TRUE NORTH COMMERCIAL
REAL ESTATE INVESTMENT TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED DECEMBER 31, 2013

March 5, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the consolidated financial results of True North Commercial Real Estate Investment Trust (the "REIT") dated March 5, 2014, for the year ended December 31, 2013 and period from July 13, 2012 (commencement of operations) to December 31, 2012 should be read in conjunction with the REIT's consolidated financial statements and accompanying notes for the same period. 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 such 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 are not historical facts.

Forward-looking statements necessarily involve known and unknown risks and uncertainties, that 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 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; 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.

BASIS OF PRESENTATION

The REIT's consolidated financial statements for the year ended December 31, 2013 and period from July 13, 2012 (commencement of operations) to December 31, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The REIT's presentation currency is the Canadian dollar. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of dollars, except for Unit information.

On June 19, 2013, the Units and the Class B LP Units were consolidated (the "Consolidation") on the basis of one (1) post-consolidation Unit or Class B LP Unit for every two (2) pre-consolidation Units or Class B LP Units, respectively. The number of Units, Class B LP Units, common shares of the Company issued prior to the Consolidation and Units issuable upon the exercise of the outstanding Unit Options have all been proportionally adjusted in this MD&A.

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, Gross Book Value ("GBV") and Indebtedness to GBV ratio are not measures defined under 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 from operating activities or other measures of financial performance calculated in accordance with IFRS. FFO, AFFO, AFFO Normalized, NOI, Indebtedness, GBV and Indebtedness to GBV ratio 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 ("Unitholders") of trust units of the REIT ("Units") after a provision for capital expenditures, tenant inducements and leasing costs. AFFO is calculated as FFO subject to certain adjustments, including: (a) amortization of fair value mark-to-market adjustments on mortgages acquired, amortization of deferred financing costs, amortization of tenant incentives and compensation expense related to unit-based incentive plans; and (b) deducting a reserve for normalized maintenance capital expenditures, as determined by the REIT. Other adjustments may be made to AFFO as determined by the Trustees in their discretion. AFFO Normalized is also an important performance measure which is defined as AFFO adjusted for non-recurring items. AFFO and AFFO Normalized should not be interpreted as an indicator of cash generated from operating activities as neither considers changes in working capital. Management considers these non-IFRS measures 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.

GBV is defined in the REIT's Amended and Restated Declaration of Trust ("DOT") made as of December 14, 2012 and is a measure of the value of the REIT's assets. GBV is presented in this MD&A as management considers this non-IFRS measure to be an important measure of the REIT's asset base and financial position. Indebtedness is defined in the DOT and is a measure of the amount of leverage utilized by the REIT. Indebtedness is presented in this MD&A as management considers this non-IFRS measure to be an important measure of the REIT's financial position. The Indebtedness to GBV ratio is a compliance measure in the DOT and establishes the limit for financial leverage of the REIT. 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.

OVERVIEW AND STRATEGY

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to the DOT made as of November 16, 2012, and as amended and restated as of December 14, 2012, under, and governed by, the laws of the Province of Ontario.

The predecessor company to the REIT, Tanq Capital Corporation (the "Company"), was formed as a capital pool company on July 13, 2012 and completed its initial public offering on August 28, 2012. The common shares of the Company were listed on the TSX Venture Exchange ("TSXV") under the symbol TQ.P. Prior to entering into a plan of arrangement with the REIT on December 14, 2012 (the "Plan of Arrangement"), there were 27,500,000 common shares of the Company issued and outstanding.

The REIT incorporated True North Commercial General Partner Corp. (the "GP") on November 16, 2012, and together formed True North Commercial Limited Partnership (the "Partnership"). Pursuant to the Plan of Arrangement approved by the Company's shareholders at a special meeting held on December 13, 2012, the Company's shareholders either transferred their common shares of the Company to the Partnership in consideration for Units, and/or in the case of electing shareholders, in consideration for Class B LP units of the Partnership (each, a "Class B LP Unit") and related voting and exchange rights. In each case, the exchange ratio was one Unit or Class B LP Unit for every eight common shares of the Company then held. In addition, outstanding share options to purchase common shares of the Company were exchanged for Unit options (each, a "Unit Option") having identical terms, subject to the adjustment of the number of Units based on the exchange ratio of one Unit for every eight common share options. Also, outstanding share warrants to purchase common shares of the Company were exchanged for warrants ("Warrants") having identical terms, subject to the adjustment of the number of Units based on the exchange ratio of one Warrant for every eight common share warrants. The REIT is the continuing public entity resulting from the Plan of Arrangement with its Units currently listed on the Toronto Stock Exchange ("TSX") under the symbol TNT.UN.

On June 19, 2013, the Units and the Class B LP Units were consolidated (the "Consolidation") on the basis of one (1) post-consolidation Unit or Class B LP Unit for every two (2) pre-consolidation Units or Class B LP Units, respectively. The number of Units, Class B LP Units, common shares of the Company issued prior to the Consolidation and Units issuable upon the exercise of the outstanding Unit Options have all been proportionally adjusted in this MD&A.

The REIT is focused on acquiring and owning commercial rental properties across Canada, subject to the guidelines set out in the DOT.

The objectives of the REIT are to:

- generate stable cash distributions on a tax-efficient basis;
- accretively acquire high quality commercial properties and diversify the REIT portfolio in strategic markets across Canada principally with government and/or credit rated tenants; and
- maximize long-term NOI growth through active asset and local property management expertise.

The REIT seeks to identify potential acquisitions using investment criteria that focus on the security of cash flow, capital appreciation, increasing value through more efficient management of the assets being acquired and growth of the REIT's AFFO per Unit.

PROPERTY PROFILE

The following table highlights certain information about the REIT's properties as at December 31, 2013:

Property Name	City	Province	Type	Occupancy	Average Remaining Lease Term [1]	Sq Ft
Office						
Carlingview Property	Toronto	ON	Office	100%	4.1 years	26,754
Century Property	Calgary	AB	Office	97.4%	3.9 years	75,675
King Street Property	Fredericton	NB	Office	100%	8.2 years	85,051
Laurier Property	Ottawa	ON	Office	100%	4.2 years	279,055
Maple Property	Ottawa	ON	Office	100%	3.7 years	107,243
Office/Retail						
Miramichi Property	Miramichi	NB	Office/Retail	100%	3.5 years	73,163
Retail						
Coronation Mall	Duncan	BC	Retail	96.9%	5.2 years	48,994
Average/Total				99.5%	4.5 years	695,935

Notes:

(1) Weighted by annualized 2013 gross revenue including contractual leases as at December 31, 2013.

PROPERTY DESCRIPTIONS

CARLINGVIEW PROPERTY

The Carlingview Property is a 26,754 square foot single-tenant office building located in Toronto, Ontario and is 100% occupied. The Carlingview Property benefits from the close proximity to Toronto Pearson International Airport, and access to Highways 401, 407, 427, and 409. The Carlingview Property is currently occupied by the head office of Cash Money Cheque Cashing Inc., a cash lender with locations in Ontario, Alberta, British Columbia, Manitoba, New Brunswick and Nova Scotia.

CENTURY PROPERTY

The Century Property is a 75,675 square foot office building located in Calgary, Alberta that is currently 97.4% occupied. The Century Property is approximately 63.5% occupied by the Province of Alberta. The Century Property is well situated at the southeast corner at the intersection of 8th Avenue and 8th Street SW and provides 43 parking stalls in its underground parkade. The area is experiencing an increasing concentration of new developments and the recently redeveloped University of Calgary Downtown Campus. Just one block south of the property, the LRT station is within walking distance providing for access to public transportation.

CORONATION MALL

Coronation Mall is a 48,994 square foot retail shopping centre comprised of two retail buildings located in Duncan, British Columbia. The property is currently 96.9% occupied. The property was originally constructed in 1970, but was extensively renovated in 2010 and 2011. The shopping centre is situated on a 3.58 acre site on the corner of the Trans-Canada Highway and Coronation Avenue, and is highly visible and accessible given that the average daily traffic count passing the property is over 22,000 vehicles on the Trans-Canada Highway.

KING STREET PROPERTY

The King Street Property is a stand-alone premier office building situated in the heart of downtown Fredericton, New Brunswick with a total of 85,051 rentable square feet. Built in 2002, the property is 100% occupied and is well situated with accessibility to major arterial highways and routes including the Trans-Canada Highway. Two major tenants, the Government of New Brunswick and National Bank of Canada, occupy 97.9% of the property.

LAURIER PROPERTY

The Laurier Property is a 279,055 square foot office building located in downtown Ottawa, Ontario that is currently 100% occupied, with the Federal Government of Canada leasing approximately 98% of its rentable area. The Laurier Property is well maintained with high quality common area and building systems. The Laurier Property has a prominent location on a well recognized downtown arterial road and is located within Ottawa’s downtown central business district, five blocks from Parliament Hill.

MAPLE PROPERTY

The Maple Property is a 107,243 square foot office building located in Ottawa, Ontario that is 100% occupied and fully leased to Honeywell International, a New York Stock Exchange listed company. The Maple Property is located near the intersection of Terry Fox Drive and Maple Grove Road in the heart of Terry Fox Business Park, one of the more desirable suburban office nodes in Ottawa. The property is located approximately 20 minutes west of the downtown core of Ottawa. Significant investment has been made by the tenant to customize the leasehold to suit specific engineering and fabrication needs.

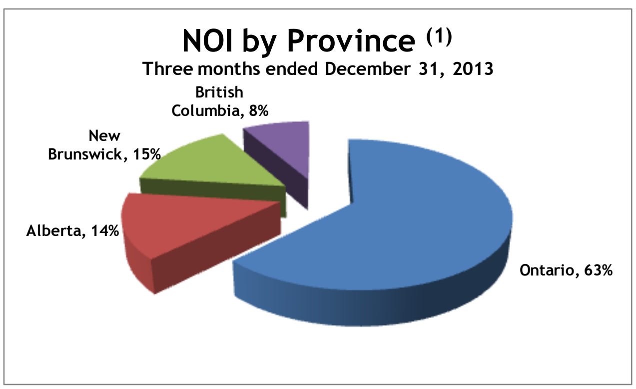
MIRAMICHI PROPERTY

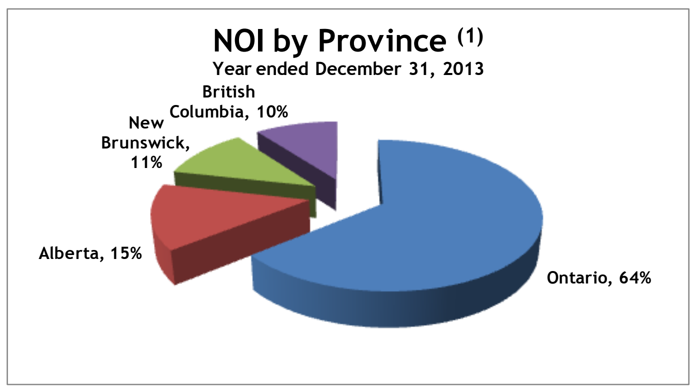
The Miramichi Property is a 73,163 square foot office/retail facility located in Miramichi, New Brunswick that is 100% occupied. The property was originally constructed in 1969 as a neighbourhood retail strip plaza with major renovations completed in 1995, 1996, and 2012. Over $4,000 of capital improvements were made during 2011 and 2012 to facilitate the change of use for recent tenant additions, including the Federal Government of Canada.

FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013:

GEOGRAPHIC DISTRIBUTION

The properties are diversified regionally as follows:

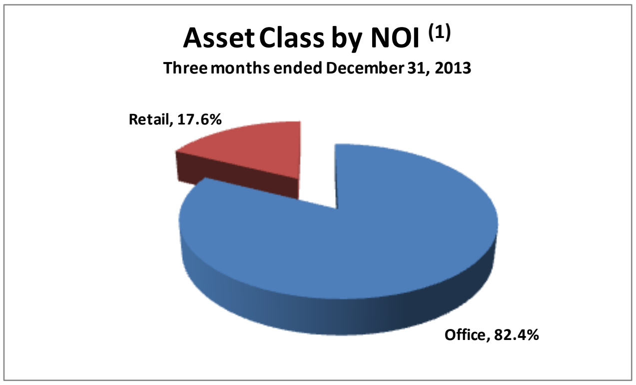


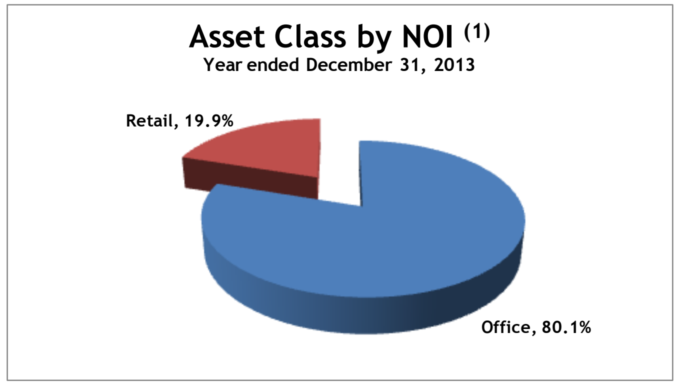


(1) NOI is based on actual results for the three months and year ended December 31, 2013.

ASSET CLASS DISTRIBUTION

The distribution of the properties by asset class is as follows:



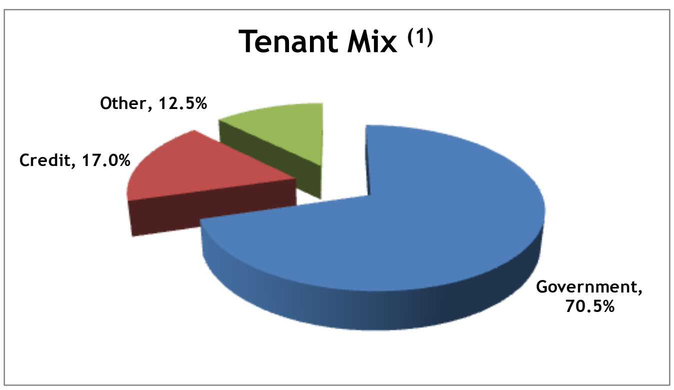


(1) NOI is based on actual results for the three months and year ended December 31, 2013.

Comparative date for the three months ended December 31, 2012 and period from July 13, 2012 to December 31, 2012 has not been shown since property operations did not commence until December 14, 2012 and does not represent a useful comparable measure to 2013.

TENANT MIX

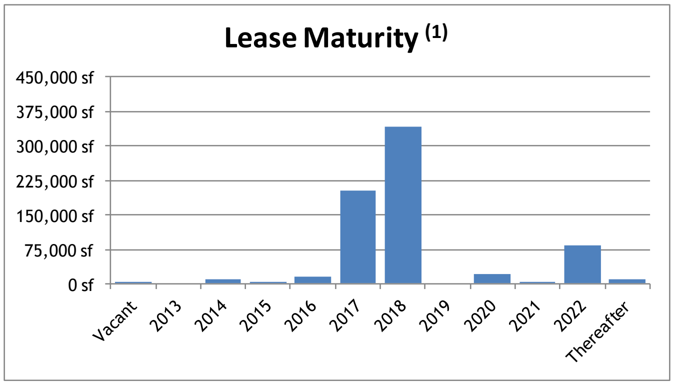
As at December 31, 2013, the percentage of tenants occupying the properties that are government institutions, credit-rated or other is as follows:



(1) The tenant mix is based on annualized 2013 gross revenue including contractual leases as at December 31, 2013.

LEASE ROLLOVER PROFILE

As at December 31, 2013, the lease rollover profile of the REIT is as follows:



(1) Lease maturity is based on square footage of the leases.

FOR THE PERIOD FROM JULY 13, 2012 TO DECEMBER 31, 2012:

On December 14, 2012, the REIT acquired Coronation Mall. At December 31, 2012, the property was 99% leased, of which 74% was leased to government and credit rated entities. The weighted average expiration of leases at December 31, 2012 was 6.4 years.

SUMMARY OF SIGNIFICANT EVENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2013:

On November 13, 2013, the REIT completed the acquisition of 551 King Street, Fredericton, New Brunswick ("King Street Property") and concurrently completed a private placement of 386,364 Units at a price of $6.60 per Unit for aggregate gross proceeds of approximately $2,550. The purchase price for the King Street Property was satisfied through a combination of proceeds from the private placement, $11,885 in new mortgage debt and the issuance to the vendor of 454,545 Class B LP Units at a price of $6.60 per Class B LP Unit.

On December 4, 2013, the TSX approved the REIT's Normal Course Issuer Bid ("NCIB"). Under the NCIB, the REIT has the ability to purchase for cancellation up to a maximum of 746,358 Units through the facilities of the TSX. The NCIB commenced on December 6, 2013 and remains in effect until the earlier of December 5, 2014 or the date on which the REIT has purchased the maximum number of Units permitted under the NCIB. As at December 31, 2013, no Units had been acquired under the NCIB.

On December 16, 2013, 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.

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013:

On January 1, 2013, the REIT adopted a Distribution Reinvestment Plan ("DRIP"). Eligible Unitholders, as well as holders of Class B LP Units, can elect to reinvest cash distributions for additional Units at a 3% discount to the weighted average closing price of the Units on the TSX for the five trading days immediately preceding the applicable date of distribution. The REIT determines for each distribution payment date, the amount of new equity, if any, that will be made available under the DRIP.

On February 12, 2013, the REIT completed the following transactions:

- the REIT completed a public offering and issued 7,274,954 Units at a price of $7.66 per Unit for gross proceeds of $55,726. The proceeds were used to satisfy the cash portion of the acquisition of the following properties:
    - 400 Carlingview Drive, Toronto, Ontario ("Carlingview Property");
    - Century Park Place, 855 8th Avenue SW, Calgary, Alberta ("Century Property");
    - 340 Laurier Avenue West, Ottawa, Ontario ("Laurier Property");
    - 400 Maple Grove Road, Ottawa, Ontario ("Maple Property"); and
    - Miramichi Business Complex, 410 King George Highway. Miramichi, New Brunswick ("Miramichi Property").
- the REIT issued 391,645 Units at a price of $7.66 per Unit for gross proceeds of $3,000 pursuant to a concurrent private placement; and
- the REIT granted 427,500 Unit Options at an exercise price of $7.66 per Unit Option. These Unit Options will expire five years from the date the Unit Options were granted.

The total purchase price of $144,700 for the above properties was satisfied by a combination of $51,487 in cash and $88,886 aggregate principal amount of new mortgage debt.

On June 17, 2013, the REIT announced the TSXs' approval of the listing of the Units. The Units commenced trading on the TSX under the symbol "TNT.UN" on June 19, 2013, upon which the Units both delisted and ceased trading on the TSXV. On June 19, 2013, contemporaneously with the listing of the Units on the TSX, the Units and Class B LP Units were consolidated as described in the "Overview and Strategy" section above.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

		As at December 31, 2013	As at December 31, 2012
Summary of Financial Information			
Gross Book Value (1)		$184,890	$15,720
Indebtedness (2)		$109,818	$10,250
Indebtedness to Gross Book Value (3)		59.40%	65.20%
Weighted average mortgage fixed interest rate		3.53%	3.92%
Weighted average mortgage term to maturity		4.21 years	5.00 years
	Three months ended December 31, 2013 (4)	**Year ended December 31, 2013**	**Period from July 13, 2012 to December 31, 2012**
Revenue	$5,105	$17,246	$73
NOI	$3,100	$10,778	$54
Income (loss) and comprehensive income (loss)	($6,879)	$13,340	($13,783)
FFO	$1,586	$5,864	($694)
FFO per Unit - basic (5)	$0.13	$0.56	n/a (6)
FFO per Unit - diluted (5)	$0.13	$0.52	n/a (6)
AFFO	$1,558	$5,140	($692)
AFFO per Unit - basic (5)	$0.13	$0.49	n/a (6)
AFFO per Unit - diluted (5)	$0.12	$0.46	n/a (6)
AFFO payout ratio - basic	114%	122%	n/a (6)
AFFO - Normalized (7)	$1,787	$6,337	($692)
AFFO Normalized per unit - basic (5)	$0.15	$0.60	n/a (6)
AFFO Normalized per unit - diluted (5)	$0.14	$0.56	n/a (6)
AFFO Normalized payout ratio - basic	99%	99%	n/a (6)
Units outstanding for FFO, AFFO and AFFO Normalized per Unit:			
Weighted average (000s) – basic (5)	11,840	10,511	3,504
Add: Unexercised Unit Options and Warrants	759	729	359
Weighted average (000s) – diluted (5)	12,599	11,240	3,863

Notes:

(1) "Gross Book Value" is defined in the DOT and includes deferred financing costs of $883 as at December 31, 2013 and $101 as at December 31, 2012 and excludes the derivative instrument of $459 as at December 31, 2013.

(2) "Indebtedness" is defined in the DOT and excludes unamortized financing costs of $729 as at December 31, 2013 and $99 as at December 31, 2012.

(3) Defined as the ratio of Indebtedness to Gross Book Value.

(4) Data for the three months ended December 31, 2012 has not been shown since property operations did not commence until December 14, 2012 and does not represent a useful comparable measure to the three months ended December 31, 2013.

(5) 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 the unexercised Unit Options and Warrants.

(6) The performance measures used by the REIT do not represent a useful comparable measure for the period from July 13, 2012 to December 31, 2012 given the REIT began property operations following the Plan of Arrangement on December 14, 2012.

(7) AFFO Normalized is adjusted for non-recurring items such as one-time TSX graduation costs, due diligence acquisition costs related to property acquisitions the REIT is no longer pursuing and rental income recognized as purchase price adjustment under IFRS as detailed in section "FFO and AFFO Reconciliations" on page 16.

FINANCIAL PERFORMANCE

The REIT's financial performance and results of operations for the year ended December 31, 2013 and for the period from July 13, 2012 to December 31, 2012 as well as the three months ended December 31, 2013 and 2012 are summarized below. The REIT's revenue, property operating costs, NOI, trust expenses and finance costs for the three months and year ended December 31, 2013 are not directly comparable to the corresponding prior period in 2012 as the REIT acquired its first property, Coronation Mall on December 14, 2012.

	Three months ended December 31, 2013	Three months ended December 31, 2012	Year ended December 31, 2013	Period from July 13, 2012 to December 31, 2012
Revenue	$ 5,105	$ 73	$ 17,246	$ 73
Expenses:				
Property operating costs	1,186	6	3,702	6
Realty taxes	819	13	2,766	13
	2,005	19	6,468	19
NOI	$ 3,100	$ 54	$ 10,778	$ 54
NOI margin	60.7%	74.0%	62.5%	74.0%
Trust expenses	(606)	(495)	(2,019)	(790)
Fair value adjustment of investment properties	(8,361) *	(103)	5,586	(103)
Finance income	2	28	8	28
Finance costs	(963)	(44)	(3,276)	(44)
Finance costs - fair value adjustment of Class B LP Units	487	(12,928)	3,475	(12,928)
Finance costs - distributions on Class B LP Units	(362)	-	(1,371)	-
Finance costs - unrealized (loss) gain on change in fair value of derivative instrument	(176)	-	159	-
Income (loss) and comprehensive income (loss)	$ (6,879)	$ (13,488)	$ 13,340	$ (13,783)

Notes:

* Reflects the fair value adjustment of one of the REIT's properties as a result of management's cautious approach in light of 2013 being the REIT's initial year of operations.

PROPERTY OPERATIONS

Revenue includes all rental income earned from the 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.

The REIT accounts for rent step-ups and free rent periods by straight-lining the incremental increases and free rent periods over the entire non-cancelable lease term. The straight-line rent adjustment for the year ended December 31, 2013 was $714, of which $24 related to the fourth quarter. There was no straight-line rent adjustment recorded in 2012.

Revenue for the three months and year ended December 31, 2013 was $5,105 and $17,246, respectively. Property operating costs for the respective periods were $2,005 and $6,468, respectively.

The REIT realized an increase in revenue for the three months ended December 31, 2013 compared to the previous quarter which is due to the acquisition of the King Street Property on November 13, 2013.

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

The NOI margin has decreased slightly from the third quarter due to a decrease in operating cost recoveries resulting from additional non-recoverable operating costs incurred.

Occupancy for the property portfolio has increased to 99.5% from 99.4% in the previous quarter, as a result of an increase in contractual leased space at the Century Property and the acquisition of the King Street Property which is 100% occupied.

TRUST EXPENSES

Trust 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 (the "Unit Option Plan") and other general and administrative expenses associated with the operation of the REIT. Also included in trust expenses are asset management fees payable to Starlight Investments Ltd. ("Starlight"). See "Related Party Transactions and Arrangements – Arrangements with Starlight".

The breakdown of trust expenses is as follows:

	Three months ended December 31, 2013	Three months ended December 31, 2012	Year ended December 31, 2013	Period from July 13, 2012 to December 31, 2012
Legal, audit and compliance	$ 152	$ 441	$ 397	$ 728
Investor relations	9	-	53	-
Unit based compensation	53	50	373	58
General and administration	242	1	516	1
TSX listing and graduation fees	-	-	172	-
Asset management fee	150	3	508	3
Trust expenses	$ 606	$ 495	$ 2,019	$ 790

THREE MONTHS ENDED DECEMBER 31, 2013

Legal, audit and compliance of $152 is made up of audit and tax fees and recurring monthly registrar and transfer agent fees. Investor relations expense consists of investor and public relations fees. General and administration expenses include $171 of due diligence costs relating to acquisitions the REIT is no longer pursuing.

YEAR ENDED DECEMBER 31, 2013

Included in legal, audit and compliance expenses are legal fees of $110K associated with annual regulatory filing requirements and the annual general meeting of the REIT which was held in June, 2013. TSX listing and graduation fees of $172 are one-time fees associated with the REIT's graduation and listing of its Units on the TSX on June 19, 2013. General and administration expenses predominantly include Trustee fees of $201 and due diligence costs of $272 relating to acquisitions the REIT is no longer pursuing. Total asset management fees paid to Starlight for the year amounted to $508 as per the Asset Management Agreement as described in "Related Party Transactions and Arrangements – Arrangements with Starlight".

THREE MONTHS ENDED DECEMBER 31, 2012 AND PERIOD FROM JULY 13, 2012 TO DECEMBER 31, 2012

Trust expenses include legal and audit fees of $672 incurred in connection with the Plan of Arrangement, of which $386 was incurred during the fourth quarter of 2012.

INVESTMENTS PROPERTIES – FAIR VALUE ADJUSTMENT

The REIT has selected the fair value method to account for real estate classified as investment property and records properties at their purchase price (less any purchase price adjustments) in the quarter of acquisition. Any changes in the fair value of investment properties, are recognized as fair value gains and losses in the statement of income (loss) and comprehensive income (loss).

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.

The following table summarizes the change in investment properties for the year ended December 31, 2013 and the period from July 13, 2012 to December 31, 2012:

		Amount
Investment Properties		
Balance at July 13, 2012	$	-
Acquisition of investment property		14,657
Fair value adjustment		(103)
Balance at December 31, 2012		14,554
Acquisition of investment properties		157,256
Additions to investment properties		1,516
Straight line rent adjustment		714
Fair value adjustment		5,586
Balance at December 31, 2013		179,626
Property Under Development		
Balance at December 31, 2012	$	-
Additions to property under development		45
Balance at December 31, 2013	$	45
Total investment properties, December 31, 2013	**$**	**179,671**

Total acquisitions of investment properties for the year ended December 31, 2013 was $157,256 of which $139,946 relates to the properties acquired in February 2013 and $17,310 relates to the King Street Property acquired on November 13, 2013.

Additions to investment properties for the year ended December 31, 2013 was $1,516 of which $1,355 relate to building enhancements and leasehold improvements at the Laurier Property. The REIT capitalizes all expenditures that enhance the service potential and extend the useful life of the properties.

Property under development of $45 incurred during the three months ended December 31, 2013 relates to architecture and engineering fees associated with the 2,600 square foot stand alone building development at Coronation Mall.

The fair value adjustment of $5,586 for the year ended December 31, 2013 includes the write off of $3,901 of acquisition costs incurred during the year, $9 of additional acquisition costs relating to Coronation Mall, $142 of leasehold improvements incurred during the year, $714 relating to the straight-line rent adjustment, $10 relating to leasing commissions offset by increase in the fair value of all properties of $10,362.

The fair value changes in individual properties result from changes in the projected income and cash flow projections of the REIT's properties as well as from changes in capitalization rates and the discount rates applied. The net increase in fair value during the year of $10,362 was a result of capitalization rate changes, an increase in future market rents, increased cash flow due to operating efficiencies realized throughout the portfolio and changes in occupancy.

The key valuation assumptions for the REIT's investment properties at December 31, 2013 are set out in the following table:

	Percentage
Terminal capitalization rates - range	6.34% - 11.60%
Terminal capitalization rate - weighted average	7.02%
Discount rates - range	7.15% - 10.50%
Discount rate - weighted average	7.53%

FINANCE COSTS

The REIT's finance costs for the three months ended December 31, 2013 and 2012, year ended December 31, 2013 and the period from July 13, 2012 to December 31, 2012 are summarized below.

	Three months ended December 31, 2013	Three months ended December 31, 2012	Year ended December 31, 2013	Period from July 13, 2012 to December 31, 2012
Interest on mortgages payable	$ 906	$ 42	$ 3,101	$ 42
Other interest expense and standby fees	12	-	22	-
Amortization of financing costs	45	2	153	2
	963	44	3,276	44
Distributions on Class B LP Units	362	-	1,371	-
Fair value adjustment of Class B LP Units	(487)	12,928	(3,475)	12,928
Unrealized (gain) loss on change in fair value of derivative instrument	176	-	(159)	-
	$ 1,014	$ 12,972	$ 1,013	$ 12,972

Interest on mortgages payable is comprised of interest on outstanding mortgages payable of $108,418 as at December 31, 2013 ($10,250 – December 31, 2012). Total financing costs associated with the mortgages amounts to $883 ($101 – December 31, 2012). The amortization of those financing costs associated with the mortgages amounts to $45 and $153 for the three months and year ended December 31, 2013. See "Mortgages Payable".

Other interest expense includes interest of $11 and standby fees of $11 on the Credit Facility for the year ended December 31, 2013. See "Revolving Credit Facility".

The REIT paid its first distribution for the period from December 14, 2012 to January 31, 2013 on February 15, 2013. Distributions on Class B LP Units for the three months and year ended December 31, 2013 were $362 and $1,371, respectively. (See "Unitholders' Equity & Class B LP Units and Special Voting 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) and any resulting change in their fair value is reported in the period such change occurs. The trading price of the Units on the TSXV on December 31, 2012 was $7.50 compared to $6.00 on the TSX on December 31, 2013, thus resulting in a fair value loss of $487 and $3,475, respectively, for the three months and year ended December 31, 2013. The fair value gain for the period from July 13, 2012 to December 31, 2012 of $12,928 was also a result of the change in the trading prices of the Units on the TSXV on those dates.

The REIT entered into an interest rate swap agreement on February 12, 2013 to limit its interest rate exposure during the term of the mortgage on the Laurier Property. The mortgage has a principal balance of $47,808 as at December 31, 2013 and an annual fixed interest rate of 3.39%. For this derivative instrument, an asset or liability is recognized and measured initially at fair value. The asset or liability is remeasured to fair value at each reporting date. Changes in the fair value of the asset or liability are recognized as an unrealized gain or loss on change in fair value of the derivative instrument. The unrealized gain of $159 for the year ended December 31, 2013 is the present value of the difference between the fixed rate the lender would offer the REIT on December 31, 2013 compared to the 3.39% multiplied by the principal balance of the mortgage. The net unrealized gain of $159 is presented on the REIT's balance sheet as a non-current asset of $459 and a current liability of $300.

FFO AND AFFO RECONCILIATIONS

FUNDS FROM OPERATIONS

The REIT calculates FFO in accordance with the guidelines set out by the Real Property Association of Canada.

Reconciliation of income (loss) and comprehensive income (loss), determined in accordance with IFRS, to FFO for the three months and year ended December 31, 2013 and the period from July 13, 2012 to December 31, 2012 is as follows:

	Three months ended December 31, 2013 (1)	Year ended December 31, 2013	Period from July 13, 2012 to December 31, 2012
Income (loss) and comprehensive income (loss)	$ (6,879)	$ 13,340	$ (13,783)
Add / (Deduct):			
Trust expense - revaluation of Unit Options and Warrants (2)	53	373	58
Fair value adjustment of investment properties	8,361	(5,586)	103
Finance costs - fair value adjustment of Class B LP Units	(487)	(3,475)	12,928
Finance costs - distributions on Class B LP Units	362	1,371	-
Finance costs - unrealized gain on change in fair value of derivative instrument	176	(159)	-
FFO	$ 1,586	$ 5,864	$ (694)
FFO per Unit - basic (3)	$0.13	$0.56	n/a (4)
FFO per Unit - diluted (3)	$0.13	$0.52	n/a (4)
Weighted average Units outstanding:			
Basic - (000s) (3)	11,840	10,511	3,504
Add:			
Unexercised Unit Options and Warrants	759	729	359
Diluted - (000s) (3)	12,599	11,240	3,863

Notes:

(1) Data for the three months ended December 31, 2012 has not been shown since property operations did not commence until December 14, 2012 and does not represent a useful comparable measure to the three months ended December 31, 2013.

(2) Unit Options and Warrants are treated as a financial liability and are remeasured at fair value at each reporting date.

(3) 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 assume the conversion of the unexercised Unit Options and Warrants.

(4) The performance measures used by the REIT do not represent a useful comparable measure for the period from July 13, 2012 to December 31, 2012 given the REIT began property operations following the Plan of Arrangement on December 14, 2012.

FFO for the three months and year ended December 31, 2013 was $1,586 and $5,864, respectively. Year to date FFO does not include a full year of operations for all properties currently owned by the REIT. The majority of the portfolio was acquired in February, 2013 and one property was acquired on November 13, 2013.

FFO for the period from July 13, 2012 to December 31, 2012 does not represent a useful comparable measure given property operations did not commence until December 14, 2012.

ADJUSTED FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS - NORMALIZED

Reconciliation of income (loss) and comprehensive income (loss), determined in accordance with IFRS, to AFFO and AFFO Normalized for the three months and year ended December 31, 2013 and the period from July 13, 2012 to December 31, 2012 is as follows:

	Three months ended December 31, 2013 [(1)]	Year ended December 31, 2013	Period from July 13, 2012 to December 31, 2012
FFO	$ 1,586	$ 5,864	$ (694)
Add / (Deduct):			
Non-cash compensation expense [(2)]	25	101	-
Amortization of deferred financing costs	46	153	2
Straight-line rent	(25)	(714)	-
Capital reserve [(3)]	(74)	(264)	-
AFFO	$ 1,558	$ 5,140	$ (692)
AFFO per Unit - basic [(4)]	$0.13	$0.49	n/a [(6)]
AFFO per Unit - diluted [(4)]	$0.12	$0.46	n/a [(6)]
Distributions declared [(5)]	$ 1,779	$ 6,506	n/a [(6)]
AFFO payout ratio - basic	114%	122%	n/a [(6)]
AFFO	$ 1,558	$ 5,140	$ (692)
Add / (Deduct):			
TSX graduation costs	-	172	-
Due diligence acquisition costs	171	272	-
Rental income related to purchase price adjustments	58	753	-
AFFO - Normalized	$ 1,787	$ 6,337	$ (692)
AFFO Normalized per Unit - basic [(4)]	$0.15	$0.60	n/a [(6)]
AFFO Normalized per Unit - diluted [(4)]	$0.14	$0.56	n/a [(6)]
AFFO Normalized payout ratio - basic	99%	99%	n/a [(6)]

Notes:

(1) Data for the three months ended December 31, 2012 has not been shown since property operations did not commence until December 14, 2012 and does not represent a useful comparable measure to the three months ended December 31, 2013.

(2) Non-cash compensation expense includes certain trustee fees.

(3) Based on an estimate of $0.45 per square foot per annum. Capital reserve includes capital expenditures, tenant inducments and leasing costs.

(4) 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 the unexercised Unit Options and Warrants.

(5) Distributions declared for the period from December 14, 2012 to December 31, 2013.

(6) The performance measures used by the REIT do not represent a useful comparable measure for the period from July 13, 2012 to December 31, 2012 given the REIT began property operations following the Plan of Arrangement on December 14, 2012.

The REIT adjusted for non-recurring items below to arrive at AFFO Normalized for the three months and year ended December 31, 2013:

- One-time TSX graduation costs of $nil and $172, respectively, associated with the graduation of the REIT to the TSX on June 19, 2013;
- Due diligence acquisition costs of $171 and $272, respectively, related to potential property acquisitions the REIT is no longer pursuing; and
- Rental income recognized as purchase price adjustments under IFRS upon acquisition of $58 and $753. The rental income relates to rent free periods for various tenants for which the REIT received funds as part of the acquisition.

OTHER NON-IFRS FINANCIAL MEASURES

See detailed calculation of NOI under “Financial Performance” and Indebtedness to GBV ratio under “Capital Structure and Debt Profile” – Debt Profile.

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

The REIT defines its capital as the aggregate of Unitholders’ equity, mortgages payable and Class B LP Units. The REIT’s capital management program is designed to maintain a level of capital which allows it to implement its business strategy of building long-term Unitholder value and maintaining sufficient capital reserves while complying with investment and debt restrictions pursuant to the DOT and lender debt covenants.

As at December 31, 2013 and 2012, the total capital of the REIT was as follows:

	As at December 31, 2013	As at December 31, 2012
Mortgages payable (excludes unamortized financing costs of $729 at December, 2013 and $99 at December 31, 2012)	$ 108,418	$ 10,250
Credit Facility	1,400	-
Class B LP Units	15,533	16,008
Unitholders' equity	54,311	(11,747)
Total capital	$ 179,662	$ 14,511

DEBT PROFILE

As at December 31, 2013, the overall leverage, as represented by the ratio of Indebtedness to GBV was 59.40% compared to 65.20% at December 31, 2012. The maximum allowable ratio under the DOT is 75%. Below is a calculation of the REIT’s Indebtedness to GBV ratio at December 31, 2013 and 2012.

		As at December 31, 2013		As at December 31, 2012
Total assets	$	184,466	$	15,619
Deferred Financing Costs		883		101
Derivative instrument		(459)		-
Gross Book Value	$	184,890	$	15,720
Mortgages payable		107,689		10,151
Unamortized financing costs		729		99
Credit Facility		1,400		-
Indebtedness	$	109,818	$	10,250
Indebtedness to Gross Book Value		59.40%		65.20%

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 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 of the REIT (excluding debt with an original maturity of one year or more falling due in the next 12 months or variable rate debt for which the REIT has entered into interest rate swap agreements to fix the interest rate for a one year period or more) at floating interest rates or having maturities less than one year.

The mortgages carry a weighted average fixed interest rate of 3.53% (December 31, 2012 – 3.92%), and a weighted average term to maturity of 4.21 years (December 31, 2012 – 5.00 years). All interest rates are fixed for the term of the respective mortgages.

MORTGAGES PAYABLE

The following table sets out, as at December 31, 2013, scheduled principal repayments and amounts maturing on the mortgages payable over each of the next five fiscal years:

		Scheduled principal payments		Debt maturing during the year		Total mortgages payable		Scheduled interest payments	Percentage of total mortgages payable
2014	$	2,871	$	-	$	2,871	$	3,763	2.64%
2015		2,974		-		2,974		3,661	2.74%
2016		3,080		765		3,845		3,548	3.55%
2017		3,165		9,136		12,301		3,399	11.35%
2018		833		85,594		86,427		1,045	79.72%
Thereafter		-		-		-		-	-
	$	12,923	$	95,495		108,418	$	15,416	100.00%
Unamortized financing costs						(729)			
					$	107,689			

As part of the purchase of the Miramichi Property, the REIT obtained financing from the vendor, in the amount of $1,662. Subsequent to the acquisition, this vender take-back mortgage was purchased by a third party as a secured promissory note ("Note"). The Note is to be repaid by an amount equal to the total gross revenue realizable from any new lease of a specified portion of the property starting from the earlier of the signed renewal of the specified portion of the property or June 1, 2014. The full amount is repayable no later than February 12, 2018. A partial repayment of $897 was made on November 8, 2013 as the REIT received a binding lease renewal of the specified portion of the property expiring June 1, 2016. As at December 31, 2013, the balance outstanding on the Note is $765.

The Note bears interest at an annual fixed rate of 2.0%, is interest-only, and secured by a second charge on the Miramichi Property.

REVOLVING CREDIT FACILITY

On February 12, 2013, the REIT entered into a credit agreement with a Canadian chartered bank to obtain a $5,000 floating rate revolving credit facility (the "Credit Facility"). The Credit Facility bears interest on cash advances above $1,000 at 225 basis points per annum over the floating banker's acceptance rate or under $1,000 at 100 basis points over prime rate, matures on February 12, 2015 and is secured by a first charge on the Miramichi Property. As at December 31, 2013, $1,400 was drawn on the Credit Facility.

CONTRACTUAL MATURITIES

The contractual maturities and repayment obligations of the REIT's financial liabilities as at December 31, 2013 are as follows:

As at December 31, 2013	2014	2015	2016	2017	2018 +	Total
Mortgages payable	$ 2,871	$ 2,974	$ 3,845	$ 12,301	$ 86,427	$ 108,418
Interest on mortgages payable	3,763	3,661	3,548	3,399	1,045	15,416
Credit Facility	-	1,400	-	-	-	1,400
Tenant rental deposits	250	-	-	-	-	250
Accounts payable and accrued liabilities	4,419	-	-	-	-	4,419
	$ 11,303	$ 8,035	$ 7,393	$ 15,700	$ 87,472	$ 129,903

CAPITAL RESOURCES

The REIT's portfolio requires ongoing maintenance capital expenditures, tenant inducements and leasing expenditures. Leasing expenditures include the cost of tenant allowances and commissions incurred in connection with the leasing of vacant space and the renewal or replacement of tenants occupying space covered by maturing leases. The REIT plans to continue to invest capital in all its properties throughout 2014 and beyond. Expenditures will be funded through operational cash flow and available Credit Facilities. For the year ended December 31, 2013, the REIT incurred $1,516 in capital expenditures, leasing expenditures and tenant inducements.

LIQUIDITY AND CASH FLOW

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, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the REIT's net cash flow from operating activities and liquidity. A more detailed discussion of these risks can be found under the "Risks and Uncertainties" section.

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 its operating activities; (ii) mortgage debt secured by investment properties; (iii) the Credit Facility; and (iv) issuances of debt and equity.

CASH FLOW

The following table details the changes in cash and cash equivalents for the three months ended December 31, 2013 and 2012, the year ended December 31, 2013 and for the period from July 13, 2012 to December 31, 2012:

	Three months ended		Year ended	Period from July 13, 2012 to
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Cash provided (used) by operating activities	$ 4,229	$ 8	$ 8,749	$ (103)
Cash used in investing activities	(14,771)	(14,442)	(153,796)	(14,442)
Cash provided by financing activities	11,463	10,515	145,972	15,452
Increase (decrease) in cash and cash equivalents	$ 921	(3,919)	925	907
Cash and cash equivalents, beginning of period	911	4,826	907	-
Cash and cash equivalents, end of period	$ 1,832	$ 907	$ 1,832	$ 907

THREE MONTHS ENDED DECEMBER 31, 2013

Cash provided by property operations amounts to $4,229. The cash used in investing activities for the three months ended December 31, 2013 of $14,771 relates to the acquisition of the King Street Property as well as capital additions and leasehold improvements to investment properties. Cash provided by financing activities of $11,463 is made up of principal mortgage payments of $588, interest payments of $983, distributions to Unitholders of $1,235 and repayment of the Note of $897 offset by $1,200 drawn on the Credit Facility, $2,161 provided by the private placement and $11,805 (net of deferred financing costs of $80) provided by new mortgage financing in relation to the acquisition of the King Street Property.

YEAR ENDED DECEMBER 31, 2013

Cash provided by operating activities for the year ended December 31, 2013 of $8,749 relates primarily to the property operations of Coronation Mall for a full year and property operations for the acquisitions made during 2013. The cash used in investing activities of $153,796 reflects the acquisitions during the year as well as additions to investment properties through capital and leasehold improvements. Cash provided by financing activities of $145,972 relates primarily to proceeds from the mortgages of $97,431 (net of financing costs of $730 and repayment of Note of $897), the issuance of Units of $56,189 (net of costs of $5,188) and $1,400 provided by the Credit Facility. This was offset by interest payments and other finance costs and income of $3,121, principal mortgage payments of $1,707 and distributions to Unitholders of $4,220.

THREE MONTHS ENDED DECEMBER 31, 2012 AND PERIOD FROM JULY 13, 2012 TO DECEMBER 31, 2012

Cash used in operating activities of $103 for the period from July 13, 2012 to December 31, 2013 relate to costs associated with the Plan of Arrangement. Cash used in investing activities relates to the purchase of Coronation Mall which occurred in the fourth quarter of 2012. Cash provided by financing activities of $15,452 relates to proceeds from the issuance of common shares of the Company of $5,308 (net of costs of $192), proceeds from new mortgage financing of $10,149 (net of financing costs of $101) offset by interest payment and other finance costs of $5.

UNITHOLDERS' EQUITY, CLASS B LP UNITS AND SPECIAL VOTING 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 "Special Voting Units").

UNITS

Each Unit confers the right to one vote at any meeting of Unitholders and to participate *pro rata* in all distributions by the REIT and, in the event of termination or winding-up of the REIT, in the net assets of the REIT. The Unitholders have the right to require the REIT to redeem their Units on demand up to a maximum of $50 in a calendar month. The Units have no par value. Upon receipt of the redemption notice by the REIT, all rights to and under the Units tendered for redemption shall cease and the holder thereof shall be entitled to receive a price per Unit ("Redemption Price") as determined by a formula outlined in the DOT. The Redemption Price will be paid in accordance with the conditions provided for in the DOT.

The following table summarizes the changes in Units for the period from July 13, 2012 to December 31, 2013:

	Units	Amount
Outstanding as at July 13, 2012	-	$ -
Issuance of Units on exchange for common shares of the Company, December 14, 2012	1,303,125	1,920
Issuance of Units, December 14, 2012, private placement	66,845	500
Issuance costs	-	(192)
Outstanding as at December 31, 2012	1,369,970	2,228
Issuance of Units, February 12, 2013	7,274,954	55,726
Issuance of Units, February 12, 2013, private placement	391,645	3,000
Issuance of Units, November 13, 2013, private placement	386,364	2,550
Issuance of Units under DRIP	223,302	1,408
Issuance of Units under the non-executive trustee unit issuance plan	9,305	56
Issuance of Units from Warrants exercised	3,721	18
Issuance of Units from Unit Options exercised	52,083	276
Issuance costs	-	(5,188)
Outstanding as at December 31, 2013	9,711,344	$ 60,074

CLASS B LP UNITS AND SPECIAL VOTING UNITS

The exchange agreement dated December 14, 2012 between the REIT, Starlight, the GP and the Partnership, amongst others (the "Exchange Agreement") and the DOT provide for the issuance of the Special Voting Units which have no economic entitlement in the REIT or in the distribution or assets of the REIT, but are used to provide voting rights proportionate to the votes of the Units to holders of securities exchangeable into Units (i.e. the Class B LP Units). Each Special Voting Unit is not transferable separately from the Class B LP Unit to which it is attached and will be automatically redeemed and cancelled upon the exchange of the attached Class B LP Unit into a Unit.

The Class B LP Units issued by the Partnership to holders, together with the related Special Voting Units, have economic and voting rights equivalent, in all material aspects, to the 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 the Exchange Agreement. 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 instead of Class B LP Units.

The Class B LP Units meet the definition of a financial liability under IAS 32, Financial Instruments – Presentation ("IAS 32") and are classified as fair value through profit or loss financial liabilities under IAS 32. The Class B LP Units are measured at fair value at each reporting period with any changes in fair value recorded in the statement of income (loss) and comprehensive income (loss). The distributions paid on the Class B LP Units are accounted for as finance costs.

The following table summarizes the changes in Class B LP Units for the period from July 13, 2012 to December 31, 2013:

	Class B LP Units		Amount
Outstanding as at July 13, 2012	-	$	-
Issuance of Class B LP Units in exchange for common shares of the Company, December 14, 2012	2,134,369		3,080
Fair value adjustment	-		12,928
Outstanding at December 31, 2012	2,134,369	$	16,008
Issuance of Class B LP Units	454,545		3,000
Fair value adjustment	-		(3,475)
Outstanding at December 31, 2013	2,588,914	$	15,533

On November 13, 2013, 454,545 Class B LP Units were issued as part of the consideration paid for the King Street Property.

DISTRIBUTIONS

The REIT currently pays monthly distributions to Unitholders of $0.0495 per Unit or Class B LP Unit or $0.594 on an annualized basis. For the year ended December 31, 2013, the REIT declared per Unit distributions of $0.621 (2012- $nil). Distributions declared for the three months and year ended December 31, 2013 were $1,779 and $6,506, respectively. Pursuant to the terms of the DRIP, $260 and $1,408 were reinvested into 69,452 and 223,302 additional Units.

The following table shows distribution payments to holders of Units and Class B LP Units for the three months and year ended December 31, 2013:

	Three months ended December 31, 2013			Year ended December 31, 2013		
	Units	Class B LP Units	Total	Units	Class B LP Units	Total
Distributions paid	$ 1,321	$ 198	$ 1,519	$ 4,701	$ 397	$ 5,098
Distributions paid in Units pursuant to DRIP	96	164	260	434	974	1,408
Total	$ 1,417	$ 362	$ 1,779	$ 5,135	$ 1,371	$ 6,506

There were no distributions paid or DRIP Units issued during the period from July 13, 2012 to December 31, 2012.

UNIT OPTION PLAN

The Unit Option Plan provides for, from time to time, at the discretion of the Trustees of the REIT (the "Trustees"), the issuance of Unit Options to purchase Units for cash. Participation in the Unit Option Plan is restricted to the Trustees and officers of the REIT, certain employees of Starlight and eligible service providers of the REIT. The Unit Options are non-transferable and, exerciseable for a period of up to five years from the date of grant. The maximum number of Units reserved for issuance under the Unit Option Plan may not exceed 10% of the Units issued and outstanding, which amount shall be inclusive of the issued and outstanding Class B LP Units of the Partnership. All currently outstanding Unit Options vest in equal parts over a three-year period from the date of grant.

On August 27, 2012, the Company granted 1,950,000 common share options at an exercise price of $0.20 per common share, expiring on August 27, 2017. These options vest over a three-year period beginning one year from the date of grant.

Pursuant to the Plan of Arrangement approved by the Company's shareholders on December 13, 2012 and the TSXV on December 14, 2012, the 1,950,000 outstanding common share options were exchanged for 243,750 Unit Options at an exercise price of $1.60 per Unit Option on the basis of one Unit Option for every eight common share options of the Company. The Unit Options have terms identical to the share options, subject to the adjustment of the number of Units based on the exchange ratio of one Unit for every eight common share options.

On December 14, 2012, the REIT granted 100,000 Unit Options at an exercise price of $7.48 per Unit Option, expiring on December 14, 2017. These Unit Options vest over a three-year period beginning one year from the date of grant.

On February 12, 2013, the REIT granted 427,500 Unit Options at an exercise price of $7.66 per Unit Option expiring on February 12, 2018. These Unit Options vest over a three-year period beginning one year from the date of grant.

No Unit Options were issued during the three months ended December 31, 2013.

The changes in the REIT's Unit Options for the period from July 13, 2012 to December 31, 2013 are summarized below:

	Number of Unit Options	Weighted average exercise price (in actual dollars)
Outstanding as at July 13, 2012	-	$ -
Share options exchanged for Unit Options, December 14, 2012	243,750	1.60
Unit Options granted, December 14, 2012	100,000	7.48
Outstanding as at December 31, 2012	343,750	3.31
Unit Options granted, February 12, 2013	427,500	7.66
Unit Options exercised	(52,083)	1.60
Outstanding as at December 31, 2013	719,167	$ 6.02

On November 20, 2013, 52,083 Unit Options were exercised at a price of $1.60. The fair value adjustment on the Unit Options exercised of $193 was recognized through Unitholders' equity.

Unit Options outstanding at December 31, 2013 consist of the following:

Weighted average exercise price (in actual dollars)	Number of Unit Options	Weighted average remaining contractual life	Number of Unit Options exercisable
$1.60	191,667	3.66 years	29,167
7.48	100,000	3.96 years	33,333
7.66	427,500	4.12 years	-
	719,167		62,500

As at December 31, 2013 and 2012, compensation expense of $384 and $58, respectively was determined using the Black-Scholes option pricing model, with the following assumptions:

	December 31, 2013	December 31, 2012
Expected option life	2.54 years	3.38 years
Expected volatility	20.00%	75.00%
Dividend yield	9.90%	7.00%
Risk-free interest rate	1.45%	0.98%

WARRANTS

On August 28, 2012, in connection with the Company's equity offering, Raymond James Ltd. (the "Agent") was granted non-transferable share warrants to purchase, in aggregate, 125,000 common shares of the Company at a price of $0.60 per common share, expiring on August 28, 2014. The agreement contains provisions which provides that if there is a reorganization or reclassification of the share warrants into other shares or into other securities, the Agent will be entitled to receive in lieu of the number of share warrants to which it was theretofore entitled upon such exercise, the aggregate number of shares, other securities or other property which the Agent would have been entitled to receive as a result of such reorganization.

Pursuant to the Plan of Arrangement approved by the Company's shareholders on December 14, 2012, the 125,000 outstanding share warrants were exchanged for 15,625 Warrants to acquire Units at an exercise price of $4.80 per Unit on the basis of one Warrant for every eight share warrants of the Company.

The changes in the Warrants for the period from July 13, 2012 to December 31, 2013 are summarized below:

	Number of Unit Options	Weighted average exercise price (in actual dollars)
Outstanding as at July 13, 2012	-	$ -
Share warrants of the Company exchanged for Warrants, December 14, 2012	15,625	4.80
Outstanding as at December 31, 2012	15,625	4.80
Warrants exercised	(3,721)	4.80
Outstanding as at December 31, 2013	11,904	$ 4.80

On March 18, 2013, 3,721 Warrants were exercised at a price of $4.80. The fair value adjustment on the Warrants exercised of $7 was recognized through Unitholders' equity.

For the year ended December 31, 2013 and period from July 13, 2012 to December 31, 2012, expenses related to these Warrants were nominal and are included in trust expenses.

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

Starlight is considered a related party to the REIT as Starlight is controlled by the Chairman and Chief Executive Officer ("CEO") of the REIT, who is also a significant Unitholder.

ARRANGEMENTS WITH STARLIGHT

On December 14, 2012, the REIT entered into an asset management agreement with Starlight (the "Asset Management Agreement"). Pursuant to the 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 the termination provisions in the Asset Management Agreement.

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.

For the three months and year ended December 31, 2013 and the period from July 13, 2012 to December 31, 2012, the base asset management fee was $150; $508 and $3, respectively. Of these amounts, $53 is included in accounts payable and accrued liabilities at December 31, 2013 (December 31, 2012 - $3).

(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.

For the three months and year ended December 31, 2013 and the period from July 13, 2012 to December 31, 2012, the REIT incurred $128, $1,463 and $nil, respectively, for acquisition services under the Asset Management agreement, which were paid at the time of acquisition.

(c) From and after January 1, 2013, an incentive fee payable by the REIT for each fiscal year equal to 15% of the REIT's FFO in excess of the FFO per hurdle rate determined by the Trustees by June 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 REIT's 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 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.

No incentive fees were incurred for the year ended December 31, 2013 and period from July 13, 2012 (commencement of operations) to December 31, 2012.

(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.

There were no capital expenditure fees incurred for the year ended December 31, 2013 and the period from July 13, 2012 to December 31, 2012.

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.

Reimbursement of out-of-pocket costs and expenses for the three months and year ended December 31, 2013 and the period from July 13, 2012 to December 31, 2012 were $nil, $14 and $nil, respectively.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the securities of the REIT and in the activities of the REIT, including those set out in the annual information form of the REIT dated March 5, 2014 (the "AIF"), as well as, the following, which current and prospective holders of securities of the REIT should carefully consider. The AIF is available on SEDAR at www.sedar.com. If any of the following or other risks occurs, the REIT's business, prospects, financial condition, financial performance and cash flows could be materially adversely impacted. In that case, the ability of the REIT to make distributions to Unitholders could be adversely affected, trading price of the securities of the REIT could decline and investors could lose all or part of their investment in such securities. There is no assurance risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks.

RISKS RELATED TO THE REAL ESTATE INDUSTRY

REAL PROPERTY OWNERSHIP AND TENANT RISKS

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

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

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

GOVERNMENT REGULATION AND ENVIRONMENTAL MATTERS

The REIT is subject to federal, provincial and municipal environmental regulations that apply generally to the ownership of real property and the operation of commercial rental properties. If it fails to comply with those laws, the REIT could be subject to significant fines or other governmental sanctions. Under various federal, provincial and local laws, ordinances and regulations, an owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at a property and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean up costs incurred by such parties in connection with contamination. Such liability may be imposed whether or not the owner or operator knew of, or was responsible for, the presence of these hazardous or toxic substances. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. In addition, in connection with the ownership, operation and management of real properties, the REIT could potentially be liable for property damage or injuries to persons and property.

It is the REIT's operating policy to obtain (or be entitled to rely upon) a Phase I environmental audit conducted by a qualified environmental consultant prior to acquiring a property. Where a Phase I environmental audit warrants further assessment, it is the REIT's operating policy to conduct further environmental audits. The environmental assessments received in respect of the REIT's properties have not revealed, nor is the REIT aware of, any environmental liability the REIT believes will have a material adverse effect. However, the REIT cannot assure Unitholders any environmental assessments performed have identified or will identify all material environmental conditions, that any prior owner of any facility did not create a material environmental condition not known to the REIT or that a material environmental condition does not or will not otherwise exist with respect to its properties.

COMPETITION

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

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

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

ILLIQUIDITY OF REAL ESTATE INVESTMENTS

Real estate investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for, and the perceived desirability of, such investments. Such illiquidity may limit the REIT's ability to promptly adjust its portfolio in response to changing economic or other conditions. If the REIT were required to quickly liquidate its real property investments, the proceeds might be significantly less than the aggregate carrying value of its properties or less than what could be expected to be realized under normal circumstances. In addition, by concentrating on commercial rental properties, the REIT is exposed to the adverse effects on that segment of the real estate market and will not benefit from a diversification of its portfolio by property type.

INTEREST RATE RISK

The REIT may be subject to higher interest rates in the future, given the current economic climate. The REIT may also be unable to renew its maturing debt either with an existing or a new lender, and if it is able to renew its maturing debt, significantly lower loan-to-value ratios may be used. Per the DOT, at no time shall the REIT incur debt aggregating more than 20% of GBV of the REIT (excluding debt with an original maturity of one year or more falling due in the next 12 months or variable rate debt for which the REIT has entered into interest rate swap agreements to fix the interest rate for a one year period or more) at floating interest rates or having maturities less than one year. All interest rates are fixed for the term of the respective mortgages.

UNINSURED LOSSES

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

RISKS RELATED TO THE REIT AND ITS BUSINESS

ACQUISITIONS

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

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

ACCESS TO CAPITAL AND FINANCING RISK

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

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

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

As at December 31, 2013, the REIT had outstanding mortgage debt of $108,418 (before adjusting for unamortized financing costs of $729). A portion of the cash flow generated by the REIT's properties is devoted to servicing the REIT's debt, and there can be no assurance the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. There is a risk the REIT may be unable to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing.

POTENTIAL CONFLICTS OF INTEREST WITH TRUSTEES

The Trustees may, from time to time, in their individual capacities, deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The interests of these persons could conflict with those of the REIT. The DOT contains conflict of interest provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. In addition, certain decisions regarding matters that may give rise to a conflict of interest must be made by a majority of the REIT's independent trustees only. Conflicts may also exist due to the fact that the Chairman of the REIT is affiliated with Starlight.

LITIGATION RISKS

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

TAXATION MATTERS

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

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

The SIFT Rules are not applicable to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Exception").

Unless the REIT qualifies for the REIT Exception, the SIFT Rules could impact the level of cash distributions which would otherwise be made by the REIT and the taxation of such distributions to Unitholders. Management of the REIT has determined that the REIT is not subject to the SIFT tax under the Tax Act as it meets the REIT Exception for the year ended December 31, 2013, and plans to continue to do so throughout subsequent years. Accordingly, no current income tax expense or deferred income tax assets or liabilities have been recorded in the financial statements as at and for the year ended December 31, 2013.

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

SIGNIFICANT OWNERSHIP BY STARLIGHT

As at December 31, 2013, Daniel Drimmer, the REIT's CEO and Chairman, and his related entities held an approximate 22.13% effective interest in the REIT through ownership of Units and Class B LP Units (excluding Unit Options exercisable into Units). For so long as Starlight maintains a significant effective interest in the REIT, Starlight benefits from certain contractual rights regarding the REIT and Starlight has the ability to exercise influence with respect to the affairs of the REIT and significantly affect the outcome of Unitholder votes, including the ability to prevent certain fundamental transactions and may discourage transactions involving a change of control of the REIT, including transactions in which an investor might otherwise receive a premium for its Units over the then current market price. The Units may also be less liquid and worth less than they would if Starlight did not have the ability to influence matters affecting the REIT.

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

DEPENDENCE ON STARLIGHT

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

CREDIT RISK AND TENANT CONCENTRATION

The REIT is exposed to risk as tenants may be unable to pay their contracted rents. Management mitigates this risk by seeking to acquire properties across several asset classes. As well, management seeks to acquire properties with strong tenant covenants in place. The REIT's portfolio includes over 25 tenant leases with a weighted-average term to maturity of approximately 4.5 years. Approximately 87.6% of the REIT's portfolio was occupied by government and other credit-rated entities based on annualized 2013 gross revenue including contractual leases as at December 31, 2013.

RISKS RELATED TO UNITS

VOLATILE MARKET PRICE FOR THE REIT'S SECURITIES

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

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

RETURN ON INVESTMENT ON UNITS NOT GUARANTEED

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

DILUTION ON UNITS

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

UNITHOLDER LIABILITY

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

NATURE OF INVESTMENT IN UNITS

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

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 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 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 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 year ended December 31, 2013.

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 year ended December 31, 2013.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the REIT in the consolidated financial statements for the year ended December 31, 2013 are the same as those applied by the REIT in its consolidated financial statements for the period from July 13, 2012 to December 31, 2012.

IFRS 10, Consolidated Financial Statements ("IFRS 10"), replaced the guidance in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. The REIT has assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any changes in the consolidation status of the Partnership and other entities.

The REIT has adopted IFRS 11, Joint Ventures, and IFRS 12, Disclosure of Interest in Other Entities. The adoption of these standards did not have an impact on the REIT's consolidated financial statements.

IFRS 13, Fair Value Measurement ("IFRS 13"), replaces the fair value measurement guidance contained in individual IFRS's with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e., an exit price.

The REIT adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 resulted in the REIT changing its methodology for determining the fair value of Class B LP Units and resulted in additional disclosure of the REIT's various methods in estimating the fair values of assets and liabilities measured at fair value on a recurring or non-recurring basis in the statement of financial position.

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the year ended December 31, 2013, and, accordingly, have not been applied in preparing the REIT consolidated financial statements for the period from July 13, 2012 to December 31, 2012.

IFRS 9, Financial Instruments ("IFRS 9"), as issued reflects the International Accounting Standards Board's ("IASB") work to date on the replacement of Financial Instruments: Recognition and Measurement ("IAS 39"), and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. In November 2013, the IASB issued a new version of IFRS 9 (IFRS 9 (2013)) which includes the new hedge accounting requirements and some related amendments to IAS 39, Financial Instruments - Recognition and Measurement and IFRS 7, Financial Instruments - Disclosures. IFRS 9 (2013) does not have a mandatory effective date. The impact of this ongoing project will be assessed by the REIT as remaining phases of the project are completed.

Amendments to IAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities ("lAS 32"). In December 2011, the IASB issued certain amendments to lAS 32, which establishes disclosure requirements that are intended to help clarify for financial statement users the effect or potential effect of offsetting arrangements on an entity's financial position. These amendments are effective for the REIT's annual period beginning on January 1, 2014. The REIT has determined that the adoption of these amendments will not have a material impact on its consolidated financial statements.

IFRIC Interpretation 21, Levies ("lFRIC 21"), clarifies that an entity recognizes a liability for a levy when the activity that triggers payment occurs, as identified by the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The IFRIC does not apply to accounting for income taxes, fines and penalties or for the acquisition of assets from governments. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The REIT is in the process of assessing the impact of the adoption of this interpretation on its consolidated financial statements.

USE OF ESTIMATES

The preparation of the 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 these consolidated financial statements.

The estimates used in determining the recorded amount for assets and liabilities in the consolidated 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 to being 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 and that of comparable companies. 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 it is 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:		
Deposits	Loans and receivables	Amortized cost
Derivative instrument	FVTPL	Fair value
Tenant and other receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Cash and cash equivalents	FVTPL	Fair value
Financial liabilities:		
Mortgages payable	Other liabilities	Amortized cost
Class B LP Units	FVTPL	Fair value
Tenant rental deposits and prepayments	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Unit Option Plan	FVTPL	Fair value

The fair values of the REIT's financial assets, which include deposits, tenant and other receivables, restricted cash and cash and cash equivalents, as well as financial liabilities, which include the revolving credit facility, tenant rental deposits, accounts payable and accrued liabilities, finance costs payable and distributions payable, 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. The estimated fair value of mortgages payable is approximately $107,900 at December 31, 2013 (2012 - $10,250).

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 and Warrants 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.

COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the REIT is involved in litigation and claims in relation to the 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.

SUBSEQUENT EVENTS

On January 15, 2014 the REIT declared a distribution of $0.0495 per Unit and Class B LP Unit for the month of January 2014. The distribution is payable on February 18, 2014 to Unitholders and holders of Class B LP Units of record as at January 31, 2014.

On January 24, 2014 and January 31, 2014, 5,070 and 530 Warrants, respectively, were exercised at a price of $4.80.

OUTLOOK

The REIT's external growth strategy focuses primarily on acquisitions of commercial rental properties across Canada and such other jurisdictions where opportunities exist. The REIT will continue to identify potential acquisitions using investment criteria that focus on the security of cash flow, capital appreciation, increasing value through more efficient management of the assets being acquired and growth of AFFO per Unit.

Management is 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.

According to the Toronto Dominion's Long Term Economic Forecast in December 2013, the Canadian economy has experienced two years of economic growth below 2%. Over the next two years, stronger growth globally and most importantly in the United States, is expected to help Canada's economy increase to a modest level of 2.3% in 2014 and 2.4% in 2015. As the global environment improves, Canadian exports are expected to play a bigger role in driving Canada's growth with expectations the economy will grow by 2.2% on average over the next five years. The REIT currently operates properties in four provinces, and expectations are these provinces should show improved growth in 2014, when compared to the last two years.

Given the modest medium term growth economic outlook, inflation is expected to increase very gradually while the Bank of Canada overnight rate is expected to remain at 1% until the latter half of 2015. Access to debt capital remains strong for commercial real estate and while rates did increase slightly in 2013, management believes interest rates will continue to fluctuate moderately around current levels for the foreseeable future.

Fiscal 2013 saw a correction in the equity markets for REITs with many, trading at discounts to their net asset values, which resulted in an inability to raise equity capital on an accretive basis and continue growth plans. Management believes investors will continue to seek out yield driven products like REITs and expects unit prices will normalize in the short to medium term and values will trend closer to net asset values. Management expects real estate fundamentals will remain stable throughout 2014 and beyond. The REIT's properties are expected to perform in line with modest growth expectations.

QUARTERLY INFORMATION

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

	Three months ended					Period from July 13, 2012 to September 30, 2012
	December 31, 2013 (1)	September 30, 2013	June 30, 2013	March 31, 2013 (2)	December 31, 2012 (3)	
Revenue	$5,105	$4,881	$4,774	$ 2,486	$ 73	$ -
Property operating costs	2,005	1,874	1,786	803	19	-
NOI	3,100	3,007	2,988	1,683	54	-
NOI Margin	60.7%	61.6%	62.6%	67.7%	74.0%	0.0%
Trust expenses	(597)	(408)	(613)	(401)	(495)	(295)
Fair value adjustment of investment properties	(8,361)	989	16,349	(3,391)	(103)	-
Finance income	2	-	3	3	28	-
Finance costs	(972)	(898)	(902)	(504)	(44)	-
Finance costs - fair value adjustment of Class B LP Units	487	533	2,241	214	(12,928)	-
Finance costs - distributions on Class B LP Units	(362)	(317)	(317)	(375)	-	-
Finance costs - unrealized (loss) gain on change in fair value of derivative instrument	(176)	(132)	1,122	(655)	-	-
Income (loss) and comprehensive income (loss) for the period	$ (6,878)	$ 2,775	$ 20,872	$ (3,425)	$ (13,487)	$ (295)

Notes:

(1) During the three months ended December 31, 2013, the REIT acquired the King Street Property.

(2) During the three months ended March 31, 2013, the REIT acquired five properties.

(3) The REIT acquired Coronation Mall on December 14, 2012.

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

Dated: March 5, 2014
Toronto, Ontario, Canada