TRUE NORTH COMMERCIAL
REAL ESTATE INVESTMENT TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF CONSOLIDATED FINANCIAL RESULTS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

May 4, 2016

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 May 4, 2016, for the three months ended March 31, 2016 should be read in conjunction with the REIT's annual audited consolidated financial statements for the year ended December 31, 2015 and the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2016 and 2015 and accompanying notes thereto. These documents are available on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking statements are provided for the purposes of assisting the reader in understanding the REIT's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and 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 concerning matters that are not historical facts.

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 that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions 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 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 Investments Ltd. ("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"), indebtedness ("Indebtedness"), gross book value ("GBV"), Indebtedness to GBV ratio and adjusted cash provided by operating activities are not measures defined under 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, 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 other capital needs. The REIT calculates FFO in accordance with the guidelines set out by the Real Property Association of Canada. 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 mortgages acquired, amortization of deferred financing costs, amortization of tenant inducements, straight-line rent, instalment note receipts and compensation expense related to unit-based incentive plans, 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.

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.

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 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 unaudited condensed consolidated interim financial statements for the three months ended March 31, 2016 and 2015 have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. The REIT's presentation currency is the Canadian dollar. Unless otherwise stated, dollar amounts expressed in the MD&A are in thousands of dollars, except for Unit and per Unit information.

Certain time periods used in the MD&A are used interchangeably such as three months ended March 31, 2016 ("Q1-2016") and three months ended March 31, 2015 ("Q1-2015").

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 office of the REIT is 1801 – 3300 Bloor Street West, West Tower, Toronto, Ontario, Canada, M8X 2X2. The Units are listed on the Toronto Stock Exchange ("TSX") under the symbol TNT.UN. The REIT currently owns and operates a portfolio of 25 commercial properties consisting of approximately 1.4 million square feet in secondary markets 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.

PORTFOLIO SUMMARY

At March 31, 2016 the REIT's portfolio was comprised of 25 commercial properties totaling approximately 1,444,100 square feet of gross leasable area.

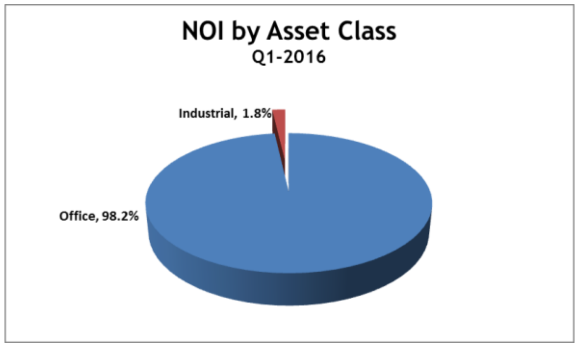
The following table highlights certain information about the REIT's properties as at March 31, 2016:

Property Name	City/Town	Type	Occupancy	Remaining Lease Term	Square Feet
Alberta					
855 8th Avenue SW	Calgary	Office	97.4%	2.7 years	75,700
13140 St. Albert Trail	Edmonton	Office	100%	3.7 years	96,800
Ontario					
251 Arvin Avenue	Hamilton	Office	100%	3.2 years	6,900
777 Brock Road	Pickering	Office	100%	6.9 years	98,900
400 Carlingview Drive	Toronto	Office	100%	1.9 years	26,800
1161 Crawford Drive	Peterborough	Office	100%	6.0 years	32,500
197-199 Dundas Street	London	Office	100%	2.5 years	20,200
417 Exeter Road	London	Office	76.8%	4.1 years	35,200
520 Exmouth Street	Sarnia	Office	100%	5.7 years	34,700
529-533 Exmouth Street	Sarnia	Office	100%	2.2 years	15,400
135 Hunter Street East	Hamilton	Office	100%	2.3 years	24,400
63 Innovation Drive	Hamilton	Industrial	100%	7.7 years	45,900
340 Laurier Avenue West	Ottawa	Office	100%	1.9 years	279,100
400 Maple Grove Road	Ottawa	Office	100%	1.4 years	107,200
78-90 Meg Drive	London	Office	100%	4.2 years	11,300
8 Oakes Avenue	Kirkland Lake	Office	100%	6.0 years	41,000
534 Queens Avenue	London	Office	100%	5.2 years	19,000
New Brunswick					
500 Beaverbrook Court	Fredericton	Office	100%	5.6 years	55,600
295 Belliveau Avenue	Shediac	Office	100%	5.8 years	42,100
410 King George Highway	Miramichi	Office	100%	5.2 years	73,200
551 King Street	Fredericton	Office	98.9%	6.1 years	85,100
495 Prospect Street	Fredericton	Office	83.4%	4.8 years	85,000
845 Prospect Street	Fredericton	Office	100.0%	5.9 years	39,000
414-422 York Street	Fredericton	Office	79.3%	1.3 years	33,000
470 York Street	Fredericton	Office	92.1%	6.0 years	60,100
Average/Total			97.5%	3.7 years[(1)]	1,444,100

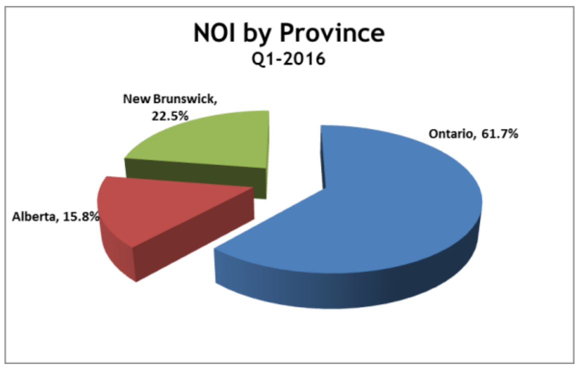
Notes:

(1) Weighted by expected annualized 2016 gross revenue.

COMPOSITION BY ASSET CLASS

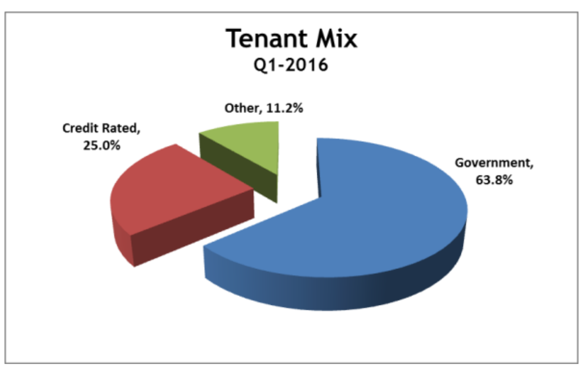


COMPOSITION BY GEOGRAPHIC REGION



TENANT MIX

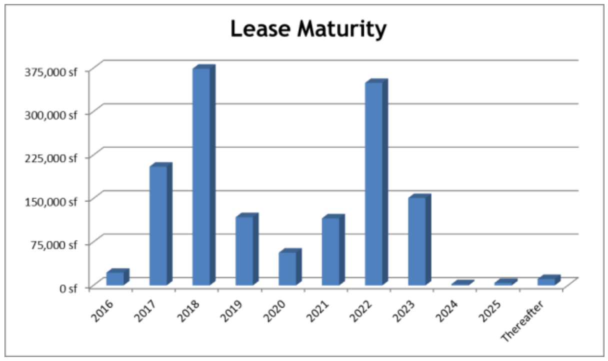
The percentage of revenue generated from tenants that are government institutions, credit-rated or other is as follows:



The tenant mix is based on expected annualized 2016 gross revenue.

LEASE ROLLOVER PROFILE

As at March 31, 2016 the lease rollover profile of the REIT is as follows:



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

Q1 2016 HIGHLIGHTS

- Increased revenue $986 or 11% from Q1-2015 to $9,876
- Increased NOI $434 or 8% from Q1-2015 to $5,866
- Same store NOI increased $15 or 0.3% to $5,188 from Q1-2015
- FFO basic per Unit of $0.16 unchanged from Q1-2015 but improved to $0.16 on a diluted basis
- AFFO and diluted AFFO per Unit of $0.15 unchanged from Q1-2015, resulting in a Q1-2016 AFFO and diluted AFFO payout ratio of 97%
- FFO and AFFO were impacted by costs of $47 relating to an acquisition the REIT is no longer pursuing. Excluding these costs, the AFFO payout ratio both on a basic and diluted basis would be 95%
- Portfolio occupancy decreased slightly to 97.5% at March 31, 2016 compared to 98.0% at December 31, 2015
- Government and credit-rated tenants continue to represent 89% of revenue
- Indebtedness to GBV ratio improved to 59.45% at March 31, 2016 compared to 59.53% at December 31, 2015
- Weighted average fixed interest rate of 3.35% at March 31, 2016
- Paid distributions of $3,208 for Q1-2016

INITIATIVES

On January 8, 2016, the REIT increased the amount available on its second revolving credit facility from $10,000 to $12,000.

On January 8, 2016, the REIT repaid a vendor take-back mortgage on 410 King George Highway with an annual fixed rate of 2%, in the amount of $765.

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.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended March 31	
	2016	2015
Revenue	$9,876	$8,890
NOI	$5,866	$5,432
Income (loss) and comprehensive income (loss)	($600)	$3,003
FFO	$3,419	$3,152
FFO per Unit - basic [1]	$0.16	$0.16
FFO per Unit - diluted [1]	$0.16	$0.15
AFFO	$3,320	$3,115
AFFO per Unit - basic [1]	$0.15	$0.15
AFFO per Unit - diluted [1]	$0.15	$0.15
AFFO payout ratio - basic	97%	97%
AFFO payout ratio - diluted	97%	98%
Units outstanding for FFO and AFFO per Unit:		
Weighted average (000s) – basic [1]	21,583	20,331
Add: Unexercised unit options	78	131
Weighted average (000s) – diluted [1]	21,661	20,462

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 unexercised Unit options of the REIT ("Unit Options) in the money.

The REIT increased its portfolio by five properties in 2015 (one in late Q1-2015 and four in Q3-2015), resulting in increased revenue of $986 or 11%, NOI of $434 or 8% and FFO of $267 or 8% in Q1-2016 compared to Q1-2015. AFFO payout ratio remained stable at 97%, but on a diluted basis, improved slightly to 97% from 98%. Results in Q1-2016 were negatively impacted by due diligence costs related to an acquisition the REIT is no longer pursuing. Excluding the impact of the due diligence costs, the AFFO basic and diluted payout ratios were 95%.

QUARTERLY INFORMATION

The following table provides select information pertaining to the REIT's operations for the periods noted therein.

	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14
Revenue	$ 9,876	$ 9,827	$ 9,519	$ 8,882	$ 8,890	$ 6,800	$ 5,606	$ 5,283
Property operating costs	4,010	3,753	3,638	3,325	3,458	2,686	2,167	2,026
NOI	5,866	6,074	5,881	5,557	5,432	4,114	3,439	3,257
General and administration expenses	(687)	(418)	(444)	(439)	(505)	(262)	(289)	(572)
Finance costs	(1,880)	(1,897)	(1,837)	(1,820)	(1,817)	(1,385)	(1,138)	(1,064)
Distributions on Class B LP Units	(639)	(640)	(644)	(508)	(508)	(425)	(385)	(385)
Unrealized gain (loss) on change in fair value of derivative instruments	(39)	126	(652)	158	(839)	(177)	55	(82)
Fair value adjustment of Class B LP Units	(2,584)	1,944	1,036	479	171	1,743	1,088	(2,719)
Fair value adjustment of investment properties	(637)	553	4,179	(2,870)	1,069	(2,868)	1,898	3,944
Loss on sale of investment property	-	-	-	(350)	-	-	-	-
Income and comprehensive income (loss) for the period	$ (600)	$ 5,742	$ 7,519	$ 207	$ 3,003	$ 740	$ 4,668	$ 2,379
FFO per Unit - basic	$ 0.16	$ 0.17	$ 0.17	$ 0.17	$ 0.16	$ 0.16	$ 0.15	$ 0.15
AFFO per Unit - basic	$ 0.15	$ 0.17	$ 0.17	$ 0.16	$ 0.15	$ 0.15	$ 0.15	$ 0.15
AFFO per Unit - diluted	$ 0.15	$ 0.17	$ 0.17	$ 0.16	$ 0.15	$ 0.15	$ 0.14	$ 0.15
AFFO payout ratio - basic	97%	88%	88%	92%	97%	99%	103%	100%
AFFO payout ratio - diluted	97%	88%	88%	93%	98%	100%	104%	101%
Number of investment properties	25	25	25	21	22	21	10	7

For Q1-2016 compared to Q4-2015, revenue and operating costs increased, whereas NOI decreased. Revenue increased due to rental rate increases, partially offset by the slight decrease in occupancy. The increase in property operating costs exceeded the increase in revenue primarily as a result of higher energy costs from higher consumption, seasonality factors and increased energy rates. General and administration expenses increased in Q1-2016 compared to Q4-2015 and were impacted by increased Unit-based compensation expense, professional fees for year-end audit, compliance and tax work and due diligence costs for an acquisition the REIT is no longer pursuing.

ANALYSIS OF FINANCIAL PERFORMANCE

The REIT's financial performance and results of operations for the three months ended March 31, 2016 and 2015 are summarized below.

	Three months ended March 31 2016	Three months ended March 31 2015
Revenue	$ 9,876	$ 8,890
Expenses:		
Property operating costs	2,411	2,018
Realty taxes	1,599	1,440
NOI	$ 5,866	$ 5,432
Other income (expenses):		
General and administration expenses	(687)	(505)
Finance costs	(1,880)	(1,817)
Distributions on Class B LP Units	(639)	(508)
Unrealized loss on change in fair value of derivative instruments	(39)	(839)
Fair value adjustment of Class B LP Units	(2,584)	171
Fair value adjustment of investment properties	(637)	1,069
Income (loss) and comprehensive income (loss)	$ (600)	$ 3,003

PROPERTY OPERATIONS

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

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

Overall, for Q1 2016 compared to Q1 2015, there was an increase in the number of properties owned by the REIT due to acquisitions in 2015, which resulted in increases in revenue, operating costs and realty taxes as discussed in "Financial and Operating Highlights".

SAME STORE PROPERTY ANALYSIS

Same property analysis for the three months ended March 31, 2016 and 2015 consists of 20 properties. Same property comparison does not include non-cash adjustments such as amortization of tenant inducements, straight-line rent and amortization of leasing commissions.

	Three months ended March 31	
	2016	2015
Revenue	$ 8,529	$ 8,513
Expenses:		
Property operating	2,000	1,981
Realty taxes	1,341	1,359
NOI	$ 5,188	$ 5,173

For Q1-2016 compared to Q1-2015, revenue, property operating costs and NOI increased, whereas realty taxes decreased. Revenue increased as a result of increased rental rates and recoverable expenses from tenants at certain properties. Property operating costs increased primarily as a result of an increase in repairs and maintenance costs and an increase in energy costs primarily from higher rates, partially offset by lower staffing costs at some properties. Revisions to estimates based on actual expenses resulted in a decrease in realty taxes.

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 $182 in Q1-2016 compared to Q1–2015, which includes increased professional fees of $30 and asset management fees of $27 due to the increased number of properties owned by the REIT. Also contributing to the increase was an increase in Unit-based compensation expense of $54 and due diligence costs of $47 relating to a property acquisition the REIT is no longer pursuing.

FINANCE COSTS

The REIT's finance costs for the three months ended March 31, 2016 and 2015 are summarized below. Finance costs exclude both distributions and fair value adjustments on Class B LP Units

	Three months ended March 31	
	2016	2015
Interest on mortgages and notes payable	$ 1,741	$ 1,692
Other interest expense and standby fees	92	45
Amortization of mortgage discounts	(31)	(33)
Amortization of financing costs	78	113
Total finance costs	$ 1,880	$ 1,817

Interest on mortgages payable in Q1-2016 increased compared to Q1-2015 due to the increase in borrowings associated with the number of properties owned, partially offset by mortgage repayments.

Other interest expense and standby fees relate to costs incurred on the REIT's credit facilities. The quarterly increase is a function of the amount borrowed on the REIT's credit facilities. See "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 $639 for Q1-2016 compared to $508 for Q1-2015. Increase in distributions quarter over quarter is a result of the issuance of 909,090 Class B LP Units on July 29, 2015 in connection with the acquisition of 500 Beaverbrook Court, 495 Prospect Street, 414-422 York Street and 470 York Street.

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.

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 adjustment of ($2,584) for Q1-2016 is due to an increase in the trading price of the Units from $5.10 at December 31, 2015 to $5.70 at March 31, 2016.

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 and comprehensive income in the quarter in which they occur.

The REIT determined 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. The REIT used the midpoint of this range for all investment properties. 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 rollovers. Fair values are supported by a combination of internal financial information, market data and external independent valuations.

The fair value adjustment of ($637) for Q1-2016 is attributable to changes in market rent assumptions and changes in lease renewal probabilities of one property owned by the REIT.

The key valuation assumptions for the REIT's investment properties as at March 31, 2016 and 2015 are as follows:

	March 31 2016	Match 31 2015
Terminal and direct capitalization rates - range	6.00% - 11.50%	6.00% - 11.50%
Terminal and direct capitalization rate - weighted average	7.13%	7.14%
Discount rates - range	7.00% - 12.00%	7.00% - 12.00%
Discount rate - weighted average	7.82%	7.78%

FFO AND AFFO RECONCILIATIONS

FFO

The REIT calculates FFO in accordance with the guidelines set out by the Real Property Association of Canada. Reconciliation of income and comprehensive income, determined in accordance with IFRS, to FFO is as follows:

	Three months ended March 31	
	2016	**2015**
Income (loss) and comprehensive income (loss)	$ (600)	$ 3,003
Add / (deduct):		
Unit based compensation expense	86	32
Fair value adjustment of investment properties	637	(1,069)
Fair value adjustment of Class B LP Units	2,584	(171)
Distributions on Class B LP Units	639	508
Unrealized loss on change in fair value of derivative instruments	39	839
Amortization of leasing commissions and tenant inducements	34	10
FFO	$ 3,419	$ 3,152
FFO per Unit - basic (1)	$0.16	$0.16
FFO per Unit - diluted (1)	$0.16	$0.15
Weighted average Units outstanding:		
Basic - (000s) (1)	21,583	20,331
Add:		
Unexercised Unit Options	78	131
Diluted - (000s) (1)	21,661	20,462

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 unexercised Unit Options that are in the money.

FFO increased $267 or 8% compared to Q1-2015. FFO basic per Unit remained stable at $0.16 and increased by $0.01 to $0.16 on a diluted basis compared to Q1-2015. FFO was positively impacted by the increase in revenue resultant from the acquisition of five properties in 2015, partially offset by higher property operating and general and administration costs, which included $47 relating to an acquisition the REIT is no longer pursuing.

AFFO

Reconciliation of FFO to AFFO is as follows:

	Three months ended March 31 2016	Three months ended March 31 2015
FFO	$ 3,419	$ 3,152
Add / (deduct):		
Non-cash compensation expense	26	29
Amortization of deferred financing costs	78	113
Amortization of mark to market mortgage adjustments	(31)	(33)
Instalment note receipts	86	90
Straight-line rent	11	(18)
Capital reserve (1)	(269)	(218)
AFFO	$ 3,320	$ 3,115
AFFO per Unit - basic (2)	$0.15	$0.15
AFFO per Unit - diluted (2)	$0.15	$0.15
Distributions declared	$ 3,208	$ 3,019
AFFO payout ratio - basic	97%	97%
AFFO payout ratio - diluted	97%	98%

Notes:

(1) Based on an estimate of $0.75 (2015 - $0.72) 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 unexercised Unit Options that are in the money.

The REIT experienced growth in revenue, FFO and AFFO during Q1-2016 compared to Q1-2015 which is primarily attributable to the acquisition of the five properties acquired in 2015. The AFFO payout ratio remained stable at 97% due to the impacts of due diligence costs on a potential acquisition the REIT is no longer pursuing. Excluding these costs, the AFFO basic and diluted payout ratio would be 95%.

RECONCILIATION OF ADJUSTED CASH FLOW PROVIDED BY OPERATING ACTIVITIES TO AFFO

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

	Three months ended March 31	
	2016	2015
Adjusted cash flow provided by operating activities	$ 3,281	$ 2,564
Non-cash compensation expense	4	4
Change in finance costs payable	6	(77)
Instalment note receipts	86	90
Capital reserve [1]	(269)	(218)
Change in non-cash operating working capital	212	752
AFFO	$ 3,320	$ 3,115

Notes:

(1) Based on an estimate of $0.75 (2015 - $0.72) per square foot per annum and represents a reserve for capital expenditures, tenant inducements and leasing costs.

AFFO of $3,320 exceeded distributions declared by $112 and distributions paid by $707 for Q1-2016.

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”).

The following table shows the amount of distributions declared, non cash distributions under the DRIP and cash distributions paid by the REIT.

	Three months ended March 31	Year ended December 31		
	2016	2015	2014	2013
Distributions declared	$ 3,208	$ 12,414	$ 8,251	$ 6,506
Less: DRIP	(595)	(1,534)	(1,520)	(1,408)
Cash distributions paid	$ 2,613	$ 10,880	$ 6,731	$ 5,098

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

	Three months ended March 31	Year ended December 31	
	2016	**2015**	**2014**
Income and comprehensive income	$ (600)	$ 16,471	$ 12,981
Cash flow provided by operating activities	5,120	20,713	11,956
Less: Interest paid	(1,839)	(6,961)	(4,072)
Adjusted cash flow provided by operating activities	3,281	13,752	7,884
Declared basis:			
Excess of income and comprehensive income over distributions	(3,808)	4,057	4,730
Excess (shortfall) of adjusted cash flow provided by operating activities over declared distributions	73	1,338	(367)
Cash basis:			
Excess of income and comprehensive income over cash distributions	(3,213)	5,591	6,250
Excess of adjusted cash flow provided by operating activities over cash distributions	668	2,872	1,153

For the three months ended March 31, 2016, adjusted cash flow provided by operating activities exceeded distributions declared by $73 and cash distributions by $668. In comparison, for the three months ended March 31, 2015, the REIT had a shortfall of adjusted cash flow provided by operating activities on a declared basis of $455 and a minor shortfall of $62 on a cash basis due to significant capital expenditures incurred in 2014 and paid in Q1-2015. 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 three months ended March 31, 2016 and 2015:

	Investment Properties
Balance at December 31, 2014	$ 311,480
Acquisitions	6,077
Additions	361
Amortization of leasing costs, tenant inducements and straight-line rents	8
Fair value adjustment	1,069
Balance at March 31, 2015	318,995
Acquisitions	35,048
Additions	2,156
Dispositions	(15,869)
Amortization of leasing costs, tenant inducements and straight-line rents	(42)
Fair value adjustment	1,862
Balance at December 31, 2015	342,150
Additions	119
Amortization of leasing costs, tenant inducements and straight-line rents	(44)
Fair value adjustment	(637)
Balance at March 31, 2016	**$ 341,588**

ADDITIONS:

Additions to investment properties for the three months ended March 31, 2016 were $119 consisting of capital expenditures of $116 of which $94 related to 340 Laurier Avenue West primarily in connection with the LEED® - EB Gold Certification Retro-Commissioning Project.

INSTALMENT NOTES RECEIVABLE

In connection with the acquisition of certain properties in December 2014, the vendors agreed to deliver non-interest bearing instalment notes of $2,028 with a present value of $1,592 pursuant to which such vendors will provide instalment payments to the REIT in order for the REIT to achieve an effective interest rate of 3.3% per annum on certain assumed mortgages. These instalment notes mature on various dates between April 1, 2017 and April 1, 2027, co-terminously with the assumed mortgages.

The following tables summarize the instalment notes receivable and principal receipts for the three months ended March 31, 2016:

Balance, December 31, 2015	$	1,264
Principal receipts on instalment notes receivable		(81)
Balance, March 31, 2016	$	1,183

PREPAID EXPENSES AND OTHER ASSETS

At March 31, 2016, the REIT had $1,472 in prepaid expenses and other assets, compared to $1,210 at December 31, 2015. This is primarily due to an increase in prepaid realty taxes.

LIABILITIES

As at March 31, 2016, the overall leverage, as represented by the ratio of Indebtedness to GBV was 59.45% compared to 59.53% at December 31, 2015. The maximum allowable ratio under the DOT is 75%. Below is a calculation of the REIT's Indebtedness to GBV ratio as at March 31, 2016 and December 31, 2015.

		March 31 2016		**December 31 2015**
Total assets	$	346,690	$	347,014
Deferred financing costs		1,824		1,820
GBV	$	348,514	$	348,834
Mortgages and notes payable		197,734		199,935
Credit facilities (net of unamortized financing costs)		8,955		7,191
Unamortized financing costs and mark to market mortgage adjustments		497		541
Indebtedness	$	207,186	$	207,667
Indebtedness to GBV		59.45%		59.53%

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 the REIT's credit facilities are netted against the related debt, and amortized on an effective interest basis over the expected life of the debt.

As at March 31, 2016, 4% (December 31, 2015 – 3%) of the REIT's debt was at floating rates.

MORTGAGES AND NOTES PAYABLE

The following table sets out, as at March 31, 2016, scheduled principal repayments and amounts maturing on the REIT's mortgages and notes over each of the next five fiscal years:

	Scheduled principal payments	Debt maturing during the year	Total mortgages and notes payable	Scheduled interest payments	Percentage of total mortgages payable
2016 - remainder of the year	4,533	-	4,533	5,158	2.3%
2017	5,903	11,499	17,402	6,399	8.8%
2018	3,794	85,594	89,388	4,073	45.1%
2019	2,931	20,474	23,405	2,787	11.8%
2020	1,634	37,361	38,995	1,495	19.6%
Thereafter	3,338	21,155	24,493	2,369	12.4%
	$ 22,133	$ 176,083	198,216	$ 22,281	100.0%
Unamortized mark to market mortgage adjustments			538		
Unamortized financing costs			(1,020)		
			$ 197,734		

The mortgages carry a weighted average fixed interest rate of 3.35% (December 31, 2015 – 3.34%), after giving effect to the instalment notes receipts and a weighted average term to maturity of 3.33 years (December 31, 2015 – 3.57 years).

CREDIT FACILITIES

The REIT has two floating rate revolving credit facilities with a Canadian chartered bank.

The first $5,000 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 and matures on February 12, 2017. As at March 31, 2016, $5,000 (December 31, 2015 - $5,000) was drawn on the credit facility.

The second facility was increased from $10,000 to $12,000 on January 8, 2016, 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, and also matures on February 12, 2017. As at March 31, 2016, $3,970 (December 31, 2015 – $2,200) was drawn on this credit facility.

Both credit facilities are secured by 410 King George Highway and 340 Laurier Avenue West.

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 and comprehensive income.

The Class B LP Units, together with the related special voting units, have economic and voting rights equivalent, in all material aspects, to Units. They are exchangeable at the option of the holder on a one-for-one basis (subject to anti-dilution adjustments) for the Units, under the terms of an exchange agreement between the REIT, Starlight, the Partnership and True North Commercial General Partner Corp.

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.

As at March 31, 2016 and December 31, 2015 there were 4,306,337 Class B LP Units issued. The Class B Units were valued at $24,546 at March 31, 2016 compared to $21,962 as at December 31, 2015. The change in value is due to an increase in the Unit price from $5.10 at December 31, 2015 to $5.70 at March 31, 2016.

The REIT has the following Class B LP Units outstanding as of May 4, 2016:

	Units
Balance, March 31, 2016	4,306,337
Issuance of Class B LP Units	-
Balance, May 4, 2016	4,306,337

UNITHOLDERS' EQUITY

OUTSTANDING UNITS

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

The following table summarizes changes in the Unit capital of the REIT for the three months ended March 31, 2016:

	Units		Amount
Balance, December 31, 2015	17,213,662	$	103,649
Issue of Units under the Trustee unit issuance plan	3,978		23
Issue of Units under DRIP	118,698		595
Issue from Unit Options exercised	16,667		97
Issuance and repurchase costs	-		(19)
Balance, March 31, 2016	17,353,005	$	104,345

The number of Units outstanding as of May 4, 2016 is as follows:

Balance, March 31, 2016	17,353,005
Issuance of Units under DRIP	34,001
Balance, May 4, 2016	17,387,006

NORMAL COURSE ISSUER BID ("NCIB")

On December 2, 2015, the REIT announced the TSX had approved the REIT's renewal of the NCIB for a further twelve months. Under the NCIB, the REIT has the ability to purchase for cancellation up to a maximum of 1,377,146 of its Units, representing 10% of the REIT's public float of 13,771,465 Units through the facilities of the TSX. The NCIB commenced on December 8, 2015 and expires on December 7, 2016.

During Q1-2016, nil (for the year ended December 31, 2015 – 90,600) Units had been repurchased under the NCIB.

SHORT FORM BASE SHELF PROSPECTUS

Under the REIT's short form base shelf prospectus which expired on January 16, 2016, the REIT had the ability to offer and issue securities having an offer price of up to $200,000 in aggregate. As at March 31, 2016, 6,360,917 (December 31, 2015 - 6,360,917) Units were issued under the short from 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.

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 March 31, 2016 consist of the following:

Weighted average exercise price (1)	Unit Options Outstanding	Unit Options exercisable	Expiry Date
$1.60	62,500	62,500	August 27, 2017
$7.48	100,000	100,000	December 14, 2017
$7.66	427,500	427,500	February 12, 2018
$6.15	495,000	164,996	January 8, 2020
$6.61	1,085,000	754,996	

(1) In actual dollars.

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 10, 2016. 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) 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 March 31 2016	2015
Cash provided by operating activities	$ 5,120	$ 4,224
Cash used in investing activities	(119)	(6,404)
Cash provided (used) by financing activities	(4,840)	1,391
Increase (decrease) in cash and cash equivalents	161	(789)
Cash and cash equivalents, beginning of period	610	2,186
Cash and cash equivalents, end of period	$ 771	$ 1,397

Cash generated from operating activities increased in Q1-2016 compared to Q1-2015 as a result of increased cash flow from operating income attributed to the five additional properties acquired during 2015, as well as decreased cash outflow from working capital.

Cash used in investing activities decreased significantly in Q1-2016 compared to Q1-2015. In Q1-2015, cash outflow resulted from the acquisition of 845 Prospect Street, compared to Q1-2016 where investing activities consisted mainly of capital additions, primarily at 340 Laurier Avenue West in Q1-2016.

In Q1-2016, there was a net cash outflow from financing activities compared to a net cash inflow in Q1-2015. In Q1-2016, proceeds from credit facilities were more than offset by cash outflows from the repayment of $765 relating to the vendor take-back mortgage at 410 King George Highway as well as principal repayments on mortgages, finance costs and cash distributions to Unitholders. In Q1-2015, proceeds from new mortgage financing on the acquisition of 845 Prospect Street and proceeds from credit facilities exceeded cash outflows from payments on mortgages, finance costs and cash distributions to Unitholders.

CAPITAL RESOURCES

The REIT's properties require ongoing capital expenditures, tenant inducements and leasing expenditures. Leasing expenditures include the cost of tenant allowances, 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 2016 and beyond. Expenditures are expected to be funded through cash flow generated by operations and the REIT's credit facilities. For the three months ended March 31, 2016 and 2015, the REIT invested $119 and $361, 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 March 31, 2016, the REIT has entered into commitments at 340 Laurier Avenue West related to its LEED® - EB Gold Certification Retro-Commissioning Project, amounting to $1,461. As at March 31, 2015, the REIT had entered into commitments for building renovations at 340 Laurier Avenue West for $219.

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 CEO and the REIT's 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 from the date of the agreement 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 any capital expenditures incurred by the REIT or any of its affiliates in respect of the properties owned by the REIT.

(b) Acquisition fee equal to:

- 1.0% of the purchase price of a property, on the first $100,000 of properties 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 incentive fee is payable by the REIT for each fiscal year 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 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 by Starlight.

The following table presents the costs incurred for the three months ended March 31, 2016 and 2015:

	Three months ended March 31			
		2016		2015
Asset management fees	$	286	$	259
Acquisition fees		-		59
Other expenses		31		-
Total	$	317	$	318

Of these amounts, $103 (December 31, 2015 - $104) was included in accounts payable and accrued liabilities at March 31, 2016. No incentive fees were earned or capital expenditure fees were charged for the three months ended March 31, 2016 and 2015.

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 in the REIT's annual MD&A dated March 10, 2016 for the year ended December 31, 2015 and in the AIF of the REIT dated March 10, 2016. The annual MD&A and AIF are available on SEDAR at www.sedar.com. Current and prospective Unitholders of the REIT should carefully consider such risk factors.

Management is not aware of any significant changes in risks and uncertainties since March 10, 2016.

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 unaudited condensed consolidated interim financial statements include the following.

INVESTMENT PROPERTIES

The estimates used when determining the fair value of investment properties are discount rates, terminal capitalization rates, 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 rent 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 zero-coupon 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.

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.

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
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 and notes 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
Derivative instrument	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 revolving 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 statement of financial position.

The fair value of mortgages payable 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.

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 three months ended March 31, 2016 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 is currently assessing the impact of the new standard.

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 and the standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted. The REIT is currently assessing the impact of the new standard on its consolidated financial statements.

The REIT is currently assessing the impact of the new standard.

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.

The REIT is currently assessing the impact of the new standard.

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 ended March 31, 2016.

The CEO and CFO evaluated the design and effectiveness of the REIT's internal controls over financial reporting (as defined in NI 52-109) and concluded that the design and effectiveness of internal controls over financial reporting continue to be appropriate and were effective for the three months ended March 31, 2016.

OUTLOOK

Further to the Bank of Canada's ("BOC") decision on January 20, 2016, on April 13, 2016 the BOC held the targeted overnight rate at 0.5% and increased its Real GDP growth estimates to 1.7% for 2016. The Canadian economy saw divergent influences during the first quarter of 2016: the price of oil has recovered from its lows at the beginning of the year, yet is still too low to initiate spending, or even prevent further expenditure cuts amongst Canadian oil companies; the Canadian dollar has rallied from its lows as well, yet is eroding the competitiveness of Canada's non-resource export market; and the Canadian economy delivered unexpectedly strong Q1 2016 GDP growth, yet global growth prospects have been modestly downgraded.

In the BOC's opinion, outweighing all of these factors, is the material impact of the Federal budget presented in March. It is the BOC's opinion that the impact of the budget's $30 billion deficit spending will more than offset negative economic factors and Canada should see GDP growth of 2.3% in 2017. CPI inflation expectations remain unchanged.

The federal budget briefly impacted the lending market with a period of yield fluctuations before bonds settled to pre-budget levels. Broadly, loan spreads and liquidity have remained steady through the first quarter, and the market remains in the borrower's favour with low interest rates. While the REIT does not have any material mortgage maturities in the near term, lower interest rates will positively impact future acquisitions as well as the cost of borrowing on the REIT's floating rate credit facilities.

Commercial property capitalization rates, which have remained stable for the past several quarters, showed a slight divergence in the first quarter of 2016, with rates in energy-centric markets moving higher, while in regions such as British Columbia and Ontario, compressing slightly. Management anticipates that despite the impact of the decline in oil prices and its impact on certain markets, overall real estate fundamentals will remain stable throughout the remainder of 2016 and into 2017.

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.

Additional information relating to the REIT including the AIF, can be found on SEDAR at ww.sedar.com.

Dated: May 4, 2016
Toronto, Ontario, Canada