TSX: TNT.UN

Q4 2023

MANAGEMENT'S DISCUSSION & ANALYSIS

MARCH 19, 2024

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

$1.3 B
Total Assets

77%
Revenues Generated from Goverment & Credit Rated Tenants

4.6 YR
Weighted Average Lease Term

44
Properties

89% (1)
Occupancy

5
Provinces

As at December 31, 2023
(1) Excluding investment properties held for sale.

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

Stable
Contractual
Cash flow

1595 16th Avenue
Toronto, ON

101 McNabb Street
GTA, ON

High Quality
Tenant Base

Focus on
Transit-Based
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 years ended December 31, 2023 and 2022 and should be read in conjunction with the REIT's audited consolidated financial statements for the years ended December 31, 2023 and 2022, and accompanying notes thereto. These documents can be found on the System for Electronic Document Analysis and Retrieval Plus ("SEDAR+") website at www.sedarplus.ca 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, distributions, plans, the benefits and continued reallocation of distribution amounts (the "Distribution Amounts") to the normal course issuer bid (the "NCIB"), or through other capital programs, the impact of the consolidation (the "Unit Consolidation") (as described below) 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 the impact of inflation on the REIT's operating costs and fluctuating interest rates, and the ongoing effects on the REIT's business and operations following the shift to hybrid working. 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") and trading value of the Units; risks related to the REIT and its business; fluctuating interest rates and general economic conditions, including fluctuating levels of inflation; credit, market, operational and liquidity risks generally; occupancy levels and defaults, including the failure to fulfill contractual obligations by tenants; lease renewals and rental increases; the ability to re-lease and secure new tenants for vacant space; the timing and ability of the REIT to acquire or sell certain properties; work-from-home flexibility initiatives on the business, operations and financial condition of the REIT and its tenants, as well as on consumer behavior and the economy in general; the ability to enforce leases, perform capital expenditure work, increase rents, raise capital through the issuance of Units or other securities of the REIT; the benefits of reallocating the Distribution Amounts to the NCIB and continuation of such program, or through other capital programs, the impact of the Consolidation, the ability of the REIT to resume distributions in future periods; and obtain mortgage financing on the REIT's properties (the "Properties") and for potential acquisitions or to refinance debt at maturity on similar terms. 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) work-from-home initiatives 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 interest rates, inflation and the shift to hybrid working; (c) the factors, risks and uncertainties expressed above in regards to the hybrid work environment on the commercial real estate industry and property occupancy levels; (d) credit, market, operational, and liquidity risks generally; (e) the availability of investment opportunities for growth in Canada and the timing and ability of the REIT to acquire or sell certain properties; (f) repurchasing units under the NCIB; (g) 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; (h) the benefits of reallocating the Distribution Amounts to the NCIB and continuation of such program, or through other capital programs; (i) the impact of the Consolidation; (j) the availability of debt financing for potential acquisitions or refinancing loans at maturity on similar terms; (k) the ability of the REIT to resume distributions at a defined point time and (l) 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, net asset value ("NAV") per Unit, Total Equity and Available Funds (as defined herein) are not measures defined by International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board ("IASB"), do not have standardized meanings prescribed by IFRS and should not be compared to or construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. FFO, AFFO, FFO and AFFO payout ratios, NOI, Same Property NOI, Indebtedness, GBV, Indebtedness to GBV ratio, Adjusted EBITDA, interest coverage ratio, adjusted cash flow provided by operating activities, NAV per Unit, Total Equity 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 (loss) 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 (loss) income and comprehensive (loss) 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 cash and non-cash adjustments to FFO such as but not limited to: amortization of fair value mark-to-market adjustments on assumed mortgages, amortization of deferred financing costs, straight-line rent, instalment note receipts, rent supplement, 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 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 properties excluding the impact attributable to property acquisitions and dispositions. Refer to "Analysis of Financial Performance - Same Property Analysis" for a reconciliation.

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.

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.

Available Funds is defined as the sum of cash and available funds from the REIT's undrawn floating rate revolving credit facility ("Credit Facility") (as described in the "Debt" section). 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.

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.

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.

NAV per Unit is a ratio calculated as total equity (including Class B LP Units) divided by the total number of Units and Class B LP Units outstanding at the end of the period. NAV per Unit is presented in this MD&A as the REIT considers it to be reflective of the intrinsic value of the Units which enables investors to determine if the REIT's Unit price is trading at a discount or premium relative to the NAV per Unit at each reporting period. Refer to "Fourth Quarter and Year to Date Highlights and Key Performance Indicators - Distribution Reduction, Reallocation and Suspension of DRIP" for the calculation.

Total Equity (including Class B LP Units) is made up of Unitholders' Equity plus Class B LP Units and is one of the components used to determine NAV per Unit. Management believes it is important to include Class B LP Units for the purpose of determining the REIT's capital management. Management does not consider the Class B LP Units to be debt or borrowings of the REIT for capital management purposes. Refer to "Fourth Quarter and Year to Date Highlights and Key Performance Indicators - Distribution Reduction, Reallocation and Suspension of DRIP" for the calculation.

ESG STRATEGY AND PROGRAM

The REIT has developed an Environmental, Social and Governance ("ESG") strategy that aligns with the REIT's mission, vision and objectives, and supports long-term value creation. The strategy identifies the REIT's key ESG priorities, goals, actions and performance measures, and will continue to evolve over time as the REIT progresses and adapts to the changing operating and investing environments.

ESG Governance Structure

The success of the strategy relies on the commitment and oversight from the Board. The Board is responsible for the oversight of the strategy and initiatives developed by management and Starlight. The Governance, Compensation & Nominating Committee of the REIT ("GC&N Committee") oversees and monitors the REIT's performance against the strategy.

Pursuant to the Board of Trustees' mandate, the Board of Trustees oversees and monitors the REIT's policies and practices related to the strategy and the alignment of the strategy with the REIT's overall business objectives. The Board of Trustees is required to satisfy itself that the REIT has developed and implemented appropriate ESG standards in the conduct of its operations. At least annually, together with Starlight, the Board of Trustees reviews the REIT's ESG reporting and verifies compliance with any applicable legal and regulatory requirements related to ESG disclosure.

Pursuant to the charter of the Audit Committee, members of the Audit Committee are required to satisfy themselves that adequate procedures and controls are in place for the review of the metrics, key performance indicators and other quantitative data included in the REIT's public disclosure including with respect to ESG reporting.

Pursuant to the charter of the GC&N Committee, the GC&N Committee is required to review the REIT's diversity policy at least annually and take into consideration the diversity policy when establishing qualifications for potential trustees and officers. In addition, the charter provides that the GC&N Committee is required to review, on a periodic basis, the REIT's governance practices in relation to its ESG program, including assessing and making recommendations regarding the Board of Trustees' level of ESG education and expertise; and must review the REIT's public disclosure related to its ESG policies and practices.

Pursuant to the charter of the Investment Committee, the Investment Committee must review all proposed investments prior to approval for alignment with the REIT's ESG program and strategy.

ESG Disclosure Standards

The REIT's strategy is aligned with external standards and best practices, including the GRI Sustainability Reporting Standards (2022) and the Global Real Estate Sustainability Benchmark ("GRESB"). These standards help shape the REIT's commitments and ensure accountability in its data, initiatives and goals. The REIT submitted its inaugural submission in 2023 with GRESB and achieved 81 points resulting in a 3-star rating.

The REIT's commitments are also aligned with the United Nations' Sustainable Development Goals ("UN SDGs"), a set of integrated goals that call on countries and industries to help end poverty, protect the planet and ensure peace and prosperity. The REIT's ESG strategy contributes to the following UN SDGs: (a) good health and well-being; (b) gender equality; (c) industry, innovation and infrastructure; (d) Sustainable cities and communities; (e) climate action; and (f) partnerships for the goals.

Importance of ESG

The REIT has engaged its stakeholders to determine the ESG initiatives that are most important to its Unitholders, partners and communities, and where the REIT has a significant impact. Conducting this exercise determines the most relevant ESG programs for the REIT to address. The resulting matrix is a cumulative product of extensive research, workshops, one-on-one discussions and data cross-referencing from across the REIT's industry and Starlight's employees.

This matrix has assisted the REIT to develop a strategy that embeds ESG in every aspect of its business, including operations, investment activities and trust functions, to: (a) promote resource efficiency, cost savings and minimizes environmental degradation; (b) increase property values, contribute to stakeholder satisfaction, and drive long-term NAV growth for Unitholders; (c) drive the appeal of the Properties, helping to attract and retain tenants and build lasting collaborative relationships; and (d) manage risk and comply with evolving regulations and insurance requirements while enhancing operations, management and governance practices.

ESG Commitment

The REIT's core ESG commitments are as follows:

Social Impact: The REIT aims to bring value to local communities, enhance tenant well-being and experience;

Sustainable Operations: The REIT aims to improve efficiency, reduce operating costs, and future-proof its buildings by driving innovation and investing in new technologies; and

Transparency and accountability: The REIT aims to create transparency in our governance practices and proactively respond to existing and future risks.

ESG Initiatives and Results

The REIT has developed short and long-term initiatives and targets around ESG, including the following:

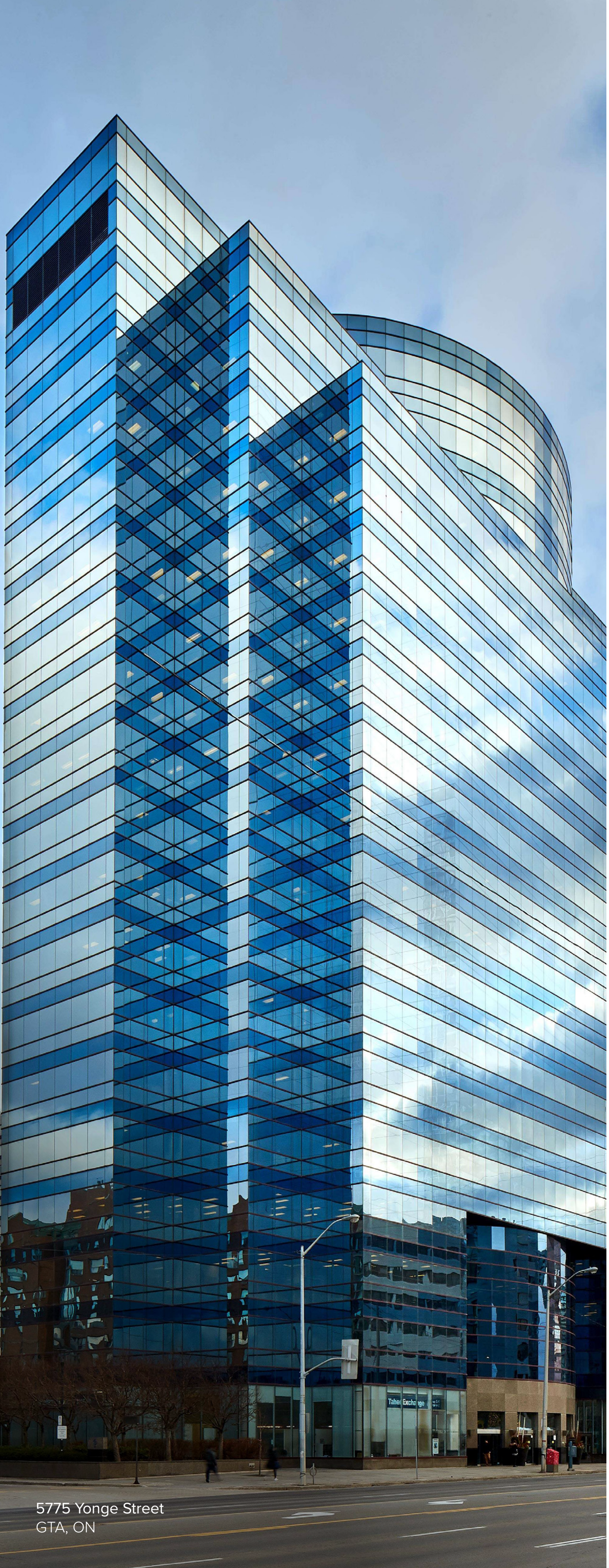
Carbon emissions	• Establish a Net Zero Carbon strategy and pathway during 2024 to decarbonize its portfolio • Reduce carbon emissions, energy, and water use by 2% annually or 10% by 2025 (2019 baseline) • Energy (L4L) - 4.1% change in 2022 compared to 2021 • Carbon (L4L) - 4.2% change in 2022 compared to 2021 • Water (L4L) - 5.7% change in 2022 compared to 2021
Resource consumption	• Increase number of buildings with ENERGY STAR scores in 2024 - approximately 68% in 2023 • Increase whole building energy and water data to 100% by 2023 - approximately 80% in 2022 • Increase waste data coverage to 100% in 2024 - approximately 55% in 2022 • Develop waste reduction targets and plans by 2023 - target to achieve 75% waste diversion by 2025 - approximately 26% diversion rate achieved in 2022 • Approximately 40% of the Properties have waste reduction plans based on green building certifications including BOMA Best, LEED® and FITWEL®
Climate risk	• Completed climate risk assessments in 2023 • Together with a consultant, the REIT completed both physical and transition climate risks for its Properties. The assessment provided an overview of the most material physical and transition risks to its Properties, as well as recommendations on how to manage these risks to improve climate resilience
Transparency and accountability	• Engage with 100% of property managers and tenants on ESG activities (annually) • Increase green building certification to 75% by 2024 - approximately 52% in 2023
Social impact	• Improve/create amenities at certain Properties (i.e, tenant lounge, gym, café) • Engage tenants on ESG through the REIT's property managers running events and campaigns that relate to supporting the environment and/or health and wellness of tenants

Progress on ESG Initiatives:

The REIT continues its commitment to environmental leadership and reducing its environmental footprint through the undertaking of green building certifications. These certifications evaluate buildings from both an environmental and social impact to enhance sustainability and tenant satisfaction.

See "Property Portfolio – Description of the Properties" in the AIF for a complete list of all certifications.

The REIT understands that its actions have an impact, not only on the communities where its Properties are located, but also on local and national communities and it is committed to creating a sustainable future that benefits our Unitholders, partners and investors.



5775 Yonge Street
GTA, ON

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BASIS OF PRESENTATION

The REIT's consolidated financial statements for the years ended December 31, 2023 and 2022 have been prepared in accordance with IFRS. The REIT's presentation currency is the Canadian dollar. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of dollars, except for Unit and per Unit information.

Certain time periods used in this MD&A are used interchangeably such as three months and year ended December 31, 2023 ("Q4-2023") and ("YTD-2023"), respectively, three months and year ended December 31, 2022 ("Q4-2022") and ("YTD-2022"), respectively, three months ended September 30, 2023 ("Q3-2023"), three months ended June 30, 2023 ("Q2-2023"), and three months ended March 31, 2023 ("Q1-2023").

On November 24, 2023 the REIT executed a consolidation of its Units, special voting Units of the REIT and the Class B LP Units on the basis of 5.75:1. All Unit and per Unit amounts included in this MD&A have been retroactively adjusted to reflect the Unit consolidation.

OVERVIEW AND STRATEGY

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to the DOT, and governed by the laws of the Province of Ontario. The registered head office of the REIT is 1400 – 3280 Bloor Street West, Centre Tower, Toronto, Ontario, Canada, M8X 2X3. The Units are listed on the Toronto Stock Exchange ("TSX") under the symbol TNT.UN. As at December 31, 2023, the REIT owned and operated a portfolio of 44 office properties across Canada consisting of approximately 4.8 million square feet of gross leasable area ("GLA").

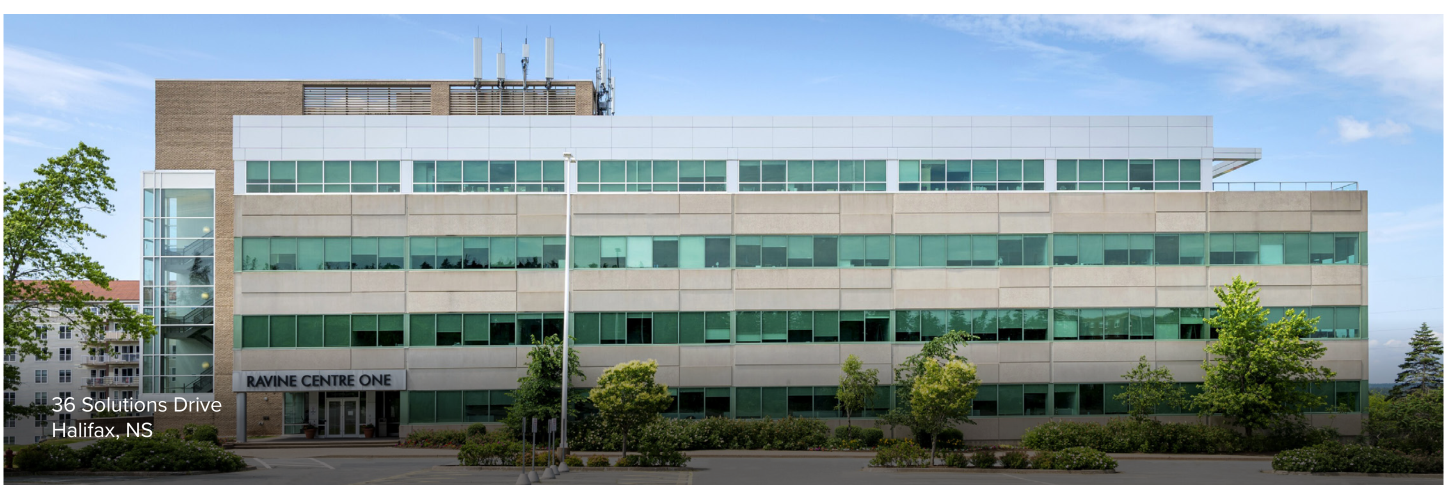
The long-term objectives of the REIT are to:

- 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.

In the current environment, the REIT's short-term objectives are to:

- optimize asset performance through maintaining high levels of occupancy;
- maintain high tenant concentration of government and credit rated tenants;
- execute an effective leasing strategy in a challenging environment;
- leverage strong relationships with lenders to continue to renew maturing debt; and
- evaluate and pursue dispositions of certain non-core 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.



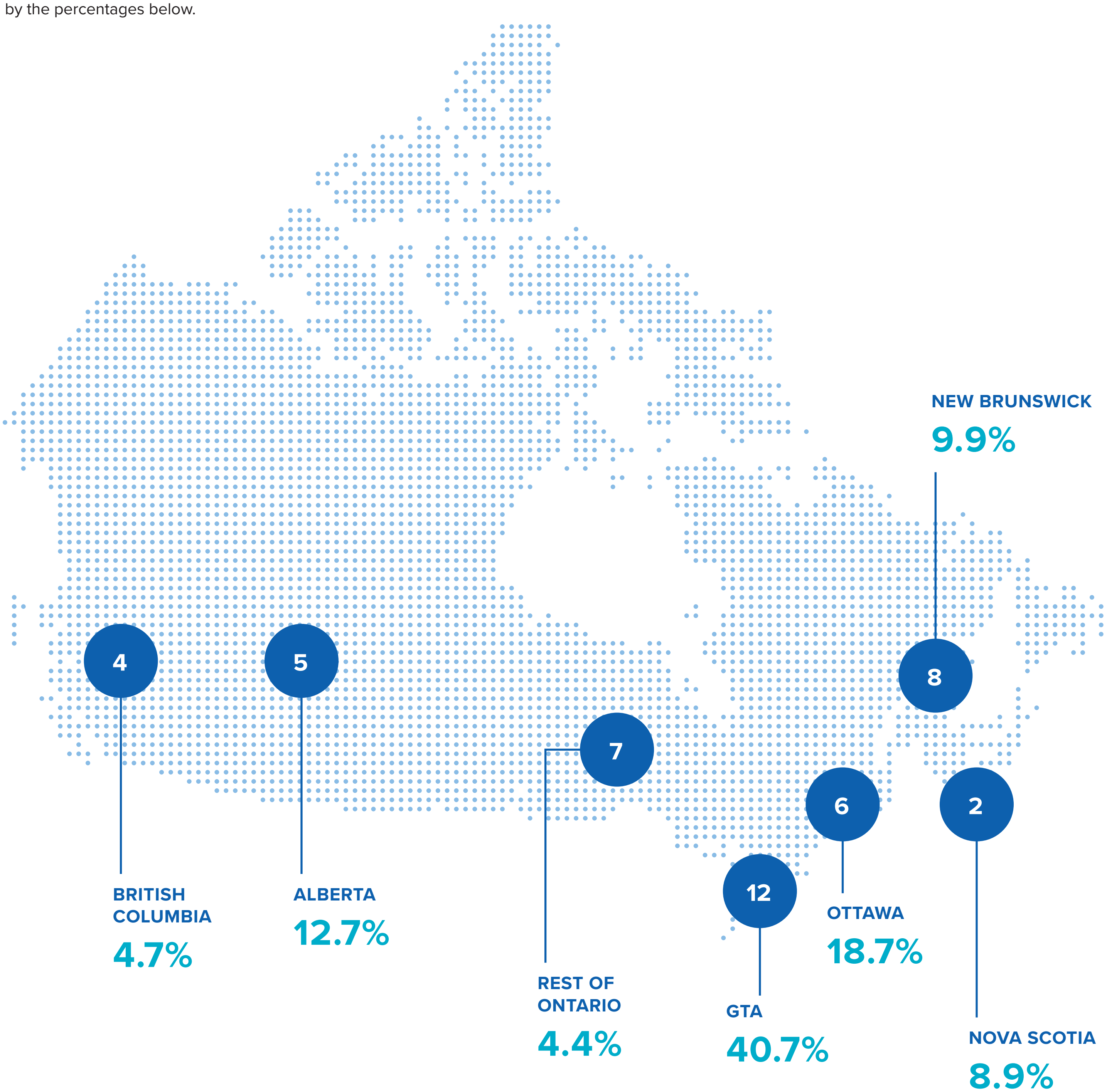
36 Solutions Drive
Halifax, NS

PORTFOLIO OVERVIEW

As at December 31, 2023, the REIT's portfolio was comprised of 44 office properties totaling approximately 4.8 million square feet of GLA. See Appendix A for a detailed listing of the REIT's properties.

Current Portfolio & Geographic Diversification

GLA by province as at December 31, 2023 is denoted by the percentages below.



\# Number of Properties

TENANT PROFILE

Top 20 tenants account for 69% of revenue. Approximately 77% of the REIT's portfolio revenue is generated by government and credit rated tenants

40%
government tenants

+

37%
credit rated tenants

=

77%
total government and credit rated tenants

Top 20 tenants as at December 31, 2023:

TENANT	% OF GROSS REVENUE	GLA	REMAINING LEASE TERM[1]
Federal Government of Canada	16.9%	729,600	5.4 years
Province of Alberta	10.7%	395,100	4.3 years
Province of Ontario	6.5%	237,200	3.2 years
General Motors of Canada Company	3.8%	154,800	4.0 years
The Toronto-Dominion Bank	3.4%	160,600	2.7 years
Province of British Columbia	3.2%	125,100	3.6 years
Province of New Brunswick	3.0%	160,700	4.2 years
Lumentum Ottawa Inc.	2.4%	148,100	4.1 years
LMI Technologies Inc.	2.3%	90,600	8.1 years
Intact Insurance Co.	2.3%	77,800	1.4 years
Staples Canada ULC	2.1%	122,000	9.8 years
EMS Technologies Canada, Ltd.	1.8%	107,200	7.7 years
Ceridian Canada Ltd.	1.7%	49,800	2.2 years
Smucker Foods of Canada Corporation	1.5%	60,800	0.9 years
WSP Canada Inc.	1.5%	60,000	5.3 years
Paymentus (Canada) Corporation	1.5%	55,800	7.2 years
Stantec Consulting Ltd.	1.4%	54,700	5.5 years
ADP Canada Co.	1.3%	65,600	2.5 years
Concentrix Technologies Services Limited	1.0%	41,500	6.0 years
Astellas Pharma Canada, Inc.	1.0%	32,400	2.4 years
Total	**69.1%**	**2,929,400**	**4.6 years**

(1) Weighted by annualized gross revenue.

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

Public Administration	Services	Finance, Insurance, Real Estate	Manufacturing	Other
40%	**24%**	**14%**	**13%**	**9%**

LEASING ACTIVITY

As of December 31, 2023, the REIT's occupancy was 89% (87% including investment properties held for sale) with a weighted average remaining lease term (WALT) of 4.6 years. The REIT's occupancy remained above the average occupancy for the markets in which the REIT operates based on data published by various brokerage firms.

The following table summarizes the leasing activity for Q4-2023:

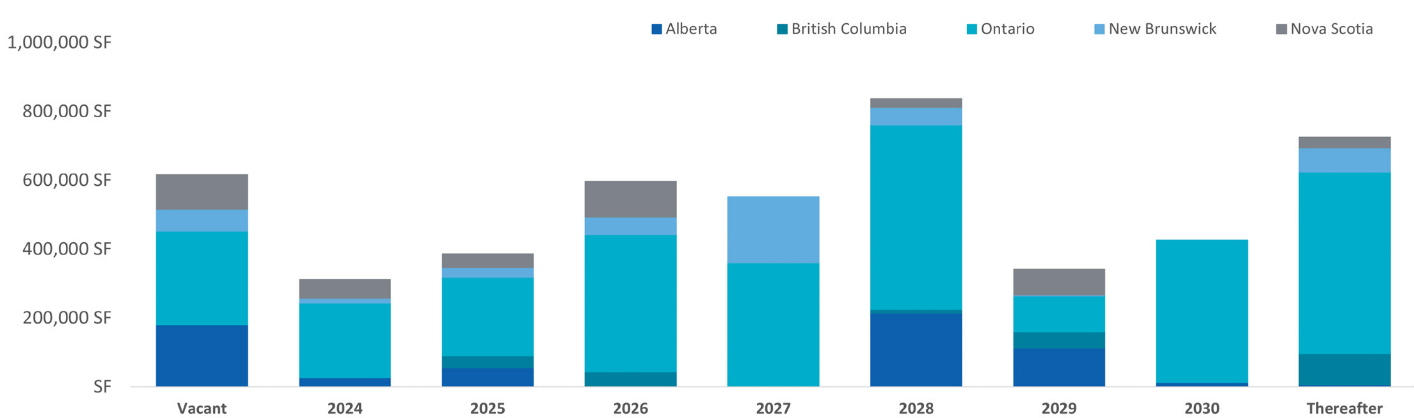
	New Lease Deals		Lease Renewals and Relocation		
	Leasable Area	Weighted Average Lease Term	Leasable Area	Weighted Average Lease Term	% Change In Rents
Q4 2023	30,500 SF	4.1 YR	308,400 SF	5.2 YR	-1.4%
YTD 2023	121,000 SF	6.9 YR	730,700 SF	4.7 YR	5.7%

In Q4-2023, the REIT completed 30,500 square feet of new leases concentrated in Ontario and New Brunswick with a WALT of 4.1 years which included 4,200 square feet of tenant expansions and 308,400 square feet of renewals with a WALT of 5.2 years and 1.4% decrease in base rents over expiring rental rates primarily related to a market adjustment for a government tenant in the REIT's Alberta portfolio as part of their five year renewal. Excluding the renewal in Alberta, the REIT acheived a positive rent spread of 4.2% on the Q4-2023 renewals. The Q4-2023 renewals included a five and seven year extension with credit rated tenants in Vancouver and Ottawa for 90,550 and 107,000 square feet, respectively.

The REIT concluded YTD-2023 with 851,700 square feet of leasing transactions completed with a weighted average lease term of 5.1 years. YTD-2023 renewal activity achieved a 5.7% increase in base rents over expiring rates. The successful lease renewals completed demonstrates the REIT's continued focus on maintaining strong relationships with its tenants and reinforces the REIT's strategic focus on securing and retaining government and credit-worthy tenants.

LEASE ROLLOVER PROFILE

Lease maturities are based on the square footage of the REIT's leases. As at December 31, 2023 the lease rollover profile was as follows:



FOURTH QUARTER AND YEAR TO DATE HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

The REIT's occupancy excluding investment properties held for sale at the end of Q4-2023 was 89% with an average remaining lease term of 4.6 years (87% and 4.6 years including investment properties held for sale), with 77% of revenue continuing to be generated from government and credit rated tenants.

	Three months ended December 31		Years ended December 31	
	2023	2022	2023	2022
Portfolio				
Number of properties			44	47
Portfolio GLA			4,792,200 sf	4,975,200 sf
Occupancy [1]			89 %	93 %
Remaining weighted average lease term [1]			4.6 years	4.4 years
Revenue from government and credit rated tenants			77 %	80 %
Financial				
Revenue	$ 32,867	$ 35,451	$ 132,204	$ 143,575
NOI [2]	17,346	20,629	72,548	86,484
Net (loss) income and comprehensive (loss) income	(5,937)	(21,905)	(40,621)	16,532
Same Property NOI [2]	19,716	22,570	79,734	91,081
FFO [2]	$ 9,642	$ 12,665	$ 41,412	$ 56,300
FFO per Unit - basic [2]	0.59	0.77	2.52	3.48
FFO per Unit - diluted [2]	0.59	0.77	2.52	3.48
AFFO [2]	$ 9,471	$ 12,734	$ 40,619	$ 55,982
AFFO per Unit - basic [2]	0.58	0.78	2.47	3.46
AFFO per Unit - diluted [2]	0.58	0.78	2.47	3.46
AFFO payout ratio - diluted [2][3]	25 %	110 %	69 %	99 %
Distributions declared	$ 2,337	13,996	$ 28,068	$ 55,296

Revenue and NOI decreased 1% and 6%, respectively, in Q4-2023 relative to the same period in 2022 excluding termination income and investment properties held for sale. Revenue and NOI decreased 2% and 7%, respectively for YTD-2023 compared to YTD-2022. Including termination income and investment properties held for sale, revenue and NOI decreased 7% (8% YTD-2023) and 16% (16% YTD-2023) in Q4-2023. The main contributor was termination income received in 2022 relating to a tenant in the REIT's GTA portfolio that downsized a portion of its space effective Q4-2022 which also led to lower rental revenue YTD-2023. 60% of this space was released during the year resulting in higher rental revenue QTD-2023 for the property. Additional drivers of the decrease included the disposition activity in 2023, a 101,200 square foot lease expiry in Q1-2023 at 360 Laurier Avenue, Ottawa, Ontario ("Laurier Property") and 115,000 square foot lease expiry in Q2-2023 at the Victoria Park Property (together with the termination income previously mentioned, the "Primary Variance Drivers"). The decrease was partially offset by termination income received from two tenants in the Ontario portfolio and the tenant at 400 Carlingview Drive, Toronto, Ontario ("Carlingview Property") which was disposed of in Q1-2023. In addition, revenue and NOI were positively impacted by NOI from an acquisition completed in Q3-2022, contractual rent increases and positive leasing activity in New Brunswick.

The REIT's Q4-2023 FFO and AFFO decreased $3,023 (YTD-2023 - $14,888), and $3,263 (YTD-2023 - $15,363), respectively, when compared to the same period in 2022. FFO and AFFO were negatively impacted by the Primary Variance Drivers, combined with higher financing costs as a result of higher interest rates on mortgage refinancings and higher interest expense on the Credit Facility. FFO and AFFO benefited from NOI increases resulting from the acquisition completed in Q3-2022, termination income, contractual rent increases and positive leasing activity primarily in New Brunswick.

Q4-2023 FFO and AFFO basic and diluted per Unit decreased $0.18 ($0.96 - YTD-2023) and $0.20 ($0.99 - YTD-2023) to $0.59 and $0.58 over the comparable period. Excluding termination fees, Q4-2023 FFO and AFFO basic and diluted per Unit were lower by $0.09 ($0.53 - YTD-2023) and $0.10 ($0.56 - YTD-2023), respectively, compared to the same period in 2022.

[1] Excluding assets held for sale.

[2] This is a non-IFRS financial measure, refer to "Non-IFRS Financial Measures". All per Unit amounts have been adjusted to account for the REIT Consolidation. [3] See Distribution Reallocation section below.

Distribution Reduction, Reallocation and Suspension of DRIP

On March 14, 2023, the REIT reduced its monthly cash dividend from $0.2846 per Unit to $0.1423 per Unit or $1.70775 per Unit on an annualized basis (the "Distribution Reduction"). The new distribution commenced on April 17, 2023 to Unitholders of record on March 31, 2023.

On April 12, 2023, the REIT announced the suspension of the REIT's distribution reinvestment plan ("DRIP") until further notice. As a result, all Unitholders received distributions in cash effective with the distribution paid on April 17, 2023 to Unitholders of record on March 31, 2023.

On November 13, 2023, the board of trustees of the REIT ("Trustees") determined that the most effective use of available capital was to reallocate substantially all distributions paid to Unitholders ("Distribution Amounts") for the months commencing November 1, 2023 and ending April 30, 2024 to purchase the maximum number of Units available under the NCIB or through other acquisition programs, with the intention of revisiting the reallocation in approximately six months to reinstate a sustainable distribution to Unitholders. The REIT's reallocation of the Distribution Amounts to the NCIB, was immediately accretive to Unitholders and reflected the most compelling near term opportunity to increase Unitholder value and per Unit growth. As at December 31, 2023, the REIT's NAV per Unit was $28.39 resulting in the REIT's Unit price trading at a significant discount at that point in time. Given the continued challenging operating and capital market conditions, the REIT intends to renew and continue the immediately accretive NCIB program until the end of Q2-2024, subject to TSX approval. The REIT will evaluate the reinstatement of a distribution as operating and capital market conditions improve.

The table below calculates the REIT's NAV per Unit as at December 31, 2023 and December 31, 2022:

	December 31, 2023		**December 31, 2022**	
	Units	Amount	Units	Amount
Unitholders' Equity	15,676,644	$ 452,804	15,967,482	$ 522,138
Add: Class B LP Units	420,887	4,231	439,365	14,628
Total Equity (including Class B LP Units) [1]	16,097,531	$ 457,035	16,406,847	$ 536,766
NAV per Unit [1]		$ 28.39		$ 32.72

Normal Course Issuer Bid ("NCIB")

On April 12, 2023, the REIT announced the intention to commence a NCIB, as approved by the Toronto Stock Exchange ("TSX"). Under the NCIB, the REIT has the ability to purchase for cancellation up to a maximum of 1,432,966 of its Units, representing 10% of the REIT's public float of 14,329,664 Units through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per Unit equal to the market price at the time of acquisition. The NCIB became effective on April 18, 2023 and will remain in place until the earlier of April 17, 2024 or the date on which the REIT has purchased the maximum number of Units permitted under the NCIB. Any Units acquired through the NCIB will be cancelled.

From the commencement of the NCIB Program in April 2023 up to the date of this filing, the REIT had repurchased 946,272 Units for $8.7 million at a weighted average price of $9.12 per Unit under the NCIB which represented an inferred distribution yield of approximately 18.7%[2]. The REIT had repurchased 66% of the maximum Units able to be repurchased under the existing NCIB program and has utilized substantially all of the capital previously used to fund distributions to REIT Unitholders. The REIT intends to renew the NCIB program for a one year period, subject to TSX approval, and believes the NCIB continues to be a very attractive use of capital.

(1) Excluding assets held for sale.

(2) Estimated using the $1.70775 per Unit distribution prior to reallocating funds used for distributions to the NCIB and the average market price the REIT repurchased Units at under the NCIB up to the date of this filing.

Disposition Activity

The REIT completed the following dispositions during the year ended December 31, 2023:

Property	Sale Date	GLA	Sale Price	Net Proceeds [(1)]
400 Carlingview Drive, Toronto, Ontario	March 10, 2023	26,800	$ 7,250	$ 7,006
360 Laurier Avenue West, Ottawa, Ontario	July 10, 2023	107,100	$ 17,500	$ 17,080
32071 South Fraser Way, Abbotsford, British Columbia	July 31, 2023	52,300	$ 24,000	$ 23,288
			$ 48,750	$ 47,374

(1) Net proceeds after transactions costs but prior to mortgage repayment.

The disposition of the Carlingview Property and Laurier Property were advantageous and strategic given the lead tenant at each Property had provided notice that they would be vacating at the end of their current lease term. The dispositions enabled the REIT to extract each property's underlying value without incurring significant re-leasing costs and the loss of income associated with replacing the vacancies. All three Properties were classified under investment properties held for sale as at December 31, 2022.

Key Debt Metrics

	December 31, 2023	December 31, 2022
Indebtedness to GBV ratio [(1)]	61.9 %	59.3 %
Interest coverage ratio [(1)]	2.30 x	3.00 x
Indebtedness [(1)] - weighted average fixed interest rate	3.90 %	3.54 %
Indebtedness [(1)] - weighted average term to maturity	3.01 years	3.27 years

At the end of Q4-2023, the REIT had access to Available Funds[(1)] of approximately $45,346, and a weighted average term to maturity of 3.01 years in its mortgage portfolio with a weighted average fixed interest rate of 3.90%.

During Q4-2023, the REIT refinanced $62,834 of mortgages with the new loans having a weighted average fixed interest rate of 6.06% and term to maturity between three and five years. YTD-2023, the REIT has refinanced $130,407 of mortgages with a weighted average fixed interest rate of 5.87% (excluding one with a variable interest rate at prime plus 1.5%) and a weighted average term to maturity of 3.9 years after refinancing, providing the REIT with additional liquidity of approximately $4,200.

Subsequent to December 31, 2023, the REIT refinanced a $12,962 mortgage for a one year term which represents approximately 16% of mortgages maturing in 2024 with the majority of the remaining 2024 debt maturities occurring towards the end of 2024 on loans with large Canadian financial institutions with whom the REIT and Starlight have strong relationships.

Officer and Board Appointments

Effective June 30, 2023, Tracy Sherren, the REIT's President and Chief Financial Officer and President, Canadian Commercial, Starlight, retired from her executive positions at the REIT and Starlight. Ms. Sherren will remain as a trustee of the REIT. Martin Liddell, the current Chief Financial Officer at Starlight, was appointed as Chief Financial Officer of the REIT, effective July 1, 2023, in addition to his positions at Starlight, and was appointed as a trustee at the REIT's annual Unitholders meeting on June 21, 2023.

Subsequent Events

Subsequent to December 31, 2023, the REIT entered into an unconditional agreement of purchase and sale to dispose of 251 Arvin Avenue located in Hamilton, Ontario for a sale price of $2,700, 6865 Century Avenue located in Mississauga, Ontario for a sale a price of $15,300 and 135 Hunter Street East located in Hamilton, Ontario for a sale price of $6,375. Closing is expected on or about April 8, 2024, April 10, 2024 and April 21, 2024, respectively. As of December 31, 2023 these properties were classified as investment properties held for sale.

Subsequent to December 31, 2023, the REIT repurchased and cancelled an additional 463,580 Units for $4,334 under the NCIB.

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

QUARTERLY INFORMATION

	Q4-23	Q3-23	Q2-23	Q1-23	Q4-22	Q3-22	Q2-22	Q1-22
Revenue	$32,867	$32,789	$32,690	$33,858	$35,451	$36,677	$35,120	$36,327
Property operating costs	(15,521)	(14,707)	(14,208)	(15,220)	(14,822)	(14,701)	(13,435)	(14,133)
NOI [(1)]	17,346	18,082	18,482	18,638	20,629	21,976	21,685	22,194
General and administration expenses	(1,333)	(1,349)	(1,525)	(1,433)	(1,874)	(1,294)	(1,261)	(1,625)
Finance costs	(8,812)	(8,756)	(8,418)	(8,200)	(8,109)	(7,725)	(7,253)	(7,247)
Transaction costs on sale of investment properties	(1)	(1,131)	—	(244)	—	—	—	—
Distributions on Class B LP Units	(60)	(181)	(185)	(313)	(375)	(400)	(449)	(449)
Fair value adjustment of Class B LP Units	956	584	2,734	5,861	(455)	1,629	2,661	755
Fair value adjustment of investment properties and investment properties held for sale	(11,814)	(50,087)	(11,832)	(6,472)	(31,803)	(6,842)	(1,610)	(1,670)
Unrealized (loss) gain on change in fair value of derivative instruments	(2,219)	366	1,537	(842)	82	702	1,709	2,951
Net (loss) income and comprehensive (loss) income for the period	$ (5,937)	$(42,472)	$ 793	$ 6,995	$(21,905)	$ 8,046	$15,482	$14,909
FFO per Unit - basic	$ 0.59	$ 0.63	$ 0.65	$ 0.63	$ 0.77	$ 0.89	$ 0.90	$ 0.92
AFFO per Unit - basic	$ 0.58	$ 0.61	$ 0.64	$ 0.62	$ 0.78	$ 0.88	$ 0.89	$ 0.91
AFFO per Unit - diluted	$ 0.58	$ 0.61	$ 0.64	$ 0.62	$ 0.78	$ 0.88	$ 0.89	$ 0.91
AFFO payout ratio - basic	25 %	69 %	67 %	110 %	110 %	97 %	96 %	94 %
AFFO payout ratio - diluted	25 %	69 %	67 %	111 %	110 %	97 %	96 %	94 %
Number of Properties	44	44	46	46	47	47	46	46
Occupancy rate [(2)]	89 %	93 %	93 %	93 %	93 %	95 %	96 %	96 %

Q4-2023 NOI decreased 4% compared to the previous quarter mainly due to termination income received in Q3-2023 from a tenant that downsized combined with an increase in vacancy in the Nova Scotia portfolio as a result of certain tenants vacating at the end of their lease term in the second half of 2023.

Excluding the impact of changes in the fair value of Unit-based compensation, general and administration expenses were higher by 1% in Q4-2023 compared to Q3-2023 as a result of annual property appraisal fees and interim fees for the annual audit.

Finance costs increased 1% Q4-2023 due to higher interest on mortgage refinancings completed in Q4-2023, in addition to higher interest expense on the Credit Facility.

Transaction costs on sale of investment properties in Q3-2023 include legal and brokerage fees related to the disposition of the Laurier Property and 32071 South Fraser Way, Abbotsford, BC.

Distributions on Class B LP Units decreased in the quarter due to the exchange of 2,174 Class B LP Units to Units completed on November 7, 2023 combined with the Distribution Reallocation.

FFO and AFFO per unit decreased $0.04 and $0.03 to $0.59 and $0.58 when compared to Q3-2023.

AFFO payout ratio decreased Q4-2023 as a result of the Distribution Reallocation.

Excluding investment properties held for sale, occupancy decreased 4%, due to a property in the Alberta portfolio where the tenant did not renew their lease upon maturity in Q4-2023.

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

(2) Excluding assets held for sale.

ANALYSIS OF FINANCIAL PERFORMANCE

	Three months ended December 31		Years ended December 31	
	2023	2022	2023	2022
Revenue	$ 32,867	$ 35,451	$ 132,204	$ 143,575
Expenses:				
Property operating costs	(10,692)	(9,834)	(39,492)	(36,882)
Realty taxes	(4,829)	(4,988)	(20,164)	(20,209)
NOI	$ 17,346	$ 20,629	$ 72,548	$ 86,484
Other income (expenses):				
General and administration expenses	(1,333)	(1,874)	(5,640)	(6,054)
Finance costs	(8,812)	(8,109)	(34,186)	(30,334)
Transaction costs on sale of investment properties	(1)	—	(1,376)	—
Distributions on Class B LP Units	(60)	(375)	(739)	(1,673)
Fair value adjustment of Class B LP Units	956	(455)	10,135	4,590
Fair value adjustment of investment properties and investment properties held for sale	(11,814)	(31,803)	(80,205)	(41,925)
Unrealized (loss) gain on change in fair value of derivative instruments	(2,219)	82	(1,158)	5,444
Net (loss) income and comprehensive (loss) income	$ (5,937)	$ (21,905)	$ (40,621)	$ 16,532

Revenue includes all income earned from the 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.

Excluding termination income and investment properties held for sale, revenue and NOI decreased 1% and 6%, respectively, in Q4-2023 while revenue and NOI decreased 2% and 7% YTD-2023.

The REIT's revenue and NOI decreased 7% (8% YTD-2023) and 16% (16% YTD-2023), respectively, in Q4-2023 compared to the same period in 2022. The decrease in revenue and NOI was largely a result of the Primary Variance Drivers, which was partially offset by termination income received from both the tenant at the Carlingview Property, as well as two tenants in the Ontario portfolio who downsized or will be vacating in 2024, NOI from an acquisition completed in Q3-2022, contractual rent increases and positive leasing activity primarily in New Brunswick.

Property operating expenses increased 9% (7% YTD-2023) compared to Q4-2022 due to higher cleaning, security and utilities as a result of higher foot traffic at the Properties and higher boiler, HVAC and electrical repairs, combined with additional operating expenses associated with the Property acquired in Q3-2022. This increase was partially offset by the impact of the disposition activity in 2023.

Realty tax expenses decreased as result of the disposition activity in 2023 combined with lower tax assessments at certain properties. The YTD-2023 decrease was partially offset by the impact of the Q3-2022 acquisition.

SAME PROPERTY ANALYSIS

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

	Three months ended December 31		Years ended December 31	
	2023	**2022**	**2023**	**2022**
Number of properties	44	44	43	43
Revenue	$ 32,867	$ 34,146	125,576	136,687
Expenses:				
Property operating	(10,692)	(9,600)	(37,685)	(35,566)
Realty taxes	(4,829)	(4,771)	(19,007)	(19,091)
	$ 17,346	$ 19,775	68,884	82,030
Add:				
Amortization of leasing costs and tenant inducements	2,526	1,998	9,252	6,729
Straight-line rent	(156)	797	1,598	2,322
Same Property NOI	$ 19,716	$ 22,570	79,734	91,081
Less: investment properties held for sale	223	1,082	2,430	4,420
Same Property NOI excluding investment properties held for sale	19,493	21,488	77,304	86,661
Reconciliation to consolidated financial statements:				
Acquisitions and dispositions	223	1,955	3,639	8,946
Amortization of leasing costs and tenant inducements	(2,526)	(2,012)	(9,261)	(6,784)
Straight-line rent	156	(802)	866	(2,339)
NOI	$ 17,346	$ 20,629	72,548	86,484

Breakdown of Same Property NOI excluding investment properties held for sale by geography:

Occupancy

	As at December 31	
	2023	**2022**
Alberta	70.3 %	94.4 %
British Columbia	100.0 %	98.7 %
New Brunswick	86.7 %	85.1 %
Nova Scotia	76.5 %	97.9 %
Ontario	94.7 %	92.6 %
Total	89.2 %	92.9 %

NOI

	Three months ended December 31			
	2023	**2022**	**Variance**	**Variance %**
Alberta	$ 3,655	$ 3,568	$ 87	2.4 %
British Columbia	1,298	1,229	69	5.6 %
New Brunswick	1,342	862	480	55.7 %
Nova Scotia	1,331	1,648	(317)	(19.2)%
Ontario	11,867	14,181	(2,314)	(16.3)%
	$ 19,493	$ 21,488	$ (1,995)	(9.3)%

Q4-2023 Same Property NOI decreased 2.3% (YTD-2023 - 2.6%) excluding termination fees and investment properties held for sale. Excluding investment properties held for sale only, Q4-2023 Same Property NOI decreased 9.3% (YTD-2023 - 10.8%) as a result of the significant termination fee income recorded in the prior year periods.

Same Property NOI in Alberta increased due to contractual rent increases and a one time fee incurred upon tenant vacancy. Same Property Occupancy in Alberta decreased 24.1% due to a lease maturity at one of the properties in Q4-2023 where the tenant did not renew.

British Columbia Same Property NOI increased due to contractual rent increases and lower one time non-recoverable expenses compared to 2022. New Brunswick Same Property NOI increased as a result of a new leases that commenced throughout 2023 on previously vacant space, coupled with 141,000 square feet of government renewals across three properties at higher rental rates and project management fees earned on tenant projects started in 2023. Same Property NOI in Nova Scotia decreased due to lower occupancy from certain tenants not renewing upon lease maturity and lower project management fees compared to 2022 which was partially offset by contractual rent increases and new lease commencements.

Ontario Same Property NOI decreased mainly due to termination fees received in Q4-2022 relating to a tenant in the REIT's GTA portfolio that downsized a portion of their space effective December 2022, of which 82% has been contractually re-leased with rents commencing in the latter half of 2023 and first half of 2024. In addition, NOI was lower as a result of lower project management fees earned compared to 2022 and lower rental revenue from the acquisition completed in Q3-2022 due to the free rent provided to the tenant as part of the new lease term that commenced in 2023. The decrease in NOI generated from investment properties held for sale was due to the lead tenant vacating one of the properties on expiry.

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 Incentive Unit Plan (as defined herein) and Unit option plan 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 24% QTD-2023 and 6% YTD-2023 relative to same periods in 2022 as a result of due diligence costs incurred in 2022 associated with a property acquisition the REIT did not complete combined with higher interest income earned in 2023 on funds held in escrow for a rent supplement related to the acquisition in Q3-2022.

FINANCE COSTS

The REIT's finance costs for the three months and years ended December 31, 2023 and 2022 are summarized below. Finance costs exclude cash distributions and fair value adjustments on Class B LP Units.

	Three months ended December 31		Years ended December 31	
	2023	**2022**	**2023**	**2022**
Interest on mortgages payable	$ 8,070	$ 7,531	$ 31,320	$ 28,311
Other interest expense and standby fees	423	196	1,501	544
Amortization of mortgage premiums	(9)	(9)	(34)	(45)
Amortization of financing costs	328	391	1,399	1,524
	$ 8,812	$ 8,109	$ 34,186	$ 30,334

Interest on mortgages payable was higher due to refinancings completed in 2022 and 2023 and acquisition financings completed at higher interest rates. This was partially offset by the disposition activity in 2023 where the associated borrowings were repaid.

Other interest expenses and standby fees relate to costs incurred on the Credit Facility which had higher average drawings YTD-2023 compared to YTD-2022.

DISTRIBUTIONS ON CLASS B LP UNITS

Distributions declared were $60 in Q4-2023 ($375 - Q4-2022) and $739 YTD-2023 ($1,673 - YTD-2022). The decrease in distributions was due to the conversion of 16,304 and 2,174 Class B LP Units to Units on June 7, 2023 and November 7, 2023, respectively, in addition to the Distribution Reduction and Reallocation.

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 $956 in Q4-2023 was due to a decrease in the trading price of the Units from $12.31 at September 30, 2023 to $10.05 at December 31, 2023. The fair value gain of $10,135 YTD-2023 was due to a decrease in the trading price of the Units from $33.29 at December 31, 2022 to $10.05 at December 31, 2023.

FAIR VALUE ADJUSTMENT OF INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES HELD FOR SALE

The REIT has selected the fair value method to account for real estate classified as investment properties 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 and 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. With rapidly changing market conditions it is not possible to forecast with certainty the impact the shift to hybrid working models 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 months and year ended December 31, 2023, the REIT had a fair value loss of $11,814 and $80,205, respectively. The fair value loss was predominantly attributable to increase in both discount and capitalization rates on a number of properties and moderated leasing assumptions reflective of overall market conditions partially offset by an increase in value of certain externally appraised properties.

The key valuation assumptions for the REIT's investment properties as at December 31, 2023 and 2022 are as follows:

	2023	2022
Terminal and direct capitalization rate – range	5.50% to 9.50%	4.25% to 9.50%
Terminal and direct capitalization rate – weighted average	6.68%	6.14%
Discount rates – range	6.00% to 9.75%	5.75% to 9.75%
Discount rate – weighted average	7.16%	6.96%

UNREALIZED LOSS (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 December 31, 2023 was $72,145 (December 31, 2022 - $74,383). As at December 31, 2023, interest rates were projected to slowly start to decline in 2024, resulting in an unrealized loss on the change in fair value of the derivative instruments totaling $2,219 in Q4-2023 (unrealized gain of $82 - Q4-2022) and $1,158 YTD-2023 (unrealized gain of $5,444 - YTD-2022).

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 (loss) represents the opportunity (cost) benefit of not maintaining floating rate debt that would be realized in the event the swap was 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 (loss) income and comprehensive (loss) income determined in accordance with IFRS, to FFO and AFFO is as follows:

	Three months ended December 31		Years ended December 31	
	2023	2022	2023	2022
Net (loss) income and comprehensive (loss) income	$ (5,937)	$ (21,905)	$ (40,621)	$ 16,532
Add (deduct):				
Fair value adjustment of Unit-based compensation	(85)	7	(571)	(580)
Fair value adjustment of investment properties and investment properties held for sale	11,814	31,803	80,205	41,925
Fair value adjustment of Class B LP Units	(956)	455	(10,135)	(4,590)
Transaction costs on sale of investment property	1	—	1,376	—
Distributions on Class B LP Units	60	375	739	1,673
Unrealized loss (gain) on change in fair value of derivative instruments	2,219	(82)	1,158	(5,444)
Amortization of leasing costs and tenant inducements	2,526	2,012	9,261	6,784
FFO	$ 9,642	$ 12,665	$ 41,412	$ 56,300
Add (deduct):				
Unit-based compensation expense	117	124	563	665
Amortization of financing costs	328	391	1,399	1,524
Rent Supplement	742	—	2,970	—
Amortization of mortgage discounts	(9)	(9)	(34)	(45)
Instalment note receipts	13	15	54	62
Straight-line rent	(156)	802	(866)	2,339
Capital reserve [(1)]	(1,206)	(1,254)	(4,879)	(4,863)
AFFO	$ 9,471	$ 12,734	$ 40,619	$ 55,982
FFO per Unit:				
Basic	$ 0.59	$ 0.77	$ 2.52	$ 3.48
Diluted	$ 0.59	$ 0.77	$ 2.52	$ 3.48
AFFO per Unit:				
Basic	$ 0.58	$ 0.78	$ 2.47	$ 3.46
Diluted	$ 0.58	$ 0.78	$ 2.47	$ 3.46
AFFO payout ratio:				
Basic	25 %	110 %	69 %	99 %
Diluted	25 %	110 %	69 %	99 %
Distributions declared	$ 2,337	$ 13,996	$ 28,068	$ 55,296
Weighted average Units outstanding (000s):				
Basic	16,378	16,383	16,424	16,175
Add:				
Unit options and Incentive Units	8	3	5	13
Diluted	16,386	16,386	16,429	16,188

Notes:

(1) Based on an estimate of $1.00 (2022 - $1.00) per square foot per annum and represents a reserve for capital expenditures, tenant inducements and leasing costs.

Q4-2023 FFO and AFFO decreased $3,023, or 24% (YTD-2023 - $14,888, or 26%) and $3,263, or 26% (YTD-2023 - $15,363 or 27%), respectively over the comparable period. FFO and AFFO were lower as a result of the Primary Variance Drivers combined with higher financing costs attributed to borrowing on the Credit Facility as well as higher interest rates on refinancings. This was partially offset by NOI from the acquisition completed in Q3-2022, which included a rent supplement that was negotiated with the vendor to compensate the REIT for one year of free rent provided to the tenant. The REIT adds this amount in calculating AFFO, as it represents cash received by the REIT that is not recognized in net (loss) income over the same period.

Q4-2023 FFO and AFFO basic and diluted per Unit decreased $0.18 and $0.20 to $0.59 and $0.58, respectively. YTD-2023 FFO and AFFO basic and diluted per Unit decreased $0.96 and $0.99 to $2.52 and $2.47, respectively. Excluding termination fees, Q4-2023 FFO and AFFO basic and diluted per Unit were lower by $0.09 and $0.10, respectively, and YTD-2023 FFO and AFFO basic and diluted per Unit were lower by $0.53 and $0.56 compared to the same period in 2022.

The decrease in AFFO basic and diluted payout ratio in Q4-2023 to 25% is a result of the Distribution Reduction and Reallocation.

DISTRIBUTIONS

Following the Distribution Reduction, the REIT paid a monthly distribution to Unitholders of $0.1423 per Unit or $1.70775 per Unit on an annualized basis. As a result of the Distribution Reallocation, distributions were paused as of November 13, 2023.

Historically, the 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 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. On April 12, 2023, the REIT suspended the DRIP until further notice. As a result, Unitholders received distributions in cash effective with the distribution paid on April 17, 2023 to Unitholders of record on March 31, 2023 until the distributions were paused on November 13, 2023.

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

	Three months ended December 31	Years ended December 31		
	2023	**2023**	**2022**	**2021**
Distributions declared	$ 2,337	$ 28,068	$ 55,296	$ 53,973
Less: DRIP and change in distributions payable	2,337	3,079	(6,665)	(6,793)
Cash distributions paid	$ 4,674	$ 31,147	$ 48,631	$ 47,180

Distributions declared was lower than cash distributions paid for the three months and years ended December 31, 2023 as a result of the Distribution Reduction, Reallocation and DRIP suspension. Distributions declared for YTD-2023 includes two months based on a distribution of $0.2846 per Unit and eight months following the Distribution Reduction. Cash distributions paid includes three months of a distribution of $0.2846 per Unit and eight months following the Distribution Reduction. The following table provides a comparison of the REIT's cash flow and adjusted cash flow provided by operating activities to its distributions declared and cash distributions paid:

	Three months ended December 31	Years ended December 31		
	2023	**2023**	**2022**	**2021**
Net (loss) income and comprehensive (loss) income	$ (5,937)	$ (40,621)	$ 16,532	$ 51,004
Cash flow provided by operating activities	23,143	73,943	103,271	77,312
Less: Finance costs paid	(8,678)	(32,741)	(28,808)	(27,380)
Adjusted cash flow provided by operating activities	14,465	41,202	74,463	49,932
Declared basis:				
Excess (shortfall) of net (loss) income and comprehensive (loss) income over distributions	(8,274)	(68,689)	(38,764)	(2,969)
Excess (shortfall) of adjusted cash flow provided by operating activities over distributions	12,128	13,134	19,167	(4,041)
Cash basis:				
Excess (shortfall) of net (loss) income and comprehensive (loss) income over distributions	(10,611)	(71,768)	(32,009)	3,824
Excess of adjusted cash flow provided by operating activities over distributions	9,791	10,055	25,832	2,752

Net (loss) income and comprehensive (loss) income was lower than declared and cash distributions during the quarter and YTD-2023. The shortfall was primarily due to the fair value adjustment of investment properties which is a non-cash adjustment and included in income and comprehensive income. Adjusted cash flow provided by operating activities was higher than declared and cash distributions by $12,128 and $9,791, respectively for Q4-2023. Adjusted cash flow provided by operating activities was higher than declared and cash distributions YTD-2023 by $13,134 and $10,055, respectively. The excess cash is being used towards purchasing Units through the NCIB as part of the Distribution Reallocation.

RECONCILIATION OF ADJUSTED CASH FLOW PROVIDED BY OPERATING ACTIVITIES TO AFFO

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

	Three months ended December 31		Years ended December 31	
	2023	**2022**	**2023**	**2022**
Adjusted cash flow provided by operating activities	$ 14,465	$ 29,300	$ 41,202	$ 74,463
Change in finance costs payable	185	15	(80)	(47)
Rent Supplement	742	—	2,970	—
Instalment note receipts	13	15	54	62
Capital reserve	(1,206)	(1,254)	(4,879)	(4,863)
Change in non-cash operating working capital	(4,728)	(15,342)	1,352	(13,633)
AFFO	$ 9,471	$ 12,734	$ 40,619	$ 55,982

AFFO of $9,471 was higher than distributions declared by $7,134 and distributions paid by $4,797 in Q4-2023. YTD-2023 AFFO of $40,619 was higher than distributions declared by $12,551 and distributions paid by $9,472. The excess cash is being used to purchase Units under the NCIB as part of the Distribution Reallocation.

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 March 19, 2024 (the "AIF"). Also see "Risks and Uncertainties".

As at December 31, 2023, the REIT had access to approximately $45,346 in cash and availability on the Credit Facility. The REIT's weighted average term to maturity of its mortgage portfolio was 3.01 years with a weighted average fixed interest rate of 3.90%.

During the quarter, the REIT refinanced $62,834 of mortgages with the new loans having a weighted average fixed interest rate of 6.06% and terms to maturity between three and five years. YTD-2023, the REIT has refinanced $130,407 of mortgages with a weighted average fixed interest rate of 5.87% (excluding one mortgage with a variable interest rate at prime plus 1.5%) and a weighted average term to maturity of 3.9 years, providing the REIT with additional liquidity of approximately $4,200.

Subsequent to December 31, 2023, the REIT refinanced a $12,962 mortgage for a one year term which represents approximately 16% of mortgages maturing in 2024 with the majority of the remaining 2024 debt maturities occurring towards the end of 2024 on loans with large Canadian financial institutions with whom the REIT and Starlight have strong relationships.

The REIT's Available Funds are as follows:

	December 31, 2023	December 31, 2022
Cash	$ 8,946	$ 9,501
Undrawn Credit Facility	36,400	53,600
Available Funds [1]	$ 45,346	$ 63,101

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

CAPITAL INVESTMENT

The 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 2024 and beyond. Future expenditures are expected to be funded through cash flow generated by operations, the Credit Facility and cash on hand. For the years ended December 31, 2023 and 2022, the REIT invested $14,927 and $31,653 respectively, in capital and leasing expenditures.

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

ASSET PROFILE

INVESTMENT PROPERTIES

The following table summarizes changes in the REIT's investment properties for the years ended December 31, 2023 and 2022:

	Investment properties	Investment properties held for sale	Total
Balance, December 31, 2021	$ 1,403,579	—	1,403,579
Acquisitions	38,845	—	38,845
Additions	31,653	—	31,653
Amortization of leasing costs, tenant inducements and straight-line rents	(7,319)	—	(7,319)
Fair value adjustment	(41,925)	—	(41,925)
Investment properties held for sale	(84,250)	84,250	—
Balance, December 31, 2022	1,340,583	84,250	1,424,833
Additions	14,635	292	14,927
Dispositions	—	(48,750)	(48,750)
Amortization of leasing costs, tenant inducements and straight-line rents	(5,707)	(336)	(6,043)
Fair value adjustment	(75,144)	(5,061)	(80,205)
Investment properties held for sale	(23,936)	23,936	—
Balance, December 31, 2023	$ 1,250,431	54,331	1,304,762

During the year ended December 31, 2023, the REIT disposed of three Properties which were classified as held for sale as at December 31, 2022.

ADDITIONS

Additions to investment properties and investment properties held for sale for the year ended December 31, 2023 were $14,927, consisting of the following:

- Capital expenditures of $4,532 mainly for the replacement of induction units, tenant amenities, heat pump replacements and lobby and washroom upgrades; and
- Tenant inducements and leasing costs of $10,395, which include costs incurred to renew and secure new tenants.

PREPAID EXPENSES AND DEPOSITS

At December 31, 2023, the REIT had $3,101 in prepaid expenses and deposits, compared to $3,279 at December 31, 2022. The decrease is mainly due to a decrease in prepaid realty taxes partially offset by an increase in prepaid interest on one of the REIT's mortgages with an associated interest rate swap.

DEBT

MORTGAGES PAYABLE

The following table sets out, as at December 31, 2023, 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
2024	22,751	81,644	104,395	13.0 %	4.26 %	29,725
2025	15,625	197,178	212,803	26.6 %	3.14 %	21,653
2026	14,026	199,012	213,038	26.6 %	3.96 %	19,514
2027	8,715	78,910	87,625	10.9 %	5.13 %	10,797
2028	6,041	90,583	96,624	12.1 %	4.59 %	5,684
Thereafter	4,195	82,002	86,197	10.8 %	3.41 %	3,279
	$ 71,353	$ 729,329	$ 800,682	100.0 %	3.90 %	$ 90,652
Unamortized mark to market mortgage adjustments			127			
Unamortized financing costs			(3,416)			
			$ 797,393			

Mortgages payable had a weighted average fixed interest rate of 3.90% (December 31, 2022 – 3.54%) and a weighted average term to maturity of 3.01 years (December 31, 2022 – 3.27 years).

The mortgages payable associated with investment properties held for sale as at December 31, 2023 was $42,372 (December 31, 2022 - $58,330).

CREDIT FACILITY

The REIT has a $60,000 Credit Facility with a Canadian chartered bank which is comprised of two tranches: (i) up to $35,000 secured by first and 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) $25,000 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 having expired on July 31, 2023 to align with the sale of 32071 South Fraser Way.

As at December 31, 2023, the REIT had drawn $23,600 on the Credit Facility (December 31, 2022 - $14,400).

INDEBTEDNESS TO GBV

As at December 31, 2023, the REIT's overall leverage, as represented by Indebtedness to GBV, a non-IFRS financial measure, was 61.9%. The maximum allowable ratio under the DOT is 75%. Below is a calculation of the REIT's Indebtedness to GBV ratio as at December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022	December 31, 2021
Total assets	$ 1,323,672	$ 1,450,315	$ 1,421,177
Deferred financing costs	6,976	7,070	7,171
GBV [(1)]	$ 1,330,648	$ 1,457,385	$ 1,428,348
Mortgages payable	797,393	846,689	820,402
Credit Facility	23,600	14,400	—
Unamortized financing costs and mark to market mortgage adjustments	3,289	3,745	3,977
Indebtedness [(1)]	$ 824,282	$ 864,834	$ 824,379
Indebtedness to GBV [(1)]	**61.9 %**	**59.3 %**	**57.7 %**

The increase in Indebtedness to GBV from December 31, 2022 is driven mainly by $23,600 drawn on the Credit Facility as at December 31, 2023 ($14,400 - December 31, 2022) as well as the fair value loss on investment properties and disposition activity in 2023. As at December 31, 2023, 4.4% (December 31, 2022 - 1.7%) of the REIT's debt was floating rate not hedged with interest rate swaps.

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

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

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 (loss) income and comprehensive (loss) income. Refer to "Non-IFRS Financial Measures".

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

	Years ended December 31	
	2023	2022
Net (loss) income and comprehensive (loss) income	$ (40,621)	$ 16,532
Add (deduct):		
Interest expense	32,821	28,855
Fair value adjustment of Unit-based compensation	(571)	(580)
Transaction costs on sale of investment property	1,376	—
Fair value adjustment of investment properties and investment properties held for sale	80,205	41,925
Fair value adjustment of Class B LP Units	(10,135)	(4,590)
Distributions on Class B LP Units	739	1,673
Unrealized loss (gain) on change in fair value of derivative instruments	1,158	(5,444)
Amortization of leasing costs, tenant inducements, mortgage premium and financing costs	10,626	8,263
Adjusted EBITDA [(1)]	$ 75,598	$ 86,634

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

	Years ended December 31	
	2023	**2022**
Adjusted EBITDA	$ 75,598	$ 86,634
Interest expense	32,821	28,855
Interest coverage ratio	2.30 x	3.00 x

Interest coverage ratio for the period decreased as a result of lower adjusted EBITDA due to the Primary Variance Drivers combined with higher interest expense from additional borrowings associated with the Q3-2022 acquisition, refinancings completed in 2022 and 2023 and higher borrowing on the Credit Facility.

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

As at December 31, 2023, there were 420,887 Class B LP Units issued and outstanding valued at $4,231 compared to 439,365 Class B LP Units valued at $14,628 as at December 31, 2022. The change in value is due to a decrease in the Unit price from $33.29 at December 31, 2022 to $10.05 at December 31, 2023 and the conversion of 16,304 and 2,174 Class B LP Units to Units on June 7, 2023 and November 7, 2023, respectively.

There have been no further changes in the Class B LP Units outstanding as at March 19, 2024.

UNITHOLDERS' EQUITY

OUTSTANDING UNITS

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

The following table summarizes changes in the Unit capital of the REIT for the year ended December 31, 2023:

	Units	**Amount**
Balance, December 31, 2022	15,967,482	$ 563,277
Issue of Units:		
DRIP	46,847	1,591
Exchange of Class B LP Units	18,478	262
Incentive Units redeemed	6,949	141
Units repurchased and cancelled under NCIB	(363,112)	(3,281)
Issuance costs	—	(97)
Balance, December 31, 2023	15,676,644	$ 561,893

The number of Units outstanding as at March 19, 2024 is as follows:

Balance, December 31, 2023	15,676,644
Units repurchased and cancelled under NCIB	(463,580)
Incentive Units Redeemed	2,501
Balance, March 19, 2024	15,215,565

INCENTIVE UNIT PLAN

The REIT has established an incentive trust unit plan dated June 19, 2019 as amended and restated on March 21, 2022 and March 14, 2023 (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 together 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, 2022	13,532	$	576
Granted and reinvested	5,407		194
Redeemed	(10,726)		(390)
Fair value adjustment	—		(107)
Balance, December 31, 2022	8,213		273
Granted and reinvested	13,014		170
Redeemed	(626)		(22)
Fair value adjustment	—		(214)
Balance, December 31, 2023	20,601	$	207

There have been no further changes in the Deferred Units outstanding as at March 19, 2024,

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, 2022	15,718		393
Granted and reinvested	18,199		471
Redeemed and expired	(17,700)		(436)
Fair value adjustment	—		(97)
Balance, December 31, 2022	16,217	$	331
Granted and reinvested	17,404		393
Redeemed and expired	(15,134)		(301)
Fair value adjustment	—		(330)
Balance, December 31, 2023	18,487	$	93

The number of Restricted Units outstanding as at March 19, 2024 is as follows:

Balance, December 31, 2023	18,487
Restricted Units redeemed and expired	(6,264)
Balance, March 19, 2024	12,223

UNIT OPTION PLAN

The REIT's Unit option plan has been suspended and no further options will be granted. As of December 31, 2023, all options have vested and were exercised or expired.

SHORT FORM BASE SHELF PROSPECTUS

On February 17, 2022, the REIT filed a short-form base shelf prospectus ("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 year ended December 31, 2023, the REIT did not issue Units (for the year ended December 31, 2022, 252,313 Units were issued for $9,460) through the ATM Program.

NCIB PROGRAM

On April 12, 2023, the REIT announced the intention to commence a NCIB, as approved by the TSX. Under the NCIB, the REIT has the ability to purchase for cancellation up to a maximum of 1,432,966 of its Units, representing 10% of the REIT's public float of 14,329,664 Units through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per Unit equal to the market price at the time of acquisition. The NCIB became effective on April 18, 2023 and will remain in place until the earlier of April 17, 2024 or the date on which the REIT has purchased the maximum number of Units permitted under the NCIB. Any Units acquired through the NCIB will be cancelled.

During the year ended December 31, 2023, the REIT repurchased and cancelled 363,112 Units for cash of $3,281 through the normal course issuer bid ("NCIB").

COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the REIT is involved in litigation and claims in relation to its investment properties. In the opinion of management, none of these, individually or in aggregate, could result in a liability that would have a significant adverse effect on the financial position of the REIT. The REIT has agreed to indemnify, in certain circumstances, the Trustees and officers of the REIT. As at December 31, 2023, the REIT had entered into commitments for building renovations, capital upgrades and landlord work at certain Properties totaling $2,537 (December 31, 2022- $476).

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

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

	Three months ended December 31		Years ended December 31	
	2023	2022	2023	2022
Asset management fees	$ 1,167	$ 1,206	$ 4,712	4,677
Acquisition fees	—	—	—	405
Other expenses	49	38	171	133
Total	$ 1,216	$ 1,244	$ 4,883	5,215

At December 31, 2023, $414 (December 31, 2022 - $417) was included in accounts payable and accrued liabilities. No incentive fees were earned or capital expenditure fees were charged for the years ended December 31, 2023 and 2022.

RISKS AND UNCERTAINTIES

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

RISKS RELATED TO THE REAL ESTATE INDUSTRY

REAL PROPERTY OWNERSHIP AND TENANTS

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of such properties. The properties generate revenue through rental payments made by the tenants thereof. The ability to rent vacant space in properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics and working patterns, competition from other available properties, and various other factors.

If a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be re-leased on economically favourable terms, the properties may not generate revenues sufficient to meet operating expenses, including debt service payments and capital expenditures.

LEASE RENEWALS AND RENTAL INCREASES

Lease expiries at the Properties including those of significant tenants occur from time to time over the short and long-term. No assurance can be provided that the REIT will be able to renew any or all of the leases upon their expiration, or re-lease space without an interruption in the rental revenue, at or above current rental rates, or without having to offer substantial rent abatements, tenant improvement allowances, early termination rights or below-market renewal options. The difficulty, delay and cost of renewing or failure to renew leases, re-lease space or achieve rental rate stability or increases may materially and adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

FLUCTUATIONS IN CAPITALIZATION RATES

The fair market property valuation process is dependent on several inputs, including the current market capitalization rate. As interest rates fluctuate in the lending market, capitalization rates affecting the underlying value of real estate generally fluctuate as well. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates. In addition, the REIT is subject to certain financial and non-financial covenants through the mortgages payable and the Credit Facility that include maintaining certain leverage ratios. Changes in market capitalization rates could impact the REIT's property valuations which in turn could impact financial covenants.

PROPERTY VALUATIONS

The REIT conducts a valuation assessment of the properties on a quarterly basis. As property values fluctuate over time in response to market factors, or as underlying assumptions and inputs to the valuation model change, the fair value of the REIT's portfolio could change materially. The REIT is responsible for the reasonableness of the assumptions and for the accuracy of the inputs into the property valuation model. Errors in the inputs to the valuation model or unreasonable assumptions may result in an inaccurate valuation of the properties. The REIT uses the market information obtained from external appraisals for its properties commissioned during the annual reporting period to assess whether changes to market-related assumptions are required for the balance of the portfolio. The REIT is responsible for monitoring the value of its portfolio going forward and evaluating the impact of any changes in property values over time. Any changes in the value of the properties may impact Unitholder value.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the above-mentioned valuations.

CURRENT AND FUTURE ECONOMIC ENVIRONMENT

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

Increased inflation could have a more pronounced negative impact on any variable rate debt the REIT is subject to or incurs in the future and on its results of operations. Similarly, during periods of high inflation, annual rent increases may be less than the rate of inflation on a continual basis. Substantial inflationary pressures and increased costs may have an adverse impact on the REIT's tenants if increases in their operating expenses exceed increases in revenue. This may adversely affect the tenants' ability to pay rent, which could negatively affect the REIT's financial condition. The REIT is also subject to the risk that if the real estate market ceases to attract the same level of capital investment in the future that it attracts at the time of its real estate purchases, the value of the REIT's investments may not appreciate or may depreciate. Changing work patterns to include flexible hybrid work models have caused tenants to re-assess their space requirements which may result in tenants downsizing. Accordingly, the REIT's operations and financial condition could be materially and adversely affected to the extent that an economic slowdown or downturn occurs, is prolonged or becomes more severe.

ENVIRONMENTAL AND CLIMATE CHANGE

The REIT is committed to developing and implementing ESG best practices across its portfolio to drive value and returns for Unitholders and tenants. It is one of the REIT's commitments to invest and operate sustainably, with an aim to improve efficiency, reduce operating costs, and future-proof the REIT's buildings by driving innovation and new technologies. As part of this commitment the REIT has included a plan to ensure the risks and opportunities posed by climate change and the expected transition to a lower-carbon economy are appropriately understood, benchmarked, and then acted upon.

Environmental

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

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

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

Physical & transitional climate change

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

Scrutiny and perception gaps regarding ESG

Evolving unitholders expectations with respect to ESG matters may pose risks to the REIT's brand and reputation, ability to attract and retain talent, financial outlook, cost of capital and global supply chain and business continuity, which may impact our ability to achieve long-term business objectives. Increased public awareness and growing concerns about climate change and the global transition to a low carbon economy could result in a broad range of impacts. Significant capital is required to monitor emerging risks in a rapidly changing ecosystem and to sufficiently address evolving expectations related to corporate culture, business conduct and ethics, responsible management of our supply chain, transparency, respect for human rights, working and safety conditions, as well as diversity and inclusion, among other factors, which could affect profitability and reputation. Additional ESG-related regulations, changes in reporting frameworks and guidance, emergence of ''greenwashing'' legal actions by activist groups, and increasing regulatory expectations, as well as continuing reforms pertaining to mandatory disclosure create new and evolving compliance risks. Gaps in perception and acceptability of how ESG factors into Unitholder value also require increased vigilance surrounding ESG reporting and communication. As ESG performance is assessed by proxy advisory agencies, we could also face governance issues if we do not meet their expectations.

COMPETITION

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

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

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

ILLIQUIDITY OF REAL ESTATE INVESTMENTS

Real estate investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for, and the perceived desirability of, such investments. Such illiquidity may limit the REIT's ability to promptly adjust its portfolio in response to changing economic or other conditions. If the REIT were required to quickly liquidate its properties, the proceeds might be significantly less than the aggregate carrying value of its properties or less than what could be expected to be realized under normal circumstances. In addition, by concentrating on commercial rental properties, the REIT is exposed to the adverse effects on that segment of the real estate market.

INTEREST RATES

When concluding financing agreements or extending such agreements, the REIT depends on its ability to agree on terms and interest payments that will not impair its profits.. In addition to existing variable rate portions of financing agreements, the REIT may enter into future financing agreements with variable interest rates. An increase in interest rates could result in a significant increase in the amount paid by the REIT to service debt, and could materially adversely affect the trading price of the Units. Increases in interest rates generally cause a decrease in demand for properties. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by banks, could have a material adverse effect on the REIT's ability to sell any of its properties. In addition, increasing interest rates may put competitive pressure on the levels of distributions made by the REIT to Unitholders, increasing the level of competition for capital secured by the REIT, which could have a material adverse effect on the trading price of the Units.

The REIT may be subject to higher interest rates in the future, given the current economic climate, including inflation. The REIT may also be unable to renew its maturing debt either with an existing or a new lender, and if it is able to renew its maturing debt, significantly lower loan-to-value ratios may be used. The REIT will seek to manage this risk by negotiating fixed interest rates where possible. As required by the DOT, at no time will the REIT incur debt aggregating more than 20% of GBV at floating interest rates or having maturities less than one year (excluding debt with an original maturity of one year or more falling due in the next 12 months or variable rate debt for which the REIT has entered into interest rate swap agreements to fix the interest rate for a one year period or more).

The Credit Facility and mortgages payable also contain covenants that require it to maintain certain financial ratios on a consolidated basis. The REIT analyzes its interest rate risk and the impact of rising and falling interest rates on operating results and financial condition on a regular basis.

UNINSURED LOSSES

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

RISKS RELATED TO INSURANCE RENEWALS

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

CREDIT RISK AND TENANT CONCENTRATION

The REIT is exposed to risk as tenants may be unable to pay their contracted rents. Management mitigates this risk by seeking to acquire properties with strong tenant covenants in place. The REIT's portfolio includes over 200 tenant leases with a weighted-average term to maturity of approximately 4.5 years. Approximately 77% of the REIT's annualized gross revenue are government and other credit rated tenants.

RISKS RELATED TO THE REIT AND ITS BUSINESS

ACQUISITIONS

The REIT's strategy includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, completing acquisitions and effectively operating and leasing such properties. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis.

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

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

DISPOSITIONS

The REIT undertakes strategic property dispositions from time to time in order to recycle its capital and maintain an optimal portfolio and cash flow composition. Failure to dispose of certain Properties not aligned with the REIT's investment criteria may adversely affect its operations and financial performance.

GEOGRAPHIC CONCENTRATION

The Properties are all located in Canada, the majority of which are located in urban markets. As a result, the REIT's performance, the market value of the Properties and the income generated are particularly sensitive to changes in the economic condition and regulatory environment in one or more markets where the REIT has a concentration of properties. Adverse changes in the economic condition or regulatory environment of such markets may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and its ability to make distributions to Unitholders.

DATA GOVERNANCE AND DECISION SUPPORT

The REIT depends on relevant and reliable information to operate its business. As the volume of data being generated and reported continues to increase across the REIT, data accuracy, quality and governance are required for effective decision making. Failure by the REIT to leverage data in a timely manner may adversely affect its ability to execute its strategy and therefore its financial performance.

ACCESS TO CAPITAL AND FINANCING

The real estate industry is highly capital intensive. The REIT requires access to capital to maintain the properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance the REIT will have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, the REIT may not be able to borrow funds due to the limitations set forth in the DOT.

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

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

As at December 31, 2023, $23,600 (December 31, 2022 - $14,400) of the REIT's debt was at floating rates.

The REIT has approximately $81,644 of mortgages that will be coming due during 2024. Subsequent to December 31, 2023, the REIT refinanced one mortgage set to mature in 2024 totaling $12,962. The REIT anticipates refinancing the remaining mortgages with new and/or existing lenders and is in discussions with its current lenders and does not currently anticipate the REIT will encounter any material issues in regards to refinancing any of these mortgages. Regardless, there can be no assurance that the REIT will have access to sufficient capital or access to capital on terms favourable for the refinancing of these mortgages. If the REIT is unable to refinance the mortgages, this could have a material adverse impact on the REIT and its Unitholders.

REGULATORY COMPLIANCE

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

POTENTIAL CONFLICTS OF INTEREST WITH TRUSTEES

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

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

LITIGATION

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

TAXATION MATTERS

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

The *Income Tax Act* (Canada) (“Tax Act”) contains rules, relating to public specified investment flow-through trusts or partnerships ("SIFT") which tax certain publicly traded or listed trusts in a manner similar to corporations and taxes certain distributions from such trusts or partnerships as taxable dividends from a taxable Canadian corporation.

The rules in the Tax Act applicable to SIFTs are not applicable to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue.

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

If the REIT were to no longer qualify for the REIT Exception, it would not be able to flow through its taxable income to Unitholders and the REIT would therefore be subject to tax. The REIT Exception is applied on an annual basis. As such, it will not be possible to determine if the REIT will satisfy the conditions of the REIT Exception for 2024 or any subsequent year until the end of the particular year. Management of the REIT has determined that the REIT is not subject to the SIFT tax as it meets the REIT Exception for 2023.

SIGNIFICANT OWNERSHIP BY STARLIGHT

As of the date hereof, Daniel Drimmer and his affiliates hold an approximate 11.1% effective interest in the REIT through ownership of Units, Class B LP Units and Restricted Units. For so long as Starlight maintains a significant effective interest in the REIT, Starlight benefits from certain contractual rights regarding the REIT and Starlight has the ability to exercise influence with respect to the affairs of the REIT and significantly affect the outcome of Unitholder votes, including the ability to prevent certain fundamental transactions, and may discourage transactions involving a change of control of the REIT, including transactions in which an investor might otherwise receive a premium for its Units over the then current market price. The Units may also be less liquid and worth less than they would if Starlight did not have the ability to influence matters affecting the REIT.

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

FINANCIAL REPORTING AND OTHER PUBLIC COMPANY REQUIREMENTS

The REIT is subject to reporting and other obligations under applicable Canadian securities laws and rules of the stock exchange on which the Units are listed, including National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings of the Canadian Securities Administrators* ("NI 52-109"). These reporting and other obligations place significant demands on the REIT’s management, administrative, operational and accounting resources, including those provided pursuant to the Asset Management Agreement. The REIT is partially reliant on Starlight, pursuant to the Asset Management Agreement, for certain financial reporting and internal control functions. Effective internal controls over financial reporting, particularly those related to revenue recognition, are necessary for the REIT to produce reliable financial reports and to maintain its qualification as a real estate investment trust and are important in helping to prevent financial fraud. Any failure of the REIT, or its service provider, to maintain effective internal controls could cause the REIT to fail to meet its reporting obligations or result in material misstatements in its financial statements. If the REIT cannot provide reliable financial reports or prevent fraud, not only could its real estate investment trust qualification be jeopardized, but also its access to capital could be impaired, and it could be exposed to civil litigation or investigations by regulatory authorities. Further, the REIT’s reputation, financial condition and operating results could be materially harmed which could also cause investors to lose confidence in the REIT’s reported financial information, which could result in a reduction in the trading price of the Units. The REIT’s internal controls over financial reporting, disclosure controls and procedures and its operating internal controls may not prevent or detect financial misstatements or loss of assets because of inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. An internal control system, no matter how well-designed, implemented or audited, can provide only reasonable, not absolute, assurance with respect to financial statement and disclosure accuracy and safeguarding of assets, and that the control system's objectives will be met.

DEPENDENCE ON THE ASSET MANAGER

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

CONTROLS OVER FINANCIAL REPORTING

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

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

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

CYBER-SECURITY

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the REIT's information. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. The REIT's primary risks that could directly result from the occurrence of a cyber-incident include financial loss, operational interruption, damage to its reputation and business relationships with its tenants and Unitholders. The REIT has implemented processes, procedures and controls to help mitigate these risks, including installing firewalls and antivirus programs on its networks, servers and computers, but these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results will not be negatively impacted by such an incident. As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the REIT's security measures. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the REIT's security measures, which could result in a breach of confidential information.

If the REIT does not allocate and effectively manage the resources necessary to build and sustain a reliable information technology ("IT") infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or the REIT's' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the REIT's business could be disrupted and the REIT could, among other things, be subject to: the loss of or failure to attract new tenants; the loss of revenue; the loss or unauthorized access to confidential information or other assets; the loss of or damage to trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

The REIT has secured cyber liability insurance coverage, however there can be no guarantee that such coverage will respond or be sufficient to all cyber-security threats incurred by the REIT. A cyber-security incident may result in increased premiums and deductibles for cyber liability coverage.

BUSINESS CONTINUITY AND DISASTER RECOVERY

The REIT's ability to continue critical operations and processes could be negatively impacted by adverse events resulting from various incidents, including severe weather, prolonged IT system failure, terrorist activity, pandemics, power failures or other national or international catastrophes. Any of these events, including effective contingency planning, may have a material adverse effect on the REIT's reputation, business, cash flows, financial condition and results of operations and its ability to make distributions to Unitholders. The REIT has a business continuity plan in place, however there can be no assurance it will mitigate all losses.

RISKS RELATED TO THE UNITS

VOLATILE MARKET PRICE FOR THE REIT'S SECURITIES

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

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

RETURN ON INVESTMENT ON UNITS NOT GUARANTEED

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

CASH DISTRIBUTION ARE NOT GUARANTEED: NON-CASH DISTRIBUTIONS

Distributions on the Units are established by the Board of Trustees and are subject to change at their discretion. While the REIT's distribution policy has been established pursuant to the Declaration of Trust and may only be changed with the approval of a majority of Unitholders, the actual amount of distributions paid in respect of the Units will depend upon numerous factors, all of which are susceptible to a number of risks and other factors beyond the control of the REIT. The market value of the Units may deteriorate if the REIT is unable to meet its distribution targets, and that deterioration could be significant. See "Distributions".

DILUTION OF UNITS

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

UNITHOLDER LIABILITY

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

NATURE OF INVESTMENT IN UNITS

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

USE OF ESTIMATES

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

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. In preparing the consolidated financial statements, significant judgments made by management in applying accounting policies were the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2023.

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
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 consolidated financial statements is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage.

Class B LP Units are carried at fair value and the fair value of the Class B LP Units has been determined with reference to the trading price of the Units. The fair value adjustment for the year ended December 31, 2023 was a gain of $10,135 (YTD 2022 - $4,590).

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 loss on change in the fair value of the derivative instruments for the year ended December 31, 2023 was $1,158 (YTD 2022 - unrealized gain of $5,444).

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

MATERIAL ACCOUNTING POLICY INFORMATION

There were no changes to the accounting policies applied by the REIT during 2023. Future accounting policies that may impact the REIT are discussed in the REIT's audited consolidated financial statements for the year ended December 31, 2023 and the notes contained therein.

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

The CEO and CFO evaluated the effectiveness of the REIT’s disclosure controls and procedures (as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings* (“NI 52-109”) and concluded that the design and operation of the REIT’s disclosure controls and procedures were effective for the three months and year ended December 31, 2023.

The CEO and CFO evaluated the design and effectiveness of the REIT’s internal controls over financial reporting (as defined in NI 52-109) and concluded that the design and effectiveness of internal controls over financial reporting continue to be appropriate and were effective for the three months and year ended December 31, 2023.

OUTLOOK

Office vacancy in Canada continues to rise, although at a slower rate compared to 2021 and 2022. Towards the end of 2023, many industry leaders who had previously established more flexible hybrid work policies reaffirmed their commitment to returning to the office. As population growth in Canada continues to rapidly increase, employers may look to expand their workforce which should in turn increase the demand for office space for various companies. This, in combination with a reduction in the office supply pipeline as a result of a decline in office development combined with the commencement of the conversion of Class B and Class C office properties to residential is expected to improve the overall performance of the office market. Tenants remain focused on high quality, modernized spaces with a variety of amenities in optimal locations that reduce employee commute times. All of these factors are expected to entice employees back to physical office spaces. The REIT has incurred capital expenditures over the last few years specifically geared towards tenant amenities including lounges, gyms and cafés. The majority of the REIT's properties are in near urban areas with accessibility to transit, ample parking and numerous amenities. Management continues to support the REIT's tenants through various initiatives so their employees find benefit in being back in the office environment.

Throughout 2022 and 2023, concerns over rising cost inflation contributed to a significant increase in interest rates with the Bank of Canada raising its target interest rate from 0.25% in early 2022 to 5.00% as at March 19, 2023. Increases in target interest rates typically lead to increases in borrowing costs. As at December 31, 2023, 96% of the REIT's debt was at a fixed rate. Although inflation in Canada persists, it has declined from its peak with improvements in global supply chains and the effects of higher interest rates moving through the economy. The Bank of Canada is expecting inflation to remain close to 3% through the first half of 2024, gradually easing to 2% in 2025. The REIT is working through its upcoming 2024 debt maturities and continues to actively monitor the current interest rate environment and any associated impact this may have on the REIT's financial performance. The financing market for commercial properties remains challenging as a result of reduced lender appetite for office loans. However, the REIT has a competitive advantage as it is able to leverage Starlight's lender relationships. The REIT has been able to refinance all of its existing maturing mortgages to date.

National office vacancy increased 10 basis points this quarter to 18.3%. Majority of the increase from the previous year took place in the first half of 2023. The REIT continues to maintain an overall vacancy well below this metric. There continues to be positive improvements experienced for Class A buildings while Class B buildings continue to see decreased demand. Rental rates have remained relatively stable over the last three years with Class A suburban assets experiencing more positive leasing activity compared to downtown Class B properties. Sublet vacancy decreased for a second consecutive quarter, reaching its lowest level in 2023 with some tenants reclaiming their space upon establishing their return to office mandates.

GTA downtown office vacancy increased 160 basis points in Q4-2023 to 17.4%. However, physical building occupancy continues to increase with peak office days nearing 70% occupancy. The GTA suburban office vacancy decreased 30 basis points to 20.3%. The REIT’s suburban GTA office portfolio experienced positive traction this quarter with the completion of 34,800 square feet of new leases and renewals.

Ottawa's downtown vacancy rate remained stable at 14.2% while suburban vacancy decreased 60 basis points for an overall vacancy rate of 13.3%. The REIT's Ottawa portfolio remained strong at 97.5% occupancy.

The Halifax office market improved this quarter as vacancy decreased by 50 basis points to 14.1%. The Calgary office market also improved, with vacancy falling 70 basis points to 27.9%.

The REIT maintains an overall occupancy of 89%, which is above the average occupancy experienced in the Canadian office market which may be attributed to the REIT's carefully constructed portfolio with a focus on government and credit rated tenants.

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.

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

Dated: March 19, 2024
Toronto, Ontario, Canada

APPENDIX A - PROPERTY LISTING AT DECEMBER 31, 2023

	Property Name	City	Occupancy	Remaining Lease Term [1]	GLA
	Alberta				
1	855 8th Avenue SW	Calgary	68 %	1.3 years	75,700
2	4500 & 4520 - 16th Avenue NW	Calgary	100 %	3.9 years	77,600
3	1020 68th Avenue NE	Calgary	— %	0.0 years	148,400
4	3699 63rd Avenue NE	Calgary	100 %	4.9 years	209,400
5	13140 St. Albert Trail	Edmonton	92 %	5.1 years	95,200
	Total Alberta		*70 %*	*4.3 years*	*606,300*
	British Columbia				
6	810 Blanshard Street	Victoria	100 %	1.1 years	34,400
7	727 Fisgard Street	Victoria	100 %	5.8 years	50,200
8	1112 Fort Street	Victoria	100 %	2.7 years	52,000
9	9200 Glenlyon Parkway	Burnaby	100 %	8.1 years	90,600
	Total British Columbia		*100 %*	*5.3 years*	*227,200*
	New Brunswick				
10	500 Beaverbrook Court	Fredericton	93 %	4.8 years	56,000
11	295 Belliveau Avenue	Shediac	100 %	3.1 years	42,100
12	410 King George Highway	Miramichi	75 %	7.3 years	72,700
13	551 King Street	Fredericton	89 %	3.6 years	85,300
14	495 Prospect Street	Fredericton	93 %	4.2 years	87,100
15	845 Prospect Street	Fredericton	49 %	4.2 years	38,600
16	414-422 York Street	Fredericton	97 %	4.1 years	33,000
17	440-470 York Street	Fredericton	90 %	3.5 years	60,200
	Total New Brunswick		*87 %*	*4.4 years*	*475,000*

[1] Weighted by annualized gross revenue

	Property Name	City	Occupancy	Remaining Lease Term [1]	GLA
	Nova Scotia				
18	36 & 38 Solutions Drive	Halifax	56 %	3.0 years	130,200
19	120, 130, 134 & 140 Eileen Stubbs Avenue	Halifax	86 %	4.0 years	297,300
	Total Nova Scotia		*77 %*	*3.7 years*	*427,500*
	Ontario				
20	1595 16th Avenue	Richmond Hill	100 %	6.6 years	123,300
21	251 Arvin Avenue	Hamilton	100 %	5.5 years	6,900
22	61 Bill Leathem Drive	Ottawa	100 %	4.1 years	148,100
23	777 Brock Road	Pickering	100 %	4.2 years	98,900
24	6865 Century Avenue	Mississauga	100 %	0.5 years	63,800
25	6925 Century Avenue	Mississauga	91 %	5.9 years	254,900
26	675 Cochrane Drive	Markham	87 %	4.0 years	372,200
27	1161 Crawford Drive	Peterborough	100 %	3.2 years	32,500
28	400 Cumberland Street	Ottawa	98 %	5.0 years	174,400
29	520 Exmouth Street	Sarnia	100 %	2.9 years	34,700
30	3115 Harvester Road	Burlington	89 %	5.5 years	79,000
31	135 Hunter Street East	Hamilton	100 %	4.6 years	24,400
32	340 Laurier Avenue West	Ottawa	100 %	6.1 years	279,800
33	400 Maple Grove Road	Ottawa	100 %	7.7 years	107,200
34	101 McNabb Street	Markham	100 %	3.4 years	315,400
35	78 Meg Drive	London	100 %	1.4 years	11,300
36	301 & 303 Moodie Drive	Ottawa	87 %	2.9 years	148,200
37	8 Oakes Avenue	Kirkland Lake	100 %	8.3 years	41,000
38	5160 Orbitor Drive	Mississauga	100 %	6.2 years	31,400
39	231 Shearson Crescent	Cambridge	84 %	2.1 years	60,200
40	6 Staples Avenue	Richmond Hill	100 %	9.8 years	122,000
41	2300 St. Laurent Boulevard	Ottawa	100 %	4.0 years	37,500
42	3650 Victoria Park Avenue	Toronto	19 %	1.8 years	153,500
43	80 Whitehall Drive	Markham	100 %	0.9 years	60,800
44	5775 Yonge Street	Toronto	87 %	4.1 years	274,800
	Total Ontario		*91 %*	*4.6 years*	*3,056,200*
	Average/Total Portfolio		87 %	4.6 years	4,792,200

[1] Weighted by annualized gross revenue.

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