TSX: TNT.UN

True North COMMERCIAL REIT

Q2 2022

MANAGEMENT'S DISCUSSION & ANALYSIS

AUGUST 3, 2022

675 Cochrane Drive
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	**$581 M** Market Capitalization	**4.3 YR** Weighted Average Lease Term
46 Properties	**96%** Occupancy	**76%** Revenues Generated from Government & Credit Rated Tenants

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

Stable
Contractual
Cash flow

1595 16th Avenue
GTA, ON

101 McNabb Street
GTA, ON

High Quality
Tenant Base

Focus on
Urban Areas


1112 Fort Street
Victoria, BC

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 three and six months ended June 30, 2022 and 2021 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" 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 on 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 third and fourth doses), as well as the duration of associated immunity and efficacy of the vaccines against variants of COVID-19 which may prolong the impact of COVID-19 on the Canadian economy, the impact of COVID-19 on the commercial real estate industry, 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 flow provided by operating activities and Available Funds (as defined herein) are not measures defined by International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board, 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 flow 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.

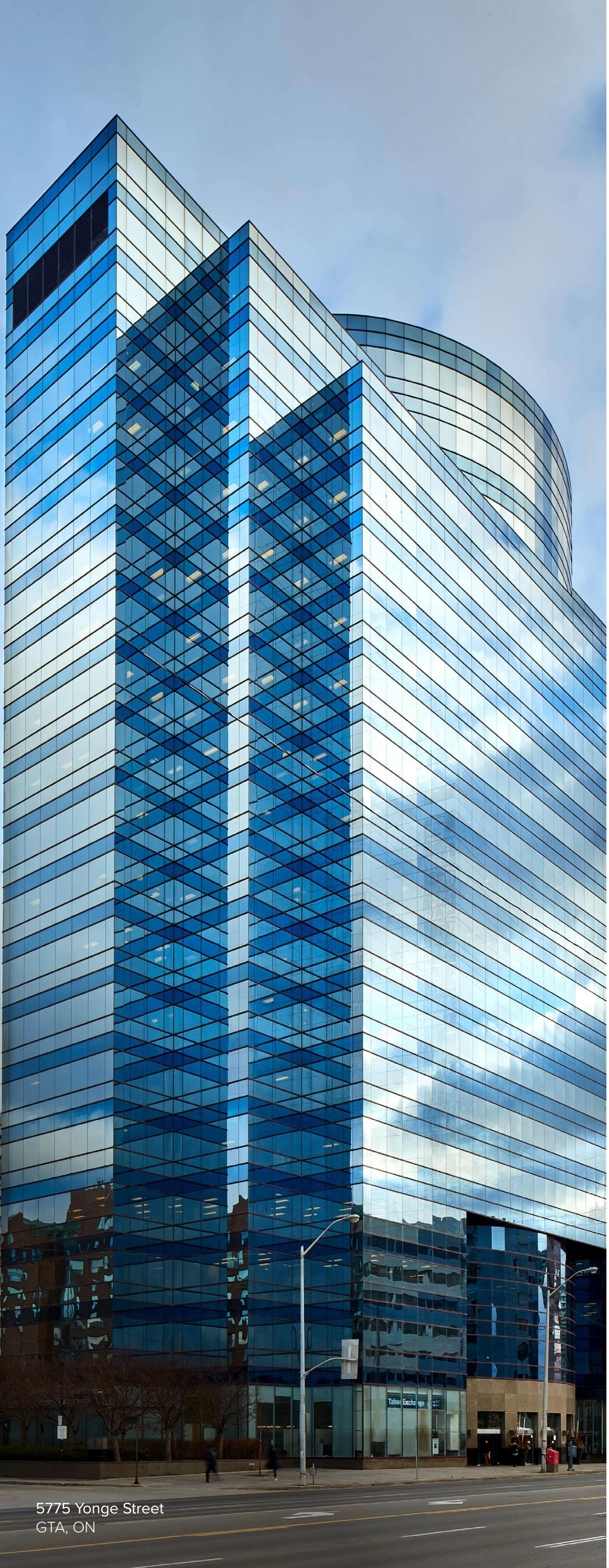
Indebtedness is defined in the REIT's third amended and restated declaration of trust dated as of May 11, 2021 ("DOT") and is a measure of the amount of leverage utilized by the REIT. GBV is defined in the DOT and is a measure of the value of the REIT's total assets. The Indebtedness to GBV ratio is 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 flow provided by operating activities measures the amount of sustainable cash provided by operating activities less finance costs paid. Adjusted cash flow 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 ("Available Funds"). 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.


5775 Yonge Street
GTA, ON

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BASIS OF PRESENTATION

The REIT's condensed consolidated interim financial statements for the three and six months ended June 30, 2022 and 2021 have been prepared in accordance with IFRS for interim financial reporting. 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 and six months ended June 30, 2022 ("Q2-2022") and ("YTD-2022"), respectively, three and six months ended June 30, 2021 ("Q2-2021") and ("YTD-2021"), respectively, and three months ended March 31, 2022 ("Q1-2022").

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 June 30, 2022, 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.

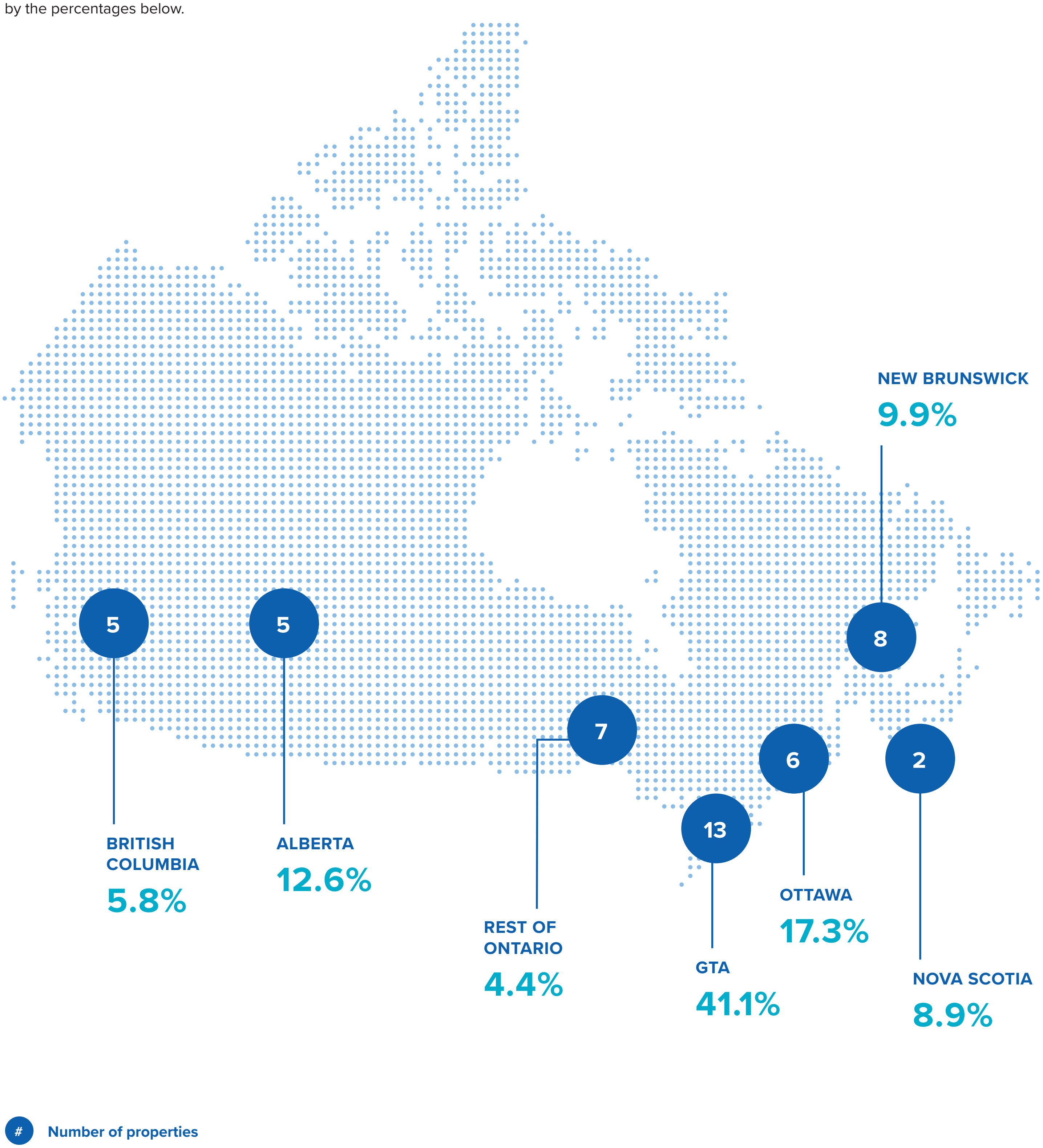

9200 Glenlyon Parkway
Burnaby, BC

PORTFOLIO OVERVIEW

As at June 30, 2022, 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 June 30, 2022 is denoted by the percentages below.



TENANT PROFILE

Top 20 tenants account for 68% 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 June 30, 2022:

TENANT	% OF GROSS REVENUE	GLA	REMAINING LEASE TERM[1]
Federal Government of Canada	13.7%	637,300	5.6 years
Province of Alberta	9.9%	412,800	4.0 years
TD Insurance	6.0%	275,600	2.7 years
Province of Ontario	5.9%	237,200	4.1 years
Golder Associates Ltd.	3.8%	148,300	2.2 years
General Motors of Canada Company	3.4%	154,800	4.2 years
Province of New Brunswick	2.4%	172,400	0.5 year
Stantec Consulting Ltd.	2.4%	105,100	3.9 years
Lumentum Ottawa Inc.	2.2%	148,100	5.6 years
LMI Technologies Inc.	2.2%	90,600	4.6 years
Intact Insurance Co.	2.1%	77,800	2.9 years
Province of British Columbia	1.9%	81,600	5.3 years
Staples Canada ULC	1.9%	122,000	11.3 years
General Dynamics Land Systems	1.7%	148,400	1.5 years
EMS Technologies Canada, Ltd.	1.7%	107,200	2.2 years
Ceridian Canada Ltd.	1.5%	49,800	3.7 years
Smucker Foods of Canada Corporation	1.4%	60,800	7.4 years
Paymentus (Canada) Corporation	1.3%	55,800	8.8 years
ADP Canada Co.	1.2%	65,600	4.0 years
Trans Union Of Canada Inc.	1.2%	46,400	3.2 years
Total	**67.7%**	**3,197,600**	**4.3 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
34%	**26%**	**17%**	**12%**	**11%**

LEASING ACTIVITY

As at June 30, 2022, the REIT's occupancy remained stable at 96% with a weighted average remaining lease term of 4.3 years.

The pandemic has changed the behaviour of many tenants and the workforce. For the majority of the REIT's tenants, office space still has value and remains core to their businesses. The REIT continues to transition its properties to a desired destination and a live-able workspace while tenants continue to transition their employees back to the office. The REIT demonstrated stability during Q2-2022 by continuing the same positive momentum in leasing activity from the previous quarter.

The following table summarizes the leasing activity for Q2-2022:

	New Lease Deals		Lease Renewals and Replacements		
	Leasable Area	Weighted Average Lease Term	Leasable Area	Weighted Average Lease Term	% Increase In Rents
Q2 2022	25,400 SF	7.9 YR	150,700 SF	4.4 YR	5.5%
YTD 2022	55,200 SF	7.9 YR	274,200 SF	4.6 YR	4.7%

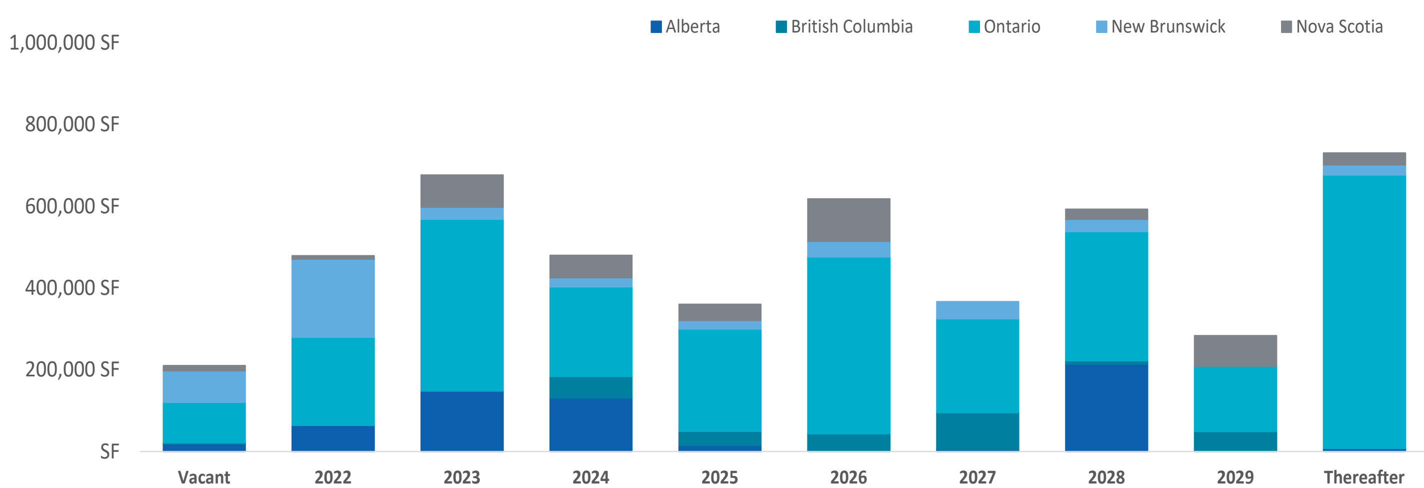
In Q2-2022, the REIT completed 25,400 square feet of new lease deals with a weighted average lease term of 7.9 years, of which 12,000 square feet was to accommodate the expansion of existing tenants.

The REIT renewed and replaced 150,700 square feet with a weighted average lease term of 4.4 years and a 5.5% increase in base rents over expiring rental rates. Provincial government tenancy renewals totaled 108,900 square feet during the quarter with a weighted average lease term of 5 years.

The REIT's renewal activity YTD-2022 achieved a 4.7% increase in base rents over expiring rates and included 157,000 square feet of Federal and Provincial government tenancy renewals with a weighted average lease term of 4.1 years.

LEASE ROLLOVER PROFILE

Lease maturities are based on the square footage of the REIT's leases. As at June 30, 2022, the lease rollover profile was as follows:



IMPACT OF COVID-19

The Federal government announced the availability of the fourth dose of the COVID-19 vaccine in Q2-2022 and more COVID-19 restrictions were lifted across the country. With over 80% of Canada's population having received two doses of the COVID-19 vaccine and over 48% of the population having received their third dose at the end of June 2022, many employers are continuing with their return-to-office plans. Most employers still maintain health and safety protocols to help reduce the spread of COVID-19 such as mandating masks (in common areas), vaccination requirements (based on employer), COVID-19 screening before entering the office and other tools to keep the workplace environment safe for employees.

The REIT continues to experience strong rent collections and positive leasing activity despite the continuation of the COVID-19 pandemic. As of August 3, 2022, the REIT had collected, approximately 99.5% of its Q2-2022 and YTD-2022 contractual rent. 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 revenue is generated from credit rated tenants that are well capitalized and possess the financial resources to meet their rental obligations.

As a result of the pandemic, certain tenants of the REIT continue to struggle and have required financial assistance in the form of short-term rental deferrals or participation in Federal government programs. These programs assist businesses experiencing a significant drop in revenue as a result of the COVID-19 pandemic. The Canada Emergency Rent Subsidy ended in Q4-2021 and the Hardest-Hit Business Recovery Program ended in Q2-2022.

While management remains optimistic regarding a broader scale return-to-office towards the end of the year, the movement and timing will ultimately depend on the course of the pandemic. It continues to be difficult to predict the duration and extent of the 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; future demand for office space and market rents, all of which ultimately may impact the underlying valuation of the REIT's investment properties and its ability to maintain its distributions. 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 as part of 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. The uncertainty created by variants of concern and potential future closures of certain businesses could impact the REIT's business and operations for a prolonged period.

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.

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 continuing times of uncertainty.

SECOND QUARTER AND YEAR TO DATE HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

The REIT continued to perform well and in line with management expectations. Collections remained strong with approximately 99.5% of Q2-2022 contractual rents collected. Q2-2022 occupancy was 96% with an average remaining lease term of 4.3 years and 76% of revenue continued to be generated from government and credit rated tenants.

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Portfolio				
Number of properties			46	45
Portfolio GLA			4,801,100 sf	4,744,700 sf
Occupancy			96 %	97 %
Remaining weighted average lease term			4.3 years	4.7 years
Revenue from government and credit rated tenants			76 %	76 %
Financial				
Revenue	$ 35,120	$ 33,896	$ 71,447	$ 68,840
NOI [(1)]	21,685	20,531	43,879	41,621
Net income and comprehensive income	15,482	6,521	30,391	16,241
Same Property NOI [(1)]	23,574	21,997	47,435	44,084
FFO [(1)]	$ 14,423	$ 13,436	$ 29,199	$ 26,947
FFO per Unit - basic [(1)]	0.16	0.15	0.32	0.30
FFO per Unit - diluted [(1)]	0.16	0.15	0.32	0.29
AFFO [(1)]	$ 14,341	$ 12,816	$ 28,958	$ 25,602
AFFO per Unit - basic [(1)]	0.16	0.14	0.31	0.28
AFFO per Unit - diluted [(1)]	0.16	0.14	0.31	0.28
AFFO payout ratio - diluted [(1)]	96 %	106 %	95 %	106 %
Distributions declared	$ 13,720	$ 13,467	$ 27,400	$ 26,888

Q2-2022 revenue and NOI increased 4% (YTD-2022 - 4%) and 6% (YTD-2022 - 5%), respectively when compared to the same period in 2021. The main contributor was the increase in Same Property NOI of 7.2% (YTD-2022 - 7.6%) and additional NOI from the Q4-2021 acquisition, partially offset by disposition activity in Q2-2021 and higher amortization of leasing costs and straight line rent adjustments.

Ontario Same Property NOI increased by 11.4% mostly due to termination fees related to a tenant in the REIT’s GTA portfolio that is downsizing a portion of their space effective December 2022. This increase was offset by higher vacancy in the GTA portfolio, of which approximately 47% has been contractually re-leased with commencement dates in the second half of 2022 and throughout 2023.

Despite a decrease in occupancy, Alberta Same Property NOI increased by 1.0% when compared to Q2-2021 due to a new lease that commenced in Q4-2021. Same property occupancy in British Columbia decreased due to a lease expiry at the end of Q2-2022 while Same Property NOI was positively impacted by contractual rent increases. New Brunswick Same Property NOI decreased as a result of certain tenants downsizing, however approximately 30% has been contractually re-leased with revenue commencing in the latter half of 2022. Same Property NOI in Nova Scotia increased due to a new lease that commenced in Q3-2021 and contractual rent step ups.

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

The REIT's Q2-2022 FFO and AFFO increased $987 (YTD-2022 - $2,252), and $1,525 (YTD-2022 - $3,356), respectively compared to the same period in 2021. FFO and AFFO benefited from higher NOI from an acquisition completed in Q4-2021 as well as a positive contribution from Same Property NOI, partially offset by property dispositions in Q2-2021.

Q2-2022 FFO basic and diluted per Unit increased $0.01 to $0.16 and AFFO basic and diluted per Unit increased $0.02 to $0.16 over the comparable period. YTD-2022 FFO basic and diluted per Unit increased $0.02 and $0.03, respectively, to $0.32 and AFFO basic and diluted per Unit increased $0.03 to $0.31 compared to YTD-2021.

Excluding termination fees, Q2-2022 FFO and AFFO basic and diluted per Unit would be $0.13 and YTD-2022 FFO and AFFO basic and diluted per Unit would be $0.27. Q2-2022 AFFO basic and diluted payout ratio would be 112% and YTD-2022 AFFO basic and diluted payout ratio would be 111%.

The REIT continues to demonstrate stability by continuing the positive momentum in leasing activity from the previous quarter. In Q2-2022, the REIT completed 25,400 square feet of new leases with a weighted average lease term of 7.9 years, which included 12,000 square feet of expansion space with existing tenants in Nova Scotia and Ontario. The REIT also renewed and replaced 150,700 square feet with a weighted average lease term of 4.4 years and a 5.5% increase in base rents over expiring rental rates. In YTD-2022, the REIT achieved a 4.7% increase in base rents over expiring rates and included 157,000 square feet of government tenant renewals with a weighted average lease term of 4.1 years.

On April 11, 2022, the REIT entered into an agreement of purchase and sale to dispose of 32071 South Fraser Way, Abbotsford, British Columbia totaling 52,300 square feet for a price of approximately $24,000. Closing is expected to be on or about June 30, 2023.

Key Debt Metrics

	June 30, 2022	December 31, 2021
Indebtedness to GBV ratio [(1)]	57.5 %	57.7 %
Interest coverage ratio [(1)]	3.09 x	3.02 x
Indebtedness - weighted average fixed interest rate	3.32 %	3.31 %
Indebtedness - weighted average term to maturity	3.39 years	3.70 years

At the end of Q2-2022, the REIT had access to Available Funds[(1)] of approximately $58,485, and a weighted average maturity of 3.39 years in its mortgage portfolio with a weighted average fixed interest rate of 3.32%. During the first quarter, the REIT refinanced a total of $31,570 of mortgages with a weighted average fixed interest rate of 3.32% for three to seven year terms, providing the REIT with additional liquidity of approximately $5,700.

Subsequent to quarter end, the REIT refinanced an additional $47,000 of mortgages with a weighted average fixed interest rate of 4.61% for one to five year terms, providing additional liquidity of $10,800.

Subsequent Events

On July 14, 2022, the REIT announced it had agreed to acquire a 174,000 square foot office property located at 400 Cumberland Street, Ottawa Ontario for approximately $40,500, plus closing costs with the redeployment of proceeds from the forward sale of 32071 South Fraser Way, Abbotsford, British Columbia. The purchase price will be satisfied by a combination of mortgage financing of approximately $30,400 and the REIT's secured credit facility. Closing is expected to occur on or about August 15, 2022.

Subsequent to June 30, 2022, the REIT issued 112,600 Units for cash of $715 pursuant to the base shelf prospectus dated February 17, 2022 through the ATM Program.

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

QUARTERLY INFORMATION

	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20
Revenue	$35,120	$36,327	$35,461	$34,222	$33,896	$34,944	$36,189	$33,914
Property operating costs	(13,435)	(14,133)	(15,010)	(13,667)	(13,365)	(13,854)	(15,448)	(13,013)
NOI [(1)]	21,685	22,194	20,451	20,555	20,531	21,090	20,741	20,901
General and administration expenses	(1,261)	(1,625)	(1,663)	(1,409)	(1,930)	(1,904)	(1,662)	(1,412)
Finance costs	(7,253)	(7,247)	(7,239)	(7,121)	(7,131)	(7,174)	(7,200)	(7,233)
Transaction costs on sale of investment properties	—	—	—	—	(623)	—	(73)	(160)
Distributions on Class B LP Units	(449)	(449)	(449)	(462)	(469)	(504)	(573)	(573)
Fair value adjustment of Class B LP Units	2,661	755	(514)	514	(1,706)	(1,895)	(2,314)	(579)
Fair value adjustment of investment properties	(1,610)	(1,670)	7,361	3,372	(2,166)	(2,348)	(1,115)	(1,806)
Unrealized gain (loss) on change in fair value of derivative instruments	1,709	2,951	969	398	15	2,455	495	243
Net income and comprehensive income for the period	$15,482	$14,909	$ 18,916	$15,847	$ 6,521	$ 9,720	$ 8,299	$ 9,381
FFO per Unit - basic [(1)]	$ 0.16	$ 0.16	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15
AFFO per Unit - basic [(1)]	$ 0.16	$ 0.16	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14
AFFO per Unit - diluted [(1)]	$ 0.16	$ 0.16	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14
AFFO payout ratio - basic [(1)]	96 %	94 %	105 %	104 %	105 %	105 %	105 %	104 %
AFFO payout ratio - diluted [(1)]	96 %	94 %	106 %	105 %	106 %	106 %	105 %	104 %
Number of investment properties	46	46	46	45	45	47	47	48
Occupancy rate	96 %	96 %	96 %	96 %	97 %	97 %	98 %	98 %

Q2-2022 revenue and NOI decreased compared to the previous quarter mainly due to lower project management fees, higher amortization of leasing costs and straight line rent adjustments and lower recovery revenue attributable to lower seasonal costs and utility expenses offset by higher repairs and maintenance expenses.

Excluding the changes in the fair value of Unit-based compensation, general and administration expenses were lower due to professional fees associated with annual tax and year end audit work recognized in Q1-2022 and lower unit based compensation. This decrease was partially offset by expenses incurred in Q2-2022 for the annual Unitholders' meeting held in June.

FFO and AFFO per unit have remained stable at $0.16 when compared to Q1-2022.

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 June 30		Six months ended June 30	
	2022	2021	2022	2021
Revenue	$ 35,120	$ 33,896	$ 71,447	$ 68,840
Expenses:				
Property operating costs	(8,451)	(8,387)	(17,522)	(16,912)
Realty taxes	(4,984)	(4,978)	(10,046)	(10,307)
NOI	$ 21,685	$ 20,531	$ 43,879	$ 41,621
Other income (expenses):				
General and administration expenses	(1,261)	(1,930)	(2,886)	(3,834)
Finance costs	(7,253)	(7,131)	(14,500)	(14,305)
Transaction costs on sale of investment properties	—	(623)		(623)
Distributions on Class B LP Units	(449)	(469)	(898)	(973)
Fair value adjustment of Class B LP Units	2,661	(1,706)	3,416	(3,601)
Fair value adjustment of investment properties	(1,610)	(2,166)	(3,280)	(4,514)
Unrealized gain on change in fair value of derivative instruments	1,709	15	4,660	2,470
Net income and comprehensive income	$ 15,482	$ 6,521	$ 30,391	$ 16,241

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 increased 4% and 6%, respectively, compared to the same quarter in 2021. YTD-2022 revenue and NOI increased 4% and 5%, respectively, compared to YTD-2021. The increase in revenue and NOI was driven by higher Same Property NOI of 7.2% in Q2-2022 and 7.6% in YTD-2022 combined with additional NOI from the Q4-2021 acquisition partially offset by the disposition activity in Q2-2021 and higher amortization of leasing costs and straight line rent adjustments.

Property operating expenses and realty taxes increased 1% and 1% compared to Q2-2021 and YTD-2021, respectively, due to higher repairs and maintenance as a result of lighting upgrades, parking lot repairs and increased snow removal costs. Realty tax expense decreased as a result of lower tax assessments at certain properties.

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 June 30		Six months ended June 30	
	2022	2021	2022	2021
Number of properties	45	45	45	45
Revenue	$ 34,648	$ 33,605	70,486	68,175
Expenses:				
Property operating	(8,351)	(8,297)	(17,300)	(16,747)
Realty taxes	(4,913)	(4,944)	(9,901)	(10,206)
	$ 21,384	$ 20,364	43,285	41,222
Add:				
Amortization of leasing costs and tenant inducements	1,610	1,516	3,188	2,716
Straight-line rent	580	117	962	146
Same Property NOI	$ 23,574	$ 21,997	47,435	44,084
Reconciliation to condensed consolidated interim financial statements:				
Acquisitions and dispositions	298	169	588	415
Amortization of leasing costs and tenant inducements	(1,610)	(1,518)	(3,188)	(2,732)
Straight-line rent	(577)	(117)	(956)	(146)
NOI	$ 21,685	$ 20,531	43,879	41,621

Occupancy

	As at June 30	
	2022	2021
Alberta	95.7 %	96.6 %
British Columbia	98.7 %	100.0 %
New Brunswick	83.8 %	91.4 %
Nova Scotia	96.9 %	97.5 %
Ontario	96.7 %	97.8 %
Total	95.4 %	97.1 %

NOI

	Three months ended June 30			
	2022	2021	Variance	Variance %
Alberta	$ 3,475	$ 3,442	$ 33	1.0 %
British Columbia	1,305	1,251	54	4.3 %
New Brunswick	1,000	1,263	(263)	(20.8)%
Nova Scotia	1,719	1,611	108	6.7 %
Ontario	16,075	14,430	1,645	11.4 %
	$ 23,574	$ 21,997	$ 1,577	7.2 %

Q2-2022 Same Property NOI increased 7.2% and 7.6% YTD-2022.

Despite a decrease in occupancy, Alberta Same Property NOI increased by 1.0% when compared to Q2-2021 due to a new lease that commenced in Q4-2021. Same property occupancy in British Columbia decreased due to a lease expiry at the end of Q2-2022 while Same Property NOI was positively impacted by contractual rent increases. New Brunswick Same Property NOI decreased as a result of certain tenants downsizing, however approximately 30% has been contractually re-leased with revenue commencing in the latter half of 2022. Same Property NOI in Nova Scotia increased due to a new lease that commenced in Q3-2021 and contractual rent step ups.

Ontario Same Property NOI increased by 11.4% mostly due to termination fees related to a tenant in the REIT’s GTA portfolio that is downsizing a portion of their space effective December 2022. This increase was offset by higher vacancy in the GTA portfolio, of which approximately 47% has been contractually re-leased with commencement dates in the second half of 2022 and throughout 2023.

Excluding termination fees, Q2-2022 Same Property NOI decreased 2.2% and 1.8% YTD-2022.

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 9% in Q2-2022 and YTD-2022 when compared to the same period in 2021 due to the costs associated with the Unit-based compensation plan.

FINANCE COSTS

The REIT's finance costs for the three and six months ended June 30, 2022 and 2021 are summarized below. Finance costs exclude cash distributions and fair value adjustments on Class B LP Units.

	Three months ended June 30		Six month ended June 30	
	2022	2021	2022	2021
Interest on mortgages payable	$ 6,789	$ 6,741	$ 13,591	$ 13,557
Other interest expense and standby fees	124	88	206	140
Amortization of mortgage premiums	(12)	(13)	(25)	(26)
Amortization of financing costs	352	315	728	634
	$ 7,253	$ 7,131	$ 14,500	$ 14,305

Higher mortgages payable balances due to refinancings completed in 2021 and Q1-2022 and the additional mortgage obtained for the Q4-2021 property acquisition, have resulted in higher interest expense and amortization of financing costs. This was partially offset by the property dispositions completed in Q2-2021 where the associated borrowings were repaid.

Other interest expense and standby fees relate to costs incurred on the REIT's credit facility (the "Credit Facility") which was partially drawn throughout YTD-2022 resulting in higher expenses compared to YTD-2021 where the Credit Facility was mostly undrawn.

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 Q2-2022 ($469 - Q2-2021) and $898 YTD-2022 ($973 - YTD-2021). 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 gain of $2,661 in Q2-2022 was due to a decrease in the trading price of the Units from $7.16 at March 31, 2022 to $6.28 at June 30, 2022. The fair value gain of $3,416 in YTD-2022 was due to a decrease in the trading price of the Units from $7.41 at December 31, 2021 to $6.28 at June 30, 2022.

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 investment 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 is 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 office 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 properties with long term value propositions.

For the three and six months ended June 30, 2022, the REIT had a fair value loss of $1,610 and $3,280, respectively. The fair value loss was predominantly attributable to moderated leasing assumptions on certain properties, which was partially offset by an increase in value of certain externally appraised properties.

The key valuation assumptions for the REIT's investment properties as at June 30, 2022 and 2021 are as follows:

	2022	**2021**
Terminal and direct capitalization rates – range	4.25% to 9.50%	4.75% to 10.25%
Terminal and direct capitalization rate – weighted average	6.18%	6.26%
Discount rates - range	5.75% to 9.75%	5.75% to 10.25%
Discount rate - weighted average	6.98%	7.06%

The terminal and direct capitalization rate ranges decreased as a result of lower overall capitalization rates at select properties that were externally appraised properties.

UNREALIZED GAIN 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 amount of the outstanding interest rate swap contracts at June 30, 2022 was $75,471 (December 31, 2021 - $76,540). Unrealized gain on change in the fair value of the derivative instruments totaled $1,709 in Q2-2022 ($15 - Q2-2021) and $4,660 YTD-2022 ($2,470 - YTD-2021). There has been a sharp increase in interest rates in 2022 which are projected to continue to increase as the Bank of Canada attempts to curb high inflation.

Given the interest rate swap removes the floating rate exposure on the REIT's debt and replaces it with a fixed rate, the unrealized gain represents the opportunity cost of not maintaining floating rate debt and would only be realized in the event the swap were to be terminated.

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 June 30		Six months ended June 30	
	2022	2021	2022	2021
Net income and comprehensive income	$ 15,482	$ 6,521	$ 30,391	$ 16,241
Add (deduct):				
Fair value adjustment of Unit-based compensation	(358)	448	(482)	733
Fair value adjustment of investment properties	1,610	2,166	3,280	4,514
Fair value adjustment of Class B LP Units	(2,661)	1,706	(3,416)	3,601
Transaction costs on sale of investment property	—	623	—	623
Distributions on Class B LP Units	449	469	898	973
Unrealized gain on change in fair value of derivative instruments	(1,709)	(15)	(4,660)	(2,470)
Amortization of leasing costs and tenant inducements	1,610	1,518	3,188	2,732
FFO	$ 14,423	$ 13,436	$ 29,199	$ 26,947
Add (deduct):				
Unit-based compensation expense	183	125	448	221
Amortization of financing costs	352	315	728	634
Amortization of mortgage discounts	(12)	(13)	(25)	(26)
Instalment note receipts	15	26	32	53
Straight-line rent	577	117	956	146
Capital reserve (1)	(1,197)	(1,190)	(2,380)	(2,373)
AFFO	$ 14,341	$ 12,816	$ 28,958	$ 25,602
FFO per Unit:				
Basic	$ 0.16	$ 0.15	$ 0.32	$ 0.30
Diluted	$ 0.16	$ 0.15	$ 0.32	$ 0.29
AFFO per Unit:				
Basic	$ 0.16	$ 0.14	$ 0.31	$ 0.28
Diluted	$ 0.16	$ 0.14	$ 0.31	$ 0.28
AFFO payout ratio:				
Basic	96 %	105 %	95 %	105 %
Diluted	96 %	106 %	95 %	106 %
Distributions declared	$ 13,720	$ 13,467	$ 27,400	$ 26,888
Weighted average Units outstanding (000s):				
Basic	92,338	90,634	92,196	90,498
Add:				
Unit options and Incentive Units	126	809	130	898
Diluted	92,464	91,443	92,326	91,396

Notes:

(1) Based on an estimate of $1.00 (2021 - $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 $987, or 7% and $1,525, or 12%, respectively in Q2-2022 over the comparable period. The REIT's FFO and AFFO increased $2,252, or 8% and $3,356 or 13%, respectively in YTD-2022 over the comparable period. FFO and AFFO benefited from higher NOI from an acquisition completed in Q4-2021 as well as positive contribution from Same Property NOI, partially offset by property dispositions in Q2-2021.

Q2-2022 FFO basic and diluted per Unit increased $0.01 to $0.16. Q2-2022 AFFO basic and diluted per Unit increased $0.02 to $0.16. YTD-2022 FFO basic and diluted per Unit increased $0.02 and $0.03, respectively, to $0.32. YTD-2022 AFFO basic and diluted per Unit increased $0.03 to $0.31.

Excluding termination fees, Q2-2022 FFO and AFFO basic and diluted per Unit would be $0.13 and YTD-2022 FFO and AFFO basic and diluted per Unit would be $0.27. Q2-2022 AFFO basic and diluted payout ratio would be 112% and YTD-2022 AFFO basic and diluted payout ratio would be 111%.

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 June 30	Six months ended June 30	Years ended December 31	
	2022	2022	2021	2020
Distributions declared	$ 13,720	$ 27,400	$ 53,973	$ 53,139
Less: DRIP and change in distributions payable	(1,816)	(3,381)	(6,793)	(9,014)
Cash distributions paid	$ 11,904	$ 24,019	$ 47,180	$ 44,125

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 June 30	Six months ended June 30	Years ended December 31	
	2022	2022	2021	2020
Net income and comprehensive income	$ 15,482	$ 30,391	$ 51,004	$ 39,752
Cash flow provided by operating activities	24,412	44,096	77,312	91,384
Less: Finance costs paid	(6,942)	(13,855)	(27,380)	(27,418)
Adjusted cash flow provided by operating activities	17,470	30,241	49,932	63,966
Declared basis:				
Excess (shortfall) of net income and comprehensive income over distributions	1,762	2,991	(2,969)	(13,387)
Excess (shortfall) of adjusted cash flow provided by operating activities over distributions	3,750	2,841	(4,041)	10,827
Cash basis:				
Excess (shortfall) of net income and comprehensive income over distributions	3,578	6,372	3,824	(4,373)
Excess of adjusted cash flow provided by operating activities over distributions	5,566	6,222	2,752	19,841

Net income and comprehensive income was higher than declared distributions and cash distributions during the quarter and YTD-2022. Adjusted cash flow provided by operating activities was higher than declared distributions by $3,750 for the quarter and $2,841 for YTD-2022. In Q2-2022, adjusted cash flow provided by operating activities was higher than cash distributions by $5,566 and $6,222 YTD-2022. 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 June 30		Six months ended June 30	
	2022	**2021**	**2022**	**2021**
Adjusted cash flow provided by operating activities	$ 17,470	$ 14,689	$ 30,241	$ 26,131
Change in finance costs payable	29	48	58	32
Instalment note receipts	15	26	32	53
Capital reserve	(1,197)	(1,190)	(2,380)	(2,373)
Change in non-cash operating working capital	(1,976)	(757)	1,007	1,759
AFFO	$ 14,341	$ 12,816	$ 28,958	$ 25,602

AFFO of $14,341 was higher than distributions declared by $4,573 and distributions paid by $6,389 in Q2-2022. YTD-2022 AFFO of $28,958 was higher than distributions declared by $1,558 and distributions paid by $4,939. The REIT expects to be able to fund distributions paid from AFFO on a go forward basis.

CAPITAL RESERVE

The REIT's capital reserve represents a reserve for capital expenditures, tenant inducements 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 May 5, 2022 (the "AIF"). Also see "Risks and Uncertainties".

As at June 30, 2022, the REIT had access to approximately $58,485 of cash and undrawn Credit Facility. During the first quarter, the REIT refinanced a total of $31,570 of mortgages with a weighted average fixed interest rate of 3.32% for three to seven year terms, providing the REIT with additional liquidity of approximately $5,700. The REIT's weighted average term to maturity of its mortgage portfolio is 3.39 years with a weighted average fixed interest rate of 3.32%.

Subsequent to June 30, 2022 the REIT refinanced an additional $47,000 of mortgages with a weighted average fixed interest rate of 4.61% for one to five year terms, providing additional liquidity of $10,800.

The REIT's Available Funds are as follows:

		June 30, 2022		December 31, 2021
Cash	$	8,085	$	5,476
Undrawn Credit Facility		50,400		60,000
Available funds [(1)]	$	58,485	$	65,476

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 manage 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; the 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. Future expenditures are expected to be funded through cash flow generated by operations, the Credit Facility and cash on hand. For the six months ended June 30, 2022 and 2021, the REIT invested $8,261 and $17,519 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 six months ended June 30, 2022 and 2021:

	Investment properties
Balance, December 31, 2020	$ 1,372,184
Additions	17,519
Dispositions	(13,750)
Amortization of leasing costs, tenant inducements and straight-line rents	(1,465)
Fair value adjustment	(4,514)
Balance, June 30, 2021	1,369,974
Acquisitions	22,347
Additions	3,448
Amortization of leasing costs, tenant inducements and straight-line rents	(2,923)
Fair value adjustment	10,733
Balance, December 31, 2021	1,403,579
Additions	8,261
Amortization of leasing costs, tenant inducements and straight-line rents	(3,169)
Fair value adjustment	(3,280)
Balance, June 30, 2022	$ 1,405,391

ADDITIONS

Additions to investment properties for the six months ended June 30, 2022 were $8,261, consisting of the following:

- Capital expenditures of $3,716 mainly for elevator modernization, humidifier and HVAC replacements, and lobby and garage upgrades; and
- Tenant inducements and leasing costs of $4,545, which include costs incurred to renew and obtain new tenants.

PREPAID EXPENSES AND DEPOSITS

At June 30, 2022, the REIT had $4,217 in prepaid expenses and deposits, compared to $2,878 at December 31, 2021. The increase is mainly due to an increase in prepaid realty taxes.

DEBT

MORTGAGES PAYABLE

The following table sets out, as at June 30, 2022, 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 - remainder of year	$ 11,700	$ 78,368	$ 90,068	11.0 %	3.43 %	$ 12,875
2023	20,625	109,973	130,598	16.0 %	3.74 %	21,590
2024	19,248	79,399	98,647	12.0 %	3.39 %	18,461
2025	11,952	197,178	209,130	25.6 %	3.14 %	10,785
2026	10,197	145,486	155,683	19.0 %	3.20 %	8,706
Thereafter	13,928	120,069	133,997	16.4 %	3.31 %	10,512
	$ 87,650	$ 730,473	$ 818,123	100.0 %	3.32 %	$ 82,929
Unamortized mark to market mortgage adjustments			181			
Unamortized financing costs			(3,738)			
			$ 814,566			

Mortgages payable had a weighted average fixed interest rate of 3.32% (December 31, 2021 – 3.31%) and a weighted average term to maturity of 3.39 years (December 31, 2021 – 3.70 years).

CREDIT FACILITY

The Credit Facility has a $60,000 floating rate revolving 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 June 30, 2022, the REIT had drawn $9,600 on the Credit Facility (December 31, 2021 - $nil).

INDEBTEDNESS TO GBV

As at June 30, 2022, the REIT's overall leverage, as represented by Indebtedness to GBV, a non-IFRS financial measure, was 57.5%. The maximum allowable ratio under the DOT is 75%. Below is a calculation of the REIT's Indebtedness to GBV ratio as at June 30, 2022 and December 31, 2021.

	June 30, 2022	December 31, 2021
Total assets	$ 1,432,342	$ 1,421,177
Deferred financing costs	7,132	7,171
GBV	$ 1,439,474	$ 1,428,348
Mortgages payable	814,566	820,402
Credit Facility	9,600	—
Unamortized financing costs and mark to market mortgage adjustments	3,557	3,977
Indebtedness	$ 827,723	$ 824,379
Indebtedness to GBV	**57.5 %**	**57.7 %**

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 of 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 mortgages payable and amortized on an effective interest basis over the expected life of the debt.

As at June 30, 2022, 1.2% (December 31, 2021 - 0%) of the REIT's debt was at floating rates not hedged with interest rate swaps.

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:

	Twelve months ended June 30	
	2022	2021
Net income and comprehensive income	$ 65,154	$ 33,921
Add (deduct):		
Interest expense	27,444	27,563
Fair value adjustment of Unit-based compensation	(414)	940
Transaction costs on sale of investment property	—	856
Fair value adjustment of investment properties	(7,453)	7,435
Fair value adjustment of Class B LP Units	(3,416)	6,494
Distributions on Class B LP Units	1,809	2,119
Unrealized loss on change in fair value of derivative instruments	(6,027)	(3,208)
Amortization of leasing costs, tenant inducements, mortgage premium and financing costs	7,815	6,142
Adjusted EBITDA	$ 84,912	$ 82,262

	Twelve months ended June 30	
	2022	2021
Adjusted EBITDA	$ 84,912	$ 82,262
Interest expense	27,444	27,563
Interest coverage ratio	3.09 x	2.98 x

Interest coverage ratio for the period increased as a result of higher adjusted EBITDA from Same Property NOI and lower interest expense which can be attributed to property dispositions that occurred in late 2020 and Q2-2021. This was partially offset by interest from additional borrowings associated with the Q4-2021 acquisition and refinancings completed in 2021 and 2022.

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 June 30, 2022, there were 3,022,849 Class B LP Units issued and outstanding valued at $18,984 compared to $22,400 as at December 31, 2021. The change in value is due to a decrease in the Unit price from $7.41 at December 31, 2021 to $6.28 at June 30, 2022.

There have been no further changes in the Class B LP Units outstanding as of August 3, 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 six months ended June 30, 2022:

	Units	Amount
Balance, December 31, 2021	88,718,265	$ 544,117
Issue of Units:		
DRIP	500,192	3,343
Options exercised	1,543	11
ATM Program	220,900	1,623
Incentive Units redeemed	55,314	368
Issuance costs	—	(62)
Balance, June 30, 2022	89,496,214	$ 549,400

The number of Units outstanding as of August 3, 2022 is as follows:

Balance, June 30, 2022	89,496,214
Issue of Units:	
DRIP	83,272
Options exercised	60,443
ATM Program	112,600
Balance, August 3, 2022	89,752,529

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, 2021	50,974	$	321
Granted and reinvested	13,310		98
Fair value adjustment	—		57
Balance, June 30, 2021	64,284		476
Granted and reinvested	13,529		100
Fair value adjustment	—		—
Balance, December 31, 2021	77,813		576
Granted and reinvested	15,352		105
Redeemed	(61,676)		(390)
Fair value adjustment	—		(93)
Balance, June 30, 2022	31,489	$	198

The number of Deferred Units outstanding as at August 3, 2022 is as follows:

Balance, June 30, 2022	31,489
Deferred Units reinvested	246
Balance, August 3, 2022	31,735

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 at January 1, 2021	44,252		71
Granted and reinvested	42,573		122
Fair value adjustment	—		43
Balance, June 30, 2021	86,825	$	236
Granted and reinvested	3,552		128
Fair value adjustment	—		29
Balance, December 31, 2021	90,377		393
Granted and reinvested	100,215		343
Redeemed and expired	(101,775)		(436)
Fair value adjustment	—		(105)
Balance, June 30, 2022	88,817	$	195

The number of Restricted Units outstanding as at August 3, 2022 is as follows:

Balance, June 30, 2022	88,817
Restricted Units reinvested	693
Balance, August 3, 2022	89,510

UNIT OPTION PLAN

The REIT's Unit option plan has been suspended and no further options will be granted. As of June 30, 2022, all options have vested and are eligible to be exercised prior to the applicable expiry dates.

Options outstanding as at June 30, 2022 consist of the following:

Exercise price [1]	Outstanding	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	164,001	164,001	September 20, 2023
	476,336	476,336	

[1] In actual dollars.

Subsequent to June 30, 2022, 83,334 Unit options were exercised at a price of $6.17.

SHORT FORM BASE SHELF PROSPECTUS

On February 17, 2022, the REIT filed a short-form base shelf prospectus. The 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 (“ATM”) EQUITY PROGRAM

On April 21, 2022 the REIT filed a prospectus supplement to establish an ATM Program that allows the REIT to issue up to $50 million of Units to the public, at the REIT's discretion, and expires coterminous with the base shelf prospectus.

During the six months ended June 30, 2022, the REIT issued 220,900 Units for gross proceeds of $1,623 ($1,591 net of commissions) for an average issuance price of $7.3491 pursuant to the ATM Program.

Subsequent to June 30, 2022 the REIT issued 112,600 Units for gross proceeds of $715 ($700 net of commissions) for an average issuance price of $6.3458 pursuant to the ATM program.

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 June 30, 2022, the REIT had entered into commitments for building renovations, capital upgrades and landlord work at certain properties totaling $1,700 (December 31, 2021- $2,147).

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

Starlight is considered a related party to the REIT as Starlight is controlled by Daniel Drimmer, the Chief Executive Officer (“CEO”) and 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 CEO and President 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 June 30		Six months ended June 30	
	2022	2021	2022	2021
Asset management fees	$ 1,151	$ 1,131	2,287	2,254
Other expenses	33	46	63	108
Total	$ 1,184	$ 1,177	2,350	2,362

At June 30, 2022, $391 (December 31, 2021 - $420) was included in accounts payable and accrued liabilities. No incentive fees were earned or capital expenditure fees were charged for the three and six months ended June 30, 2022 and 2021.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the securities and activities of the REIT. Risks and uncertainties are disclosed, in the REIT's annual MD&A dated March 2, 2022 for the year ended December 31, 2021 and in the AIF. The annual MD&A and AIF are available on SEDAR at www.sedar.com. Current and prospective Unitholders of the REIT should carefully consider such risk factors.

USE OF ESTIMATES

The preparation of the REIT's condensed consolidated interim 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 condensed consolidated interim 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.

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:	
Other assets	Amortized cost
Tenant and other receivables	Amortized cost
Derivative instruments	Fair value
Cash and cash equivalents	Amortized cost
Financial liabilities:	
Mortgages payable	Amortized cost
Derivative instruments	Fair value
Class B LP Units	Fair value
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 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 condensed consolidated interim 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 three and six months ended June 30, 2022 was a gain of $2,661 (Q2-2021 - loss of $1,706) and $3,416 (YTD 2021 - loss of $3,601).

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 three and six months ended June 30, 2022 was $1,709 (Q2-2021 - $15) and $4,660 (YTD 2021 - $2,470).

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 Q2-2022 except for the adoption of new standards effective January 1, 2022. The REIT has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2022, but are not expected to have a material impact on the condensed consolidated interim financial statements of the REIT.

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 as at and for the year ended December 31, 2021.

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 condensed consolidated interim 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 and six months ended June 30, 2022.

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 and six months ended June 30, 2022.

OUTLOOK

With the elimination of largely all COVID-19 health mandates, many employers have implemented hybrid work policies to initiate the transition of return to office. While a flexible and hybrid work model may reflect a structural shift in the way businesses operate, management expects this to manifest itself in a transformation of office space utilization, rather than a decline in demand for office space. Employers remain focused on providing a physical environment that is a conduit to build a cultural hub and community for employees including quality amenities and personalized space.

On July 13, 2022, the Bank of Canada (the "Bank") opted to increase its target overnight rate 100 bps to 2.5% and continues its policy of quantitative tightening to reign in rising inflation. Although interest rates remain at historically low levels, with increasing demand, supply chain shortages, and higher inflation expectations, the Bank continues to indicate that interest rates will need to continue to rise in the near future until the Bank achieves its 2% inflation target.

Canada's unemployment rate continued to decrease to 5.1% in May 2022, falling below its pre-pandemic level. Real gross domestic product increased 80 basis points in Q2-2022, a third consecutive quarterly increase largely attributable to a rise in household spending and business investment. With government support programs coming to an end in conjunction with rising interest rates, the Canadian and global economies are expected to slow down.

National office vacancy in Q2-2022 slightly increased to 16.5%, stabilizing from Q1-2022. Market sentiment continues to improve, and positivity is reignited as pandemic restrictions are lifted and physical occupancy continues to increase as businesses resume in-office workdays. Sublet levels are at lowest points since Q4-2020, and increased demand for quality built-out spaces as well as higher retention rates are expected to decrease the demand for subleases in 2022 as tenants return to office. Notably, the REIT's portfolio occupancy of 96% remains well above the overall market, reflective of the REIT's stable roster of predominately government and credit rated tenants.

The GTA office vacancy continues to rise, with overall vacancy up 70 basis points to 15.4% in Q2-2022, however rental rate growth has picked up with GTA average Class A rents increasing to $28.65 per square foot from $28.15 per square foot last quarter. While the GTA suburban office vacancy increased 60 basis points from the prior quarter to 19.6% in Q2-2022, the REIT continues to maintain a 95.5% occupancy in its GTA portfolio.

The Ottawa market continues to perform well with overall vacancy decreasing 20 basis points to 8.8% in Q2-2022, as the total available square footage has declined back to early pandemic levels. The REIT's Ottawa portfolio continues to outperform the market with occupancy at 98.7%. The Halifax office market has shown signs of recovery with vacancy down 50 basis points from the prior quarter to 15.7% in Q2-2022, which is still well above the REIT's Halifax portfolio vacancy of 3.1%. Although the Calgary office remains challenged with downtown vacancy up 90 basis points to 33.7%, the Calgary economy continues to improve with the unemployment rate declining to 5.5% in June 2022, the lowest level since 2015.

The REIT's strong mix of government and credit rated tenants continue to provide high occupancy and rent collections. 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: August 3, 2022
Toronto, Ontario, Canada

APPENDIX A - PROPERTY LISTING AT JUNE 30, 2022

	Property Name	City	Occupancy	Remaining Lease Term [1]	GLA
	Alberta				
1	855 8th Avenue SW	Calgary	78 %	0.1 year	75,700
2	4500 & 4520 - 16th Avenue NW	Calgary	97 %	2.5 years	77,600
3	1020 68th Avenue NE	Calgary	100 %	1.5 years	148,400
4	3699 63rd Avenue NE	Calgary	100 %	6.4 years	209,400
5	13140 St. Albert Trail	Edmonton	100 %	2.2 years	95,200
	Total Alberta		*97 %*	*3.7 years*	*606,300*
	British Columbia				
6	810 Blanshard Street	Victoria	100 %	2.6 years	34,400
7	727 Fisgard Street	Victoria	94 %	7.3 years	50,100
8	1112 Fort Street	Victoria	100 %	4.2 years	52,000
9	9200 Glenlyon Parkway	Burnaby	100 %	4.6 years	90,600
10	32071 South Fraser Way	Abbotsford	100 %	2.3 years	52,300
	Total British Columbia		*99 %*	*4.3 years*	*279,400*
	New Brunswick				
11	500 Beaverbrook Court	Fredericton	93 %	1.3 years	55,600
12	295 Belliveau Avenue	Shediac	100 %	4.6 years	42,100
13	410 King George Highway	Miramichi	41 %	5.8 years	73,200
14	551 King Street	Fredericton	100 %	0.2 year	85,300
15	495 Prospect Street	Fredericton	80 %	4.6 years	87,100
16	845 Prospect Street	Fredericton	100 %	3.0 years	39,000
17	414-422 York Street	Fredericton	84 %	1.8 years	33,500
18	440-470 York Street	Fredericton	89 %	0.6 year	60,100
	Total New Brunswick		*84 %*	*2.5 years*	*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 %	3.0 years	130,400
20	120, 130, 134 & 140 Eileen Stubbs Avenue	Halifax	96 %	4.9 years	297,300
	Total Nova Scotia		*97 %*	*4.2 years*	*427,700*
	Ontario				
21	1595 16th Avenue	Richmond Hill	98 %	7.6 years	122,900
22	251 Arvin Avenue	Hamilton	100 %	2.0 years	6,900
23	61 Bill Leathem Drive	Ottawa	100 %	5.6 years	148,100
24	777 Brock Road	Pickering	100 %	5.7 years	98,900
25	400 Carlingview Drive	Etobicoke	100 %	5.7 years	26,800
26	6865 Century Avenue	Mississauga	100 %	1.3 years	63,800
27	6925 Century Avenue	Mississauga	100 %	2.4 years	252,500
28	675 Cochrane Drive	Markham	92 %	3.9 years	369,300
29	1161 Crawford Drive	Peterborough	100 %	4.8 years	32,500
30	520 Exmouth Street	Sarnia	100 %	4.4 years	34,700
31	3115 Harvester Road	Burlington	93 %	4.3 years	78,800
32	135 Hunter Street East	Hamilton	100 %	1.1 years	24,400
33	340 Laurier Avenue West	Ottawa	100 %	7.6 years	279,800
34	360 Laurier Avenue West	Ottawa	100 %	0.9 year	107,100
35	400 Maple Grove Road	Ottawa	100 %	2.2 years	107,200
36	101 McNabb Street	Markham	100 %	4.2 years	315,400
37	78-90 Meg Drive	London	100 %	2.9 years	11,300
38	301 & 303 Moodie Drive	Ottawa	93 %	3.9 years	149,400
39	8 Oakes Avenue	Kirkland Lake	100 %	9.8 years	41,000
40	5160 Orbitor Drive	Mississauga	100 %	7.8 years	31,400
41	231 Shearson Crescent	Cambridge	100 %	3.2 years	60,700
42	6 Staples Avenue	Richmond Hill	100 %	11.3 years	122,000
43	2300 St. Laurent Boulevard	Ottawa	100 %	3.8 years	37,500
44	3650 Victoria Park Avenue	Toronto	97 %	1.3 years	154,400
45	80 Whitehall Drive	Markham	100 %	7.4 years	60,800
46	5775 Yonge Street	Toronto	83 %	4.3 years	274,200
	Total Ontario		*97 %*	*4.5 years*	*3,011,800*
	Average/Total Portfolio		96 %	4.3 years	4,801,100

[1] Weighted by annualized gross revenue.

True North Commercial REIT

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