



**TRUE NORTH COMMERCIAL
REAL ESTATE INVESTMENT TRUST**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF OPERATIONS AND FINANCIAL CONDITION**

FOR THE YEAR ENDED DECEMBER 31, 2017

March 7, 2018

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") dated March 7, 2018 for the years ended December 31, 2017 and 2016 should be read in conjunction with the REIT's annual audited consolidated financial statements for the years ended December 31, 2017 and 2016 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 purpose 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") and risks related to the REIT and its business. See "Risks and Uncertainties". 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, including the following: the Canadian economy will remain stable over the next 12 months; inflation will remain relatively low; interest rates will remain relatively stable; conditions within the real estate market, including competition for acquisitions, will be consistent with the current climate; the Canadian capital markets will provide the REIT with access to equity and/or debt at reasonable rates when required; Starlight Group Property Holdings Inc. ("Starlight") or an affiliate of Starlight will continue its involvement as asset manager of the REIT in accordance with its current asset management agreement; and the risks referenced above, collectively, will not have a material impact on the REIT. While management considers these assumptions to be reasonable based on currently available information, they may prove to be incorrect.

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 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 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"). AFFO is calculated as FFO subject to certain adjustments, including: 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 compensation expense related to unit-based incentive plans, and a deduction of a reserve for capital expenditures, tenant inducements, and leasing costs. Other adjustments may be made to AFFO as determined by the trustees of the REIT ("Trustees") in their discretion.

AFFO calculated by the REIT differs from the guidelines set out by Realpac by the following adjustments: (i) amortization of fair value mark-to-market adjustments on assumed mortgages; (ii) amortization of deferred financing costs; (iii) instalment note receipts; and (iv) non-cash compensation expense related to unit-based incentive plans. Management considers these non-cash adjustments important in determining the amount of sustainable cash available to fund future distributions to Unitholders.

NOI is defined by the REIT as rental revenue from property operations less property operating costs and property 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 that were owned for a full quarter or annual reporting period in both the current and comparative year. Adjustments are made to 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 before evaluating the effects attributable to acquisitions and dispositions.

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Indebtedness is defined in the REIT's second amended and restated declaration of trust ("DOT") made as of May 22, 2014, 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 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 of the REIT's operating performance.

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BASIS OF PRESENTATION

The REIT's annual audited consolidated financial statements for the years ended December 31, 2017 and 2016 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 December 31, 2017 ("Q4-2017"), year ended December 31, 2017 ("YTD-2017"), three months ended December 31, 2016 ("Q4-2016) and year ended December 31, 2016 ("YTD-2016").

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 and 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 December 31, 2017, the REIT owned and operated a portfolio of 39 commercial properties consisting of approximately 3.0 million square feet across Canada.

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, potential for capital appreciation, potential for increasing value through more efficient management of the assets being acquired and growth of FFO and AFFO per Unit.

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PORTFOLIO SUMMARY

At December 31, 2017 the REIT's portfolio was comprised of 39 commercial properties totaling approximately 3.0 million square feet of gross leasable area. The following tables highlights certain information about the REIT's properties as at December 31, 2017:

Property Name	City/ Town	Type	Occupancy	Remaining Lease Term ⁽¹⁾	GLA
Alberta					
855 8th Avenue SW	Calgary	Office	97%	3.2 years	75,700
4500 & 4520 - 16th Avenue NW	Calgary	Office	94%	6.8 years	77,600
13140 St. Albert Trail	Edmonton	Office	100%	1.9 years	96,800
British Columbia					
810 Blanshard Street	Victoria	Office	100%	2.1 years	34,400
727 Fisgard Street	Victoria	Office	100%	2.2 years	47,600
New Brunswick					
500 Beaverbrook Court	Fredericton	Office	100%	4.2 years	55,600
295 Belliveau Avenue	Shediac	Office	100%	4.1 years	42,100
410 King George Highway	Miramichi	Office	100%	3.5 years	73,200
551 King Street	Fredericton	Office	96%	4.7 years	85,100
495 Prospect Street	Fredericton	Office	100%	4.2 years	85,000
845 Prospect Street	Fredericton	Office	100%	4.2 years	39,000
414-422 York Street	Fredericton	Office	42%	1.8 years	33,000
440-470 York Street	Fredericton	Office	90%	4.4 years	60,100
Nova Scotia					
36 & 38 Solutions Drive	Halifax	Office	95%	4.3 years	129,200
120, 130, 134 & 140 Eileen Stubbs Avenue	Halifax	Office	88%	4.7 years	298,000

Notes:

⁽¹⁾ Weighted by expected annualized gross revenue.

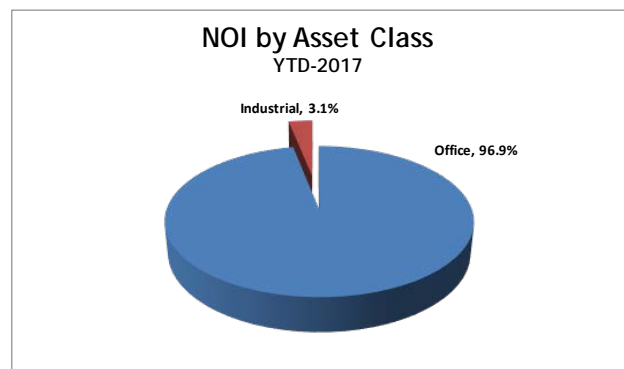
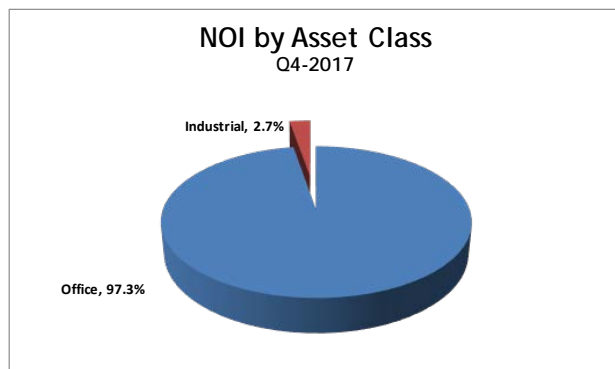
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Property Name	City/ Town	Type	Occupancy	Remaining Lease Term ⁽¹⁾	GLA
Ontario					
1595 16th Avenue	Richmond Hill	Office	99%	3.4 years	120,200
251 Arvin Avenue	Hamilton	Office	100%	1.5 years	6,900
61 Bill Leathem Drive	Ottawa	Office	100%	5.1 years	148,100
777 Brock Road	Pickering	Office	100%	5.2 years	98,900
400 Carlingview Drive	Toronto	Office	100%	10.2 years	26,800
6865 Century Avenue	Mississauga	Office	100%	3.5 years	63,800
1161 Crawford Drive	Peterborough	Office	100%	4.2 years	32,500
197-199 Dundas Street	London	Office	72%	2.2 years	20,200
417 Exeter Road	London	Office	77%	3.4 years	35,200
520 Exmouth Street	Sarnia	Office	100%	3.9 years	34,700
529-533 Exmouth Street	Sarnia	Office	47%	1.9 years	15,400
5900 Explorer Drive	Mississauga	Office	100%	2.7 years	40,000
135 Hunter Street East	Hamilton	Office	100%	0.6 years	24,400
1035 Industrial Road	Waterloo	Industrial	100%	8.7 years	156,300
63 Innovation Drive	Hamilton	Industrial	100%	5.9 years	45,900
340 Laurier Avenue West	Ottawa	Office	100%	2.8 years	279,100
400 Maple Grove Road	Ottawa	Office	100%	6.7 years	107,200
78-90 Meg Drive	London	Office	100%	2.4 years	11,300
301 & 303 Moodie Drive	Ottawa	Office	84%	4.6 years	148,500
8 Oakes Avenue	Kirkland Lake	Office	100%	4.2 years	41,000
5160 Orbitor Drive	Mississauga	Office	100%	2.2 years	31,400
534 Queens Avenue	London	Office	100%	3.5 years	19,000
231 Shearson Crescent	Cambridge	Office	100%	5.8 years	60,600
3650 Victoria Park Avenue	Toronto	Office	93%	5.6 years	154,300
Average/Total			95%	4.2 years	2,954,100

Notes:

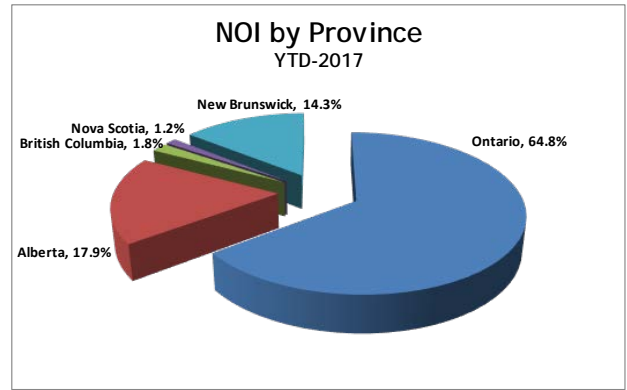
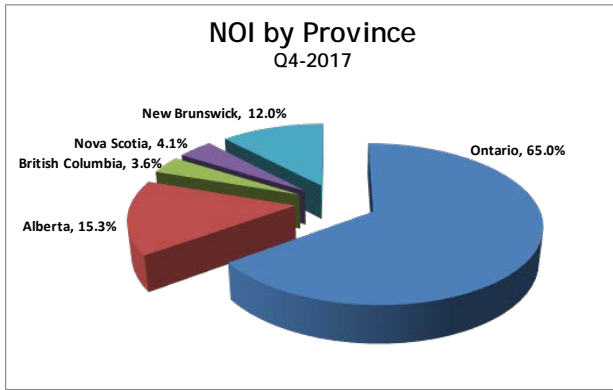
⁽¹⁾ Weighted by expected annualized gross revenue.

COMPOSITION BY ASSET CLASS



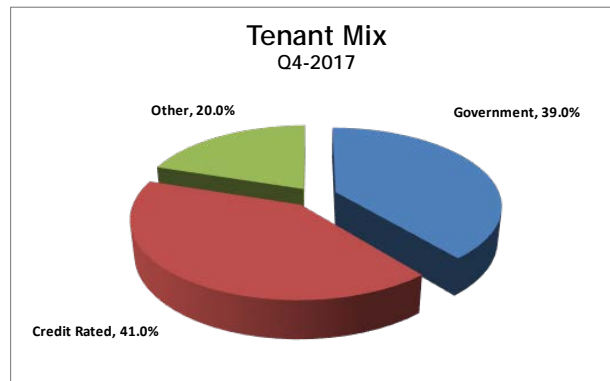
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COMPOSITION BY GEOGRAPHIC REGION



TENANT MIX

The percentage of revenue generated from tenants that are government institutions, credit-rated or other was as follows:



The tenant mix is based on annualized 2017 gross revenue.

LEASE ROLLOVER PROFILE

As at December 31, 2017, the lease rollover profile of the REIT was as follows:



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

Q4 AND 2017 HIGHLIGHTS

Q4 2017 HIGHLIGHTS

- Completed a Unit offering of 6,411,250 Units at a price of \$6.28 per Unit for aggregate gross proceeds of approximately \$40,263 on October 20, 2017
- Completed the acquisition of six office properties for \$159,080 plus closing costs totaling 790,900 square feet
- Increased revenue \$4,602 or 39% from Q4-2016 to \$16,364
- Increased NOI \$3,016 or 44% from Q4-2016 to \$9,943
- Same property NOI decreased \$42 or 0.6% from Q4-2016, excluding the impact of the increased vacancy at one of the REIT's Fredericton properties, same property NOI increased 0.7%
- FFO and AFFO basic and diluted per Unit of \$0.15 in Q4-2017 compared to \$0.14 in Q4-2016
- Excluding the timing differential between the Unit offerings in July and October 2017 and the deployment of funds into property acquisitions, FFO and AFFO per Unit would have been \$0.17 and \$0.16 per Unit, respectively
- AFFO basic and diluted payout ratio of 101% and 102% compared to 105% and 106% in Q4-2016
- Portfolio occupancy remained strong at 95%
- Government and credit-rated tenants represented 80% of revenue
- Indebtedness to GBV ratio increased to 57.2% at December 31, 2017 compared to 53.2% at September 30, 2017
- Weighted average fixed interest rate of 3.22% at December 31, 2017 compared to 3.15% at September 30, 2017
- Declared distributions of \$6,760

2017 HIGHLIGHTS

- Completed two Unit offerings for aggregate gross proceeds of approximately \$72,413
- Completed the acquisition of nine office properties for \$212,680 plus closing costs totaling 1,018,000 square feet
- Increased revenue \$14,663 or 35% from YTD-2016 to \$56,014
- Increased NOI \$9,621 or 39% from YTD-2016 to \$34,538
- Same property NOI increased \$375 or 1.6% from YTD-2016, excluding the impact of the increased vacancy at one of the REIT's Fredericton properties, same property NOI increased 2.6%
- FFO basic and diluted per Unit of \$0.62 and \$0.61 compared to \$0.62 for YTD-2016
- AFFO basic and diluted per Unit of \$0.60 and \$0.59 compared to \$0.61 and \$0.60 for YTD-2016
- Excluding the timing differential between the Unit offerings in 2016 and 2017 and the deployment of funds into property acquisitions, FFO and AFFO per Unit would have been \$0.69 and \$0.67 per Unit, respectively
- AFFO basic and diluted payout ratio of 99% and 100% compared to 98% and 99% for YTD-2016
- Declared distributions of \$22,544

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Q4-2017 HIGHLIGHTS

On October 20, 2017, the REIT issued 6,411,250 Units at a price of \$6.28 per Unit for aggregate gross proceeds of approximately \$40,263. The net proceeds were used to fund the acquisitions below as well as 3115 Harvester Road which was purchased subsequent to year end. See "Subsequent Events".

The REIT acquired the following commercial properties in Q4-2017:

Property Name	Location	Acquisition Date	Property Type	Square Feet	Purchase Price
231 Shearson Crescent	Cambridge, ON	October 19, 2017	Office	60,600	\$15,750
301 & 303 Moodie Drive	Ottawa, ON	November 2, 2017	Office	148,500	\$18,000
1595 16th Avenue	Richmond Hill, ON	November 6, 2017	Office	120,200	\$29,750
810 Blanshard Street	Victoria, BC	November 6, 2017	Office	34,400	\$11,300
36 & 38 Solutions Drive	Halifax, NS	November 15, 2017	Office	129,200	\$31,280
120, 130, 134 & 140 Eileen Stubbs Avenue	Halifax, NS	December 21, 2017	Office	298,000	\$53,000
Total					\$159,080

On October 19, 2017, the REIT completed the acquisition of a 60,600 square foot office property located at 231 Shearson Crescent, Cambridge, Ontario for \$15,750 plus closing costs. The purchase price was satisfied by cash on hand and mortgage financing of approximately \$10,238, with an annual interest rate of 3.67% for a five year term.

On November 2, 2017, the REIT completed the acquisition of a 148,500 square foot office property located at 301 & 303 Moodie Drive, Ottawa, Ontario for \$18,000 plus closing costs. The purchase price was satisfied by cash on hand and mortgage financing of approximately \$11,700, with an annual interest rate of 3.53% for a five year term.

On November 6, 2017, the REIT completed the acquisition of a 120,200 square foot office property located at 1595 16th Avenue, Richmond Hill, Ontario for \$29,750 plus closing costs. The purchase price was satisfied by cash on hand and mortgage financing of approximately \$19,500, with an annual interest rate of 3.46% for a five year term.

On November 6, 2017, the REIT completed the acquisition of a 34,400 square foot office property located at 810 Blanshard Street, Victoria, British Columbia for \$11,300 plus closing costs. The purchase price was satisfied by cash on hand and mortgage financing of approximately \$7,910, with an annual interest rate of 3.68% for a two year term.

On November 15, 2017, the REIT completed the acquisition of a 129,200 square foot office property located at 36 & 38 Solutions Drive, Halifax, Nova Scotia for \$31,280 plus closing costs. The purchase price was satisfied by a combination of cash on hand and mortgage financing of approximately \$20,332, with an annual interest rate of 3.21% for a five year term.

On December 21, 2017, the REIT completed the acquisition of a 298,000 square foot office property located at 120, 130, 134 and 140 Eileen Stubbs Avenue, Halifax, Nova Scotia for \$53,000 plus closing costs. The purchase price was satisfied by a combination of cash on hand and mortgage financing of approximately \$34,500, with an annual interest rate of 3.32% for a five year term.

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YTD HIGHLIGHTS

ACQUISITIONS

The REIT acquired nine commercial properties for an aggregate purchase price of \$212,680 plus closing costs:

Property Name	Location	Acquisition Date	Property Type	Square Feet	Purchase Price
61 Bill Leatham Drive	Ottawa, ON	June 15, 2017	Office	148,100	\$31,500
5160 Orbitor Drive	Mississauga, ON	June 27, 2017	Office	31,400	\$8,100
727 Fisgard Street	Victoria, BC	June 27, 2017	Office	47,600	\$14,000
231 Shearson Crescent	Cambridge, ON	October 19, 2017	Office	60,600	\$15,750
301 & 303 Moodie Drive	Ottawa, ON	November 2, 2017	Office	148,500	\$18,000
1595 16th Avenue	Richmond Hill, ON	November 6, 2017	Office	120,200	\$29,750
810 Blanshard Street	Victoria, BC	November 6, 2017	Office	34,400	\$11,300
36 & 38 Solutions Drive	Halifax, NS	November 15, 2017	Office	129,200	\$31,280
120, 130, 134 & 140 Eileen Stubbs	Halifax, NS	December 21, 2017	Office	298,000	\$53,000
Total					\$212,680

UNIT OFFERING

On July 18, 2017, the REIT completed the issuance of 5,144,000 Units at a price of \$6.25 per Unit for aggregate gross proceeds of approximately \$32,150.

On October 20, 2017, the REIT issued 6,411,250 Units at a price of \$6.28 per Unit for aggregate gross proceeds of approximately \$40,263. The net proceeds from both Unit offerings were used to fund the Q4-2017 acquisitions.

EARLY LEASE RENEWALS

On May 8, 2017, the REIT executed an early lease renewal with EMS Technologies Canada, Ltd., a subsidiary of Honeywell International Inc., at 400 Maple Grove Road. The renewal, totaling approximately 107,200 square feet, extends the tenant's ten year occupancy for a further seven years.

On May 26, 2017, the REIT executed an early lease renewal with Cash Money Cheque Cashing Inc. at 400 Carlingview Drive. The renewal, totaling approximately 26,800 square feet, extends the tenant's five year occupancy for a further 10 years.

SUBSEQUENT EVENTS

On January 18, 2018, the REIT completed the acquisition of a 78,800 square foot office property located at 3115 Harvester Road, Burlington, Ontario for \$22,750 plus closing costs. The purchase price was satisfied by cash on hand and a combination of assumed and new mortgage financing of approximately \$14,893, with an average interest rate of 3.36%.

On March 1, 2018, the REIT issued 6,325,000 Units at a price of \$6.37 per Unit, including 825,000 Units issued on the full exercise of the over-allotment option, for aggregate gross proceeds of approximately \$40,290. The REIT intends to use the net proceeds to fund potential future acquisitions and for general trust purposes.

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended		Year ended	
	December 31		December 31	
	2017	2016	2017	2016
Revenue	\$16,364	\$11,762	\$56,014	\$41,351
NOI	\$9,943	\$6,927	\$34,538	\$24,917
Income (loss) and comprehensive income (loss)	\$3,069	\$1,730	\$28,746	(\$101)
FFO	\$6,605	\$4,559	\$23,070	\$15,523
FFO per Unit - basic ⁽¹⁾	\$0.15	\$0.14	\$0.62	\$0.62
FFO per Unit - diluted ⁽¹⁾	\$0.15	\$0.14	\$0.61	\$0.62
AFFO	\$6,477	\$4,444	\$22,382	\$15,143
AFFO per Unit - basic ⁽¹⁾	\$0.15	\$0.14	\$0.60	\$0.61
AFFO per Unit - diluted ⁽¹⁾	\$0.15	\$0.14	\$0.59	\$0.60
AFFO payout ratio - basic	101%	105%	99%	98%
AFFO payout ratio - diluted	102%	106%	100%	99%
Units outstanding for FFO and AFFO per Unit:				
Weighted average (000s) - basic ⁽¹⁾	44,168	31,467	37,484	25,007
Add: Unexercised Unit options	430	228	370	131
Weighted average (000s) - diluted ⁽¹⁾	44,598	31,695	37,854	25,138

Notes:

(1) For purposes of calculating FFO and AFFO per Unit, class B limited partnership units ("Class B LP Units") of True North Commercial Limited Partnership ("Partnership") are included as Units outstanding on both a basic and diluted basis. Diluted amounts assume the conversion of any vested, unexercised, in the money Unit options of the REIT ("Unit Options").

The REIT increased its portfolio by five properties in the second half of 2016 and nine properties in the second half of 2017. Due to the recent acquisition activity, Q4-2017 revenue increased \$4,602 or 39% and NOI increased \$3,016 or 44% compared to Q4-2016. YTD-2017 revenue increased \$14,663 or 35% and NOI increased \$9,621 or 39% compared to YTD-2016.

Both FFO and AFFO per Unit for the quarter and year ended were negatively impacted as a result of the timing differential between the November 2016, July 2017 and October 2017 Unit offerings and the deployment of funds into property acquisitions. The timing differential also impacted the AFFO payout ratio, as distributions declared were based on a larger number of Units outstanding without the benefit of the NOI from property acquisitions.

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QUARTERLY INFORMATION

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

	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16	Q3-16	Q2-16	Q1-16
Revenue	\$ 16,364	\$ 14,017	\$ 12,614	\$ 13,019	\$ 11,762	\$ 10,060	\$ 9,653	\$ 9,876
Property operating costs	6,421	5,253	4,550	5,252	4,835	3,876	3,713	4,010
NOI	9,943	8,764	8,064	7,767	6,927	6,184	5,940	5,866
General and administration expenses	(742)	(613)	(557)	(657)	(423)	(551)	(446)	(687)
Finance costs	(2,846)	(2,410)	(2,185)	(2,162)	(1,987)	(1,931)	(1,883)	(1,880)
Distributions on Class B LP Units	(638)	(639)	(640)	(639)	(640)	(639)	(640)	(639)
Fair value adjustment of Class B LP Units	(943)	(1,335)	(344)	86	1,292	(2,326)	(775)	(2,584)
Fair value adjustment of investment properties	(1,859)	5,833	(1,651)	7,740	(4,069)	(3,256)	(1,264)	(637)
Unrealized gain (loss) on change in fair value of derivative instruments	154	731	528	(4)	630	193	163	(39)
Income (loss) and comprehensive income (loss) for the period	\$ 3,069	\$ 10,331	\$ 3,215	\$ 12,131	\$ 1,730	\$ (2,326)	\$ 1,095	\$ (600)
FFO per Unit - basic	\$ 0.15	\$ 0.16	\$ 0.16	\$ 0.15	\$ 0.14	\$ 0.15	\$ 0.17	\$ 0.16
AFFO per Unit - basic	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.14	\$ 0.15	\$ 0.17	\$ 0.15
AFFO per Unit - diluted	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.14	\$ 0.15	\$ 0.16	\$ 0.15
AFFO payout ratio - basic	101%	99%	96%	101%	105%	99%	90%	97%
AFFO payout ratio - diluted	102%	100%	97%	102%	106%	99%	90%	97%
Number of investment properties	39	33	33	30	30	27	25	25

Revenue, operating costs, NOI and financing costs increased in Q4-2017 compared to Q3-2017 mainly due to six acquisitions completed during Q4-2017. Operating costs increased as a result of the acquisitions and costs associated with seasonality such as snow removal and utilities.

General and administration expenses increased in Q4-2017 compared to Q3-2017 due to an increase in asset management fees and Unit based compensation.

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ANALYSIS OF FINANCIAL PERFORMANCE

The REIT's financial performance and results of operations for the three months and years ended December 31, 2017 and 2016 are summarized below.

	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
Revenue	\$ 16,364	\$ 11,762	\$ 56,014	\$ 41,351
Expenses:				
Property operating costs	3,876	2,736	12,741	9,453
Realty taxes	2,545	2,099	8,735	6,981
NOI	\$ 9,943	\$ 6,927	\$ 34,538	\$ 24,917
Other income (expenses):				
General and administration expenses	(742)	(423)	(2,569)	(2,107)
Finance costs	(2,846)	(1,987)	(9,603)	(7,681)
Distributions on Class B LP Units	(638)	(640)	(2,556)	(2,558)
Fair value adjustment of Class B LP Units	(943)	1,292	(2,536)	(4,393)
Fair value adjustment of investment properties	(1,859)	(4,069)	10,063	(9,226)
Unrealized gain on change in fair value of derivative instruments	154	630	1,409	947
Income (loss) and comprehensive income (loss)	\$ 3,069	\$ 1,730	\$ 28,746	\$ (101)

PROPERTY OPERATIONS

Revenue includes all income earned from the REIT's properties, including rental income and all other miscellaneous income paid by 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 landlord's work and tenant inducements.

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

The REIT increased its portfolio by five properties (492,000 square feet) in the latter half of 2016 and further increased its portfolio by nine properties (1,018,000 square feet) in 2017. These acquisitions resulted in significant comparative increases in revenue, operating costs, realty taxes and NOI. Revenue increased \$4,602 or 39% in Q4-2017 compared to Q4-2016 and NOI increased \$3,016 or 44% in Q4-2017 compared to Q4-2016.

NOI increased \$9,621 or 39% in YTD-2017 compared to YTD-2016, of which 1.6% was due to same property NOI growth.

Occupancy for the property portfolio decreased year over year from 97% to 95% mainly due to the acquisitions in Q4-2017 which had a weighted average occupancy rate of 92%.

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SAME PROPERTY ANALYSIS

Same property portfolio for the three months ended December 31, 2017 and 2016 consists of 27 properties, and for the years ended December 31, 2017 and 2016 consists of 25 properties. The same property comparison excludes non-cash adjustments such as amortization of tenant inducements and leasing costs and straight-line rent.

	Three months ended		Year ended	
	December 31		December 31	
	2017	2016	2017	2016
Revenue	\$ 10,653	\$ 11,080	\$ 39,523	\$ 39,574
Expenses:				
Property operating	2,445	2,556	8,666	8,908
Realty taxes	1,723	1,997	6,551	6,735
Same property NOI	\$ 6,485	\$ 6,527	\$ 24,306	\$ 23,931

Same property NOI decreased \$42 or 0.6% in Q4-2017 compared to Q4-2016. Revenue decreased \$427 or 3.9% due to increased vacancy at 412-422 York Street, Fredericton, NB for the entire quarter as well as decreased recovery revenue at certain properties as a direct result from decreased operating costs and realty taxes. Property operating costs decreased mainly due to a decrease in repairs and maintenance costs and utilities at certain properties. Realty taxes decreased reflecting the impact of realty tax reassessments for two properties. Excluding the impact of the increased vacancy at 412-422 York Street, same property NOI increased 0.7%.

Same property NOI increased \$375 or 1.6% during YTD-2017 compared to YTD-2016. YTD-2017 revenue decreased \$51 or 0.1% compared to YTD-2016 due to decreased recovery revenue directly attributable to the decrease in property operating costs and realty taxes as well as increased vacancy on the same property portfolio. Revenue includes project management fees earned as well as energy rebates received in connection with the LEED® - EB Gold Certification Retro-Commissioning Project at 340 Laurier Avenue West. Property operating costs decreased \$242 or 2.7% in YTD-2017 compared to YTD-2016 mainly due to a decrease in utilities resulting from energy efficiency projects at certain properties. Realty taxes decreased \$184 or 2.7% reflecting the impact of realty tax reassessments for two properties. Excluding the impact of the increased vacancy at 412-422 York Street, same property NOI increased 2.6%.

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 other general and administrative expenses associated with the operation of the REIT. 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 \$319 or 75% in Q4-2017 compared to Q4-2016 mainly due to increased asset management fees and Unit-based compensation expense offset by an increase in interest income.

General and administration expenses increased \$462 or 22% YTD-2017 compared to YTD-2016 due to increased asset management fees as a result of the additional properties owned by the REIT, Unit-based compensation expense and travel expenses, offset by an increase in interest income.

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FINANCE COSTS

The REIT's finance costs for the three months and years ended December 31, 2017 and 2016 are summarized below. Finance costs exclude both distributions and fair value adjustments on Class B LP Units.

	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
Interest on mortgages payable	\$ 2,679	\$ 1,880	\$ 9,060	\$ 7,134
Other interest expense and standby fees	30	31	130	299
Amortization of mortgage discounts	(4)	(29)	(49)	(123)
Amortization of financing costs	141	105	462	371
Total finance costs	\$ 2,846	\$ 1,987	\$ 9,603	\$ 7,681

Interest on mortgages payable increased by \$799 in Q4-2017 compared to Q4-2016 and by \$1,926 in YTD-2017 compared to YTD-2016 due to additional borrowing associated with the acquisitions completed in 2016 and 2017.

Other interest expense and standby fees relate to costs incurred on the REIT's credit facilities. Q4-2017 was consistent with Q4-2016 while YTD-2017 decreased \$169 compared to YTD-2016 as a result of the cash proceeds received from the Unit offerings in 2016 and 2017 that were used to reduce the amounts owing under the REIT's credit facilities.

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 \$638 for Q4-2017 (\$2,556 - YTD-2017) compared to \$640 for Q4-2016 (\$2,558 - YTD-2016). On December 14, 2017, 37,500 Class B LP Units were converted to Units resulting in the decrease in distributions quarter over quarter and year over year.

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 \$943 for Q4-2017 is due to an increase in the trading price of the Units from \$6.49 at September 30, 2017 to \$6.71 at December 31, 2017. The fair value loss of \$2,536 for YTD-2017 is due to an increase in the trading price of the Units from \$6.12 at December 31, 2016 to \$6.71 at December 31, 2017.

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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 gains and losses in the statement of income (loss) and comprehensive income (loss) 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 loss was \$1,859 in Q4-2017 and a fair value gain of \$10,063 in YTD-2017. The fair value changes in Q4-2017 and YTD-2017 are mainly attributable to changes in market rent assumptions, lease renewal probabilities, projected future cash flows and changes in capitalization rates at certain properties.

The key valuation assumptions for the REIT's investment properties as at December 31, 2017 and 2016 are as follows:

	2017	2016
Terminal and direct capitalization rates - range	5.50% - 10.25%	6.00% - 11.50%
Terminal and direct capitalization rate - weighted average	6.84%	7.16%
Discount rates - range	6.00% - 10.25%	7.00% - 12.00%
Discount rate - weighted average	7.54%	7.78%

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.

The notional principal amount of the outstanding interest rate swap contracts at December 31, 2017 was \$69,053 (December 31, 2016 - \$71,324). Total unrealized gain on change in the fair value of the derivative instruments totaled \$154 in Q4-2017 (\$1,409 - YTD-2017) compared to \$630 in Q4-2016 (\$947 - YTD-2016).

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FFO AND AFFO RECONCILIATIONS

FFO

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

	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
Income (loss) and comprehensive income (loss)	\$ 3,069	\$ 1,730	\$ 28,746	\$ (101)
Add /(deduct):				
Unit based compensation expense	129	(56)	261	182
Fair value adjustment of investment properties	1,859	4,069	(10,063)	9,226
Fair value adjustment of Class B LP Units	943	(1,292)	2,536	4,393
Distributions on Class B LP Units	638	640	2,556	2,558
Unrealized gain on change in fair value of derivative instruments	(154)	(630)	(1,409)	(947)
Amortization of leasing costs, tenant inducements and landlord's work	121	98	443	212
FFO	\$ 6,605	\$ 4,559	\$ 23,070	\$ 15,523
FFO per Unit - basic ⁽¹⁾	\$0.15	\$0.14	\$0.62	\$0.62
FFO per Unit - diluted ⁽¹⁾	\$0.15	\$0.14	\$0.61	\$0.62
Weighted average Units outstanding:				
Basic - (000s) ⁽¹⁾	44,168	31,467	37,484	25,007
Add:				
Unexercised Unit options	430	228	370	131
Diluted - (000s) ⁽¹⁾	44,598	31,695	37,854	25,138

Notes:

(1) For purposes of calculating FFO per Unit, Class B LP Units are included as Units outstanding on both a basic and diluted basis. Diluted amounts also assume the conversion of any vested, unexercised, in the money Unit Options.

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AFFO

Reconciliation of FFO to AFFO is as follows:

	Three months ended			Year ended	
	December 31			December 31	
	2017	2016		2017	2016
FFO	\$ 6,605	\$ 4,559	\$	\$ 23,070	\$ 15,523
Add / (deduct):					
Non-cash compensation expense	26	29		101	108
Amortization of financing costs	141	105		462	371
Amortization of mortgage discounts	(4)	(29)		(49)	(123)
Instalment note receipts	48	82		235	336
Straight-line rent	135	21		171	74
Capital reserve ⁽¹⁾	(474)	(323)		(1,608)	(1,146)
AFFO	\$ 6,477	\$ 4,444	\$	\$ 22,382	\$ 15,143
AFFO per Unit - basic ⁽²⁾	\$0.15	\$0.14		\$0.60	\$0.61
AFFO per Unit - diluted ⁽²⁾	\$0.15	\$0.14		\$0.59	\$0.60
Distributions declared	\$ 6,760	\$ 4,738	\$	\$ 22,544	\$ 15,180
AFFO payout ratio - basic	101%	105%		99%	98%
AFFO payout ratio - diluted	102%	106%		100%	99%

Notes:

(1) Based on an estimate of \$0.75 (2016 - \$0.75) per square foot per annum and represents a reserve for capital expenditures, tenant inducements and leasing costs.

(2) For purposes of calculating AFFO per Unit, Class B LP Units are included as Units outstanding on both a basic and diluted basis. Diluted amounts assume the conversion of any vested, unexercised, in the money Unit Options.

The REIT experienced significant growth in revenue, FFO and AFFO due to the acquisitions completed in the latter half of 2016 and 2017. FFO increased \$2,046 or 45% in Q4-2017 compared to Q4-2016 (\$7,547 or 49% compared to YTD-2016). FFO basic and diluted per Unit increased \$0.01 to \$0.15 in Q4-2017 compared to \$0.14 in Q4-2016. FFO basic per Unit remained consistent at \$0.62 year over year and decreased to \$0.61 on a diluted basis in YTD-2017 compared to \$0.62 in YTD-2016.

AFFO increased \$2,033 or 46% compared to Q4-2016 (\$7,239 or 48% compared to YTD-2016). AFFO basic and diluted per Unit increased \$0.01 to \$0.15 in Q4-2017 compared to \$0.14 in Q4-2016. AFFO basic and diluted per Unit decreased to \$0.60 and \$0.59, respectively in YTD-2017 compared to \$0.61 and \$0.60, respectively in YTD-2016.

FFO and AFFO on a per Unit basis were impacted by the timing differential of the Unit offerings in 2016 and 2017 and the deployment of funds into property acquisitions. Excluding the above timing differential, FFO and AFFO per Unit would have been \$0.17 and \$0.16 per Unit, respectively for Q4-2017 and \$0.69 and \$0.67 per Unit, respectively for YTD-2017. The AFFO basic and diluted payout ratio was also impacted as distributions declared were based on a larger number of Units outstanding without the immediate benefit of the increased NOI generated from property acquisitions.

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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. Cash flow provided by operating activities is the most comparable GAAP measure to AFFO. The reconciliation of adjusted cash flow provided by operating activities to AFFO measures the amount available for distribution to Unitholders. See "Distributions".

		Three months ended December 31		Year ended December 31	
		2017	2016	2017	2016
Adjusted cash flow provided by operating activities	\$	3,950	\$ 4,747	\$ 21,409	\$ 16,998
Non-cash compensation expense		3	5	11	20
Change in finance costs payable		(176)	(68)	(210)	(83)
Instalment note receipts		48	82	235	336
Capital reserve ⁽¹⁾		(474)	(323)	(1,608)	(1,146)
Change in non-cash operating items and working capital		3,126	1	2,545	(982)
AFFO	\$	6,477	\$ 4,444	\$ 22,382	\$ 15,143

Notes:

(1) Based on an estimate of \$0.75 (2016 - \$0.75) per square foot per annum and represents a reserve for capital expenditures, tenant inducements and leasing costs.

AFFO of \$6,477 was less than distributions declared by \$283 and exceeded distributions paid by \$432 for Q4-2017. AFFO of \$22,382 was less than distributions declared by \$162 and exceeded distributions paid by \$2,687 for YTD-2017.

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 consultant help form the basis for estimating the REIT's required 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 includes estimation uncertainty and there is no guarantee that future capital expenditures will reflect historical trends.

DISTRIBUTIONS

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

The Trustees determine the level of cash distributions based on the level of cash flow from operations before working capital changes, less actual and planned capital expenditures. In any given period, distributions may differ from cash provided by operating activities, primarily due to fluctuations in working capital. It is expected that normal fluctuations in working capital will be funded from the REIT's cash resources as described in "Liquidity and Capital Resources". In addition, the distributions declared include a component funded by the REIT's distribution reinvestment plan ("DRIP").

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

	Three months ended		Year ended December 31				
	December 31		2017		2016		2015
	2017	2017	2016	2016	2015	2015	
Distributions declared	\$ 6,760	\$ 22,544	\$ 15,180	\$ 15,180	\$ 12,414	\$ 12,414	
Less: DRIP	(715)	(2,849)	(2,641)	(2,641)	(1,534)	(1,534)	
Cash distributions paid	\$ 6,045	\$ 19,695	\$ 12,539	\$ 12,539	\$ 10,880	\$ 10,880	

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		Year ended December 31				
	December 31		2017		2016		2015
	2017	2017	2016	2016	2015	2015	
Income (loss) and comprehensive income (loss)	\$ 3,069	\$ 28,746	\$ (101)	\$ (101)	\$ 16,471	\$ 16,471	
Cash flow provided by operating activities	6,483	30,389	24,347	24,347	20,713	20,713	
Less: Interest paid	(2,533)	(8,980)	(7,349)	(7,349)	(6,961)	(6,961)	
Adjusted cash flow provided by operating activities	3,950	21,409	16,998	16,998	13,752	13,752	
<i>Declared basis:</i>							
Excess (shortfall) of income (loss) and comprehensive income (loss) over distributions	(3,691)	6,202	(15,281)	(15,281)	4,057	4,057	
Excess (shortfall) of adjusted cash flow provided by operating activities over declared distributions	(2,810)	(1,135)	1,818	1,818	1,338	1,338	
<i>Cash basis:</i>							
Excess (shortfall) of income (loss) and comprehensive income (loss) over cash distributions	(2,976)	9,051	(12,640)	(12,640)	5,591	5,591	
Excess (shortfall) of adjusted cash flow provided by operating activities over cash distributions	(2,095)	1,714	4,459	4,459	2,872	2,872	

Adjusted cash flow provided by operating activities was less than declared distributions by \$2,810 and cash distributions by \$2,095 in Q4-2017. The shortfall is due to the timing of the 2017 Unit offerings and the deployment of funds into property acquisitions as distributions declared were based on a larger number of Units outstanding without the benefit of the increased NOI generated from property acquisitions. The REIT has subsequently deployed all proceeds from the 2017 Unit offerings into property acquisitions and expects to be able to fund distributions from cash flow provided by operating activities on a go forward basis.

Adjusted cash flow provided by operating activities exceeded cash distributions by \$1,714 in YTD-2017. The REIT has not been required to fund distributions from alternate sources such as debt, mortgages and other financing instruments.

ANALYSIS OF FINANCIAL POSITION

INVESTMENT PROPERTIES

The following table summarizes changes in the REIT's investment properties for the years ended December 31, 2017 and 2016:

	Investment Properties
Balance at December 31, 2015	\$ 342,150
Acquisitions	90,998
Additions	3,436
Amortization of leasing costs, tenant inducements, landlords work and straight-line rents	(280)
Fair value adjustment	(9,226)
Balance at December 31, 2016	427,078
Acquisitions	216,333
Additions	4,054
Amortization of leasing costs, tenant inducements, landlords work and straight-line rents	199
Fair value adjustment	10,063
Balance at December 31, 2017	\$ 657,727

ACQUISITIONS:

During 2017, the REIT acquired nine properties for an aggregate purchase price \$212,680 plus closing costs. The REIT funded these acquisitions from cash on hand, the issuance of Units and from the proceeds of new mortgage financing. All acquisitions have been accounted for as asset acquisitions.

ADDITIONS:

Additions to investment properties for the year ended December 31, 2017 were \$4,054, consisting of the following:

- Capital expenditures of \$2,942 for various washroom and parking upgrades, asphalt and roof replacements at certain properties, as well as costs associated with the LEED® - EB Gold Certification Retro-Commissioning Project at 340 Laurier Avenue West; and
- Tenant inducements, landlords work and leasing costs of \$1,112

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.

The following tables summarize the instalment notes receivable and principal receipts for the year ended December 31, 2017:

Balance, December 31, 2016	\$	956
Principal receipts		(212)
Balance, December 31, 2017	\$	744

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The scheduled principal and imputed interest payments on the instalment notes are as follows:

	Principal payments	Imputed interest
2018	151	37
2019	134	43
2020	117	47
2021	97	46
2022	62	36
Thereafter	183	149
	\$ 744	\$ 358

PREPAID EXPENSES AND OTHER ASSETS

At December 31, 2017, the REIT had \$3,082 in prepaid expenses and other assets, compared to \$1,390 at December 31, 2016. The increased prepaid realty taxes on newly acquired properties in 2017 and pre-acquisition costs of \$1,121 are the main contributors of the year over year increase.

LIABILITIES

At December 31, 2017, the overall leverage, as represented by the ratio of Indebtedness to GBV was 57.2% compared to 55.4% at December 31, 2016. The maximum allowable ratio under the DOT is 75%. Below is a calculation of the REIT's Indebtedness to GBV ratio as at December 31, 2017 and 2016.

	December 31, 2017	December 31, 2016
Total assets	\$ 674,441	\$ 456,469
Deferred financing costs	3,339	2,187
GBV	\$ 677,780	\$ 458,656
Mortgages payable	386,290	253,465
Unamortized financing costs and mark to market mortgage adjustments	1,718	675
Indebtedness	\$ 388,008	\$ 254,140
Indebtedness to GBV	57.2%	55.4%

Indebtedness to GBV increased as at December 31, 2017 compared to December 31, 2016 due to the increase in mortgage financing associated with the 2017 property acquisitions.

The REIT's objectives are to maintain a combination of short, medium and long-term debt maturities 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 credit facilities are netted against the related debt, and amortized on an effective interest basis over the expected life of the debt.

At December 31, 2017, 0% (December 31, 2016 - 0%) of the REIT's debt was at floating rates.

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MORTGAGES PAYABLE

The following table sets out, as at December 31, 2017, scheduled principal repayments and amounts maturing on the REIT's mortgages over each of the next five fiscal years:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Scheduled interest payments	Percentage of total mortgages payable
2018	11,214	29,729	40,943	11,816	10.6%
2019	10,877	32,301	43,178	10,738	11.1%
2020	8,230	76,399	84,629	7,908	21.8%
2021	7,347	29,003	36,350	6,746	9.4%
2022	4,904	132,435	137,339	4,570	35.4%
Thereafter	1,634	43,935	45,569	959	11.7%
	\$ 44,206	\$ 343,802	388,008	\$ 42,737	100.0%
Unamortized mark to market mortgage adjustments			397		
Unamortized financing costs			(2,115)		
			\$ 386,290		

The mortgages carry a weighted average fixed interest rate of 3.22% (December 31, 2016 - 3.17%), after giving effect to the instalment notes receipts and a weighted average term to maturity of 3.62 years (December 31, 2016 - 3.40 years).

CREDIT FACILITIES

The REIT has two floating rate revolving credit facilities with a Canadian chartered bank ("Credit Facilities").

The \$6,000 facility bears interest on cash advances above \$1,000 at 212.5 basis points per annum over the floating banker's acceptance rate or under \$1,000 at 100 basis points over prime rate. The 14,000 facility bears interest on cash advances above \$1,000 at 250 basis points per annum over the floating banker's acceptance rate or under \$1,000 at 150 basis points over prime rate.

The Credit Facilities are secured by the 410 King George Highway and 340 Laurier Avenue West properties, mature on November 1, 2018 and were undrawn as at December 31, 2017 and December 31, 2016.

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 statement of income (loss) and comprehensive income (loss).

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 (subject to anti-dilution adjustments) for Units, under the terms of an exchange agreement dated December 14, 2012.

Each Class B LP Unit entitles the holder to receive distributions from the Partnership equivalent to the distributions such holder would have received if they were holding Units.

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As at December 31, 2017 there were 4,268,837 Class B LP Units outstanding valued at \$28,644 compared to 4,306,337 Class B LP Units outstanding valued at \$26,355 as at December 31, 2016. The change in fair value is due to an increase in the Unit price from \$6.12 at December 31, 2016 to \$6.71 at December 31, 2017, offset by a decrease in the number of Class B LP Units outstanding of 37,500 which were exchanged to Units on December 14, 2017.

The REIT has the following Class B LP Units outstanding as of March 7, 2018:

	Units
Balance, December 31, 2017	4,268,837
Issuance of Class B LP Units	-
Balance, March 7, 2018	4,268,837

CONTRACTUAL MATURITIES

The contractual maturities and repayment obligations of the REIT's financial liabilities excluding Class B LP Units as at December 31, 2017 are as follows:

	2018	2019	2020	2021	2022+	Total
Mortgages payable	\$ 40,943	\$ 43,178	\$ 84,629	\$ 36,350	\$ 182,908	\$ 388,008
Mortgage interest payable	11,816	10,738	7,908	6,746	5,529	42,737
Tenant rental deposits	2,566	-	-	-	-	2,566
Accounts payable and accrued liabilities	8,744	-	-	-	-	8,744
	\$ 64,069	\$ 53,916	\$ 92,537	\$ 43,096	\$ 188,437	\$ 442,055

UNITHOLDERS' EQUITY

OUTSTANDING UNITS

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

The following table summarizes changes in the Unit capital of the REIT for the year ended December 31, 2017:

	Units	Amount
Balance, December 31, 2016	29,147,854	\$ 173,494
Issue of Units for cash - Unit offering	11,555,250	72,413
Issue of Units - non-executive Trustee Unit issuance plan	14,039	90
Issue of Units - DRIP	470,591	2,849
Issue of Units - options exercised	62,500	379
Issue of Units - exchange of Class B LP Units	37,500	247
Issue costs	-	(4,213)
Balance, December 31, 2017	41,287,734	\$ 245,259

The number of Units outstanding as of March 7, 2018 is as follows:

Balance, December 31, 2017	41,287,734
Issue of Units for cash - Unit offering	6,325,000
Issue of Units - DRIP	82,526
Balance, March 7, 2018	47,695,260

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NORMAL COURSE ISSUER BID ("NCIB")

On December 5, 2017, the TSX approved the renewal of the REIT's NCIB for a further twelve months. Pursuant to the renewal, the REIT has the ability to purchase for cancellation up to a maximum of 100,000 Units, representing 0.27% of the REIT's public float of 36,761,708 Units at November 30, 2017. The NCIB commenced on December 8, 2017 and expires on December 7, 2018.

During 2017 and 2016, no Units were repurchased under the NCIB.

SHORT FORM BASE SHELF PROSPECTUS

On April 27, 2016, 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) unsecured debt securities; (iii) subscription receipts exchangeable for Units and/or other securities of the REIT; (iv) warrants exercisable to acquire Units and/or other securities of the REIT; and (v) 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 \$200,000.

During 2017, the REIT issued 11,555,250 Units for gross proceeds of \$72,413. During 2016, the REIT issued 9,855,000 Units for gross proceeds of \$61,781.

On March 1, 2018, the REIT issued 6,325,000 Units for gross proceeds of \$40,290.

UNIT OPTIONS

The total number of Units reserved under the REIT's Unit-based compensation plan may not exceed 10% of the Units and Class B LP Units outstanding. Options outstanding at December 31, 2017 consist of the following:

Weighted average exercise price ⁽¹⁾	Unit Options Outstanding	Unit Options exercisable	Expiry Date
\$7.66	410,000	410,000	February 12, 2018
\$6.15	495,000	329,994	January 8, 2020
\$6.04	205,000	68,330	August 5, 2021
\$6.28	282,500	94,158	November 14, 2021
\$6.17	295,000	-	August 11, 2022
\$6.44	318,000	-	November 16, 2022
\$6.51	2,005,500	902,482	

LIQUIDITY AND CAPITAL RESOURCES

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 7, 2018. Also see "Risks and Uncertainties".

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) the REIT's Credit Facilities; and (iv) issuances of debt and equity.

CASH FLOW

The following table details the changes in cash and cash equivalents:

	Three months ended		Year ended	
	December 31		December 31	
	2017	2016	2017	2016
Cash provided by operating activities	\$ 6,483	\$ 6,589	\$ 30,389	\$ 24,347
Cash used in investing activities	(161,574)	(67,031)	(220,608)	(94,313)
Cash provided by financing activities	130,809	63,514	172,851	94,140
Increase (decrease) in cash and cash equivalents	(24,282)	3,072	(17,368)	24,174
Cash and cash equivalents, beginning of period	31,698	21,712	24,784	610
Cash and cash equivalents, end of period	\$ 7,416	\$ 24,784	\$ 7,416	\$ 24,784

Cash provided by operating activities for Q4-2017 and YTD-2017 represents operating income attributed to the acquisitions completed during 2017, as well as decreased cash outflow from working capital.

Cash used in investing activities in Q4-2017 and YTD-2017 was mainly due to the acquisition of nine properties during the year of which six were completed in Q4-2017. In 2016, cash used in investing activities primarily related to the acquisition of five properties during the year of which three were completed in Q4-2016.

Cash provided by financing activities in Q4-2017 is mainly a result of the October 2017 Unit offering and new mortgage financing of \$103,372 relating to acquisitions completed during the quarter. YTD-2017 also includes proceeds from the July 2017 Unit offering and new mortgage financing relating to the acquisitions completed in Q2-2017. These increases were offset by distributions to Unitholders of \$5,213 for Q4-2017 and \$17,146 for YTD-2017.

CAPITAL RESOURCES

The REIT's properties require ongoing capital expenditures and leasing expenditures. Leasing expenditures include the cost of 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 all its properties throughout 2018 and beyond. Expenditures are expected to be funded through cash flow generated by operations and cash on hand. For the three months and year ended December 31, 2017 the REIT invested \$671 and \$4,054 (December 31, 2016 - \$647 and \$3,436) respectively, in capital and leasing expenditures.

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 December 31, 2017, the REIT has entered into commitments for building renovations totaling \$330 (December 31, 2016 - \$547).

At December 31, 2017 and 2016, the REIT had no commitments for future minimum lease payments under non-cancellable operating leases.

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

Starlight is considered a related party to the REIT as Starlight is controlled by 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 from 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.

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(b) Acquisition fee equal to:

- 1.0% of the purchase price of a property, on the first \$100,000 of properties announced to be acquired in each fiscal year;
- 0.75% of the purchase price of a property on the next \$100,000 of properties announced to be acquired in each fiscal year; and
- 0.50% of the purchase price on properties announced to be 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 and necessary out-of-pocket costs and 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 fees incurred for the three months and years ended December 31, 2017 and 2016:

	Three months ended		Year ended	
	December 31		December 31	
	2017	2016	2017	2016
Asset management fees	\$ 485	\$ 334	\$ 1,645	\$ 1,210
Acquisition fees	1,277	669	1,813	908
Other expenses	46	37	159	129
Total	\$ 1,808	\$ 1,040	\$ 3,617	\$ 2,247

At December 31, 2017, \$197 (December 31, 2016 - \$151) was included in accounts payable and accrued liabilities. No incentive fees were earned or capital expenditure fees charged for the three months and years ended December 31, 2017 and 2016.

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 and in the REIT's AIF. The AIF is available on SEDAR at www.sedar.com. Current and prospective Unitholders of the REIT should carefully consider such risk factors.

REAL PROPERTY OWNERSHIP AND TENANT RISKS

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of such properties. The properties generate revenue through rental payments made by the tenants thereof. The ability to rent vacant space in properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors.

If a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be re-leased on economically favourable terms, the properties may not generate revenues sufficient to meet operating expenses, including debt service payments and capital expenditures.

Upon the expiry of any lease, there can be no assurance the lease will be renewed or the tenant will be replaced. The terms of any subsequent lease may be less favourable to the REIT than those of an existing lease. Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the properties or revenues to be derived from them. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the REIT due to internal and external limitations on its ability to charge these new market based rents in the short term.

FLUCTUATIONS IN CAPITALIZATION RATES

As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

ENVIRONMENTAL MATTERS

The REIT is subject to various requirements (including federal, provincial and municipal laws, as applicable) relating to environmental matters. Such requirements provide that the REIT could be, or become, liable for environmental or other harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under the properties, including lead-based paint, asbestos, polychlorinated biphenyls, petroleum-based fuels, mercury, volatile organic compounds, underground storage tanks, pesticides and other miscellaneous materials. Such requirements often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such materials.

Additional liability may be incurred by the REIT with respect to the release of such substances from the REIT's properties to properties owned by third parties, including properties adjacent to the properties or with respect to the exposure of persons to regulated substances. The failure to remove or otherwise address such substances may materially adversely affect the REIT's ability to sell a property, maximize the value of such property or borrow using such property as collateral security, and could potentially result in claims or other proceedings against the REIT.

It is the REIT's operating policy to obtain or be entitled to rely on an environmental site assessment prior to acquiring a property. Where an environmental site assessment warrants further investigation, it is the REIT's operating policy to conduct further environmental assessments (see "Declaration of Trust and Description of Voting Units - Investment Guidelines" and "Operating Policies - Operating Policies" in the AIF). Although such environmental assessments provide the REIT with some level of assurance about the condition of the properties, the REIT may become subject to liability for undetected contamination or other environmental conditions of its properties against which it cannot insure, or against which the REIT may elect not to insure where insurance premium costs are considered to be disproportionate to the assessed risk, which could have a material adverse effect on the REIT business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Environmental laws and other requirements can change and the REIT may become subject to more stringent environmental laws and other requirements in the future. Compliance with more stringent environmental requirements, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.

COMPETITION

The real estate business is competitive. Numerous developers, managers and owners of properties compete with the REIT in seeking tenants. The existence of competing developers, managers and owners and competition for the REIT's tenants could have an impact on the REIT's ability to lease space in the properties and on the rents charged.

The REIT is subject to competition for suitable real property investments with individuals, corporations and institutions (both Canadian and foreign) and other real estate investment trusts which are presently seeking, or which may seek in the future, real property investments similar to those targeted by the REIT. A number of these investors may have greater financial resources than those of the REIT, or operate without the investment or operating restrictions of the REIT. An increase in the availability of the investment funds, and an increase in interest in real property investments, may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

The REIT seeks to locate and complete property purchases that are accretive to AFFO per Unit. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

ILLIQUIDITY OF REAL ESTATE INVESTMENTS

Real estate investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for, and the perceived desirability of, such investments. Such illiquidity may limit the REIT's ability to promptly adjust its portfolio in response to changing economic or other conditions. If the REIT were required to quickly liquidate its properties, the proceeds might be significantly less than the aggregate carrying value of its properties or less than what could be expected to be realized under normal circumstances. In addition, by concentrating on commercial rental properties, the REIT is exposed to the adverse effects on that segment of the real estate market.

INTEREST RATE RISK

The REIT may be subject to higher interest rates in the future, given the current economic climate. The REIT may also be unable to renew its maturing debt either with an existing or a new lender, and if it's able to renew its maturing debt, significantly lower loan-to-value ratios may be used. The REIT will seek to manage this risk by negotiating fixed interest rates where possible. As required by the DOT, at no time will the REIT incur debt aggregating more than 20% of Gross Book Value (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) at floating interest rates or having maturities less than one year.

UNINSURED LOSSES

The DOT requires that the REIT obtain and maintain at all times insurance coverage in respect of its potential liabilities and the accidental loss of value of its assets from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or under-insured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from, the affected property, but the REIT would continue to be obliged to repay any recourse mortgage indebtedness on such property. There can be no assurance that a claim in excess of the insurance coverage or claims not covered by insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against the REIT not covered by, or in excess of, the insurance coverage could have a material adverse effect on the REIT's business, financial condition or results of operations and distributions.

RISKS RELATED TO INSURANCE RENEWALS

Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for terrorism. The REIT's current insurance policies expire annually and the REIT may encounter difficulty in obtaining or renewing property or casualty insurance on its properties at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (for example, earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Even if the REIT is able to renew its policies at levels and with limitations consistent with its current policies, the REIT cannot be sure that it will be able to obtain such insurance at premium rates that are commercially reasonable. If the REIT were unable to obtain adequate insurance on the properties for certain risks, it could cause the REIT to be in default under specific covenants on certain of its indebtedness or other contractual commitments it has that require the REIT to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur or if the REIT were unable to obtain adequate insurance and the properties experienced damages that would otherwise have been covered by insurance, it could adversely affect the REIT's financial condition and the operations of the properties.

CREDIT RISK AND TENANT CONCENTRATION

The REIT is exposed to risk as tenants may be unable to pay their contracted rents. Management mitigates this risk by seeking to acquire properties across several asset classes. As well, management seeks to acquire properties with strong tenant covenants in place. The REIT's portfolio includes over 150 tenant leases with a weighted-average term to maturity of approximately 4.2 years. Approximately 80% of the REIT's portfolio was occupied by government and other credit-rated entities based on expected annualized 2017 gross revenue.

RISKS RELATED TO THE REIT AND ITS BUSINESS

ACQUISITIONS

The REIT's strategy includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, completing acquisitions and effectively operating and leasing such properties. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis.

Acquisitions of properties by the REIT are subject to the normal commercial risks and satisfaction of closing conditions that may include, among other things, lender approval, *Competition Act* (Canada) approval, receipt of estoppel certificates and obtaining title insurance. Such acquisitions may not be completed or, if completed, may not be on terms that are exactly the same as initially negotiated.

ACCESS TO CAPITAL AND FINANCING RISK

The real estate industry is highly capital intensive. The REIT requires access to capital to maintain the properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance the REIT will have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, the REIT may not be able to borrow funds due to the limitations set forth in the DOT.

In addition, financial markets have experienced a sharp increase in volatility during recent years. The underlying market conditions may continue or become worse and unexpected volatility and illiquidity in financial markets may inhibit the REIT's access to long-term financing in the Canadian capital market. As a result, it is possible financing which the REIT may require in order to grow and expand its operations, upon the expiry of the term of financing, upon refinancing of any particular Property may not be available or, if it is available, may not be available on favourable terms to the REIT.

The REIT is subject to the risks associated with debt financing, including the risk the mortgages and banking facilities secured by the properties will not be able to be refinanced or the terms of such refinancing will not be as favourable as the terms of existing indebtedness due to, for instance, higher interest rates. To the extent the REIT utilizes variable rate debt, such debt will result in fluctuations in the REIT's cost of borrowing as interest rates change.

As at December 31, 2017, 0% (December 31, 2016 - 0%) of the REIT's debt was at floating rates.

REGULATION

The REIT is subject to laws and regulations governing the ownership and leasing of real property, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the REIT (including with retroactive effect). Any changes in the laws to which the REIT is subject could materially adversely affect the rights and title to the properties. It is not possible to predict whether there will be any further changes in the regulatory regimes to which the REIT is subject or the effect of any such change on its investments.

POTENTIAL CONFLICTS OF INTEREST WITH TRUSTEES

Certain of the REIT's Trustees and officers are also Trustees, directors and/or officers of other entities, or are otherwise engaged, and may continue to be engaged, in activities that may put them in conflict with the REIT's business strategy. Consequently, these positions could create, or appear to create, conflicts of interest with respect to matters involving the REIT. Pursuant to the DOT, all decisions to be made by the Trustees which involve the REIT are required to be made in accordance with the Trustee's duties and obligations to act honestly and in good faith with a view to the best interests of the REIT and the Unitholders. In addition, the Trustees and officers of the REIT are required to declare their interests in, and such Trustees are required to refrain from voting on, any matter in which they may have a conflict of interest. However, there can be no assurance that the provisions in the DOT will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in the REIT's favour.

Starlight acts as the asset manager for the REIT and also provides management services to other public and private companies. As asset manager for other entities and on its own behalf, Starlight may pursue other business opportunities, including but not limited to, real estate and development business opportunities outside of the REIT. These multiple responsibilities to public entities and other businesses could create competition for the time and effort of Starlight which materially adversely affect our cash flows, operating results and financial condition.

LITIGATION RISKS

In the normal course of the REIT's operations, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the REIT. Even if the REIT prevails in any such legal proceeding, the proceedings could be costly and time-consuming and would divert the attention of management and key personnel from the REIT's business operations.

TAXATION MATTERS

Management of the REIT believes the REIT currently qualifies as a mutual fund trust and a real estate investment trust for income tax purposes. If the REIT were not to so qualify, the consequences could be material and adverse.

The *Income Tax Act* (Canada) ("Tax Act") contains rules, which tax certain publicly traded or listed trusts in a manner similar to corporations and taxes certain distributions from such trusts as taxable dividends from a taxable Canadian corporation. Distributions paid by a specified investment flow-through ("SIFT") trust as returns of capital will generally not be subject to the tax.

The rules in the Tax Act applicable to SIFT trusts or partnerships ("SIFT Rules") are not applicable to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue.

Unless the REIT qualifies for exclusion from the definition of "SIFT trust" in the Tax Act ("REIT Exception"), the SIFT Rules could impact the level of cash distributions which would otherwise be made by the REIT and the taxation of such distributions to Unitholders. Management of the REIT has determined that the REIT is not subject to the SIFT tax as it meets the REIT Exception for 2017.

If the REIT were to no longer qualify for the REIT Exception, it would not be able to flow through its taxable income to Unitholders and the REIT would therefore be subject to tax. The REIT Exception is applied on an annual basis. As such, it will not be possible to determine if the REIT will satisfy the conditions of the REIT Exception for 2017 or any subsequent year until the end of the particular year.

SIGNIFICANT OWNERSHIP BY STARLIGHT

As of the date hereof, Daniel Drimmer and his affiliates held an approximate 9.7% effective interest in the REIT through ownership of Units, Class B LP Units and options. In the event that Starlight has a 10% effective interest in the REIT, Starlight benefits from certain contractual rights regarding the REIT. In addition, Starlight has the ability to exercise influence with respect to the affairs of the REIT and significantly affect the outcome of Unitholder votes, including the ability to prevent certain fundamental transactions, and may discourage transactions involving a change of control of the REIT, including transactions in which an investor might otherwise receive a premium for its Units over the then current market price. The Units may also be less liquid and worth less than they would if Starlight did not have the ability to influence matters affecting the REIT.

Pursuant to the Exchange Agreement, each Class B LP Unit is exchangeable at the option of the holder for one Unit of the REIT (subject to customary anti-dilution adjustments). See “Material Contracts - Exchange Agreement” in the AIF. If Starlight exchanges Class B LP Units for Units and sells Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

DEPENDENCE ON STARLIGHT

The REIT is dependent upon Starlight for operational and administrative services relating to the REIT’s business. Should Starlight terminate the Asset Management Agreement, the REIT may be required to engage the services of an external asset manager. The REIT may be unable to engage an asset manager on acceptable terms, in which case the REIT’s operations and cash available for distribution may be adversely affected.

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 financial statements for external purposes in accordance with IFRS.

Because of the inherent limitations in all control systems, including well-designed and operated systems, no control system can provide complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include the possibility that management’s assumptions and judgments may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors.

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.

CYBER-SECURITY RISK

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the REIT’s information resources. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. The REIT’s primary risks that could directly result from the occurrence of a cyber-incident include operational interruption, damage to its reputation and damage to the REIT’s business relationships with its tenants. The REIT has implemented processes, procedures and controls to help mitigate these risks, including installing firewalls and antivirus programs on its networks, servers and computers, but these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

RISKS RELATED TO THE UNITS

VOLATILE MARKET PRICE FOR THE REIT'S SECURITIES

The market price for the REIT's securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the REIT's control, including the following: (a) actual or anticipated fluctuations in the REIT's financial performance and future prospects; (b) recommendations by securities research analysts; (c) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT; (d) addition or departure of the REIT's officers; (e) release or expiration of lock-up or other transfer restrictions on outstanding Units or Class B LP Units; (f) sales or perceived sales of additional Units; (g) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; (h) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the REIT's industry or target markets; (i) liquidity of the REIT's securities; (j) prevailing interest rates; (k) the market price of other REIT securities; (l) a decrease in the amount of distributions declared and paid by the REIT; and (m) general economic conditions.

Financial markets have, in recent years, experienced significant price and volume fluctuations that have particularly affected the market prices of securities of issuers and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such issuers. Accordingly, the market price of the REIT's securities may decline even if the REIT's financial performance, underlying asset values, or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the REIT's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the REIT's securities by those institutions. There can be no assurance that continuing fluctuations in price and volume will not occur.

RETURN ON INVESTMENT ON UNITS NOT GUARANTEED

The Units are equity securities of the REIT and are not traditional fixed income securities. A fundamental characteristic that distinguishes the Units from traditional fixed income securities is that the REIT does not have a fixed obligation to make payments to holders of Units and does not promise to return the initial purchase price of a Unit on a certain date in the future. The REIT has the ability to reduce or suspend distributions to holders of Units if circumstances warrant. The ability of the REIT to make cash distributions to holders of Units, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT and its subsidiaries, and will be subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital and capital expenditure requirements. There can be no assurance regarding the amount of income to be generated by the properties. The market value of the Units will deteriorate if the REIT is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, unlike interest payments or an interest-bearing debt security, the REIT's cash distributions to holders of Units are composed of different types of payments (portions of which may be fully or partially taxable or may constitute non-taxable returns of capital). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax returns to holders of Units. Therefore, the rate of return over a defined period for a holder of Units may not be comparable to the rate of return on a fixed income security that provides a "return on capital" over the same period.

DISTRIBUTIONS

At certain times, the REIT has paid distributions to Unitholders which have exceeded adjusted cash flow from operating activities. At the election of Unitholders, the REIT has historically made non-cash distributions under the DRIP which has reduced the amount of cash required to fund the REIT's distributions. As a result, the REIT has not funded distributions from alternate sources such as debt, mortgages or other financing instruments, and has not been required to amend any material contracts.

There can be no assurance in the future the REIT will continue to fund distributions entirely from adjusted cash from operating activities and no assurance Unitholders will continue to elect to receive distributions under the DRIP. In such an event, the REIT may be required to fund its distributions from sources other than operations such as debt, mortgages or other financing instruments, or amend material contracts. In addition, non-cash distributions, such as the issuance of Units under the DRIP, have the effect of increasing the number of Units outstanding which may cause cash distributions to increase over time assuming stable per Unit cash distribution levels.

DILUTION OF UNITS

The number of Units the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Units or convertible securities exchangeable into Units from time to time subject to the rules of any applicable stock exchange on which the Units are then listed. The issuance of any additional Units may have a dilutive effect on the interests of holders of Units.

UNITHOLDER LIABILITY

The DOT provides that no holders of Units will be subject to any liability whatsoever to any person in connection with a holding of Units. In addition, legislation has been enacted in the Province of Ontario and certain other provinces that is intended to provide holders of Units in those provinces with limited liability. However, there remains a risk, which is considered by the REIT to be remote in the circumstances, that a holder of Units could be held personally liable for the obligations of the REIT to the extent that claims are not satisfied out of the assets of the REIT. The affairs of the REIT are conducted in a manner to seek to minimize such risk wherever possible.

NATURE OF INVESTMENT IN UNITS

The Units represent a fractional interest in the REIT and do not represent a direct investment in the REIT's assets and should not be viewed by investors as direct securities of the REIT's assets. A holder of a Unit does not hold a share of a body corporate. Unitholders, in such capacity, do not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions against the REIT. The rights of holders of Units are based primarily on the DOT. There is no statute governing the affairs of the REIT equivalent to the *Canada Business Corporations Act*, which sets out the rights and entitlements of shareholders of corporations in various circumstances. As well, the REIT may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada) and thus the treatment of holders of Units upon an insolvency is uncertain.

USE OF ESTIMATES

The preparation of the REIT's consolidated 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. Those estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties management believes will materially affect the methodology or assumptions utilized in making those estimates in its unaudited condensed consolidated interim financial statements.

The estimates used in determining the recorded amount for assets and liabilities in the annual audited consolidated financial statements include the following.

INVESTMENT PROPERTIES

The estimates used when determining the fair value of investment properties are discount, terminal capitalization, and capitalization rates and future cash flows. The discount, terminal capitalization and capitalization rates applied are reflective of the characteristics, location and market of the investment property. The future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rents from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals.

UNIT OPTION PLAN

The estimates used when determining the fair value of the Unit option plan are the average expected unit option holding period, the average expected volatility rate, and the average risk-free interest rate. The average expected unit option holding period used is estimated as half the life of the respective option agreement applied to that Unit option upon vesting. The average expected volatility rate applied is estimated based on the historical volatility of the Units. The average risk-free interest rate is based on the Government of Canada bonds with terms consistent with the average expected unit option holding period. Management determines the fair value internally, utilizing the aforementioned inputs, some of which are provided by external market data and some through internal financial information. Unit options granted are carried at fair value which is estimated using the Black Scholes option pricing model.

FINANCIAL INSTRUMENTS

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale, or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity. The REIT derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

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Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets and financial 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	Measurement
Financial assets:		
Instalment notes receivable	Loans and receivables	Amortized cost
Derivative instrument	FVTPL	Fair value
Deposits	Loans and receivables	Amortized cost
Tenant and other receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities:		
Mortgages payable	Other liabilities	Amortized cost
Class B LP Units	FVTPL	Fair value
Credit facilities	Other liabilities	Amortized cost
Tenant rental deposits and prepayments	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Unit Option Plan	FVTPL	Fair value

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, accounts payable and accrued liabilities approximate their recorded values due to their short-term nature at the date of the consolidated statements of financial position.

The fair value of mortgages payable disclosed in the notes to the REIT's consolidated 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.

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 actual transactions.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

The following are new standards, amendments to standards and interpretations that have been issued but not yet effective for the year ended December 31, 2017 and, accordingly, have not been applied in preparing the consolidated financial statements.

The REIT intends to adopt the following standards on their respective effective dates.

IFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS ("IFRS 15"):

IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted.

The REIT has assessed the impact of the new standard and there are no significant changes expected to the financial statements.

IFRS 9, FINANCIAL INSTRUMENTS ("IFRS 9"):

On July 24, 2014, the IASB issued IFRS 9. IFRS 9 was issued as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets and liabilities. This amendment completes the IASB's financial instruments project. The standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The REIT has assessed the impact of the new standard and there are no significant changes expected to the financial statements.

IFRS 16, LEASES ("IFRS 16"):

IFRS 16 supersedes IAS 17 Leases, IFRS Interpretations Committee ("IFRIC") 4 Determining Whether an Arrangement Contains a Lease, Standards Interpretation Committee ("SIC")-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 Leases requirements. The effective date for IFRS 16 is January 1, 2019, with early adoption permitted.

The REIT has assessed the impact of the new standard and there are no significant changes expected to the financial statements.

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 consolidated 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 that 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 and year ended December 31, 2017.

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 and year ended December 31, 2017.

OUTLOOK

The Bank of Canada ("BoC") resumed rate increases at their January 17, 2018 meeting, after pausing at their October and December 2017 meetings, with the current target overnight rate being raised a further 0.25% to 1.25%. This is the highest level interest rates have been since the BoC cut the rate by 0.50% in January, 2009. Further, the BoC left the door open for more increases in 2018, although cautioned that this is subject to market conditions, most specifically inflation, which remains close to their target of 2%. The consensus is for two further rate hikes in 2018.

Globally, growth continues to be revised upwards, particularly in the United States which has seen sustained momentum and tax reform legislation that has been well received by markets. Euro Zone and Japan equally have been experiencing stronger than anticipated growth. All this however is subject to the continued global uncertainty factors the BoC has been citing for the past 24 months: the rise of trade protectionism; Brexit and its effects in the Euro Zone, and broad based inflationary pressures.

The Canadian economy grew above expectations in 2017, and since traditional measures would imply the economy is nearing capacity, growth should slow with an expected increase in inflation (particularly in wages). 2017 growth was broad-based and sustainable, with public infrastructure, strong exports and housing fundamentals underpinning the growth, and household spending expected to provide a drag going forward as government interventions in the housing market take effect.

The BoC's January Monetary Policy Report stressed that all forecasts are subject to uncertainty, and their forecasts remain based on status quo conditions: much will depend upon three critical issues they are monitoring; how much capacity remains in the system before inflationary pressures manifest; how the evolution of said capacity impacts inflations; and how to address the uncertainty surrounding NAFTA negotiations. The BoC reported real gross domestic product expanded by 3.0% in 2017, and the expectation is that 2018 will slow to 2.2% and 1.6% in 2019, slightly higher than previous forecasts. Wage growth generally has not kept pace with the growth in the economy but is expected to pick up as the economy nears capacity and drive inflation above the 2% target.

Inflation had been soft for the first half of 2017 but rose through the second half on increases in gasoline prices and automobile sales, averaging 1.8% in Q4-2017 and reaching above-target 2.1% in November 2017. The BoC indicates that temporary factors (electricity rebates, exchange rates, and slow growth in food prices) will help compress the rate against the inflationary pressures of wage growth and commodity prices. The BoC still predicts that inflation will remain close to 2% for 2018 and 2019, which will require the BoC to maintain an interventionist stance.

Management anticipates that overall real estate fundamentals will remain stable throughout 2018 as Canada remains a strong and stable economy, and a safe haven for global capital. Related to this stability, pricing spreads have compressed as lenders compete to deploy capital; borrowing rates remain at near-historic lows and the capital market remains favourable for borrowers.

Management remains focused on improving revenue and NOI through active portfolio management, maintaining strong tenant relationships and utilizing leasing optimization tactics. Management is also focused on further diversifying the geographic concentration of the portfolio through accretive acquisitions. Management believes the geographic diversification of the property portfolio will serve to add stability to the REIT's cash flow as it reduces the REIT's vulnerability to economic fluctuations affecting any particular region in Canada.

Dated: March 7, 2018
Toronto, Ontario, Canada