TSX: TNT.UN

True North COMMERCIAL REIT

Q3 2022

MANAGEMENT'S DISCUSSION & ANALYSIS

NOVEMBER 2, 2022

675 Cochrane Drive
GTA, ON

AT A GLANCE

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

$1.5 B
Total Assets

$528 M
Market Capitalization

4.4 YR
Weighted Average Lease Term

47
Properties

95%
Occupancy

80%
Revenues Generated from Goverment & Credit rated Tenants

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

Stable
Contractual
Cash flow

High Quality
Tenant Base

Focus on
Urban Areas

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 nine months ended September 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, the ability of the REIT to manage inflation and rising interest rates, 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; fluctuating mortgage and interest rates and general economic conditions, including increased levels of inflation; credit, market, operational and liquidity risks generally; 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; and the direct and indirect impacts 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 fluctuating mortgage and interest rates, inflation and COVID-19; (c) the factors, risks and uncertainties expressed above in regards to vaccines and 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.

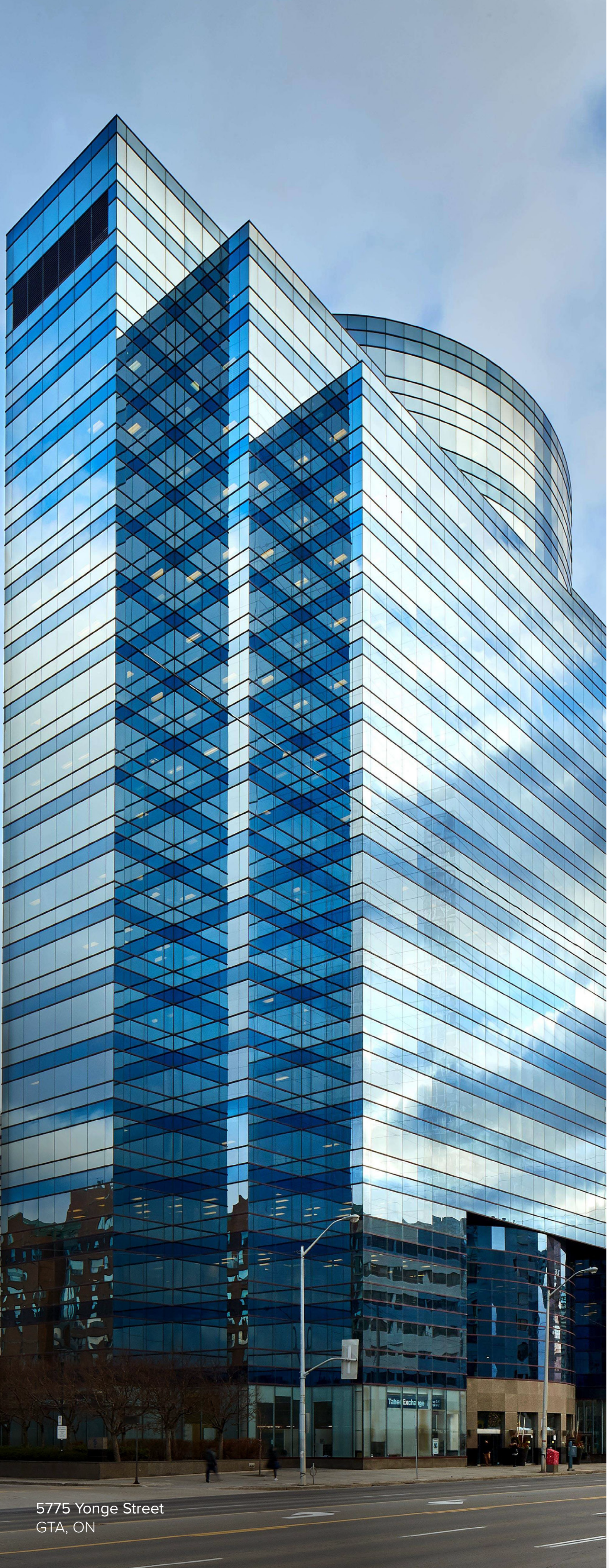
Indebtedness is defined in the REIT's third amended and restated declaration of trust dated as of May 11, 2021 ("DOT") and is a measure of the amount of leverage utilized by the REIT. GBV is defined in the DOT and is a measure of the value of the REIT's total assets. The Indebtedness to GBV ratio is 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 nine months ended September 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 nine months ended September 30, 2022 ("Q3-2022") and ("YTD-2022"), respectively, three and nine months ended September 30, 2021 ("Q3-2021") and ("YTD-2021"), respectively, three months ended June 30, 2022 ("Q2-2022"), three months ended June 30, 2021 ("Q2-2021") and three months ended December 31, 2021 ("Q4-2021").

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 September 30, 2022, the REIT owned and operated a portfolio of 47 office properties across Canada consisting of approximately 5.0 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.

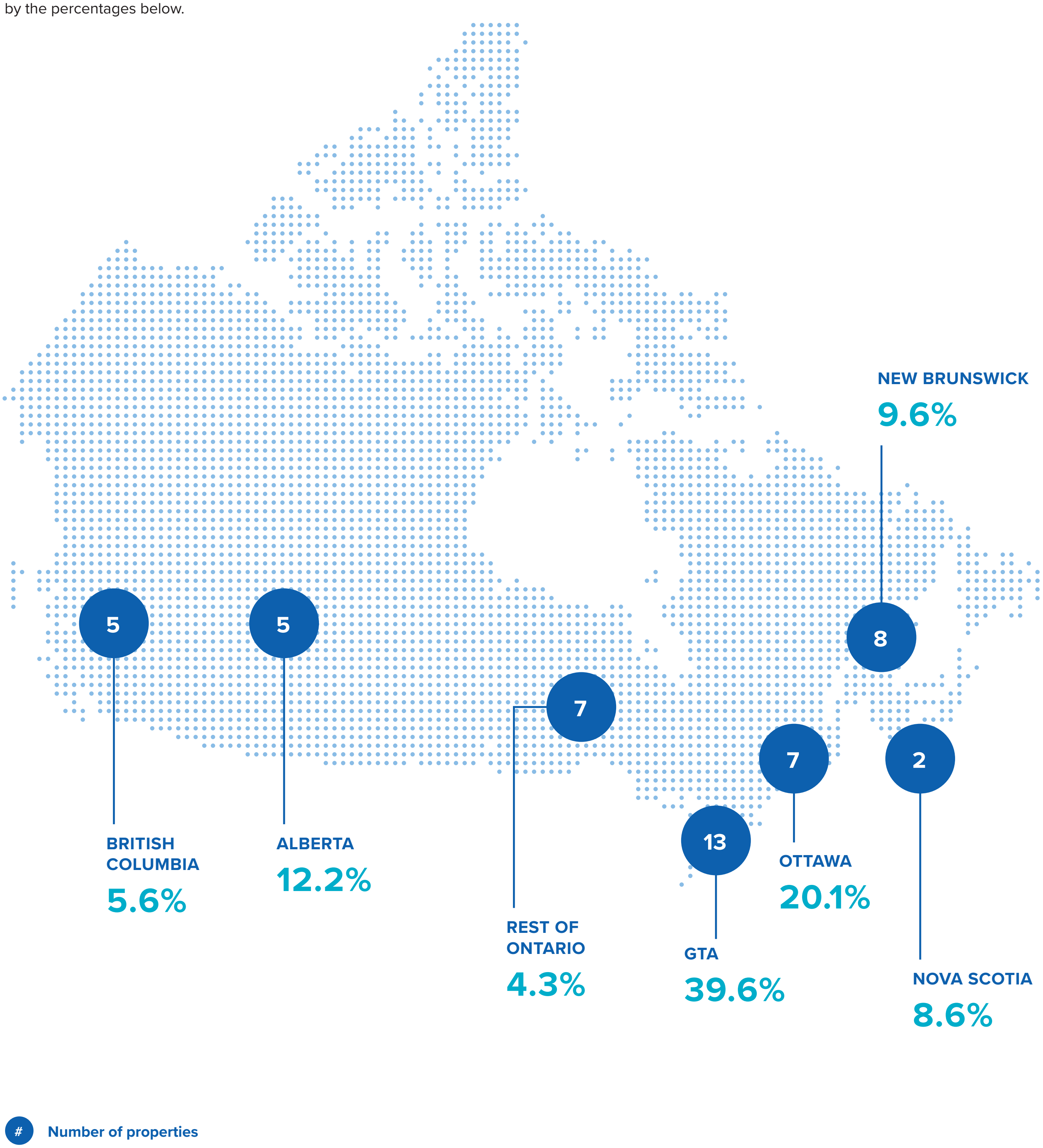
9200 Glenlyon Parkway
Burnaby, BC

PORTFOLIO OVERVIEW

As at September 30, 2022, the REIT's portfolio was comprised of 47 office properties totaling approximately 5.0 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 September 30, 2022 is denoted by the percentages below.



TENANT PROFILE

Top 20 tenants account for 70% of revenue. Approximately 80% of the REIT's portfolio revenue is generated by government and credit rated tenants.

38%
government tenants

\+

42%
credit rated tenants

=

80%
total government and credit rated tenants

The REIT's top 20 tenants as at September 30, 2022:

TENANT	% OF GROSS REVENUE	GLA	REMAINING LEASE TERM[1]
Federal Government of Canada	17.5%	832,000	5.9 years
Province of Alberta	9.4%	395,100	4.2 years
TD Insurance	5.9%	275,600	2.5 years
Province of Ontario	5.8%	237,200	4.1 years
General Motors of Canada Company	3.3%	154,800	3.9 years
Province of British Columbia	3.0%	125,100	4.7 years
Stantec Consulting Ltd.	2.3%	105,100	3.7 years
Province of New Brunswick	2.3%	170,100	0.7 year
Lumentum Ottawa Inc.	2.2%	148,100	5.3 years
LMI Technologies Inc.	2.1%	90,600	4.3 years
Golder Associates Ltd.	2.1%	80,900	3.3 years
Intact Insurance Co.	2.1%	77,800	2.7 years
Staples Canada ULC	1.9%	122,000	11.0 years
General Dynamics Land Systems	1.7%	148,400	1.2 years
EMS Technologies Canada, Ltd.	1.7%	107,200	1.9 years
Ceridian Canada Ltd.	1.5%	49,800	3.4 years
Smucker Foods of Canada Corporation	1.4%	60,800	7.2 years
Paymentus (Canada) Corporation	1.3%	55,800	8.5 years
ADP Canada Co.	1.2%	65,600	3.7 years
Trans Union Of Canada Inc.	1.2%	46,400	2.9 years
Total	**70.0%**	**3,348,400**	**4.5 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
37%	**23%**	**17%**	**13%**	**10%**

LEASING ACTIVITY

As at September 30, 2022, the REIT's occupancy was at 95% with a weighted average remaining lease term of 4.4 years. The following table summarizes the leasing activity for Q3-2022:

	New Lease Deals		Lease Renewals and Replacements		
	Leasable Area	Weighted Average Lease Term	Leasable Area	Weighted Average Lease Term	% Increase In Rents
Q3 2022	66,400 SF	11.3 YR	131,900 SF	4.0 YR	1.3%
YTD 2022	121,600 SF	9.8 YR	406,100 SF	4.4 YR	3.6%

The REIT continues to deliver positive results. Overall, leasing volume and lease terms are improving and enhancing the REIT's income. In Q3-2022, the REIT completed a total of 198,300 square feet of leasing transactions with a total weighted average lease term of 6.4 years which represents higher leasing volumes and longer average lease terms when compared to Q2-2022.

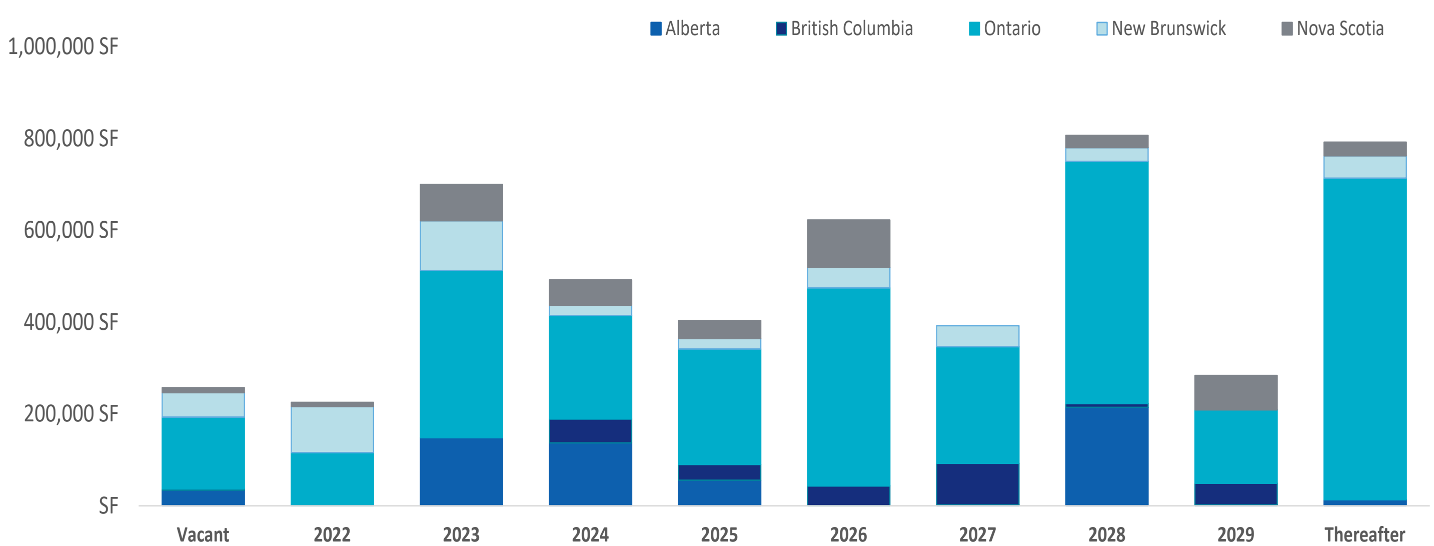
During the quarter, the REIT completed 66,400 square feet of new lease deals with a weighted average lease term of 11.3 years. Occupancy was negatively impacted due to the early surrender of 25,800 square feet of upcoming vacancy to allow for releasing. The REIT also re-leased 24,500 square feet of vacancy in Miramichi, New Brunswick to a federal government tenant for a ten-year term.

The REIT renewed and replaced 131,900 square feet with a weighted average lease term of 4.0 years with a positive leasing spread of 1.3% over expiring rental rates further showing tenant's willingness to commit to quality office space. Government renewals for the quarter totaled 91,900 square feet with a weighted average lease term of 4.4 years and positive leasing spreads of 1.7% over expiring rates.

The REIT's renewal activity YTD-2022 achieved a 3.6% increase in base rents over expiring rates and included 248,800 square feet of government tenancy renewals with a weighted average lease term of 4.2 years.

LEASE ROLLOVER PROFILE

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



ECONOMIC CONDITIONS AND IMPACT OF COVID-19

The REIT continues to monitor the post pandemic economic environment and the after effects of COVID-19. The current economic environment has become difficult to predict with record high inflation along with significant interest rate hikes by the Bank of Canada. We have experienced a delayed response in return to office initiatives due to health concerns and a shift in employee expectations resulting in lower than anticipated physical occupancy levels in 2022. As a result of the pandemic, some companies have adapted to a flexible hybrid work model causing tenants to re-assess their space requirements. Employers continue to remain focused on providing employees with amenity rich spaces and providing a physical environment that will help build a cultural hub and community in order to draw employees back to the office.

During 2022, inflation concerns have contributed to a series of interest rate increases, with the Bank of Canada raising its target overnight rate from 0.25% to 3.75% as at November 2, 2022. Rising interest rates have a number of consequences for the REIT including downward pressure on the fair value of investment properties which as at September 30, 2022 was based upon available market data. The REIT continues to actively monitor the current interest rate environment and any associated impact this may have on the REIT's financial performance and property values.

To address rising interest rates and changing tenant preferences, the REIT has taken a number of proactive steps to maintain its financial stability under the current economic conditions. As at September 30, 2022, the REIT increased its liquidity by approximately $20,600 through refinancing a total of $82,820 of mortgages with a weighted average fixed interest rate of 4.16% for one to seven year terms. During the quarter, the REIT renewed its credit facility ("Credit Facility") for a further two years maturing December 1, 2024 which included an increase from $60,000 to $68,000, with the additional $8,000 expiring on June 30, 2023 to align with the sale of the Abbotsford Property (see "Third Quarter and Year to Date Highlights and Key Performance Indicators – Investment Activity"). The REIT now has access to Available Funds[(1)] of $71,636.

The REIT continues to experience strong rent collections and positive leasing activity. As of November 2, 2022, the REIT had collected, approximately 99.5% of its Q3-2022 and YTD-2022 contractual rent. This positive and ongoing trend reflects the REIT's high quality tenant base given approximately 38% of revenue is generated from the Federal Government of Canada and the Provincial Governments of Alberta, British Columbia, New Brunswick and Ontario. Additionally, 42% of revenue is generated from credit rated tenants that are well capitalized and possess the financial resources to meet their rental obligations.

It continues to be difficult to predict the continuing impact of COVID-19, rising interest rates and inflation 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 risks and uncertainties are disclosed, in the REIT's annual MD&A dated March 2, 2022 for the year ended December 31, 2021.

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.

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

THIRD QUARTER AND YEAR TO DATE HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

The REIT has continued to perform in line with management expectations. Collections remained strong with approximately 99.5% of Q3-2022 contractual rents collected. Q3-2022 occupancy was 95% with an average remaining lease term of 4.4 years and 80% of revenue is generated from government and credit rated tenants.

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Portfolio				
Number of properties			47	45
Portfolio GLA			4,975,200 sf	4,745,300 sf
Occupancy			95 %	96 %
Remaining weighted average lease term			4.4 years	4.6 years
Revenue from government and credit rated tenants			80 %	76 %
Financial				
Revenue	$ 36,677	$ 34,222	$ 108,124	$ 103,062
NOI [1]	21,976	20,555	65,855	62,176
Net income and comprehensive income	8,046	15,847	38,437	32,088
Same Property NOI [1]	23,552	22,242	70,987	66,326
FFO [1]	$ 14,436	$ 13,544	$ 43,635	$ 40,491
FFO per Unit - basic [1]	0.15	0.15	0.47	0.45
FFO per Unit - diluted [1]	0.15	0.15	0.47	0.44
AFFO [1]	$ 14,290	$ 12,940	$ 43,248	$ 38,542
AFFO per Unit - basic [1]	0.15	0.14	0.47	0.43
AFFO per Unit - diluted [1]	0.15	0.14	0.47	0.42
AFFO payout ratio - diluted [1]	97 %	105 %	95 %	106 %
Distributions declared	$ 13,900	$ 13,506	$ 41,300	$ 40,394

Q3-2022 revenue and NOI increased 7% (YTD-2022 - 5% and 6%), respectively when compared to the same period in 2021. The main contributor was the increase in Same Property NOI of 5.9% (YTD-2022 - 7.0%) combined with additional NOI from the acquisitions in Q4-2021 and Q3-2022, partially offset by the disposition activity in Q2-2021 and higher amortization of leasing costs and straight line rent adjustments.

While occupancy has decreased in the REIT's Ontario portfolio, Same Property NOI in Ontario increased by 10.6% mainly due to termination fees. Termination fees relate to a tenant in the REIT's GTA portfolio that is downsizing a portion of their space effective December 2022, of which approximately 28% has been contractually re-leased.

Alberta Same Property NOI decreased due to termination fees received in Q3-2021. Same property occupancy in British Columbia decreased due to a lease expiry at the end of Q2-2022, NOI was positively impacted by contractual rent increases. New Brunswick Same Property NOI experienced a decline due to lower occupancy as certain tenants downsized on renewal. The REIT's Miramichi property saw positive leasing activity this quarter with the completion of a 24,500 square feet lease with rent commencing in 2023. Same Property NOI in Nova Scotia increased due to a 3,200 square feet new lease that commenced in Q3-2021 and contractual rent step ups.

The REIT's FFO and AFFO increased $892 (YTD-2022 - $3,144) and $1,350 (YTD-2022 - $4,706), respectively in Q3-2022 over the comparable period. FFO and AFFO benefited from higher NOI from acquisitions completed in Q4-2021 and Q3-2022 as well as positive contribution from Same Property NOI, partially offset by property dispositions in Q2-2021.

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

Q3-2022 FFO basic and diluted per Unit remained stable at $0.15. Q3-2022 AFFO basic and diluted per Unit increased $0.01 to $0.15. YTD-2022 FFO basic and diluted per Unit increased $0.02 and $0.03, respectively, to $0.47. YTD-2022 AFFO basic and diluted per Unit increased $0.04 and $0.05, respectively to $0.47.

Excluding termination fees, Q3-2022 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 $0.40. Q3-2022 AFFO diluted payout ratio would be 113% and YTD-2022 AFFO diluted payout ratio would be 112%.

In Q3-2022, the REIT completed 66,400 square feet of new lease deals with a weighted average lease term of 11.3 years. The REIT also renewed and replaced 131,900 square feet with a weighted average lease term of 4.0 years with a positive leasing spread of 1.3% over expiring rental rates further showing tenants' willingness to commit to quality office space. In YTD-2022, the REIT's renewal achieved a 3.6% increase in base rents over expiring rates and included 248,800 square feet of government tenancy renewals with a weighted average lease term of 4.2 years.

Investment Activity

On August 22, 2022, the REIT acquired a 174,000 square foot office property located at 400 Cumberland Street, Ottawa, Ontario (“Cumberland Property”) for approximately $40,500, plus closing costs. The purchase price was satisfied by a combination of $30,400 mortgage financing and the REIT's secured credit facility.

On April 11, 2022, the REIT entered into an agreement of purchase and sale to dispose of 32071 South Fraser Way, Abbotsford, BC ("Abbotsford Property") 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 and Liquidity

	September 30, 2022	December 31, 2021
Indebtedness to GBV ratio [(1)]	58.4 %	57.7 %
Interest coverage ratio [(1)]	3.09 x	3.02 x
Indebtedness - weighted average fixed interest rate	3.46 %	3.31 %
Indebtedness - weighted average term to maturity	3.31 years	3.70 years

As at September 30, 2022, the REIT's mortgage portfolio carried a weighted average maturity of 3.31 years and a weighted average fixed interest rate of 3.46%. During the quarter, the REIT refinanced a total of $51,250 (YTD-2022 - $82,820) of mortgages with a weighted average fixed interest rate of 4.68% (YTD-2022 - 4.16%) for one to five year terms (YTD-2022 - one to seven year terms), providing the REIT with additional liquidity of approximately $15,000 (YTD-2022 - $20,600). Subsequent to quarter end, the REIT refinanced $23,800 of mortgages with a weighted average fixed interest rate of 5.32% for a five year term, providing the REIT with additional liquidity of approximately $5,500.

At the end of Q3-2022, the REIT had access to Available Funds[(1)] of $71,636. On August 19, 2022, the REIT renewed its credit facility for a further two years maturing December 1, 2024 which included an increase from $60,000 to $68,000, with the additional $8,000 expiring on June 30, 2023 to align with the sale of the Abbotsford Property.

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

QUARTERLY INFORMATION

	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20
Revenue	$36,677	$35,120	$36,327	$35,461	$34,222	$33,896	$34,944	$36,189
Property operating costs	(14,701)	(13,435)	(14,133)	(15,010)	(13,667)	(13,365)	(13,854)	(15,448)
NOI (1)	21,976	21,685	22,194	20,451	20,555	20,531	21,090	20,741
General and administration expenses	(1,294)	(1,261)	(1,625)	(1,663)	(1,409)	(1,930)	(1,904)	(1,662)
Finance costs	(7,725)	(7,253)	(7,247)	(7,239)	(7,121)	(7,131)	(7,174)	(7,200)
Transaction costs on sale of investment properties	—	—	—	—	—	(623)	—	(73)
Distributions on Class B LP Units	(400)	(449)	(449)	(449)	(462)	(469)	(504)	(573)
Fair value adjustment of Class B LP Units	1,629	2,661	755	(514)	514	(1,706)	(1,895)	(2,314)
Fair value adjustment of investment properties	(6,842)	(1,610)	(1,670)	7,361	3,372	(2,166)	(2,348)	(1,115)
Unrealized gain (loss) on change in fair value of derivative instruments	702	1,709	2,951	969	398	15	2,455	495
Net income and comprehensive income for the period	$ 8,046	$15,482	$14,909	$ 18,916	$15,847	$ 6,521	$ 9,720	$ 8,299
FFO per Unit - basic (1)	$ 0.15	$ 0.16	$ 0.16	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15
AFFO per Unit - basic (1)	$ 0.15	$ 0.16	$ 0.16	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14
AFFO per Unit - diluted (1)	$ 0.15	$ 0.16	$ 0.16	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14
AFFO payout ratio - basic (1)	97 %	96 %	94 %	105 %	104 %	105 %	105 %	105 %
AFFO payout ratio - diluted (1)	97 %	96 %	94 %	106 %	105 %	106 %	106 %	105 %
Number of investment properties	47	46	46	46	45	45	47	47
Occupancy rate	95 %	96 %	96 %	96 %	96 %	97 %	97 %	98 %

Q3-2022 revenue and NOI increased 4% and 1% compared to the previous quarter primarily as a result of the acquisition of the Cumberland Property on August 22, 2022, combined with higher recovery revenue directly attributable to higher operating costs such as painting, boiler repairs and utilities.

Excluding the changes in the fair value of Unit-based compensation, general and administration expenses were lower in Q3-2022 due to costs incurred in the previous quarter for the annual Unitholders' meeting and lower unit based compensation.

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 investment activity and mortgage refinancings completed in Q3-2022.

Distributions on Class B LP Units decreased in the quarter due to the exchange of 496,435 Class B LP Units to Units completed on August 16, 2022.

Portfolio occupancy declined 1% to 95% when compared to Q2-2022. Occupancy was negatively impacted due to the early surrender of 25,800 square feet of upcoming vacancy to allow the releasing of the space.

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

ANALYSIS OF FINANCIAL PERFORMANCE

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Revenue	$ 36,677	$ 34,222	$ 108,124	$ 103,062
Expenses:				
Property operating costs	(9,526)	(9,012)	(27,048)	(25,924)
Realty taxes	(5,175)	(4,655)	(15,221)	(14,962)
NOI	$ 21,976	$ 20,555	$ 65,855	$ 62,176
Other income (expenses):				
General and administration expenses	(1,294)	(1,409)	(4,180)	(5,243)
Finance costs	(7,725)	(7,121)	(22,225)	(21,426)
Transaction costs on sale of investment properties	—	—	—	(623)
Distributions on Class B LP Units	(400)	(462)	(1,298)	(1,435)
Fair value adjustment of Class B LP Units	1,629	514	5,045	(3,087)
Fair value adjustment of investment properties	(6,842)	3,372	(10,122)	(1,142)
Unrealized gain on change in fair value of derivative instruments	702	398	5,362	2,868
Net income and comprehensive income	$ 8,046	$ 15,847	$ 38,437	$ 32,088

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 7% (YTD-2022 - 5%) and 7% (YTD-2022 - 6%), respectively, compared to the same period in 2021. The increase in revenue and NOI was driven by higher Same Property NOI of 5.9% in Q3-2022 and 7.0% in YTD-2022 combined with additional NOI from the acquisitions in Q4-2021 and Q3-2022, 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 8% and 3% compared to Q3-2021 and YTD-2021, respectively, due to higher cleaning and utilities as a result of higher physical occupancy. YTD-2022 was also impacted by higher seasonal costs including snow removal. Realty tax expense increased as a result of property acquisitions and higher 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 September 30		Nine months ended September 30	
	2022	2021	2022	2021
Number of properties	45	45	45	45
Revenue	$ 35,704	$ 34,221	106,190	102,396
Expenses:				
Property operating	(9,313)	(9,012)	(26,613)	(25,758)
Realty taxes	(5,008)	(4,655)	(14,909)	(14,861)
	$ 21,383	$ 20,554	64,668	61,777
Add:				
Amortization of leasing costs and tenant inducements	1,584	1,558	4,772	4,274
Straight-line rent	585	130	1,547	275
Same Property NOI	$ 23,552	$ 22,242	70,987	66,326
Reconciliation to condensed consolidated interim financial statements:				
Acquisitions and dispositions	589	1	1,177	416
Amortization of leasing costs and tenant inducements	(1,584)	(1,559)	(4,772)	(4,291)
Straight-line rent	(581)	(129)	(1,537)	(275)
NOI	$ 21,976	$ 20,555	65,855	62,176

Occupancy

	As at September 30	
	2022	2021
Alberta	94.4 %	97.1 %
British Columbia	98.7 %	100.0 %
New Brunswick	88.8 %	90.7 %
Nova Scotia	97.5 %	96.7 %
Ontario	94.9 %	95.6 %
Total	94.6 %	95.6 %

NOI

	Three months ended September 30			
	2022	2021	Variance	Variance %
Alberta	$ 3,540	$ 3,608	$ (68)	(1.9)%
British Columbia	1,290	1,266	24	1.9 %
New Brunswick	1,014	1,218	(204)	(16.7)%
Nova Scotia	1,752	1,726	26	1.5 %
Ontario	15,956	14,424	1,532	10.6 %
	$ 23,552	$ 22,242	$ 1,310	5.9 %

Q3-2022 Same Property NOI increased 5.9% and 7.0% YTD-2022.

Alberta Same Property NOI decreased due to termination fees received in Q3-2021. Same property occupancy in British Columbia decreased due to a lease expiry at the end of Q2-2022, NOI was positively impacted by contractual rent increases. New Brunswick Same Property NOI experienced a decline due to lower occupancy as certain tenants downsized on renewal. The REIT's Miramichi property saw positive leasing activity this quarter with the completion of a 24,500 square feet lease with rent commencing in 2023. Same Property NOI in Nova Scotia increased due to a 3,200 square feet new lease that commenced in Q3-2021 and contractual rent step ups.

While occupancy has decreased in the REIT's Ontario portfolio, Same Property NOI increased by 10.6% mainly due to termination fees. Termination fees relate to a tenant in the REIT's GTA portfolio that is downsizing a portion of their space effective December 2022, of which approximately 28% has been contractually re-leased.

Excluding termination fees, Q3-2022 Same Property NOI decreased 2.8% and 2.1% 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 decreased 3% in Q3-2022 due to lower professional fees and increased 5% YTD-2022 due to the costs associated with the Unit-based compensation plan.

FINANCE COSTS

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

	Three months ended September 30		Nine month ended September 30	
	2022	2021	2022	2021
Interest on mortgages payable	$ 7,189	$ 6,718	$ 20,780	$ 20,275
Other interest expense and standby fees	142	79	348	219
Amortization of mortgage premiums	(11)	(13)	(36)	(39)
Amortization of financing costs	405	337	1,133	971
	$ 7,725	$ 7,121	$ 22,225	$ 21,426

Higher mortgages payable balances due to refinancings and acquisitions completed in 2021 and 2022 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 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 $400 in Q3-2022 ($462 - Q3-2021) and $1,298 YTD-2022 ($1,435 - YTD-2021). The decrease in distributions was due to the conversion of 697,380, 135,953 and 496,435 Class B LP Units to Units on February 25, 2021, September 9, 2021 and August 16, 2022, 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 $1,629 in Q3-2022 was due to a decrease in the trading price of the Units from $6.28 at June 30, 2022 to $5.61 at September 30, 2022. The fair value gain of $5,045 in YTD-2022 was due to a decrease in the trading price of the Units from $7.41 at December 31, 2021 to $5.61 at September 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.

In determining the fair value of its investment properties the REIT continuously revises rental growth, lease renewal assumptions along with capital spending on upcoming vacancies to reflect expected market conditions. Moreover, the future cash flows are expected to remain relatively stable as government and credit rated tenants comprise the majority of the REIT's tenant base. The acquisition of the Cumberland Property in Q3-2022 is reflective of the overall strategy of the REIT and its alignment with securing long term government and credit rated leases. With rapidly changing market conditions it is not possible to forecast with certainty the after effects COVID-19 and rising interest rates will have on the valuation of the REIT’s 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 nine months ended September 30, 2022, the REIT had a fair value loss of $6,842 and $10,122, respectively. The fair value loss was predominantly attributable to moderated leasing assumptions on certain properties along with increased capitalization rates on some 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 September 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	6.21%	6.26%
Discount rates – range	5.75% to 9.75%	5.75% to 10.25%
Discount rate – weighted average	6.96%	7.06%

The terminal and direct capitalization rate ranges decreased as a result of lower overall capitalization rates at select properties based on independent external appraisals.

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 September 30, 2022 was $74,930 (December 31, 2021 - $76,540). Unrealized gain on change in the fair value of the derivative instruments totaled $702 in Q3-2022 ($398 - Q3-2021) and $5,362 YTD-2022 ($2,868 - YTD-2021). There has been a sharp increase in interest rates in 2022 which are projected to continue to rise as the Bank of Canada attempts to curb 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 September 30		Nine months ended September 30	
	2022	2021	2022	2021
Net income and comprehensive income	$ 8,046	$ 15,847	$ 38,437	$ 32,088
Add (deduct):				
Fair value adjustment of Unit-based compensation	(105)	(40)	(587)	693
Fair value adjustment of investment properties	6,842	(3,372)	10,122	1,142
Fair value adjustment of Class B LP Units	(1,629)	(514)	(5,045)	3,087
Transaction costs on sale of investment property	—	—	—	623
Distributions on Class B LP Units	400	462	1,298	1,435
Unrealized gain on change in fair value of derivative instruments	(702)	(398)	(5,362)	(2,868)
Amortization of leasing costs and tenant inducements	1,584	1,559	4,772	4,291
FFO	$ 14,436	$ 13,544	$ 43,635	$ 40,491
Add (deduct):				
Unit-based compensation expense	93	112	541	333
Amortization of financing costs	405	337	1,133	971
Amortization of mortgage discounts	(11)	(13)	(36)	(39)
Instalment note receipts	15	27	47	80
Straight-line rent	581	129	1,537	275
Capital reserve [(1)]	(1,229)	(1,196)	(3,609)	(3,569)
AFFO	$ 14,290	$ 12,940	$ 43,248	$ 38,542
FFO per Unit:				
Basic	$ 0.15	$ 0.15	$ 0.47	$ 0.45
Diluted	$ 0.15	$ 0.15	$ 0.47	$ 0.44
AFFO per Unit:				
Basic	$ 0.15	$ 0.14	$ 0.47	$ 0.43
Diluted	$ 0.15	$ 0.14	$ 0.47	$ 0.42
AFFO payout ratio:				
Basic	97 %	104 %	95 %	105 %
Diluted	97 %	105 %	95 %	106 %
Distributions declared	$ 13,900	$ 13,506	$ 41,300	$ 40,394
Weighted average Units outstanding (000s):				
Basic	93,408	90,909	92,604	90,636
Add:				
Unit options and Incentive Units	26	601	95	797
Diluted	93,434	91,510	92,699	91,433

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 $892, or 7% and $1,350, or 10%, respectively in Q3-2022 over the comparable period. The REIT's FFO and AFFO increased $3,144, or 8% and $4,706 or 12%, respectively in YTD-2022 over the comparable period. FFO and AFFO benefited from higher NOI from acquisitions completed in Q4-2021 and Q3-2022 as well as a positive contribution from Same Property NOI, partially offset by property dispositions in Q2-2021.

Q3-2022 FFO basic and diluted per Unit remained stable at $0.15. Q3-2022 AFFO basic and diluted per Unit increased $0.01 to $0.15. YTD-2022 FFO basic and diluted per Unit increased $0.02 and $0.03, respectively, to $0.47. YTD-2022 AFFO basic and diluted per Unit increased $0.04 and $0.05, respectively to $0.47.

Excluding termination fees, Q3-2022 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 $0.40. Q3-2022 AFFO basic and diluted payout ratio would be 113% and YTD-2022 AFFO basic and diluted payout ratio would be 112%.

DISTRIBUTIONS

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

The board of 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 September 30	Nine months ended September 30	Years ended December 31	
	2022	2022	2021	2020
Distributions declared	$ 13,900	$ 41,300	$ 53,973	$ 53,139
Less: DRIP and change in distributions payable	(1,748)	(5,129)	(6,793)	(9,014)
Cash distributions paid	$ 12,152	$ 36,171	$ 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 September 30	Nine months ended September 30	Years ended December 31	
	2022	2022	2021	2020
Net income and comprehensive income	$ 8,046	$ 38,437	$ 51,004	$ 39,752
Cash flow provided by operating activities	22,133	66,229	77,312	91,384
Less: Finance costs paid	(7,211)	(21,066)	(27,380)	(27,418)
Adjusted cash flow provided by operating activities	14,922	45,163	49,932	63,966
Declared basis:				
Excess (shortfall) of net income and comprehensive income over distributions	(5,854)	(2,863)	(2,969)	(13,387)
Excess (shortfall) of adjusted cash flow provided by operating activities over distributions	1,022	3,863	(4,041)	10,827
Cash basis:				
Excess (shortfall) of net income and comprehensive income over distributions	(4,106)	2,266	3,824	(4,373)
Excess of adjusted cash flow provided by operating activities over distributions	2,770	8,992	2,752	19,841

Net income and comprehensive income were lower than declared distributions and cash distributions during the quarter. The shortfall was primarily due to the fair value adjustments of investments properties which are non-cash adjustments and included in income and comprehensive income. Adjusted cash flow provided by operating activities was higher than declared distributions by $1,022 for the quarter and $3,863 YTD-2022. In Q3-2022, adjusted cash flow provided by operating activities was higher than cash distributions by $2,770 and $8,992 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 September 30		Nine months ended September 30	
	2022	**2021**	**2022**	**2021**
Adjusted cash flow provided by operating activities	$ 14,922	$ 11,338	$ 45,163	$ 37,470
Change in finance costs payable	(120)	(2)	(62)	29
Instalment note receipts	15	27	47	80
Capital reserve	(1,229)	(1,196)	(3,609)	(3,569)
Change in non-cash operating working capital	702	2,773	1,709	4,532
AFFO	$ 14,290	$ 12,940	$ 43,248	$ 38,542

AFFO of $14,290 was higher than distributions declared by $390 and distributions paid by $2,137 in Q3-2022. YTD-2022 AFFO of $43,248 was higher than distributions declared by $1,948 and distributions paid by $7,077. 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 September 30, 2022, the REIT had access to approximately $71,636 of cash and undrawn Credit Facility.

During the quarter, the REIT refinanced a total of $51,250 (YTD-2022 - $82,820) of mortgages with a weighted average fixed interest rate of 4.68% (YTD-2022 - 4.16%) for one to five year terms (YTD-2022 - one to seven year terms), providing the REIT with additional liquidity of approximately $15,000 (YTD-2022 - $20,600). The REIT's weighted average term to maturity of its mortgage portfolio is 3.31 years with a weighted average fixed interest rate of 3.46%. On August 19, 2022, the REIT renewed its credit facility which included an increase from $60,000 to $68,000, with the additional $8,000 expiring on June 30, 2023 to align with the sale of the Abbotsford Property.

Subsequent to quarter end, the REIT refinanced $23,800 of mortgages with a weighted average fixed interest rate of 5.32% for a five year term, providing the REIT with additional liquidity of approximately $5,500.

The REIT's Available Funds [1] are as follows:

		September 30, 2022		December 31, 2021
Cash	$	7,736	$	5,476
Undrawn Credit Facility		63,900		60,000
Available Funds [1]	$	71,636	$	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 nine months ended September 30, 2022 and 2021, the REIT invested $12,469 and $17,067 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 nine months ended September 30, 2022 and 2021:

		Investment properties
Balance, December 31, 2020	$	1,372,184
Additions		17,067
Dispositions		(13,750)
Amortization of leasing costs, tenant inducements and straight-line rents		(2,966)
Fair value adjustment		(1,142)
Balance, September 30, 2021		1,371,393
Acquisitions		22,347
Additions		3,900
Amortization of leasing costs, tenant inducements and straight-line rents		(1,422)
Fair value adjustment		7,361
Balance, December 31, 2021		1,403,579
Acquisitions		38,845
Additions		12,469
Amortization of leasing costs, tenant inducements and straight-line rents		(4,802)
Fair value adjustment		(10,122)
Balance, September 30, 2022	$	1,439,969

ADDITIONS

Additions to investment properties for the nine months ended September 30, 2022 were $12,469, consisting of the following:

- Capital expenditures of $5,595 mainly for elevator modernization, humidifier and HVAC replacements, tenant amenities and garage upgrades; and
- Tenant inducements and leasing costs of $6,874, which include costs incurred to renew and obtain new tenants.

PREPAID EXPENSES AND DEPOSITS

At September 30, 2022, the REIT had $4,278 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 September 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	$ 6,146	$ 36,379	$ 42,525	5.0 %	3.48 %	$ 7,261
2023	22,107	142,598	164,705	19.2 %	3.89 %	24,990
2024	20,440	83,448	103,888	12.1 %	3.49 %	21,111
2025	13,114	197,178	210,292	24.5 %	3.14 %	13,157
2026	11,418	145,486	156,904	18.3 %	3.20 %	11,020
Thereafter	14,884	164,694	179,578	20.9 %	3.73 %	12,207
	$ 88,109	$ 769,783	$ 857,892	100.0 %	3.46 %	$ 89,746
Unamortized mark to market mortgage adjustments			170			
Unamortized financing costs			(3,980)			
			$ 854,082			

Mortgages payable had a weighted average fixed interest rate of 3.46% (December 31, 2021 – 3.31%) and a weighted average term to maturity of 3.31 years (December 31, 2021 – 3.70 years).

CREDIT FACILITY

The REIT has a $68,000 floating rate revolving Credit Facility with a Canadian chartered bank which is comprised of two tranches: (i) up to $38,000 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.

On August 19, 2022, the REIT renewed its Credit Facility for a further two years maturing December 1, 2024 which included an increase to $68,000 from $60,000, with the additional $8,000 expiring on June 30, 2023 to align with the sale of the Abbotsford Property.

As at September 30, 2022, the REIT had drawn $4,100 on the Credit Facility (December 31, 2021 - $nil).

INDEBTEDNESS TO GBV

As at September 30, 2022, the REIT's overall leverage, as represented by Indebtedness to GBV, a non-IFRS financial measure, was 58.4%. The maximum allowable ratio under the DOT is 75%. Below is a calculation of the REIT's Indebtedness to GBV ratio as at September 30, 2022 and December 31, 2021.

	September 30, 2022	December 31, 2021
Total assets	$ 1,467,614	$ 1,421,177
Deferred financing costs	7,600	7,171
GBV	$ 1,475,214	$ 1,428,348
Mortgages payable	854,082	820,402
Credit Facility	4,100	—
Unamortized financing costs and mark to market mortgage adjustments	3,810	3,977
Indebtedness	$ 861,992	$ 824,379
Indebtedness to GBV	**58.4 %**	**57.7 %**

The Increase in indebtedness to GBV from December 31, 2021 is driven mainly by the acquisition of the Cumberland Property in Q3-2022 along with higher mortgage refinancing proceeds on maturing debt in 2022.

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 September 30, 2022, 0.5% (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 September 30 2022	2021
Net income and comprehensive income	$ 57,353	$ 40,387
Add (deduct):		
Interest expense	27,978	27,402
Fair value adjustment of Unit-based compensation	(479)	881
Transaction costs on sale of investment property	—	696
Fair value adjustment of investment properties	2,761	2,257
Fair value adjustment of Class B LP Units	(4,531)	5,401
Distributions on Class B LP Units	1,747	2,008
Unrealized loss on change in fair value of derivative instruments	(6,331)	(3,363)
Amortization of leasing costs, tenant inducements, mortgage premium and financing costs	7,910	6,661
Adjusted EBITDA	$ 86,408	$ 82,330

	Twelve months ended September 30 2022	2021
Adjusted EBITDA	$ 86,408	$ 82,330
Interest expense	27,978	27,402
Interest coverage ratio	3.09 x	3.00 x

Interest coverage ratio for the period increased as a result of higher adjusted EBITDA from Same Property NOI. This was partially offset by interest from additional borrowings associated with the Q4-2021 and Q3-2022 acquisition and refinancing 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 September 30, 2022, there were 2,526,414 Class B LP Units issued and outstanding valued at $14,173 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 $5.61 at September 30, 2022 and the conversion of 496,435 Class B LP Units to units on August 16, 2022.

There have been no further changes in the Class B LP Units outstanding as of November 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 nine months ended September 30, 2022:

	Units	Amount
Balance, December 31, 2021	88,718,265	$ 544,117
Issue of Units:		
DRIP	763,959	4,989
Options exercised	61,986	398
Exchange of Class B LP Units	496,435	3,182
ATM Program	1,450,800	9,460
Incentive Units redeemed	55,314	368
Issuance costs	—	(784)
Balance, September 30, 2022	91,546,759	$ 561,730

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

Balance, September 30, 2022	91,546,759
Issue of Units:	
DRIP	89,207
Balance, November 2, 2022	91,635,966

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	20,010		147
Fair value adjustment	—		45
Balance, September 30, 2021	70,984		513
Granted and reinvested	6,829		51
Fair value adjustment	—		12
Balance, December 31, 2021	77,813		576
Granted and reinvested	23,171		148
Redeemed	(61,676)		(390)
Fair value adjustment	—		(114)
Balance, September 30, 2022	39,308	$	220

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

Balance, September 30, 2022	39,308
Deferred Units reinvested	341
Balance, November 2, 2022	39,649

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	44,322		185
Fair value adjustment	—		50
Balance, September 30, 2021	88,574	$	306
Granted and reinvested	1,803		65
Fair value adjustment	—		22
Balance, December 31, 2021	90,377		393
Granted and reinvested	102,324		392
Redeemed and expired	(101,775)		(436)
Fair value adjustment	—		(100)
Balance, September 30, 2022	90,926	$	249

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

Balance, September 30, 2022	90,926
Restricted Units reinvested	786
Balance, November 2, 2022	91,712

UNIT OPTION PLAN

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

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

Exercise price [1]	Outstanding	Exercisable	Expiry Date
$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
	393,002	393,002	

[1] In actual dollars.

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 nine months ended September 30, 2022, the REIT issued 1,450,800 Units for gross proceeds of $9,460 ($9,271 net of commissions) through the ATM Program. The average issuance price by month was as follows:

- 220,900 Units for an average issuance price of $7.3491 in the month of January 2022;
- 112,600 Units for an average issuance price of $6.3458 in the month of July 2022;
- 1,117,300 Units for an average issuance price of $6.3742 in the month of August 2022

The REIT intents 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 September 30, 2022, the REIT had entered into commitments for building renovations, capital upgrades and landlord work at certain properties totaling $2,401 (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 September 30		Nine months ended September 30	
	2022	**2021**	**2022**	**2021**
Asset management fees	$ 1,184	$ 1,138	3,471	3,392
Acquisition fees	405	—	405	—
Other expenses	32	47	95	155
Total	$ 1,621	$ 1,185	3,971	3,547

At September 30, 2022, $403 (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 nine months ended September 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 installment 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 nine months ended September 30, 2022 was a gain of $1,629 (Q3-2021 - $514) and $5,045 (YTD 2021 - loss of $3,087).

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 nine months ended September 30, 2022 was $702 (Q3-2021 - $398) and $5,362 (YTD 2021 - $2,868).

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

The accounting policies applied by the REIT during Q3-2022 are consistent with those followed for the year ended December 31, 2021, 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 have not had 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 nine months ended September 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 nine months ended September 30, 2022.

OUTLOOK

Office vacancy in Canada has decreased for the first time since 2020 creating optimism in the office sector. While a flexible and hybrid work model may reflect a structural shift in the way some businesses operate, management expects this to manifest itself in a transformation of office space utilization, rather than an overall decline in demand for office space. The majority of the REIT's properties are in near urban spaces with accessibility to transit, ample parking with numerous amenities which are key drivers for employees returning to the office. The REIT has been working closely with its tenants to assist employees with the transition back to office by providing wellness classes, various events such as beehive educational courses, gardening sessions, food trucks, and live music entertainment. Management will continue to support our tenants through various initiatives so their employees find benefit in being back in the office environment.

On October 26, 2022, the Bank of Canada increased its target overnight rate by 50 basis points to 3.75% and continues its policy of quantitative tightening to reign in rising inflation. With commodity prices remaining volatile, the ongoing supply disruptions and the war in Ukraine continue to dampen growth and boost prices. In Canada, short term inflation expectations, and the risk of inflation entrenchment remain high. The Bank of Canada continues to indicate that it expect interest rates to rise in the near future to achieve its desired 2% inflation target. The REIT continues to actively monitor the current interest rate environment and any associated impact this may have on the REIT's financial performance.

National office vacancy decreased 10 basis points to 16.4% in Q3-2022 for the first time since since the start pandemic. The improvement was mainly in the suburban market while downtown vacancy held steady for the first time since the commencement of COVID-19. Sublet levels appear to have plateaued, with tenants remaining focused on quality spaces with rich amenities. Notably, the REIT's portfolio occupancy of 95% remains well above the overall market, reflective of the REIT’s near urban geographical focus and stable roster of predominately government and credit-rated tenants.

The GTA downtown office vacancy decreased 10 basis points to 11.8% in Q3-2022, while the GTA suburban office vacancy decreased 60 basis points to 19% in Q3-2022. The REIT’s GTA suburban office portfolio experienced positive traction with 76,000 square feet of new leases and renewals and replacements completed in the quarter.

The Ottawa market has experienced signs of a slowdown as vacancy rose by 1.3% to 10%, marking a four year high as tenants downsize while determining their space requirements. The REIT’s Ottawa portfolio continues to outperform the market with occupancy at 99%. The Halifax office market has slowed momentum with vacancy up 10 basis points from the prior quarter to 15.8%, which is still well above the REIT’s Halifax portfolio vacancy of 2.5%. Calgary downtown office activity picked up, with vacancy down 80 basis points to 32.9% and overall market vacancy decreasing to 29.7% from 30.3%.

The REIT remains optimistic about the long-term demand for office space and in particular, a physical work environment that emphasizes collaboration to support and develop employees, as well as enrich company culture. Management is focused on actively managing the REIT's existing portfolio, as well as the addition of accretive property acquisitions to preserve and improve cash flow.

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

Dated: November 2, 2022
Toronto, Ontario, Canada

APPENDIX A - PROPERTY LISTING AT SEPTEMBER 30, 2022

	Property Name	City	Occupancy	Remaining Lease Term [1]	GLA
	Alberta				
1	855 8th Avenue SW	Calgary	68 %	2.6 years	75,700
2	4500 & 4520 - 16th Avenue NW	Calgary	97 %	2.3 years	77,600
3	1020 68th Avenue NE	Calgary	100 %	1.2 years	148,400
4	3699 63rd Avenue NE	Calgary	100 %	6.2 years	209,400
5	13140 St. Albert Trail	Edmonton	92 %	2.5 years	95,200
	Total Alberta		*94 %*	*3.9 years*	*606,300*
	British Columbia				
6	810 Blanshard Street	Victoria	100 %	2.3 years	34,400
7	727 Fisgard Street	Victoria	94 %	7.0 years	50,100
8	1112 Fort Street	Victoria	100 %	3.9 years	52,000
9	9200 Glenlyon Parkway	Burnaby	100 %	4.3 years	90,600
10	32071 South Fraser Way	Abbotsford	100 %	2.0 years	52,300
	Total British Columbia		*99 %*	*4.1 years*	*279,400*
	New Brunswick				
11	500 Beaverbrook Court	Fredericton	93 %	1.0 years	55,600
12	295 Belliveau Avenue	Shediac	100 %	4.3 years	42,100
13	410 King George Highway	Miramichi	75 %	8.2 years	73,200
14	551 King Street	Fredericton	97 %	0.8 years	85,300
15	495 Prospect Street	Fredericton	80 %	4.8 years	87,100
16	845 Prospect Street	Fredericton	100 %	2.7 years	39,000
17	414-422 York Street	Fredericton	85 %	1.6 years	32,800
18	440-470 York Street	Fredericton	90 %	0.4 years	60,100
	Total New Brunswick		*89 %*	*3.2 years*	*475,200*

[1] Weighted by annualized gross revenue

	Property Name	City	Occupancy	Remaining Lease Term [1]	GLA
	Nova Scotia				
19	36 & 38 Solutions Drive	Halifax	96 %	2.9 years	130,800
20	120, 130, 134 & 140 Eileen Stubbs Avenue	Halifax	98 %	4.6 years	297,300
	Total Nova Scotia		*98 %*	*4.0 years*	*428,100*
	Ontario				
21	1595 16th Avenue	Richmond Hill	95 %	7.6 years	122,900
22	251 Arvin Avenue	Hamilton	100 %	1.7 years	6,900
23	61 Bill Leathem Drive	Ottawa	100 %	5.3 years	148,100
24	777 Brock Road	Pickering	100 %	5.4 years	98,900
25	400 Carlingview Drive	Etobicoke	100 %	5.4 years	26,800
26	6865 Century Avenue	Mississauga	100 %	1.1 years	63,800
27	6925 Century Avenue	Mississauga	86 %	4.4 years	252,500
28	675 Cochrane Drive	Markham	90 %	4.1 years	369,300
29	1161 Crawford Drive	Peterborough	100 %	4.5 years	32,500
30	400 Cumberland Street	Ottawa	98 %	6.3 years	174,400
31	520 Exmouth Street	Sarnia	100 %	4.2 years	34,700
32	3115 Harvester Road	Burlington	93 %	4.0 years	78,800
33	135 Hunter Street East	Hamilton	100 %	5.8 years	24,400
34	340 Laurier Avenue West	Ottawa	100 %	7.3 years	279,800
35	360 Laurier Avenue West	Ottawa	100 %	0.6 years	107,100
36	400 Maple Grove Road	Ottawa	100 %	1.9 years	107,200
37	101 McNabb Street	Markham	100 %	3.9 years	315,400
38	78-90 Meg Drive	London	100 %	2.7 years	11,300
39	301 & 303 Moodie Drive	Ottawa	93 %	3.7 years	149,400
40	8 Oakes Avenue	Kirkland Lake	100 %	9.5 years	41,000
41	5160 Orbitor Drive	Mississauga	100 %	7.5 years	31,400
42	231 Shearson Crescent	Cambridge	100 %	3.0 years	60,700
43	6 Staples Avenue	Richmond Hill	100 %	11.0 years	122,000
44	2300 St. Laurent Boulevard	Ottawa	100 %	3.5 years	37,500
45	3650 Victoria Park Avenue	Toronto	91 %	1.1 years	154,400
46	80 Whitehall Drive	Markham	100 %	7.2 years	60,800
47	5775 Yonge Street	Toronto	83 %	4.3 years	274,200
	Total Ontario		*95 %*	*4.7 years*	*3,186,200*
	Average/Total Portfolio		95 %	4.4 years	4,975,200

[1] Weighted by annualized gross revenue.

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