TRUE NORTH COMMERCIAL
REAL ESTATE INVESTMENT TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF CONSOLIDATED FINANCIAL RESULTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

November 11, 2015

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 November 11, 2015, for the three and nine months ended September 30, 2015 should be read in conjunction with the REIT's annual audited consolidated financial statements for the year ended December 31, 2014 and the condensed consolidated interim financial statements for the three and nine months ended September 30, 2015 and 2014 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 will 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 in this MD&A 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"), Adjusted Funds from Operations Normalized ("AFFO Normalized"), 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, do not have standardized meanings prescribed by IFRS and should not be compared to or construed as alternatives to profit/loss, cash flow provided by operating activities or other measures of financial performance calculated in accordance with IFRS. FFO, AFFO, AFFO Normalized, 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.

AFFO Normalized is also an important performance measure, defined as AFFO adjusted for non-recurring items and other items as determined by the Trustees. AFFO and AFFO Normalized should not be interpreted as an indicator of cash provided by operating activities as neither considers changes in working capital. Management considers AFFO and AFFO Normalized to be important measures of the REIT's operating performance.

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 generated from 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 and nine months ended September 30, 2015 and 2014 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 this 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 and nine months ended September 30, 2015 ("Q3-2015") and ("YTD–2015") respectively, and three and nine months ended September 30, 2014 ("Q3-2014") and ("YTD–2014").

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 is focused on acquiring and owning commercial rental properties across Canada and other jurisdictions where it identifies opportunities that are consistent with the REIT's portfolio profile and strategy.

The objectives of the REIT are to:

- generate stable cash distributions on a tax-efficient basis for its Unitholders;
- expand the asset base of the REIT and increase its distributable cash flow through acquisitions of additional 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 focuses on the security of cash flow, capital appreciation, increasing value through efficient management of the acquired assets and growth of FFO and AFFO per Unit.

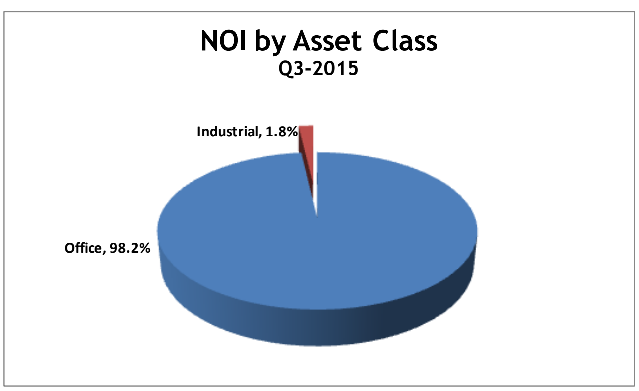
PORTFOLIO SUMMARY

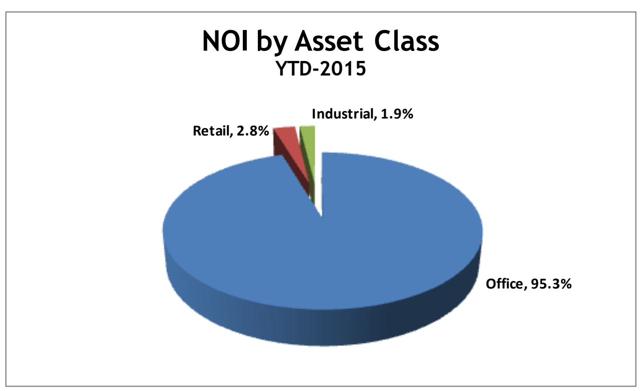
At September 30, 2015 the REIT's portfolio consisted of twenty five commercial properties totaling approximately 1,444,100 square feet of gross leasable area. The following table highlights certain information about the REIT's properties as at September 30, 2015:

Property Name	City	Type	Occupancy	Remaining Lease Term	Square Feet
Alberta					
Century Park	Calgary	Office	97.4%	3.1 years	75,700
St. Albert Trail	Edmonton	Office	100%	4.2 years	96,800
Ontario					
520 Exmouth Street	Sarnia	Office	100%	6.2 years	34,700
533 Exmouth Street	Sarnia	Office	100%	2.6 years	15,400
Arvin Avenue	Hamilton	Office	100%	3.8 years	6,900
Brock Road	Pickering	Office	100%	7.4 years	98,900
Carlingview Drive	Toronto	Office	100%	2.4 years	26,800
Crawford Drive	Peterborough	Office	100%	6.5 years	32,500
Dundas Street	London	Office	100%	3.0 years	20,200
Exeter Road	London	Office	76.8%	3.2 years	35,200
Hunter Street	Hamilton	Office	100%	2.8 years	24,400
Innovation Drive	Hamilton	Industrial	100%	8.2 years	45,900
Laurier Avenue	Ottawa	Office	100%	2.3 years	279,100
Maple Grove Road	Ottawa	Office	100%	1.9 years	107,200
Meg Drive	London	Office	100%	4.7 years	11,300
Oakes Avenue	Kirkland Lake	Office	100%	6.5 years	41,000
Queens Avenue	London	Office	100%	5.4 years	19,000
New Brunswick					
Beaverbrook Court	Fredericton	Office	100%	5.6 years	55,600
Belliveau Avenue	Shediac	Office	100%	6.3 years	42,100
King George Highway	Miramichi	Office	100%	5.1 years	73,200
King Street	Fredericton	Office	97.7%	6.5 years	85,100
495 Prospect Street	Fredericton	Office	98.8%	3.2 years	85,000
845 Prospect Street	Fredericton	Office	100%	6.4 years	39,000
414-422 York Street	Fredericton	Office	79.7%	1.0 years	33,000
470 York Street	Fredericton	Office	90.4%	6.5 years	60,100
Average/Total			98.3%	4.1 years (1)	1,444,100

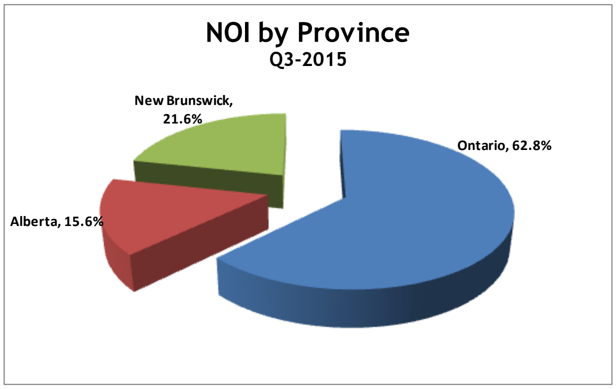
Notes:
(1) Weighted by expected annualized 2015 gross revenue.

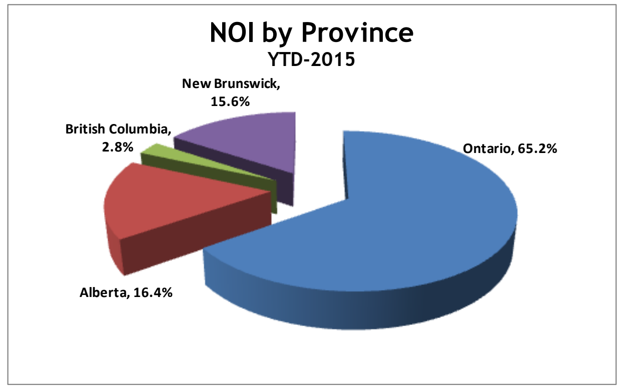
COMPOSITION BY ASSET CLASS





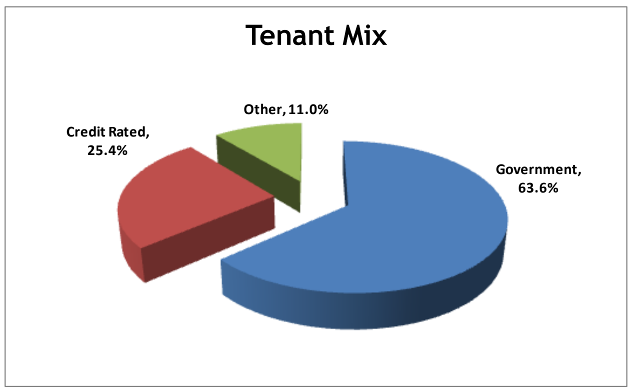
COMPOSITION BY GEOGRAPHIC REGION





TENANT MIX

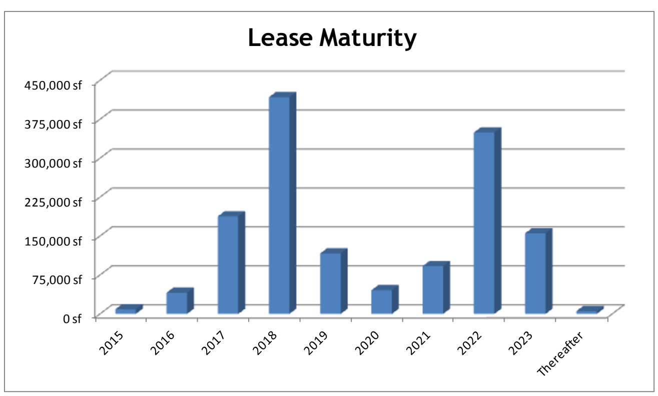
The percentage of revenue generated from tenants that are government institutions, credit-rated or other is as follows:



The tenant mix is based on expected annualized 2015 gross revenue.

LEASE ROLLOVER PROFILE

As at September 30, 2015 the lease rollover profile of the REIT is as follows:



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

Q3 AND YTD 2015 HIGHLIGHTS

Q3 2015 HIGHLIGHTS

- Increased revenue $3,913 or 70% to $9,519 from Q3-2014
- Increased NOI $2,442 or 71% to $5,881 from Q3-2014
- Increased FFO $0.02 per Unit or 13% to $0.17 per Unit from Q3-2014
- Increased AFFO and AFFO Normalized $0.02 per Unit or 13% to $0.17 per Unit, resulting in a Q3-2015 AFFO and AFFO Normalized payout ratio of 88%
- Government and credit-rated tenants continue to represent 89% of revenue at Q3-2015
- Indebtedness to GBV Ratio of 59.22% at December 31, 2014 compared to 59.81% at September 30, 2015
- Reduced weighted average fixed interest rate from 3.44% at December 31, 2014 to 3.34% at September 30, 2015
- Paid distributions of $3,179 for Q3-2015
- Portfolio occupancy decreased to 98.3% at September 30, 2015 from 99.2% at June 30, 2015

The REIT acquired the following four commercial properties ("Kingswood Portfolio") on July 29, 2015 for an aggregate purchase price of $35,000 plus closing costs:

Property Name	Acquisition Date	Location	Property Type	Square Feet
Beaverbrook Court	July 29, 2015	Fredericton, NB	Office	55,600
495 Prospect Street	July 29, 2015	Fredericton, NB	Office	85,000
414-422 York Street	July 29, 2015	Fredericton, NB	Office	33,000
470 York Street	July 29, 2015	Fredericton, NB	Office	60,100

The purchase price was funded through new first mortgages of $24,500, the issuance of 909,090 class B limited partnership units of True North Commercial Limited Partnership ("Class B LP Units") at an agreed upon price of $6.60 per Class B LP Unit to the vendor for gross proceeds of $6,000, the issuance of 45,454 Units at an agreed upon price of $6.60 per Unit in a concurrent private placement with an entity controlled by the REIT's President and Chief Executive Officer ("CEO"), for gross proceeds of $300, and approximately $5,000 in cash from the proceeds of the disposition of Coronation Mall.

Beaverbrook Court is a five-level office building located in the midtown district of Fredericton with an approximate gross leasable area of 55,600 square feet, has approximately 160 onsite paved parking spaces and is 100% occupied. The major tenants at this property are the Federal Government of Canada and the Province of New Brunswick.

495 Prospect Street is a three-level office building located in the uptown business district of Fredericton with an approximate gross leasable area of 85,000 square feet and is 98.8% occupied. The major tenants at this property are Aditya Birla Minacs Worldwide and Accenture.

414-422 York Street is a three-level office building located approximately six blocks from downtown Fredericton with an approximate gross leasable area of 33,000 square feet and is 79.7% occupied. The major tenant at this property is Accreon Inc.

470 York Street is a four-level office building located approximately six blocks from downtown Fredericton with an approximate gross leasable area of 60,100 square feet and is 90.4% occupied. The major tenant at this property is the Province of New Brunswick.

YTD 2015 HIGHLIGHTS

- Increased revenue $10,770 or 65% to $27,291 from YTD-2014
- Increased NOI $6,942 or 70% to $16,870 from YTD-2014
- Increased FFO $0.04 or 9% to $0.49 per Unit from YTD-2014
- Increased AFFO $0.05 or 12% to $0.48 per Unit and increased AFFO Normalized $0.03 or 7% to $0.49 per Unit, resulting in a YTD-2015 AFFO and AFFO Normalized payout ratio of 92%
- Paid distributions of $9,223 for YTD-2015
- In addition to the Kingswood Portfolio, the REIT acquired the 845 Prospect Street property on March 25, 2015 for an aggregate purchase price of $5,900 plus closing costs. 845 Prospect Street is a stand-alone, four-storey office building with approximately 39,000 rentable square feet, and is 100% occupied by Stantec Inc., a credit rated tenant under a lease expiring in 2022
- On June 30, 2015, the REIT sold its non-core Coronation Mall retail property located in Duncan, British Columbia for gross proceeds of $17,000. The property was originally acquired in connection with the REIT's qualifying transaction in December, 2012 for approximately $14,600. The net proceeds from the sale of Coronation Mall were applied towards the purchase of the Kingswood Portfolio.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Revenue	$9,519	$5,606	$27,291	$16,521
NOI	$5,881	$3,439	$16,870	$9,928
Income and comprehensive income	$7,519	$4,668	$10,729	$12,241
FFO	$3,668	$2,019	$10,173	$5,668
FFO per Unit - basic (1)	$0.17	$0.15	$0.49	$0.45
FFO per Unit - diluted (1)	$0.17	$0.15	$0.49	$0.44
AFFO	$3,578	$1,957	$9,973	$5,449
AFFO per Unit - basic (1)	$0.17	$0.15	$0.48	$0.43
AFFO per Unit - diluted (1)	$0.17	$0.14	$0.48	$0.42
AFFO payout ratio - basic	88%	103%	92%	104%
AFFO payout ratio - diluted	88%	104%	93%	105%
AFFO - Normalized (2)	$3,592	$2,044	$10,018	$5,885
AFFO Normalized per Unit - basic (1)	$0.17	$0.15	$0.49	$0.46
AFFO Normalized per Unit - diluted (1)	$0.17	$0.15	$0.48	$0.46
AFFO Normalized payout ratio - basic	88%	98%	92%	96%
AFFO Normalized payout ratio - diluted	88%	100%	92%	98%
Units outstanding for FFO, AFFO and AFFO Normalized per Unit:				
Weighted average (000s) – basic (1)	21,167	13,437	20,600	12,728
Add: Unexercised unit options	112	185	125	188
Weighted average (000s) – diluted (1)	21,279	13,622	20,725	12,916

Notes:

(1) For purposes of calculating FFO and 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 in the money.

(2) AFFO Normalized is adjusted for non-recurring items such as due diligence acquisition costs related to property acquisitions the REIT is no longer pursuing and rental income recognized as purchase price adjustments under IFRS. See "FFO and AFFO Reconciliations".

The REIT significantly increased its portfolio with the addition of fourteen properties during the latter half of 2014 and the addition of five properties in 2015 resulting in increased quarterly and year to date revenue, NOI, FFO and AFFO. Q3-2015 revenue increased $3,913 or 70% compared to Q3-2014. NOI increased $2,442 or 71% compared to Q3-2014. FFO per Unit increased $0.02 or 13% compared to Q3-2014. AFFO and AFFO Normalized per Unit increased $0.02 or 13% compared to Q3-2014. Q3-2015 AFFO Normalized payout ratio decreased to 88% from 98% for Q3-2014.

YTD-2015 revenue increased $10,770 or 65% compared to YTD-2014. NOI increased $6,942 or 70% compared to YTD-2014. FFO per Unit increased $0.04 or 9% compared to YTD-2014. AFFO per Unit increased $0.05 or 12% compared to YTD-2014. AFFO Normalized per Unit increased $0.03 or 7% compared to YTD-2014. YTD-2015 AFFO Normalized payout ratio decreased to 92% from 96% for YTD-2014.

QUARTERLY INFORMATION

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

	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13
Revenue	$ 9,519	$ 8,882	$ 8,890	$ 6,800	$ 5,606	$ 5,283	$ 5,632	$ 5,105
Property operating costs	3,638	3,325	3,458	2,686	2,167	2,026	2,400	2,005
NOI	5,881	5,557	5,432	4,114	3,439	3,257	3,232	3,100
General and administration expenses	(444)	(439)	(505)	(262)	(289)	(572)	(518)	(603)
Finance costs	(2,489)	(1,662)	(2,656)	(1,562)	(1,083)	(1,146)	(1,393)	(1,140)
Distributions on Class B LP Units	(644)	(508)	(508)	(425)	(385)	(385)	(384)	(362)
Fair value adjustment of Class B LP Units	1,036	479	171	1,743	1,088	(2,719)	388	487
Fair value adjustment of investment properties	4,179	(2,870)	1,069	(2,868)	1,898	3,944	3,869	(8,361)
Loss on sale of investment property	-	(350)	-	-	-	-	-	-
Income (loss) and comprehensive income (loss) for the period	$ 7,519	$ 207	$ 3,003	$ 740	$ 4,668	$ 2,379	$ 5,194	$(6,879)
FFO per Unit - basic	$ 0.17	$ 0.17	$ 0.16	$ 0.16	$ 0.15	$ 0.15	$ 0.14	$ 0.13
AFFO Normalized per Unit - basic	$ 0.17	$ 0.16	$ 0.15	$ 0.16	$ 0.15	$ 0.16	$ 0.16	$ 0.15
AFFO Normalized payout ratio - basic	88%	92%	96%	95%	98%	95%	94%	99%
AFFO Normalized payout ratio - diluted	88%	92%	97%	96%	100%	97%	96%	101%
Number of investment properties	25	21	22	21	10	7	7	7

NOI increased in Q3-2015 by $324 or 6% compared to Q2-2015. The increase is mainly due to the acquisition of the Kingswood Portfolio which was acquired on July 29, 2015 offset by the sale of Coronation Mall which occurred on June 30, 2015. FFO remained static at $0.17 quarter over quarter. AFFO Normalized payout ratio decreased to 88% in Q3-2015 compared to 92% in Q2-2015 due to the accretive acquisition of the Kingswood Portfolio and improved operating results from certain of the REIT's properties.

INDEBTEDNESS TO GBV

	September 30 2015	December 31 2014
GBV	$347,848	$319,618
Indebtedness	$208,037	$189,264
Indebtedness to GBV	59.81%	59.22%
Weighted average mortgage fixed interest rate	3.34%	3.44%
Weighted average mortgage term to maturity	3.82 years	4.32 years

The REIT's Indebtedness to GBV Ratio as at September 30, 2015 increased to 59.81% from 59.22% as at December 31, 2014 due to increased borrowings on the REIT's credit facilities during the quarter.

ANALYSIS OF FINANCIAL PERFORMANCE

The REIT's financial performance and results of operations for the three and nine months ended September 30, 2015 and 2014 are summarized below.

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Revenue	$ 9,519	$ 5,606	$ 27,291	$ 16,521
Expenses:				
Property operating costs	2,133	1,119	6,034	3,579
Realty taxes	1,505	1,048	4,387	3,014
NOI	$ 5,881	$ 3,439	$ 16,870	$ 9,928
Other income (expenses):				
General and administration expenses	(444)	(289)	(1,388)	(1,379)
Finance costs	(2,489)	(1,083)	(6,807)	(3,622)
Distributions on Class B LP Units	(644)	(385)	(1,660)	(1,154)
Fair value adjustment of Class B LP Units	1,036	1,088	1,686	(1,243)
Fair value adjustment of investment properties	4,179	1,898	2,378	9,711
Loss on sale of investment property	-	-	(350)	-
Income and comprehensive income	$ 7,519	$ 4,668	$ 10,729	$ 12,241

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.

Q3-2015 revenue increased $3,913 or 70% compared to Q3-2014. Q3-2015 operating costs increased $1,014 or 91% compared to Q3-2014. Property acquisitions completed in the latter half of 2014 and in Q3-2015 account for the majority of the increase in revenue and operating costs.

Realty taxes increased $457 or 44% compared to Q3-2014. This is due to the addition of fourteen properties acquired in the latter half of 2014 as well as five properties acquired in 2015 slightly offset by the sale of Coronation Mall.

Occupancy for the property portfolio decreased to 98.3% at September 30, 2015 from 99.2% at June 30, 2015 due to some minor vacancies in the Kingswood Portfolio.

SAME STORE PROPERTY ANALYSIS

Same store property analysis for the three and nine months ended September 30, 2015 and 2014 consists of six properties.

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Revenue	$ 4,950	$ 4,916	$ 14,970	$ 15,052
Expenses:				
Property operating	1,027	1,027	3,305	3,400
Realty taxes	905	908	2,714	2,723
NOI	$ 3,018	$ 2,981	$ 8,951	$ 8,929

NOI increased $37 from Q3-2014 ($22 - YTD-2014) mainly due to an increase in recovery revenue at certain of the REIT's properties as a result of capital expenditures recoverable over the term of the lease.

Property operating costs remained stable quarter over quarter, however certain of the REIT's properties had a decrease in repairs and maintenance while others had an increase resulting in overall property operating costs remaining static. Property operating costs decreased $95 year over year due to lower repairs and maintenance expenses incurred at certain of the REIT's properties. Realty taxes remained stable quarter over quarter and decreased $9 year over year due to increased assessed values at certain of the REIT's properties offset by a decrease in rates and a successful appeal at one of the REIT's properties which resulted in a lower assessed value.

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, fair value 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 $155 in Q3-2015 compared to Q3-2014. This increase is mainly a result of increased asset management fees of $112 due to the increased number of properties owned by the REIT in 2015. Unit based compensation increased $30 due to changes in the Unit price while other expenses remained stable.

General and administration expenses increased $9 year over year due to a decrease in Unit based compensation of $237 and due diligence costs of $175 relating to acquisitions the REIT is no longer pursuing. This decrease was offset by an increase in asset management fees of $329 due to the increased number of properties owned by the REIT and an increase in professional fees of $83.

FINANCE COSTS

The REIT's finance costs for the three and nine months ended September 30, 2015 and 2014 are summarized below. Finance costs exclude cash distributions and fair value adjustments related to the Class B LP Units.

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Interest on mortgages and notes payable	$ 1,716	$ 1,010	$ 5,108	$ 2,897
Other interest expense and standby fees	71	40	190	111
Amortization of mark to market mortgage adjustments	(33)	6	(99)	6
Amortization of financing costs	83	82	275	200
Unrealized loss (gain) on change in fair value of derivative instruments	652	(55)	1,333	408
Total finance costs	$ 2,489	$ 1,083	$ 6,807	$ 3,622

Increases in interest on mortgages payable of $706 (Q3-2015) and $2,211 (YTD-2015) compared to the same periods last year are due to additional mortgage financing obtained in connection with the acquisition of fourteen properties completed in the latter half of 2014 and five properties acquired in 2015.

Other interest expense and standby fees relate to costs incurred on the REIT's credit facilities. The quarterly and year to date increase is a function of the amount borrowed on the REIT's credit facilities. See "Credit Facilities".

The REIT holds a number of interest rate swaps 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.

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 $644 for Q3-2015 ($1,660-YTD-2015) compared to $385 for Q3-2014 ($1,154-YTD-2014). Increases in distributions quarter over quarter are a result of the issuance of 833,333 Class B LP Units in Q4-2014 and 909,090 Class B LP Units on July 29, 2015 in connection with the acquisition of the Kingswood Portfolio.

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 $1,036 for Q3-2015 ($1,686 – YTD – 2015) is due to a decrease in the trading price of the Units to $5.55 and the increase in the number of Class B LP Units issued.

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 calculates fair value using both the discounted cash flow method and direct capitalization method 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 rollovers. Fair values are supported by a combination of internal financial information, market data and external independent valuations.

In Q3-2015, the fair value gain on investment properties was $4,179 ($2,378–YTD-2015) compared to a gain of $1,898 ($9,711–YTD-2014) in Q3-2014. The size and mix of the portfolio at Q3-2015 is significantly different than the portfolio in Q3-2014. The fair value gain during the quarter was a result of changes in projected future cash flows, changes in capitalization rates and market rent assumptions in certain of the REIT's properties.

The key valuation assumptions for the REIT's investment properties as at September 30, 2015 and 2014 are as follows:

	September 30 2015	September 30 2014
Terminal and direct capitalization rates - range	6.00% - 11.50%	6.06% - 11.60%
Terminal and direct capitalization rate - weighted average	7.19%	7.00%
Discount rates - range	7.00% - 12.00%	7.25% - 10.50%
Discount rate - weighted average	7.80%	7.71%

LOSS ON SALE OF INVESTMENT PROPERTY

The REIT disposed of Coronation Mall on June 30, 2015. Costs incurred on the sale were $350 and are recognized as a loss on sale of investment property.

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 September 30		Nine months ended September 30	
	2015	2014	2015	2014
Income and comprehensive income	$ 7,519	$ 4,668	$ 10,729	$ 12,241
Add / (deduct):				
Revaluation of unit options	37	7	96	333
Fair value adjustment of investment properties	(4,179)	(1,898)	(2,378)	(9,711)
Fair value adjustment of Class B LP Units	(1,036)	(1,088)	(1,686)	1,243
Distributions on Class B LP Units	644	385	1,660	1,154
Unrealized loss (gain) on change in fair value of derivative instruments	652	(55)	1,333	408
Loss on sale of investment property	-	-	350	-
Amortization of leasing commissions and tenant inducements	31	-	69	-
FFO	$ 3,668	$ 2,019	$ 10,173	$ 5,668
FFO per Unit - basic (1)	$0.17	$0.15	$0.49	$0.45
FFO per Unit - diluted (1)	$0.17	$0.15	$0.49	$0.44
Weighted average Units outstanding:				
Basic - (000s) (1)	21,167	13,437	20,600	12,728
Add:				
Unexercised unit options	112	185	125	188
Diluted - (000s) (1)	21,279	13,622	20,725	12,916

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 $1,649 or 82% compared to Q3-2014 ($4,505 or 79% compared to YTD-2014). FFO per Unit increased to $0.17 compared to $0.15 in Q3-2014 and increased to $0.49 compared to $0.45 for YTD-2014. The increase in quarterly and year to date FFO and FFO per Unit is due to the increase in the REIT's portfolio from ten properties at September 30, 2014 to twenty five properties at September 30, 2015.

AFFO AND AFFO - NORMALIZED

Reconciliation of FFO to AFFO and AFFO Normalized is as follows:

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
FFO	$ 3,668	$ 2,019	$ 10,173	$ 5,668
Add / (deduct):				
Non-cash compensation expense	26	24	80	76
Amortization of deferred financing costs	83	82	275	200
Amortization of mark to market mortgage adjustments	(33)	6	(99)	6
Instalment note receipts	88	-	268	-
Straight-line rent	(5)	(57)	(31)	(175)
Capital reserve [1]	(249)	(117)	(693)	(326)
AFFO	$ 3,578	$ 1,957	$ 9,973	$ 5,449
AFFO per Unit - basic [2]	$0.17	$0.15	$0.48	$0.43
AFFO per Unit - diluted [2]	$0.17	$0.14	$0.48	$0.42
Distributions declared	$ 3,179	$ 2,100	$ 9,223	$ 5,776
AFFO payout ratio - basic	88%	103%	92%	104%
AFFO payout ratio - diluted	88%	104%	93%	105%
AFFO	$ 3,578	$ 1,957	$ 9,973	$ 5,449
Add / (Deduct):				
Due diligence acquisition costs	-	-	-	175
Rental income related to purchase price adjustments	14	87	45	261
AFFO - Normalized	$ 3,592	$ 2,044	$ 10,018	$ 5,885
AFFO Normalized per Unit - basic [2]	$0.17	$0.15	$0.49	$0.46
AFFO Normalized per Unit - diluted [2]	$0.17	$0.15	$0.48	$0.46
AFFO Normalized payout ratio - basic	88%	98%	92%	96%
AFFO Normalized payout ratio - diluted	88%	100%	92%	98%

Notes:

(1) Based on an estimate of $0.72 (2014 - $0.60) 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 has experienced strong growth in revenue, NOI, FFO and AFFO during Q3-2015 which is primarily attributable to the fourteen properties acquired in the latter half of 2014 and five properties acquired in 2015, which resulted in an improved AFFO and AFFO Normalized payout ratio of 88%.

AFFO Normalized increased $1,548 or 76% compared to Q3-2014, and reflects the add back of the following to AFFO:

- Rental income recognized as purchase price adjustments under IFRS upon acquisition of $14 in Q3-2015 and $87 in Q3-2014. The rental income relates to rent free periods for various tenants for which the REIT received funds as part of the acquisition.

AFFO Normalized increased $4,133 or 70% compared to YTD-2014, and reflects the addition of the following to AFFO:

- Rental income recognized as purchase price adjustments under IFRS upon acquisition of $45 in YTD-2015 and $261 in YTD-2014; and
- Due diligence acquisition costs of $nil for YTD-2015 and $175 for YTD-2014.

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 September 30		Nine months ended September 30	
	2015	2014	2015	2014
Adjusted cash flow provided by operating activities	$ 3,571	$ 2,861	$ 10,005	$ 4,808
Non-cash compensation expense	3	2	11	8
Change in finance costs payable	(94)	(45)	(160)	(37)
Instalment note receipts	88	-	268	-
Capital reserve [(1)]	(249)	(117)	(693)	(326)
Change in non-cash operating working capital	259	(744)	542	996
AFFO	$ 3,578	$ 1,957	$ 9,973	$ 5,449

Notes:

(1) Based on an estimate of $0.72 (2014 - $0.60) per square foot per annum and represents a reserve for capital expenditures, tenant inducements and leasing costs.

AFFO of $3,578 exceeded distributions declared by $399 and distributions paid by $737 for Q3-2015. AFFO of $9,973 exceeded distributions declared by $750 and distributions paid by $1,895 for YTD-2015.

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 distribution reinvestment plan (“DRIP”).

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

	Three months ended September 30	Nine months ended September 30	Year ended December 31	
	2015	2015	2014	2013
Distributions declared	$ 3,179.00	$ 9,223	$ 8,251	$ 6,506
Less: DRIP	(338)	(1,145)	(1,520)	(1,408)
Cash distributions paid	$ 2,841.00	$ 8,078	$ 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 September 30 2015	Nine months ended September 30 2015	Year ended December 31 2014	Year ended December 31 2013
Income and comprehensive income	$ 7,519	$ 10,729	$ 12,981	$ 13,340
Cash flow provided by operating activities	5,264	15,143	11,956	8,757
Less: Interest paid	(1,693)	(5,138)	(4,072)	(2,860)
Adjusted cash flow provided by operating activities	3,571	10,005	7,884	5,897
Declared basis:				
Excess of income and comprehensive income over distributions	4,340	1,506	4,730	6,834
Excess (shortfall) of adjusted cash flow provided by operating activities over declared distributions	392	782	(367)	(609)
Cash basis:				
Excess of income and comprehensive income over cash distributions	4,678	2,651	6,250	8,242
Excess of adjusted cash flow provided by operating activities over cash distributions	730	1,927	1,153	799

Income and comprehensive income and adjusted cash flow provided by operating activities exceeded distributions declared for the three and nine months ended September 30, 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 and nine months ended September 30, 2015 and 2014:

	Investment Properties	Properties Under Development	Total
Balance at December 31, 2013	$ 179,626	$ 45	$ 179,671
Acquisitions	35,204	-	35,204
Additions	2,131	1,197	3,328
Reclassification of properties under development	1,242	(1,242)	-
Amortization of leasing costs, tenant inducements			
and straight-line rents	174	-	174
Fair value adjustment	9,711	-	9,711
Balance at September 30, 2014	228,088	-	228,088
Acquisitions	85,168	-	85,168
Additions	1,022	(5)	1,017
Reclassification of properties under development	(5)	5	-
Amortization of leasing costs, tenant inducements			
and straight-line rents	75	-	75
Fair value adjustment	(2,868)	-	(2,868)
Balance at December 31, 2014	311,480	-	311,480
Acquisitions	40,904	-	40,904
Dispositions	(15,869)	-	(15,869)
Additions	2,100	-	2,100
Amortization of leasing costs, tenant inducements			-
and straight-line rents	(38)	-	(38)
Fair value adjustment	2,378	-	2,378
Balance at September 30, 2015	**$ 340,955**	**$ -**	**$ 340,955**

ACQUISITIONS & DISPOSITIONS

On March 25, 2015, the REIT acquired 845 Prospect Street for an aggregate purchase price of $5,900 plus closing costs. On June 30, 2015, the REIT disposed of Coronation Mall which had a fair value of $15,869. On July 29, 2015, the REIT acquired the Kingswood Portfolio for an aggregate purchase price of $35,000 plus closing costs.

ADDITIONS

Additions to investment properties for the nine months ended September 30, 2015 were $2,100 consisting of the following:

- Capital expenditures of $1,559 of which $711 relates to building enhancements at Laurier Avenue and $702 relates to building enhancements at St. Albert Trail; and
- Tenant inducements and leasing costs of $540, the majority of which relates to the costs associated with the early renewal of a major tenant.

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 nine months ended September 30, 2015:

Balance, December 31, 2014	$	1,592
Principal receipts on instalment notes receivable		(246)
Balance, September 30, 2015	$	1,346

PREPAID EXPENSES AND OTHER ASSETS

At September 30, 2015, the REIT had $1,592 in prepaid expenses and other assets, compared to $821 at December 31, 2014. This is primarily due to an increase in prepaid realty taxes.

LIABILITIES

As at September 30, 2015, the overall leverage, as represented by the ratio of Indebtedness to GBV was 59.81% compared to 59.22% at December 31, 2014. The maximum allowable ratio under the DOT is 75%. Below is a calculation of the REIT's Indebtedness to GBV Ratio as at September 30, 2015 and December 31, 2014.

		September 30 2015		December 31 2014
Total assets	$	346,028	$	317,967
Deferred financing costs		1,820		1,651
GBV	$	347,848	$	319,618
Mortgages and notes payable		201,355		187,290
Credit facilities (net of unamortized financing costs)		6,087		1,473
Unamortized financing costs and mark to market mortgage adjustments		595		501
Indebtedness	$	208,037	$	189,264
Indebtedness to GBV		59.81%		59.22%

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 September 30, 2015, 3% (December 31, 2014 – 1%) of the REIT's debt was at floating rates.

MORTGAGES AND NOTES PAYABLE

The following table sets out, as at September 30, 2015, 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
2015-remainder of year	$ 1,470	$ -	$ 1,470	$ 1,764	0.70%
2016	6,019	765	6,784	6,913	3.40%
2017	5,903	11,499	17,402	6,377	8.60%
2018	3,794	85,594	89,388	4,073	44.30%
2019	2,931	20,474	23,405	2,787	11.60%
Thereafter	4,972	58,516	63,488	3,853	31.40%
	$ 25,089	$ 176,848	201,937	$ 25,767	100.00%
Unamortized mark to market mortgage adjustments			601		
Unamortized financing costs			(1,183)		
			$ 201,355		

The mortgages and notes carry a weighted average fixed interest rate of 3.34% (December 31, 2014 – 3.44%), after giving effect to the instalment notes receivable. The weighted average term to maturity is 3.82 years (December 31, 2014 – 4.32 years).

CREDIT FACILITIES

On January 15, 2015, the REIT renewed its credit agreement with a Canadian chartered bank with respect to its $5,000 floating rate revolving credit facility. This 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 September 30, 2015, $5,000 (December 31, 2014 - $1,500) was drawn on the credit facility.

On January 15, 2015, the REIT also renewed its $10,000 floating rate revolving credit facility. This facility bears interest on cash advances above $1,500 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 September 30, 2015, $1,100 (December 31, 2014 – nil) was drawn on this credit facility.

Both credit facilities are secured by two of the REIT's properties.

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 issued by True North Commercial Limited Partnership ("Partnership") to holders, 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 between True North Commercial General Partner Corp., the REIT and the Partnership.

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 September 30, 2015 there were 4,331,337 Class B LP Units issued compared to 3,422,247 Class B LP Units issued at December 31, 2014. The Class B LP Units were valued at $24,038 at Q3-2015 compared to $20,533 at Q4-2014 due to the decrease in the Unit price from $6.00 at Q4-2014 to $5.55 at Q3-2015.

The REIT has the following Class B LP Units outstanding as of November 11, 2015:

	Units
Balance, Sept. 30, 2015	4,331,337
Issuance of Class B LP Units	-
Balance, November 11, 2015	4,331,337

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 nine months ended September 30, 2015:

	Units	Amount
Balance, December 31, 2014	16,890,286	101,814
Issuance of Units	45,454	300
Issuance of Units under DRIP	199,302	1,145
Issuance of Units under the non-executive trustee Unit issuance plan	11,752	69
Issuance from unit options exercised	52,084	307
Units repurchased and cancelled under normal course issuer bid	(90,600)	(542)
Issuance and repurchase costs	-	(47)
Balance, Sept. 30, 2015	17,108,278	$ 103,046

The number of Units outstanding as of November 11, 2015 is as follows:

	Units
Balance,Sept. 30, 2015	17,108,278
Issuance of Units under DRIP	22,143
Balance, November 11, 2015	17,130,421

NORMAL COURSE ISSUER BID ("NCIB")

On December 3, 2014, the REIT renewed its NCIB for a further twelve months. The REIT has the ability to purchase for cancellation up to a maximum of 969,026 of its Units, representing 10% of the REIT's public float of 9,690,264 Units (at December 3, 2014) through the facilities of the TSX. YTD-2015, 90,600 Units (December 31, 2014 – 52,700) had been repurchased under the NCIB at a price ranging from $5.71 to $6.15 per Unit.

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 September 30, 2015 consist of the following:

Weighted average exercise price (1)	Unit Options Outstanding	Unit Options exercisable	Expiry Date
$1.60	79,167	79,167	August 27, 2017
7.48	100,000	66,662	December 14, 2017
7.66	427,500	284,992	February 12, 2018
6.15	495,000	-	January 8, 2020
$6.31	1,101,667	430,821	

(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 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 11, 2015. 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 sources available to fulfill its commitments including: (i) cash flow provided by 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 September 30		Nine months ended September 30	
	2015	2014	2015	2014
Cash provided by operating activities	$ 5,264	$ 3,866	$ 15,143	$ 7,779
Cash used in investing activities	(29,704)	(36,180)	(31,917)	(37,762)
Cash provided by financing activities	22,836	32,633	15,111	29,172
(Decrease) increase in cash and cash equivalents	(1,604)	319	(1,663)	(811)
Cash and cash equivalents, beginning of period	2,127	702	2,186	1,832
Cash and cash equivalents, end of period	$ 523	$ 1,021	$ 523	$ 1,021

In Q3-2015, the REIT generated $5,264 of cash flow from operating activities compared to $3,866 in Q3-2014 an increase of $1,398. Cash used in investing activities in Q3-2015 of $29,704 relates primarily to the purchase of the Kingswood Portfolio for $29,954.

YTD-2015 cash provided by operating activities of $15,143 compared to YTD-2014 of $7,779 is mainly a result of increased NOI from the properties acquired during the latter half of 2014 and during 2015. Cash used in investing activities in YTD-2015 of $31,917 relates primarily to the purchase of 845 Prospect Street in Q1-2015 for $6,046 and the purchase of Kingswood Portfolio for $29,954 in Q3-2015 which was offset by the sale of Coronation Mall in Q2-2015 which provided net proceed of $5,916.

CAPITAL RESOURCES

The REIT's portfolio requires 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 2015 and beyond. Expenditures are expected to be funded through cash flow provided by operations and the REIT's credit facilities. For the nine months ended September 30, 2015 and 2014, the REIT invested $2,100 and $2,131, 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.

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 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) From and after January 1, 2013, an incentive fee payable by the REIT for each fiscal year equal to 15% of the FFO in excess of the FFO per Unit hurdle rate determined by the Trustees of the REIT by September 30, 2013 for the 2013 fiscal year, with reference to such parameters and information as the Trustees deem prudent, including without limitation, the 2013 business plan of the REIT, and for fiscal years from and after January 1, 2014, an amount equal to the FFO per Unit for fiscal 2013 plus 50% of the increase in the weighted average consumer price index (or other similar metric as determined by the Trustees) of the jurisdictions in which the properties of the REIT are located. For the purpose of this calculation, FFO per Unit means the quotient obtained by dividing: (i) the sum of: (A) the gain on the dispositions of any properties in the fiscal year (calculated as the difference between the total sale price set out in any agreement entered into by the REIT with respect to the disposition of the property or properties and the historical purchase price of such property or properties inclusive of costs incurred), and (B) FFO, by (ii) the total number of issued and outstanding Units and Class B LP Units as at the end of such fiscal year.

(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 and nine months ended September 30, 2015 and 2014:

	Three months ended September 30 2015	2014	Nine months ended September 30 2015	2014
Asset management fees	$ 280	$ 168	$ 807	$ 478
Acquisition fees	350	350	409	350
Total	$ 630	$ 518	$ 1,216	$ 828

Of these amounts, $97 (December 31, 2014 - $77) is included in accounts payable and accrued liabilities at September 30, 2015. No incentive fees or capital expenditure fees were charged for the nine months ended September 30, 2015 and 2014.

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 11, 2015 for the year ended December 31, 2014 and in the AIF of the REIT dated March 11, 2015. 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 11, 2015.

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 property 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. 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 and notes 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

A summary of the significant accounting policies are described in Note 2 of the audited consolidated financial statements for the year ended December 31, 2014. Any changes in accounting policies from December 31, 2014 are described in Note 2 to the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2015 and 2014. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

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 of the REIT evaluated the effectiveness of the REIT's disclosure controls and procedures (as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") and concluded that the design and operation of the REIT's disclosure controls and procedures were effective for the three and nine months ended September 30, 2015.

The CEO and CFO of the REIT evaluated the design and effectiveness of the REIT's internal controls over financial reporting (as defined in NI 52-109) and concluded that the design and effectiveness of internal controls over financial reporting continue to be appropriate and were effective for the three and nine months ended September 30, 2015.

OUTLOOK

The Canadian economy during the first half of 2015 continued its slide and the country entered into a mild technical recession during the latter part of the second quarter. Low oil and other commodity prices have hindered investment which has had a direct impact on the ability of the economy to hit growth expectations. After a further rate cut of 25bps by the Bank of Canada on July 15, 2015, the Bank of Canada has continued to hold rates while further reducing growth expectations for both 2016 and 2017 to 2.0% and 2.5% respectively. Some private-sector economists have suggested that Canada's economy could improve next year and beyond if the newly elected Liberal government makes good on its promise to boost infrastructure spending and cut taxes. Management believes the REIT is in a positive position given the current economic environment due to the portfolio tenant mix and a healthy average remaining lease term and mortgage maturity profile.

The REIT should continue to benefit from historically low costs of borrowing which has a positive impact on cash flow. While the REIT does not have any mortgage maturities in the near term, low interest rates should positively impact future acquisitions as well as the cost of borrowing on the REIT's floating rate credit facilities.

Commercial property capitalization rates continue to remain stable and management anticipates that despite the impact of the decline in oil prices and its impact on the Canadian economy overall real estate fundamentals will remain stable throughout the remainder of 2015 and into early 2016.

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 REIT's annual information form, can be found on SEDAR at www.sedar.com.

Dated: November 11, 2015

Toronto, Ontario, Canada