TSX: TNT.UN

Q2 2020

MANAGEMENT'S DISCUSSION & ANALYSIS

AUGUST 5, 2020

5775 Yonge Street
GTA, ON

AT A GLANCE

True North Commercial REIT has demonstrated a solid track record.

$1.4 B
Total Assets

$497 M
Market Capitalization(1)

5.0 YR
Weighted Average Lease Term

49
Properties

97%
Occupancy

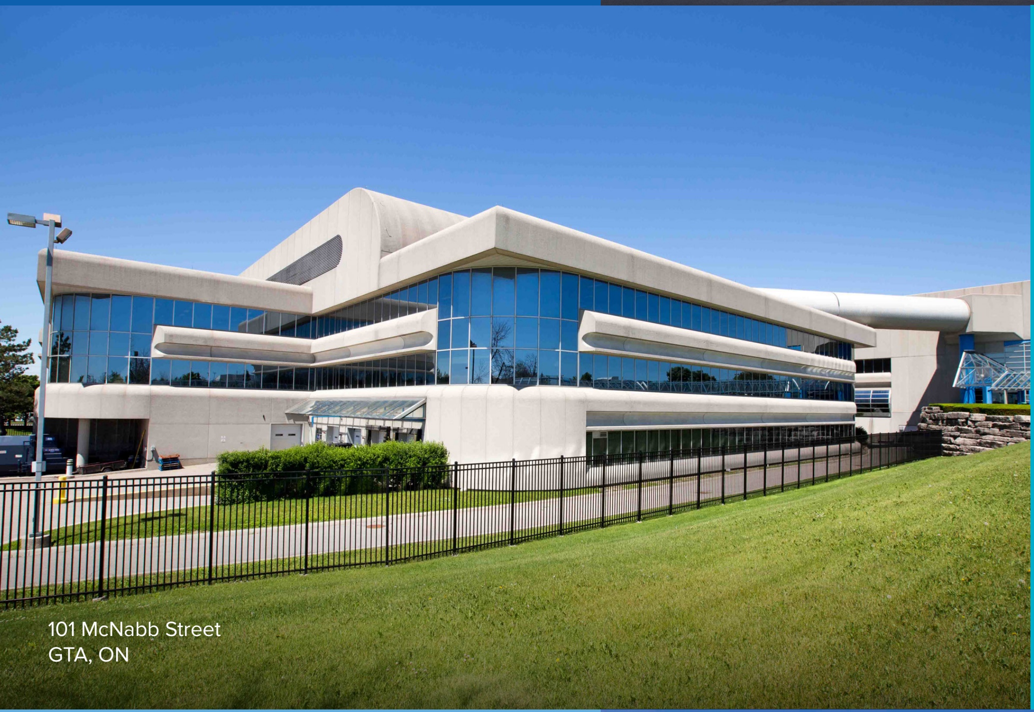
76%
Revenues Generated from Goverment & Credit-rated Tenants

(1) Based on June 30, 2020 closing price of $5.56

5900 Explorer Drive
GTA, ON

Stable
Contractual
Cash flow

6925 Century Avenue
GTA, ON



101 McNabb Street
GTA, ON

Highest Quality
Tenant Base

Shifting Focus
to 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") for the three and six months ended June 30, 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 and six months ended June 30, 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 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 or indirect impacts of the COVID-19 pandemic ("COVID-19") on the business, operations and financial condition of the REIT and its tenants, as well as on consumer behaviors and the economy in general, including the ability to enforce leases, perform capital expenditure work, increase rents and obtain mortgage financings. 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"), 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.

675 Cochrane Drive
GTA, ON

TABLE OF CONTENTS

BASIS OF PRESENTATION

The REIT's condensed consolidated financial statements for the three and six months ended June 30, 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 and six months ended June 30, 2020 ("Q2-2020") and ("YTD-2020"), respectively, three and six months ended June 30, 2019 ("Q2-2019") and ("YTD-2019"), respectively, and three months ended March 31, 2020 ("Q1-2020").

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 June 30, 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.

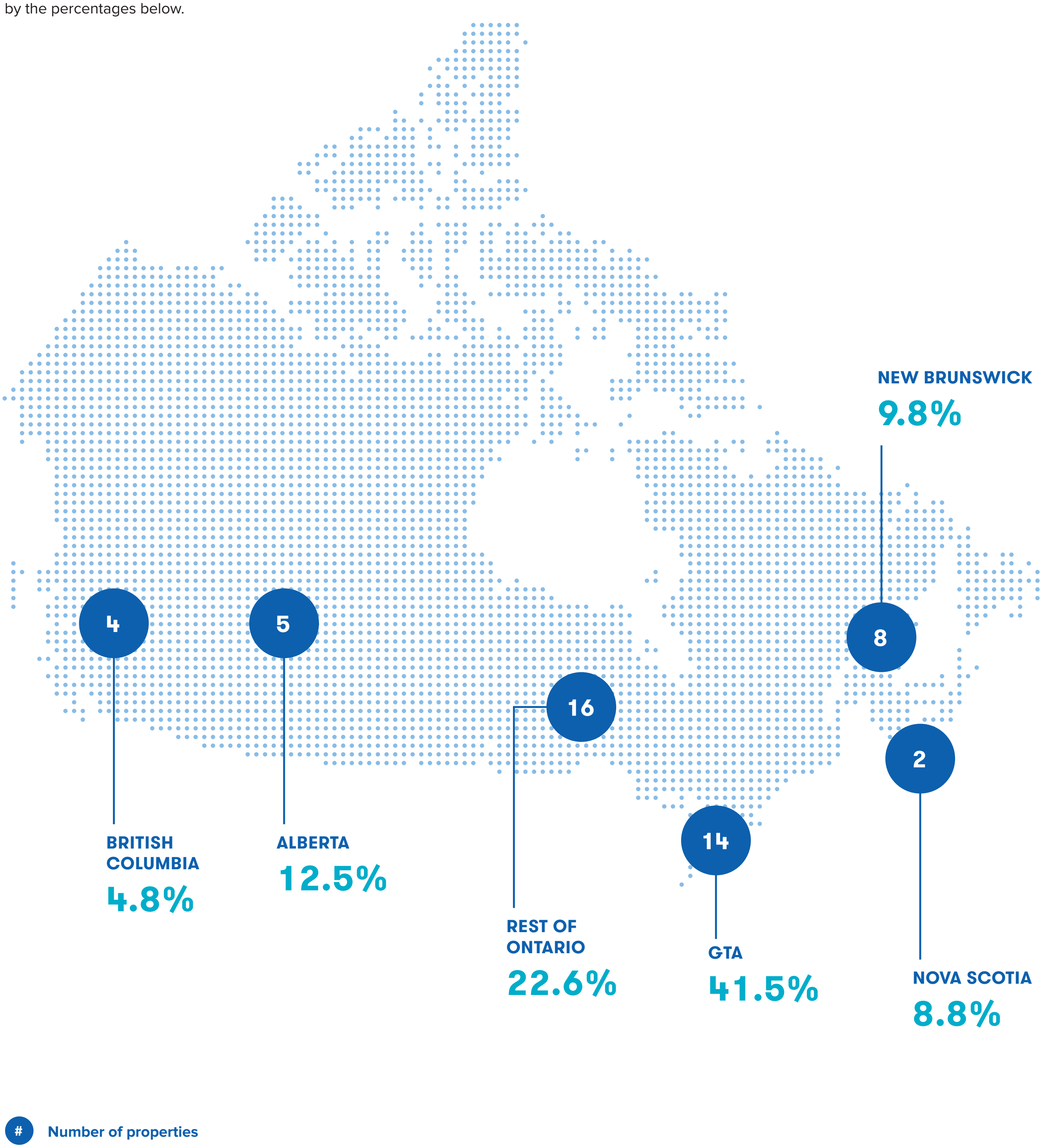
9200 Glenlyon Parkway
Burnaby, BC

PORTFOLIO OVERVIEW

As at June 30, 2020, the REIT's portfolio was comprised of 49 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 June 30, 2020 is denoted by the percentages below.



TENANT PROFILE

TNC's top 20 tenants account for 68% of its revenue. Approximately 76% of the REIT's portfolio revenue is generated by government and credit-rated tenants.

35%
government tenants

+

41%
credit-rated tenants

=

76%
total government and credit-rated tenants

The REIT's top 20 tenants as at June 30, 2020:

TENANT	% OF GROSS REVENUE	GLA	REMAINING LEASE TERM[1]
Federal Government of Canada	14.5%	662,400	5.9 years
Province of Alberta	9.4%	394,200	6.0 years
Province of Ontario	7.0%	313,300	2.9 years
TD Insurance	5.7%	275,600	4.6 years
Golder Associates Ltd.	3.7%	148,300	7.7 years
General Motors of Canada Company	3.6%	154,800	6.2 years
Province of New Brunswick	2.4%	172,400	2.3 years
Stantec Consulting Ltd.	2.3%	105,100	2.2 years
Lumentum Ottawa Inc.	2.2%	148,100	2.6 years
LMI Technologies Inc.	1.9%	90,600	6.6 years
Intact Insurance Co.	1.9%	77,800	4.9 years
Province of British Columbia	1.9%	81,600	7.4 years
General Dynamics Land Systems	1.9%	148,400	3.5 years
Staples Canada ULC	1.9%	122,000	13.3 years
EMS Technologies Canada, Ltd.	1.6%	107,200	4.2 years
Ceridian Canada Ltd.	1.6%	49,800	5.7 years
ADP Canada Co.	1.2%	65,600	1.0 years
Smucker Foods of Canada Corporation	1.2%	51,500	9.4 years
TransUnion Of Canada Inc.	1.1%	32,300	2.3 years
Prospera Credit Union	1.1%	52,300	4.3 years
Total	**68.1%**	**3,253,300**	**5.3 years**

(1) Weighted by annualized gross revenue.

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

Public Administration
33.5%

Services
23.4%

Finance, Insurance, Real Estate
16.9%

Manufacturing
14.0%

Other
12.2%

LEASING ACTIVITY

As at June 30, 2020, the REIT's portfolio was 97% occupied with a remaining lease term of 5.0 years.

Including leasing transactions completed subsequent to the quarter-end, the REIT has renewed or replaced 100% of tenants that had lease expiries in the first half of 2020. The REIT continues to outperform industry averages with a tenant retention rate of approximately 83% since inception.

The below table summarizes leasing activity achieved for the six months ended June 30, 2020:

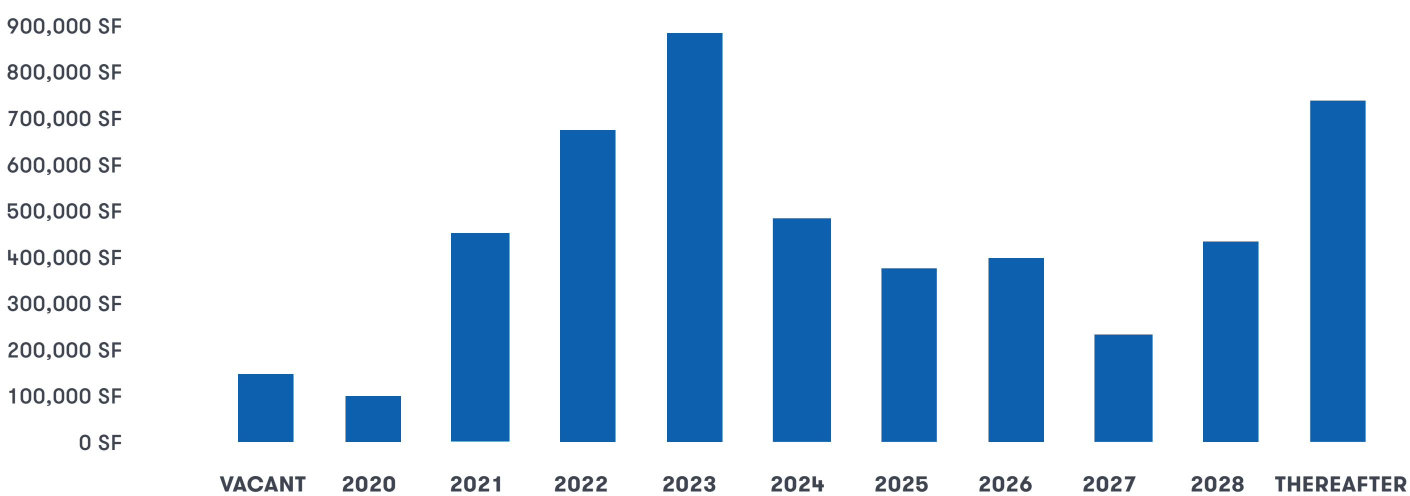
New lease deals	30,000 SF Leasable Area	8.3 YR Weighted Average Lease Term	
Lease renewals and replacements	402,000 SF Leasable Area	8.5 YR Weighted Average Lease Term	6.4% % Increase in Net Rents

In Q2-2020, the REIT successfully concluded approximately 56,000 square feet (YTD – 432,000 square feet) of leasing transactions. Most transactions were completed within the last weeks of the second quarter as provinces began lifting certain restrictions and businesses started reopening.

Overall, the REIT achieved a 6.4% increase in net rents over expiring rates on lease renewals and replacements with a 8.5 year weighted average lease term. In Q2-2020, the REIT's largest leasing transactions were completed outside of the GTA, including 10,187 square feet in Miramichi, NB and 7,396 square feet in Edmonton, AB. YTD-2020 includes a key ten-year renewal with the Federal Government of Canada at 340 Laurier Avenue West in Ottawa, ON totaling 272,705 square feet.

LEASE ROLLOVER PROFILE

As at June 30, 2020, the lease rollover profile of the REIT was as follows:



Lease maturities are based on the square footages of the REIT's leases.

IMPACT OF COVID-19

The REIT continues to perform well as COVID-19 restrictions begin to lift across the country. Rent collections during the quarter remained high due to the REIT's high quality tenant base as 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 August 5, 2020, the REIT had received on average approximately 99% of Q2-2020 and July contractual rent. The REIT continues to work with those tenants in need of financial assistance. In addition to short-term rent deferrals, the REIT supports eligible tenants by participating in the Canada Emergency Commercial Rent Assistance ("CECRA") program. The CECRA program provides qualifying small businesses with a 75% rent abatement for five months commencing April 1, 2020, of which 25% is forgone by landlords and 50% is funded by the Federal/Provincial governments by way of a forgivable loan. Currently, 16 of our tenants are participating in the CECRA program (representing approximately 38,000 square feet of leased space). As of the date hereof, this has resulted in a minimal impact on the REIT's overall portfolio. The REIT's 25% rental contribution granted to tenants pursuant to the CECRA program resulted in a $70 expense recognized in property operating costs during Q2-2020. The REIT agreed to defer approximately $220 of Q2-2020 rental payments for certain tenants to be repaid by the end of 2020.

At the end of Q2-2020, the REIT had access to approximately $55,000 of cash and undrawn credit facilities. With a weighted average maturity of 4.42 years for our mortgage portfolio, we also have limited refinancing exposure with only 5.0% of our portfolio maturing from now until the end of 2021. Moreover, the REIT is currently in the advanced stages of refinancing the remaining 2020 maturities which is expected to provide the REIT with additional liquidity of $2,200. We have also taken advantage of the incentives offered by Federal, Provincial and Municipal governments by deferring property tax payments (where applicable) in order to preserve cash.

The REIT is continuing to review the value of its properties affected by the COVID-19 pandemic. The REIT revises 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 approximately 76% 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. The REIT remains committed to owning high-quality assets with long term value propositions.

It is difficult to forecast the duration and full scope of the unprecedented economic impact of COVID-19 and the 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, future demand for space and market rents, all of which ultimately impact the underlying valuation of the REIT's investment properties. See "Risks and Uncertainties" for a discussion about the risks associated with the COVID-19 pandemic.

While the situation continues to evolve and we move toward a "new normal" in the short to medium term, the REIT is confident the strategic measures implemented to date will help to ensure our continued success and our ability to provide value to Unitholders.

SECOND QUARTER AND YEAR TO DATE HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

The REIT completed another successful quarter with positive financial results for Q2-2020. During the past twelve months, the REIT has increased its portfolio by approximately 1.1 million square feet. At the end of Q2-2020, occupancy remained stable at 97% from Q1-2020 and our average remaining lease term increased to 5.0 years from 4.0 years at the end of Q2-2019.

Acquisitions totaling $395,800 during the latter part of Q4-2019 have been the main contributor to the increase in revenue and NOI of 33% and 39%, respectively when compared to Q2-2019. While our Same Property NOI has experienced an overall decline of 1.9%, 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 0.9%. The impact of the REIT's participation in the CECRA program resulted in a decrease of 0.4%. 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 per Unit on both a basic and diluted basis have remained stable when compared to Q2-2019 at $0.15. AFFO per Unit on both a basic and diluted basis have decreased $0.01 compared to Q2-2019 mainly due to the decrease in Same Property NOI.

The REIT contractually leased and renewed approximately 56,000 square feet during the quarter with an average increase of approximately 2.5% over expiring rates on renewals. We secured a high quality tenant totaling 10,187 square feet in Miramichi, New Brunswick. The REIT also completed a 7,396 square foot lease at 13140 St. Albert Trail in Edmonton, Alberta increasing occupancy to 77% with rents expected to commence in Q4-2020. As COVID-19 restrictions began to lift and provinces began reopening, leasing activity increased during the quarter allowing us to successfully increase rates and attract new tenants.

Overall in 2020, the REIT contractually leased and renewed approximately 432,000 square feet with a weighted average lease term of 8.5 years and an average increase of approximately 6.4% over expiring rates. YTD-2020 includes a key ten-year renewal with the Federal Government of Canada at 340 Laurier Avenue West in Ottawa, Ontario totaling 272,705 square feet.

During Q2-2020 the REIT refinanced three mortgages totaling $35,780 with a weighted average fixed interest rate of 2.96% for five and ten year terms resulting in additional liquidity of approximately $14,500, net of costs. For the six months ended June 30, 2020, the REIT refinanced ten mortgages totaling $129,280 with a weighted average fixed interest rate of 3.12% and weighted average term to maturity of 8.0 years providing the REIT with additional liquidity of approximately $39,900. The REIT's weighted average term to maturity of its mortgage portfolio is 4.42 years with a weighted average fixed interest rate of 3.37%.

	Three months ended June 30		Six months ended June 30	
	2020	**2019**	**2020**	**2019**
Portfolio				
Number of properties			49	46
Portfolio GLA			4,836,600 sf	3,721,700 sf
Occupancy rate			97 %	96 %
Remaining weighted average lease term			5.0 years	4.0 years
Revenue from government and credit rated tenants			76 %	80 %
Financial				
Revenue	$ 33,999	$ 25,489	$ 69,328	$ 51,256
NOI	20,991	15,151	42,100	29,971
Net income and comprehensive income	4,462	12,256	22,072	13,608
Same Property NOI	15,536	15,839	30,067	30,412
Same Property NOI growth	(1.9) %	0.2 %	(1.1) %	0.8 %
FFO	$ 13,457	$ 9,471	$ 26,630	$ 18,412
FFO per Unit - Basic	0.15	0.15	0.30	0.30
FFO per Unit - Diluted	0.15	0.15	0.30	0.29
AFFO	$ 12,907	$ 9,163	$ 25,494	$ 17,798
AFFO per Unit - Basic	0.14	0.15	0.29	0.29
AFFO per Unit - Diluted	0.14	0.15	0.29	0.28
AFFO payout ratio - Diluted	103 %	102 %	104 %	105 %
Distributions declared	$ 13,250	$ 9,184	$ 26,438	$ 18,336

Key Debt Metrics

	June 30, 2020	December 31, 2019
Indebtedness to GBV ratio	58.2 %	57.6 %
Interest coverage ratio	3.01 x	3.01x
Indebtedness - weighted average fixed interest rate	3.37 %	3.38 %
Indebtedness - weighted average term to maturity	4.42 years	3.87 years

QUARTERLY INFORMATION

	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18
Revenue	$33,999	$35,329	$29,533	$25,668	$25,489	$25,767	$24,947	$22,501
Property operating costs	(13,008)	(14,220)	(12,411)	(10,696)	(10,338)	(10,947)	(10,506)	(9,196)
NOI	20,991	21,109	17,122	14,972	15,151	14,820	14,441	13,305
General and administration expenses	(1,495)	(1,196)	(1,498)	(1,387)	(1,041)	(1,608)	(644)	(783)
Finance costs	(7,261)	(7,182)	(5,698)	(5,053)	(5,181)	(5,100)	(4,836)	(4,169)
Transaction costs on sale of investment properties	—	—	—	(581)	—	—	(403)	—
Distributions on Class B LP Units	(572)	(573)	(613)	(634)	(634)	(634)	(634)	(634)
Fair value adjustment of Class B LP Units	(2,699)	9,370	(1,555)	(1,323)	171	(4,226)	4,140	86
Fair value adjustment of investment properties	(3,967)	1,176	(6,081)	3,195	3,891	(1,620)	7,913	2,065
Unrealized gain (loss) on change in fair value of derivative instruments	(535)	(5,094)	(252)	(44)	(101)	(280)	(314)	130
Net income and comprehensive income for the period	$ 4,462	$ 17,610	$ 1,425	$ 9,145	$12,256	$ 1,352	$19,663	$10,000
FFO per Unit - basic	$ 0.15	$ 0.15	$ 0.14	$ 0.15	$ 0.15	$ 0.15	$ 0.14	$ 0.14
AFFO per Unit - basic	$ 0.14	$ 0.14	$ 0.13	$ 0.15	$ 0.15	$ 0.14	$ 0.14	$ 0.14
AFFO per Unit - diluted	$ 0.14	$ 0.14	$ 0.13	$ 0.15	$ 0.15	$ 0.14	$ 0.14	$ 0.14
AFFO payout ratio - basic	103 %	105 %	111 %	101 %	100 %	106 %	106 %	106 %
AFFO payout ratio - diluted	103 %	105 %	112 %	102 %	102 %	108 %	107 %	107 %
Number of investment properties	49	49	49	45	46	46	45	45
Occupancy rate	97 %	97 %	97 %	97 %	96 %	96 %	97 %	97 %

Revenue decreased $1,330 or 4% during the quarter mainly due to a decrease in recovery revenue as property operating costs declined. Property operating costs decreased due to lower seasonal and utilities costs. Work-from-home orders impacted utility consumption across the portfolio. Parking revenue also declined due to less foot traffic at certain properties. The REIT's 25% rental contribution granted to tenants as part of the CECRA program resulted in a $70 decrease to NOI. Occupancy remained stable quarter over quarter at 97%.

General and administration expenses increased compared to the previous quarter due to the revaluation of Unit-based compensation which resulted in an unrealized fair value loss of $137 in Q2-2020 compared to an unrealized gain of $389 in Q1-2020. Excluding the unrealized gain/loss on Unit-based compensation, general and administration expenses decreased as a result of annual tax and audit fees recognized in Q1-2020.

Finance costs increased during the quarter due to a full quarter of interest expense incurred on additional debt from properties refinanced in Q1-2020.

The continued forecasted decline in interest rates has resulted in an unrealized loss of $535 on the revaluation of interest rate swaps for the quarter.

ANALYSIS OF FINANCIAL PERFORMANCE

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Revenue	$ 33,999	$ 25,489	$ 69,328	$ 51,256
Expenses:				
Property operating costs	(7,845)	(6,209)	(16,620)	(12,954)
Realty taxes	(5,163)	(4,129)	(10,608)	(8,331)
NOI	$ 20,991	$ 15,151	$ 42,100	$ 29,971
Other income (expenses):				
General and administration expenses	(1,495)	(1,041)	(2,691)	(2,649)
Finance costs	(7,261)	(5,181)	(14,443)	(10,281)
Distributions on Class B LP Units	(572)	(634)	(1,145)	(1,268)
Fair value adjustment of Class B LP Units	(2,699)	171	6,671	(4,055)
Fair value adjustment of investment properties	(3,967)	3,891	(2,791)	2,271
Unrealized loss on change in fair value of derivative instruments	(535)	(101)	(5,629)	(381)
Net income and comprehensive income	$ 4,462	$ 12,256	$ 22,072	$ 13,608

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 33% and 39%, respectively, compared to the same quarter in 2019. Acquisitions totaling $395,800 during the latter part of Q4-2019 were the main contributor to the increase and explain the higher property operating costs and realty taxes. Same Property NOI decreased 1.9% 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 Q2-2019 which has also contributed to the positive increase in NOI.

SAME PROPERTY ANALYSIS

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

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Number of properties	45	45	44	44
Revenue	$ 23,921	$ 25,268	$ 47,369	$ 49,495
Expenses:				
Property operating	(5,992)	(6,160)	(12,368)	(12,552)
Realty taxes	(4,087)	(4,119)	(8,072)	(8,057)
	$ 13,842	$ 14,989	$ 26,929	$ 28,886
Add:				
Amortization of leasing costs and tenant inducements	1,083	568	1,915	956
Straight-line rent	611	282	1,223	570
Same Property NOI	$ 15,536	$ 15,839	$ 30,067	$ 30,412

Same Property Occupancy

	As at June 30	
	2020	2019
Alberta	89.3 %	98.3 %
British Columbia	100.0 %	100.0 %
New Brunswick	93.5 %	89.8 %
Nova Scotia	92.5 %	91.9 %
Ontario	98.3 %	98.0 %
Total	96.1 %	96.4 %

Same Property NOI

	Three months ended June 30			
	2020	2019	Variance	Variance %
Alberta	$ 1,735	$ 2,183	$ (448)	(20.5)%
British Columbia	1,260	1,183	77	6.5 %
New Brunswick	1,249	1,242	7	0.6 %
Nova Scotia	1,600	1,559	41	2.6 %
Ontario	9,692	9,672	20	0.2 %
	$ 15,536	$ 15,839	$ (303)	(1.9)%

Q2-2020 Same Property NOI decreased 1.9% and 1.1% YTD-2020.

The vacancy at 13140 St. Albert Trail located in Edmonton, Alberta continues to negatively impact the REIT's Same Property NOI growth. The REIT completed a 7,396 square foot lease during the quarter with rents expected to commence in Q4-2020 which has resulted in an increase in occupancy of 8% to 77%. Excluding the impact of this property, Same Property NOI would have increased 0.9% for the quarter and 1.8% YTD-2020. Same Property NOI was negatively impacted by the REIT's participation in the CECRA program and the 25% rental contribution granted to tenants, resulting in a decrease of 0.4% in Q2-2020.

Same Property NOI growth in British Columbia and Nova Scotia was favourable due to increased revenue from contractual rent step ups.

Ontario Same Property NOI increased due to occupancy increases and contractual rent step ups offset by a decrease in parking revenue at certain properties.

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 increased $454 or 44% in Q2-2020 compared to the same period in 2019 mainly due to an increase in asset management fees and changes in the fair value of Unit-based compensation, which was impacted by fluctuations in the REIT's Unit price.

The increase in general and administration expenses of $42 or 2% YTD-2020 compared to YTD-2019 is due to the changes in fair value of Unit-based compensation which resulted in an unrealized fair value gain of $251 in 2020 compared to an unrealized loss of $408 in 2019. Excluding the unrealized gain/loss on Unit-based compensation, general and administration expenses increased 30% due to portfolio growth.

FINANCE COSTS

The REIT's finance costs for the three and six months ended June 30, 2020 and 2019 are summarized below. Finance costs exclude cash distributions and fair value adjustments on Class B LP Units.

	Three months ended June 30		Six months ended June 30	
	2020	**2019**	**2020**	**2019**
Interest on mortgages payable	$ 6,951	$ 4,689	$ 13,798	$ 9,361
Other interest expense and standby fees	17	232	82	416
Amortization of mortgage discounts (premiums)	(6)	(8)	(12)	(17)
Amortization of financing costs	299	268	575	521
Total finance costs	$ 7,261	$ 5,181	$ 14,443	$ 10,281

The increase in interest on mortgages payable in Q2-2020 and YTD-2020 is due to additional borrowing associated with acquisitions completed in Q4-2019 and refinancings completed in Q1-2020.

Other interest expense and standby fees relate to costs incurred on the REIT's credit facilities. The credit facilities were undrawn in Q2-2020 and for the majority of YTD-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 $572 in Q2-2020 ($634 - Q2-2019) and $1,145 in YTD-2020 ($1,268 - YTD-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 loss of $2,699 in Q2-2020 is due to an increase in the trading price of the Units from $4.86 at March 31, 2020 to $5.56 at June 30, 2020. The fair value gain of $6,671 in YTD-2020 is due to a decrease in the trading price of the Units from $7.29 at December 31, 2019 to $5.56 at June 30, 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.

For the three and six months ended June 30, 2020, the REIT had a fair value loss of $3,967 and $2,791, respectively. The fair value loss was primarily impacted by revised rent growth and lease renewal assumptions, which was partially offset by positive leasing activity and contractual rent step-ups.

The key valuation assumptions for the REIT’s investment properties as at June 30, 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	6.29%	6.39%
Discount rates - range	5.75% to 10.25%	5.75% to 10.25%
Discount rate - weighted average	7.08%	7.14%

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 June 30, 2020 were $100,697 (December 31, 2019 - $129,488). Unrealized loss on change in the fair value of the derivative instruments totaled $535 in Q2-2020 ($101 - Q2-2019) and $5,629 in YTD-2020 ($381 - YTD-2019). The increase in the unrealized loss is due to interest rate cuts in response to the COVID-19 pandemic and the decrease in projected future interest rates.

With the expectation that interest rates will not increase quickly or significantly, the future projected monthly CDOR rate has remained low which has increased the monthly projected payable on the interest rate swap. Given the interest rate swap removes the floating rate exposure on the REIT's debt and replaces it with fixed, this unrealized loss is not a loss in itself, but represents the opportunity cost of not maintaining the 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 June 30		Six months ended June 30	
	2020	2019	2020	2019
Net income and comprehensive income	$ 4,462	$ 12,256	$ 22,072	$ 13,608
Add (deduct):				
Fair value adjustment of Unit-based compensation	138	(33)	(251)	408
Fair value adjustment of investment properties	3,967	(3,891)	2,791	(2,271)
Fair value adjustment of Class B LP Units	2,699	(171)	(6,671)	4,055
Distributions on Class B LP Units	572	634	1,145	1,268
Unrealized loss on change in fair value of derivative instruments	535	101	5,629	381
Amortization of leasing costs and tenant inducements	1,084	575	1,915	963
FFO	$ 13,457	$ 9,471	$ 26,630	$ 18,412
Add (deduct):				
Non-cash compensation expense	41	34	78	60
Amortization of financing costs	299	268	575	521
Amortization of mortgage discounts	(6)	(8)	(12)	(17)
Instalment note receipts	29	44	59	89
Straight-line rent	290	283	570	570
Capital reserve [(1)]	(1,203)	(929)	(2,406)	(1,837)
AFFO	$ 12,907	$ 9,163	$ 25,494	$ 17,798
FFO per Unit:				
Basic	$ 0.15	$ 0.15	$ 0.30	$ 0.30
Diluted	$ 0.15	$ 0.15	$ 0.30	$ 0.29
AFFO per Unit:				
Basic	$ 0.14	$ 0.15	$ 0.29	$ 0.29
Diluted	$ 0.14	$ 0.15	$ 0.29	$ 0.28
AFFO payout ratio:				
Basic	103 %	100 %	104 %	103 %
Diluted	103 %	102 %	104 %	105 %
Distributions declared	$ 13,250	$ 9,184	$ 26,438	$ 18,336
Weighted average Units outstanding (000s):				
Basic	89,146	61,807	88,953	61,698
Add:				
Unit options and Deferred Units	26	1,076	22	1,037
Diluted	89,172	62,883	88,975	62,735

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 FFO and AFFO increased $3,986, or 42% and $3,744, or 41%, respectively in Q2-2020 over the comparable period in the prior year. The increase in FFO and AFFO was largely a result of higher NOI attributable to acquisition activity over the last twelve months, partially offset by slightly lower same property NOI due to the aforementioned transitional vacancy at 13140 St. Albert Trail.

FFO basic and diluted per Unit decreased $0.002 and $0.001, respectively to $0.15 in Q2-2020 compared to Q2-2019 and AFFO basic and diluted per Unit decreased $0.004 and $0.002, respectively to $0.14 in Q2-2020.

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").

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 June 30	Six months ended June 30	Years ended December 31	
	2020	2020	2019	2018
Distributions declared	$ 13,250	$ 26,438	$ 40,609	$ 33,045
Less: DRIP	(2,383)	(4,310)	(5,850)	(3,616)
Cash distributions paid	$ 10,867	$ 22,128	$ 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 June 30	Six months ended June 30	Years ended December 31	
	2020	2020	2019	2018
Net income and comprehensive income	$ 4,462	$ 22,072	$ 24,178	$ 49,620
Cash flow provided by operating activities	23,999	47,449	58,594	53,311
Less: Interest paid	(6,694)	(13,487)	(19,805)	(14,811)
Adjusted cash flow provided by operating activities	17,305	33,962	38,789	38,500
Declared basis:				
Excess (shortfall) of net income and comprehensive income over distributions	(8,788)	(4,366)	(16,431)	16,575
Excess (shortfall) of adjusted cash flow provided by operating activities over distributions	4,055	7,524	(1,820)	5,455
Cash basis:				
Excess (shortfall) of net income and comprehensive income over distributions	(6,405)	(56)	(10,581)	20,191
Excess of adjusted cash flow provided by operating activities over distributions	6,438	11,834	4,030	9,071

Net income and comprehensive income was lower than declared and cash distributions during the quarter and YTD-2020 primarily due to the fair value adjustments on investment properties and derivative instruments which are non-cash adjustments.

Adjusted cash flow provided by operating activities was higher than declared distributions by $4,055 and $7,524 for the quarter and YTD-2020, respectively. In Q2-2020 adjusted cash flow provided by operating activities was higher than cash distributions by $6,438 and $11,834 for YTD-2020. 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 June 30		Six months ended June 30	
	2020	**2019**	**2020**	**2019**
Adjusted cash flow provided by operating activities	$ 17,305	$ 7,823	$ 33,962	$ 16,248
Non-cash compensation expense	(6)	(19)	81	(40)
Change in finance costs payable	(274)	43	(393)	(34)
Instalment note receipts	29	44	59	89
Capital reserve	(1,203)	(929)	(2,406)	(1,837)
Change in non-cash operating working capital	(2,944)	2,201	(5,809)	3,372
AFFO	$ 12,907	$ 9,163	$ 25,494	$ 17,798

AFFO of $12,907 was less than distributions declared by $343 and exceeded distributions paid by $2,040 in Q2-2020. YTD-2020 AFFO of $25,494 was less than distributions declared by $944 and exceeded distributions paid by $3,366. The REIT expects to be able to fund distributions from adjusted cash flow provided by operating activities on a go forward basis.

CAPITAL RESERVE

The REIT's capital reserve represents a reserve for capital expenditures, tenant inducemtns and leasing costs. 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 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 ("AIF") dated March 3, 2020. Also see "Risks and Uncertainties".

As at June 30, 2020, the REIT has access to approximately $55,000 of cash and undrawn credit facilities. With a weighted average maturity of 4.42 years for its mortgage portfolio, the REIT also has limited refinancing exposure with only 5.0% of its 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 facility; 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:

		June 30, 2020		December 31, 2019
Cash	$	34,512	$	5,669
Undrawn credit facilities		20,000		55,000
Available funds	$	54,512	$	60,669

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 2020 and beyond. Capital expenditure projects were reduced in the first half of the year and new projects that were slated 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 facility and cash on hand. For the six months ended June 30, 2020 and 2019, the REIT invested $12,114 and $7,258 respectively, in capital and leasing expenditures.

ASSET PROFILE

INVESTMENT PROPERTIES

The following table summarizes changes in the REIT's investment properties for the six months ended June 30, 2020 and 2019:

		Investment properties
Balance, December 31, 2018	$	928,137
Acquisitions		25,342
Additions		7,258
Amortization of leasing costs, tenant inducements and straight-line rents		(656)
Fair value adjustment		2,271
Balance, June 30, 2019		962,352
Acquisitions		405,452
Additions		7,183
Dispositions		(8,700)
Amortization of leasing costs, tenant inducements and straight-line rents		(884)
Fair value adjustment		(2,886)
Balance, December 31, 2019		1,362,517
Additions		12,114
Amortization of leasing costs, tenant inducements and straight-line rents		(453)
Fair value adjustment		(2,791)
Balance, June 30, 2020	$	1,371,387

ADDITIONS

Additions to investment properties for the six months ended June 30, 2020 were $12,114, consisting of the following:

- Capital expenditures of $1,258 mainly for common area renovations, parking upgrades and equipment replacement at certain properties; and
- Tenant inducements and leasing commissions of $10,856 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 June 30, 2020, the REIT had $357 in instalment notes receivable compared to $400 at December 31, 2019.

PREPAID EXPENSES AND DEPOSITS

At June 30, 2020, the REIT had $3,010 in prepaid expenses and deposits, compared to $3,202 at December 31, 2019. The decrease is due to a decrease in prepaid realty taxes, offset by increase in prepaid insurance.

DEBT

MORTGAGES PAYABLE

The following table sets out, as at June 30, 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	$ 11,266	$ 21,004	$ 32,270	3.9 %	2.98 %	$ 13,573
2021	22,879	15,211	38,090	4.6 %	2.70 %	26,322
2022	21,446	147,764	169,210	20.5 %	3.33 %	23,842
2023	15,607	141,596	157,203	19.0 %	3.65 %	16,731
2024	13,983	79,399	93,382	11.3 %	3.39 %	13,644
Thereafter	22,975	313,236	336,211	40.7 %	3.34 %	18,724
	$ 108,156	$ 718,210	$ 826,366	100.0 %	3.37 %	$ 112,836
Unamortized mark to market mortgage adjustments			240			
Unamortized financing costs			(4,200)			
			$ 822,406			

Mortgages payable have a weighted average fixed interest rate of 3.37% (December 31, 2019 – 3.38%) and a weighted average term to maturity of 4.42 years (December 31, 2019 – 3.87 years).

CREDIT FACILITY

The REIT has a credit agreement with a Canadian chartered bank for a $20,000 (December 31, 2019 - $20,000) unsecured floating rate 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 June 30, 2020 (December 31, 2019 - $0).

INDEBTEDNESS TO GBV

As at June 30, 2020, the REIT's overall leverage, as represented by the ratio of Indebtedness to GBV was 58.2% 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 June 30, 2020 and December 31, 2019.

	June 30, 2020	December 31, 2019
Total assets	$ 1,413,936	$ 1,375,556
Deferred financing costs	6,143	5,578
GBV	$ 1,420,079	$ 1,381,134
Mortgages payable	822,406	792,583
Unamortized financing costs and mark to market mortgage adjustments	3,960	3,273
Indebtedness	$ 826,366	$ 795,856
Indebtedness to GBV	**58.2 %**	**57.6 %**

In the first half of 2020, the REIT refinanced ten mortgages totaling $129,280 resulting in additional liquidity of approximately $39,900, 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 June 30, 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 June 30	
	2020	**2019**
Net income and comprehensive income	$ 32,642	$ 43,271
Add (deduct):		
Interest expense	24,092	18,362
Fair value adjustment of Unit-based compensation	706	(6)
Transaction costs on sale of investment property	581	403
Fair value adjustment of investment properties	5,677	(12,249)
Fair value adjustment of Class B LP Units	(3,793)	(171)
Distributions on Class B LP Units	2,392	2,536
Unrealized loss on change in fair value of derivative instruments	5,925	565
Amortization of leasing costs, tenant inducements, mortgage premium (discounts) and financing costs	4,312	2,400
Adjusted EBITDA	$ 72,534	$ 55,111

	Twelve months ended June 30	
	2020	**2019**
Adjusted EBITDA	$ 72,534	$ 55,111
Interest expense	24,092	18,362
Interest coverage ratio	3.01 x	3.00 x

Interest coverage ratio for the period increased slightly due to higher interest income earned on cash on hand and 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 June 30, 2020, there were 3,856,182 Class B LP Units issued and outstanding valued at $21,440 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 $5.56 at June 30, 2020.

There have been no further changes in the Class B LP Units outstanding as of August 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 six months ended June 30, 2020:

	Units	Amount
Balance at December 31, 2019	84,762,429	$ 519,197
Issue of Units – DRIP	725,124	4,310
Issue of Units – options exercised	35,112	271
Issuance costs	—	(215)
Balance at June 30, 2020	85,522,665	$ 523,563

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

Balance at June 30, 2020	85,522,665
Issuance of Units - DRIP	161,488
Balance at August 5, 2020	85,684,153

INCENTIVE UNIT PLAN

On June 10, 2019, the REIT established an incentive trust unit plan (the "Incentive Unit Plan"). 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 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) 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 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.

The following table summarizes changes in Incentive Units for the six months ended June 30, 2020:

	Incentive Units		Amount
Balance, December 31, 2019	16,977		121
Incentive Units granted	16,350		78
Fair value adjustments	—		(14)
Balance, June 30, 2020	33,327	$	185

The number of Incentive Units outstanding as of August 5, 2020 is 76,077 which includes 42,457 restricted units granted on July 15, 2020 at a price of $5.64 per Unit.

UNIT OPTION PLAN

On June 10, 2019 the Unit option plan was 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 June 30, 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 June 30, 2020, the REIT had entered into commitments for building renovations totaling $916 (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 June 30, 2020 and 2019:

	Three months ended June 30		Six months ended June 30	
	2020	**2019**	**2020**	**2019**
Asset management fees	$ 1,130	$ 791	$ 2,258	$ 1,564
Acquisition fees	—	—	—	245
Other expenses	25	22	53	46
Total	$ 1,155	$ 813	$ 2,311	$ 1,855

At June 30, 2020, $386 (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 six months ended June 30, 2020 and 2019.

RISKS AND UNCERTAINTIES

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

COVID-19 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 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 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, and continues to diligently work with its service providers to remain operational through the pandemic. The REIT has an evolving a specific response plan and a crisis management team that is in regular communication with our tenants.

As the Canadian economy begins to reopen, 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 REIT continues to monitor this evolving situation and will implement any further measures that it considers to be in the best interests of its employees, tenants, suppliers or other stakeholders, as necessary.

The REIT 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. 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 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 the CECRA program. The REIT's 25% rental contribution granted to tenants pursuant to the CECRA program has resulted in a $70 expense recognized in property operating costs. For the six months ended June 30, 2020, the REIT has agreed to defer rental payments of approximately $220 for certain tenants to be repaid by the end of 2020.

In response to the work-from-home measures resulting from 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.

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 properties and investments 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 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; submission and processing of various applications and approvals; 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.

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. 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.

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 estimates and significant judgements have been identified by management due to the recent events surrounding the COVID-19 pandemic.

INVESTMENT PROPERTIES

Throughout Canada, investment activity in the second quarter remained limited. The fair value of the REIT’s investment properties at June 30, 2020 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 approximately 76% 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
Derivative instrument	Fair value
Deposits	Amortized cost
Tenant and other receivables	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

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 amendment effective January 1, 2020.

Amendment to IFRS 3: Definition of a Business ("IFRS 3")

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.

This amendment has 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 and six months ended June 30, 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 and six months June 30, 2020.

OUTLOOK

Management remains focused on ensuring the safety of our tenants during this pandemic. As work-from-home orders are lifted in stages, it is unclear what the "new normal" will look like so it is imperative to stay flexible and adaptable. The REIT continues to stay engaged with its tenants to ensure all tenant and employee concerns are promptly and meaningfully addressed. Our resilience since the outbreak of the pandemic has proven that we can succeed, as seen through our high rent collections and positive operating results during the quarter. The REIT has successfully collected on average approximately 99% of Q2-2020 and July contractual rent. This is reflective of the high quality of our tenant base. The REIT has strong liquidity with approximately $55,000 in cash and undrawn credit facilities. Management is confident that the strategic and operational decisions made over the past few months will help ensure the REIT's continued success and provide value to our Unitholders.

On July 15, 2020 the Bank of Canada's ("BoC") new governor, Tiff Macklem, made his first interest rate announcement, and immediately deviated from the traditionally qualified projections of his predecessors. He emphasized the need for 'unusually clear' guidance on rates, with the intention of providing assurances to Canadians around the cost of borrowing. This forward guidance on rates, meant to boost confidence, has not been utilized by the BoC since the 2008 recession. In the announcement, the BoC chose to hold the overnight lending rate steady at 0.25% and stated that there would be no further rate changes until inflation returns to the 2% range, which is not expected until late 2022 at the earliest. Further, the BoC is maintaining its fiscal and monetary stimulus by continuing the approximately $5 billion weekly bond purchasing programme until the economy recovers.

Entering the second quarter under the spectre of COVID-19, data shows the worst-case scenario predicted in the April 2020 Monetary Policy Report for the Canadian economy has been avoided, for now. The stimulus packages provided by the Federal government have assisted in insulating the economy, and barring a second wave of COVID-19 (or any other unpredicted events or occurrences), projections suggest a slow and deliberate recovery over the next two years.

For commercial real estate, interest rate certainty provided by Governor Macklem is welcome news, allowing landlords to focus their efforts on tenant retention rather than interest rate risk. The Q2-2020 office market reports has been positive, with minimal increases in vacancy across the major markets, albeit with a larger than average increase in sublet availability. However, it must be cautioned that while most office leases in Canada are between 60 and 120 months in duration, and tenants require 12-18 months on average to complete a relocation, the pandemic has been ongoing for six months, and so the full effect has not yet been felt.

The strength of the Canadian office market pre-pandemic is paying dividends. The nationwide vacancy rate rose 70 bps to 10.0%, a level traditionally attributed to a balanced market. The foregoing data is also skewed by vacancy rates in Calgary and Edmonton, as vacancy rates in other, larger markets such as Toronto and Vancouver are much lower at 6.8% and 4.6%, respectively. The majority of Canada is in fact healthier than the headline figure indicates. Ottawa has proven to be a unique outlier, propped up by its exposure to Federal government tenancies, where vacancy actually fell to 7.2%, as did available sublet space.

Sublet space availability will be an important metric to monitor over the next six to 12 months as tenants that are negatively affected by the pandemic will try to terminate their lease arrangements in advance. Nationwide, the sublet rate is 1.7% of the total office inventory, up 11.3% from Q1-2020. For comparison purposes, the sublet rate jumped 12.5% in the 2008 recession, and peaked at 2.3% of inventory, indicating a better current sentiment than ten years ago.

Specific to the REIT, there has been an early shift in preference from urban core office space to suburban and near-urban space, aligning with employee preference to avoid public transit models during the pandemic, with suburban vacancy rising at half the rate of downtown core markets. While still early, this reflects well on the REIT's strategy to target urban assets which appeal to both suburban and urban tenants alike.

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

Dated: August 5, 2020
Toronto, Ontario, Canada

APPENDIX A - PROPERTY LISTING

Details of the REIT's property portfolio at June 30, 2020 is set out in the table below:

Property Name	City	Occupancy	Remaining Lease Term (1)	GLA
Alberta				
855 8th Avenue SW	Calgary	79 %	1.1 years	75,700
4500 & 4520 - 16th Avenue NW	Calgary	94 %	4.5 years	77,600
1020 68th Avenue NE	Calgary	100 %	3.5 years	148,400
3699 63rd Avenue NE	Calgary	100 %	8.4 years	209,400
13140 St. Albert Trail	Edmonton	77 %	4.4 years	95,200
British Columbia				
810 Blanshard Street	Victoria	100 %	4.6 years	34,400
727 Fisgard Street	Victoria	100 %	8.7 years	50,100
9200 Glenlyon Parkway	Burnaby	100 %	6.6 years	90,600
32071 South Fraser Way	Abbotsford	100 %	4.3 years	52,300
New Brunswick				
500 Beaverbrook Court	Fredericton	96 %	2.4 years	55,600
295 Belliveau Avenue	Shediac	100 %	1.6 years	42,100
410 King George Highway	Miramichi	74 %	3.0 years	72,700
551 King Street	Fredericton	100 %	2.1 years	85,300
495 Prospect Street	Fredericton	100 %	2.0 years	85,100
845 Prospect Street	Fredericton	100 %	1.7 years	39,000
414-422 York Street	Fredericton	90 %	3.6 years	33,500
440-470 York Street	Fredericton	89 %	2.5 years	60,100
Nova Scotia				
36 & 38 Solutions Drive	Halifax	97 %	3.5 years	129,200
120, 130, 134 & 140 Eileen Stubbs Avenue	Halifax	90 %	3.8 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 %	6.6 years	121,400
251 Arvin Avenue	Hamilton	100 %	4.0 years	6,900
61 Bill Leathem Drive	Ottawa	100 %	2.6 years	148,100
777 Brock Road	Pickering	100 %	2.7 years	98,900
400 Carlingview Drive	Etobicoke	100 %	7.7 years	26,800
6865 Century Avenue	Mississauga	100 %	3.0 years	63,800
6925 Century Avenue	Mississauga	100 %	6.5 years	252,500
675 Cochrane Drive	Markham	100 %	4.1 years	368,900
1161 Crawford Drive	Peterborough	100 %	1.7 years	32,500
197-199 Dundas Street	London	40 %	1.4 years	20,200
520 Exmouth Street	Sarnia	100 %	6.4 years	34,700
529-533 Exmouth Street	Sarnia	100 %	1.7 years	15,400
5900 Explorer Drive	Mississauga	100 %	1.2 years	40,000
3115 Harvester Road	Burlington	100 %	2.2 years	78,800
135 Hunter Street East	Hamilton	100 %	3.1 years	24,400
340 Laurier Avenue West	Ottawa	99 %	9.5 years	279,100
360 Laurier Avenue West	Ottawa	100 %	2.3 years	107,100
400 Maple Grove Road	Ottawa	100 %	4.2 years	107,200
101 McNabb Street	Markham	100 %	6.2 years	315,400
78-90 Meg Drive	London	100 %	4.9 years	11,300
301 & 303 Moodie Drive	Ottawa	95 %	5.2 years	148,700
8 Oakes Avenue	Kirkland Lake	100 %	1.7 years	41,000
5160 Orbitor Drive	Mississauga	100 %	9.8 years	31,400
534 Queens Avenue	London	100 %	1.0 years	19,000
231 Shearson Crescent	Cambridge	100 %	3.9 years	60,600
6 Staples Avenue	Richmond Hill	100 %	13.3 years	122,000
2300 St. Laurent Boulevard	Ottawa	100 %	4.7 years	37,500
3650 Victoria Park Avenue	Toronto	96 %	3.1 years	154,400
80 Whitehall Drive	Markham	100 %	9.4 years	60,800
5775 Yonge Street	Toronto	100 %	4.2 years	274,200
Average/Total		97 %	5.0 years	4,836,600

(1) Weighted by annualized gross revenue.

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