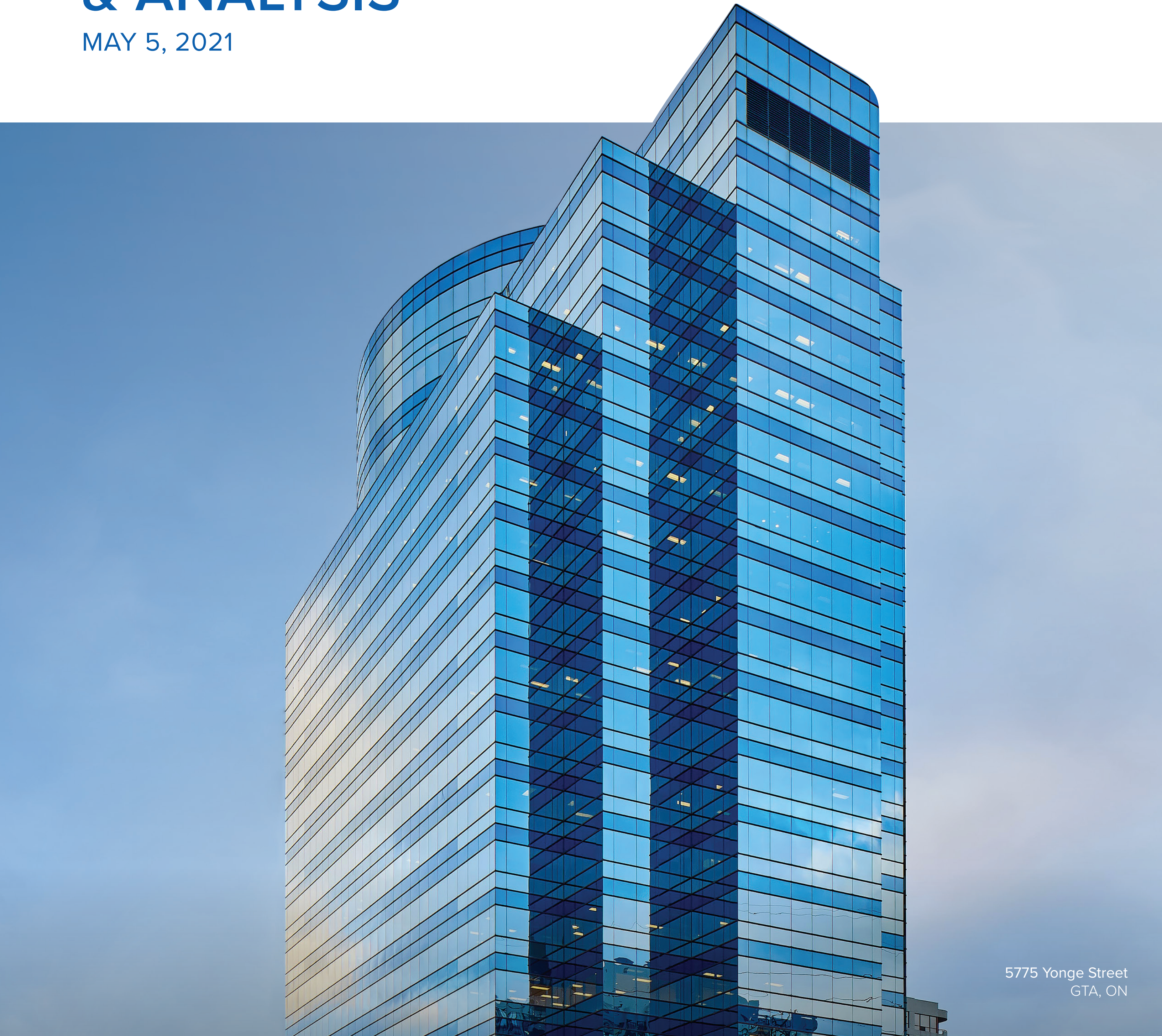
TSX: TNT.UN

Q1 2021

MANAGEMENT'S DISCUSSION & ANALYSIS

MAY 5, 2021



5775 Yonge Street
GTA, ON

AT A GLANCE

True North Commercial REIT has demonstrated a solid track record

$1.4 B
Total Assets

$621 M
Market Capitalization(1)

4.7 YR
Weighted Average Lease Term

47
Properties

97%
Occupancy

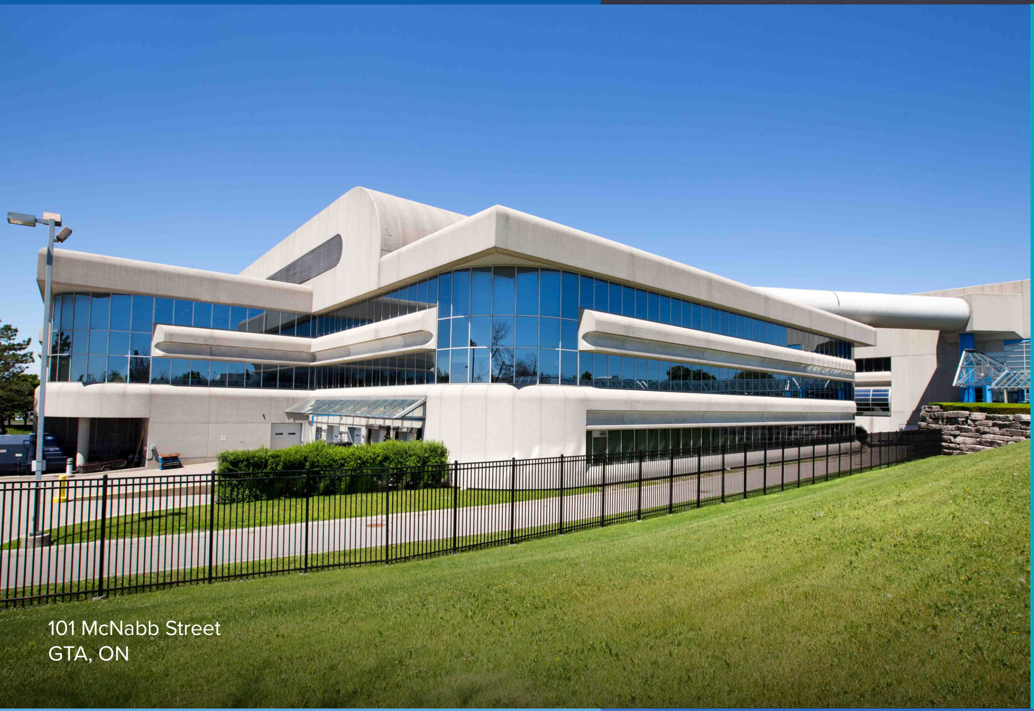
75%
Revenues Generated from Goverment & Credit rated Tenants

(1) Based on March 31, 2021 closing price of $6.87

5900 Explorer Drive
GTA, ON

Stable
Contractual
Cash flow

6925 Century Avenue
GTA, ON



101 McNabb Street
GTA, ON

High Quality
Tenant Base

Focus on
Urban Areas

675 Cochrane Drive
GTA, ON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the consolidated financial results of True North Commercial Real Estate Investment Trust (the "REIT") is intended to provide readers with an assessment of the performance of the REIT for the three months ended March 31, 2021 and 2020 and should be read in conjunction with the REIT's annual audited consolidated financial statements for the years ended December 31, 2020 and 2019, and accompanying notes thereto. These documents can be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and on the REIT's website at https://truenorthreit.com/ under the tab "Financial Reports" in the "Investor" section.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking statements are provided for the purposes of assisting the reader in understanding the REIT's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future. Readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the REIT or the real estate industry and may include statements regarding the financial position, business strategy, budgets, projected costs, capital expenditures, financial results, taxes, plans and objectives of or involving the REIT. In some cases, forward-looking information can be identified by such terms as "may", "might", "will", "could", "should", "would", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", or the negative thereof or other similar expressions suggesting future outcomes or events.

This MD&A, and the documents incorporated by reference herein, contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the REIT's business and results of operations and the effect of the coronavirus (SARS- CoV-2) ("COVID-19") pandemic on the REIT's business and operations. Forward-looking statements involve known and unknown risks and uncertainties, which may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the REIT's control, affect the operations, performance and results of the REIT and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to, risks and uncertainties related to the trust units of the REIT ("Units"), risks related to the REIT and its business, and any risks related to the uncertainties surrounding the duration and the direct and indirect impact of the COVID-19 pandemic on the business, operations and financial condition of the REIT and its tenants, as well as on consumer behavior and the economy in general, including the ability to enforce leases, perform capital expenditure work, increase rents, raise capital through the issuance of Units or other securities of the REIT and obtain mortgage financing on the REIT's properties. The foregoing is not an exhaustive list of factors that may affect the REIT's forward-looking statements. Other risks and uncertainties not presently known to the REIT could also cause actual results or events to differ materially from those expressed in its forward-looking statements. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as there can be no assurance actual results will be consistent with such forward-looking statements.

Information contained in forward-looking statements is based upon certain material assumptions applied in drawing a conclusion or making a forecast or projection, including management's perception of historical trends, current conditions and expected future developments, as well as other considerations believed to be appropriate in the circumstances. There can be no assurance regarding: (a) the breadth of impact of COVID-19 on the REIT's business, operations and performance, including the performance of its Units; (b) the REIT's ability to mitigate any impacts related to COVID-19; (c) credit, market, operational, and liquidity risks generally; (d) Starlight Group Property Holdings Inc., or any of its affiliates ("Starlight"), continuing as asset manager of the REIT in accordance with its current asset management agreement; and (e) 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”), 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, and adjusted cash provided by operating activities 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, NOI, Same Property NOI, Indebtedness, GBV, Indebtedness to GBV ratio, Adjusted EBITDA, interest coverage ratio and adjusted cash provided by operating activities 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. 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.

AFFO is an important performance measure to determine the sustainability of future distributions paid to holders of Units (“Unitholders”). In calculating AFFO, the REIT makes certain non-cash adjustments to FFO such as: amortization of fair value mark-to-market adjustments on assumed mortgages, amortization of deferred financing costs, straight-line rent, instalment note receipts and 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.

For the purposes of calculating FFO and AFFO per Unit, class B limited partnership units (“Class B LP Units”) of True North Commercial Limited Partnership 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. Diluted amounts also include Incentive Units (as defined herein) of the REIT.

NOI is defined by the REIT as rental revenue from property operations less property operating costs and realty taxes. NOI is presented in this MD&A because management considers this non-IFRS measure to be a valuable measure for evaluating the operating performance of the REIT’s properties.

Same Property NOI is defined by the REIT as NOI for properties owned for an entire quarter or annual reporting period in both the current and comparative period. Adjustments are made to Same Property NOI to exclude non-cash items such as amortization of tenant inducements, leasing costs and straight-line rent. Same Property NOI is presented in this MD&A because management considers this non-IFRS measure to be a valuable measure for evaluating the operating performance of the REIT’s properties excluding the impact attributable to property acquisitions and dispositions.

Indebtedness is defined in the REIT’s second amended and restated declaration of trust (“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.

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.

The interest coverage ratio is used by the REIT to monitor the REIT's ability to service interest requirements of its outstanding debt. The ratio is calculated 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.

Adjusted cash provided by operating activities measures the amount of sustainable cash provided by operating activities less interest expense. Adjusted cash 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.

675 Cochrane Drive
GTA, ON

TABLE OF CONTENTS

BASIS OF PRESENTATION

The REIT's condensed consolidated financial statements for the three months ended March 31, 2021 and 2020 have been prepared in accordance with IFRS. The REIT's presentation currency is the Canadian dollar. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of dollars, except for Unit and per Unit information.

Certain time periods used in this MD&A are used interchangeably such as three months ended March 31, 2021 ("Q1-2021"), three months ended March 31, 2020 ("Q1-2020"), and three months ended December 31, 2020 ("Q4-2020").

OVERVIEW AND STRATEGY

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to the DOT, and governed by the laws of the Province of Ontario. The registered head office of the REIT is 1400 – 3280 Bloor Street West, Centre Tower, Toronto, Ontario, Canada, M8X 2X3. The Units are listed on the Toronto Stock Exchange ("TSX") under the symbol TNT.UN. As at March 31, 2021, the REIT owned and operated a portfolio of 47 office properties across Canada consisting of approximately 4.8 million square feet.

The objectives of the REIT are to:

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

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

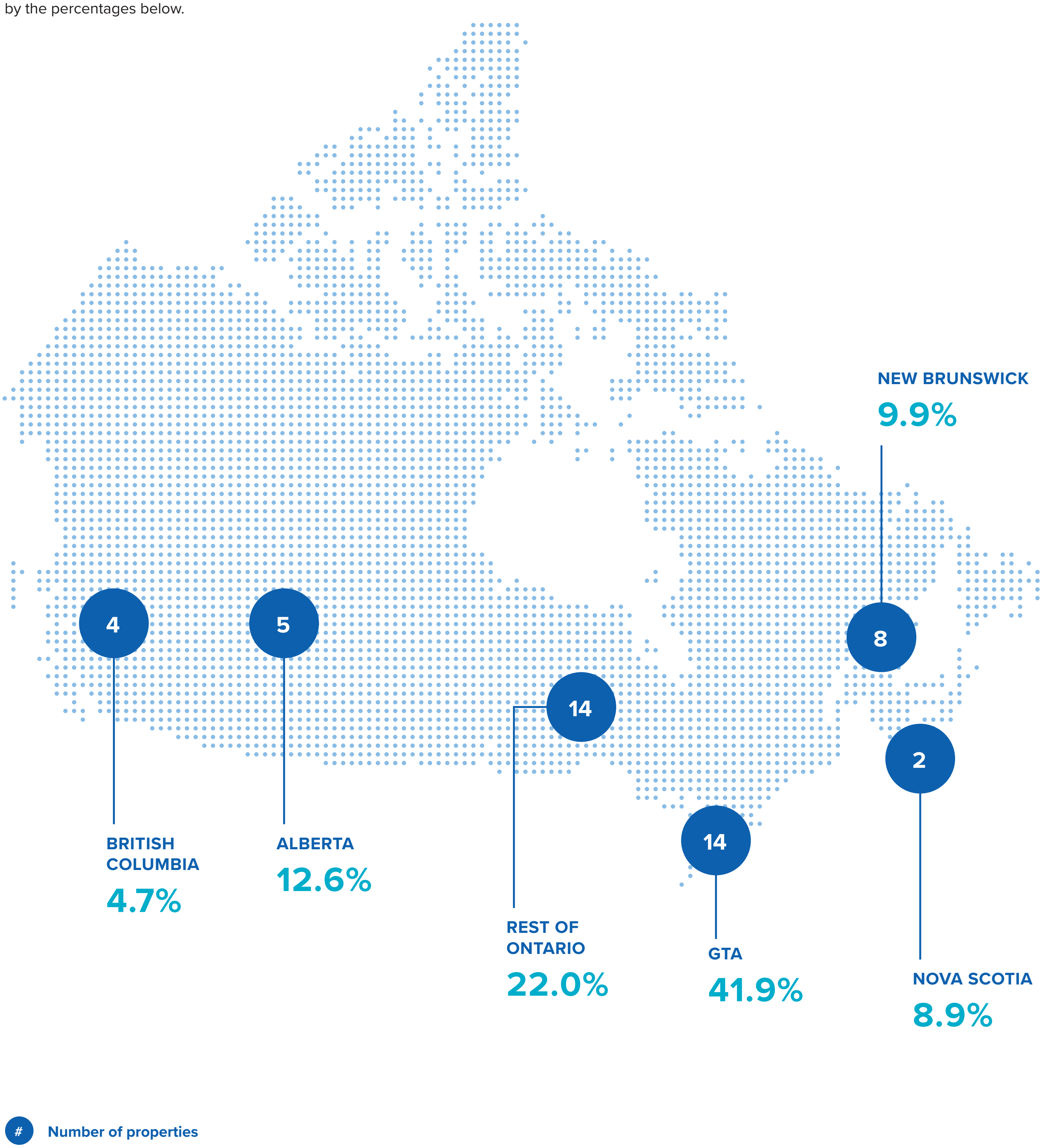

9200 Glenlyon Parkway
Burnaby, BC

PORTFOLIO OVERVIEW

As at March 31, 2021, the REIT's portfolio was comprised of 47 office properties totaling approximately 4.8 million square feet of gross leasable area ("GLA"). See Appendix A for a detailed listing of the REIT's properties.

Current Portfolio & Geographic Diversification

GLA by province as at March 31, 2021 is denoted by the percentages below.



TENANT PROFILE

Top 20 tenants account for 69% of revenue. Approximately 75% of the REIT's portfolio revenue is generated by government and credit rated tenants.

35%
government tenants

+

40%
credit rated tenants

=

75%
total government and credit rated tenants

The REIT's top 20 tenants as at March 31, 2021:

TENANT	% OF GROSS REVENUE	GLA	REMAINING LEASE TERM[(1)]
Federal Government of Canada	14.4%	666,100	6.2 years
Province of Alberta	9.8%	412,800	5.1 years
Province of Ontario	6.8%	288,200	2.2 years
TD Insurance	5.8%	275,600	3.9 years
Golder Associates Ltd.	3.8%	148,300	7.0 years
General Motors of Canada Company	3.5%	154,800	5.5 years
Province of New Brunswick	2.5%	172,400	1.5 years
Stantec Consulting Ltd.	2.3%	105,100	1.5 years
Lumentum Ottawa Inc.	2.2%	148,100	1.8 years
LMI Technologies Inc.	2.1%	90,600	5.8 years
Intact Insurance Co.	2.1%	77,800	4.2 years
Province of British Columbia	1.9%	81,600	6.6 years
Staples Canada ULC	1.9%	122,000	12.5 years
General Dynamics Land Systems	1.8%	148,400	2.8 years
EMS Technologies Canada, Ltd.	1.7%	107,200	3.4 years
Ceridian Canada Ltd.	1.5%	49,800	4.9 years
Smucker Foods of Canada Corporation	1.4%	60,800	8.7 years
Paymentus (Canada) Corporation	1.3%	55,800	10.0 years
ADP Canada Co.	1.2%	65,600	0.2 years
Trans Union Of Canada Inc.	1.1%	41,500	1.6 years
Total	**69.1%**	**3,272,500**	**4.9 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
36%	**26%**	**17%**	**12%**	**9%**

LEASING ACTIVITY

As at March 31, 2021, the REIT's occupancy was 97% compared to 98% in Q4-2020 with a weighted average remaining lease term unchanged at 4.7 years.

The following table summarizes leasing activity for Q1-2021:

New lease deals	5,500 SF Leasable Area	4.3 YR Weighted Average Lease Term	
Lease renewals and replacements	99,400 SF Leasable Area	7.4 YR Weighted Average Lease Term	0.1% % Increase in base rents over expiring rates

In Q1-2021, the REIT completed 5,500 square feet of new lease deals with a weighted average lease term of 4.3 years of which 3,000 square feet was in Calgary, Alberta, one of Canada's toughest leasing markets.

The REIT also renewed and replaced 99,400 square feet with a weighted average lease term of 7.4 years with an overall 0.1% increase over expiring rates.

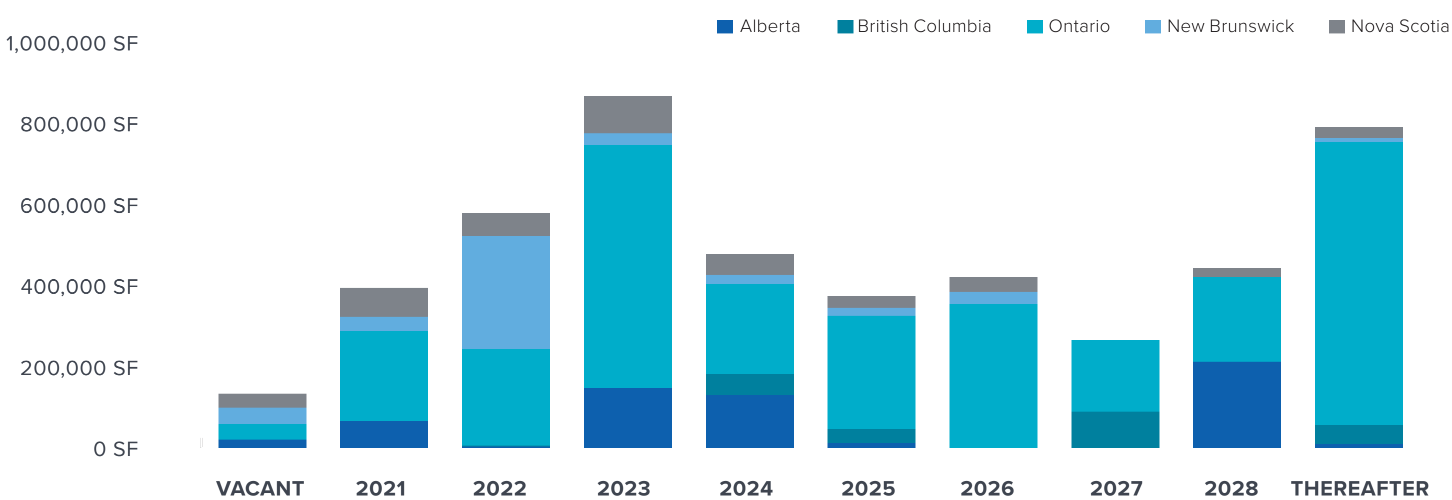
The increase in base rents over expiring rents for Ontario were negatively impacted due to the reduction in base rent for a ten year Federal Government of Canada renewal in Kirkland Lake, Ontario totaling 41,000 square feet. The remaining renewals for the Ontario portfolio, predominately in the GTA had a positive increase in base rents over expiring rents of 11.6%.

19,800 square feet of renewals and replacements for the New Brunswick portfolio resulted in a 6.7% increase in base rents over expiring rates.

Tenant retention continues to be the REIT's key to success. Since its inception, the REIT has maintained a retention rate of approximately 80%.

LEASE ROLLOVER PROFILE

Lease maturities are based on the square footages of the REIT's leases. As at March 31, 2021, the lease rollover profile was as follows:



IMPACT OF COVID-19

The REIT had a strong start to the year backed by its covenant tenant roster as it continues to navigate the uncertainty relating to the COVID-19 pandemic. As of May 5, 2021, the REIT had collected, approximately 99.5% of its Q1-2021 contractual rent. This is reflective of the REIT’s high quality tenant base given approximately 35% of revenue is generated from the Federal Government of Canada and the Provincial Governments of Alberta, British Columbia, New Brunswick and Ontario. Additionally, 40% of revenue is generated from credit rated tenants that are well capitalized and possess the financial resources to meet their rental obligations.

At the end of Q1-2021, the REIT had access to approximately $65,921 of cash and undrawn credit facilities. With a weighted average maturity of 3.81 years for its mortgage portfolio, the REIT also has minimal refinancing exposure with only 2.0% of its portfolio maturing in 2021.

Since the pandemic was declared, certain tenants of the REIT have required financial assistance in the form of short-term rental deferrals or participation in the Canadian Emergency Commercial Rent Assistance (“CECRA”) program which concluded on September 30, 2020 and the Canada Emergency Rent Subsidy (“CERS”) program which became effective October 9, 2020. CERS assists businesses experiencing a significant drop in revenue as a result of COVID-19. Businesses that qualify for CERS will receive a subsidy for rent or mortgage interest payments, as applicable. CERS subsidizes, on a sliding scale, up to a maximum of 65% of eligible expenses (including rent), as well as an additional 25% to businesses that have been temporarily shut down by a mandatory public health order issued by a qualified public health authority. On April 19, 2021, the Federal government announced the extension of the program to September 25, 2021 and a gradual phasing out of the maximum base subsidy rate from 65% (effective until July 3, 2021) to 20% (effective beginning August 29, 2021 and up to September 25, 2021). The current 25% rate for lockdown support will remain in effect until the end of the program. As of the date hereof, six of the REIT's tenants totaling 15,800 square feet are participating in CERS. The REIT has recognized a $25 expense in property operating costs representing its rental contribution granted to tenants as part of the CERS program for the three months ended March 31, 2021.

For the three months ended March 31, 2021, the REIT agreed to defer rental payments of approximately $4 for one tenant. The REIT has deferred a total of $442 of rental payments for certain tenants since the start of the pandemic. As of March 31, 2021, $425 of rent deferrals have been received in accordance with those deferral agreements.

While vaccination programs continue to be implemented throughout Canada, industries, including retail and commercial real estate, continue to be affected in varying degrees by COVD-19. All provinces and territories have begun mass vaccination programs to inoculate Canadians against COVID-19; however, the phased-in roll-outs remain fluid as public health authorities continue to make adjustments to their plans due to the timing and volume of shipments from vaccine suppliers to the Federal government and then to each community. Current government forecasts indicate that most Canadians are anticipated to be fully immunized by the end of September 2021, although this forecast is dependent on, among other things, the ability of approved vaccine suppliers to meet quarterly delivery targets. Many provinces and territories had begun to ease restrictions in the first quarter of 2021, but the growing emergence of COVID-19 variants of concern that are more transmissible and carry increased health risks have caused a surge in cases and an increase in hospitalizations, which has led most communities to reintroduce emergency measures to counter the resurgence of COVID-19 cases. Disruptions caused by the imposition of these emergency measures may negatively impact, among other things: the ability of the REIT to collect rent and implement rent increases; economic activity in regions where the REIT’s investment properties are located; the REIT’s property operating costs and expenses incurred under the CERS program or any additional programs; and the REIT's ability to raise capital (which, in turn, could materially impact the REIT’s business strategy) and to maintain its distributions. Although emergency measures are expected to ease in many provinces and territories in the third and fourth quarters of fiscal 2021 as more Canadians begin to receive vaccinations, the uncertainty created by variants of concern and closures of certain businesses could impact the REIT’s business and operations for a prolonged period.

It continues to be difficult to predict the duration and extent of the impact of COVID-19 on the REIT’s business and operations, both in the short and long-term. Certain aspects of the REIT’s business and operations that could potentially be impacted include, without limitation, rental income, occupancy, future demand for space and market rents, all of which ultimately may impact the underlying valuation of the REIT's investment properties and its ability to maintain its distributions. See “Risks and Uncertainties” for a discussion about the risks associated with COVID-19.

With a close to fully occupied portfolio of predominantly government and credit rated tenants, the REIT is well positioned to maintain stability through these times of uncertainty. The REIT is confident the strategic measures implemented to date will help to ensure its continued success and its ability to provide value to Unitholders.

FIRST QUARTER HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

The REIT has experienced a strong start to 2021 with positive financial results for Q1-2021. Revenue and NOI have slightly declined due to the sale of two small properties in tertiary markets in Q4-2020, offset by higher Same Property NOI of 0.8%. Q1-2021 occupancy was 97% with an average remaining lease term of 4.7 years and 75% of revenue is generated from government and credit rated tenants.

	Three months ended March 31	
	2021	**2020**
Portfolio		
Number of properties	47	49
Portfolio GLA	4,800,200 sf	4,836,500 sf
Occupancy	97 %	97 %
Remaining weighted average lease term	4.7 years	5.2 years
Revenue from government and credit rated tenants	75 %	76 %
Financial		
Revenue	$ 34,944	$ 35,329
NOI	21,090	21,109
Net income and comprehensive income	9,720	17,610
Same Property NOI	22,339	22,166
Same Property NOI growth	0.8 %	(0.6)%
FFO	$ 13,511	$ 13,173
FFO per Unit - basic	0.15	0.15
FFO per Unit - diluted	0.15	0.15
AFFO	$ 12,786	$ 12,587
AFFO per Unit - basic	0.14	0.14
AFFO per Unit - diluted	0.14	0.14
AFFO payout ratio - diluted	106 %	105 %
Distributions declared	$ 13,421	$ 13,188

FFO and AFFO increased $338 and $199 respectively, when compared to Q1-2020 due to Same Property NOI growth offset by the impact of the sale of two properties in Q4-2020. FFO and AFFO per Unit on both a basic and diluted basis have remained stable when compared to Q1-2020 at $0.15 and $0.14, respectively.

Same Property NOI increased 0.8% compared to the same period in 2020. Same Property NOI in Ontario increased due to increased occupancy in the Ottawa portfolio, higher project management fees and one-time termination payments. This increase was offset by a reduction in parking revenue due to lower utilization at certain properties. Ontario was also negatively impacted by downtime associated with a 78,000 square foot lease expiry in late 2020, of which 36,000 square feet commenced in Q1-2021 at higher market rents and 38,000 square feet is set to commence in Q2-2021 and Q4-2021. The New Brunswick and Nova Scotia portfolio continue to contribute positive results to Same Property NOI from occupancy increases and/or contractual rent step ups. While occupancy has increased in the REIT’s Alberta portfolio, Same Property NOI decreased by 2.9% when compared to the same period in 2020. The REIT’s Edmonton property has experienced an increase in occupancy and NOI, while the property in downtown Calgary has been impacted by increased vacancy and slightly lower rental rates.

In Q1-2021, the REIT completed 5,500 square feet of new lease deals with a weighted average lease term of 4.3 years of which 3,000 square feet was in Calgary, Alberta. The REIT also renewed and replaced 99,400 square feet with a weighted average lease term of 7.4 years with an overall 0.1% increase over expiring rates. Renewals for the Ontario portfolio, predominately in the GTA had a positive increase in base rents over expiring rents of 11.6%. The increase in base rents over expiring rents for Ontario were negatively impacted due to the reduction in base rent for a ten year Federal Government of Canada renewal in Kirkland Lake, Ontario totaling 41,000 square feet.

Key Debt Metrics

	March 31, 2021	December 31, 2020
Indebtedness to GBV ratio	57.8 %	57.8 %
Interest coverage ratio	2.97 x	2.96 x
Indebtedness - weighted average fixed interest rate	3.37 %	3.37 %
Indebtedness - weighted average term to maturity	3.81 years	4.06 years

Indebtedness to GBV ratio remained stable at 57.8% compared to Q4-2020. The REIT has limited refinancing exposure in 2021 with only 2.0% of its portfolio maturing this year.

Dispositions

On April 12, 2021, the REIT disposed of 529-533 Exmouth Street located in Sarnia, Ontario totaling 15,400 square feet for a sale price of $1,850. The proceeds from this disposition included an interest-only vendor take-back mortgage of $1,550. The mortgage bears interest at 5.5% per annum and matures on April 30, 2024.

On May 3, 2021, the REIT entered into an agreement to dispose of 5900 Explorer Drive, Mississauga, Ontario totaling 40,000 square feet for a sale price of approximately $11,900. Closing is expected to be on or about May 31, 2021.

Officer and Board Appointments

On April 7, 2021, the REIT announced that effective May 17, 2021, Daniel Drimmer will be stepping down as President and Chief Executive Officer of the REIT and Leslie Veiner, the current Chief Financial Officer of Northview Canadian High Yield Residential Fund (TSX: NHF.UN), will commence serving as Chief Executive Officer and join the Board of Trustees of the REIT. Mr. Veiner's appointment will augment the REIT's existing senior management team led by Tracy Sherren, the REIT's current Chief Financial Officer, who has been promoted to serve as President of the REIT in addition to her existing position as Chief Financial Officer and as a Trustee of the REIT. Mr. Drimmer will remain as Chairman of the Board of Trustees.

QUARTERLY INFORMATION

	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19
Revenue	$34,944	$36,189	$33,914	$33,999	$35,329	$29,533	$25,668	$25,489
Property operating costs	(13,854)	(15,448)	(13,013)	(13,008)	(14,220)	(12,411)	(10,696)	(10,338)
NOI	21,090	20,741	20,901	20,991	21,109	17,122	14,972	15,151
General and administration expenses	(1,904)	(1,662)	(1,412)	(1,495)	(1,196)	(1,498)	(1,387)	(1,041)
Finance costs	(7,174)	(7,200)	(7,233)	(7,261)	(7,182)	(5,698)	(5,053)	(5,181)
Transaction costs on sale of investment properties	—	(73)	(160)	—	—	—	(581)	—
Distributions on Class B LP Units	(504)	(573)	(573)	(572)	(573)	(613)	(634)	(634)
Fair value adjustment of Class B LP Units	(1,895)	(2,314)	(579)	(2,699)	9,370	(1,555)	(1,323)	171
Fair value adjustment of investment properties	(2,348)	(1,115)	(1,806)	(3,967)	1,176	(6,081)	3,195	3,891
Unrealized gain (loss) on change in fair value of derivative instruments	2,455	495	243	(535)	(5,094)	(252)	(44)	(101)
Net income and comprehensive income for the period	$ 9,720	$ 8,299	$ 9,381	$ 4,462	$ 17,610	$ 1,425	$ 9,145	$12,256
FFO per Unit - basic	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.14	$ 0.15	$ 0.15
AFFO per Unit - basic	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.13	$ 0.15	$ 0.15
AFFO per Unit - diluted	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.13	$ 0.15	$ 0.15
AFFO payout ratio - basic	105 %	105 %	104 %	103 %	105 %	111 %	101 %	100 %
AFFO payout ratio - diluted	106 %	105 %	104 %	103 %	105 %	112 %	102 %	102 %
Number of investment properties	47	47	48	49	49	49	45	46
Occupancy rate	97 %	98 %	98 %	97 %	97 %	97 %	97 %	96 %

Q1-2021 revenue decreased compared to the previous quarter mainly due to lower recovery revenue directly attributable to lower repairs and maintenance and utility expenses which fluctuate with tenant utilization due to COVID-19. NOI increased $349 during the quarter mainly due to increased rental revenue from the Ontario portfolio and the lease commencement of 37,000 square feet at 1595 16th Avenue as well as higher project management fees and one-time termination payments.

Excluding the changes in the fair value of Unit-based compensation, general and administration expenses were higher due to professional fees associated with annual tax filings and year end audit work recognized in Q1-2021. Transaction costs in Q4-2020 related to the sale of 197-199 Dundas Street.

Distributions on Class B LP Units decreased in the quarter due to the exchange of 697,380 Class B LP Units to Units completed in Q1-2021.

FFO and AFFO per Unit have remained stable when compared to Q4-2020 at $0.15 and $0.14, respectively.

ANALYSIS OF FINANCIAL PERFORMANCE

	Three months ended March 31	
	2021	2020
Revenue	$ 34,944	$ 35,329
Expenses:		
Property operating costs	(8,525)	(8,775)
Realty taxes	(5,329)	(5,445)
NOI	$ 21,090	$ 21,109
Other income (expenses):		
General and administration expenses	(1,904)	(1,196)
Finance costs	(7,174)	(7,182)
Distributions on Class B LP Units	(504)	(573)
Fair value adjustment of Class B LP Units	(1,895)	9,370
Fair value adjustment of investment properties	(2,348)	1,176
Unrealized gain (loss) on change in fair value of derivative instruments	2,455	(5,094)
Net income and comprehensive income	$ 9,720	$ 17,610

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

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

The REIT's revenue decreased $385 in the first quarter, down 1% compared to Q1-2020. The decrease is due to the sale of two small properties in tertiary markets in Q4-2020 and lower recovery revenue attributed to lower repairs and maintenance and utility expenses as a result of reduced physical building occupancy resulting from the COVID-19 pandemic. Work-from-home orders impacted utility consumption across the portfolio.

NOI remained relatively flat in Q1-2021 as a result of Same Property NOI growth of 0.8% offset by the property dispositions completed at the end of 2020.

Occupancy for the property portfolio remained stable at 97% for Q1-2021 compared to Q1-2020.

SAME PROPERTY ANALYSIS

Same Property NOI includes investment properties owned for the entire current and comparative reporting period.

	Three months ended March 31	
	2021	2020
Number of properties	47	47
Revenue	$ 34,949	$ 35,226
Expenses:		
Property operating	(8,524)	(8,742)
Realty taxes	(5,329)	(5,420)
	$ 21,096	$ 21,064
Add:		
Amortization of leasing costs and tenant inducements	1,214	824
Straight-line rent	29	278
Same Property NOI	$ 22,339	$ 22,166

Same Property Occupancy

	As at March 31	
	2021	2020
Alberta	96.6 %	94.4 %
British Columbia	100.0 %	100.0 %
New Brunswick	91.3 %	90.7 %
Nova Scotia	91.6 %	92.4 %
Ontario	98.8 %	99.4 %
Total	97.2 %	97.3 %

Same Property NOI

	Three months ended March 31			
	2021	2020	Variance	Variance %
Alberta	$ 3,456	$ 3,558	$ (102)	(2.9)%
British Columbia	1,266	1,272	(6)	(0.5)%
New Brunswick	1,258	1,184	74	6.3 %
Nova Scotia	1,666	1,579	87	5.5 %
Ontario	14,693	14,573	120	0.8 %
	$ 22,339	$ 22,166	$ 173	0.8 %

Q1-2021 Same Property NOI increased 0.8% compared to the same period in 2020.

While occupancy has increased in the REIT's Alberta portfolio, Same Property NOI has decreased by 2.9% when compared to the same period in 2020. The REIT's Edmonton property has experienced an increase in occupancy and NOI, while the property in downtown Calgary has been impacted by increased vacancy and slightly lower rental rates.

Favourable Same Property NOI in New Brunswick is mainly attributed to increased occupancy and existing tenant expansions.

Nova Scotia continues to be positively impacted by contractual rent step ups while same property occupancy has slightly decreased due to a lease expiry at the end of Q1-2021.

Same Property NOI in Ontario increased 0.8% due to an increase in occupancy in the Ottawa portfolio, higher project management fees and one-time termination payments. This increase was offset by a reduction in parking revenue due to lower utilization at certain properties due to COVID-19. Ontario was also negatively impacted by downtime associated with a 78,000 square foot lease expiry in Q2 and Q3 of 2020, of which 37,000 square feet commenced in Q1-2021 at higher rental rates and 38,000 square feet is set to commence in Q2-2021 and Q4-2021.

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 below) and Unit Option Plan (as defined below) and other general and administrative expenses. Also included in general and administration expenses are asset management fees payable to Starlight. See "Related Party Transactions and Arrangements – Arrangements with Starlight".

Excluding the changes in the fair value of Unit-based compensation, general and administration expenses increased 2% in Q1-2021 when compared to the same period in Q1-2020 due to the expense associated with the Restricted Units (as defined below) granted in the latter half of 2020.

FINANCE COSTS

The REIT's finance costs for the three months ended March 31, 2021 and 2020 are summarized below. Finance costs exclude cash distributions and fair value adjustments on Class B LP Units.

	Three months ended March 31	
	2021	**2020**
Interest on mortgages payable	$ 6,816	$ 6,847
Other interest expense and standby fees	52	65
Amortization of mortgage premiums	(13)	(6)
Amortization of financing costs	319	276
	$ 7,174	$ 7,182

Lower interest on mortgages payable was due to the two property dispositions completed in 2020 where the associated borrowings were repaid.

Other interest expense and standby fees relate to costs incurred on the REIT's credit facility (the "Credit Facility") which was undrawn throughout Q1-2021 resulting in lower expenses compared to the same period in 2020.

DISTRIBUTIONS ON CLASS B LP UNITS

The REIT currently pays monthly distributions of $0.0495 per Class B LP Unit or $0.594 per Class B LP Unit on an annualized basis. Distributions declared were $504 in Q1-2021 ($573 - Q1-2020) . The decrease in distributions was due to the conversion of 697,380 Class B LP Units to Units on February 25, 2021.

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 loss of $1,895 in Q1-2021 was due to an increase in the trading price of the Units from $6.31 at December 31, 2020 to $6.87 at March 31, 2021.

FAIR VALUE ADJUSTMENT OF INVESTMENT PROPERTIES

The REIT has selected the fair value method to account for real estate classified as investment property and records 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 will be independently appraised at least once over a three-year period.

The REIT continues to monitor the value of its properties affected by COVID-19. The REIT revises its estimates concerning rental growth and lease renewal assumptions to reflect expected market conditions, and currently, future cash flows are expected to remain relatively stable as government and credit rated tenants comprise the majority of the REIT's tenant base. It is not possible however, to forecast with certainty how COVID-19 will continue to impact the REIT's investment properties. Regardless, the REIT remains committed to owning high-quality assets with long term value propositions.

For the three months ended March 31, 2021, the REIT had a fair value loss of $2,348. The fair value loss was largely due to higher vacancy allowances and moderated leasing assumptions on certain properties, which was partially offset by the increase in value of certain properties which reflect external appraisals, positive leasing activity and contractual rent step-ups.

The key valuation assumptions for the REIT's investment properties as at March 31, 2021 and 2020 are as follows:

	2021	2020
Terminal and direct capitalization rates - range	4.75% to 10.25%	4.75% to 10.25%
Terminal and direct capitalization rate - weighted average	6.26%	6.28%
Discount rates - range	5.75% to 10.25%	5.75% to 10.25%
Discount rate - weighted average	7.06%	7.13%

UNREALIZED GAIN (LOSS) 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 amounts of the outstanding interest rate swap contracts at March 31, 2021 were $78,106 (December 31, 2020 - $78,619). Unrealized gain on change in the fair value of the derivative instruments totaled $2,455 in Q1-2021 compared to an unrealized loss of $5,094 in Q1-2020. The unrealized loss in Q1-2020 was due to the emergency interest rate cuts that took place in March 2020 in response to the COVID-19 pandemic and the decrease in projected future interest rates. In 2021, projected interest rates are slowly beginning to increase due to economic optimism as a result of the COVID-19 vaccine rollout.

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 in the quarter is not a gain in itself, but represents the opportunity cost of not maintaining floating rate debt.

FFO AND AFFO

The REIT calculates FFO in accordance with the guidelines set out by Realpac. Reconciliation of net income and comprehensive income determined in accordance with IFRS, to FFO and AFFO is as follows:

	Three months ended March 31	
	2021	**2020**
Net income and comprehensive income	$ 9,720	$ 17,610
Add (deduct):		
Fair value adjustment of Unit-based compensation	285	(389)
Fair value adjustment of investment properties	2,348	(1,176)
Fair value adjustment of Class B LP Units	1,895	(9,370)
Distributions on Class B LP Units	504	573
Unrealized (gain) loss on change in fair value of derivative instruments	(2,455)	5,094
Amortization of leasing costs and tenant inducements	1,214	831
FFO	$ 13,511	$ 13,173
Add (deduct):		
Non-cash compensation expense	96	37
Amortization of financing costs	319	276
Amortization of mortgage discounts	(13)	(6)
Instalment note receipts	27	30
Straight-line rent	29	280
Capital reserve [1]	(1,183)	(1,203)
AFFO	$ 12,786	$ 12,587
FFO per Unit:		
Basic	$ 0.15	$ 0.15
Diluted	$ 0.15	$ 0.15
AFFO per Unit:		
Basic	$ 0.14	$ 0.14
Diluted	$ 0.14	$ 0.14
AFFO payout ratio:		
Basic	105 %	105 %
Diluted	106 %	105 %
Distributions declared	$ 13,421	$ 13,188
Weighted average Units outstanding (000s):		
Basic	90,360	88,760
Add:		
Unit options and Incentive Units	986	17
Diluted	91,346	88,777

Notes:

[1] Based on an estimate of $1.00 (2020 - $1.00) per square foot per annum and represents a reserve for capital expenditures, tenant inducements and leasing costs.

The REIT's FFO and AFFO increased $338, or 3% and $199, or 2%, respectively in Q1-2021 over the comparable period. The increase in FFO and AFFO was a result of higher Same Property NOI and lower finance costs, partially offset by lower NOI from dispositions completed in 2020. FFO and AFFO basic and diluted per Unit remained stable at $0.15 and $0.14, respectively.

DISTRIBUTIONS

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

The trustees of the REIT ("Trustees") determine the level of cash distributions based on the level of cash flow from operations before working capital changes, less actual and planned capital expenditures. In any given period, distributions may differ from cash provided by operating activities, primarily due to fluctuations in working capital. It is expected that normal fluctuations in working capital will be funded from the REIT's cash resources as described in "Liquidity and Capital Investment". In addition, the distributions declared include a component funded by the REIT's distribution reinvestment plan ("DRIP"). Pursuant to the DRIP, unitholders may elect to reinvest cash distributions into additional Units at a 1% discount to the weighted average closing price of the Units for the five trading days immediately preceding the applicable date of distribution.

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

	Three months ended March 31	Years ended December 31		
	2021	2020	2019	2018
Distributions declared	$ 13,421	$ 53,139	$ 40,609	$ 33,045
Less: DRIP	(1,626)	(9,014)	(5,850)	(3,616)
Cash distributions paid	$ 11,795	$ 44,125	$ 34,759	$ 29,429

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

	Three months ended March 31	Years ended December 31		
	2021	2020	2019	2018
Net income and comprehensive income	$ 9,720	$ 39,752	$ 24,178	$ 49,620
Cash flow provided by operating activities	18,197	91,384	58,594	53,311
Less: Interest paid	(6,913)	(27,418)	(19,805)	(14,811)
Adjusted cash flow provided by operating activities	11,284	63,966	38,789	38,500
Declared basis:				
Excess (shortfall) of net income and comprehensive income over distributions	(3,701)	(13,387)	(16,431)	16,575
Excess (shortfall) of adjusted cash flow provided by operating activities over distributions	(2,137)	10,827	(1,820)	5,455
Cash basis:				
Excess (shortfall) of net income and comprehensive income over distributions	(2,075)	(4,373)	(10,581)	20,191
Excess of adjusted cash flow provided by operating activities over distributions	(511)	19,841	4,030	9,071

Net income and comprehensive income was lower than distributions declared during the quarter by $3,701 and cash distributions by $2,075. The shortfall was primarily due to the fair value adjustments on Class B LP Units and investment properties which are non-cash adjustments and included in income and comprehensive income.

Adjusted cash flow provided by operating activities was lower than declared distributions by $2,137 for the quarter. In Q1-2021 , adjusted cash flow provided by operating activities was lower than cash distributions by $511. The shortfall was mainly due to the timing of the payments of tenant inducements, leasing costs and certain capital projects in addition to changes in working capital related to prepaid realty taxes and insurance. The REIT has not been required to fund distributions from alternate sources such as debt, mortgages and other financing instruments.

RECONCILIATION OF ADJUSTED CASH FLOW PROVIDED BY OPERATING ACTIVITIES TO AFFO

Adjusted cash flow provided by operating activities represents cash provided by operating activities less interest paid. The reconciliation of adjusted cash flow provided by operating activities to AFFO measures the amount of cash generated by operations and available for distribution to Unitholders. See "Distributions".

	Three months ended March 31	
	2021	2020
Adjusted cash flow provided by operating activities	$ 11,284	$ 16,657
Non-cash compensation expense	—	87
Change in finance costs payable	45	(119)
Instalment note receipts	27	30
Capital reserve	(1,183)	(1,203)
Change in non-cash operating working capital	2,613	(2,865)
AFFO	$ 12,786	$ 12,587

AFFO of $12,786 was less than distributions declared by $635 and exceeded distributions paid by $991 in Q1-2021. The shortfall was mainly due to the timing of tenant inducement payments. The REIT expects to be able to fund distributions paid from AFFO on a go forward basis.

CAPITAL RESERVE

The REIT's capital reserve represents a reserve for capital expenditures, tenant inducement 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 help form the basis for estimating the REIT's on-going 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 3, 2021 (the "AIF"). Also see "Risks and Uncertainties".

As at March 31, 2021, the REIT had access to approximately $65,921 of cash and undrawn Credit Facility. With a weighted average maturity of 3.81 years for its mortgage portfolio, the REIT also had limited refinancing exposure with only 2.0% of its portfolio maturing in 2021.

The REIT's available funds are as follows:

		March 31, 2021		December 31, 2020
Cash	$	5,921	$	24,580
Undrawn Credit Facility		60,000		60,000
Available funds	$	65,921	$	84,580

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: (i) cash flow from operating activities; (ii) mortgage debt secured by investment properties; (iii) Credit Facility; and (iv) issuances of debt and equity.

CAPITAL INVESTMENT

The REIT's properties require ongoing capital and leasing expenditures. Leasing expenditures include tenant inducements, leasing commissions and leasehold improvements incurred in connection with the leasing of vacant space and the renewal or replacement of current tenants. The REIT plans to continue to invest capital in its properties throughout 2021 and beyond, subject to any further delays from stay at home orders due to the pandemic. Future expenditures are expected to be funded through cash flow generated by operations, the Credit Facility and cash on hand. For the three months ended March 31, 2021 and 2020, the REIT invested $12,510 and $8,873 respectively, in capital and leasing expenditures.

ASSET PROFILE

INVESTMENT PROPERTIES

The following table summarizes changes in the REIT's investment properties for the three months ended March 31, 2021 and 2020:

		Investment properties
Balance, December 31, 2019	$	1,362,517
Additions		8,873
Amortization of leasing costs, tenant inducements and straight-line rents		(224)
Fair value adjustment		1,176
Balance, March 31, 2020		1,372,342
Additions		11,126
Dispositions		(3,650)
Amortization of leasing costs, tenant inducements and straight-line rents		(746)
Fair value adjustment		(6,888)
Balance, December 31, 2020		1,372,184
Additions		12,510
Amortization of leasing costs, tenant inducements and straight-line rents		(530)
Fair value adjustment		(2,348)
Balance, March 31, 2021	$	1,381,816

ADDITIONS

Additions to investment properties for the three months ended March 31, 2021 were $12,510, consisting of the following:

- Capital expenditures of $489 mainly for elevator and parking garage upgrades and boiler replacements; and
- Tenant inducements and leasing costs of $12,021 which include costs incurred to renew and obtain new tenants.

PREPAID EXPENSES AND DEPOSITS

At March 31, 2021, the REIT had $2,345 in prepaid expenses and deposits, compared to $1,523 at December 31, 2020. The increase is due to an increase in prepaid realty taxes and insurance.

DEBT

MORTGAGES PAYABLE

The following table sets out, as at March 31, 2021, 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
2021 - remainder of year	$ 17,607	$ 14,210	$ 31,817	3.9 %	2.68 %	$ 20,113
2022	22,123	147,869	169,992	21.0 %	3.33 %	24,466
2023	16,307	141,596	157,903	19.4 %	3.65 %	17,333
2024	14,703	79,399	94,102	11.6 %	3.39 %	14,226
2025	7,426	190,497	197,923	24.4 %	3.15 %	6,830
Thereafter	16,103	142,680	158,783	19.7 %	3.47 %	12,317
	$ 94,269	$ 716,251	$ 810,520	100.0 %	3.37 %	$ 95,285
Unamortized mark to market mortgage adjustments			244			
Unamortized financing costs			(3,795)			
			$ 806,969			

Mortgages payable have a weighted average fixed interest rate of 3.37% (December 31, 2020 – 3.37%) and a weighted average term to maturity of 3.81 years (December 31, 2020 – 4.06 years).

CREDIT FACILITY

On December 11, 2020, the REIT entered into a new $60,000 floating rate revolving Credit Facility with a Canadian chartered bank which is comprised of two tranches: (i) up to $30,000 secured, 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, secured by second charges on certain investment properties; and (ii) $30,000 unsecured, bearing interest on cash advances at 190 basis points per annum above the prime rate or 290 basis points per annum over the floating banker's acceptance rate.

The Credit Facility matures on December 1, 2022 and was undrawn as at March 31, 2021 (December 31, 2020 - $0).

INDEBTEDNESS TO GBV

As at March 31, 2021, the REIT's overall leverage, as represented by the ratio of Indebtedness to GBV was 57.8% which remained unchanged from December 31, 2020. The maximum allowable ratio under the DOT is 75%. Below is a calculation of the REIT's Indebtedness to GBV ratio as at March 31, 2021 and December 31, 2020.

	March 31, 2021	December 31, 2020
Total assets	$ 1,396,002	$ 1,404,882
Deferred financing costs	6,295	6,300
GBV	$ 1,402,297	$ 1,411,182
Mortgages payable	806,969	812,489
Unamortized financing costs and mark to market mortgage adjustments	3,551	3,860
Indebtedness	$ 810,520	$ 816,349
Indebtedness to GBV	**57.8 %**	**57.8 %**

The REIT's objectives are to maintain a combination of short, medium and long-term debt 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 shall 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.

As at March 31, 2021, 0% (December 31, 2020 - 0%) of the REIT's debt was at floating rates.

ADJUSTED EBITDA AND INTEREST COVERAGE RATIO

The interest coverage ratio 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 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.

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

	Twelve months ended March 31	
	2021	**2020**
Net income and comprehensive income	$ 31,862	$ 40,436
Add (deduct):		
Interest expense	27,702	22,045
Fair value adjustment of Unit-based compensation	630	535
Transaction costs on sale of investment property	233	581
Fair value adjustment of investment properties	9,236	(2,181)
Fair value adjustment of Class B LP Units	7,487	(6,663)
Distributions on Class B LP Units	2,222	2,454
Unrealized loss on change in fair value of derivative instruments	(2,658)	5,491
Amortization of leasing costs, tenant inducements, mortgage premium (discounts) and financing costs	5,699	3,770
Adjusted EBITDA	$ 82,413	$ 66,468

	Twelve months ended March 31	
	2021	**2020**
Adjusted EBITDA	$ 82,413	$ 66,468
Interest expense	27,702	22,045
Interest coverage ratio	2.97 x	3.02 x

Interest coverage ratio for the period decreased as a result of higher adjusted EBITDA from the acquisition activity completed in the second half of 2019 with the corresponding interest expense from additional borrowing associated with the acquisitions and refinancings completed in 2020. The increase in interest expense was partially offset by lower interest expense on the Credit Facility.

CLASS B LP UNITS

The Class B LP Units meet the definition of a financial liability under IAS 32, Financial Instruments – Presentation ("IAS 32") and are classified as fair value through profit or loss financial liabilities under IAS 32. The Class B LP Units are measured at fair value at each reporting period with any changes in fair value recorded in the statements of income and comprehensive income.

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

As at March 31, 2021, there were 3,158,802 Class B LP Units issued and outstanding valued at $21,702 compared to $24,333 as at December 31, 2020. The change in value is due to the conversion of 697,380 Class B LP Units to Units on February 25, 2021 combined with an increase in the Unit price from $6.31 at December 31, 2020 to $6.87 at March 31, 2021.

There have been no further changes in the Class B LP Units outstanding as of May 5, 2021.

UNITHOLDERS' EQUITY

OUTSTANDING UNITS

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

The following table summarizes changes in the Unit capital of the REIT for the year ended March 31, 2021:

	Units		Amount
Balance, December 31, 2020	86,346,019	$	528,175
Issue of Units – DRIP	255,425		1,626
Issue of Units – options exercised	774		5
Issue of Units - exchange of Class B LP Units	697,380		4,526
Balance, March 31, 2021	87,299,598	$	534,332

The number of Units outstanding as of May 5, 2021 is as follows:

Balance, March 31, 2021	87,299,598
Issue of Units - DRIP	74,469
Issue of Units – options exercised	4,720
Balance, May 5, 2021	87,378,787

INCENTIVE UNIT PLAN

The REIT has established an incentive trust unit plan (the "Incentive Unit Plan") pursuant to which the REIT may issue two types of units: (i) deferred Units ("Deferred Units"); and (ii) restricted Units ("Restricted Units", and collectively with the Deferred Units, the "Incentive Units").

Incentive Units granted under the Incentive Unit Plan are classified as liabilities and Unit-based compensation expense is recognized in general and administration expenses over the vesting period of the Incentive Units. Incentive Units are revalued at each reporting period and fair value adjustments 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, 2020	16,977	$	121
Granted and reinvested	8,432		37
Fair value adjustments	—		(35)
Balance, March 31, 2020	25,409		123
Granted and reinvested	25,565		155
Fair value adjustments	—		43
Balance, December 31, 2020	50,974		321
Granted and reinvested	6,836		50
Fair value adjustments	—		26
Balance, March 31, 2021	57,810	$	397

The number of Deferred Units outstanding as at May 5, 2021 is as follows:

Balance, March 31, 2021	57,810
Deferred Units granted	411
Balance, May 5, 2021	58,221

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, March 31, 2020	—	$	—
Granted and reinvested	44,252		64
Fair value adjustments	—		7
Balance, December 31, 2020	44,252		71
Granted and reinvested	40,823		46
Fair value adjustments	—		14
Balance, March 31, 2021	85,075	$	131

The number of Restricted Units outstanding as at May 5, 2021 is as follows:

Balance, March 31, 2021	85,075
Restricted Units reinvested	319
Balance, May 5, 2021	85,394

UNIT OPTION PLAN

Prior to June 10, 2019, the Trustees had the discretion to grant certain Trustees, officers of the REIT and its subsidiaries and certain eligible service providers, non-transferable options to purchase Units pursuant to the REIT's unit option plan (the "Unit Option Plan". This plan has been suspended and no further options have since been granted. Options that have or will vest are eligible to be exercised prior to the applicable expiry dates.

Options outstanding as at March 31, 2021 consist of the following:

Exercise price [1]	Unit Options Outstanding	Unit Options exercisable	Expiry Date
$6.04	85,000	85,000	August 5, 2021
$6.28	110,834	110,834	November 14, 2021
$6.17	176,669	176,669	August 11, 2022
$6.44	194,835	194,835	November 16, 2022
$6.43	257,501	257,501	March 9, 2023
$6.66	287,334	180,994	September 20, 2023
	1,112,173	1,005,833	

[1] In actual dollars.

On April 15, 2021, 55,000 Unit Options were exercised to acquire 4,720 Units, at prices ranging from $6.04 to $6.28 per Unit. As at May 5, 2021, total Unit Options outstanding are 1,057,173.

SHORT FORM BASE SHELF PROSPECTUS

On January 23, 2020, the REIT filed a short-form base shelf prospectus ("Prospectus"). The Prospectus was filed with the securities regulatory authorities in each of the provinces and territories of Canada and 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. On April 27, 2021, the REIT filed an amendment to the Prospectus to conform with recent amendments to National Instrument 44-102 – *Shelf Distributions* ("NI 44-102") requiring that the cover page of the Prospectus state that it may qualify an "at-the-market distribution" (as such term is defined in NI 44-102). No Units were issued pursuant to the Prospectus for the three months ended March 31, 2021.

COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the REIT is involved in litigation and claims in relation to its investment properties. In the opinion of management, none of these, individually or in aggregate, could result in a liability that would have a significant adverse effect on the financial position of the REIT. The REIT has agreed to indemnify, in certain circumstances, the Trustees and officers of the REIT. As at March 31, 2021, the REIT had entered into commitments for building renovations, capital upgrades and Landlord work at certain properties relating to leases that commence in the first half of 2021 totaling $2,431 (December 31, 2020- $3,190). As at March 31, 2021, $1,324 (December 31, 2020 - $1,649) of this amount was included in accounts payable and accrued liabilities.

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

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

ARRANGEMENTS WITH STARLIGHT

Pursuant to the asset management agreement dated December 14, 2012 ("Asset Management Agreement"), Starlight through a wholly-owned subsidiary, 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 expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1,000 excluding work done on behalf of tenants or any maintenance capital expenditures.

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

	Three months ended March 31 2021	2020
Asset management fees	$ 1,123	$ 1,128
Other expenses	62	28
Total	$ 1,185	$ 1,156

At March 31, 2021, $432 (December 31, 2020 - $416) was included in accounts payable and accrued liabilities. No incentive fees were earned or capital expenditure fees were charged for the three months ended March 31, 2021 and 2020.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the securities and activities of the REIT. Risks and uncertainties are disclosed below, in the REIT's annual MD&A dated March 3, 2021 for the year ended December 31, 2020 and in the AIF. The annual MD&A and AIF are available on SEDAR at www.sedar.com. Current and prospective Unitholders of the REIT should carefully consider such risk factors.

The following significant risk and uncertainty has been updated by management from the REIT's annual MD&A:

COVID-19 AND OTHER PUBLIC HEALTH CRISIS

On March 11, 2020, the World Health Organization classified COVID-19 as a global pandemic. While the REIT continues to monitor related developments, there still remains a great deal of uncertainty regarding COVID-19 and it continues to be difficult to predict the full scope, duration and extent of the impact of COVID-19 on the REIT's business and operations, and to accurately assess the length, impact and severity the pandemic will have on the REIT's operations, financial condition or results, and Unit price in both the short and long-term. While vaccination programs have begun to be implemented throughout Canada, industries, including retail and commercial real estate, continue to be affected in varying degrees by COVID-19. Subsequent to March 3, 2021, several Canadian provinces declared another provincial emergency requiring various restrictions such as stay at home orders, mandatory closures of certain types of businesses and reduced limits on social gatherings. While restrictions have not yet had a significant impact on the REIT's operations, the REIT cannot predict the extent to which they may affect the REIT.

The REIT is required and continues to comply with the directives provided by the Federal and Provincial governments and public health authorities to help mitigate the spread of COVID-19. These changes and any additional changes in operations in response to COVID-19 could materially impact, among other things, the operations and financial results of the REIT. Specifically, such changes may impact tenants' ability to pay rent in full or at all. In response, the REIT has assessed rent collectability when determining future cash flows and has determined the current risk of default to be low given the quality of the REIT's tenant base, which largely consists of government and credit rated tenants. Certain tenants have been identified to be in need of financial assistance either in the form of short-term rent deferrals or through CERS programs. As a result, the REIT has recognized $25 expense in property operating costs representing a rental provision granted to tenants as part of the CERS program. There can be no assurance that expenses incurred by the REIT under the CERS program will not continue or increase in future periods or that additional programs will be instituted causing increased or additional expenses to be incurred by the REIT.

For the three months ended March 31, 2021, the REIT agreed to defer rental payments of approximately $4 for one tenant. The REIT deferred a total of $442 of rental payments for certain tenants since the start of the pandemic. As of March 31, 2021, $425 of rent deferrals have been received in accordance with those deferral agreements. There can be no assurance that current outstanding rent deferrals or future rent deferrals, if granted, will be repaid in whole or in part.

The current public health crisis has also resulted in general economic slowdown and extreme volatility in financial markets. In addition to impacting the REIT's Unit price, this may create difficulty in raising capital in debt and equity markets, which could in turn adversely impact the REIT's strategy. In response to the global economic slowdown, governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Notwithstanding any of the foregoing, the extent to which COVID-19 and any other pandemic or public health crisis impacts the REIT's business, affairs, operations, financial condition (including the REIT's ability to raise capital), liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of and the actions required to contain the COVID-19 pandemic or remedy its impact, among others. At this time, the duration and impact of COVID-19 is unknown, as is the efficacy of the government and central bank interventions. It is not possible at this time to predict the overall long term impact on the REIT's financial performance. The wide ranging disruptions caused by COVID-19 may materially adversely affect the REIT's performance. The economic uncertainty surrounding the COVID-19 pandemic may, in the short and/or long term, materially adversely impact the REIT's tenants and/or the debt and equity markets as well as Unit price, both of which could materially adversely affect the REIT's operations and financial performance.

In response to the work-from-home measures implemented due to COVID-19, the REIT has enhanced its processes, procedures and controls in an effort to mitigate any potential cybersecurity risks that may stem from working remotely. Certain initiatives taken by the REIT include the addition of software programs that search, monitor and analyze machine data to identify unusual activity, protect against malware, detect malicious traffic and report on widely known vulnerabilities and threat data in connection with connected assets. The REIT has also increased its firewall protections and implemented desktop administration software that aids in the tracking of inventory and allows the REIT to remotely control applications. There can be no assurance that such measures will deter, mitigate or prevent any cyber-attacks.

The REIT has taken actions to mitigate the effects of COVID-19 on its operations, liquidity, financial condition and results, keeping in mind the interests of its employees, tenants and other stakeholders. As COVID-19 continues to impact the well-being of individuals and the global economy, the REIT has implemented appropriate cautionary measures to ensure it is conducting business in a safe and effective manner (including, without limitation, limiting visits to the REIT's corporate offices to essential personnel and ensuring proper protocols around sanitation and social distancing), and continues to diligently work with its service providers to remain operational through the pandemic. Examples of these measures are: increased security to ensure no more than three people enter the elevator, increased janitorial services for essential workplaces/tenancies and continued desk cleaning notifications for a workstation that requires special cleaning that evening. The REIT has an evolving response plan and a crisis management team that is in regular communication with our tenants. There can be no assurance that the response plan will mitigate any or all of the potential impact of COVID-19.

The REIT is actively focused on allowing its employees and tenants to safely return to the office in accordance with public health guidelines. Certain initiatives taken by the REIT include increased cleaning and sanitization of common touchpoints in populated or high-traffic areas, increased security measures, additional hand sanitization stations throughout its properties, installation of automatic wave sensors and clean air initiatives such as HVAC filtration upgrades. As occupancy rates and traffic patterns shift, the REIT has added directional signage for flow of traffic within its buildings in accordance with prescribed social distancing guidelines. The above initiatives resulted in additional property operating costs of $105 in Q1-2021 ($612 - YTD-2020), however the majority of these costs are recoverable from the tenants and included in recoveries revenue. The REIT continues to monitor this evolving situation and will take actions and implement any further measures as may be required by Federal, Provincial or local authorities, or that management considers to be in the best interests of its employees, tenants, suppliers or other stakeholders, as necessary. There can be no assurance that any actions taken will prevent the impact of COVID-19 on the REIT or its employees or tenants.

Further, public health crises, including the ongoing health crisis related to the COVID-19 pandemic, or relating to any other virus, flu, epidemic, pandemic or any other similar disease or illness (each, a "Health Crisis") could adversely impact the REIT, including through: a general or acute decline in economic activity in regions in which the REIT's investment properties are located; increased unemployment, supply shortages, mobility restrictions and other quarantine measures; increased government regulation, inability to access governmental programs or processes on a timely basis, efficacy of governmental relief efforts; and the quarantine or contamination of one or more of the REIT's investment properties. Contagion in a property or market in which the REIT operates could negatively impact its occupancy, reputation or attractiveness of that market. Furthermore, increased government regulation relating to a Health Crisis could result in legislation or regulations that may restrict the REIT's ability to enforce material provisions under its leases, including in respect of the collection of rent or other payment obligations, among other potential adverse impacts. All of these occurrences may have a material adverse effect on the business, cash flows, financial condition and results of operations of the REIT, including, but not limited to: the ability to implement rent increases; rent collection and receivables; vacancy levels; mortgage renewals and refinancings; deferral of certain capital expenditures; valuation of investment properties; the REIT's ability to meet any applicable debt covenant restrictions; and the REIT's ability to raise capital and to maintain its distributions.

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, 2020. The following estimates and significant judgments have been identified by management due to the recent events surrounding COVID-19.

INVESTMENT PROPERTIES

Throughout Canada, investment activity during the COVID-19 pandemic has been limited. The fair value of the REIT’s investment properties as at March 31, 2021 is based upon the best available market data, including capitalization rates; however, given the continued uncertainty around the duration of the pandemic and the potential negative impact it may have on certain sectors of the real estate industry and its tenants, it is not possible to predict how the fair value of the REIT’s investment properties may be impacted.

The REIT continues to monitor the economic impact COVID-19 is having on its operations and future cash flows, which ultimately impacts the value of the underlying real estate. The future cash flows of an investment property are based upon rental income from current leases and assumptions about occupancy rates, market rents from future leases and the cash outflows arising from current and future leases. The REIT continues to revise its estimates concerning rental growth and lease renewal assumptions to reflect expected market conditions, and currently, future cash flows are predicted to remain relatively stable as government and credit rated tenants comprise the majority of the REIT’s tenant base. It is not possible however, to forecast with certainty how COVID-19 will continue to impact the REIT’s investment properties. Significant changes in rental income, occupancy rates, tenant inducements and market rents could negatively impact future valuations of the REIT’s investment properties.

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:	
Instalment notes receivable	Amortized cost
Deposits and other assets	Amortized cost
Tenant and other receivables	Amortized cost
Cash and cash equivalents	Amortized cost
Financial liabilities:	
Mortgages payable	Amortized cost
Derivative instruments	Fair value
Class B LP Units	Fair value
Credit Facility	Amortized cost
Tenant rental deposits and prepayments	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

The REIT recognizes an allowance for expected credit losses ("ECL") for financial assets measured at amortized cost at each balance sheet date. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. Impairment losses, if incurred, would be recorded as expenses in the consolidated statements of income (loss) and comprehensive income (loss) with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

The fair values of the REIT's instalment notes receivable, deposits, tenant and other receivables and cash and cash equivalents, as well as the REIT's credit facility, tenant rental deposits and prepayments, accounts payable and accrued liabilities approximate their recorded values due to their short-term nature.

The fair value of mortgages payable disclosed in the notes to the REIT's condensed consolidated interim financial statements is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage.

Class B LP Units are carried at fair value and the fair value of the Class B LP Units has been determined with reference to the trading price of the Units. The fair value adjustment for the three months ended March 31, 2021 was a loss of $1,895 (Q1-2020 - gain $9,370).

Derivative instruments, such as interest rate swaps, are valued using a valuation technique. The most frequently applied valuation technique includes forward pricing models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves. The REIT has entered into various interest rate swaps to limit its interest rate exposure from floating to fixed for the terms of certain mortgages. Total unrealized gain on change in the fair value of the derivative instruments for the three months ended March 31, 2021 was $2,455 (Q1-2020 - loss $5,094).

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

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

There were no changes to the accounting policies applied by the REIT during Q1-2021.

The REIT's critical judgments and estimates in applying accounting policies can be found in Section 1(c) on page 5 of the REIT's audited consolidated financial statements as at and for the year ended December 31, 2020.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

The CEO and CFO evaluated the effectiveness of the REIT's disclosure controls and procedures (as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") and concluded that the design and operation of the REIT's disclosure controls and procedures were effective for the three months ended March 31, 2021.

The CEO and CFO evaluated the design and effectiveness of the REIT's internal controls over financial reporting (as defined in NI 52-109) and concluded that the design and effectiveness of internal controls over financial reporting continue to be appropriate and were effective for the three months ended March 31, 2021.

OUTLOOK

As vaccination programs continue to progress, the better-than-expected economic performance in Q1-2021 has slightly pulled forward the economic recovery timeline in Canada. The REIT continues to remain engaged with its tenants and employees to ensure all concerns are promptly and meaningfully addressed. The REIT's resilience since the outbreak of COVID-19 is notable, as evidenced by high rent collections and positive operating results. The REIT has successfully collected approximately 99.5% of contractual rent in Q1-2021, which is reflective of the high quality tenant base. The REIT has strong liquidity with approximately $65,921 in cash and undrawn credit facilities.

In its second interest rate announcement of the year on March 10, 2021, the Bank of Canada (the “Bank”) maintained its policy rate to the effective lower bound of 0.25%, in-line with expectations. The Bank also maintained its Quantitative Easing program of bond purchases of at least $4B per week. In the accompanying press release, the Bank’s Governing Council reiterated their commitment to holding interest rates until the economic slack from the current crisis is absorbed and a 2% inflation target is sustainably achieved.

There was a slight optimistic shift in the Bank’s tone, and the language noted that the Canadian economy was proving to be more resilient than previously expected, despite the impact of the second wave. With the continued recovery of economic growth and hiring activity, the Bank now expects Q1-2021 economic growth to be positive rather than negative as previously forecasted in January. From the April 2021 economic forecasts of the major Canadian banks, the consensus opinion is to expect economic growth and unemployment to recover to pre-COVID levels by the end of 2022.

For the office sector, trends point to a stabilization of the market. Nationally, although the vacancy rate has increased to 14.6% from 13.4% in the prior quarter, the pace of growth has slowed, with subleasing inventory increases dropping by 43.8% in Q1-2021 compared to Q4-2020. In markets including the GTA, leasing has been primarily driven by renewal activity amongst existing tenants. GTA leasing volumes in Q1-2021 were two million square feet, the best quarterly result since the onset of the pandemic and equal to nearly 40% of the total leasing activity for 2020.

Toronto’s suburban office vacancy increased 120 basis points from the prior quarter to 16.2% at Q1-2021, with average Class A net rents increasing by 3.6%. Leasing activity has started to ramp up slowly in the Ottawa office market as vacancy increased to 9.6% at Q1-2021, up 90 basis points from Q4-2020, with subleasing inventory down 14.2% from the prior quarter.

The REIT’s other less densified office markets have started to show signs of recovery. The Halifax office sector remained relatively stable, with the vacancy rate, subleasing inventory and net rents largely unchanged from Q4-2020 to Q1-2021. Victoria’s office market has performed relatively well with an overall vacancy of 6.1% at Q1-2021, down 10 basis points from the prior quarter, benefiting from continued demand for Class A office space in downtown and suburban areas.

As the pandemic continues, some tenants may seek to rationalize their leasing space on renewal. To date, COVID-19 has not materially impacted the REIT’s portfolio. Management is optimistic about the long-term demand for office space. Although working from home has become common place during the pandemic, management expects that the use of office space will return to, or at least approach, pre-pandemic levels in light of the potential adverse impacts that sustained and prolonged periods of working from home may have on an organization’s productivity and its ability to build culture and grow its workforce.

The current conditions created by COVID-19 make it difficult to project the near-term economic conditions and their resulting impact on the REIT’s operations and financial results. However, the REIT’s strong performance in occupancy and rent collections over the course of the pandemic have confirmed the resiliency of the REIT’s properties backed by the predominantly government and credit rated tenant base. Management is confident the strategic and operational decisions made over the past year will help ensure the REIT's continued success and provide value to our Unitholders. With a close to fully occupied portfolio of predominantly government and credit rated tenants, and average collections of 99% of contractual rent since the beginning of the pandemic, the REIT is well positioned to maintain stability through these times of uncertainty.

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

Dated: May 5, 2021
Toronto, Ontario, Canada

APPENDIX A - PROPERTY LISTING AT MARCH 31, 2021

	Property Name	City	Occupancy	Remaining Lease Term [1]	GLA
	Alberta				
1	855 8th Avenue SW	Calgary	79 %	0.5 years	75,700
2	4500 & 4520 - 16th Avenue NW	Calgary	98 %	3.8 years	77,600
3	1020 68th Avenue NE	Calgary	100 %	2.8 years	148,400
4	3699 63rd Avenue NE	Calgary	100 %	7.7 years	209,400
5	13140 St. Albert Trail	Edmonton	97 %	3.3 years	95,200
	Total Alberta				*606,300*
	British Columbia				
6	810 Blanshard Street	Victoria	100 %	3.8 years	34,400
7	727 Fisgard Street	Victoria	100 %	8.1 years	50,100
8	9200 Glenlyon Parkway	Burnaby	100 %	5.8 years	90,600
9	32071 South Fraser Way	Abbotsford	100 %	3.5 years	52,300
	Total British Columbia				*227,400*
	New Brunswick				
10	500 Beaverbrook Court	Fredericton	96 %	1.8 years	55,600
11	295 Belliveau Avenue	Shediac	100 %	0.8 years	42,100
12	410 King George Highway	Miramichi	74 %	2.3 years	72,700
13	551 King Street	Fredericton	100 %	1.4 years	85,300
14	495 Prospect Street	Fredericton	88 %	3.0 years	85,100
15	845 Prospect Street	Fredericton	100 %	0.9 years	39,000
16	414-422 York Street	Fredericton	89 %	3.0 years	33,500
17	440-470 York Street	Fredericton	89 %	1.8 years	60,100
	Total New Brunswick				*473,400*
	Nova Scotia				
18	36 & 38 Solutions Drive	Halifax	96 %	3.3 years	129,200
19	120, 130, 134 & 140 Eileen Stubbs Avenue	Halifax	90 %	3.1 years	297,300
	Total Nova Scotia				*426,500*

[1] Weighted by annualized gross revenue.

	Property Name	City	Occupancy	Remaining Lease Term [1]	GLA
	Ontario				
20	1595 16th Avenue	Richmond Hill	95 %	8.5 years	123,100
21	251 Arvin Avenue	Hamilton	100 %	3.2 years	6,900
22	61 Bill Leathem Drive	Ottawa	100 %	1.8 years	148,100
23	777 Brock Road	Pickering	100 %	1.9 years	98,900
24	400 Carlingview Drive	Etobicoke	100 %	6.9 years	26,800
25	6865 Century Avenue	Mississauga	100 %	2.3 years	63,800
26	6925 Century Avenue	Mississauga	100 %	5.8 years	252,500
27	675 Cochrane Drive	Markham	98 %	3.9 years	369,300
28	1161 Crawford Drive	Peterborough	100 %	6.0 years	32,500
29	520 Exmouth Street	Sarnia	100 %	5.7 years	34,700
30	529-533 Exmouth Street	Sarnia	100 %	0.9 years	15,400
31	5900 Explorer Drive	Mississauga	100 %	0.4 years	40,000
32	3115 Harvester Road	Burlington	100 %	1.4 years	78,800
33	135 Hunter Street East	Hamilton	100 %	2.3 years	24,400
34	340 Laurier Avenue West	Ottawa	100 %	8.8 years	279,800
35	360 Laurier Avenue West	Ottawa	100 %	1.6 years	107,100
36	400 Maple Grove Road	Ottawa	100 %	3.4 years	107,200
37	101 McNabb Street	Markham	100 %	5.4 years	315,400
38	78-90 Meg Drive	London	100 %	4.2 years	11,300
39	301 & 303 Moodie Drive	Ottawa	97 %	4.7 years	148,600
40	8 Oakes Avenue	Kirkland Lake	100 %	11.0 years	41,000
41	5160 Orbitor Drive	Mississauga	100 %	9.0 years	31,400
42	231 Shearson Crescent	Cambridge	100 %	3.7 years	60,700
43	6 Staples Avenue	Richmond Hill	100 %	12.5 years	122,000
44	2300 St. Laurent Boulevard	Ottawa	100 %	3.9 years	37,500
45	3650 Victoria Park Avenue	Toronto	95 %	2.5 years	154,400
46	80 Whitehall Drive	Markham	100 %	8.7 years	60,800
47	5775 Yonge Street	Toronto	96 %	3.5 years	274,200
	Total Ontario				*3,066,600*
	Average/Total Portfolio		97 %	4.7 years	4,800,200

[1] Weighted by annualized gross revenue.

True North Commercial REIT

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