TRUE NORTH COMMERCIAL
REAL ESTATE INVESTMENT TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF CONSOLIDATED FINANCIAL RESULTS

FOR THE THREE MONTHS ENDED MARCH 31, 2020

May 5, 2020

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") for the three months ended March 31, 2020 should be read in conjunction with the REIT's annual audited consolidated financial statements for the year ended December 31, 2019 and the condensed consolidated interim financial statements for the three months ended March 31, 2020 and 2019 and accompanying notes thereto. These documents are available on SEDAR at www.sedar.com.

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 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.

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 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 novel coronavirus ("COVID-19") pandemic and the potential adverse effect or the perception of its effects, on the REIT including its operations and performance of its Units. 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. Given this unprecedented period of uncertainty, there can be no assurance regarding: (a) the impact of COVID-19 on the REIT's business, operations and performance, including the performance of its Units; (b) the REIT's ability to mitigate 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"), will continue its involvement 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 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 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.

TABLE OF CONTENTS

BASIS OF PRESENTATION

The REIT's condensed consolidated financial statements for the three months ended March 31, 2020 and 2019 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, 2020 ("Q1-2020"), three months ended March 31, 2019 ("Q1-2019"), and three months ended December 31, 2019 ("Q4-2019").

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, 2020, the REIT owned and operated a portfolio of 49 office properties across Canada consisting of approximately 4.8 million square feet.

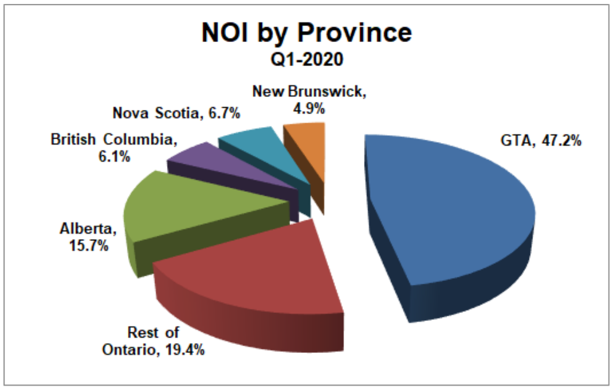
The objectives of the REIT are to:

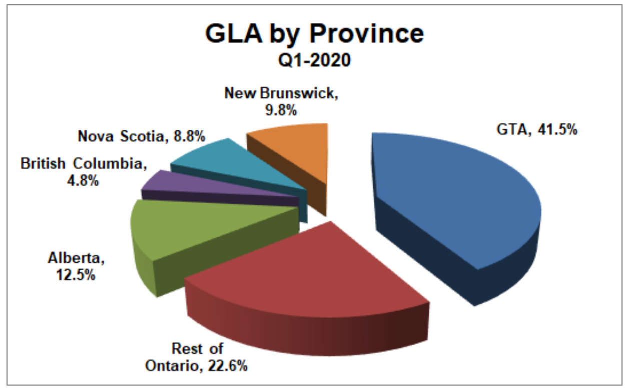
- generate stable cash distributions on a tax-efficient basis;
- expand the asset base of the REIT and increase its distributable cash flow through acquisitions of commercial rental properties across Canada and such other jurisdictions where opportunities exist; and
- enhance the value of the REIT's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

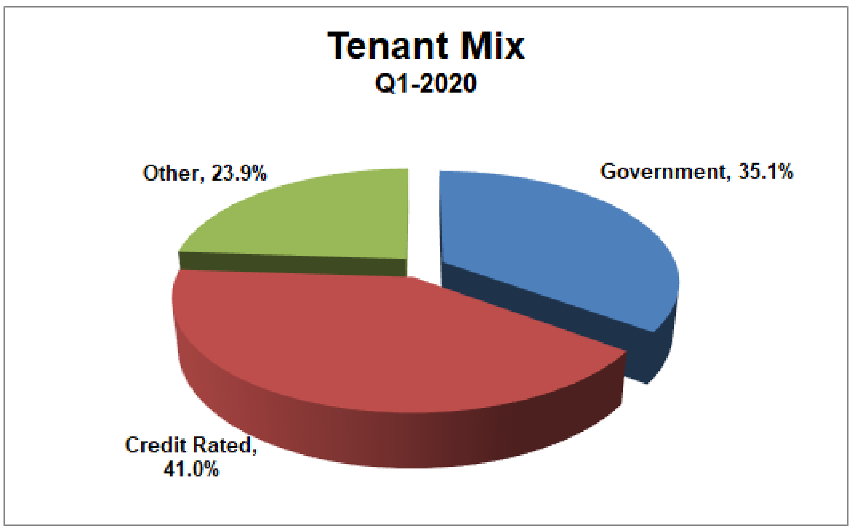
PORTFOLIO OVERVIEW

COMPOSITION BY GEOGRAPHIC REGION





TENANT MIX



The tenant mix is based on annualized gross revenue.

PORTFOLIO SUMMARY

At March 31, 2020, the REIT's portfolio was comprised of 49 office properties totaling approximately 4.8 million square feet of gross leasable area ("GLA"). The following tables highlight certain information about the REIT's properties as at March 31, 2020:

Property Name	City	Occupancy	Remaining Lease Term [(1)]	GLA
Alberta				
855 8th Avenue SW	Calgary	100%	1.3 years	75,700
4500 & 4520 - 16th Avenue NW	Calgary	94%	4.7 years	77,600
1020 68th Avenue NE	Calgary	100%	3.8 years	148,400
3699 63rd Avenue NE	Calgary	100%	8.7 years	209,400
13140 St. Albert Trail	Edmonton	69%	4.0 years	95,200
British Columbia				
810 Blanshard Street	Victoria	100%	4.8 years	34,400
727 Fisgard Street	Victoria	100%	9.0 years	50,100
9200 Glenlyon Parkway	Burnaby	100%	6.8 years	90,600
32071 South Fraser Way	Abbotsford	100%	4.5 years	52,300
New Brunswick				
500 Beaverbrook Court	Fredericton	96%	2.6 years	55,600
295 Belliveau Avenue	Shediac	100%	1.8 years	42,100
410 King George Highway	Miramichi	60%	2.2 years	73,600
551 King Street	Fredericton	100%	2.4 years	85,300
495 Prospect Street	Fredericton	99%	2.1 years	85,100
845 Prospect Street	Fredericton	100%	1.9 years	39,000
414-422 York Street	Fredericton	86%	3.8 years	33,600
440-470 York Street	Fredericton	89%	2.8 years	60,100
Nova Scotia				
36 & 38 Solutions Drive	Halifax	99%	3.7 years	129,200
120, 130, 134 & 140 Eileen Stubbs Avenue	Halifax	90%	4.0 years	297,300

(1) Weighted by annualized gross revenue.

Property Name	City	Occupancy	Remaining Lease Term [1]	GLA
Ontario				
1595 16th Avenue	Richmond Hill	100%	6.2 years	120,200
251 Arvin Avenue	Hamilton	100%	4.2 years	6,900
61 Bill Leathem Drive	Ottawa	100%	2.8 years	148,100
777 Brock Road	Pickering	100%	2.9 years	98,900
400 Carlingview Drive	Etobicoke	100%	7.9 years	26,800
6865 Century Avenue	Mississauga	100%	3.3 years	63,800
6925 Century Avenue	Mississauga	100%	6.8 years	252,500
675 Cochrane Drive	Markham	100%	4.4 years	368,900
1161 Crawford Drive	Peterborough	100%	2.0 years	32,500
197-199 Dundas Street	London	40%	1.7 years	20,200
520 Exmouth Street	Sarnia	100%	6.7 years	34,700
529-533 Exmouth Street	Sarnia	100%	1.9 years	15,400
5900 Explorer Drive	Mississauga	100%	1.4 years	40,000
3115 Harvester Road	Burlington	100%	2.5 years	78,800
135 Hunter Street East	Hamilton	100%	3.3 years	24,400
340 Laurier Avenue West	Ottawa	99%	9.8 years	279,100
360 Laurier Avenue West	Ottawa	100%	2.5 years	107,100
400 Maple Grove Road	Ottawa	100%	4.4 years	107,200
101 McNabb Street	Markham	100%	6.4 years	315,400
78-90 Meg Drive	London	100%	5.2 years	11,300
301 & 303 Moodie Drive	Ottawa	95%	5.1 years	148,700
8 Oakes Avenue	Kirkland Lake	100%	2.0 years	41,000
5160 Orbitor Drive	Mississauga	100%	10.0 years	31,400
534 Queens Avenue	London	100%	1.2 years	19,000
231 Shearson Crescent	Cambridge	100%	4.1 years	60,600
6 Staples Avenue	Richmond Hill	100%	13.5 years	122,000
2300 St. Laurent Boulevard	Ottawa	100%	4.9 years	37,500
3650 Victoria Park Avenue	Toronto	96%	3.4 years	154,500
80 Whitehall Drive	Markham	100%	9.7 years	60,800
5775 Yonge Street	Toronto	100%	4.4 years	274,200
Average/Total		97%	5.2 years	4,836,500

[1] Weighted by annualized gross revenue.

TENANT PORTFOLIO

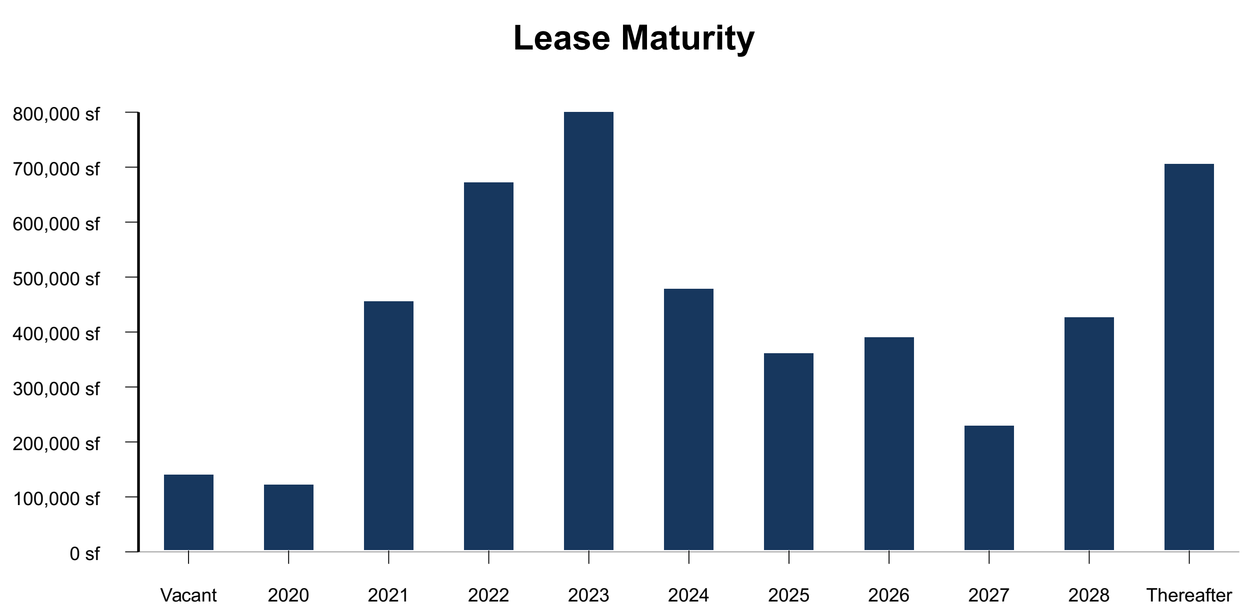
The REIT's top 20 tenants as at March 31, 2020 were as follows:

Tenant	% of Gross Revenue	GLA	Remaining Lease Term [(1)]
Federal Government of Canada	14.4%	662,400	6.1 years
Province of Alberta	9.5%	394,200	6.2 years
Province of Ontario	7.1%	313,300	3.1 years
TD Insurance	5.7%	275,600	4.9 years
Golder Associates Ltd.	3.7%	148,300	8.0 years
General Motors of Canada Company	3.6%	154,800	6.5 years
Province of New Brunswick	2.4%	172,400	2.5 years
Stantec Consulting Ltd.	2.3%	105,100	2.5 years
Lumentum Ottawa Inc.	2.2%	148,100	2.8 years
LMI Technologies Inc.	2.0%	90,600	6.8 years
Intact Insurance Co.	1.9%	77,800	5.2 years
Province of British Columbia	1.9%	81,600	7.7 years
General Dynamics Land Systems	1.9%	148,400	3.8 years
Staples Canada ULC	1.9%	122,000	13.5 years
EMS Technologies Canada, Ltd.	1.6%	107,200	4.4 years
Ceridian Canada Ltd.	1.6%	49,800	5.9 years
Johnson Inc.	1.5%	78,400	0.3 years
Smucker Foods of Canada Corporation	1.2%	51,500	9.7 years
ADP Canada Co.	1.2%	65,600	1.2 years
Trans Union of Canada, Inc.	1.1%	32,300	2.6 years
	68.7%	3,279,400	5.4 years

(1) Weighted by annualized gross revenue.

LEASE ROLLOVER PROFILE

As at March 31, 2020, the lease rollover profile of the REIT was as follows:



Lease maturity is based on the square footage of the REIT's leases.

UPDATE ON THE IMPACT OF COVID-19

While the recent events surrounding the COVID-19 outbreak have resulted in unprecedented market and economic volatility, the REIT is well positioned to navigate through this challenging time. The REIT's portfolio is currently 97% occupied with an average remaining lease term of 5.2 years. In addition, approximately 35% of revenue is generated from the Federal Government of Canada and the provincial governments of Alberta, British Columbia, New Brunswick and Ontario. 41% of revenue is generated from credit rated tenants that are well capitalized and have the financial resources available to meet their rental obligations.

As of May 5, 2020, the REIT had received, approximately 99% of April contractual rent. It is expected that some of the REIT's smaller tenants may face financial difficulties and challenges in the coming months, however the REIT is confident that we will be able to work with those tenants in need of financial assistance in the short term and expect minimal impact to the financial results in the longer term.

As of the date of this MD&A, the REIT has access to approximately $55,000 of cash on hand and undrawn credit facilities. With a weighted average maturity of 4.47 years for our mortgage portfolio, we also have limited refinancing exposure with only 5.5% of our portfolio maturing from now until the end of 2021. The REIT has also taken advantage of the incentives offered by Federal, Provincial and Municipal governments by deferring HST and property tax payments (where applicable) in order to preserve cash.

The REIT is monitoring the government's releases on The Canada Emergency Commercial Rent Assistance ("CECRA") announced by the federal government on Friday, April 24, 2020. At this time, while the announcement of the CECRA indicates the government's intention to provide a program of rental assistance, the details provided so far are very vague. Also CECRA will not be operational until mid-May and it is not a mandatory program. Until the full details, terms and requirements of the CECRA are released, the REIT will not be in a position to determine if it applies to its tenants, or if it is even a workable program actually providing meaningful assistance to landlords and tenants on the basis of the shared financial burden the program is built on and intended to provide.

Additionally, the REIT is continuing to review the value of its properties affected by the COVID-19 pandemic. The REIT remains committed to owning high-quality assets with long term value propositions.

It is impossible to forecast the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have 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 be potentially impacted include rental income, occupancy, tenant improvements, future demand for space and market rents, which all ultimately impact the underlying valuation of investment properties. See "Risks and Uncertainties" for a discussion about the risks associated with the COVID-19 pandemic.

While the situation continues to evolve, the REIT is confident the strategic measures implemented to date will ensure our continued success and our ability to provide value to Unitholders. The REIT is monitoring the situation closely and has proactively raised its level of preparedness and planning to adapt more quickly should risk levels rise.

FIRST QUARTER HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

The REIT has experienced a strong start to 2020 with positive financial results for Q1-2020. During the past twelve months, the REIT has increased its portfolio to 49 properties representing 4.8 million square feet. At the end of Q1-2020, occupancy has increased to 97% and our average remaining lease term has also increased to 5.2 years. Our Indebtedness to GBV continues to remain stable at 57.9%.

Acquisitions totaling $395,800 during the latter part of Q4-2019 have been the main contributor to the increase in revenue and NOI of 37% and 42%, respectively when compared to Q1-2019. While our Same Property NOI has experienced an overall decline of 0.6%, the majority of the decline can be attributed to an increase in vacancy in the REIT's sole asset in Edmonton, Alberta. Excluding this impact, Same Property NOI increased 2.2%. The remaining assets in Alberta and the properties located in British

Columbia, New Brunswick, Nova Scotia and Ontario continue to contribute positive results to Same Property NOI from occupancy increases and/or contractual rent step ups.

FFO and AFFO per Unit on both a basic and diluted basis have remained stable when compared to Q1-2019 at $0.15 and $0.14 respectively.

The REIT contractually leased and renewed 376,499 square feet during the quarter with an average increase of approximately 6.5% over expiring rates. This included a key ten year renewal with the Federal Government of Canada, the anchor tenant at 340 Laurier Avenue West in Ottawa, Ontario totaling 272,705 square feet. The REIT continues to outperform industry averages with a tenant retention rate of approximately 86% since the inception of the REIT.

During Q1-2020, the REIT refinanced seven mortgages totaling $93,500 with a weighted average fixed interest rate of 3.19% for five and ten year terms. Including the refinancings completed subsequent to quarter end (see "Subsequent Events"), the REIT's weighted average term to maturity of our mortgage portfolio remained steady at 4.47 years and provided the REIT with additional liquidity of approximately $38,900, net of costs.

	Three months ended March 31	
	2020	**2019**
Portfolio		
Number of properties	49	46
Portfolio GLA	4,836,500 sf	3,722,600 sf
Occupancy rate	97 %	96%
Remaining weighted average lease term	5.2 yrs	4.1 yrs
Revenue from government and credit-rated tenants	76 %	79%
Financial		
Revenue	$ 35,329	$ 25,767
NOI	21,109	14,820
Net income and comprehensive income	17,610	1,352
Same Property NOI	14,937	15,027
Same Property NOI growth	(0.6)%	1.7%
FFO	$ 13,173	$ 8,941
FFO per Unit - Basic	0.15	0.15
FFO per Unit - Diluted	0.15	0.14
AFFO	$ 12,587	$ 8,635
AFFO per Unit - Basic	0.14	0.14
AFFO per Unit - Diluted	0.14	0.14
AFFO payout ratio - Diluted	105 %	108%
Distributions declared	$ 13,188	$ 9,152

Key Debt Metrics

	March 31, 2020	December 31, 2019
Indebtedness to GBV ratio	57.9%	57.6%
Interest coverage ratio	3.02x	3.01x
Indebtedness - weighted average fixed interest rate	3.38%	3.38%
Indebtedness - weighted average term to maturity	4.47 years	3.87 years

SUBSEQUENT EVENTS

Subsequent to quarter end, the REIT refinanced two properties with mortgages totaling $31,230 with a weighted average fixed interest rate of 2.95% for five and ten year terms resulting in additional cash on hand of approximately $13,600, net of costs.

QUARTERLY INFORMATION

The following table provides select information pertaining to the REIT's operations:

	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18
Revenue	$ 35,329	$ 29,533	$ 25,668	$ 25,489	$ 25,767	$ 24,947	$ 22,501	$ 19,902
Property operating costs	(14,220)	(12,411)	(10,696)	(10,338)	(10,947)	(10,506)	(9,196)	(7,967)
NOI	21,109	17,122	14,972	15,151	14,820	14,441	13,305	11,935
General and administration expenses	(1,196)	(1,498)	(1,387)	(1,041)	(1,608)	(644)	(783)	(854)
Finance costs	(7,182)	(5,698)	(5,053)	(5,181)	(5,100)	(4,836)	(4,169)	(3,610)
Transaction costs on sale of investment properties	—	—	(581)	—	—	(403)	—	—
Distributions on Class B LP Units	(573)	(613)	(634)	(634)	(634)	(634)	(634)	(634)
Fair value adjustment of Class B LP Units	9,370	(1,555)	(1,323)	171	(4,226)	4,140	86	(811)
Fair value adjustment of investment properties	1,176	(6,081)	3,195	3,891	(1,620)	7,913	2,065	(4,503)
Unrealized gain (loss) on change in fair value of derivative instruments	(5,094)	(252)	(44)	(101)	(280)	(314)	130	(34)
Net income and comprehensive income for the period	$ 17,610	$ 1,425	$ 9,145	$ 12,256	$ 1,352	$ 19,663	$ 10,000	$ 1,489
FFO per Unit - basic	$ 0.15	$ 0.14	$ 0.15	$ 0.15	$ 0.15	$ 0.14	$ 0.14	$ 0.15
AFFO per Unit - basic	$ 0.14	$ 0.13	$ 0.15	$ 0.15	$ 0.14	$ 0.14	$ 0.14	$ 0.15
AFFO per Unit - diluted	$ 0.14	$ 0.13	$ 0.15	$ 0.15	$ 0.14	$ 0.14	$ 0.14	$ 0.15
AFFO payout ratio - basic	105%	111 %	101%	100%	106%	106%	106%	100%
AFFO payout ratio - diluted	105%	112%	102%	102%	108%	107%	107%	101%
Number of investment properties	49	49	45	46	46	45	45	41
Occupancy rate	97%	97%	97%	96%	96%	97%	97%	95%

Significant positive increases in revenue, property operating costs and NOI are the result of the inclusion of a full quarter of operations from the $395,800 of acquisitions completed in the latter part of Q4-2019. Occupancy remained stable quarter over quarter at 97%.

General and administration expenses decreased compared to the previous quarter due to the revaluation of Unit-based compensation which resulted in an unrealized fair value gain of $389. This decrease was offset by increased asset management fees associated with portfolio growth and annual tax and audit fees recognized in Q1- 2020.

Finance costs increased during the quarter due to additional debt associated with the properties acquired in Q4-2019.

Distributions on Class B LP Units decreased to $573 in Q1-2020 due to the conversion of 412,655 Class B LP Units to Units on December 17, 2019.

The revaluation of interest rate swaps with the forecasted decline in interest rates resulted in an unrealized loss of $5,094 on derivative instruments compared to $252 in Q4-2019.

Basic and diluted FFO and AFFO per Unit have each increased by $0.01 as the funds raised from the Unit offerings in September and November 2019 are now fully deployed into property acquisitions.

ANALYSIS OF FINANCIAL PERFORMANCE

The REIT's financial performance and results of operations for the three months ended March 31, 2020 and 2019 are summarized below.

	Three months ended March 31	
	2020	**2019**
Revenue	$ 35,329	$ 25,767
Expenses:		
Property operating costs	(8,775)	(6,745)
Realty taxes	(5,445)	(4,202)
NOI	$ 21,109	$ 14,820
Other income (expenses):		
General and administration expenses	(1,196)	(1,608)
Finance costs	(7,182)	(5,100)
Distributions on Class B LP Units	(573)	(634)
Fair value adjustment of Class B LP Units	9,370	(4,226)
Fair value adjustment of investment properties	1,176	(1,620)
Unrealized loss on change in fair value of derivative instruments	(5,094)	(280)
Net income and comprehensive income	$ 17,610	$ 1,352

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 rents and amortization of tenant inducements.

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

The REIT's revenue and NOI increased 37% and 42%, respectively from the same quarter of 2019. Property operating costs and realty tax increases are consistent with and in line with the increases in revenue. Acquisition activity in Q4-2019 as well as a full quarter of operations from 360 Laurier Avenue West which was acquired in Q1-2019 have been the main contributors. Same Property NOI has decreased 0.6% which is mainly attributed to the decrease in occupancy at 13140 St. Albert Trail, Edmonton, Alberta.

Occupancy for the portfolio remained stable at 97% during the quarter however increased from 96% at Q1-2019 which has also contributed to the positive increase in NOI.

SAME PROPERTY ANALYSIS

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

	Three months ended March 31	
	2020	2019
Number of properties	44	44
Revenue	$ 24,207	$ 25,034
Expenses:		
Property operating	(6,546)	(6,586)
Realty taxes	(4,138)	(4,095)
	$ 13,523	$ 14,353
Add:		
Amortization of leasing costs and tenant inducements	802	388
Straight-line rent	612	286
Same Property NOI	$ 14,937	$ 15,027

Same Property Occupancy

	As at March 31	
	2020	2019
Alberta	91.4%	98.3%
British Columbia	100.0%	100.0%
New Brunswick	90.7%	90.2%
Nova Scotia	92.4%	92.4%
Ontario	98.6%	97.8%
Total	96.1%	96.3%

Same Property NOI

	Three months ended March 31			
	2020	2019	Variance	Variance %
Alberta	$ 1,701	$ 2,092	$ (391)	(18.7)%
British Columbia	1,272	1,180	92	7.8 %
New Brunswick	1,184	1,126	58	5.2 %
Nova Scotia	1,580	1,513	67	4.4 %
Ontario	9,200	9,116	84	0.9 %
	$ 14,937	$ 15,027	$ (90)	(0.6)%

Q1-2020 Same Property NOI decreased 0.6% compared to the same period in 2019.

The REIT's Same Property NOI decrease has been materially impacted by the vacancy at 13140 St. Albert Trail located in Edmonton, Alberta. The property is currently 69% leased (contractually) with a portion of rents expected to commence in Q2 - 2020. Excluding the impact of this Same Property NOI would have increased 2.2% from Q1-2019.

Same Property NOI growth in British Columbia and Nova Scotia was favourable due to increased revenue from contractual rent step ups. The increase in occupancy in the New Brunswick portfolio from 90.2% to 90.7% in Q1-2020 provided an NOI increase of over 5%.

Ontario Same Property NOI increased 0.9% due to both increased occupancy and contractual rent step ups. Most notably, our property located at 5775 Yonge Street, Toronto, Ontario is now 100% occupied compared to 97% in Q1- 2019.

GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses include items such as legal and audit fees, trustee fees, investor relations expenses, trustees' and officers' insurance premiums, costs associated with the REIT's Unit option plan and incentive trust Unit plan and other general and administrative expenses. Also included in general and administration expenses are asset management fees payable to Starlight. See "Related Party Transactions and Arrangements – Arrangements with Starlight".

General and administration expenses decreased $412 or 26% in Q1-2020 compared to Q1-2019 due to changes in the fair value of Unit-based compensation which was impacted by fluctuations in the REIT's Unit price during the period. Q1-2020 included an unrealized gain of $389 compared to an unrealized loss of $441 in Q1-2019. Excluding the unrealized gain/loss on Unit-based compensation, general and administration expenses increased as a result of higher asset management fees due to portfolio growth.

FINANCE COSTS

The REIT's finance costs for the three months ended March 31, 2020 and 2019 are summarized below. Finance costs exclude cash distributions and fair value adjustments on Class B LP Units.

	Three months ended March 31	
	2020	2019
Interest on mortgages payable	$ 6,847	$ 4,672
Other interest expense and standby fees	65	184
Amortization of mortgage discounts (premiums)	(6)	(9)
Amortization of financing costs	276	253
Total finance costs	$ 7,182	$ 5,100

The increase in interest on mortgages payable in Q1-2020 is due to additional borrowing associated with the acquisitions completed in Q4-2019.

Other interest expense and standby fees relate to costs incurred on the REIT's credit facilities. The credit facilities were undrawn for the majority of Q1-2020, resulting in lower expenses compared to the same period in 2019.

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 $573 in Q1-2020 and $634 in Q1-2019. The decrease in distributions is due to the conversion of 412,655 Class B LP Units to Units on December 17, 2019.

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 the Units). Any resulting change in the fair value of the Class B LP Units is reported in the period such change occurs. The fair value gain of $9,370 in Q1-2020 is due to a decrease in the trading price of the Units from $7.29 at December 31, 2019 to $4.86 at March 31, 2020.

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.

The fair value gain of $1,176 in Q1-2020 was comprised of an increase in fair value of $9,824 reduced by $8,648 of capital expenditures, tenant inducements and leasing costs. The increase in fair value was mainly a result of the write-up of select properties to reflect the value of recent external appraisals. This was partially offset by fair value losses largely attributable to changes in leasing assumptions of near-term vacancies at certain properties to reflect current market conditions.

The key valuation assumptions for the REIT's investment properties as at March 31, 2020 and 2019 are as follows:

	2020	**2019**
Terminal and direct capitalization rates - range	4.75% to 10.25%	4.75% to 10.25%
Terminal and direct capitalization rate - weighted average	6.28%	6.44%
Discount rates - range	5.75% to 10.25%	5.75% to 10.25%
Discount rate - weighted average	7.13%	7.21%

UNREALIZED GAIN (LOSS) ON CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENTS

The REIT holds a number of interest rate swap agreements to effectively fix the interest rate on certain mortgages. These derivative instruments are measured at fair value at 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, 2020 were $101,385 (December 31, 2019 - $129,488). Unrealized loss on change in the fair value of the derivative instruments totaled $5,094 in Q1-2020 compared to unrealized loss of $280 in Q1-2019. The increase in the unrealized loss is due to the emergency interest rate cuts in March 2020 in response to the COVID-19 pandemic and the continued decrease in projected future interest rates.

With the expectation projected future interest rates will not increase quickly or significantly, this keeps the future projected monthly CDOR rate low and therefore increases the monthly projected payable on the interest rate swap. Given the interest rate swap removes the floating rate exposure on the debt and replaces it with fixed, this unrealized loss is not a loss in itself, but represents the opportunity cost of not keeping the debt floating rate.

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 2020	2019
Net income and comprehensive income	$ 17,610	$ 1,352
Add (deduct):		
Fair value adjustment of Unit-based compensation	(389)	441
Fair value adjustment of investment properties	(1,176)	1,620
Fair value adjustment of Class B LP Units	(9,370)	4,226
Distributions on Class B LP Units	573	634
Unrealized loss on change in fair value of derivative instruments	5,094	280
Amortization of leasing costs and tenant inducements	831	388
FFO	$ 13,173	$ 8,941
Add (deduct):		
Non-cash compensation expense	37	26
Amortization of financing costs	276	253
Amortization of mortgage discounts	(6)	(9)
Instalment note receipts	30	45
Straight-line rent	280	287
Capital reserve [1]	(1,203)	(908)
AFFO	$ 12,587	$ 8,635
FFO per Unit:		
Basic	$ 0.15	$ 0.15
Diluted	$ 0.15	$ 0.14
AFFO per Unit:		
Basic	$ 0.14	$ 0.14
Diluted	$ 0.14	$ 0.14
AFFO payout ratio:		
Basic	105%	106%
Diluted	105%	108%
Distributions declared	$ 13,188	$ 9,152
Weighted average Units outstanding (000s):		
Basic	88,760	61,588
Add:		
Unit options and Deferred Units	17	998
Diluted	88,777	62,586

Notes:

[1] Based on an estimate of $1.00 (2019 - $1.00) per square foot per annum and represents a reserve for capital expenditures, tenant inducements and leasing costs.

The REIT's positive acquisition and leasing activity during 2019 is reflected in the 47% and 46% increase in FFO and AFFO. Increased NOI attributed to the acquisitions in the latter half of 2019 was offset by the decline in Same Property NOI resulting in steady FFO and AFFO per Unit in Q1-2020 compared to the same quarter in 2019.

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 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").

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		
	2020	2019	2018	2017
Distributions declared	$ 13,188	$ 40,609	$ 33,045	$ 22,544
Less: DRIP	(1,927)	(5,850)	(3,616)	(2,849)
Cash distributions paid	$ 11,261	$ 34,759	$ 29,429	$ 19,695

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		
	2020	2019	2018	2017
Net income and comprehensive income	$ 17,610	$ 24,178	$ 49,620	$ 28,746
Cash flow provided by operating activities	23,450	58,594	53,311	30,389
Less: Interest paid	(6,793)	(19,805)	(14,811)	(8,980)
Adjusted cash flow provided by operating activities	16,657	38,789	38,500	21,409
Declared basis:				
Excess (shortfall) of net income and comprehensive income over distributions	4,422	(16,431)	16,575	6,202
Excess (shortfall) of adjusted cash flow provided by operating activities over distributions	3,469	(1,820)	5,455	(1,135)
Cash basis:				
Excess (shortfall) of net income and comprehensive income over distributions	6,349	(10,581)	20,191	9,051
Excess of adjusted cash flow provided by operating activities over distributions	5,396	4,030	9,071	1,714

Net income and comprehensive income was higher than distributions declared during the quarter by $4,422 and cash distributions by $6,349. Adjusted cash flow provided by operating activities in Q1-2020 exceeded declared distributions by $3,469 and cash distributions by $5,396. 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 2020	2019
Adjusted cash flow provided by operating activities	$ 16,657	$ 8,425
Non-cash compensation expense	87	(21)
Change in finance costs payable	(119)	(77)
Instalment note receipts	30	45
Capital reserve	(1,203)	(908)
Change in non-cash operating working capital	(2,865)	1,171
AFFO	$ 12,587	$ 8,635

AFFO of $12,587 was less than distributions declared by $601 and exceeded distributions paid by $1,326 in Q1-2020. The REIT expects to be able to fund distributions from AFFO on a go forward basis.

CAPITAL RESERVE

The REIT considers many factors when determining an appropriate capital reserve. Items such as, property age and 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 the 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 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 capital expenditures will reflect historical trends. The REIT reviews its capital reserve estimate on an annual basis and makes appropriate adjustments based on the above factors.

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 net 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 ("AIF") dated March 3, 2020. Also see "Risks and Uncertainties".

As of the date of this MD&A, the REIT has access to approximately $55,000 of cash on hand and undrawn credit facilities. With a weighted average maturity of 4.47 years for our mortgage portfolio, we also have limited refinancing exposure with only 5.5% of our portfolio maturing from now until the end of 2021.

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. 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 Facilities; and (iv) issuances of debt and equity. Management's objective is to maintain conservative leverage through the use of long term, fixed rate, debt financing.

The REIT's available funds are as follows:

	March 31, 2020	December 31, 2019
Cash	$ 22,264	$ 5,669
Undrawn Credit Facilities	20,000	55,000
Available funds	$ 42,264	$ 60,669

CAPITAL INVESTMENT

The REIT's properties require ongoing capital expenditures 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 2020 and beyond. However, capital expenditure projects that were projected to start in Q2 2020 have been rescheduled to commence later in 2020. Future expenditures are expected to be funded through cash flow generated by operations, the credit facilities and cash on hand. For the three months ended March 31, 2020 and 2019, the REIT invested $8,873 and $4,478 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, 2020 and 2019:

	Investment properties
Balance, December 31, 2018	$ 928,137
Acquisitions	25,342
Additions	4,478
Amortization of leasing costs, tenant inducements and straight-line rents	(266)
Fair value adjustment	(1,620)
Balance, March 31, 2019	956,071
Acquisitions	405,452
Additions	9,963
Dispositions	(8,700)
Amortization of leasing costs, tenant inducements and straight-line rents	(1,274)
Fair value adjustment	1,005
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

Additions to investment properties for the three months ended March 31, 2020 were $8,873, consisting of the following:

- Capital expenditures of $459 mainly for common area renovations and equipment replacement at certain properties; and
- Tenant inducements and leasing commissions of $8,414 which include costs incurred to renew and obtain new tenants.

INSTALMENT NOTES RECEIVABLE

The REIT received non-interest bearing instalment notes from the vendor of certain properties acquired in December 2014. The instalment payments allow the REIT to achieve an effective interest rate of 3.3% per annum on certain assumed mortgages. These instalment notes mature on various dates, co-terminously with the assumed mortgages. At March 31, 2020, the REIT had $378 in instalment notes receivable compared to $400 at December 31, 2019.

PREPAID EXPENSES AND DEPOSITS

At March 31, 2020, the REIT had $4,272 in prepaid expenses and deposits, compared to $3,202 at December 31, 2019. The increase is due to an increase in prepaid realty taxes.

DEBT

MORTGAGES PAYABLE

The following table sets out, as at March 31, 2020, 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
2020 - remainder of year	$ 16,771	$ 24,502	$ 41,273	5.1%	2.94%	$ 20,157
2021	22,570	23,247	45,817	5.6%	2.82%	25,707
2022	20,684	155,434	176,118	21.6%	3.31%	22,968
2023	14,647	141,596	156,243	19.1%	3.65%	15,758
2024	12,995	79,399	92,394	11.3%	3.39%	12,698
Thereafter	20,669	284,065	304,734	37.3%	3.38%	16,628
	$ 108,336	$ 708,243	$ 816,579	100.0%	3.38%	$ 113,916
Unamortized mark to market mortgage adjustments			246			
Unamortized financing costs			(3,854)			
			$ 812,971			

After giving effect to the instalment notes receipts, mortgages payable have a weighted average fixed interest rate of 3.38% (December 31, 2019 – 3.38%) and a weighted average term to maturity of 4.47 years (December 31, 2019 – 3.87 years).

CREDIT FACILITY

The REIT has a credit agreement with a Canadian chartered bank for $20,000 (December 31, 2019 - $20,000) unsecured floating rate credit facility ("Credit Facility"). The Credit Facility bears interest on cash advances at 225 basis points per annum above the prime rate or 325 basis points per annum above the floating banker's acceptance rate and matures on December 1, 2020. The credit facility was undrawn as at March 31, 2020 (December 31, 2019 - $0).

INDEBTEDNESS TO GBV

As at March 31, 2020, the REIT's overall leverage, as represented by the ratio of Indebtedness to GBV was 57.9% compared to 57.6% at December 31, 2019. 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, 2020 and December 31, 2019.

	March 31, 2020	December 31, 2019
Total assets	$ 1,404,465	$ 1,375,556
Deferred financing costs	5,657	5,578
GBV	$ 1,410,122	$ 1,381,134
Mortgages payable	812,971	792,583
Unamortized financing costs and mark to market mortgage adjustments	3,608	3,273
Indebtedness	$ 816,579	$ 795,856
Indebtedness to GBV	**57.9%**	**57.6%**

In Q1-2020, the REIT refinanced seven mortgages totaling $93,500 resulting in additional liquidity of approximately $25,300, net of costs.

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, 2020, 0% (December 31, 2019 - 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	
	2020	**2019**
Net income and comprehensive income	$ 40,436	$ 32,504
Add (deduct):		
Interest expense	22,045	16,871
Fair value adjustment of Unit-based compensation	535	140
Transaction costs on sale of investment property	581	403
Fair value adjustment of investment properties	(2,181)	(3,855)
Fair value adjustment of Class B LP Units	(6,663)	811
Distributions on Class B LP Units	2,454	2,536
Unrealized loss on change in fair value of derivative instruments	5,491	498
Amortization of leasing costs, tenant inducements, mortgage premium (discounts) and financing costs	3,770	2,085
Adjusted EBITDA	$ 66,468	$ 51,993

	Twelve months ended March 31	
	2020	**2019**
Adjusted EBITDA	$ 66,468	$ 51,993
Interest expense	22,045	16,871
Interest coverage ratio	3.02x	3.08x

Interest coverage ratio for the period decreased slightly due to increased interest expense on additional mortgage proceeds offset by lower interest expense on the REIT's credit facilities.

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, 2020, there were 3,856,182 Class B LP Units issued and outstanding valued at $18,741 compared to $28,111 as at December 31, 2019. The change in value is due to a decrease in the Unit price from $7.29 at December 31, 2019 to $4.86 at March 31, 2020.

There have been no further changes in the Class B LP Units outstanding as of May 5, 2020.

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 three months ended March 31, 2020:

	Units	Amount
Balance at December 31, 2019	84,762,429	$ 519,197
Issue of Units – DRIP	279,802	1,927
Issue of Units – options exercised	35,112	271
Issuance costs	—	(83)
Balance at March 31, 2020	85,077,343	$ 521,312

The number of Units outstanding as of May 5, 2020 is as follows:

Balance at March 31, 2020	85,077,343
Issuance of Units - DRIP	134,636
Balance at May 5, 2020	85,211,979

INCENTIVE UNIT PLAN

On June 10, 2019, the REIT established an incentive trust unit plan (the "Incentive Unit Plan") to replace the non-executive Trustee Unit issuance plan and the Unit-based compensation plan (collectively, the "Plans"). The Plans granted Units and options respectively. The Incentive Unit Plan issues two types of units: (i) deferred Units ("Deferred Units"); and (ii) restricted Units (collectively "Incentive Units").

Deferred Units are granted to the non-executive Trustees as part of each Trustee's annual board retainer and meeting fees and vest immediately.

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 certain restrictions (such as vesting requirements) as the Trustees may impose. The Trustees may not extend any vesting conditions beyond November 30 of the third calendar year from the grant date.

Incentive Units granted under the Incentive Unit Plan are comparable to that of the Plans and will continue to be classified as liabilities on the REIT's statement of financial position. Unit-based compensation expense is recognized in general and administration expenses over the vesting period of the Incentive Units. Fair value adjustments are made upon the revaluation of the Incentive Units at each reporting period and recorded in general and administration expenses.

UNIT OPTION PLAN

On June 10, 2019 the Plans were suspended and no further options will be granted. Options that have or will vest are still eligible to be exercised prior to the applicable expiry dates.

Options outstanding at March 31, 2020 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	124,168	124,168	November 14, 2021
$6.17	180,003	86,663	August 11, 2022
$6.44	206,168	103,994	November 16, 2022
$6.43	267,502	159,994	March 9, 2023
$6.66	297,334	77,994	September 20, 2023
	1,160,175	637,813	

[(1)] In actual dollars.

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.

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, 2020, the REIT had entered into commitments for building renovations totaling $798 (December 31, 2019 - $1,347).

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 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 on 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 incurred by Starlight 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.

The following table presents the expenses incurred for the three months ended March 31, 2020 and 2019:

	Three months ended March 31	
	2020	**2019**
Asset management fees	$ 1,128	$ 773
Acquisition fees	—	245
Other expenses	28	24
Total	$ 1,156	$ 1,042

At March 31, 2020, $399 (December 31, 2019 - $370) 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, 2020 and 2019.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the securities of the REIT and in the activities of the REIT. Risks and uncertainties are disclosed below, in the REIT's annual MD&A dated March 3, 2020 for the year ended December 31, 2019 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 additional risk and uncertainty has been identified by management since March 3, 2020:

COVID-19 PUBLIC HEALTH CRISIS

On March 11, 2020, the World Health Organization officially declared the outbreak of COVID-19 a global pandemic. While the REIT has been closely monitoring related developments, there remains a great deal of uncertainty regarding the full scope, duration and impact of COVID-19. It is not possible at this time to accurately assess the length, impact and severity that the pandemic will have on the REIT's operations, financial condition or results, as well as Unit price volatility.

The REIT has taken action 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 wellbeing of individuals and the global economy, the REIT has implemented procedures to ensure it is conducting business in a safe and effective manner, and is working diligently with service providers to remain operational through the pandemic. The REIT has implemented a specific response plan and has established a crisis management team that is in regular communication with tenants. The REIT has increased sanitation and security measures at its properties and continues to follow public health guidelines and has mandated that non-essential businesses work from home. The REIT is also working hard creating strategies that will allow its employees and tenants to return to work safely. These changes, as well as any further changes the REIT may make or implement in response to COVID-19, may materially impact the financial results of the REIT.

The REIT is continuing to act in accordance with the directions provided by the government and public health authorities to mitigate the spread of COVID-19. The REIT continues to closely monitor business operations, and may take further actions in alignment with the best interests of its stakeholders. These changes and any additional changes in operations in response to COVID-19 could materially impact the financial results of the REIT and may include tenants' ability to pay rent in full or at all. The REIT has assessed rent collectability when determining future cash flows and has determined the risk of default to be low given the quality of the REIT's tenant base being largely made up of government and credit rated tenants.

Global equity markets have experienced significant volatility and weakness due to the COVID-19 pandemic. In response to the global economic slowdown, governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. 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 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 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.

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, 2019. The following additional significant judgements have been identified by management due to the recent events surrounding the COVID-19 pandemic.

INVESTMENT PROPERTIES

Capitalization rates used in the valuation of investment properties as at March 31, 2020 are based on current market data available and have not been adjusted to reflect the future market uncertainty related to COVID-19 as there is to date little actual evidence of material capitalization rate expansion. Given the uncertainty around the duration of the pandemic and the potential negative impact it may have on the real estate industry, it is not possible to predict such impact on capitalization rates at this time.

The future cash flows of an investment property are based upon rental income from current leases and assumptions about occupancy rates and market rents from future leases, less future cash outflows relating to such current and future leases. The economic impact of COVID-19 could adversely impact tenant's ability to meet rental obligations. The REIT has assessed rent collectability when determining future cash flows and has determined the risk of default to be low given the quality of the REIT's tenant base being largely made up of government and credit rated tenants. Leasing assumptions of near-term vacancies at certain properties were revised to reflect current market conditions.

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
Derivative instrument	Fair value
Deposits	Amortized cost
Tenant and other receivables [1]	Amortized cost
Restricted cash	Amortized cost
Cash and cash equivalents	Amortized cost
Financial liabilities:	
Mortgages payable	Amortized cost
Derivative instrument	Fair value
Class B LP Units	Fair value
Credit facilities	Amortized cost
Tenant rental deposits and prepayments	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Unit options	Fair value

[1] The duration and impact of COVID-19 is currently unknown and the federal, provincial and municipal governments have enacted subsidies and other stimulus in an attempt to stabilize economic conditions. As of May 5, 2020, the REIT has received approximately 99% of April contractual rents and is working with its smaller tenants, which may require assistance. While it is too early to determine if the REIT will be able to maintain its collection efforts in the months ahead, the REIT's tenant base is comprised primarily of government and credit rated tenants and the average occupancy rate for the REIT's portfolio is 97%.

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 fair values of the REIT's instalment notes receivable, deposits, tenant and other receivables, restricted cash and cash and cash equivalents, as well as the Credit Facilities, 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. Unit options granted are carried at fair value which is estimated using the Black Scholes option pricing model. Incentive Units granted are carried at fair value which has been determined with reference to the trading price of the Units.

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.

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

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

The REIT implemented the following amendments effective January 1, 2020.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. Also, it clarifies a business can exist without including all of the inputs and processes needed to create outputs.

These amendments have no impact on the condensed consolidated interim financial statements or the business of the REIT.

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 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, 2020.

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 March 31, 2020.

OUTLOOK

On April 15, 2020 the Bank of Canada ("BoC") opted to hold rates steady, with no change. While this was broadly expected by industry experts, what has transpired in the past six weeks since the BoC's January announcement was certainly not anticipated. In response to the global COVID-19 pandemic and the subsequent state of emergency declarations, the BoC enacted a series of emergency rate cuts in March 2020 to bring the overnight lending rate down by 1.5% to 0.25%. To further support these measures, the BoC has ammended its plan to purchase up to $50 billion in provincial bonds and $10 billion of investment grade corporate bonds.

The Canadian and global economies are currently in uncharted territory. Given this lack of precedence, traditional financial forecasting ceases to apply, and the BoC has opted to present little to no forecast in their April 2020 Monetary Policy Report, rather solely focusing on the present. There does not appear to be any models available to accurately predict what will happen next.

The Canadian economic data currently shows the economy in a notable downturn with the expectation for GDP to be up to 30% lower this quarter than Q4 2019. Analyzing the three primary pillars of the Canadian economy reveals the gravity of the threat to the economy as exports have all but dried up; the Russo-Saudi oil war and COIVD-19 related cessation of demand has sent the price of a barrel of oil to below $20; and household spending is expected to be non-existent with the exception of home renovations. Unemployment rose by over 2% to 7.8% in March 2020, with 2.75 million new employment insurance claims filed since mid-March. Global numbers reflect a similarly notable downturn, albeit it is difficult to accurately assess given the lack of data and trend analysis applicable to the current situation.

More specifically for the commercial Office market in Canada, the dominant storyline for the past decade has been record low vacancy rates, record levels of construction, and absorption. Given these conditions only two months ago, many landlords should be able to weather the current crisis if they have a resilient tenant base and low vacancy. With a current occupancy rate of 97% and over 75% of revenue generated from government and credit-rated tenants, the REIT is well positioned to survive adverse market conditions such as those we are currently experiencing.

As the crisis, and eventual recovery, evolves, increased focus will turn to capital liquidity as an important factor for the REIT/REOC industry. At present, there is no reliable forecast or data to indicate where lending rates and values will be in the near-term. However, reports indicate that most lenders have been accommodating refinancing and extending existing debt. Local governments have also stepped in to support with their own forms of liquidity measures such as property tax deferrals and the above-mentioned bond purchases.

The REIT is monitoring the government's releases on CECRA announced by the federal government on Friday, April 24, 2020. At this time, while the announcement of the CECRA indicates the government's intention to provide a program of rent assistance, the details provided so far are very vague. Also CECRA will not be operational until mid-May and it is not a mandatory program. Until the full details, terms and requirements of the CECRA are released, the REIT will not be in a position to determine if it applies to its tenants, or if it is even a workable program actually providing meaningful assistance to landlords and tenants on the basis of the shared financial burden the program is built on and intended to provide.

Management remains focused on ensuring the safety of our tenants during this pandemic. The REIT has deployed its business continuity plan and will continue to monitor and adjust its plans as the COVID-19 pandemic evolves. Management is confident the decisions it has made from both an operational and strategic perspective will help to ensure the REIT's continued success and provide value to our unitholders.

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, 2020
Toronto, Ontario, Canada