TSX: TNT.UN

Q3 2023

MANAGEMENT'S DISCUSSION & ANALYSIS

NOVEMBER 13, 2023

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

5
Provinces

4.4 YR (1)
Weighted Average Lease Term

44
Properties

93% (1)
Occupancy

78%
Revenues Generated from Goverment & Credit Rated Tenants

As at September 30, 2023
(1) Excluding investment properties held for sale.

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

Stable
Contractual
Cash flow

1595 16th Avenue
Toronto, ON

101 McNabb Street
GTA, ON

High Quality
Tenant Base

Focus on
Urban Areas


1112 Fort Street
Victoria, BC

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the consolidated financial results of True North Commercial Real Estate Investment Trust (the "REIT") is intended to provide readers with an assessment of the performance of the REIT for the three and nine months ended September 30, 2023 and 2022 and should be read in conjunction with the REIT's annual audited consolidated financial statements for the years ended December 31, 2022 and 2021, 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 of reallocating the distribution amounts (the "Distribution Amounts") to the normal course issuer bid (the "NCIB"), or through other acquisition programs, the impact of the consolidation (the "Consolidation") (as defined 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 inflation and rising interest rates, and the ongoing effects on the REIT's business and operations following the coronavirus pandemic ("COVID-19") and 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"); risks related to the REIT and its business; fluctuating interest rates and general economic conditions, including increased 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 find 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, including the ability to enforce leases, perform capital expenditure work, increase rents, raise capital through the issuance of Units or other securities of the REIT; the benefits of reallocating the Distribution Amounts to the NCIB, or through other acquisition programs, the impact of the Consolidation; and obtain mortgage financing on the REIT's properties (the"Properties"). The foregoing is not an exhaustive list of factors that may affect the REIT's forward-looking statements. Other risks and uncertainties not presently known to the REIT could also cause actual results or events to differ materially from those expressed in its forward-looking statements. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as there can be no assurance actual results will be consistent with such forward-looking statements.

Information contained in forward-looking statements is based upon certain material assumptions applied in drawing a conclusion or making a forecast or projection, including management's perception of historical trends, current conditions and expected future developments, as well as other considerations believed to be appropriate in the circumstances. There can be no assurance regarding: (a) 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 after effects of COVID-19 including the shift to hybrid working; (c) the factors, risks and uncertainties expressed above in regards to the post COVID-19 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, or through other acquisition programs; (i) the impact of the Consolidation; and (j) 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 income adjusted for realized and unrealized fair value gains (losses), transaction costs on sale of investment properties, distributions on class B limited partnership units of True North Commercial Limited Partnership ("Class B LP Units"), and amortization of leasing costs and tenant inducements. The REIT calculates FFO in accordance with the guidelines set out by the Real Property Association of Canada ("Realpac"). Management considers this non-IFRS measure to be an important measure of the REIT's operating performance. Refer to "FFO and AFFO" for a reconciliation between net income and comprehensive income to FFO.

AFFO is an important performance measure to determine the sustainability of future distributions paid to holders of Units ("Unitholders"). In calculating AFFO, the REIT makes certain 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.

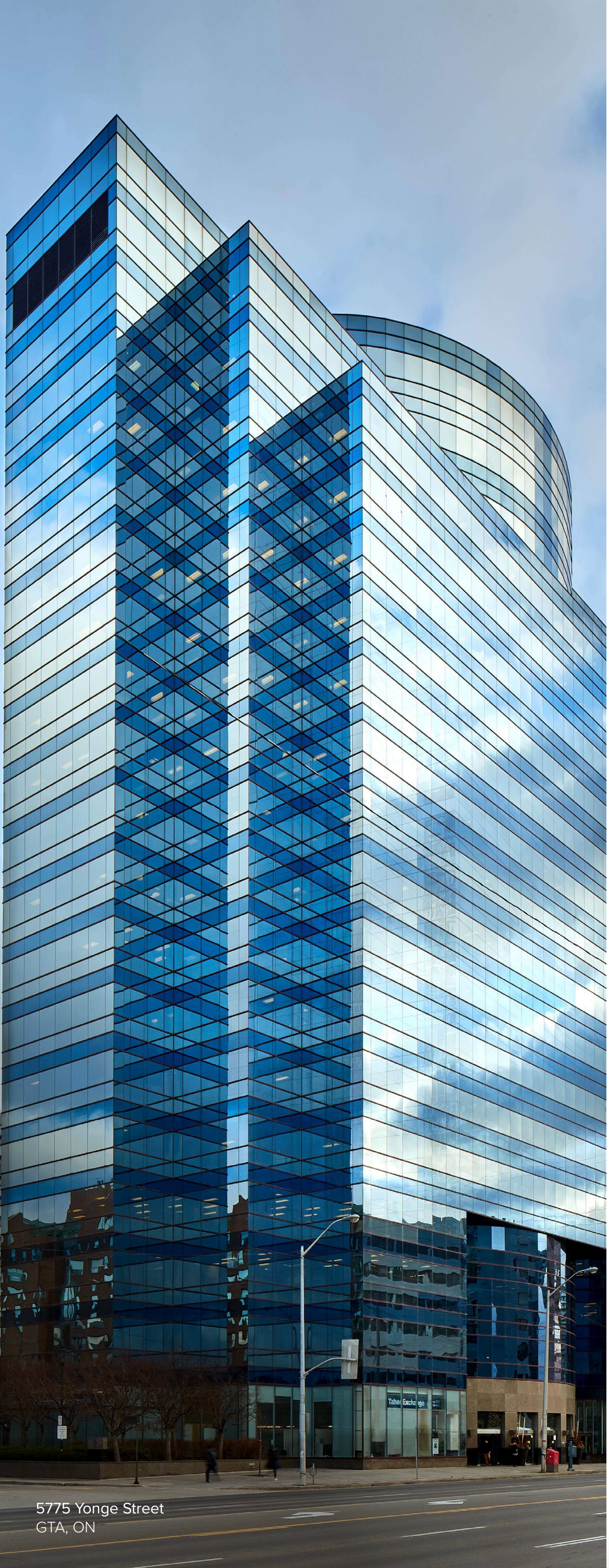
Available Funds is defined as the sum of cash and available funds from the REIT's undrawn Credit Facility (as defined in the "Debt" section). Management believes Available Funds is an important measure in determining the resources available to meet ongoing obligations. Refer to "Liquidity and Capital 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 "Third Quarter and Year to Date Highlights and Key Performance Indicators - Subsequent Events" 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 "Third Quarter and Year to Date Highlights and Key Performance Indicators - Subsequent Events" for the calculation.



5775 Yonge Street
GTA, ON

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BASIS OF PRESENTATION

The REIT's condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and 2022 have been prepared in accordance with IFRS for interim financial reporting. The REIT's presentation currency is the Canadian dollar. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of dollars, except for Unit and per Unit information.

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

OVERVIEW AND STRATEGY

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to the DOT, and governed by the laws of the Province of Ontario. The registered head office of the REIT is 1400 – 3280 Bloor Street West, Centre Tower, Toronto, Ontario, Canada, M8X 2X3. The Units are listed on the Toronto Stock Exchange ("TSX") under the symbol TNT.UN. As at September 30, 2023, the REIT owned and operated a portfolio of 44 office properties across Canada consisting of approximately 4.8 million square feet of gross leasable area ("GLA").

The objectives of the REIT are to:

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

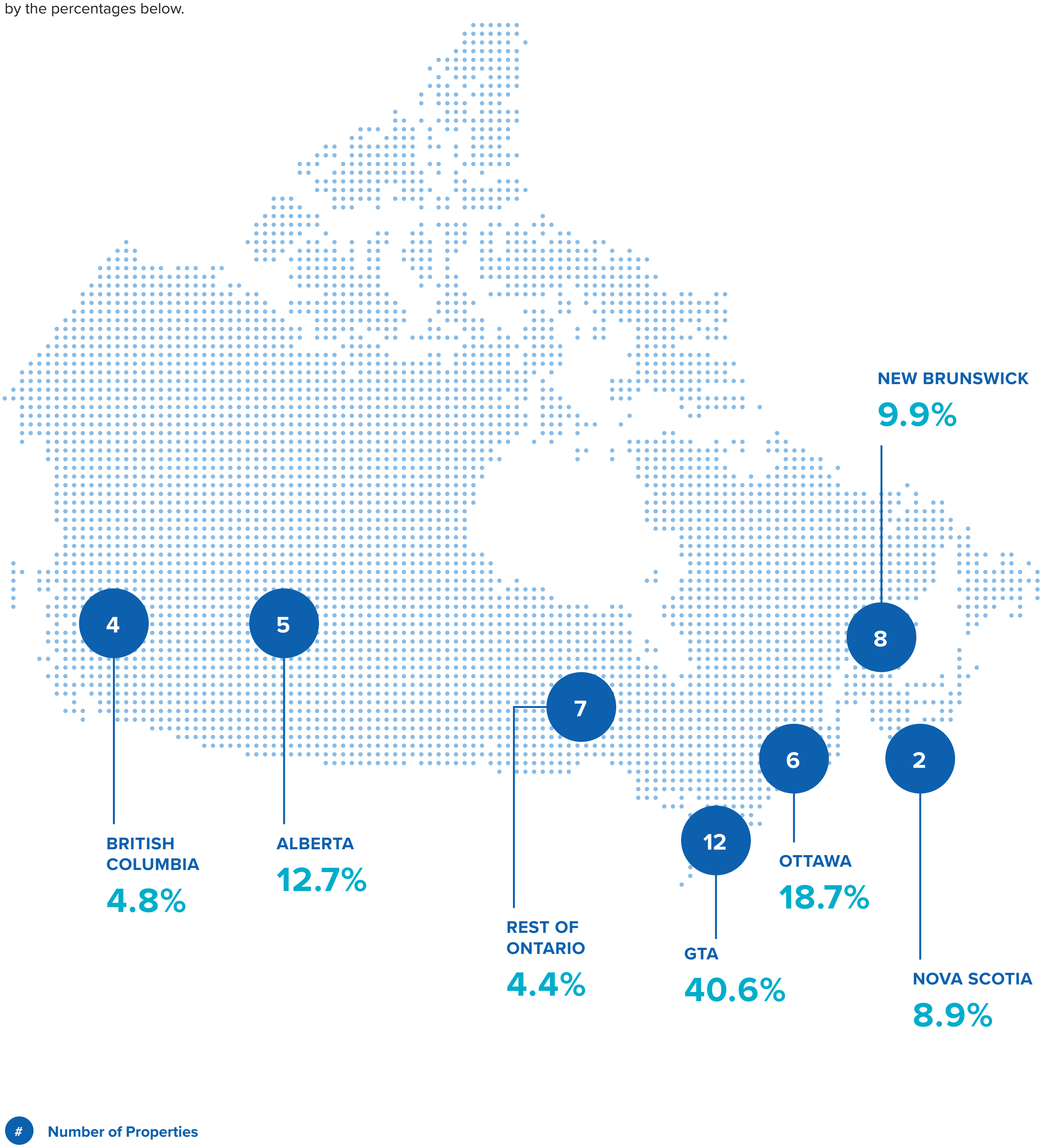
The REIT seeks to identify potential acquisitions using investment criteria that focus on the security of cash flow, capital appreciation, value enhancement through more efficient management of the assets being acquired and growth of FFO and AFFO per Unit.

PORTFOLIO OVERVIEW

As at September 30, 2023, the REIT's portfolio was comprised of 44 office properties totaling approximately 4.8 million square feet of GLA. See Appendix A for a detailed listing of the REIT's properties.

Current Portfolio & Geographic Diversification

GLA by province as at September 30, 2023 is denoted by the percentages below.



TENANT PROFILE

Top 20 tenants account for 68% of revenue. Approximately 78% of the REIT's portfolio revenue is generated by government and credit rated tenants

39%
government tenants

+

39%
credit rated tenants

=

78%
total government and credit rated tenants

Top 20 tenants as at September 30, 2023:

TENANT	% OF GROSS REVENUE	GLA	REMAINING LEASE TERM[1]
Federal Government of Canada	16.6%	729,600	5.6 years
Province of Alberta	10.0%	395,100	3.8 years
Province of Ontario	6.4%	237,200	3.2 years
General Motors of Canada Company	3.7%	154,800	4.3 years
The Toronto-Dominion Bank	3.4%	160,600	2.9 years
Province of British Columbia	3.1%	125,100	3.8 years
Province of New Brunswick	2.9%	156,500	3.8 years
Lumentum Ottawa Inc.	2.3%	148,100	4.3 years
LMI Technologies Inc.	2.3%	90,600	3.3 years
Intact Insurance Co.	2.2%	77,800	1.7 years
Staples Canada ULC	2.0%	122,000	10.0 years
General Dynamics Land Systems	1.8%	148,400	0.2 years
EMS Technologies Canada, Ltd.	1.8%	107,200	0.9 years
Ceridian Canada Ltd.	1.6%	49,800	2.4 years
Smucker Foods of Canada Corporation	1.5%	60,800	6.2 years
Paymentus (Canada) Corporation	1.4%	55,800	7.5 years
Stantec Consulting Ltd.	1.4%	55,200	5.7 years
ADP Canada Co.	1.3%	65,600	2.7 years
WSP Canada Inc.	1.0%	35,300	6.5 years
Astellas Pharma Canada, Inc.	1.0%	32,400	2.6 years
Total	**67.6%**	**3,007,900**	**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
38%	**23%**	**14%**	**14%**	**11%**

LEASING ACTIVITY

As of September 30, 2023, the REIT's occupancy was 93% with a weighted average remaining lease term ("WALT") of 4.4 years (91% and 4.4 years including investment properties held for sale).

The following table summarizes the leasing activity for Q3-2023:

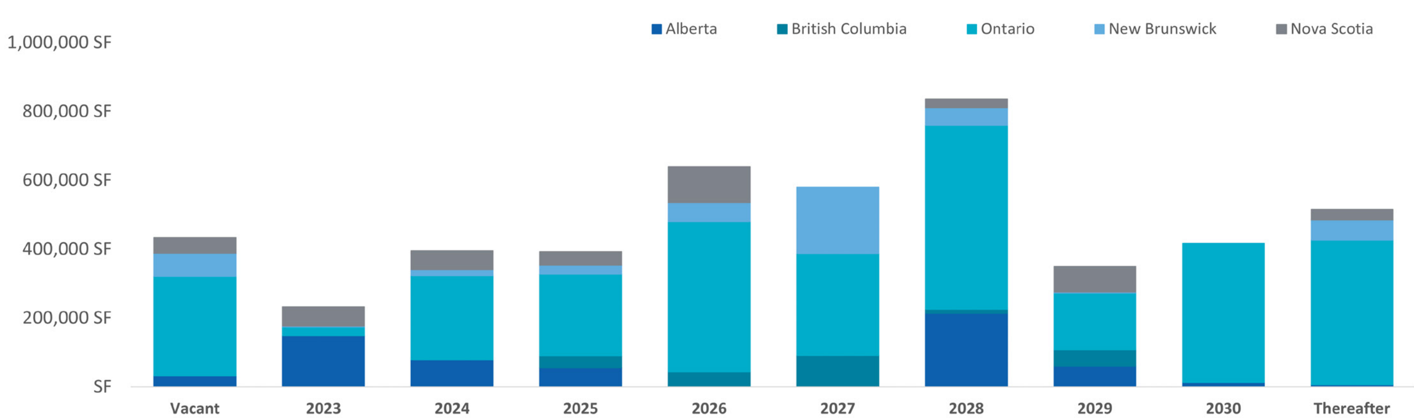
	New Lease Deals		Lease Renewals and Replacements		
	Leasable Area	Weighted Average Lease Term	Leasable Area	Weighted Average Lease Term	% Increase In Rents
Q3 2023	38,700 SF	9.0 YR	48,200 SF	6.6 YR	1.5%
YTD 2023	90,500 SF	7.9 YR	422,300 SF	4.4 YR	11.0%

In Q3-2023, the REIT completed 38,700 square feet of new leases with a WALT of 9.0 years in Ontario, New Brunswick, and Alberta. In the same quarter, the REIT completed 48,200 square feet of renewals with a WALT of 6.6 years and 1.5% increase in base rents over expiring rental rates. This included five-year extensions from tenants in Ontario and New Brunswick, as well as a ten-year renewal on 18,000 square feet in the Greater Toronto Area.

The increase in WALT for both new leases and renewals further demonstrates tenants' confidence and willingness to commit to longer lease terms by having a clearer understanding of their long-term business outlook. The significant lease renewals completed to date of 422,300 square feet demonstrate the REIT's continued focus on maintaining strong relationships with its tenants and reinforces our strategic focus on securing and retaining government and credit-rated tenants.

LEASE ROLLOVER PROFILE

Lease maturities are based on the square footage of the REIT's leases. As at September 30, 2023 the lease rollover profile was as follows:



THIRD QUARTER AND YEAR TO DATE HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

The REIT's occupancy excluding investment properties held for sale at the end of Q3-2023 was 93% with an average remaining lease term of 4.4 years (91% and 4.4 years including investment properties held for sale). 78% of revenue continues to be generated from government and credit rated tenants.

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Portfolio				
Number of properties			44	47
Portfolio GLA			4,791,500 sf	4,975,200 sf
Occupancy [(1)]			93 %	95 %
Remaining weighted average lease term [(1)]			4.4 years	4.4 years
Revenue from government and credit rated tenants			78 %	80 %
Financial				
Revenue	$ 32,789	$ 36,677	$ 99,337	$ 108,124
NOI [(2)]	18,082	21,976	55,202	65,855
Net income and comprehensive income	(42,472)	8,046	(34,684)	38,437
Same Property NOI [(2)]	20,142	22,974	60,145	69,289
FFO [(2)]	$ 10,351	$ 14,436	$ 31,770	$ 43,635
FFO per Unit - basic [(2)]	0.11	0.15	0.34	0.47
FFO per Unit - diluted [(2)]	0.11	0.15	0.34	0.47
AFFO [(2)]	$ 10,101	$ 14,290	$ 31,148	$ 43,248
AFFO per Unit - basic [(2)]	0.11	0.15	0.33	0.47
AFFO per Unit - diluted [(2)]	0.11	0.15	0.33	0.47
AFFO payout ratio - diluted [(2)]	69 %	97 %	83 %	95 %
Distributions declared	$ 7,012	13,900	$ 25,731	$ 41,300

Excluding termination income and investment properties held for sale, revenue and NOI decreased 1% and 4%, respectively, in Q3-2023 relative to the same period in 2022. Revenue remained flat and NOI decreased 5% YTD-2023 compared to YTD-2022.

Revenue and NOI decreased 11% (8% YTD-2023) and 18% (16% YTD-2023), respectively, in Q3-2023 when compared to the same period in 2022. The main contributor was the decrease in termination income and lower revenue from a tenant in the REIT's GTA portfolio that downsized a portion of their space effective Q4-2022, combined with a 101,200 square foot lease expiry in Q1-2023 at 360 Laurier Avenue, Ottawa, Ontario ("Laurier Property") and 115,000 square foot lease expiry in Q2-2023 at the Victoria Park Property, combined with the disposition activity in 2023 (the "Primary Variance Drivers"). The decrease was partially offset by termination income received from both a tenant that downsized in Q3-2023 and from the tenant at 400 Carlingview Drive, Toronto, Ontario ("Carlingview Property") which was disposed of in Q1-2023. In addition, revenue and NOI were positively impacted by NOI from an acquisition completed in Q3-2022 and positive leasing activity in New Brunswick.

The REIT's Q3-2023 FFO and AFFO decreased $4,085 (YTD-2023 - $11,865), and $4,189 (YTD-2023 - $12,100), respectively, when compared to the same period in 2022. FFO and AFFO were negatively impacted by the Primary Variance Drivers, combined with higher financing costs as a result of higher interest rates on mortgage refinancings and higher interest expense on the REIT's floating rate revolving credit facility ("Credit Facility"). FFO and AFFO benefited from NOI on the acquisition completed in Q3-2022, termination income and positive leasing activity primarily in New Brunswick.

Q3-2023 FFO and AFFO basic and diluted per Unit decreased $0.04 to $0.11 over the comparable period. YTD-2023 FFO basic and diluted per Unit decreased $0.13 to $0.34 and AFFO basic and diluted per Unit decreased $0.14 to $0.33 compared to YTD-2022. Excluding termination fees, Q3-2023 FFO and AFFO basic and diluted per Unit were lower by $0.02 and $0.03, respectively, and YTD-2023 FFO and AFFO basic and diluted per Unit were lower by $0.07 and $0.08 compared to the same period in 2022.

(1) Excluding assets held for sale.

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

Disposition Activity

The REIT completed the following dispositions during the nine month ended September 30, 2023:

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

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

Key Debt Metrics

	September 30, 2023	December 31, 2022
Indebtedness to GBV ratio (1)	61.4 %	59.3 %
Interest coverage ratio (1)	2.43 x	3.00 x
Indebtedness (1) - weighted average fixed interest rate	4.03 %	3.54 %
Indebtedness (1) - weighted average term to maturity	2.99 years	3.27 years

At the end of Q3-2023, the REIT had access to Available Funds(1) of approximately $48,283, and a weighted average term to maturity of 2.99 years in its mortgage portfolio with a weighted average fixed interest rate of 4.03%.

During the quarter, the REIT refinanced $36,452 of mortgages with a weighted average fixed interest rate of 6.05% with terms between five and seven years. YTD-2023, the REIT has refinanced $67,573 of mortgages with a weighted average fixed interest rate of 5.65% (excluding one with a variable interest rate at prime plus 1.5%) and a weighted average term to maturity of 4.5 years, providing the REIT with additional liquidity of approximately $5,700.

Subsequent to September 30, 2023, the REIT refinanced a $3,834 mortgage for a three year term.

Distribution Reduction and Suspension of DRIP

On March 14, 2023, the REIT reduced its monthly cash dividend from $0.0495 per Unit to $0.02475 per Unit or $0.297 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 only in cash effective with the distribution paid on April 17, 2023 to Unitholders of record on March 31, 2023.

Normal Course Issuer Bid (“NCIB”)

On April 12, 2023, the REIT announced the intention to commence a NCIB, as approved by the Toronto Stock Exchange ("TSX"). Under the NCIB, the REIT has the ability to purchase for cancellation up to a maximum of 8,239,557 of its Units, representing 10% of the REIT's public float of 82,395,573 Units through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per Unit equal to the market price at the time of acquisition. The NCIB became effective on April 18, 2023 and will remain in place until the earlier of April 17, 2024 or the date on which the REIT has purchased the maximum number of Units permitted under the NCIB. Any Units acquired through the NCIB will be cancelled.

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

During the three and nine months ended September 30, 2023, the REIT repurchased 83,500 Units and 208,400 Units, respectively, for $200 and $500, respectively, under the NCIB.

Officer and Board Appointments

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

Subsequent Events

Distribution Reallocation

On November 13, 2023, the board of trustees of the REIT ("Trustees") determined that the most effective use of available capital was to reallocate substantially all distributions paid to Unitholders (“Distribution Amounts”) for the month commencing November 1, 2023 and ending April 30, 2024 to purchase the maximum number of Units available under the NCIB or through other acquisition programs, with the intention of revisiting the reallocation in approximately six months to reinstate a sustainable distribution to Unitholders. The Trustees believe that reallocating the Distribution Amounts to the NCIB, given the dislocation between the Unit price and the intrinsic value of the business will be immediately accretive to Unitholders and is the most compelling near term opportunity to increase Unitholder value and per Unit growth. As at September 30, 2023, the REIT's NAV per Unit was $4.97 resulting in the REIT's Unit price trading at a significant discount.

The table below calculates the REIT's NAV per Unit as at September 30, 2023 and December 31, 2022:

	September 30, 2023		December 31, 2022	
	Units	Amount	Units	Amount
Unitholders' Equity	92,007,751	$ 463,787	91,813,073	$ 522,138
Add: Class B LP Units	2,432,664	5,207	2,526,414	14,628
Total Equity (including Class B LP Units) (1)	94,440,415	$ 468,994	94,339,487	$ 536,766
NAV per Unit (1)		$ 4.97		$ 5.69

Unit Consolidation

On November 13, 2023, the REIT announced that it intends to affect a Consolidation of its Units, special voting Units of the REIT (the "SV Units" together with the Units, the "Voting Units") and the Class B LP Units on the basis of 5.75:1 Voting Units and Class B LP Units (together, the “Consolidated Units”). The Consolidation is expected to become effective on or about November 22, 2023 and is primarily intended to increase the REIT’s per Unit trading price. As a result of the Consolidation, every 5.75 Voting Units and Class B LP Units will be converted automatically into one issued and outstanding Consolidated Unit. Unitholders holding Consolidated Units through a brokerage account will have their Consolidated Units automatically adjusted to reflect the Consolidation.

The Consolidation will affect all Unitholders uniformly and will not alter any Unitholder’s percentage interest in the REIT’s equity, except to the extent that the Consolidation will result in a Unitholder owning fractional Consolidated Units. Any fractional Consolidated Units of a Unitholder resulting from the Consolidation will be rounded down to the nearest whole number of Consolidated Units.

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

QUARTERLY INFORMATION

	Q3-23	Q2-23	Q1-23	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21
Revenue	$32,789	$32,690	$33,858	$35,451	$36,677	$35,120	$36,327	$35,461
Property operating costs	(14,707)	(14,208)	(15,220)	(14,822)	(14,701)	(13,435)	(14,133)	(15,010)
NOI [1]	18,082	18,482	18,638	20,629	21,976	21,685	22,194	20,451
General and administration expenses	(1,349)	(1,525)	(1,433)	(1,874)	(1,294)	(1,261)	(1,625)	(1,663)
Finance costs	(8,756)	(8,418)	(8,200)	(8,109)	(7,725)	(7,253)	(7,247)	(7,239)
Transaction costs on sale of investment properties	(1,131)	—	(244)	—	—	—	—	—
Distributions on Class B LP Units	(181)	(185)	(313)	(375)	(400)	(449)	(449)	(449)
Fair value adjustment of Class B LP Units	584	2,734	5,861	(455)	1,629	2,661	755	(514)
Fair value adjustment of investment properties	(50,087)	(11,832)	(6,472)	(31,803)	(6,842)	(1,610)	(1,670)	7,361
Unrealized gain (loss) on change in fair value of derivative instruments	366	1,537	(842)	82	702	1,709	2,951	969
Net income and comprehensive income for the period	$(42,472)	$ 793	$ 6,995	$(21,905)	$ 8,046	$15,482	$14,909	$ 18,916
FFO per Unit - basic [1]	$ 0.11	$ 0.11	$ 0.11	$ 0.13	$ 0.15	$ 0.16	$ 0.16	$ 0.15
AFFO per Unit - basic [1]	$ 0.11	$ 0.11	$ 0.11	$ 0.14	$ 0.15	$ 0.16	$ 0.16	$ 0.14
AFFO per Unit - diluted [1]	$ 0.11	$ 0.11	$ 0.11	$ 0.14	$ 0.15	$ 0.16	$ 0.16	$ 0.14
AFFO payout ratio - basic [1]	69 %	67 %	110 %	110 %	97 %	96 %	94 %	105 %
AFFO payout ratio - diluted [1]	69 %	67 %	111 %	110 %	97 %	96 %	94 %	106 %
Number of Properties	44	46	46	47	47	46	46	46
Occupancy rate [2]	93 %	93 %	93 %	93 %	95 %	96 %	96 %	96 %

Q3-2023 NOI decreased 2% compared to the previous quarter mainly due to the dispositions completed during the quarter and 141,000 square feet of renewals completed in Q2-2023 in New Brunswick at higher rental rates which were retroactive to Q4-2022 combined with the lease expiry of 115,000 square feet in Q2-2023 at the Victoria Park Property. This was partially offset by termination income received in Q3-2023 from a tenant that downsized and new leases that commenced in Q2-2023 and Q3-2023.

Excluding the changes in the fair value of Unit-based compensation, general and administration expenses were lower due to expenses incurred in Q2-2023 for the annual Unitholders' meeting held in June combined with lower costs associated with the Unit-based compensation plan.

Finance costs increased during the quarter due to higher interest on mortgage refinancings completed in Q3-2023, in addition to higher interest expense on the Credit Facility.

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

FFO and AFFO per unit have remained stable at $0.11 when compared to Q2-2023.

Excluding investment properties held for sale, occupancy remained stable at 93%.

[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 September 30		Nine months ended September 30	
	2023	2022	2023	2022
Revenue	$ 32,789	$ 36,677	$ 99,337	$ 108,124
Expenses:				
Property operating costs	(9,699)	(9,526)	(28,800)	(27,048)
Realty taxes	(5,008)	(5,175)	(15,335)	(15,221)
NOI	$ 18,082	$ 21,976	$ 55,202	$ 65,855
Other income (expenses):				
General and administration expenses	(1,349)	(1,294)	(4,307)	(4,180)
Finance costs	(8,756)	(7,725)	(25,374)	(22,225)
Transaction costs on sale of investment properties	(1,131)	—	(1,375)	—
Distributions on Class B LP Units	(181)	(400)	(679)	(1,298)
Fair value adjustment of Class B LP Units	584	1,629	9,179	5,045
Fair value adjustment of investment properties	(50,087)	(6,842)	(68,391)	(10,122)
Unrealized gain on change in fair value of derivative instruments	366	702	1,061	5,362
Net income and comprehensive income	$ (42,472)	$ 8,046	$ (34,684)	$ 38,437

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

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

Excluding termination income and investment properties held for sale, revenue and NOI decreased 1% and 4%, respectively, in Q3-2023 while revenue remained flat and NOI decreased 5% YTD-2023.

The REIT's revenue and NOI decreased 11% (8% YTD-2023) and 18% (16% YTD-2023), respectively, in Q3-2023 compared to the same period in 2022. The decrease in revenue and NOI was largely a result of the Primary Variance Drivers, which was partially offset by termination income received from both the tenant at the Carlingview Property, as well as a tenant that downsized during Q3-2023, NOI from an acquisition completed in Q3-2022 and positive leasing activity primarily in New Brunswick.

Property operating expenses and realty taxes remained relatively flat compared to Q3-2022 and increased 4% compared to YTD-2022, due to higher cleaning, security and utilities as a result of higher foot traffic at the properties, higher boiler, HVAC and plumbing repairs, combined with additional operating expenses associated with the property acquired in Q3-2022. This increase was partially offset by the impact of the disposition activity in 2023.

Realty tax expenses increased YTD-2023 as a result of the Q3-2022 acquisition offset by lower tax assessments at certain properties and the impact 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 September 30		Nine months ended September 30	
	2023	**2022**	**2023**	**2022**
Number of properties	43	43	43	43
Revenue	$ 31,319	$ 34,839	93,990	103,698
Expenses:				
Property operating	(9,203)	(9,153)	(27,350)	(26,190)
Realty taxes	(4,795)	(4,858)	(14,356)	(14,473)
	$ 17,321	$ 20,828	52,284	63,035
Add:				
Amortization of leasing costs and tenant inducements	2,429	1,569	6,726	4,729
Straight-line rent	392	577	1,135	1,525
Same Property NOI	$ 20,142	$ 22,974	60,145	69,289
Less: Properties Held for Sale	(232)	632	812	1,987
Same Property NOI excluding investment properties held for sale	20,374	22,342	59,333	67,302
Reconciliation to condensed consolidated interim financial statements:				
Acquisitions and dispositions	(90)	1,799	1,894	4,862
Amortization of leasing costs and tenant inducements	(2,428)	(1,584)	(6,735)	(4,772)
Straight-line rent	226	(581)	710	(1,537)
NOI	$ 18,082	$ 21,976	55,202	65,855

Occupancy

	As at September 30	
	2023	**2022**
Alberta	94.8 %	95.7 %
British Columbia	100.0 %	98.7 %
New Brunswick	85.8 %	83.8 %
Nova Scotia	89.5 %	96.9 %
Ontario	94.2 %	96.5 %
Total	93.2 %	95.2 %

NOI

	Three months ended September 30			
	2023	**2022**	**Variance**	**Variance %**
Alberta	$ 3,514	$ 3,541	$ (27)	(0.8)%
British Columbia	1,284	1,256	28	2.2 %
New Brunswick	1,297	1,015	282	27.8 %
Nova Scotia	1,776	1,752	24	1.4 %
Ontario	12,503	14,778	(2,275)	(15.4)%
	$ 20,374	$ 22,342	$ (1,968)	(8.8)%

Q3-2023 Same Property NOI decreased 1.6% (YTD-2023 - 3.6%) excluding termination fees and investment properties held for sale. Excluding investment properties held for sale only, Q3-2023 Same Property NOI decreased 8.8% (YTD-2023 - 11.8%) as a result of the significant termination fee income recorded in the prior year periods.

British Columbia Same Property NOI increased due to contractual rent increases. New Brunswick Same Property NOI increased as a result of a new lease that commenced in June 2023 coupled with 141,000 square feet of government renewals across three properties at higher rental rates. Same Property NOI in Nova Scotia increased due to new lease commencements and contractual rent step ups, partly offset by certain tenants that downsized on renewal.

Ontario Same Property NOI decreased mainly due to termination fees received in Q3-2022 relating to a tenant in the REIT's GTA portfolio that downsized a portion of their space effective December 2022, of which 60% has been contractually re-leased with rents commencing in the latter half of 2023. The decrease in NOI generated from investment properties held for sale was due to the lead tenant vacating the property on expiry.

GENERAL AND ADMINISTRATION EXPENSES

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

Excluding the changes in the fair value of Unit-based compensation, general and administration expenses remained relatively flat Q3-2023 and increased 1% YTD-2023 when compared to the same period in 2022 due to higher asset management fees resulting from the acquisition completed in Q3-2022 being partially offset by the disposition activity in 2023 and lower costs associated with the Unit-based compensation plan.

FINANCE COSTS

The REIT's finance costs for the three and nine months ended September 30, 2023 and 2022 are summarized below. Finance costs exclude cash distributions and fair value adjustments on Class B LP Units.

	Three months ended September 30		Nine month ended September 30	
	2023	2022	2023	2022
Interest on mortgages payable	$ 8,049	$ 7,189	$ 23,250	$ 20,780
Other interest expense and standby fees	386	142	1,078	348
Amortization of mortgage premiums	(8)	(11)	(25)	(36)
Amortization of financing costs	329	405	1,071	1,133
	$ 8,756	$ 7,725	$ 25,374	$ 22,225

Interest on mortgages payable was higher due to refinancings and acquisition financings 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-2023 compared to YTD-2022.

DISTRIBUTIONS ON CLASS B LP UNITS

Distributions declared were $181 in Q3-2023 ($400 - Q3-2022) and $679 YTD-2023 ($1,298 - YTD-2022). The decrease in distributions was due to the conversion of 93,750 Class B LP Units to Units on June 7, 2023, in addition to the Distribution Reduction.

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 $584 in Q3-2023 was due to a decrease in the trading price of the Units from $2.38 at June 30, 2023 to $2.14 at September 30, 2023. The fair value gain of $9,179 YTD-2023 was due to a decrease in the trading price of the Units from $5.79 at December 31, 2022 to $2.14 at September 30, 2023.

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 and nine months ended September 30, 2023, the REIT had a fair value loss of $50,087 and $68,391, respectively. The fair value loss was predominantly attributable to increased capitalization rates across several properties together with moderated leasing assumptions.

The key valuation assumptions for the REIT’s investment properties as at September 30, 2023 and 2022 are as follows:

	2023	**2022**
Terminal and direct capitalization rates – range	5.50% to 9.50%	4.25% to 9.50%
Terminal and direct capitalization rate – weighted average	6.59%	6.21%
Discount rates – range	6.00% to 9.75%	5.75% to 9.75%
Discount rate – weighted average	7.15%	6.96%

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 September 30, 2023 was $72,712 (December 31, 2022 - $74,383). As at September 30, 2023, interest rates in the near term were projected to slightly increase before starting a descent in 2024, resulting in an unrealized gain on the change in fair value of the derivative instruments totaling $366 in Q3-2023 ($702 - Q2-2022) and $1,061 YTD-2023 ($5,362 - YTD-2022).

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

FFO AND AFFO

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

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Net income and comprehensive income	$ (42,472)	$ 8,046	$ (34,684)	$ 38,437
Add (deduct):				
Fair value adjustment of Unit-based compensation	(54)	(105)	(486)	(587)
Fair value adjustment of investment properties	50,087	6,842	68,391	10,122
Fair value adjustment of Class B LP Units	(584)	(1,629)	(9,179)	(5,045)
Transaction costs on sale of investment property	1,131	—	1,375	—
Distributions on Class B LP Units	181	400	679	1,298
Unrealized gain on change in fair value of derivative instruments	(366)	(702)	(1,061)	(5,362)
Amortization of leasing costs and tenant inducements	2,428	1,584	6,735	4,772
FFO	$ 10,351	$ 14,436	$ 31,770	$ 43,635
Add (deduct):				
Unit-based compensation expense	114	93	446	541
Amortization of financing costs	329	405	1,071	1,133
Rent Supplement	743	—	2,228	—
Amortization of mortgage discounts	(8)	(11)	(25)	(36)
Instalment note receipts	13	15	41	47
Straight-line rent	(226)	581	(710)	1,537
Capital reserve [1]	(1,215)	(1,229)	(3,673)	(3,609)
AFFO	$ 10,101	$ 14,290	$ 31,148	$ 43,248
FFO per Unit:				
Basic	$ 0.11	$ 0.15	$ 0.34	$ 0.47
Diluted	$ 0.11	$ 0.15	$ 0.34	$ 0.47
AFFO per Unit:				
Basic	$ 0.11	$ 0.15	$ 0.33	$ 0.47
Diluted	$ 0.11	$ 0.15	$ 0.33	$ 0.47
AFFO payout ratio:				
Basic	69 %	97 %	83 %	95 %
Diluted	69 %	97 %	83 %	95 %
Distributions declared	$ 7,012	$ 13,900	$ 25,731	$ 41,300
Weighted average Units outstanding (000s):				
Basic	94,469	93,408	94,525	92,604
Add:				
Unit options and Incentive Units	34	26	28	95
Diluted	94,503	93,434	94,553	92,699

Notes:

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

Q3-2023 FFO and AFFO decreased $4,085, or 28% (YTD-2023 - $11,865, or 27%) and $4,189, or 29% (YTD-2023 - $12,100 or 28%), 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 NOI from the acquisition completed in Q3-2022, which included a rent supplement that was negotiated with the vendor to compensate the REIT for one year of free rent provided to the tenant. The REIT adds this amount in calculating AFFO, as it represents cash received by the REIT that is not recognized in net income over the same period.

Q3-2023 FFO and AFFO basic and diluted per Unit decreased $0.04 to $0.11. YTD-2023 FFO and AFFO basic and diluted per Unit decreased $0.13 and $0.14 to $0.34 and $0.33, respectively. Excluding termination fees, Q3-2023 FFO and AFFO basic and diluted per Unit were lower by $0.02 and $0.03, and YTD-2023 FFO and AFFO basic and diluted per Unit were lower by $0.07 and $0.08 compared to 2022.

The decrease in AFFO basic and diluted payout ratio in Q3-2023 to 69% is a result of the Distribution Reduction.

DISTRIBUTIONS

Following the Distribution Reduction, the REIT pays a monthly distribution to Unitholders of $0.02475 per Unit or $0.297 per Unit on an annualized basis.

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 only in cash effective with the distribution paid on April 17, 2023 to Unitholders of record on March 31, 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 September 30	Nine months ended September 30	Years ended December 31	
	2023	**2023**	**2022**	**2021**
Distributions declared	$ 7,012	$ 25,731	$ 55,296	$ 53,973
Less: DRIP and change in distributions payable	2	742	(6,665)	(6,793)
Cash distributions paid	$ 7,014	$ 26,473	$ 48,631	$ 47,180

Distributions declared was lower than cash distributions paid for the three and nine months ended September 30, 2023 as a result of the Distribution Reduction and DRIP suspension. Distributions declared for YTD-2023 includes two months based on a distribution of $0.0495 per Unit and seven months following the Distribution Reduction.

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

	Three months ended September 30	Nine months ended September 30	Years ended December 31	
	2023	**2023**	**2022**	**2021**
Net income and comprehensive income	$ (42,472)	$ (34,684)	$ 16,532	$ 51,004
Cash flow provided by operating activities	16,569	50,800	103,271	77,312
Less: Finance costs paid	(8,284)	(24,063)	(28,808)	(27,380)
Adjusted cash flow provided by operating activities	8,285	26,737	74,463	49,932
Declared basis:				
Excess (shortfall) of net income and comprehensive income over distributions	(49,484)	(60,415)	(38,764)	(2,969)
Excess (shortfall) of adjusted cash flow provided by operating activities over distributions	1,273	1,006	19,167	(4,041)
Cash basis:				
Excess (shortfall) of net income and comprehensive income over distributions	(49,486)	(61,157)	(32,009)	3,824
Excess of adjusted cash flow provided by operating activities over distributions	1,271	264	25,832	2,752

Net income and comprehensive income was lower than declared and cash distributions during the quarter and YTD-2023. The shortfall was primarily due to the fair value adjustment of investment properties which is a non-cash adjustment and included in income and comprehensive income. Adjusted cash flow provided by operating activities was higher than declared and cash distributions by $1,273 and $1,271, respectively for the quarter. Adjusted cash flow provided by operating activities was higher than declared and cash distributions YTD-2023 by $1,006 and $264, respectively.

RECONCILIATION OF ADJUSTED CASH FLOW PROVIDED BY OPERATING ACTIVITIES TO AFFO

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

	Three months ended September 30		Nine months ended September 30	
	2023	**2022**	**2023**	**2022**
Adjusted cash flow provided by operating activities	$ 8,285	$ 14,922	$ 26,737	$ 45,163
Change in finance costs payable	(151)	(120)	(265)	(62)
Rent Supplement	743	—	2,228	—
Instalment note receipts	13	15	41	47
Capital reserve	(1,215)	(1,229)	(3,673)	(3,609)
Change in non-cash operating working capital	2,426	702	6,080	1,709
AFFO	$ 10,101	$ 14,290	$ 31,148	$ 43,248

AFFO of $10,101 was higher than distributions declared by $3,089 and distributions paid by $3,087 in Q3-2023. YTD-2023 AFFO of $31,148 was higher than distributions declared by $5,417 and distributions paid by $4,675. The REIT expects to be able to fund distributions paid from AFFO on a go-forward basis as a result of the Distribution Reduction.

CAPITAL RESERVE

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

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

LIQUIDITY AND CAPITAL INVESTMENT

LIQUIDITY

Cash flow from operating activities represents the primary source of liquidity to fund distributions, debt service, capital improvements, tenant inducements and leasing costs. The REIT's cash flow from operating activities is dependent upon the occupancy level of its investment properties, the rental rates on its leases, the collectability of rent from its tenants, and other factors. Material changes in these factors may adversely affect the REIT's cash flow from operating activities and hence its liquidity. A more detailed discussion of these risks can be found under the "Risks and Uncertainties" section in the annual information form of the REIT dated March 14, 2023 (the "AIF"). Also see "Risks and Uncertainties".

As at September 30, 2023, the REIT had access to approximately $48,283 in cash and availability on the Credit Facility. The REIT's weighted average term to maturity of its mortgage portfolio was 2.99 years with a weighted average fixed interest rate of 4.03%.

During the quarter, the REIT refinanced $36,452 of mortgages with a weighted average fixed interest rate of 6.05% for five and seven year terms. YTD-2023, the REIT has refinanced $67,573 of mortgages with a weighted average fixed interest rate of 5.65% (excluding one with a variable interest rate at prime plus 1.5%) and a weighted average term to maturity of 4.5 years, providing the REIT with additional liquidity of approximately $5,700.

Subsequent to September 30, 2023, the REIT refinanced a $3,834 mortgage for a three year term.

The REIT's Available Funds are as follows:

	September 30, 2023	December 31, 2022
Cash	$ 6,383	$ 9,501
Undrawn Credit Facility	41,900	53,600
Available Funds [1]	$ 48,283	$ 63,101

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

CAPITAL INVESTMENT

The 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 2023 and beyond. Future expenditures are expected to be funded through cash flow generated by operations, the Credit Facility and cash on hand. For the nine months ended September 30, 2023 and 2022, the REIT invested $10,304 and $12,469 respectively, in capital and leasing expenditures.

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

ASSET PROFILE

INVESTMENT PROPERTIES

The following table summarizes changes in the REIT's investment properties for the nine months ended September 30, 2023 and 2022:

		Investment properties	Investment properties held for sale	Total
Balance, December 31, 2021	$	1,403,579	—	1,403,579
Acquisitions		38,845		38,845
Additions		12,469	—	12,469
Amortization of leasing costs, tenant inducements and straight-line rents		(4,802)	—	(4,802)
Fair value adjustment		(10,122)	—	(10,122)
Balance, September 30, 2022		1,439,969	—	1,439,969
Additions		19,184	—	19,184
Amortization of leasing costs, tenant inducements and straight-line rents		(2,517)	—	(2,517)
Fair value adjustment		(31,803)	—	(31,803)
Investment properties held for sale		(84,250)	84,250	—
Balance, December 31, 2022		1,340,583	84,250	1,424,833
Additions		10,012	292	10,304
Dispositions		—	(48,750)	(48,750)
Amortization of leasing costs, tenant inducements and straight-line rents		(3,994)	(316)	(4,310)
Fair value adjustment		(63,962)	(4,429)	(68,391)
Balance, September 30, 2023	$	1,282,639	31,047	1,313,686

During the nine months ended September 30, 2023 the REIT disposed of three properties which were classified as held for sale as at December 31, 2022.

ADDITIONS

Additions to investment properties and investment properties held for sale for the nine months ended September 30, 2023 were $10,304, consisting of the following:

- Capital expenditures of $3,362 mainly for the replacement of induction units, tenant amenities and lobby and washroom upgrades; and
- Tenant inducements and leasing costs of $6,942, which include costs incurred to renew and secure new tenants.

PREPAID EXPENSES AND DEPOSITS

At September 30, 2023, the REIT had $4,057 in prepaid expenses and deposits, compared to $3,279 at December 31, 2022. The increase is mainly due to an increase in prepaid realty taxes and higher prepaid interest on the Credit Facility.

DEBT

MORTGAGES PAYABLE

The following table sets out, as at September 30, 2023, scheduled principal repayments and amounts maturing over each of the next five fiscal years:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Percentage of total mortgages payable	Weighted average interest rate of maturing debt	Scheduled interest payments
2023 – remainder of year	5,651	63,679	69,330	8.6 %	7.69 %	30,714
2024	22,220	81,598	103,818	12.8 %	4.22 %	26,075
2025	15,071	197,178	212,249	26.3 %	3.14 %	17,892
2026	13,485	145,486	158,971	19.7 %	3.20 %	15,644
2027	8,265	78,910	87,175	10.8 %	5.13 %	10,335
Thereafter	9,786	165,835	175,621	21.8 %	3.94 %	8,528
	$ 74,478	$ 732,686	$ 807,164	100.0 %	4.03 %	$ 109,188
Unamortized mark to market mortgage adjustments			136			
Unamortized financing costs			(3,180)			
			$ 804,120			

Mortgages payable had a weighted average fixed interest rate of 4.03% (December 31, 2022 – 3.54%) and a weighted average term to maturity of 2.99 years (December 31, 2022 – 3.27 years).

The mortgages payable associated with investment properties held for sale as at September 30, 2023 was $26,108 (December 31, 2022 - $58,330).

CREDIT FACILITY

The REIT has a $60,000 Credit Facility with a Canadian chartered bank which is comprised of two tranches: (i) up to $35,000 secured by first and second charges on certain investment properties, bearing interest on cash advances at 95 basis points per annum above the prime rate or 195 basis points per annum over the floating banker's acceptance rate; and (ii) $25,000 unsecured, bearing interest on cash advances at 190 basis points per annum above the prime rate or 290 basis points per annum over the floating banker's acceptance rate.

On August 19, 2022, the REIT renewed its Credit Facility for a further two years maturing December 1, 2024, which included an increase to $68,000 from $60,000, with the additional $8,000 having expired on July 31, 2023 to align with the sale of the Abbotsford property.

As at September 30, 2023, the REIT had drawn $18,100 on the Credit Facility (December 31, 2022 - $14,400).

INDEBTEDNESS TO GBV

As at September 30, 2023, the REIT's overall leverage, as represented by Indebtedness to GBV, a non-IFRS financial measure, was 61.4%. The maximum allowable ratio under the DOT is 75%. Below is a calculation of the REIT's Indebtedness to GBV ratio as at September 30, 2023 and December 31, 2022:

		September 30, 2023		December 31, 2022
Total assets	$	1,336,568	$	1,450,315
Deferred financing costs		6,777		7,070
GBV [(1)]	$	1,343,345	$	1,457,385
Mortgages payable		804,120		846,689
Credit Facility		18,100		14,400
Unamortized financing costs and mark to market mortgage adjustments		3,044		3,745
Indebtedness [(1)]	$	825,264	$	864,834
Indebtedness to GBV [(1)]		**61.4 %**		**59.3 %**

The increase in Indebtedness to GBV from December 31, 2022 is driven mainly by $18,100 drawn on the Credit Facility as at September 30, 2023 ($14,400 - December 31, 2022) and the fair value loss on investment properties and disposition activity in 2023. As at September 30, 2023, 3.9% (December 31, 2022 - 1.7%) of the REIT's debt was floating rate not hedged with interest rate swaps.

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

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

ADJUSTED EBITDA AND INTEREST COVERAGE RATIO

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

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

		Twelve months ended September 30		
		2023		2022
Net income and comprehensive income	$	(56,589)	$	57,353
Add (deduct):				
Interest expense		32,055		27,978
Fair value adjustment of Unit-based compensation		(479)		(479)
Transaction costs on sale of investment property		1,375		—
Fair value adjustment of investment properties		100,194		2,761
Fair value adjustment of Class B LP Units		(8,724)		(4,531)
Distributions on Class B LP Units		1,054		1,747
Unrealized loss on change in fair value of derivative instruments		(1,143)		(6,331)
Amortization of leasing costs, tenant inducements, mortgage premium and financing costs		10,175		7,910
Adjusted EBITDA [(1)]	$	77,918	$	86,408

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

	Twelve months ended September 30	
	2023	2022
Adjusted EBITDA	$ 77,918	$ 86,408
Interest expense	32,055	27,978
Interest coverage ratio	2.43 x	3.09 x

Interest coverage ratio for the period decreased as a result of lower adjusted EBITDA due to the Primary Variance Drivers combined with higher interest expense from additional borrowings associated with the Q3-2022 acquisition, refinancings completed in 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 September 30, 2023, there were 2,432,664 Class B LP Units issued and outstanding valued at $5,207 compared to 2,526,414 Class B LP Units valued at $14,628 as at December 31, 2022. The change in value is due to a decrease in the Unit price from $5.79 at December 31, 2022 to $2.14 at September 30, 2023 and the conversion of 93,750 Class B LP Units to Units on June 7, 2023.

The number of Class B LP Units outstanding as at November 13, 2023 is as follows:

Balance, September 30, 2023	2,432,664
Exchange of Class B LP Units	(12,500)
Balance, November 13, 2023	2,420,164

UNITHOLDERS' EQUITY

OUTSTANDING UNITS

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

The following table summarizes changes in the Unit capital of the REIT for the nine months ended September 30, 2023:

	Units	Amount
Balance, December 31, 2022	91,813,073	$ 563,277
Issue of Units:		
DRIP	269,370	1,591
Exchange of Class B LP Units	93,750	242
Incentive Units redeemed	39,958	141
Units repurchased and cancelled under NCIB	(208,400)	(500)
Issuance costs	—	(89)
Balance, September 30, 2023	92,007,751	$ 564,662

The number of Units outstanding as at November 13, 2023 is as follows:

Balance, September 30, 2023	92,007,751
Exchange of Class B LP Units	12,500
Balance, November 13, 2023	92,020,251

INCENTIVE UNIT PLAN

The REIT has established an incentive trust unit plan dated June 19, 2019 as amended and restated on March 21, 2022 and March 14, 2023 (the "Incentive Unit Plan") pursuant to which the REIT may issue two types of units: (i) deferred Units ("Deferred Units"); and (ii) restricted Units ("Restricted Units", and together with the Deferred Units, the "Incentive Units").

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

Deferred Units

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

The following table summarizes the changes in Deferred Units:

	Deferred Units	Amount
Balance, January 1, 2022	77,813	$ 576
Granted and reinvested	23,171	148
Redeemed	(61,676)	(390)
Fair value adjustment	—	(114)
Balance, September 30, 2022	39,308	220
Granted and reinvested	7,919	46
Fair value adjustment	—	7
Balance, December 31, 2022	47,227	273
Granted and reinvested	46,544	121
Redeemed	(3,600)	(22)
Fair value adjustment	—	(179)
Balance, September 30, 2023	90,171	$ 193

The number of Deferred Units outstanding as at November 13, 2023 is as follows:

Balance, September 30, 2023	90,171
Deferred Units reinvested	1,083
Balance, November 13, 2023	91,254

Restricted Units

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

The following table summarizes the changes in Restricted Units:

	Restricted Units		Amount
Balance at January 1, 2022	90,377		393
Granted and reinvested	102,324		392
Redeemed and expired	(101,775)		(436)
Fair value adjustment	—		(100)
Balance, September 30, 2022	90,926	$	249
Granted and reinvested	2,318		79
Fair value adjustment	—		3
Balance, December 31, 2022	93,244		331
Granted and reinvested	96,884		326
Redeemed and expired	(87,019)		(301)
Fair value adjustment	—		(280)
Balance, September 30, 2023	103,109	$	76

The number of Restricted Units outstanding as at November 13, 2023 is as follows:

Balance, September 30, 2023	103,109
Restricted Units reinvested	1,238
Balance, November 13, 2023	104,347

UNIT OPTION PLAN

The REIT's Unit option plan has been suspended and no further options will be granted. As of September 30, 2023, all options have vested and were exercised or expired.

SHORT FORM BASE SHELF PROSPECTUS

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

AT-THE-MARKET (“ATM”) EQUITY PROGRAM

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

During the nine months ended September 30, 2023, the REIT did not issue Units (for the year ended December 31, 2022, 1,450,800 Units were issued for $9,460) through the ATM Program.

NCIB PROGRAM

On April 12, 2023, the REIT announced the intention to commence a NCIB, as approved by the TSX. Under the NCIB, the REIT has the ability to purchase for cancellation up to a maximum of 8,239,557 of its Units, representing 10% of the REIT's public float of 82,395,573 Units through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per Unit equal to the market price at the time of acquisition. The NCIB became effective on April 18, 2023 and will remain in place until the earlier of April 17, 2024 or the date on which the REIT has purchased the maximum number of Units permitted under the NCIB. Any Units acquired through the NCIB will be cancelled.

During the nine months ended September 30, 2023, the REIT repurchased 208,400 Units for $500 under the 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 September 30, 2023, the REIT had entered into commitments for building renovations, capital upgrades and landlord work at certain properties totaling $3,968 (December 31, 2022- $476).

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

Starlight is considered a related party to the REIT as Starlight is controlled by Daniel Drimmer, the Chief Executive Officer ("CEO") and Chairman of the Board of the REIT, who is also a significant Unitholder.

ARRANGEMENTS WITH STARLIGHT

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

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

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

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

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

(b) Acquisition fee equal to:

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

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

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

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

		Three months ended September 30			Nine months ended September 30	
		2023		2022	2023	2022
Asset management fees	$	1,173	$	1,184	3,545	3,471
Acquisition fees		—		405	—	405
Other expenses		24		32	122	95
Total	$	1,197	$	1,621	3,667	3,971

At September 30, 2023, $385 (December 31, 2022 - $417) was included in accounts payable and accrued liabilities. No incentive fees were earned or capital expenditure fees were charged for the three and nine months ended September 30, 2023 and 2022.

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 14, 2023 for the year ended December 31, 2022 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, 2022.

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 and nine months ended September 30, 2023 was a gain of $584 (Q3-2022 - $1,629) and $9,179 (YTD 2022 - $5,045).

Derivative instruments, such as interest rate swaps, are valued using a valuation technique. The most frequently applied valuation technique includes forward pricing models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves. The REIT has entered into various interest rate swaps to limit its interest rate exposure from floating to fixed for the terms of certain mortgages. Total unrealized gain on change in the fair value of the derivative instruments for the three and nine months ended September 30, 2023 was $366 (Q3-2022 - $702) and $1,061 (YTD 2022 - $5,362).

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

ACCOUNTING POLICIES

The accounting policies applied by the REIT during Q3-2023 are consistent with those followed for the year ended December 31, 2022, except for the adoption of new standards effective January 1, 2023. 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 2023 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 6 of the REIT's audited consolidated financial statements as at and for the year ended December 31, 2022.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

The CEO and CFO evaluated the effectiveness of the REIT's disclosure controls and procedures (as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") and concluded that the design and operation of the REIT's disclosure controls and procedures were effective for the three and nine months ended September 30, 2023.

The CEO and CFO evaluated the design and effectiveness of the REIT's internal controls over financial reporting (as defined in NI 52-109) and concluded that the design and effectiveness of internal controls over financial reporting continue to be appropriate and were effective for the three and nine months ended September 30, 2023.

OUTLOOK

Office vacancy in Canada continues to rise as companies continue to develop their hybrid work models. Tenants remain focused on high quality, modernized spaces with a variety of amenities in optimal locations that reduce employee commute times. All of these factors are expected to entice employees back to physical office spaces. The REIT has incurred capital expenditures over the last few years specifically geared towards tenant amenities including lounges, gyms and cafés. The majority of the properties REIT's are in near urban spaces with accessibility to transit, ample parking and numerous amenities. Management continues to support the REIT's tenants through various initiatives so their employees find benefit in being back in the office environment.

Throughout 2022 and 2023, concerns over rising cost inflation have 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 November 13, 2023. Increases in target interest rates typically lead to increases in borrowing costs. As at September 30, 2023, 96% of the REIT's debt was fixed. 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 average about 3.5% through to the middle of next year, gradually easing to 2% in 2025. The REIT is working through its remaining 2023 debt maturities and continues to actively monitor the current interest rate environment and any associated impact this may have on the REIT's financial performance. The financing market for commercial properties remains challenging as a result of reduced lender appetite for office loans. However, the REIT has a competitive advantage as it is able to leverage Starlight's lender relationships. The REIT has been able to refinance all of its existing maturing mortgages to date.

National office vacancy increased 10 basis points this quarter, seeing modest improvements in Class A buildings and a growing number of office conversions to residential of Class B and C properties in Ottawa and Calgary. Sublet vacancy decreased in both the downtown and suburbs this quarter. Calgary led the decrease as tenants reclaimed their space, offset by increases in the other markets where tenants continue to right size their space. According to Colliers, office vacancy has been rising for 3.5 years as hybrid work expanded across the professional economy initially in response to the COVID-19 pandemic. In Toronto, some organizations are changing their work from home policies to now require employees to spend a minimum of two to three days per week in the office. This is a positive step for the office market which should see vacancy decrease as more employers increase the number of days employees are required to be in the office.

The GTA downtown office vacancy remained stable at 15.8% while the GTA suburban office vacancy increased 10 basis points to 20.6% in Q3-2023. The REIT’s suburban GTA office portfolio experienced positive traction this quarter with the completion of 54,700 square feet of new leases and renewals.

Ottawa's downtown vacancy rate declined 90 basis points this quarter while suburban vacancy increased 70 basis points for an overall vacancy rate of 13.6%. The REIT disposed of the Laurier Property during the quarter, bringing the REIT’s Ottawa portfolio to 98.7% occupancy.

The Halifax office market improved this quarter as vacancy decreased by 10 basis points to 14.6%, which remains above the REIT’s Halifax portfolio vacancy of 10.5%. The Calgary office market also improved, with vacancy falling 60 basis points to 28.6%. The REIT's Calgary portfolio occupancy remained strong at 95.3%.

The REIT maintains an overall occupancy of 93%, well 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: November 13, 2023
Toronto, Ontario, Canada

APPENDIX A - PROPERTY LISTING AT SEPTEMBER 30, 2023

	Property Name	City	Occupancy	Remaining Lease Term [1]	GLA
	Alberta				
1	855 8th Avenue SW	Calgary	68 %	1.6 years	75,700
2	4500 & 4520 - 16th Avenue NW	Calgary	100 %	1.4 years	77,600
3	1020 68th Avenue NE	Calgary	100 %	0.2 years	148,400
4	3699 63rd Avenue NE	Calgary	100 %	5.2 years	209,400
5	13140 St. Albert Trail	Edmonton	92 %	5.1 years	95,200
	Total Alberta		*95 %*	*3.4 years*	*606,300*
	British Columbia				
6	810 Blanshard Street	Victoria	100 %	1.3 years	34,400
7	727 Fisgard Street	Victoria	100 %	6.0 years	50,200
8	1112 Fort Street	Victoria	100 %	2.9 years	52,000
9	9200 Glenlyon Parkway	Burnaby	100 %	3.3 years	90,600
	Total British Columbia		*100 %*	*3.6 years*	*227,200*
	New Brunswick				
10	500 Beaverbrook Court	Fredericton	86 %	3.6 years	56,000
11	295 Belliveau Avenue	Shediac	100 %	3.3 years	42,100
12	410 King George Highway	Miramichi	75 %	7.6 years	73,200
13	551 King Street	Fredericton	89 %	3.8 years	85,300
14	495 Prospect Street	Fredericton	93 %	4.5 years	87,100
15	845 Prospect Street	Fredericton	50 %	4.4 years	39,000
16	414-422 York Street	Fredericton	97 %	3.4 years	33,000
17	440-470 York Street	Fredericton	90 %	3.8 years	60,200
	Total New Brunswick		*86 %*	*4.4 years*	*475,900*

[1] Weighted by annualized gross revenue

	Property Name	City	Occupancy	Remaining Lease Term [1]	GLA
	Nova Scotia				
18	36 & 38 Solutions Drive	Halifax	76 %	2.4 years	131,300
19	120, 130, 134 & 140 Eileen Stubbs Avenue	Halifax	96 %	3.8 years	297,300
	Total Nova Scotia		*89 %*	*3.3 years*	*428,600*
	Ontario				
20	1595 16th Avenue	Richmond Hill	100 %	6.8 years	123,200
21	251 Arvin Avenue	Hamilton	100 %	5.8 years	6,900
22	61 Bill Leathem Drive	Ottawa	100 %	4.3 years	148,100
23	777 Brock Road	Pickering	100 %	4.4 years	98,900
24	6865 Century Avenue	Mississauga	100 %	0.7 years	63,800
25	6925 Century Avenue	Mississauga	81 %	6.3 years	253,500
26	675 Cochrane Drive	Markham	87 %	4.3 years	370,700
27	1161 Crawford Drive	Peterborough	100 %	3.5 years	32,500
28	400 Cumberland Street	Ottawa	98 %	5.3 years	174,400
29	520 Exmouth Street	Sarnia	100 %	3.2 years	34,700
30	3115 Harvester Road	Burlington	89 %	5.4 years	78,800
31	135 Hunter Street East	Hamilton	100 %	4.8 years	24,400
32	340 Laurier Avenue West	Ottawa	100 %	6.3 years	279,800
33	400 Maple Grove Road	Ottawa	100 %	0.9 years	107,200
34	101 McNabb Street	Markham	100 %	3.6 years	315,400
35	78 Meg Drive	London	100 %	1.7 years	11,300
36	301 & 303 Moodie Drive	Ottawa	94 %	2.9 years	148,200
37	8 Oakes Avenue	Kirkland Lake	100 %	8.5 years	41,000
38	5160 Orbitor Drive	Mississauga	100 %	6.5 years	31,400
39	231 Shearson Crescent	Cambridge	94 %	2.2 years	60,200
40	6 Staples Avenue	Richmond Hill	100 %	10.0 years	122,000
41	2300 St. Laurent Boulevard	Ottawa	100 %	3.3 years	37,500
42	3650 Victoria Park Avenue	Toronto	17 %	2.0 years	154,400
43	80 Whitehall Drive	Markham	100 %	6.2 years	60,800
44	5775 Yonge Street	Toronto	85 %	4.0 years	274,400
	Total Ontario		*91 %*	*4.8 years*	*3,053,500*
	Average/Total Portfolio		91 %	4.4 years	4,791,500

[1] Weighted by annualized gross revenue.

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