
Stantec Consulting Ltd.	2.4%	105,100	4.3 years
Lumentum Ottawa Inc.	2.2%	148,100	6.1 years
LMI Technologies Inc.	2.1%	90,600	5.1 years
Intact Insurance Co.	2.1%	77,800	3.4 years
Province of British Columbia	2.0%	81,600	5.9 years
Staples Canada ULC	1.9%	122,000	11.8 years
General Dynamics Land Systems	1.7%	148,400	2.0 years
EMS Technologies Canada, Ltd.	1.7%	107,200	2.7 years
Ceridian Canada Ltd.	1.6%	49,800	4.2 years
Smucker Foods of Canada Corporation	1.4%	60,800	7.9 years
Paymentus (Canada) Corporation	1.4%	55,800	9.2 years
ADP Canada Co.	1.2%	65,600	4.5 years
Prospera Credit Union	1.1%	52,300	2.7 years
Total	**68.53%**	**3,228,000**	**4.6 years**

(1) Weighted by annualized gross revenue.

The following sets out the percentage of annualized gross revenue from the REIT's tenants by industry:

Public Administration	Services	Finance, Insurance, Real Estate	Manufacturing	Other
35%	**26%**	**17%**	**12%**	**10%**

LEASING ACTIVITY

As at December 31, 2021, the REIT's occupancy remained unchanged from Q3-2021 at 96% with a weighted average remaining lease term of 4.4 years (Q3-2021 - 4.6 years).

The REIT completed a total of 735,100 square feet of new lease deals and lease renewals in 2021 compared to the prior year's 545,600 square feet. Throughout the year, many employers were carefully monitoring COVID-19 cases and subsequent lockdown measures to adopt any necessary changes to their business models. Given the increased leasing activity in Q4-2021, it appears that businesses are once again beginning to make strategic decisions with a longer-term focus.

The following table summarizes leasing activity for Q4-2021 and YTD-2021:

	New Lease Deals		Lease Renewals and Replacements		
	Leasable Area	Weighted Average Lease Term	Leasable Area	Weighted Average Lease Term	% Increase In Rents
Q4 2021	35,600 SF	6.1 YR	172,600 SF	4.5 YR	0.3%
YTD 2021	72,400 SF	4.0 YR	662,700 SF	4.7 YR	1.6%

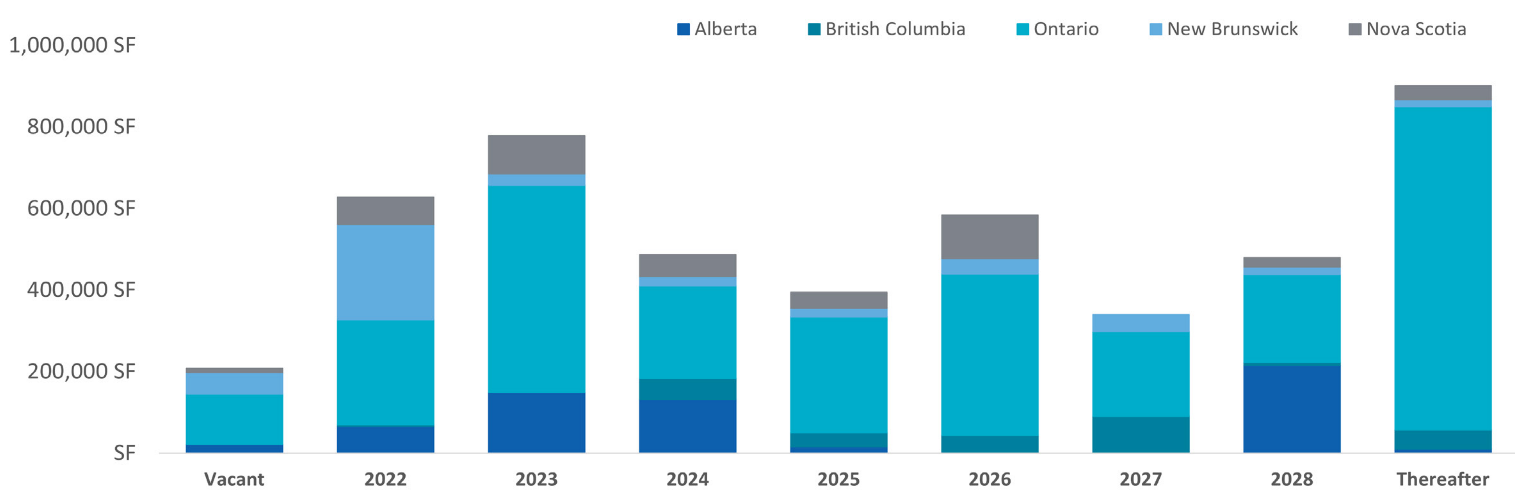
Despite the lockdown due to the Omicron variant, Q4-2021 has seen many companies able to safely, albeit temporarily, allow employees to return to the office. The increased leasing activity, and longer-term commitments in Q4-2021 compared to Q3-2021 demonstrated the improving willingness and desire of the Canadian workforce to return to the office within the REIT's portfolio.

In Q4-2021, the REIT completed 35,600 square feet of new lease deals with a weighted average lease term of 6.1 years. The REIT experienced a higher volume of new lease deals in Q4-2021 compared to the previous quarters in 2021 which included deals across eight properties in three different provinces. During the quarter, the REIT renewed and replaced 172,600 square feet with a weighted average lease term of 4.5 years. Lease renewals in the quarter included the following key government and credit-rated tenants: two five-year deals for 42,100 square feet in Shediac, New Brunswick, 24,300 square feet in Burlington, Ontario, and a seven-year deal for 35,700 square feet in Markham, Ontario.

The REIT's renewal activity YTD-2021 achieved a 1.6% increase in base rents over expiring rental rates and included 516,300 square feet of government and credit-rated tenant renewals with a weighted average lease term of 5.0 years.

LEASE ROLLOVER PROFILE

Lease maturities are based on the square footage of the REIT's leases. As at December 31, 2021, the lease rollover profile was as follows:



IMPACT OF COVID-19

The REIT completed another successful quarter, particularly in light of the continued uncertainty surrounding COVID-19 as a result of the new Omicron variant. During this time, the REIT continues to be fully engaged with its tenants to facilitate the transition of return-to-office plans. As of March 2, 2022, the REIT had collected, on average, approximately 99.5% of its 2021 contractual rent (99% - YTD-2020), a trend which continued for rents due in the first two months of 2022. This is reflective of the REIT's high quality tenant base given approximately 35% of revenue is generated from the Federal Government of Canada and the Provincial Governments of Alberta, British Columbia, New Brunswick and Ontario. Additionally, 41% of the REIT's revenue is generated from credit rated tenants that are well capitalized and possess the financial resources to meet their rental obligations.

At the end of Q4-2021, the REIT had access to Available Funds of approximately $65,476, and a weighted average maturity of 3.70 years for its mortgage portfolio. All 2021 debt maturities were successfully refinanced. The REIT is currently exploring early refinancing opportunities, including with respect to debt maturing in the first half of 2022,.

As a result of the pandemic, the Canadian federal and provincial governments have enacted subsidies and other stimulus in an attempt to stabilize economic conditions. Since the pandemic was declared, certain tenants have required financial assistance in the form of short-term rental deferrals or participation in the Canadian Emergency Commercial Rent Assistance ("CECRA") program and the Canada Emergency Rent Subsidy ("CERS") program. These programs were created to assist businesses experiencing a significant drop in revenue as a result of the COVID-19 pandemic. The CECRA program concluded on September 30, 2020 and the CERS program ran from September 27, 2020 to October 23, 2021. Businesses that qualified for CERS received a subsidy for rent or mortgage interest payments, as applicable. In 2021, five of the REIT's tenants totaling 7,700 square feet participated in CERS. The REIT recognized a $74 expense in property operating costs representing its rental contribution granted to tenants as part of the CERS program for the year ended December 31, 2021 (December 31, 2020 - $207 as part of the CECRA and CERS programs). The REIT has deferred a total of $446 of rental payments for certain tenants since the start of the pandemic. As of December 31, 2021, all deferred rental payments had been received.

COVID-19 cases across Canada started to significantly rise towards the end of December 2021 as a result of the new Omicron variant. Although this variant has proven to be more contagious than the original virus that causes COVID-19 and the Delta variant, it has also proven to be less severe than previous variants of the disease. With close to 80% of Canada's population having received two doses of the COVID-19 vaccine and almost 40% of the population having received their booster shot as of the end of January 2022, there continues to be widespread optimism that employers can initiate or restart return-to-office plans in the near-term. However, uncertainty surrounding case counts and hospitalization rates remain as a result of new COVID-19 variants of concern that are more transmissible with the potential to carry increased health risks. Further disruptions caused by the imposition of future lockdowns and emergency measures may negatively impact, among other things: the ability of the REIT to collect rent and implement rent increases; economic activity in regions where the REIT's investment properties are located; the REIT's property operating costs and expenses incurred under any additional subsidy programs; and the REIT's ability to raise capital (which, in turn, could materially impact the REIT's business strategy) and the ability to maintain the REIT's distributions. As emergency measures start to ease in many provinces and territories and several pandemic restrictions are lifted earlier than originally scheduled, the uncertainty created by variants of concern and potential further closures of certain businesses could impact the REIT's business and operations for a prolonged period.

It remains difficult to predict the continued impact of COVID-19 on the REIT's business and operations, both in the short and long-term. Certain aspects of the REIT's business and operations that could potentially be impacted include, without limitation, rental income, occupancy, tenant inducements, future demand for space and market rents, all of which ultimately impact the underlying valuation of the REIT's investment properties and its ability to maintain its distributions to Unitholders. See "Risks and Uncertainties" for a discussion about the risks associated with COVID-19.

Management continues to actively assess and respond where possible, to the effects of the COVID-19 pandemic on the REIT's tenants, suppliers and service providers, while monitoring governmental actions being taken to curtail the spread of COVID-19. The REIT is continuing to review its future cash flow projections and the valuation of its properties in light of the COVID-19 pandemic, and intends to continue following health and safety guidelines as they evolve.

With a close to fully occupied portfolio of predominantly government and credit rated tenants, the REIT continues to be well positioned to maintain stability through these times of uncertainty.

FOURTH QUARTER AND YEAR TO DATE HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

The REIT has continued to perform in line with management expectations with strong financial results for Q4-2021. Collections remain strong with approximately 99.5% of contractual rents collected for the three months and year ended December 31, 2021. Q4-2021 occupancy was 96% with an average remaining lease term of 4.4 years and 76% of revenue is generated from government and credit rated tenants.

	Three months ended December 31		Years ended December 31		
	2021	**2020**	**2021**	**2020**	**2019**
Portfolio					
Number of properties			46	47	49
Portfolio GLA			4,799,600 sf	4,798,300 sf	4,836,400 sf
Occupancy			96 %	98%	97%
Remaining weighted average lease term			4.4 years	4.7 years	4.7 years
Revenue from government and credit rated tenants			76 %	75%	76%
Financial					
Revenue	$ 35,461	$ 36,189	$ 138,523	$ 139,431	$ 106,457
NOI [(1)]	20,451	20,741	82,627	83,742	62,065
Net income and comprehensive income	18,916	8,299	51,004	39,752	24,178
Same Property NOI [(1)]	22,083	21,960	88,405	87,977	60,935
FFO [(1)]	$ 13,309	$ 13,213	$ 53,800	$ 53,207	$ 39,122
FFO per Unit - basic [(1)]	0.15	0.15	0.59	0.60	0.58
FFO per Unit - diluted [(1)]	0.14	0.15	0.59	0.59	0.57
AFFO [(1)]	$ 12,866	$ 12,743	$ 51,408	$ 51,089	$ 38,214
AFFO per Unit - basic [(1)]	0.14	0.14	0.57	0.57	0.57
AFFO per Unit - diluted [(1)]	0.14	0.14	0.56	0.57	0.56
AFFO payout ratio - diluted [(1)]	106 %	105 %	106 %	104 %	106 %
Distributions declared	$ 13,579	$ 13,382	$ 53,973	$ 53,139	$ 40,609

The REIT's revenue and NOI decreased 2% and 1%, respectively, compared to Q4-2020. The main contributor to the decline was the disposition activity in the first half of 2021 offset by an acquisition completed in Q4-2021 and an increase in Same Property NOI of 0.6%. One disposition was located in a smaller tertiary market and reflects the REIT's strategy to focus on office properties in larger urban markets. The second disposition totaling 40,000 square feet was an opportunistic sale of a smaller property with the sale price above both the original purchase price and IFRS value.

Q4-2021 FFO basic per Unit remained at $0.15 and Q4-2021 FFO diluted per Unit decreased $0.01 to $0.14. AFFO basic and diluted per Unit remained stable at $0.14.

(1) This is a non-IFRS financial measure, refer to “Non-IFRS Financial Measures”.

Same Property NOI increased 0.6% during the quarter and 0.5% YTD-2021. While occupancy has decreased in the REIT's Ontario portfolio, Same Property NOI has increased 0.9% compared to the same period in 2020. The increase is mainly due to higher rental rates associated with a 78,000 square foot lease expiry in Q2 and Q3 of 2020, of which 95% was re-leased with revenue commencing in the first half of 2021. Termination fees also contributed to increased Same Property NOI.

Same Property NOI in Alberta decreased 6.5% in Q4-2021 largely attributable to the REIT's downtown Calgary property which was impacted by lower rental rates. Same Property NOI in New Brunswick increased due to termination fees and NOI from a new 10,200 square foot lease that commenced in Q2-2021. Nova Scotia continues to be positively impacted by a new 22,000 square foot short term lease.

The REIT contractually leased and renewed 208,200 square feet during the quarter and 735,100 square feet YTD-2021. The REIT experienced a higher volume of new lease deals in Q4-2021 compared to the previous nine months spanning eight properties in three provinces. Lease renewals in the quarter included the following key government and credit-rated tenants: two five-year deals for 42,100 square feet in Shediac, New Brunswick and 24,300 square feet in Burlington, Ontario; and a seven-year deal for 35,700 square feet in Markham, Ontario.

The REIT's YTD-2021 renewal activity achieved a 1.6% increase in base rents over expiring rental rates and included 516,300 square feet of government and credit-rated tenant renewals with a weighted average lease term of 5.0 years.

KEY DEBT METRICS

	December 31, 2021	December 31, 2020
Indebtedness to GBV ratio [(1)]	57.7 %	57.8 %
Interest coverage ratio [(1)]	3.02 x	2.96 x
Indebtedness - weighted average fixed interest rate	3.31 %	3.37 %
Indebtedness - weighted average term to maturity	3.70 years	4.06 years

In 2021, the REIT refinanced a total of $111,000 of mortgages with a weighted average fixed interest rate of 2.89% (0.26% basis points lower than existing rates) for five to seven year terms, providing the REIT with additional liquidity of approximately $23,200. All 2021 debt maturities have been refinanced. The REIT is continuing to explore early refinancing opportunities and is currently working on refinancing debt maturing in the first half of 2022. The REIT's weighted average term to maturity of its mortgage portfolio is 3.70 years with a weighted average fixed interest rate of 3.31%.

Acquisitions and Dispositions

On October 13, 2021, the REIT acquired a 52,000 square foot office property located at 1112 Fort Street, Victoria, British Columbia for approximately $22,000 plus closing costs. The purchase price was satisfied by first mortgage financing of approximately $14,300 with an interest rate of 2.49% for a five-year term and cash on hand.

On June 1, 2021, the REIT disposed of 5900 Explorer Drive, Mississauga, Ontario totaling 40,000 square feet for $11,900 which was above both the original purchase price and IFRS value.

On April 12, 2021, the REIT disposed of 529-533 Exmouth Street located in Sarnia, Ontario totaling 15,400 square feet for $1,850. The proceeds from this disposition included an interest-only vendor take-back mortgage of $1,550. The mortgage bears interest at 5.5% per annum and matures on April 30, 2024.

[(1)] This is a non-IFRS financial measure, refer to "Non-IFRS Financial Measures".

QUARTERLY INFORMATION

	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20
Revenue	$35,461	$34,222	$33,896	$34,944	$36,189	$33,914	$33,999	$35,329
Property operating costs	(15,010)	(13,667)	(13,365)	(13,854)	(15,448)	(13,013)	(13,008)	(14,220)
NOI [(1)]	20,451	20,555	20,531	21,090	20,741	20,901	20,991	21,109
General and administration expenses	(1,663)	(1,409)	(1,930)	(1,904)	(1,662)	(1,412)	(1,495)	(1,196)
Finance costs	(7,239)	(7,121)	(7,131)	(7,174)	(7,200)	(7,233)	(7,261)	(7,182)
Transaction costs on sale of investment properties	—	—	(623)	—	(73)	(160)	—	—
Distributions on Class B LP Units	(449)	(462)	(469)	(504)	(573)	(573)	(572)	(573)
Fair value adjustment of Class B LP Units	(514)	514	(1,706)	(1,895)	(2,314)	(579)	(2,699)	9,370
Fair value adjustment of investment properties	7,361	3,372	(2,166)	(2,348)	(1,115)	(1,806)	(3,967)	1,176
Unrealized gain (loss) on change in fair value of derivative instruments	969	398	15	2,455	495	243	(535)	(5,094)
Net income and comprehensive income for the period	$ 18,916	$15,847	$ 6,521	$ 9,720	$ 8,299	$ 9,381	$ 4,462	$ 17,610
FFO per Unit - basic [(1)]	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15
AFFO per Unit - basic [(1)]	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14
AFFO per Unit - diluted [(1)]	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14
AFFO payout ratio - basic [(1)]	105 %	104 %	105 %	105 %	105 %	104 %	103 %	105 %
AFFO payout ratio - diluted [(1)]	106 %	105 %	106 %	106 %	105 %	104 %	103 %	105 %
Number of investment properties	46	45	45	47	47	48	49	49
Occupancy rate	96 %	96 %	97 %	97 %	98 %	98 %	97 %	97 %

Q4-2021 revenue increased compared to the previous quarter primarily as a result of the acquisition of a 52,000 square foot office property in Victoria, British Columbia in October 2021, combined with termination payments and higher recovery revenue directly attributable to increased repairs and maintenance and seasonal costs such as snow removal. Repairs and maintenance costs increased as a result of boiler, window and electrical repairs at certain properties. NOI decreased $104 during the quarter mainly due to lower recovery revenue as a result of higher vacancy at certain properties.

Excluding the impact of changes in the fair value of Unit-based compensation, general and administration expenses were higher this quarter as a result of annual property appraisal fees, website design fees and higher asset management fees associated with the acquisition in October 2021.

Finance costs increased during the quarter due to higher interest expense and higher amortization of deferred financing costs as a result of additional borrowings associated with the refinancings completed in the latter half of 2021 and a Q4-2021 acquisition.

FFO and AFFO per Unit have remained stable compared to Q3-2021 at $0.15 and $0.14, respectively.

Occupancy for the property portfolio remained stable at 96% quarter over quarter.

[(1)] This is a non-IFRS financial measure, refer to “Non-IFRS Financial Measures”.

ANALYSIS OF FINANCIAL PERFORMANCE

	Three months ended December 31		Years ended December 31	
	2021	**2020**	**2021**	**2020**
Revenue	$ 35,461	$ 36,189	$ 138,523	$ 139,431
Expenses:				
Property operating costs	(10,016)	(10,316)	(35,940)	(35,062)
Realty taxes	(4,994)	(5,132)	(19,956)	(20,627)
NOI	$ 20,451	$ 20,741	$ 82,627	$ 83,742
Other income (expenses):				
General and administration expenses	(1,663)	(1,662)	(6,906)	(5,765)
Finance costs	(7,239)	(7,200)	(28,665)	(28,876)
Transaction costs on sale of investment properties	—	(73)	(623)	(233)
Distributions on Class B LP Units	(449)	(573)	(1,884)	(2,291)
Fair value adjustment of Class B LP Units	(514)	(2,314)	(3,601)	3,778
Fair value adjustment of investment properties	7,361	(1,115)	6,219	(5,712)
Unrealized gain (loss) on change in fair value of derivative instruments	969	495	3,837	(4,891)
Net income and comprehensive income	$ 18,916	$ 8,299	$ 51,004	$ 39,752

Revenue includes all income earned from the REIT's properties, including rental income and all other miscellaneous income paid by the tenants under the terms of their existing leases, such as base rent, parking, operating costs and realty tax recoveries, as well as adjustments for the straight-lining of rent and amortization of tenant inducements.

Property operating costs include building maintenance, heating, ventilation and air-conditioning, elevator, insurance, utilities, management fees and other operational costs.

The REIT's revenue and NOI decreased 2% and 1%, respectively, compared to Q4-2020. The decrease in revenue and NOI in the quarter was driven by the disposition activity in Q2-2021, which was partially offset by the additional revenue and NOI from the Q4-2021 acquisition and higher Same Property NOI of 0.6% (YTD-2021 - 0.5%). Realty tax expense also decreased as a result of the property dispositions and lower tax assessments at certain properties.

Property operating expenses were lower in Q4-2021 compared to Q4-2020 due to parking lot repairs and common area upgrades completed in the comparative period. Property operating expenses increased YTD-2021 due to higher repairs and maintenance costs for boiler, HVAC, window and electrical repairs at certain properties. Property operating expenses for the comparative period were lower as a result of the COVID-19 pandemic, which resulted in stay at home orders and mandatory closures that impacted the timing of regular repairs and maintenance.

SAME PROPERTY ANALYSIS

Same Property NOI is a non-IFRS financial measure and includes investment properties owned for the entire current and comparative reporting period. Refer to "Non-IFRS Financial Measures".

	Three months ended December 31		Years ended December 31	
	2021	**2020**	**2021**	**2020**
Number of properties	45	45	45	45
Revenue	$ 35,059	$ 35,769	$ 137,455	$ 137,647
Expenses:				
Property operating	(9,923)	(10,206)	(35,688)	(34,648)
Realty taxes	(4,940)	(5,059)	(19,801)	(20,285)
	$ 20,196	$ 20,504	$ 81,966	$ 82,714
Add:				
Amortization of leasing costs and tenant inducements	1,652	1,129	5,929	4,071
Straight-line rent	235	327	510	1,192
Same Property NOI	$ 22,083	$ 21,960	$ 88,405	$ 87,977
Reconciliation to financial statements:				
Acquisitions and dispositions	255	255	675	1,126
Amortization of leasing costs and tenant inducements	(1,652)	(1,146)	(5,943)	(4,150)
Straight-line rent	(235)	(328)	(510)	(1,211)
NOI	$ 20,451	$ 20,741	$ 82,627	$ 83,742

Same Property Occupancy

	As at December 31	
	2021	**2020**
Alberta	96.5 %	96.1 %
British Columbia	100.0 %	100.0 %
New Brunswick	89.3 %	93.7 %
Nova Scotia	97.5 %	92.8 %
Ontario	95.9 %	99.0 %
Total	95.6 %	97.6 %

Same Property NOI

	Three months ended December 31			
	2021	**2020**	**Variance**	**Variance %**
Alberta	$ 3,465	$ 3,704	$ (239)	(6.5)%
British Columbia	1,250	1,263	(13)	(1.0)%
New Brunswick	1,264	1,256	8	0.6 %
Nova Scotia	1,828	1,591	237	14.9 %
Ontario	14,276	14,146	130	0.9 %
	$ 22,083	$ 21,960	$ 123	0.6 %

Q4-2021 Same Property NOI increased 0.6% and 0.5% YTD-2021.

Same Property NOI in Alberta decreased 6.5% in Q4-2021 largely attributable to the REIT's downtown Calgary property which was impacted by lower rental rates. New Brunswick same property occupancy decreased mainly due to a partial lease surrender and a tenant that downsized on lease renewal. Same Property NOI in New Brunswick has increased due to termination fees and NOI from a new 10,200 square foot lease that commenced in Q2-2021. Nova Scotia continues to be positively impacted by a new 22,000 square foot short term lease.

While occupancy has decreased in the REIT's Ontario portfolio, Same Property NOI has increased 0.9% compared to the same period in 2020. The increase is mainly due to higher rental rates associated with a 78,000 square foot lease expiry in Q2 and Q3 of 2020, of which 95% was re-leased with revenue commencing in the first half of 2021. Termination fees also contributed to increased Same Property NOI. This increase was offset by higher vacancy in the GTA portfolio mainly due to a tenant downsizing on lease renewal.

Excluding termination fees, Same Property NOI for the quarter decreased 1.4% and 0.3% YTD-2021.

GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses include items such as legal and audit fees, trustee fees, investor relations expenses, trustees' and officers' insurance premiums, costs associated with the REIT's Incentive Unit Plan (as defined herein) and Unit Option Plan (as defined herein) and other general and administrative expenses. Also included in general and administration expenses are asset management fees payable to Starlight. See "Related Party Transactions and Arrangements – Arrangements with Starlight".

Excluding the changes in the fair value of Unit-based compensation, general and administration expenses increased 6% in Q4-2021 and 5% YTD-2021 compared to the same period in 2020 due to the granting of Restricted Units (as defined below) in the latter half of 2020 and Q1-2021 and higher travel expenses due to lifting of COVID-19 travel restrictions in 2021.

FINANCE COSTS

The REIT's finance costs for the three months and years ended December 31, 2021 and 2020 are summarized below. Finance costs exclude cash distributions and fair value adjustments on Class B LP Units.

	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Interest on mortgages payable	$ 6,755	$ 6,882	$ 27,030	$ 27,620
Other interest expense and standby fees	95	26	314	126
Amortization of mortgage premiums	(12)	(14)	(51)	(31)
Amortization of financing costs	401	306	1,372	1,161
	$ 7,239	$ 7,200	$ 28,665	$ 28,876

Lower interest on mortgages payable was due to the property dispositions completed in late 2020 and Q2 2021 where the associated borrowings were repaid. This was partially offset by the additional borrowings associated with the Q4-2021 property acquisition and refinancings completed in 2021.

Other interest expense and standby fees relate to costs incurred on the REIT's credit facility (the "Credit Facility") which was partially drawn throughout 2021 resulting in higher interest expense compared to 2020. In addition, standby fees were higher due to the increase in the amount available under the Credit Facility.

DISTRIBUTIONS ON CLASS B LP UNITS

The REIT currently pays monthly distributions of $0.0495 per Class B LP Unit or $0.594 per Class B LP Unit on an annualized basis. Distributions declared were $449 in Q4-2021 ($573 - Q4-2020) and $1,884 YTD-2021 ($2,291 - YTD-2020). The decrease in distributions was due to the conversion of 697,380 and 135,953 Class B LP Units to Units on February 25, 2021 and September 9, 2021, respectively.

FAIR VALUE ADJUSTMENT OF CLASS B LP UNITS

The fair value change in Class B LP Units represents the change in the trading price of the Units (given the Class B LP Units have economic and voting rights equivalent, in all material aspects, to Units). Any resulting change in the fair value of the Class B LP Units is reported in the period such change occurs. The fair value loss of $514 in Q4-2021 was due to an increase in the trading price of the Units from $7.24 at September 30, 2021 to $7.41 at December 31, 2021. The fair value loss of $3,601 YTD-2021 was due to an increase in the trading price of the Units from $6.31 at December 31, 2020 to $7.41 at December 31, 2021.

FAIR VALUE ADJUSTMENT OF INVESTMENT PROPERTIES

The REIT has selected the fair value method to account for real estate classified as investment property and records properties at their purchase price (less any purchase price adjustments) in the quarter of acquisition. Any changes in the fair value of investment properties are recognized as fair value adjustments in the statement of income and comprehensive income in the quarter in which they occur.

The REIT determines the fair value of investment properties by developing a range of acceptable values based on the discounted cash flow method and direct capitalization method, both of which are generally accepted appraisal methodologies. Fair value is based on, among other things, assumptions of future cash flows in respect of current and future leases, capitalization rates, terminal capitalization rates, discount rates, market rents, tenant inducements and leasing cost assumptions and expected lease renewals. Fair values are supported by a combination of internal financial information, market data and external independent valuations. Properties are independently appraised at the time of acquisition. In addition, the majority of the portfolio will be independently appraised at least once over a three-year period.

The REIT continues to monitor the economic impact COVID-19 is having on its operations and future cash flows, which ultimately impacts the value of the underlying real estate. The REIT revises its estimates concerning rental growth and lease renewal assumptions to reflect expected market conditions, and currently, future cash flows are expected to remain relatively stable as government and credit rated tenants comprise the majority of the REIT’s tenant base. It is not possible however, to forecast with certainty how COVID-19 will continue to impact the valuation of the REIT’s investment properties. Due to the COVID-19 pandemic and its ongoing impact on the economy, and specifically its unknown future impact on the real estate market, there is heightened uncertainty surrounding the valuation of investment properties. Consequently, there is a need to apply a higher degree of judgment as it pertains to the forward-looking assumptions that underlie the REIT’s valuation methodologies. The REIT however remains committed to owning high-quality assets with long term value propositions.

For the three months and year ended December 31, 2021, the REIT had a fair value gain of $7,361 and $6,219, respectively. The fair value gain in the quarter and YTD-2021 was predominantly attributable to the increase in value of certain properties that were externally appraised as well as properties that benefited from contractual rent step-ups, which was partly offset by moderated leasing assumptions on certain properties.

The key valuation assumptions for the REIT’s investment properties as at December 31, 2021 and 2020 are as follows:

	2021	2020
Terminal and direct capitalization rates - range	4.25% to 9.50%	4.75% to 10.25%
Terminal and direct capitalization rate - weighted average	6.25%	6.26%
Discount rates - range	5.75% to 9.75%	5.75% to 10.25%
Discount rate - weighted average	6.94%	7.07%

UNREALIZED GAIN (LOSS) ON CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENTS

The REIT enters interest rate swap agreements to effectively fix the interest rate on certain mortgages. These derivative instruments are measured at fair value on each reporting date and changes in the fair value are recognized as an unrealized gain or loss in the statements of income and comprehensive income.

The notional principal amounts of the outstanding interest rate swap contracts at December 31, 2021 were $76,540 (December 31, 2020 - $78,619). Unrealized gain on change in the fair value of the derivative instruments totaled $969 in Q4-2021 ($495 in Q4-2020) and $3,837 YTD-2021 (unrealized loss of $4,891 YTD-2020). The unrealized loss in 2020 was due to the emergency interest rate cuts that took place in March 2020 in response to the COVID-19 pandemic and the decrease in projected future interest rates. During 2021, projected future interest rates began to rise and continue to do so due to economic optimism as a result of Canada's ongoing COVID-19 vaccination campaign and the gradual lifting of COVID-19 restrictions.

FFO AND AFFO

The REIT calculates FFO, a non-IFRS financial measure, in accordance with the guidelines set out by Realpac. Refer to page 5 "Non-IFRS Financial Measures". Reconciliation of net income and comprehensive income determined in accordance with IFRS, to FFO and AFFO is as follows:

	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Net income and comprehensive income	$ 18,916	$ 8,299	$ 51,004	$ 39,752
Add (deduct):				
Fair value adjustment of Unit-based compensation	108	188	801	(44)
Fair value adjustment of investment properties	(7,361)	1,115	(6,219)	5,712
Fair value adjustment of Class B LP Units	514	2,314	3,601	(3,778)
Transaction costs on sale of investment property	—	73	623	233
Distributions on Class B LP Units	449	573	1,884	2,291
Unrealized loss on change in fair value of derivative instruments	(969)	(495)	(3,837)	4,891
Amortization of leasing costs and tenant inducements	1,652	1,146	5,943	4,150
FFO	$ 13,309	$ 13,213	$ 53,800	$ 53,207
Add (deduct):				
Unit-based compensation expense	115	91	448	256
Amortization of financing costs	401	306	1,372	1,161
Amortization of mortgage discounts	(12)	(14)	(51)	(31)
Installment note receipts	25	27	105	115
Straight-line rent	235	328	510	1,211
Capital reserve [(1)]	(1,207)	(1,208)	(4,776)	(4,830)
AFFO	$ 12,866	$ 12,743	$ 51,408	$ 51,089
FFO per Unit:				
Basic	$ 0.15	$ 0.15	$ 0.59	$ 0.60
Diluted	$ 0.14	$ 0.15	$ 0.59	$ 0.59
AFFO per Unit:				
Basic	$ 0.14	$ 0.14	$ 0.57	$ 0.57
Diluted	$ 0.14	$ 0.14	$ 0.56	$ 0.57
AFFO payout ratio:				
Basic	105 %	105 %	105 %	104 %
Diluted	106 %	105 %	106 %	104 %
Distributions declared	$ 13,579	$ 13,382	$ 53,973	$ 53,139
Weighted average Units outstanding (000s):				
Basic	91,312	90,044	90,799	89,392
Add:				
Unit options and Incentive Units	622	428	753	389
Diluted	91,934	90,472	91,552	89,781

Notes:

(1) Based on an estimate of $1.00 (2020 - $1.00) per square foot per annum and represents a reserve for capital expenditures, tenant inducements and leasing costs.

The REIT's FFO and AFFO increased $96, or 1% and $123, or 1%, respectively in Q4-2021 and increased $593 or 1% and $319 or 1%, respectively compared to YTD-2020. FFO and AFFO for Q4-2021 and YTD-2021 benefited from higher NOI from an acquisition completed in the quarter and higher Same Property NOI, partially offset by lower NOI as the REIT disposed of two properties in Q2-2021.

Q4-2021 FFO basic per Unit remained at $0.15 and FFO diluted per Unit decreased $0.01 to $0.14. AFFO basic and diluted per Unit remained stable at $0.14. YTD-2021 FFO basic per Unit decreased $0.01 to $0.59 and FFO diluted per Unit remained at $0.59. YTD-2021 AFFO basic per Unit remained stable at $0.57 and AFFO diluted per Unit decreased $0.01 to $0.56.

DISTRIBUTIONS

The REIT currently pays monthly distributions of $0.0495 per Unit or $0.594 per Unit on an annualized basis.

The trustees of the REIT ("Trustees") determine the level of cash distributions based on the level of cash flow from operations before working capital changes, less actual and planned capital expenditures. In any given period, distributions may differ from cash provided by operating activities, primarily due to fluctuations in working capital. It is expected that normal fluctuations in working capital will be funded from the REIT's cash resources as described in "Liquidity and Capital Investment". In addition, the distributions declared include a component funded by the REIT's distribution reinvestment plan ("DRIP"). Pursuant to the DRIP, Unitholders may elect to reinvest cash distributions into additional Units at a 1% discount to the weighted average closing price of the Units for the five trading days immediately preceding the applicable date of distribution.

The following table shows the amount of distributions declared, non-cash distributions under the DRIP and cash distributions paid by the REIT on both Units and Class B LP Units.

	Three months ended December 31	Years ended December 31		
	2021	2021	2020	2019
Distributions declared	$ 13,579	$ 53,973	$ 53,139	$ 40,609
Less: DRIP and change in distributions payable	(1,765)	(6,793)	(9,014)	(5,850)
Cash distributions paid	$ 11,814	$ 47,180	$ 44,125	$ 34,759

The following table provides a reconciliation of the REIT's cash flow and adjusted cash flow provided by operating activities to its declared and cash distributions:

	Three months ended December 31	Years ended December 31		
	2021	2021	2020	2019
Net income and comprehensive income	$ 18,916	$ 51,004	$ 39,752	$ 24,178
Cash flow provided by operating activities	19,446	77,312	91,384	58,594
Less: Finance costs paid	(6,857)	(27,380)	(27,418)	(19,805)
Adjusted cash provided by operating activities	12,589	49,932	63,966	38,789
Declared basis:				
Excess (shortfall) of net income and comprehensive income over distributions	5,337	(2,969)	(13,387)	(16,431)
Excess (shortfall) of adjusted cash flow provided by operating activities over distributions	(990)	(4,041)	10,827	(1,820)
Cash basis:				
Excess (shortfall) of net income and comprehensive income over distributions	7,102	3,824	(4,373)	(10,581)
Excess of adjusted cash flow provided by operating activities over distributions	775	2,752	19,841	4,030

Net income and comprehensive income was higher than declared and cash distributions during Q4-2021 and lower than declared but higher than cash distributions YTD-2021. The shortfall was primarily due to the fair value adjustments on Class B LP Units which are non-cash adjustments and included in income and comprehensive income. Adjusted cash flow provided by operating activities was lower than declared distributions by $990 for Q4-2021 and $4,041 for YTD-2021. The shortfall was mainly due to the timing of the payments of tenant inducements and certain capital projects in addition to changes in working capital related to prepaid realty taxes. In Q4-2021, adjusted cash flow provided by operating activities was higher than cash distributions by $775 and $2,752 for YTD-2021. The REIT has not been required to fund distributions from alternate sources such as debt, mortgages and other financing instruments.

RECONCILIATION OF ADJUSTED CASH FLOW PROVIDED BY OPERATING ACTIVITIES TO AFFO

Adjusted cash flow provided by operating activities, a non-IFRS financial measure, represents cash provided by operating activities less interest paid. Refer to "Non-IFRS Financial Measures". The reconciliation of adjusted cash flow provided by operating activities to AFFO measures the amount of cash generated by operations and available for distribution to Unitholders. See "Distributions".

	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Adjusted cash flow provided by operating activities	$ 12,589	$ 13,721	$ 49,932	$ 63,966
Change in finance costs payable	7	94	36	(328)
Instalment note receipts	25	27	105	115
Capital reserve	(1,207)	(1,208)	(4,776)	(4,830)
Change in non-cash operating working capital	1,452	109	6,111	(7,834)
AFFO	$ 12,866	$ 12,743	$ 51,408	$ 51,089

Q4-2021 AFFO was less than distributions declared by $713 (YTD-2021 - $2,565) and exceeded distributions paid by $1,052 (YTD-2021 - $4,228). The REIT expects to be able to fund distributions from AFFO on a go forward basis.

CAPITAL RESERVE

The REIT's capital reserve represents a reserve for capital expenditures, tenant inducement and leasing costs. The REIT considers many factors when determining an appropriate capital reserve. Items such as property age, asset class, tenant mix, prior capital investment, lease term, recoverability from tenants and current market conditions are all considered. The REIT also engages independent expert consulting firms to perform a comprehensive property condition assessment prior to the acquisition of a property. The report contains a five or ten year projection of estimated sustaining capital expenditures. The detailed analysis considers the quality of construction, age of building, use of the property, recent capital expenditures and anticipated future maintenance requirements. The estimates generated by the independent consultants are taken into account when estimating the REIT's capital reserve. The REIT reviews its capital reserve estimate on an annual basis and makes appropriate adjustments.

The REIT includes a normalized capital reserve adjustment based on historical experience when arriving at AFFO as recoverable and non-recoverable capital expenditures, tenant inducements and leasing costs are fundamental to the operating activities of a real estate company and are not considered discretionary investments. These expenditures are required to preserve rental income and should be taken into consideration when determining the amount of sustainable cash available to fund future distributions. The capital reserve adjustment is an estimate and there is no guarantee that future expenditures will reflect historical trends.

LIQUIDITY AND CAPITAL INVESTMENT

LIQUIDITY

Cash flow from operating activities represents the primary source of liquidity to fund distributions, debt service, capital improvements, tenant inducements and leasing costs. The REIT's cash flow from operating activities is dependent upon the occupancy level of its investment properties, the rental rates on its leases, the collectability of rent from its tenants, and other factors. Material changes in these factors may adversely affect the REIT's cash flow from operating activities and hence its liquidity. A more detailed discussion of these risks can be found under the "Risks and Uncertainties" section in the annual information form of the REIT dated March 2, 2022 (the "AIF"). Also see "Risks and Uncertainties".

The contractual maturities and repayment obligations of the REIT's financial liabilities, excluding Class B LP Units as at December 31, 2021 were as follows:

	2022	2023	2024	2025	2026+	Total
Mortgages payable	$ 140,514	$ 116,561	$ 97,771	$ 200,707	$ 268,826	$ 824,379
Mortgages interest payable	26,107	20,581	17,480	9,998	16,952	91,118
Tenant rental deposits and prepayments	8,110	—	—	—	—	8,110
Accounts payable and accrued liabilities	29,033	—	—	—	—	29,033
	$ 203,764	$ 137,142	$ 115,251	$ 210,705	$ 285,778	$ 952,640

As at December 31, 2021, the REIT had access to approximately $65,476 of cash and undrawn credit facilities. In 2021 the REIT refinanced a total of $111,000 of mortgages with a weighted average fixed interest rate of 2.89% (0.26% basis points lower than existing interest rates) for five to seven year terms providing the REIT with additional liquidity of approximately $23,200. All 2021 debt maturities have been addressed.

The REIT's Available Funds are as follows:

	December 31, 2021	December 31, 2020
Cash	$ 5,476	$ 24,580
Undrawn Credit Facility	60,000	60,000
Available Funds [(1)]	$ 65,476	$ 84,580

The REIT expects to be able to meet all of its obligations, including distributions to Unitholders, and capital expenditure requirements as they become due and to provide for the future growth of the business. Management's strategy to managing liquidity risk is to ensure, to the extent possible, it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities. To mitigate the risk associated with the refinancing of maturing debt, the REIT staggers the maturity dates of its mortgage portfolio over a number of years. The REIT has a number of financing sources available to fulfill its commitments including: cash flow from operating activities; mortgage debt secured by investment properties; Credit Facility; and issuances of debt and equity.

CAPITAL INVESTMENT

The REIT's properties require ongoing capital and leasing expenditures. Leasing expenditures include tenant inducements, leasing commissions and leasehold improvements incurred in connection with the leasing of vacant space and the renewal or replacement of current tenants. The REIT plans to continue to invest capital in its properties in 2022 and beyond, subject to any delays from potential future stay at home orders due to COVID-19. Future expenditures are expected to be funded through cash flow generated by operations, the Credit Facility and cash on hand. For the years ended December 31, 2021 and 2020, the REIT invested $20,967 and $19,999 respectively, in capital and leasing expenditures.

[(1)] This is a non-IFRS financial measure, refer to "Non-IFRS Financial Measures".

ASSET PROFILE

INVESTMENT PROPERTIES

The following table summarizes changes in the REIT's investment properties for the years ended December 31, 2021 and 2020:

Balance at December 31, 2019	$	1,362,517
Additions		19,999
Dispositions		(3,650)
Amortization of leasing costs, tenant inducements and straight-line rent		(970)
Fair value adjustment		(5,712)
Balance at December 31, 2020	**$**	**1,372,184**
Acquisitions		22,347
Additions		20,967
Dispositions		(13,750)
Amortization of leasing costs, tenant inducements and straight-line rent		(4,388)
Fair value adjustment		6,219
Balance at December 31, 2021	**$**	**1,403,579**

ACQUISITIONS AND DISPOSITIONS

The REIT acquired 1112 Fort Street, Victoria, British Columbia on October 13, 2021 for a total purchase price of $22,000. The building is 52,000 square feet and 100% occupied. The acquisition was accounted for as an asset acquisition. The fair value of consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition.

On April 12, 2021 and June 1, 2021 the REIT completed the sale of 529 Exmouth Street, Sarnia, Ontario and 5900 Explorer Drive, Mississauga, Ontario for a sale price of $1,850 and $11,900, respectively. The proceeds from these dispositions net of costs were $1,682 and $11,445. The sale of 529 Exmouth Street included an interest-only vendor take-back mortgage of $1,550 which is included in deposits and other assets.

On September 30, 2020 and November 5, 2020 the REIT completed the sale of 534 Queens Avenue, London, Ontario and 197-199 Dundas Street, London, Ontario for a sale price of $2,250 and $1,400, respectively. The proceeds from these dispositions net of costs were $2,090 and $1,327 and included interest-only vendor take-back mortgages of $1,725 and $1,120 which is included in deposits and other assets. The assets and liabilities associated with all property dispositions have been derecognized. There were no acquisitions completed during the year ended December 31, 2020.

ADDITIONS

Additions to investment properties for the year ended December 31, 2021 were $20,967, consisting of the following:

- Capital expenditures of $4,733 mainly for elevator, washroom and parking garage upgrades and boiler replacements; and
- Tenant inducements and leasing costs of $16,234 which include costs to renew existing and secure new tenants.

PREPAID EXPENSES AND DEPOSITS

At December 31, 2021, the REIT had $2,878 in prepaid expenses and deposits, compared to $1,523 at December 31, 2020. The increase was due to higher prepaid realty taxes in 2021.

DEBT

MORTGAGES PAYABLE

The following table sets out, as at December 31, 2021, scheduled principal repayments and amounts maturing over each of the next five fiscal years:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Percentage of total mortgages payable	Weighted average interest rate of maturing debt	Scheduled interest payments
2022	$ 23,817	$ 116,697	$ 140,514	17.0 %	3.44 %	$ 26,107
2023	19,709	96,852	116,561	14.1 %	3.74 %	20,581
2024	18,372	79,399	97,771	11.9 %	3.39 %	17,480
2025	11,238	189,469	200,707	24.3 %	3.15 %	9,998
2026	9,523	145,486	155,009	18.8 %	3.20 %	7,998
Thereafter	12,262	101,555	113,817	13.9 %	3.21 %	8,954
	$ 94,921	$ 729,458	$ 824,379	100.0 %	3.31 %	$ 91,118
Unamortized mark to market mortgage adjustments			206			
Unamortized financing costs			(4,183)			
			$ 820,402			

Mortgages payable have a weighted average fixed interest rate of 3.31% (December 31, 2020 – 3.37%) and a weighted average term to maturity of 3.70 years (December 31, 2020 – 4.06 years).

CREDIT FACILITY

The REIT has a $60,000 floating rate revolving Credit Facility with a Canadian chartered bank which is comprised of two tranches: (i) up to $30,000 secured by second charges on certain investment properties, bearing interest on cash advances at 95 basis points per annum above the prime rate or 195 basis points per annum over the floating banker's acceptance rate; and (ii) $30,000 unsecured, bearing interest on cash advances at 190 basis points per annum above the prime rate or 290 basis points per annum over the floating banker's acceptance rate.

The Credit Facility matures on December 1, 2022. As at December 31, 2021, the REIT had $0 drawn under the Credit Facility (December 31, 2020 - $0).

INDEBTEDNESS TO GBV

As at December 31, 2021, the REIT's overall leverage, as represented by Indebtedness to GBV, a non-IFRS financial measure, was 57.7% compared to 57.8% at December 31, 2020. The maximum allowable ratio under the DOT is 75%. Below is a calculation of the REIT's Indebtedness to GBV ratio as at December 31, 2021, 2020 and 2019. Refer to "Non-IFRS Financial Measures".

	December 31, 2021	December 31, 2020	December 31, 2019
Total assets	$ 1,421,177	$ 1,404,882	$ 1,375,556
Deferred financing costs	7,171	6,300	5,578
GBV	$ 1,428,348	$ 1,411,182	$ 1,381,134
Mortgages payable	820,402	812,489	792,583
Unamortized financing costs and mark to market mortgage adjustments	3,977	3,860	3,273
Indebtedness	$ 824,379	$ 816,349	$ 795,856
Indebtedness to GBV	**57.7 %**	**57.8 %**	**57.6 %**

The REIT's objectives are to maintain a combination of short, medium and long-term financing appropriate for the overall debt level of the REIT, to extend the current weighted average term to maturity and achieve staggered debt maturities while taking into account the availability of financing, market conditions and the financial characteristics of each property. Per the DOT, at no time may the REIT incur debt aggregating more than 20% of GBV at floating interest rates or having maturities less than one year (excluding debt with an original maturity of one year or more falling due in the next 12 months or variable rate debt for which the REIT has entered into interest rate swap agreements to fix the interest rate for a one year period or more).

Financing costs on mortgages and the Credit Facility are netted against the related debt and amortized on an effective interest basis over the expected life of the debt.

As at December 31, 2021, 0% (December 31, 2020 - 0%) of the REIT's debt was at floating rates as the REIT entered into various interest rate swaps to limit its interest rate exposure from floating to fixed for the terms of certain mortgages.

ADJUSTED EBITDA AND INTEREST COVERAGE RATIO

The interest coverage ratio, a non-IFRS financial measure, is useful in determining the REIT's ability to service the interest requirements of its outstanding debt. The ratio is calculated by dividing Adjusted EBITDA by the REIT's interest obligations for the period. Adjusted EBITDA, a non-IFRS financial measure, removes the non-cash impact of fair value changes and non-recurring items such as transaction costs on sale of investment properties from net income and comprehensive income. Refer to "Non-IFRS Financial Measures".

The following is the reconciliation of net income and comprehensive income to Adjusted EBITDA:

	Years ended December 31	
	2021	2020
Net income and comprehensive income	$ 51,004	$ 39,752
Add (deduct):		
Interest expense	27,344	27,746
Fair value adjustment of Unit-based compensation	801	(44)
Transaction costs on sale of investment property	623	233
Fair value adjustment of investment properties	(6,219)	5,712
Fair value adjustment of Class B LP Units	3,601	(3,778)
Distributions on Class B LP Units	1,884	2,291
Unrealized loss on change in fair value of derivative instruments	(3,837)	4,891
Amortization of leasing costs, tenant inducements, mortgage premium (discounts) and financing costs	7,264	5,280
Adjusted EBITDA	$ 82,465	$ 82,083

	Years ended December 31	
	2021	2020
Adjusted EBITDA	$ 82,465	$ 82,083
Interest expense	27,344	27,746
Interest coverage ratio	3.02 x	2.96 x

Interest coverage ratio in 2021 increased slightly compared to 2020 due to higher EBITDA in the current year as well as lower interest expense due to property dispositions in late 2020 and Q2-2021. This was partially offset by interest from additional borrowing associated with the Q4-2021 acquisition and refinancings completed in 2021.

CLASS B LP UNITS

The Class B LP Units meet the definition of a financial liability under International Accounting Standard 32, Financial Instruments – Presentation ("IAS 32") and are classified as fair value through profit or loss financial liabilities under IAS 32. The Class B LP Units are measured at fair value at each reporting period with any changes in fair value recorded in the statements of income and comprehensive income.

The Class B LP Units, together with the related special voting units, have economic and voting rights equivalent, in all material aspects, to Units. They are exchangeable at the option of the holder on a one-for-one basis for Units. Each Class B LP Unit entitles the holder to receive distributions from True North Commercial Limited Partnership equivalent to the distributions such holder would have received if they were holding Units.

As at December 31, 2021, there were 3,022,849 Class B LP Units issued and outstanding valued at $22,400 compared to $24,333 as at December 31, 2020. The change in value is due to the conversion of 697,380 and 135,953 Class B LP Units to Units on February 25, 2021 and September 9, 2021, respectively, combined with an increase in the Unit price from $6.31 at December 31, 2020 to $7.41 at December 31, 2021.

There have been no further changes in the Class B LP Units outstanding as of March 2, 2022.

UNITHOLDERS' EQUITY

OUTSTANDING UNITS

The REIT is authorized to issue an unlimited number of Units and an unlimited number of special voting units in the capital of the REIT.

The following table summarizes changes in the Unit capital of the REIT for the year ended December 31, 2021:

	Units	Amount
Balance, December 31, 2020	86,346,019	$ 528,175
Issue of Units – DRIP	955,380	6,716
Issue of Units – options exercised	122,633	895
Issue of Units - exchange of Class B LP Units	833,333	5,534
Issue of Units - ATM Program	460,900	3,377
Issuance costs	—	(580)
Balance, December 31, 2021	88,718,265	$ 544,117

The number of Units outstanding as of March 2, 2022 is as follows:

Balance, December 31, 2021	88,718,265
Issue of Units - ATM Program	220,900
Issuance of Units - DRIP	149,101
Balance, March 2, 2022	89,088,266

INCENTIVE UNIT PLAN

The REIT has established an incentive trust unit plan (the "Incentive Unit Plan") pursuant to which the REIT may issue two types of units: (i) deferred Units ("Deferred Units"); and (ii) restricted Units ("Restricted Units", and collectively with the Deferred Units, the "Incentive Units").

Incentive Units granted under the Incentive Unit Plan are classified as liabilities and Unit-based compensation expense is recognized in general and administration expenses over the vesting period of the Incentive Units. Incentive Units are revalued at each reporting period and fair value adjustments are recorded in general and administration expenses.

Deferred Units

Deferred Units are granted to the non-executive Trustees as part of a Trustee's annual fees and vest immediately. Trustees are required to receive at least 50% of their annual retainer in the form of Deferred Units.

The following table summarizes the changes in Deferred Units:

	Deferred Units		Amount
Balance, January 1, 2020	16,977	$	121
Granted and reinvested	33,997		192
Fair value adjustments	—		8
Balance, December 31, 2020	50,974	$	321
Granted and reinvested	26,839		198
Fair value adjustments	—		57
Balance, December 31, 2021	77,813	$	576

The number of Deferred Units outstanding as at March 2, 2022 is as follows:

Balance, December 31, 2021	77,813
Deferred Units granted	1,053
Balance, March 2, 2022	78,866

Restricted Units

The Trustees may, at their discretion, grant Restricted Units to certain Trustees, officers of the REIT and its subsidiaries and certain eligible service providers, subject to such restrictions including vesting requirements the Trustees may impose. The Trustees may not extend any vesting conditions beyond November 30 of the third calendar year following the grant date.

The following table summarizes the changes in Restricted Units:

	Restricted Units		Amount
Balance, January 1, 2020	—		—
Granted and reinvested	44,252		64
Fair value adjustments	—		7
Balance, December 31, 2020	44,252		71
Granted and reinvested	46,125		250
Fair value adjustments	—		72
Balance, December 31, 2021	90,377	$	393

The number of Restricted Units outstanding as at March 2, 2022 is as follows:

Balance, December 31, 2021	90,377
Restricted Units reinvested	1,222
Balance, March 2, 2022	91,599

UNIT OPTION PLAN

The REIT's Unit option plan has been suspended and no further options will be granted. As at December 31, 2021, all options have vested and are eligible to be exercised prior to the applicable expiry dates.

Options outstanding as at December 31, 2021 consist of the following:

Exercise price [(1)]	Unit Options Outstanding	Unit Options exercisable	Expiry Date
$6.17	83,334	83,334	August 11, 2022
$6.44	102,334	102,334	November 16, 2022
$6.43	126,667	126,667	March 9, 2023
$6.66	189,001	189,001	September 20, 2023
	501,336	501,336	

[(1)] In actual dollars.

SHORT FORM BASE SHELF PROSPECTUS

On January 23, 2020, the REIT filed a short-form base shelf prospectus (the “2020 Base Shelf Prospectus”) which is valid for a 25 month period, during which time the REIT could issue the following securities: (i) Units; (ii) preferred Units; (iii) unsecured debt securities; (iv) subscription receipts exchangeable for Units and/or other securities of the REIT; (v) warrants exercisable to acquire Units and/or other securities of the REIT; and (vi) securities comprised of more than one of Units, debt securities, subscription receipts and/or warrants offered together as a Unit, or any combination thereof in amounts, at prices and on terms based on market conditions at the time of sale and set forth in an accompanying prospectus supplement, for an aggregate offering amount of up to $500,000.

On February 17, 2022, the REIT filed a new short-form base shelf prospectus (the “2022 Base Shelf Prospectus”). The 2022 Base Shelf Prospectus is valid for a 25 month period, during which time the REIT may issue the following securities: (i) Units; (ii) preferred Units; (iii) unsecured debt securities; (iv) subscription receipts exchangeable for Units and/or other securities of the REIT; (v) warrants exercisable to acquire Units and/or other securities of the REIT; and (vi) securities comprised of more than one of Units, debt securities, subscription receipts and/or warrants offered together as a Unit, or any combination thereof in amounts, at prices and on terms based on market conditions at the time of sale and set forth in an accompanying prospectus supplement, for an aggregate offering amount of up to $500,000.

AT-THE-MARKET EQUITY PROGRAM

On May 5, 2021 the REIT filed a prospectus supplement to establish an at-the-market equity program (the "ATM Program") that allowed the REIT to issue and sell up to $50 million of Units to the public, from time to time, at the REIT's discretion and expires with the 2020 Base Shelf Prospectus. Units sold under the ATM Program were sold through the Toronto Stock Exchange or on other marketplaces to the extent permitted at the prevailing market prices at the time of sale. For the year ended December 31, 2021, the REIT issued an aggregate of 460,900 Units for gross proceeds of $3,377 ($3,309 net of commissions) through the ATM Program.

- 271,000 Units for an average issuance price of $7.3732 in the month of November 2021;
- 189,900 Units for an average issuance price of $7.2579 in the month of December 2021;

Subsequent to December 31, 2021, the REIT issued an additional 220,900 Units for gross proceeds of $1,623 ($1,591 net of commissions) at an average price of $7.3491. The REIT intends to use the net proceeds from the ATM Program for general trust purposes.

COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the REIT is involved in litigation and claims in relation to its investment properties. In the opinion of management, none of these, individually or in aggregate, could result in a liability that would have a significant adverse effect on the financial position of the REIT. The REIT has agreed to indemnify, in certain circumstances, the Trustees and officers of the REIT. As at December 31, 2021, the REIT had entered into commitments for building renovations, capital upgrades and landlord work at certain properties totaling $2,147 (December 31, 2020 - $1,541).

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

Starlight is considered a related party to the REIT as Starlight is controlled by Daniel Drimmer, the Chairman of the Board of the REIT, who is also a significant Unitholder.

ARRANGEMENTS WITH STARLIGHT

Pursuant to the asset management agreement (“Asset Management Agreement”), Starlight provides advisory, asset management and administrative services to the REIT. The REIT is administered and operated by the REIT’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) and an experienced team of real estate professionals at Starlight.

The Asset Management Agreement has an initial term of ten years and is renewable for successive five-year terms, unless and until the Asset Management Agreement is terminated in accordance with its termination provisions.

Starlight is entitled to the following fees pursuant to the Asset Management Agreement:

(a) Base annual management fee calculated and payable on a monthly basis, equal to 0.35% of the sum of:

- the historical purchase price of properties owned by the REIT; and
- the cost of capital expenditures incurred by the REIT or any of its affiliates in respect of the properties owned by the REIT.

(b) Acquisition fee equal to:

- 1.0% of the purchase price of a property, on the first $100,000 of properties acquired in each fiscal year;
- 0.75% of the purchase price of a property on the next $100,000 of properties acquired in each fiscal year; and
- 0.50% of the purchase price of properties acquired in excess of $200,000 in each fiscal year.

(c) An annual incentive fee is payable by the REIT equal to 15% of the REIT’s FFO per Unit in excess of FFO per Unit for fiscal 2013 plus 50% of the annual increase in the weighted average consumer price index (or other similar metric, as determined by the Trustees) of the jurisdictions in which the investment properties are located.

(d) Capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1,000 excluding work done on behalf of tenants or any maintenance capital expenditures.

In addition, the REIT is required to reimburse Starlight for all reasonable out-of-pocket expenses in connection with the performance of the services described in the Asset Management Agreement or such other services which the REIT and Starlight agree in writing are to be provided from time to time.

	Three months ended December 31		Years ended December 31	
	2021	2020	2021	2020
Asset management fees	$ 1,157	$ 1,144	$ 4,549	$ 4,545
Acquisition fees	220	—	220	—
Other expenses	26	45	181	218
Total	$ 1,403	$ 1,189	$ 4,950	$ 4,763

At December 31, 2021, $420 (December 31, 2020 - $416) was included in accounts payable and accrued liabilities. No incentive fees were earned or capital expenditure fees were charged for the years ended December 31, 2021 and 2020.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the securities of the REIT and in the activities of the REIT. Risks and uncertainties are disclosed below and in the REIT's AIF. The AIF is available on SEDAR at www.sedar.com. Current and prospective Unitholders of the REIT should carefully consider such risk factors.

RISKS RELATED TO THE REAL ESTATE INDUSTRY

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 such properties. The properties generate revenue through rental payments made by the tenants thereof. The ability to rent vacant space in properties will 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, changing demographics, competition from other available properties, and various other factors.

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 re-leased on economically favourable terms, the properties may not generate revenues sufficient to meet operating expenses, including debt service payments and capital expenditures.

Upon the expiry of any lease, there can be no assurance 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 the properties or revenues to be derived from them. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than 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.

FLUCTUATIONS IN CAPITALIZATION RATES

As interest rates fluctuate in the lending market, capitalization rates affecting the underlying value of real estate generally fluctuate as well. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

RECENT ECONOMIC ENVIRONMENT

Concerns about the uncertainty over whether the economy will be adversely affected by inflation and the systemic impact of unemployment, volatile energy costs, geopolitical issues and the availability and cost of credit could contribute to increased market volatility and weakened business and consumer confidence. This difficult operating environment could adversely affect the REIT's ability to generate revenues, thereby reducing is operating income and earnings. It could also have an adverse impact on the ability of the REIT to maintain occupancy rates which could harm the REIT's financial condition. In weak economic environments, the REIT's tenants may be unable to meet their rental payments and other obligations due to the REIT, which could have a material and adverse effect on the REIT. In addition, fluctuation in interest rates or other financial market volatility may adversely affect the REIT's ability to refinance existing indebtedness on it maturity or on terms that are as favourable as the terms of existing indebtedness, which may impact negatively on the REIT's performance, may restrict the availability of financing for future prospective purchasers of the REIT's investments and could potentially reduce the value of such investments, or may adversely affect the ability of the REIT to complete acquisitions on financially desirable terms.

ENVIRONMENTAL AND CLIMATE CHANGE RISKS

The REIT is subject to various requirements (including federal, provincial and municipal laws, as applicable,) relating to environmental matters. Such requirements provide that the REIT could be, or could become, liable for environmental or other harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under the properties, including lead-based paint, asbestos, polychlorinated biphenyls, petroleum-based fuels, mercury, volatile organic compounds, underground storage tanks, pesticides and other miscellaneous materials. Such requirements often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such materials.

Additional liability may be incurred by the REIT with respect to the release of such substances from the REIT’s properties to properties owned by third parties, including properties adjacent to the REIT’s properties or with respect to the exposure of persons to regulated substances. The failure to remove or otherwise address such substances may materially adversely affect the REIT’s ability to sell a property, maximize the value of such property or borrow using such property as collateral security, and could potentially result in claims or other proceedings against the REIT.

It is the REIT’s operating policy to obtain or be entitled to rely on an environmental site assessment prior to acquiring a property. Where an environmental site assessment warrants further investigation, it is the REIT’s operating policy to conduct further environmental assessments (see “Declaration of Trust and Description of Voting Units - Investment Guidelines” and “Operating Policies - Operating Policies” in the AIF). Although such environmental assessments provide the REIT with some level of assurance about the condition of the properties, the REIT may become subject to liability for undetected contamination or other environmental conditions of its properties against which it cannot insure, or against which the REIT may elect not to insure where insurance premium costs are considered to be disproportionate to the assessed risk, which could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Environmental laws and other requirements can change and the REIT may become subject to more stringent environmental laws and other requirements in the future. Compliance with more stringent environmental requirements, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have a material adverse effect on the REIT’s business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.

Natural disasters and severe weather such as floods, blizzards and rising temperatures may result in damage to the properties. The extent of the REIT’s casualty losses and loss in operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. The REIT is also exposed to risks associated with inclement winter weather, including increased need for maintenance and repair of the REIT's buildings. In addition, climate change, to the extent it causes changes in weather patterns, could have effects on the REIT's business by increasing the cost of property insurance, and/or energy at the properties. As a result, the consequences of natural disasters, severe weather and climate change could increase the REIT's costs and reduce the REIT's cash flow.

COMPETITION

The real estate business is competitive. Numerous developers, managers and owners of properties compete with the REIT in seeking tenants. The existence of competing developers, managers and owners and competition for the REIT's tenants could have an impact on the REIT's ability to lease space in the properties and on the rents charged.

The REIT is subject to competition for suitable real property investments with individuals, corporations and institutions (both Canadian and foreign) and other real estate investment trusts which are presently seeking, or which may seek in the future, real property investments similar to those targeted by the REIT. A number of these investors may have greater financial resources than those of the REIT, or operate without the investment or operating restrictions of the REIT. An increase in the availability of the investment funds, and an increase in interest in real property investments, may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

The REIT seeks to locate and complete property purchases that are accretive to AFFO per Unit. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive to AFFO per Unit.

ILLIQUIDITY OF REAL ESTATE INVESTMENTS

Real estate investments tend to be 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 promptly adjust its portfolio in response to changing economic or other conditions. If the REIT were required to quickly liquidate its properties, the proceeds might be significantly less than the aggregate carrying value of its properties or less than what could be expected to be realized under normal circumstances. In addition, by concentrating on commercial rental properties, the REIT is exposed to the adverse effects on that segment of the real estate market.

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. As required by the DOT, at no time will the REIT incur debt aggregating more than 20% of GBV of the REIT at floating interest rates or having maturities less than one year (excluding debt with an original maturity of one year or more falling due in the next 12 months or variable rate debt for which the REIT has entered into interest rate swap agreements to fix the interest rate for a one year period or more).

UNINSURED LOSSES

The DOT requires that the REIT obtain and maintain at all times insurance coverage in respect of its potential liabilities and the accidental loss of value of its assets from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or under-insured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from, the affected property, but the REIT would continue to be obliged to repay any recourse mortgage indebtedness on such property. There can be no assurance that a claim in excess of the insurance coverage or claims not covered by insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against the REIT not covered by, or in excess of, the insurance coverage could have a material adverse effect on the REIT's business, financial condition or results of operations and distributions.

RISKS RELATED TO INSURANCE RENEWALS

Certain events could make it more difficult and expensive to obtain directors and officers, cyber, property and casualty insurance, including coverage for terrorism. The REIT's current insurance policies expire annually and the REIT may encounter difficulty in obtaining or renewing directors and officers, cyber, property or casualty insurance on its properties at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (for example, earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Even if the REIT is able to renew its policies at levels and with limitations consistent with its current policies, the REIT cannot be sure that it will be able to obtain such insurance at premium rates that are commercially reasonable. If the REIT were unable to obtain adequate insurance on the properties for certain risks, it could cause the REIT to be in default under specific covenants on certain of its indebtedness or other contractual commitments it has that require the REIT to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur or if the REIT were unable to obtain adequate insurance and the properties experience damage that would otherwise have been covered by insurance, it could adversely affect the REIT's financial condition and the operations of the properties.

CREDIT RISK AND TENANT CONCENTRATION

The REIT is exposed to risk as tenants may be unable to pay their contracted rents. Management mitigates this risk by seeking to acquire properties with strong tenant covenants in place. The REIT's portfolio includes over 200 tenant leases with a weighted-average term to maturity of approximately 4.4 years. Approximately 76% of the REIT's annualized gross revenue are government and other credit rated tenants.

RISKS RELATED TO REIT AND ITS BUSINESS

COVID-19 AND OTHER PUBLIC HEALTH CRISIS

While the REIT continues to monitor related developments, there still remains a great deal of uncertainty regarding COVID-19 and it continues to be difficult to reliably predict the full scope, duration and extent of the impact of COVID-19 on the REIT's business and operations, and to accurately assess the length, impact and severity the pandemic will have on the REIT's operations, financial condition or results, and Unit price in both the short and long-term.

Industries, including commercial real estate, continue to be affected in varying degrees by COVID-19. The Canadian government has implemented additional emergency measures to slow the introduction and spread of COVID-19 in Canada including various restrictions such as stay at home orders, mandatory closures of certain types of businesses, reduced limits on social gatherings, social distancing measures and travel restrictions. As of March 2, 2022, restrictions have been lifted in varying degrees across the provinces as a result of higher vaccination rates. While public health restrictions have not yet had a significant impact on the REIT's operations, the REIT cannot predict the extent to which they may affect the REIT, particularly if new or additional containment measures are mandated by governments in the future.

The REIT is required and continues to comply with the directives provided by the Federal and Provincial governments and public health authorities to help mitigate the spread of COVID-19. These changes and any additional changes in operations in response to COVID-19 could materially impact, among other things, the operations and financial results of the REIT. Specifically, such changes may impact tenants' ability to pay rent in full or at all. In response, the REIT has assessed rent collectability when determining future cash flows and has determined the current risk of default to be low given the quality of the REIT's tenant base, which largely consists of government and credit rated tenants. Certain tenants have been identified to be in need of financial assistance either in the form of short-term rent deferrals or through the CERS program. As a result, the REIT has recognized a $74 expense in property operating costs representing a rental provision granted to tenants as part of the CERS program for the year ended December 31, 2021 (December 31, 2020 - $207 as part of the CECRA and CERS program). There can be no assurance that expenses incurred by the REIT under the CERS program will not continue or increase in future periods or that additional programs will be instituted causing increased or additional expenses to be incurred by the REIT.

The REIT deferred a total of $446 of rental payments for certain tenants since the start of the pandemic. As of December 31, 2021, all deferrals have been received in accordance with those deferral agreements. There can be no assurance that future rent deferrals, if granted, will be repaid in whole or in part.

The current public health crisis has also resulted in general economic slowdown and extreme volatility in financial markets. In addition to impacting the Unit price, this may create difficulty in raising capital in debt and equity markets, which could in turn adversely impact the REIT's strategy. In response to the global economic slowdown, governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Notwithstanding any of the foregoing, the extent to which COVID-19 and any other pandemic or public health crisis impacts the REIT’s business, affairs, operations, financial condition (including the REIT’s ability to raise capital), liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of and the actions required to contain the COVID-19 pandemic or remedy its impact, among others. At this time, the duration and impact of COVID-19 is unknown, as is the efficacy of the government and central bank interventions. The ability and level of success of jurisdictions around the world in restarting and maintaining economies is uncertain. It is not possible at this time to reliably predict the overall long-term impact on the REIT’s financial performance. The wide ranging disruptions caused by COVID-19 may materially adversely affect the REIT’s performance. The economic uncertainty surrounding the COVID-19 pandemic may, in the short and/or long-term, materially adversely impact the REIT’s tenants and/or the debt and equity markets as well as the Unit price, both of which could materially adversely affect the REIT’s operations and financial performance.

In response to the work-from-home measures implemented due to COVID-19, Starlight has enhanced its processes, procedures and controls in an effort to mitigate any potential cybersecurity risks that may stem from working remotely. Certain initiatives taken by the REIT include the addition of software programs that search, monitor and analyze machine data to identify unusual activity, protect against malware, detect malicious traffic and report on widely known vulnerabilities and threat data in connection with connected assets. Starlight has also increased its firewall protections and implemented desktop administration software that aids in the tracking of inventory and allows the REIT to remotely control applications. There can be no assurance that such measures will deter, mitigate or prevent any cyber-attacks.

The REIT has taken actions to mitigate the effects of COVID-19 on its operations, liquidity, financial condition and results, keeping in mind the interests of its employees, tenants and other stakeholders. As COVID-19 continues to impact the well-being of individuals and the global economy, the REIT has implemented appropriate cautionary measures to ensure it is conducting business in a safe and effective manner (including, without limitation, limiting visits to the REIT's corporate offices and ensuring proper protocols around sanitation and social distancing), and continues to diligently work with its service providers to remain operational through the pandemic. Examples of these measures are: increased security to ensure appropriate elevator capacity limits are enforced and increased janitorial services for workplaces/tenancies. The REIT has an evolving response plan and a crisis management team that is in regular communication with our tenants. There can be no assurance that the response plan will mitigate any or all of the potential impact of COVID-19.

The REIT is actively focused on providing a safe building environment so that its tenants may safely return to the office in accordance with public health guidelines. There is no assurance that the REIT’s tenants will be in a position to complete their office re-opening plans in light of the continuing uncertainty surrounding the COVID-19 pandemic. Certain initiatives taken by the REIT include increased cleaning and sanitization of common touchpoints in populated or high-traffic areas, increased security measures, additional hand sanitization stations throughout its properties, installation of automatic wave sensors and clean air initiatives such as HVAC filtration upgrades and implemented notification alerts of confirmed COVID-19 cases. As occupancy rates and traffic patterns shift, the REIT has added directional signage for flow of traffic within its buildings in accordance with prescribed social distancing guidelines. The above initiatives resulted in additional property operating costs of $302 for the year ended December 31, 2021 ($439 - 2020), however the majority of these costs are recoverable from the tenants. The REIT continues to monitor this evolving situation and will take actions and implement any further measures as may be required by Federal, Provincial, or local authorities, or that management considers to be in the best interests of its employees, tenants, suppliers or other stakeholders, as necessary. There can be no assurance that any actions taken will prevent the impact of COVID-19 on the REIT or its employees or tenants.

Further, public health crises, including the ongoing health crisis related to the COVID-19 pandemic, or relating to any other virus, flu, epidemic, pandemic or any other similar disease or illness (each, a “Health Crisis”) could adversely impact the REIT, including through: a general or acute decline in economic activity in regions in which the REIT’s investment properties are located; increased unemployment, supply shortages, mobility restrictions and other quarantine measures; increased government regulation inability to access governmental programs or processes on a timely basis, efficacy of governmental relief efforts; and the quarantine or contamination of one or more of the REIT’s investment properties. Contagion in a property or market in which the REIT operates could negatively impact its occupancy, reputation or attractiveness of that market. Furthermore, increased government regulation relating to a Health Crisis could result in legislation or regulations that may restrict the REIT's ability to enforce material provisions under its leases, including in respect of the collection of rent or other payment obligations, among other potential adverse impacts. All of these occurrences may have a material adverse effect on the business, cash flows, financial condition and results of operations of the REIT, including, but not limited to: the ability to implement rent increases; rent collection and receivables; vacancy levels; mortgage renewals and refinancings; deferral of certain capital expenditures; valuation of investment properties; the REIT's ability to meet any applicable debt covenant restrictions; and the REIT's ability to raise capital and to maintain its distributions to Unitholders.

In addition, the overall severity and duration of COVID-19-related adverse impacts on the REIT’s business, financial condition, cash flows and/or results of operations for 2022 and beyond, cannot be fully estimated at this time, but may be material. Such impacts may include: (i) an inability for tenants to meet their payment obligations; (ii) reduction in staff and operational levels; (iii) increased costs resulting from the REIT’s efforts to mitigate the impact of COVID-19; (iv) deterioration of worldwide credit and financial markets that could limit the REIT’s ability to obtain external financing to fund operations and capital expenditures, result in losses on the REIT’s investments due to failures of financial institutions and other parties, and result in a higher rate of losses on the REIT’s accounts receivable due to credit defaults; and (v) impairments and/or write-downs of assets. In addition, the impact of COVID-19 on the economy may have an adverse effect on the trading price for the Units, including reduced trading prices and/or increased volatility resulting in swings in trading price unrelated to the REIT’s underlying business. The size of the impact will depend on future developments.

Even after the COVID-19 pandemic has subsided, the REIT may continue to experience adverse impacts to its business as a result of the pandemic’s global economic impact, including any related recession, as well as lingering impacts on the REIT’s suppliers, third-party service providers and/or tenants.

ACQUISITIONS

The REIT’s strategy includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, completing acquisitions and effectively operating and leasing such properties. 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.

Acquisitions of properties by the REIT are subject to the normal commercial risks and satisfaction of closing conditions that may include, among other things, lender approval, Competition Act (Canada) approval, receipt of estoppel certificates and obtaining title insurance. Such acquisitions may not be completed or, if completed, may not be on terms that are exactly the same as initially negotiated.

A risk associated with acquisitions is there may be an undisclosed or unknown liability relating to the acquired property, and the REIT may not be indemnified for some or all of these liabilities. Following an acquisition, the REIT may discover that it has acquired undisclosed liabilities, which may be material. The due diligence procedures by management are designed to address this risk. The REIT performs what it believes to be an appropriate level of investigation in connection with its acquisition of properties and seeks through contract to ensure that risks lie with the appropriate party.

ACCESS TO CAPITAL AND FINANCING RISK

The real estate industry is highly capital intensive. The REIT requires access to capital to maintain the properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance 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 DOT.

In addition, financial markets have experienced a sharp increase in volatility during recent years. The underlying market conditions may continue or become worse and unexpected volatility and illiquidity in financial markets may inhibit the REIT's access to long-term financing in the Canadian capital market. As a result, 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, or upon refinancing of any particular property, may not be available or, if it is available, may not be available on favourable terms to the REIT.

The REIT is subject to the risks associated with debt financing, including the risk the mortgages and banking facilities secured by the properties will not be able to be refinanced or the terms of such refinancing will not be as favourable as the terms of existing indebtedness due to, for instance, higher interest rates. To the extent the REIT utilizes variable rate debt, such debt will result in fluctuations in the REIT's cost of borrowing as interest rates change.

As at December 31, 2021 and 2020, none of the REIT's debt was at floating rates as the REIT entered into various interest rate swaps to limit its interest rate exposure from floating to fixed for the terms of certain mortgages.

The REIT has approximately $103,576 of mortgages that will be coming due during 2022. Management of the REIT anticipates that the REIT will either refinance the mortgages with new and/or existing lenders. Management of the REIT is in discussions with its current lenders and management does not currently anticipate that the REIT will encounter any material issues in regards to refinancing any of these mortgages coming due. Regardless, 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 the refinancing of these mortgages. If the REIT is unable to refinance the mortgages, this could have a material adverse impact on the REIT and its Unitholders.

REGULATIONS

The REIT is subject to laws and regulations governing the ownership and leasing of real property, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the REIT (including with retroactive effect). Any changes in the laws to which the REIT is subject could materially adversely affect the rights and title to the properties. It is not possible to predict whether there will be any further changes in the regulatory regimes to which the REIT is subject or the effect of any such change on its investments.

POTENTIAL CONFLICTS OF INTEREST WITH TRUSTEES

Certain of our Trustees and officers are also Trustees, directors and/or officers of other entities, or are otherwise engaged, and may continue to be engaged, in activities that may put them in conflict with the REIT's business strategy. Consequently, these positions could create, or appear to create, conflicts of interest with respect to matters involving the REIT. Pursuant to the DOT, all decisions to be made by the Trustees which involve the REIT are required to be made in accordance with the Trustee's duties and obligations to act honestly and in good faith with a view to the best interests of the REIT and the Unitholders. In addition, the Trustees and officers of the REIT are required to declare their interests in, and such Trustees are required to refrain from voting on, any matter in which they may have a conflict of interest. However, there can be no assurance that the provisions in the DOT will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in the REIT's favour.

Starlight acts as the asset manager for the REIT and also provides management services to other public and private companies. As asset manager for other entities and on its own behalf, Starlight may pursue other business opportunities, including but not limited to, real estate and development business opportunities outside of the REIT. These multiple responsibilities to public entities and other businesses could create competition for the time and efforts of Starlight which may materially adversely affect the REIT's cash flows, operating results and financial condition.

LITIGATION RISKS

In the normal course of the REIT's operations, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the REIT. Even if the REIT prevails in any such legal proceeding, the proceedings could be costly and time-consuming and would divert the attention of management and key personnel from the REIT's business operations.

TAXATION MATTERS

Management of the REIT believes the REIT currently qualifies as a mutual fund trust and a real estate investment trust for income tax purposes. If the REIT were not to so qualify, the consequences could be material and adverse.

The *Income Tax Act* (Canada) ("Tax Act") contains rules, which tax certain publicly traded or listed trusts in a manner similar to corporations and taxes certain distributions from such trusts as taxable dividends from a taxable Canadian corporation. Distributions paid by a specified investment flow-through ("SIFT") trusts as returns of capital will generally not be subject to the tax.

The rules in the Tax Act applicable to SIFT trusts or partnerships ("SIFT Rules") are not applicable to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue.

Unless the REIT qualifies for the exclusion from the definition of SIFT trusts in the Tax Act ("REIT Exception"), the SIFT Rules could impact the level of cash distributions which would otherwise be made by the REIT and the taxation of such distributions to Unitholders.

If the REIT were to no longer qualify for the REIT Exception, it would not be able to flow through its taxable income to Unitholders and the REIT would therefore be subject to tax. The REIT Exception is applied on an annual basis. As such, it will not be possible to determine if the REIT will satisfy the conditions of the REIT Exception for 2022 or any subsequent year until the end of the particular year. Management of the REIT has determined that the REIT is not subject to the SIFT tax as it meets the REIT Exception for 2021.

SIGNIFICANT OWNERSHIP BY STARLIGHT

As of the date hereof, Daniel Drimmer and his affiliates hold an approximate 8.9% effective interest in the REIT through ownership of Units, Class B LP Units, Unit options and Restricted Units. For so long as Starlight maintains a significant effective interest in the REIT, Starlight benefits from certain contractual rights regarding the REIT and Starlight has the ability to exercise influence with respect to the affairs of the REIT and significantly affect the outcome of Unitholder votes, including the ability to prevent certain fundamental transactions, and may discourage transactions involving a change of control of the REIT, including transactions in which an investor might otherwise receive a premium for its Units over the then current market price. The Units may also be less liquid and worth less than they would if Starlight did not have the ability to influence matters affecting the REIT.

Pursuant to the exchange agreement dated December 14, 2012, each Class B LP Unit is exchangeable at the option of the holder for one Unit of the REIT (subject to customary anti-dilution adjustments). See "Material Contracts - Exchange Agreement" in the AIF. If Daniel Drimmer and his affiliates exchange LP Units for Units and sell Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such an effect.

DEPENDENCE ON STARLIGHT

The REIT is dependent upon Starlight for operational and administrative services relating to the REIT's business. Should Starlight terminate the Asset Management Agreement, the REIT may be required to engage the services of an external asset manager. The REIT may be unable to engage an asset manager on acceptable terms, in which case the REIT's operations and cash available for distribution may be adversely affected.

CONTROLS OVER FINANCIAL REPORTING

The REIT maintains information systems, procedures and controls to ensure all information disclosed externally is as complete, reliable and timely as possible. Such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Because of the inherent limitations in all control systems, including well-designed and operated systems, no control system can provide complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include the possibility that management's assumptions and judgments may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls 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.

CYBER-SECURITY RISK

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the REIT's information resources. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. The REIT's primary risks that could directly result from the occurrence of a cyber-incident include operational interruption, damage to its reputation and damage to the REIT's business relationships with its tenants. The REIT has implemented processes, procedures and controls to help mitigate these risks, including installing firewalls and antivirus programs on its networks, servers and computers, but these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results will not be negatively impacted by such an incident. The REIT has secured cyber insurance coverage, however there can be no guarantee that such coverage will respond or be sufficient to all threats incurred by the REIT. Increased cyber-security risk may result in increased rates and deductibles for cyber insurance coverage.

BUSINESS CONTINUITY AND DISASTER RECOVERY

The REIT's ability to continue critical operations and processes could be negatively impacted by a weather disaster, prolonged IT failure, terrorist activity, power failures or other national or international catastrophes. Ineffective contingency planning, business interruptions, crises or potential disasters could adversely affect the reputation, operations and financial performance of the REIT. The REIT has a business continuity plan in place, however there can be no assurance it will mitigate all losses.

RISKS RELATED TO THE UNITS

VOLATILE MARKET PRICE FOR THE REIT'S SECURITIES

The market price for the REIT's securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the REIT's control, including the following: (a) actual or anticipated fluctuations in the REIT's financial performance and future prospects; (b) recommendations by securities research analysts; (c) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT; (d) addition or departure of the REIT's officers; (e) release or expiration of lock-up or other transfer restrictions on outstanding Units or Class B LP Units; (f) sales or perceived sales of additional Units; (g) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; (h) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the REIT's industry or target markets; (i) liquidity of the REIT's securities; (j) prevailing interest rates; (k) the market price of other real estate securities; (l) the impact of COVID-19 (m) a decrease in the amount of distributions declared and paid by the REIT; and (n) general economic conditions.

Financial markets have, in recent years, experienced significant price and volume fluctuations that have particularly affected the market prices of securities of issuers and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such issuers. Accordingly, the market price of the REIT's securities may decline even if the REIT's financial performance, underlying asset values, or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the REIT's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the REIT's securities by those institutions. There can be no assurance that continuing fluctuations in price and volume will not occur.

RETURN ON INVESTMENT ON UNITS NOT GUARANTEED

The Units are equity securities of the REIT and are not traditional fixed income securities. A fundamental characteristic that distinguishes the Units from traditional fixed income securities is that the REIT does not have a fixed obligation to make payments to holders of Units and does not promise to return the initial purchase price of a Unit on a certain date in the future. The REIT has the ability to reduce or suspend distributions to holders of Units if circumstances warrant. The ability of the REIT to make cash distributions to holders of Units, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT and its subsidiaries, and will be subject to various factors including financial performance, obligations under the Credit Facility, fluctuations in working capital and capital expenditure requirements. There can be no assurance regarding the amount of income to be generated by the properties. The market value of the Units will deteriorate if the REIT is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, unlike interest payments or an interest-bearing debt security, the REIT's cash distributions to holders of Units are composed of different types of payments (portions of which may be fully or partially taxable or may constitute non-taxable returns of capital). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax returns to holders of Units. Therefore, the rate of return over a defined period for a holder of Units may not be comparable to the rate of return on a fixed income security that provides a "return on capital" over the same period.

DISTRIBUTIONS

At certain times, the REIT has paid distributions to Unitholders which have exceeded adjusted cash flow from operating activities. At the election of Unitholders, the REIT has historically made non-cash distributions under the DRIP which has reduced the amount of cash required to fund the REIT's distributions. As a result, the REIT has not funded distributions from alternate sources such as debt, mortgages or other financing instruments and has not been required to amend any material contracts.

There can be no assurance in the future the REIT will continue to fund distributions entirely from adjusted cash flow from operating activities and no assurance Unitholders will continue to elect to receive distributions under the DRIP. In such an event, the REIT may be required to fund its distributions from sources other than operations such as debt, mortgages or other financing instruments. In addition, non-cash distributions, such as the issuance of Units under the DRIP, have the effect of increasing the number of Units outstanding which will cause cash distributions to increase over time assuming stable per Unit cash distribution levels.

DILUTION OF UNITS

The number of Units (including Class B LP Units, which are exchangeable for Units on a one for one basis) that the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Units, Class B LP Units or convertible securities exchangeable into Units from time to time subject to the rules of any applicable stock exchange on which the Units are then listed. The issuance of any additional Units or Class B LP Units may have a dilutive effect on the interests of holders of Units.

UNITHOLDER LIABILITY

The DOT provides that no holders of Units will be subject to any liability whatsoever to any person in connection with a holding of Units. In addition, legislation has been enacted in the Province of Ontario and certain other provinces that is intended to provide holders of Units in those provinces with limited liability. However, there remains a risk, which is considered by the REIT to be remote in the circumstances, that a holder of Units could be held personally liable for the obligations of the REIT to the extent that claims are not satisfied out of the assets of the REIT. The affairs of the REIT are conducted in a manner to seek to minimize such risk wherever possible.

NATURE OF INVESTMENT IN UNITS

The Units represent a fractional interest in the REIT and do not represent a direct investment in the REIT's assets and should not be viewed by investors as direct securities of the REIT's assets. A holder of a Unit does not hold a share of a body corporate. Unitholders, in such capacity, do not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions against the REIT. The rights of holders of Units are based primarily on the DOT. There is no statute governing the affairs of the REIT equivalent to the *Canada Business Corporations Act*, which sets out the rights and entitlements of shareholders of corporations in various circumstances. As well, the REIT may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada) and thus the treatment of holders of Units upon an insolvency is uncertain.

USE OF ESTIMATES

The preparation of the REIT's annual audited consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. In preparing the annual audited consolidated financial statements, significant judgments made by management in applying accounting policies were the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2021. The following estimates and significant judgments have been identified by management due to the recent events surrounding COVID-19.

INVESTMENT PROPERTIES

Throughout Canada, investment activity at the start of the pandemic was limited. However, investment activity over the year picked up each consecutive quarter as a result of improving market fundamentals and economic optimism relating to COVID-19. The fair value of the REIT's investment properties as at December 31, 2021 is based upon the best available market data, including capitalization rates; however, given the continued uncertainty around the duration of the pandemic and the potential negative impact it may have on certain sectors of the real estate industry and its tenants, it is not possible to predict how the fair value of the REIT's investment properties may be impacted in the longer term.

The REIT continues to monitor the economic impact COVID-19 is having on its operations and future cash flows, which ultimately impacts the value of the underlying real estate. The future cash flows of an investment property are based upon rental income from current leases and assumptions about occupancy rates, market rents from future leases and the cash outflows arising from current and future leases. The REIT continues to revise its estimates concerning rental growth and lease renewal assumptions to reflect expected market conditions, and currently, future cash flows are predicted to remain relatively stable as government and credit rated tenants comprise the majority of the REIT's tenant base. It is not possible however, to forecast with certainty how COVID-19 will continue to impact the REIT's investment properties. Significant changes in rental income, occupancy rates, tenant inducements and market rents could negatively impact future valuations of the REIT's investment properties.

FINANCIAL INSTRUMENTS

Financial assets are classified and measured using one of the following methods: (i) fair value through profit and loss ("FVTPL"); (ii) fair value through other comprehensive income ("FVTOCI"); and (iii) amortized cost. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as FVTOCI are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income. The REIT derecognizes a financial asset when the contractual rights to the cash flows from the asset expire. Financial liabilities may be designated at FVTPL upon initial recognition.

Financial assets and liabilities are accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the designation of such instruments.

	Classification
Financial assets:	
Instalment notes receivable	Amortized cost
Deposits and other assets	Amortized cost
Tenant and other receivables	Amortized cost
Cash and cash equivalents	Amortized cost
Financial liabilities:	
Mortgages payable	Amortized cost
Derivative instruments	FVTPL
Class B LP Units	FVTPL
Credit Facility	Amortized cost
Tenant rental deposits and prepayments	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

The REIT recognizes an allowance for expected credit losses (“ECL”) for financial assets measured at amortized cost at each balance sheet date. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. Impairment losses, if incurred, would be recorded as expenses in the consolidated statements of income (loss) and comprehensive income (loss) with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

The fair values of the REIT’s instalment notes receivable, deposits, tenant and other receivables and cash and cash equivalents, as well as the REIT's credit facility, tenant rental deposits and prepayments, accounts payable and accrued liabilities approximate their recorded values due to their short-term nature.

The fair value of mortgages payable disclosed in the notes to the REIT’s annual audited consolidated financial statements is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage.

Class B LP Units are carried at fair value and the fair value of the Class B LP Units has been determined with reference to the trading price of the Units. The fair value adjustment for the year ended December 31, 2021 was a loss of $3,601 (YTD-2020 - gain of $3,778).

Derivative instruments, such as interest rate swaps, are valued using a valuation technique. The most frequently applied valuation technique includes forward pricing models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves. The REIT has entered into various interest rate swaps to limit its interest rate exposure from floating to fixed for the terms of certain mortgages. Total unrealized gain on change in the fair value of the derivative instruments for the year ended December 31, 2021 was $3,837 (YTD-2020 loss of - $4,891).

These fair value estimates may not necessarily be indicative of the amounts that might be paid or received in the future.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

There were no changes to the accounting policies applied by the REIT during 2021.

The REIT's critical judgments and estimates in applying accounting policies can be found in Section 1(c) on page 5 of the REIT's audited consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The REIT maintains information systems, procedures and controls to ensure all information disclosed externally is as complete, reliable and timely as possible. Such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the annual audited consolidated financial statements for external purposes in accordance with IFRS.

All control systems have inherent limitations, including well-designed and operated systems. No control system can provide complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility management’s assumptions and judgments may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors. As a growing enterprise, management anticipates the REIT will be continually evolving and enhancing its systems of controls and procedures.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls 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.

The CEO and CFO evaluated the effectiveness of the REIT's disclosure controls and procedures (as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") and concluded that the design and operation of the REIT's disclosure controls and procedures were effective for the three months and year ended December 31, 2021.

The CEO and CFO evaluated the design and effectiveness of the REIT's internal controls over financial reporting (as defined in NI 52-109) and concluded that the design and effectiveness of internal controls over financial reporting continue to be appropriate and were effective for the three months and year ended December 31, 2021.

OUTLOOK

The emergence of the Omicron variant has tapered near-term return-to-office expectations for many employers; however, return-to-office plans remain in-place. During this time, the REIT has been fully engaged with its tenants to facilitate the transition of return-to-office plans. With the recent lifting of pandemic restrictions across Canada, and the shift in sentiment to "living with the virus", there is increased optimism that physical occupancy rises to stabilized levels in the coming year. In addition, leasing discussions have picked up across the portfolio, with employers reiterating a desire to create a physical work environment that emphasizes collaboration to support and develop employees, as well as enrich company culture.

The past year has not been without its challenges with various strains, prolonged public health restrictions and work from home mandates. The REIT continues to deliver stable operating results with high rent collections, owing to a diversified portfolio made up of predominantly government and credit rated tenants.

The Bank of Canada (the “Bank”) held its target rate, but formally removed its prior commitment to maintain rates until the economic slack had been absorbed, noting stronger than expected economic growth in the latter half of 2021. Interest rate hikes are expected to combat rising inflation; however, the magnitude and pace will depend on the Bank achieving its 2% inflation target. As of the date hereof, the REIT expects borrowing costs to remain at levels that positively contribute to near term refinancing activities.

Employment has exceeded pre-pandemic levels with the unemployment rate of 6.0% in December 2021, down from 8.9% the same time last year. Largely driven by consumer spending, real gross domestic product increased 1.3% in the third quarter of 2021. With the rapid spread of Omicron, economic growth is expected to be moderate in the first quarter of 2022 and stabilize as restrictions ease.

The broader Canadian office market is exhibiting signs of improvement, as overall vacancy increased 10 basis points to 15.8% at Q4-2021, the lowest quarter over quarter increase. Leasing activity continues to gain momentum with levels peaking over the past two years and sublet space declining for a second consecutive quarter.

The GTA office market was stable as overall vacancy of 13.7% in Q4-2021 was flat from the prior quarter and subleasing inventory declined for the third straight quarter, while Toronto’s suburban office vacancy increased 30 bps from the prior quarter to 18.5%. The REIT’s Toronto suburban office portfolio experienced positive leasing traction in the quarter with 121,200 square feet of new and renewal deals in the quarter, resulting in vacancy of 5.7%, down 0.7% compared to Q3-2021. The REIT’s vacancy remains well below the overall market, benefitting from properties with superior characteristics with high quality tenants strategically located near transit systems and major highway networks.

The REIT’s other key markets continue to trend well. Positive leasing activity in Ottawa’s office market contributed to a 110 basis point decline in overall vacancy to 8.6% in the quarter. Halifax’s unemployment rate reached its lowest level since 2019 and office vacancy decreased 10 bps from the prior quarter to 15.4%. Although, downtown Calgary office vacancy continues to rise with a 30-bps increase to 33.2% vacancy in Q4-2021, the REIT’s Alberta portfolio is largely comprised of suburban properties, and benefits from an overall occupancy of 99.6% and a weighted average lease term of 4.7 years.

Through the past two years of the pandemic, the REIT has maintained average rent collections of over 99% and occupancy remains stable. Management is focused on the stability and improvement of cash flow in the long term through active management of the existing portfolio, as well as the addition of accretive acquisitions of properties.

Additional information relating to the REIT including the REIT’s annual information form, can be found on SEDAR at www.sedar.com.

Dated: March 2, 2022
Toronto, Ontario, Canada

APPENDIX A - PROPERTY LISTING AT DECEMBER 31, 2021

	Property Name	City	Occupancy	Remaining Lease Term [1]	GLA
	Alberta				
1	855 8th Avenue SW	Calgary	78 %	0.7 years	75,700
2	4500 & 4520 - 16th Avenue NW	Calgary	97 %	3.0 years	77,600
3	1020 68th Avenue NE	Calgary	100 %	2.0 years	148,400
4	3699 63rd Avenue NE	Calgary	100 %	6.9 years	209,400
5	13140 St. Albert Trail	Edmonton	97 %	2.7 years	95,200
	Total Alberta				*606,300*
	British Columbia				
6	810 Blanshard Street	Victoria	100 %	3.1 years	34,400
7	727 Fisgard Street	Victoria	100 %	7.4 years	50,100
8	1112 Fort Street	Victoria	100 %	4.7 years	52,000
9	9200 Glenlyon Parkway	Burnaby	100 %	5.1 years	90,600
10	32071 South Fraser Way	Abbotsford	100 %	2.7 years	52,300
	Total British Columbia				*279,400*
	New Brunswick				
11	500 Beaverbrook Court	Fredericton	93 %	1.7 years	55,600
12	295 Belliveau Avenue	Shediac	100 %	5.1 years	42,100
13	410 King George Highway	Miramichi	75 %	1.7 years	73,200
14	551 King Street	Fredericton	100 %	0.7 years	85,300
15	495 Prospect Street	Fredericton	80 %	3.9 years	87,100
16	845 Prospect Street	Fredericton	100 %	3.2 years	39,000
17	414-422 York Street	Fredericton	84 %	2.3 years	33,500
18	440-470 York Street	Fredericton	89 %	1.1 years	60,100
	Total New Brunswick				*475,900*

[1] Weighted by annualized gross revenue.

	Property Name	City	Occupancy	Remaining Lease Term [1]	GLA
	Nova Scotia				
19	36 & 38 Solutions Drive	Halifax	100 %	2.6 years	129,700
20	120, 130, 134 & 140 Eileen Stubbs Avenue	Halifax	96 %	3.7 years	297,300
	Total Nova Scotia				*427,000*
	Ontario				
21	1595 16th Avenue	Richmond Hill	98 %	7.9 years	122,900
22	251 Arvin Avenue	Hamilton	100 %	2.5 years	6,900
23	61 Bill Leathem Drive	Ottawa	100 %	6.1 years	148,100
24	777 Brock Road	Pickering	100 %	1.2 years	98,900
25	400 Carlingview Drive	Etobicoke	100 %	6.2 years	26,800
26	6865 Century Avenue	Mississauga	100 %	1.8 years	63,800
27	6925 Century Avenue	Mississauga	100 %	2.9 years	252,500
28	675 Cochrane Drive	Markham	93 %	4.3 years	369,300
29	1161 Crawford Drive	Peterborough	100 %	5.2 years	32,500
30	520 Exmouth Street	Sarnia	100 %	4.9 years	34,700
31	3115 Harvester Road	Burlington	80 %	3.7 years	78,800
32	135 Hunter Street East	Hamilton	100 %	1.6 years	24,400
33	340 Laurier Avenue West	Ottawa	100 %	8.1 years	279,800
34	360 Laurier Avenue West	Ottawa	100 %	1.4 years	107,100
35	400 Maple Grove Road	Ottawa	100 %	2.7 years	107,200
36	101 McNabb Street	Markham	100 %	4.7 years	315,400
37	78-90 Meg Drive	London	100 %	3.4 years	11,300
38	301 & 303 Moodie Drive	Ottawa	93 %	4.2 years	148,600
39	8 Oakes Avenue	Kirkland Lake	100 %	10.3 years	41,000
40	5160 Orbitor Drive	Mississauga	100 %	8.2 years	31,400
41	231 Shearson Crescent	Cambridge	100 %	3.0 years	60,700
42	6 Staples Avenue	Richmond Hill	100 %	11.8 years	122,000
43	2300 St. Laurent Boulevard	Ottawa	100 %	3.2 years	37,500
44	3650 Victoria Park Avenue	Toronto	95 %	1.8 years	154,400
45	80 Whitehall Drive	Markham	100 %	7.9 years	60,800
46	5775 Yonge Street	Toronto	78 %	4.3 years	274,200
	Total Ontario				*3,011,000*
	Average/Total Portfolio		96 %	4.4 years	4,799,600

[1] Weighted by annualized gross revenue.

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