TSX: TNT.UN

True North Commercial REIT

Q1 2024

MANAGEMENT'S DISCUSSION & ANALYSIS

MAY 7, 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

4.4 YR
Weighted Average Lease Term

44
Properties

90%(1)
Occupancy

5
Provinces

As at March 31, 2024
(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 three months ended March 31, 2024 and 2023 and should be read in conjunction with the REIT's annual 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 + ("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 "First Quarter 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 "First Quarter 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:

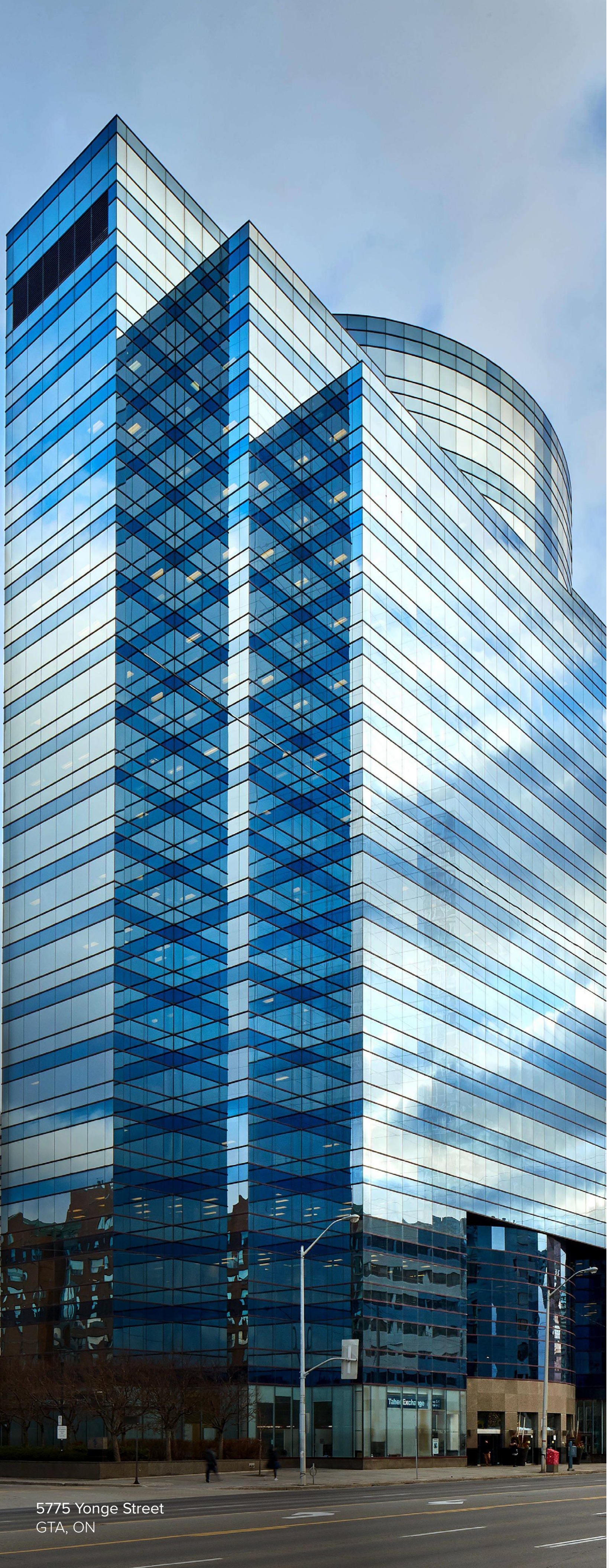
Carbon emissions	• Establish a Net Zero Carbon strategy and pathway during 2024 to decarbonize its portfolio • Reduce carbon emissions, energy, and water use by 2% annually or 10% by 2025 (2019 baseline) • Energy (L4L) - 4.1% change in 2022 compared to 2021 • Carbon (L4L) - 4.2% change in 2022 compared 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 section in the annual information form of the REIT dated March 19, 2024 (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

TABLE OF CONTENTS

BASIS OF PRESENTATION

The REIT's consolidated interim financial statements for the three months ended March 31, 2024 and 2023 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 ended March 31, 2024 ("Q1-2024"), three months ended March 31, 2023 ("Q1-2023"), three months ended June 30, 2023 ("Q2-2023"), three months ended September 30, 2023 ("Q3-2023"), and three months ended December 31, 2023 ("Q4-2023").

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 March 31, 2024, 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").

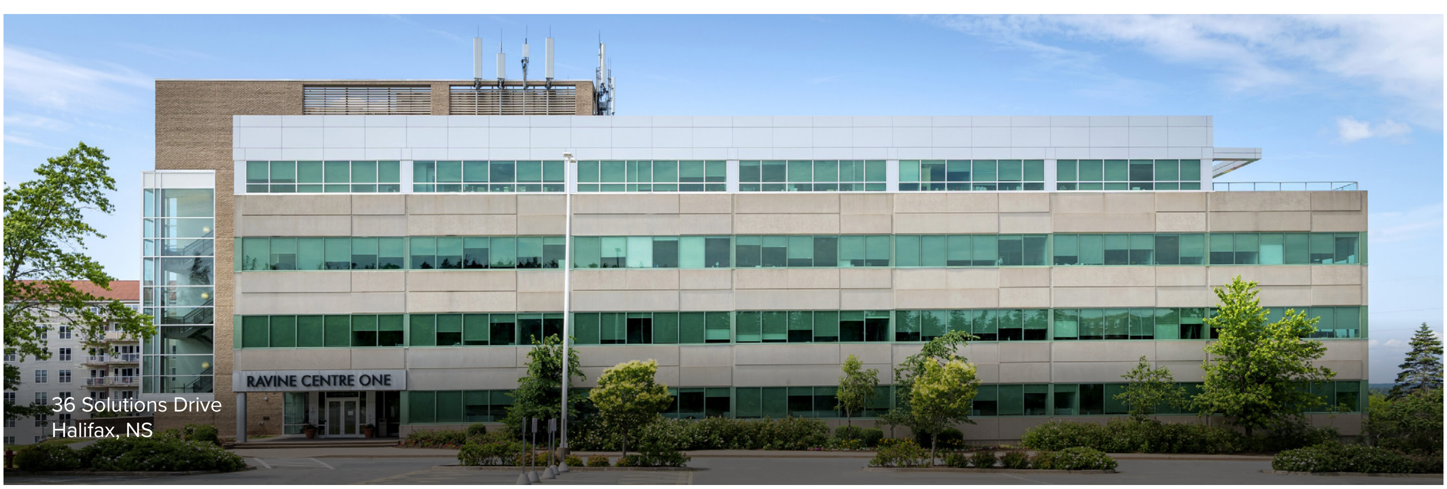
The long-term objectives of the REIT are to:

- 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.



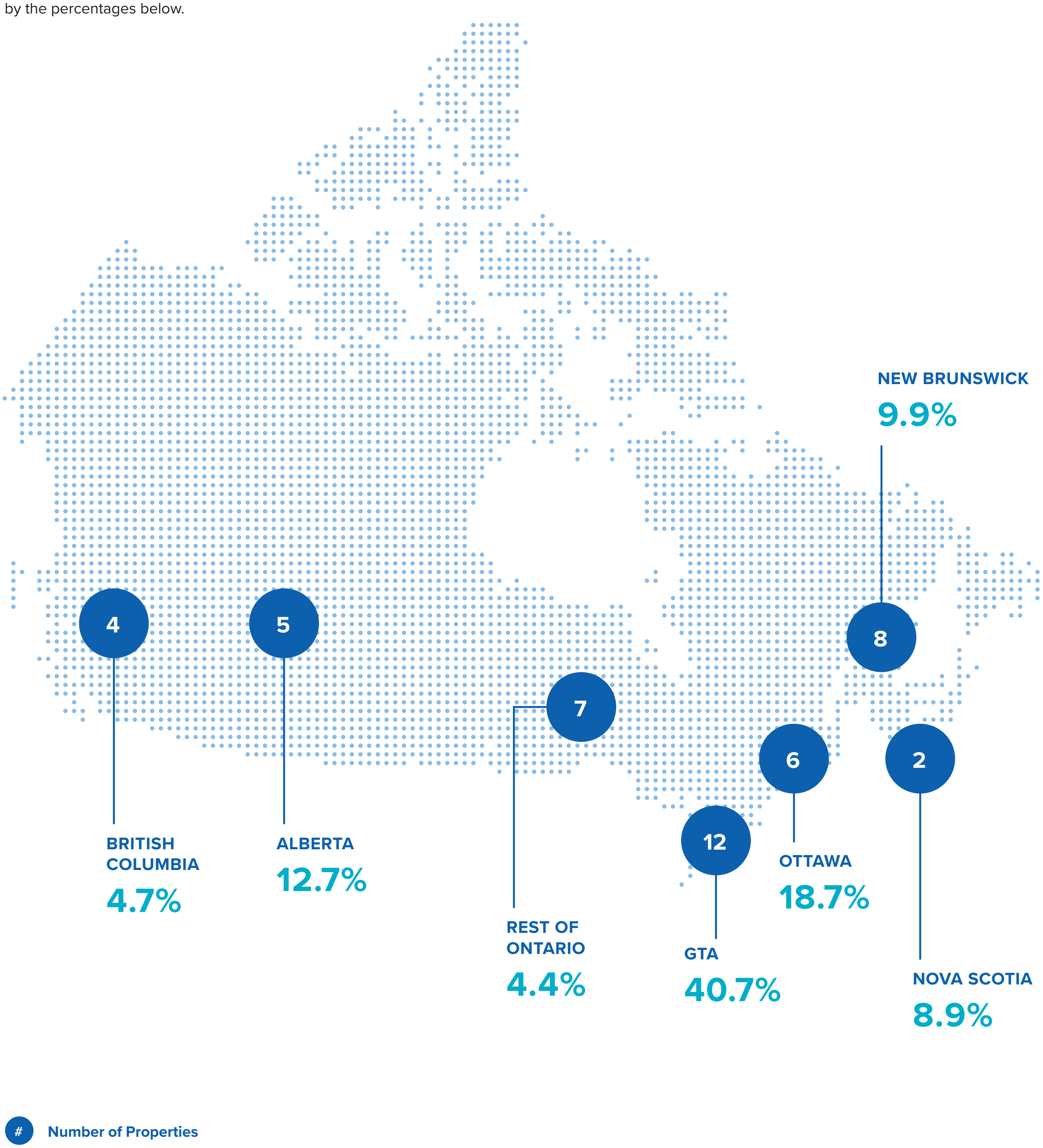
36 Solutions Drive
Halifax, NS

PORTFOLIO OVERVIEW

As at March 31, 2024, 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 March 31, 2024 is denoted by the percentages below.



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

41%
government tenants

+

36%
credit rated tenants

=

77%
total government and credit rated tenants

Top 20 tenants as at March 31, 2024:

TENANT	% OF GROSS REVENUE	GLA	REMAINING LEASE TERM[1]
Federal Government of Canada	16.8%	729,600	5.2 years
Province of Alberta	10.6%	395,100	4.0 years
Province of Ontario	6.5%	241,700	3.0 years
General Motors of Canada Company	3.8%	154,800	3.8 years
The Toronto-Dominion Bank	3.4%	160,600	2.4 years
Province of British Columbia	3.1%	125,100	3.3 years
Province of New Brunswick	3.0%	160,700	3.9 years
Intact Insurance Co.	2.4%	94,100	1.7 years
Lumentum Ottawa Inc.	2.4%	148,100	3.8 years
LMI Technologies Inc.	2.3%	90,600	7.8 years
Staples Canada ULC	2.1%	122,000	9.5 years
EMS Technologies Canada, Ltd.	1.8%	107,200	7.4 years
Ceridian Canada Ltd.	1.6%	49,800	1.3 years
Smucker Foods of Canada Corporation	1.5%	60,800	0.7 years
WSP Canada Inc.	1.5%	60,000	5.0 years
Paymentus (Canada) Corporation	1.5%	55,800	7.0 years
Stantec Consulting Ltd.	1.3%	54,700	5.2 years
ADP Canada Co.	1.3%	65,600	2.2 years
Concentrix Technologies Services Limited	1.0%	41,500	5.8 years
Astellas Pharma Canada, Inc.	1.0%	32,400	2.1 years
Total	**68.9%**	**2,950,200**	**4.3 years**

(1) Weighted by annualized gross revenue.

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

Public Administration	Services	Finance, Insurance, Real Estate	Manufacturing	Other
39%	**24%**	**14%**	**13%**	**10%**

LEASING ACTIVITY

As of March 31, 2024, the REIT's occupancy was 90% (88% including investment properties held for sale) with a weighted average remaining lease term (WALT) of 4.4 years. The REIT's occupancy increased by approximately 90 basis points compared to Q4-2023 as a result of new lease deals completed in the quarter.

The following table summarizes the leasing activity for Q1-2024:

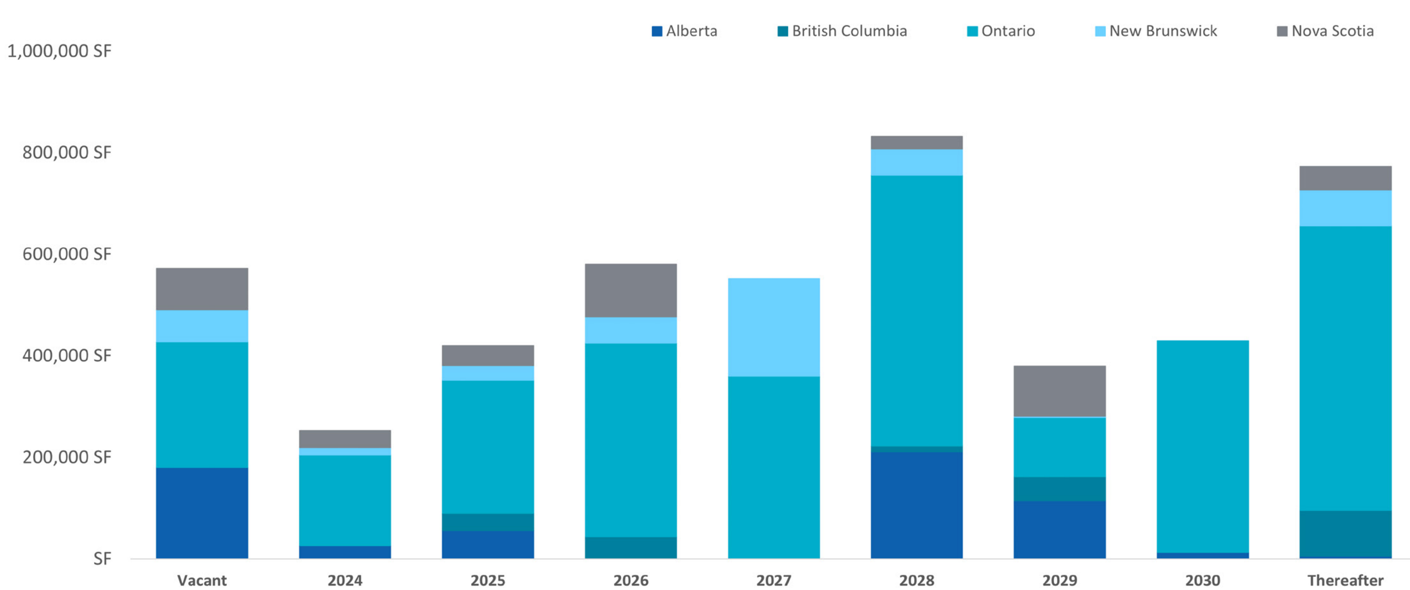
	New Lease Deals		Lease Renewals and Relocation		
	Leasable Area	Weighted Average Lease Term	Leasable Area	Weighted Average Lease Term	% Change In Rents
Q1 2024	72,400 SF	8.0 YR	68,200 SF	3.4 YR	2.6%

In Q1-2024, the REIT completed 72,400 square feet of new leases concentrated in Ontario and Nova Scotia with a WALT of 8.0 years, along with 68,200 square feet of renewals with a WALT of 3.4 years and a positive rent spread of 2.6%. The Q1-2024 new leases included six and seven year terms with credit rated tenants in the Greater Toronto Area and Halifax for 18,500 and 16,300 square feet, respectively.

The successful completion of new leases and renewals during Q1-2024 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 March 31, 2024 the lease rollover profile was as follows:



FIRST QUARTER HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

The REIT's occupancy excluding investment properties held for sale at the end of Q1-2024 was 90% with an average remaining lease term of 4.4 years (88% and 4.4 years including investment properties held for sale). 77% of revenue continues to be generated from government and credit rated tenants.

	Three months ended March 31	
	2024	**2023**
Portfolio		
Number of properties	44	46
Portfolio GLA	4,792,600 sf	4,950,300 sf
Occupancy [(1)]	90 %	91 %
Remaining weighted average lease term [(1)]	4.4 years	4.3 years
Revenue from government and credit rated tenants	77 %	80 %
Financial		
Revenue	$ 32,464	$ 33,858
NOI [(2)]	16,586	18,638
Net income and comprehensive income	5,138	6,995
Same Property NOI [(2)]	19,993	19,700
FFO [(2)]	$ 8,841	$ 10,743
FFO per Unit - basic [(2)]	0.56	0.65
FFO per Unit - diluted [(2)]	0.56	0.65
AFFO [(2)]	$ 9,060	$ 10,581
AFFO per Unit - basic [(2)]	0.57	0.64
AFFO per Unit - diluted [(2)]	0.57	0.64
AFFO payout ratio - diluted [(2)]	— %	111 %
Distributions declared	—	11,695

Revenue and NOI decreased 4% and 11%, respectively, in Q1-2024, both including and excluding investment properties held for sale, when compared to the same period in 2023. The main contributor was the 148,000 square foot lease expiry in Q4-2023 at a property in Alberta, a 115,000 square foot lease expiry in Q2-2023 at 3650 Victoria Park Avenue, Toronto, Ontario (the "Victoria Park Property"), lower occupancy from certain tenants in the REIT's Nova Scotia portfolio not renewing upon lease maturity in Q4-2023, combined with the disposition activity in 2023 (the “Primary Variance Drivers”). The decrease was partially offset by higher Same Property NOI (see "Same Property NOI").

The REIT’s Q1-2024 FFO and AFFO decreased $1,902 and $1,521, respectively, when compared to the same period in 2023. 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 REIT's floating rate revolving credit facility ("Credit Facility"). FFO and AFFO benefited from contractual rent increases, termination income and positive leasing activity primarily in the GTA and New Brunswick.

Q1-2024 FFO and AFFO basic and diluted per Unit decreased $0.10 and $0.07 to $0.56 and $0.57, respectively, over the comparable period.

(1) Excluding assets held for sale.

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

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") to purchase the maximum number of Units available under the 2023 normal course issuer bid (the "2023 NCIB") or through other acquisition programs (the "Distribution Reallocation"). The REIT's reallocation of the Distribution Amounts to 2023 NCIB, was immediately accretive to Unitholders and reflected the most compelling near term opportunity to increase Unitholder value and per Unit growth. As at March 31, 2024, the REIT's NAV per Unit was $29.47 resulting in the REIT's Unit price trading at a significant discount at that point in time. 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 March 31, 2024 and December 31, 2022:

	March 31, 2024			December 31, 2023		
	Units		Amount	Units		Amount
Unitholders' Equity	15,054,822	$	452,201	15,676,644	$	452,804
Add: Class B LP Units	420,887		3,894	420,887		4,231
Total Equity (including Class B LP Units) [(1)]	15,475,709	$	456,095	16,097,531	$	457,035
NAV per Unit [(1)]		$	29.47		$	28.39

Normal Course Issuer Bid ("NCIB")

On April 18 2023, the REIT established the 2023 NCIB, as approved by the TSX. Under the 2023 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 2023 NCIB was effective from April 18, 2023 until April 17, 2024. Any Units acquired through the 2023 NCIB have been cancelled.

On April 17, 2024, the REIT renewed the 2023 NCIB (the "2024 NCIB"), as approved by the TSX. Under the 2024 NCIB, the REIT has the ability to purchase for cancellation up to a maximum of 1,334,889 of its Units, representing 10% of the REIT's public float of 13,348,894 Units as of April 4, 2024 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 2024 NCIB became effective April 18, 2024 and will remain in place until the earlier of (i) April 17, 2025 or (ii) the date on which the REIT has purchased the maximum number of Units permitted under the 2024 NCIB. Any Units acquired through the 2024 NCIB will be cancelled. The REIT believes the NCIB continues to be a very attractive use of capital.

From the commencement of the 2023 NCIB in April 2023 up to March 31, 2024, the REIT had repurchased 987,972 Units for $9,044 at a weighted average price of $9.15 per Unit under the 2023 NCIB which represented an inferred distribution yield of approximately 18.7%(2). Subsequent to March 31, 2024, the REIT repurchased and cancelled an additional 159,560 Units and 92,013 Units for $1,457 and $850, respectively, under the 2023 NCIB and 2024 NCIB at a weighted average price of $9.13 and $9.24 per Unit representing an inferred distribution yield of 18.7%(2) and 18.5%(2). The REIT has utilized substantially all of the capital previously used to fund distributions to REIT Unitholders for Unit repurchases under the NCIB.

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

(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.

Key Debt Metrics

	March 31, 2024	December 31, 2023
Indebtedness to GBV ratio [1]	62.1 %	61.9 %
Interest coverage ratio [1]	2.23 x	2.30 x
Indebtedness [1] - weighted average fixed interest rate	3.88 %	3.90 %
Indebtedness [1] - weighted average term to maturity	2.78 years	3.01 years

At the end of Q1-2024, the REIT had access to Available Funds[1] of approximately $36,398, and a weighted average term to maturity of 2.78 years in its mortgage portfolio with a weighted average fixed interest rate of 3.88%.

During the quarter, the REIT refinanced $12,946 of mortgages with a weighted average fixed interest rate of 7.41% for a one year term which represents approximately 16% of mortgages maturing during the year with the majority of the remaining debt maturities occurring towards the end of 2024 on loans with large Canadian financial institutions with whom the REIT and Starlight have strong relationships.

Subsequent Events and Update on Disposition Activity

Subsequent to March 31, 2024, the REIT completed the sale of the following properties that were previously classified as investment properties held for sale:

Property	Square Feet	Closing Date	Sale Price
251 Arvin Avenue, Hamilton, Ontario	6,900	April 8, 2024	$ 2,700
6865 Century Avenue, Mississauga, Ontario	63,800	April 10, 2024	$ 15,300
135 Hunter Street E, Hamilton, Ontario	24,400	April 22, 2024	$ 6,375
			$ 24,375

Subsequent to March 31, 2024, the REIT entered into an unconditional agreement of purchase and sale to dispose of 9200 Glenlyon Parkway, Burnaby, British Columbia for a sale price of $37,000 that is expected to close on or about June 27, 2024. In aggregate, the dispositions will generate estimated net proceeds of approximately $19,000 which the REIT intends to use to repay existing indebtedness on its credit facility. The REIT also will continue to repurchase units under its 2024 NCIB, enhancing Unitholder value by allocating available capital to generate the highest potential return.

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

QUARTERLY INFORMATION

	Q1-24	Q4-23	Q3-23	Q2-23	Q1-23	Q4-22	Q3-22	Q2-22
Revenue	$32,464	$32,867	$32,789	$32,690	$33,858	$35,451	$36,677	$35,120
Property operating costs	(15,878)	(15,521)	(14,707)	(14,208)	(15,220)	(14,822)	(14,701)	(13,435)
NOI [(1)]	16,586	17,346	18,082	18,482	18,638	20,629	21,976	21,685
General and administration expenses	(1,540)	(1,333)	(1,349)	(1,525)	(1,433)	(1,874)	(1,294)	(1,261)
Finance costs	(8,600)	(8,812)	(8,756)	(8,418)	(8,200)	(8,109)	(7,725)	(7,253)
Transaction costs on sale of investment properties	—	(1)	(1,131)	—	(244)	—	—	—
Distributions on Class B LP Units	—	(60)	(181)	(185)	(313)	(375)	(400)	(449)
Fair value adjustment of Class B LP Units	337	956	584	2,734	5,861	(455)	1,629	2,661
Fair value adjustment of investment properties	(1,898)	(11,814)	(50,087)	(11,832)	(6,472)	(31,803)	(6,842)	(1,610)
Unrealized gain (loss) on change in fair value of derivative instruments	253	(2,219)	366	1,537	(842)	82	702	1,709
Net income and comprehensive income for the period	$ 5,138	$ (5,937)	$(42,472)	$ 793	$ 6,995	$(21,905)	$ 8,046	$15,482
FFO per Unit - basic [(1)]	$ 0.56	$ 0.59	$ 0.63	$ 0.65	$ 0.63	$ 0.77	$ 0.89	$ 0.90
AFFO per Unit - basic [(1)]	$ 0.57	$ 0.58	$ 0.61	$ 0.64	$ 0.62	$ 0.78	$ 0.88	$ 0.89
AFFO per Unit - diluted [(1)]	$ 0.57	$ 0.58	$ 0.61	$ 0.64	$ 0.62	$ 0.78	$ 0.88	$ 0.89
AFFO payout ratio - basic [(1)]	— %	25 %	69 %	67 %	110 %	110 %	97 %	96 %
AFFO payout ratio - diluted [(1)]	— %	25 %	69 %	67 %	111 %	110 %	97 %	96 %
Number of Properties	44	44	44	46	46	47	47	46
Occupancy rate [(2)]	90 %	89 %	93 %	93 %	93 %	93 %	95 %	96 %

Q1-2024 NOI decreased 4% compared to the previous quarter mainly due to lease maturities in Q4-2023 where the tenant did not renew at properties in the REIT's Alberta and Nova Scotia portfolios. To date, 23% of the Nova Scotia vacancies have been contractually re-leased with rents commencing in the second and third quarter of 2024 This was partially offset by termination income received from a tenant in the REIT's GTA portfolio whereby the income is being recognized equally over the remaining lease term from December 2023 to November 2024 at a property in the GTA.

Excluding the changes in the fair value of Unit-based compensation, general and administration expenses were higher due to higher year-end professional fees incurred in Q1-2024 combined with higher interest income earned in Q4-2023 on funds held in escrow for a rent supplement related to the acquisition of 400 Cumberland in Ottawa, Ontario. This was partially offset by lower annual property appraisal fees.

Finance costs decreased during the quarter due to lower interest expense related to certain refinancings completed during Q4-2023, partially offset by higher interest expense on the Credit Facility due to a higher average principal outstanding during Q1-2024, relative to Q4-2023.

Distributions on Class B LP Units decreased in the quarter due to the Distribution Reallocation.

FFO and AFFO per unit decreased $0.04 and $0.01 to $0.55 and $0.57 when compared to Q4-2023 primarily due to the changes in NOI and finance costs described above.

AFFO payout ratio decreased in Q1-2024 as a result of the Distribution Reallocation.

Excluding investment properties held for sale, occupancy increased 1% during the quarter.

(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 March 31	
	2024	**2023**
Revenue	$ 32,464	$ 33,858
Expenses:		
Property operating costs	(10,802)	(9,907)
Realty taxes	(5,076)	(5,313)
NOI	$ 16,586	$ 18,638
Other income (expenses):		
General and administration expenses	(1,540)	(1,433)
Finance costs	(8,600)	(8,200)
Transaction costs on sale of investment properties	—	(244)
Distributions on Class B LP Units	—	(313)
Fair value adjustment of Class B LP Units	337	5,861
Fair value adjustment of investment properties	(1,898)	(6,472)
Unrealized gain (loss) on change in fair value of derivative instruments	253	(842)
Net income and comprehensive income	$ 5,138	$ 6,995

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.

The REIT's revenue and NOI decreased 4% and 11%, respectively, in Q1-2024 compared to the same period in 2023. The decrease in revenue and NOI was largely a result of the Primary Variance Drivers, which was partially offset by termination income received from a tenant at a property in the REIT's GTA portfolio who is vacating their space towards the end of 2024, combined with contractual rent increases and positive leasing activity in the REIT's GTA and New Brunswick portfolios.

Property operating expenses increased 9% compared to Q1-2023, due to higher cleaning and utilities as a result of higher physical building occupancy combined with higher seasonal costs which are primarily recoverable by the REIT. This increase was partially offset by the impact of the disposition activity in 2023. Realty tax expenses decreased 4% as result of the disposition activity in 2023.

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 March 31	
	2024	**2023**
Number of properties	44	44
Revenue	$ 32,464	$ 32,703
Expenses:		
Property operating	(10,802)	(9,699)
Realty taxes	(5,076)	(5,095)
	$ 16,586	$ 17,909
Add:		
Amortization of leasing costs and tenant inducements	2,441	2,029
Straight-line rent	966	(238)
Same Property NOI	$ 19,993	$ 19,700
Less: Properties Held for Sale	691	1,606
Same Property NOI excluding investment properties held for sale	19,302	18,094
Reconciliation to condensed consolidated interim financial statements:		
Acquisitions, dispositions and investment properties held for sale	691	2,349
Amortization of leasing costs and tenant inducements	(2,441)	(2,038)
Straight-line rent	(966)	233
NOI	$ 16,586	$ 18,638

Occupancy

	As at March 31	
	2024	**2023**
Alberta	70.3 %	94.4 %
British Columbia	100.0 %	97.8 %
New Brunswick	86.7 %	85.5 %
Nova Scotia	81.0 %	96.2 %
Ontario	95.8 %	93.2 %
Total	90.1 %	93.0 %

NOI

	Three months ended March 31			
	2024	**2023**	**Variance**	**Variance %**
Alberta	$ 2,929	$ 3,518	$ (589)	(16.7)%
British Columbia	797	764	33	4.3 %
New Brunswick	1,261	791	470	59.4 %
Nova Scotia	1,100	1,680	(580)	(34.5)%
Ontario	13,215	11,341	1,874	16.5 %
	$ 19,302	$ 18,094	$ 1,208	6.7 %

Q1-2024 Same Property NOI increased 6.7% excluding investment properties held for sale. Same Property NOI in Alberta decreased due to a lease maturity at one of the properties in Q4-2023 where the tenant did not renew. This was partially offset by contractual rent increases at another property.

New Brunswick Same Property NOI increased as a result of a new leases that commenced in the second and third quarter of 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. Same Property NOI in Nova Scotia decreased due to lower occupancy from certain tenants not renewing upon lease maturity in Q4-2023 which was partially offset by contractual rent increases and new lease commencements.

Ontario Same Property NOI increased mainly due to new leases that commenced throughout 2023 on previously vacant space combined with higher rental revenue from a property in the Ottawa portfolio due to the free rent provided to the tenant in 2023 as part of the new lease term that commenced in addition to termination fees received from a tenant in the REIT's GTA portfolio that is terminating their lease at the end of 2024. The decrease in NOI generated from investment properties held for sale was due to the lead tenant vacating a property in the REIT's GTA portfolio on expiry in Q2-2023.

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 9% in Q1-2024 relative to Q1-2023 due to lower costs associated with the Unit-based compensation plan combined with lower asset management fees resulting from the disposition activity completed in 2023.

FINANCE COSTS

The REIT's finance costs for the three months ended March 31, 2024 and 2023 are summarized below. Finance costs exclude cash distributions and fair value adjustments on Class B LP Units.

	Three months ended March 31	
	2024	2023
Interest on mortgages payable	$ 7,736	$ 7,517
Other interest expense and standby fees	509	312
Amortization of mortgage premiums	(8)	(9)
Amortization of financing costs	363	380
	$ 8,600	$ 8,200

Interest on mortgages payable was higher due to refinancings completed over the last twelve months 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-2024 compared to YTD-2023.

DISTRIBUTIONS ON CLASS B LP UNITS

Distributions declared were $nil in Q1-2024 ($313 - Q1-2023). The decrease in distributions was due to the Distribution 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 $337 in Q1-2024 was due to a decrease in the trading price of the Units from $10.05 at December 31, 2023 to $9.25 at March 31, 2024.

FAIR VALUE ADJUSTMENT OF INVESTMENT PROPERTIES

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 ended March 31, 2024, the REIT had a fair value loss of $1,898. The fair value loss was predominantly attributable to moderated leasing assumptions and increased capitalization rates in the REIT's Alberta portfolio.

The key valuation assumptions for the REIT's investment properties as at March 31, 2024 and December 31, 2023 are as follows:

	2024	**2023**
Terminal and direct capitalization rates – range	5.50% to 9.50%	5.50% to 9.50%
Terminal and direct capitalization rate – weighted average	6.74%	6.68%
Discount rates – range	6.00% to 9.75%	6.00% to 9.75%
Discount rate – weighted average	7.24%	7.16%

The weighted average terminal and direct capitalization rate increased mainly as a result of increases in capitalization rates on a number of properties across the portfolio due to overall market conditions.

UNREALIZED GAIN ON CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENTS

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

The notional principal amount of the outstanding interest rate swap contracts at March 31, 2024 was $71,572 (December 31, 2023 - $72,145). As at March 31, 2024, interest rates were projected to slowly decline towards the second half of 2024, resulting in an unrealized gain on the change in fair value of the derivative instruments totaling $253 in Q1-2024 (fair value loss of $842 in Q1-2023).

Given the interest rate swap removes the floating rate exposure on the REIT's debt and replaces it with a fixed rate, the unrealized gain represents the opportunity benefit (cost) 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 income and comprehensive income determined in accordance with IFRS, to FFO and AFFO is as follows:

	Three months ended March 31	
	2024	**2023**
Net income and comprehensive income	$ 5,138	$ 6,995
Add (deduct):		
Fair value adjustment of Unit-based compensation	(46)	(299)
Fair value adjustment of investment properties	1,898	6,472
Fair value adjustment of Class B LP Units	(337)	(5,861)
Transaction costs on sale of investment property	—	244
Distributions on Class B LP Units	—	313
Unrealized (gain) loss on change in fair value of derivative instruments	(253)	842
Amortization of leasing costs and tenant inducements	2,441	2,037
FFO	$ 8,841	$ 10,743
Add (deduct):		
Unit-based compensation expense	81	168
Amortization of financing costs	363	380
Rent Supplement	—	743
Amortization of mortgage discounts	(8)	(9)
Instalment note receipts	12	14
Straight-line rent	966	(233)
Capital reserve [(1)]	(1,195)	(1,225)
AFFO	$ 9,060	$ 10,581
FFO per Unit:		
Basic	$ 0.56	$ 0.65
Diluted	$ 0.56	$ 0.65
AFFO per Unit:		
Basic	$ 0.57	$ 0.64
Diluted	$ 0.57	$ 0.64
AFFO payout ratio:		
Basic	— %	110 %
Diluted	— %	111 %
Distributions declared	$ —	$ 11,695
Weighted average Units outstanding (000s):		
Basic	15,861	16,430
Add:		
Unit options and Incentive Units	10	4
Diluted	15,871	16,434

Notes:

(1) Based on an estimate of $1.00 (2023 - $1.00) per square foot per annum and represents a reserve for capital expenditures, tenant inducements and leasing costs.

Q1-2024 FFO and AFFO decreased $1,902, or 18% and $1,521, or 14%, 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 completed over the last twelve months. This was partially offset by lower financing costs from the disposition activity in 2023, contractual rent increases, termination income and positive leasing activity primarily in the GTA and New Brunswick.

Q1-2024 FFO and AFFO basic and diluted per Unit decreased $0.10 and $0.07 to $0.56 and $0.57 relative to Q1-2023.

The decrease in AFFO basic and diluted payout ratio in Q1-2024 is a result of the Distribution 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 March 31	Years ended December 31		
	2024	2023	2022	2021
Distributions declared	$ —	$ 28,068	$ 55,296	$ 53,973
Less: DRIP and change in distributions payable	—	3,079	(6,665)	(6,793)
Cash distributions paid	$ —	$ 31,147	$ 48,631	$ 47,180

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

	Three months ended March 31	Years ended December 31		
	2024	2023	2022	2021
Net income and comprehensive income	$ 5,138	$ (40,621)	$ 16,532	$ 51,004
Cash flow provided by operating activities	14,869	73,943	103,271	77,312
Less: Finance costs paid	(8,397)	(32,741)	(28,808)	(27,380)
Adjusted cash flow provided by operating activities	6,472	41,202	74,463	49,932
Declared basis:				
Excess (shortfall) of net income and comprehensive income over distributions	5,138	(68,689)	(38,764)	(2,969)
Excess (shortfall) of adjusted cash flow provided by operating activities over distributions	6,472	13,134	19,167	(4,041)
Cash basis:				
Excess (shortfall) of net income and comprehensive income over distributions	5,138	(71,768)	(32,009)	3,824
Excess of adjusted cash flow provided by operating activities over distributions	6,472	10,055	25,832	2,752

Net income and comprehensive income was higher than declared and cash distributions during the YTD-2024 as a result of the Distribution Reduction.

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 March 31	
	2024	**2023**
Adjusted cash flow provided by operating activities	$ 6,472	$ 8,292
Change in finance costs payable	152	(127)
Rent Supplement	—	743
Instalment note receipts	12	14
Capital reserve	(1,195)	(1,225)
Change in non-cash operating working capital	3,619	2,884
AFFO	$ 9,060	$ 10,581

AFFO of $9,060 was higher than distributions declared and distributions paid by $9,060 in Q1-2024.

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 AIF. Also see "Risks and Uncertainties".

As at March 31, 2024, the REIT had access to approximately $36,398 in cash and availability on the Credit Facility. The REIT's weighted average term to maturity of its mortgage portfolio was 2.78 years with a weighted average fixed interest rate of 3.88%.

During the quarter, the REIT refinanced $12,946 of mortgages with a weighted average fixed interest rate of 7.41% for a one year term.

The REIT's Available Funds are as follows:

	March 31, 2024	December 31, 2023
Cash	$ 8,198	$ 8,946
Undrawn Credit Facility	28,200	36,400
Available Funds [1]	$ 36,398	$ 45,346

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 three months ended March 31, 2024 and 2023, the REIT invested $3,922 and $3,674 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 three months ended March 31, 2024 and 2023:

	Investment properties	Investment properties held for sale	Total
Balance, December 31, 2022	$ 1,340,583	84,250	1,424,833
Acquisitions	—		—
Additions	3,520	154	3,674
Dispositions	—	(7,250)	(7,250)
Amortization of leasing costs, tenant inducements and straight-line rents	(1,338)	(175)	(1,513)
Fair value adjustment	(4,499)	(1,973)	(6,472)
Balance, March 31, 2023	1,338,266	75,006	1,413,272
Additions	11,115	138	11,253
Dispositions	—	(41,500)	(41,500)
Amortization of leasing costs, tenant inducements and straight-line rents	(4,369)	(161)	(4,530)
Fair value adjustment	(70,645)	(3,088)	(73,733)
Investment properties held for sale	(23,936)	23,936	—
Balance, December 31, 2023	1,250,431	54,331	1,304,762
Additions	3,867	55	3,922
Dispositions	—	—	—
Amortization of leasing costs, tenant inducements and straight-line rents	(2,319)	(42)	(2,361)
Fair value adjustment	(2,106)	208	(1,898)
Investment properties held for sale	(37,000)	37,000	—
Balance, March 31, 2024	$ 1,212,873	91,552	1,304,425

ADDITIONS

Additions to investment properties and investment properties held for sale for the three months ended March 31, 2024 were $3,922, consisting of the following:

- Capital expenditures of $1,503 mainly for the replacement of induction units, roof replacements, painting and washroom upgrades; and
- Tenant inducements and leasing costs of $2,419, which include costs incurred to renew and secure new tenants.

PREPAID EXPENSES AND DEPOSITS

At March 31, 2024, the REIT had $4,082 in prepaid expenses and deposits, compared to $3,101 at December 31, 2023. The increase is mainly due to an increase in prepaid realty taxes.

DEBT

MORTGAGES PAYABLE

The following table sets out, as at March 31, 2024, 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 – remainder of year	17,327	68,698	86,025	10.8 %	3.42 %	22,846
2025	15,712	209,797	225,509	28.4 %	3.40 %	21,882
2026	14,026	199,018	213,044	26.8 %	3.96 %	19,514
2027	8,715	78,910	87,625	11.0 %	5.13 %	10,797
2028	6,041	90,583	96,624	12.2 %	4.59 %	5,684
Thereafter	4,195	82,002	86,197	10.8 %	3.41 %	3,279
	$ 66,016	$ 729,008	$ 795,024	100.0 %	3.88 %	$ 84,002
Unamortized mark to market mortgage adjustments			119			
Unamortized financing costs			(3,136)			
			$ 792,007			

Mortgages payable had a weighted average fixed interest rate of 3.88% (December 31, 2023 – 3.90%) and a weighted average term to maturity of 2.78 years (December 31, 2023 – 3.01 years).

The mortgages payable associated with investment properties held for sale as at March 31, 2024 was $61,510 (December 31, 2023 - $42,372).

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 March 31, 2024, the REIT had drawn $31,800 on the Credit Facility (December 31, 2023 - $23,600).

INDEBTEDNESS TO GBV

As at March 31, 2024, the REIT's overall leverage, as represented by Indebtedness to GBV, a non-IFRS financial measure, was 62.1%. The maximum allowable ratio under the DOT is 75%. Below is a calculation of the REIT's Indebtedness to GBV ratio as at March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Total assets	$ 1,324,380	$ 1,323,672
Deferred financing costs	7,060	6,976
GBV [1]	$ 1,331,440	$ 1,330,648
Mortgages payable	792,007	797,393
Credit Facility	31,800	23,600
Unamortized financing costs and mark to market mortgage adjustments	3,017	3,289
Indebtedness [1]	$ 826,824	$ 824,282
Indebtedness to GBV [1]	**62.1 %**	**61.9 %**

The increase in Indebtedness to GBV from December 31, 2023 is driven mainly by $31,800 drawn on the Credit Facility as at March 31, 2024 ($23,600 - December 31, 2023). As at March 31, 2024, 4.0% (December 31, 2023 - 4.4%) 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 income and comprehensive income. Refer to "Non-IFRS Financial Measures".

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

	Twelve months ended March 31	
	2024	**2023**
Net income and comprehensive income	$ (42,478)	$ 8,618
Add (deduct):		
Interest expense	33,237	29,800
Fair value adjustment of Unit-based compensation	(318)	(755)
Transaction costs on sale of investment property	1,132	244
Fair value adjustment of investment properties	75,631	46,727
Fair value adjustment of Class B LP Units	(4,611)	(9,696)
Distributions on Class B LP Units	426	1,537
Unrealized loss (gain) on change in fair value of derivative instruments	63	(1,651)
Amortization of leasing costs, tenant inducements, mortgage premium and financing costs	11,014	8,730
Adjusted EBITDA [1]	$ 74,096	$ 83,554

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

	Twelve months ended March 31	
	2024	2023
Adjusted EBITDA	$ 74,096	$ 83,554
Interest expense	33,237	29,800
Interest coverage ratio	2.23 x	2.80 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 refinancings completed in the last twelve months 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 special voting units, have economic and voting rights equivalent, in all material aspects, to Units. They are exchangeable at the option of the holder on a one-for-one basis for Units. Each Class B LP Unit entitles the holder to receive distributions from True North Commercial Limited Partnership equivalent to the distributions such holder would have received if they were holding Units.

As at March 31, 2024, there were 420,887 Class B LP Units issued and outstanding valued at $3,894 compared to 420,887 Class B LP Units valued at $4,231 as at December 31, 2023. The change in value is due to a decrease in the Unit price from $10.05 at December 31, 2023 to $9.25 at March 31, 2024.

The number of Class B LP Units outstanding as at May 7, 2024 remained unchanged.

UNITHOLDERS' EQUITY

OUTSTANDING UNITS

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

The following table summarizes changes in the Unit capital of the REIT for the nine months ended March 31, 2024:

	Units	Amount
Balance, December 31, 2023	15,676,644	$ 561,893
Issuance (repurchase) of Units:		
Incentive Units redeemed	3,038	28
Units repurchased and cancelled under NCIB	(624,860)	(5,763)
Issuance and repurchase costs	—	(6)
Balance, March 31, 2024	15,054,822	$ 556,152

The number of Units outstanding as at May 7, 2024 is as follows:

Balance, March 31, 2024	15,054,822
Units repurchased and cancelled under NCIB	(251,573)
Balance, May 7, 2024	14,803,249

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, 2023	8,213	$	273
Granted and reinvested	1,695		36
Redeemed	(626)		(22)
Fair value adjustment	—		(102)
Balance, March 31, 2023	9,282		185
Granted and reinvested	11,319		134
Fair value adjustment	—		(112)
Balance, December 31, 2023	20,601		207
Granted and reinvested	4,915		45
Fair value adjustment	—		(16)
Balance, March 31, 2024	25,516	$	236

The number of Deferred Units outstanding as at May 7, 2024 remained unchanged.

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, 2023	16,217	$	331
Granted and reinvested	9,272		132
Redeemed and expired	(8,220)		(207)
Fair value adjustment	—		(170)
Balance, March 31, 2023	17,269	$	86
Granted and reinvested	8,132		261
Redeemed and expired	(6,914)		(94)
Fair value adjustment	—		(160)
Balance, December 31, 2023	18,487		93
Granted and reinvested	33,974		36
Redeemed and expired	(8,690)		(63)
Fair value adjustment	—		(30)
Balance, March 31, 2024	43,771	$	36

The number of Restricted Units outstanding as at May 7, 2024 remained unchanged.

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 three months ended March 31, 2024, the REIT did not issue Units (for the year ended December 31, 2023, no Units were issued) through the ATM Program.

NCIB PROGRAM

On April 18 2023, the REIT established the 2023 NCIB, as approved by the TSX. Under the 2023 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 2023 NCIB was effective from April 18, 2023 until April 17, 2024. Any Units acquired through the 2023 NCIB have been cancelled.

During the three months ended March 31, 2024, the REIT repurchased 624,860 Units for $5,763 (for the year ended December 31, 2023, the REIT repurchased 363,112 Units for $3,281) under the 2023 NCIB.

On April 17, 2024, the REIT renewed the 2023 NCIB (the "2024 NCIB"), as approved by the TSX. Under the 2024 NCIB, the REIT has the ability to purchase for cancellation up to a maximum of 1,334,889 of its Units, representing 10% of the REIT's public float of 13,348,894 Units as of April 4, 2024 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 2024 NCIB became effective April 18, 2024 and will remain in place until the earlier of (i) April 17, 2025 or (ii) the date on which the REIT has purchased the maximum number of Units permitted under the 2024 NCIB. Any Units acquired through the 2024 NCIB will be cancelled.

Subsequent to March 31, 2024, the REIT repurchased and cancelled an additional 159,560 Units and 92,013 Units for $1,457 and $850, respectively, under the 2023 NCIB and 2024 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 March 31, 2024, the REIT had entered into commitments for building renovations, capital upgrades and landlord work at certain properties totaling $1,161 (December 31, 2023- $2,537).

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 March 31	
	2024	**2023**
Asset management fees	$ 1,152	$ 1,181
Other expenses	38	41
Total	$ 1,190	$ 1,222

At March 31, 2024, $413 (December 31, 2023 - $417) was included in accounts payable and accrued liabilities. No incentive fees were earned or capital expenditure fees were charged for the three months ended March 31, 2024 and 2023.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the securities and activities of the REIT. Risks and uncertainties are disclosed, in the REIT's annual MD&A dated March 19, 2024 for the year ended December 31, 2023 and in the AIF. The annual MD&A and AIF are available on SEDAR+ at www.sedarplus.ca. Current and prospective Unitholders of the REIT should carefully consider such risk factors.

USE OF ESTIMATES

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

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. In preparing the condensed consolidated interim financial statements, significant judgments made by management in applying accounting policies were the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 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 condensed consolidated interim financial statements is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage.

Class B LP Units are carried at fair value and the fair value of the Class B LP Units has been determined with reference to the trading price of the Units. The fair value adjustment for the three months ended March 31, 2024 was a gain of $337 (Q1-2023 - $5,861).

Derivative instruments, such as interest rate swaps, are valued using a valuation technique. The most frequently applied valuation technique includes forward pricing models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves. The REIT has entered into various interest rate swaps to limit its interest rate exposure from floating to fixed for the terms of certain mortgages. Total unrealized gain on change in the fair value of the derivative instruments for the three months ended March 31, 2024 was $253 (Q1-2023 - fair value loss of $842).

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

The accounting policies applied by the REIT during Q1-2024 are consistent with those followed for the year ended December 31, 2023, except for the adoption of new standards effective January 1, 2024. The REIT has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The amendments that apply for the first time in 2024 do not have a material impact on the condensed consolidated interim financial statements of the REIT.

The REIT's critical judgments and estimates in applying accounting policies can be found in Section 1(c) on page 5 of the REIT's audited consolidated financial statements as at and for the year ended December 31, 2023.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

The CEO and CFO evaluated the effectiveness of the REIT's disclosure controls and procedures (as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") and concluded that the design and operation of the REIT's disclosure controls and procedures were effective for the three months ended March 31, 2024.

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 ended March 31, 2024.

OUTLOOK

Office vacancy in Canada continues to rise, although at a slower rate compared to the last few years. According to a recent survey by Cisco Systems Inc., 76% of Canadian employers are mandating full or partial return to office policies in an effort to improve productivity, team communication, and workplace culture. However, only 40% of employers note that their current office lay out supports the ability to foster these key focus areas. Tenants continue to concentrate on high quality, modernized spaces with a variety of amenities in optimal locations that reduce employee commute times and enhance the employee experience. 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. In addition, 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 ongoing conversion of Class B and Class C office properties to residential is expected to improve the overall performance of the office market.

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 May 7, 2024. Increases in target interest rates typically lead to increases in borrowing costs. As at March 31, 2024, 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 and reach the target of 2% by 2025. The REIT is working through its upcoming 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 maturing mortgages to date.

National office vacancy increased 10 basis points this quarter to 18.4%. 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 continue to remain relatively stable. Sublet vacancy decreased for a third consecutive quarter, reaching its lowest level since Q4-2022 with some tenants reclaiming their space upon establishing their return to office mandates.

GTA downtown office vacancy increased 60 basis points in Q1-2024 to 18.0%. Transactions were primarily concentrated in Class A buildings which accounted for 49% of all deals this quarter. The GTA suburban office vacancy increased 30 basis points to 20.6%. The REIT’s suburban GTA office portfolio experienced positive traction this quarter with the completion of 73,600 square feet of new leases and renewals.

Ottawa's downtown vacancy rate increased 40 basis points in Q1-2024 to 14.6% while suburban vacancy decreased 80 basis points for an overall vacancy rate of 13.0%. The REIT's Ottawa portfolio remained strong at 98.6% occupancy.

The vacancy rate in Calgary increased 10 basis points to 28.0%. The vacancy rate in the Halifax office market remained stable 14.1%. The REIT's Halifax portfolio experienced positive traction this quarter with the completion of 19,000 square feet of new leases, increasing overall occupancy 4.5% from the previous quarter.

The REIT maintains an overall occupancy of 90%, 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: May 7, 2024
Toronto, Ontario, Canada

APPENDIX A - PROPERTY LISTING AT MARCH 31, 2024

	Property Name	City	Occupancy	Remaining Lease Term [1]	GLA
	Alberta				
1	855 8th Avenue SW	Calgary	68 %	1.1 years	75,700
2	4500 & 4520 - 16th Avenue NW	Calgary	100 %	3.7 years	77,600
3	1020 68th Avenue NE	Calgary	— %	0.0 years	148,400
4	3699 63rd Avenue NE	Calgary	100 %	4.7 years	209,400
5	13140 St. Albert Trail	Edmonton	92 %	4.8 years	95,200
	Total Alberta		*70 %*	*4.1 years*	*606,300*
	British Columbia				
6	810 Blanshard Street	Victoria	100 %	0.8 years	34,400
7	727 Fisgard Street	Victoria	100 %	5.5 years	50,200
8	1112 Fort Street	Victoria	100 %	2.4 years	52,000
9	9200 Glenlyon Parkway	Burnaby	100 %	7.8 years	90,600
	Total British Columbia		*100 %*	*5.1 years*	*227,200*
	New Brunswick				
10	500 Beaverbrook Court	Fredericton	93 %	4.6 years	56,000
11	295 Belliveau Avenue	Shediac	100 %	2.8 years	42,100
12	410 King George Highway	Miramichi	75 %	7.1 years	72,700
13	551 King Street	Fredericton	89 %	3.4 years	85,300
14	495 Prospect Street	Fredericton	93 %	4.0 years	87,100
15	845 Prospect Street	Fredericton	49 %	3.9 years	38,600
16	414-422 York Street	Fredericton	97 %	3.8 years	33,000
17	440-470 York Street	Fredericton	90 %	3.3 years	60,200
	Total New Brunswick		*87 %*	*4.2 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	71 %	3.2 years	130,200
19	120, 130, 134 & 140 Eileen Stubbs Avenue	Halifax	86 %	4.1 years	297,300
	Total Nova Scotia		*81 %*	*3.8 years*	*427,500*
	Ontario				
20	1595 16th Avenue	Richmond Hill	100 %	6.3 years	123,300
21	251 Arvin Avenue	Hamilton	100 %	5.2 years	6,900
22	61 Bill Leathem Drive	Ottawa	100 %	3.8 years	148,100
23	777 Brock Road	Pickering	100 %	3.9 years	98,900
24	6865 Century Avenue	Mississauga	83 %	0.8 years	64,200
25	6925 Century Avenue	Mississauga	92 %	5.5 years	254,900
26	675 Cochrane Drive	Markham	91 %	3.9 years	373,400
27	1161 Crawford Drive	Peterborough	100 %	3.0 years	32,500
28	400 Cumberland Street	Ottawa	98 %	4.8 years	174,400
29	520 Exmouth Street	Sarnia	100 %	2.7 years	34,700
30	3115 Harvester Road	Burlington	89 %	5.3 years	79,000
31	135 Hunter Street East	Hamilton	100 %	4.3 years	24,400
32	340 Laurier Avenue West	Ottawa	100 %	5.8 years	279,800
33	400 Maple Grove Road	Ottawa	100 %	7.4 years	107,200
34	101 McNabb Street	Markham	100 %	3.1 years	315,400
35	78 Meg Drive	London	100 %	1.2 years	11,300
36	301 & 303 Moodie Drive	Ottawa	93 %	3.5 years	146,700
37	8 Oakes Avenue	Kirkland Lake	100 %	8.0 years	41,000
38	5160 Orbitor Drive	Mississauga	100 %	6.0 years	31,400
39	231 Shearson Crescent	Cambridge	84 %	1.9 years	60,200
40	6 Staples Avenue	Richmond Hill	100 %	9.5 years	122,000
41	2300 St. Laurent Boulevard	Ottawa	100 %	3.8 years	37,500
42	3650 Victoria Park Avenue	Toronto	23 %	2.3 years	153,700
43	80 Whitehall Drive	Markham	100 %	0.7 years	60,800
44	5775 Yonge Street	Toronto	88 %	3.9 years	274,900
	Total Ontario		*92 %*	*4.5 years*	*3,056,600*
	Average/Total Portfolio		88 %	4.4 years	4,792,600

[1] Weighted by annualized gross revenue.

1595 16th Avenue
GTA, ON

True North Commercial REIT

3280 Bloor Street West, Suite 1400, Centre Tower
Toronto, Ontario M8X 2X3
Phone: 416.234.8444
Email: ircommercial@truenorthreit.com