TRUE NORTH COMMERCIAL REAL ESTATE INVESTMENT TRUST

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

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013

July 31, 2013

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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 July 31, 2013, for the three and six months ended June 30, 2013 should be read in conjunction with the REIT's unaudited condensed consolidated interim 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, litigation, projected costs, capital expenditures, financial results, occupancy levels, average monthly rents, taxes, plans and objectives of or involving the REIT. Particularly, statements regarding future geographic diversification, determinations of investment property fair values, property repair and maintenance expenditures, the REIT's ability to meet its obligations, including with respect to the matters described at "Outlook" are forward-looking statements. 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", "schedule", 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 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 the risks discussed in the REIT's materials filed with Canadian securities regulatory authorities from time to time, including the risks discussed herein at "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 unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2013 have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. The REIT's presentation currency is the Canadian dollar. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of dollars, except for per Unit information.

On June 19, 2013, the Units and the Class B LP Units (collectively, the "Voting Units") of the REIT were consolidated on the basis of one (1) Post-Consolidation Voting Unit for two (2) Pre-Consolidation Voting Units. The exercise price and number of Units issuable upon exercise of the outstanding options of the REIT, as well as the number of outstanding Class B LP Units and the common shares issued prior to the Plan of Arrangement (as defined below), 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"), Net Operating Income ("NOI"), and indebtedness to Gross Book Value ("Gross Book Value or GBV") ratio are not measures defined under International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be compared to or construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. NOI, FFO, AFFO and the indebtedness to GBV as computed by the REIT are unlikely to be comparable to similar measures as reported by other trusts or companies in similar or different industries.

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. Management considers this non-IFRS measure to be an important measure of the REIT's operating performance.

AFFO is an important performance measure to determine the sustainability of future distributions paid to holders of Units ("Unitholders") after a provision for capital expenditures. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital. Management considers this non-IFRS measure to be an important measure of the REIT's operating performance.

FFO and AFFO have not been presented in this MD&A. Management intends on providing these measures in future MD&A filings.

NOI is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the REIT's operating performance and uses this measure to assess the REIT's property operating performance on an unlevered basis.

The indebtedness to GBV ratio is a compliance measure in the REIT's DOT (as defined below) 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.

Gross book value is defined in the DOT (as defined below) and is a measure of the value of the REIT's assets. Gross Book Value 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 (as defined below) and is a measure of the amount 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.

OVERVIEW AND STRATEGY

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust ("DOT") made as of November 16, 2012, and as most recently 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 ("CPC") on July 13, 2012 and completed its initial public offering ("IPO") on August 28, 2012. The common shares of the Company were listed on the TSX Venture Exchange ("TSXV") under the symbol TNT.UN. 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 Corporation (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 of the REIT (the “Units”), and/or in the case of electing shareholders, for class B LP units of the Partnership (each, a “LP Unit”) and related voting and exchange rights. In each case, the exchange ratio was one Unit or LP Unit for every eight common shares held. In addition, outstanding share options to purchase common shares in 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 shares options. The REIT is the continuing public entity with its Units now currently listed on the Toronto Stock Exchange (“TSX”) after its graduation from the TSXV on June 17, 2013.

The REIT was established to focus on acquiring and owning commercial rental properties across Canada, the United States and such other jurisdictions where opportunities exist, 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;
- expand the asset base of the REIT and increase its distributable cash flow through acquisitions of additional commercial rental properties; and
- enhance the value of the REIT’s properties through active management to maximize long-term Unit value

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

SUMMARY OF SIGNIFICANT EVENTS

THREE MONTHS ENDED JUNE 30, 2013

On April 15, 2013, the REIT declared distributions of $0.02475 (pre-Consolidation) (as defined below) per Unit or LP Unit for the month of April. The distribution was paid on May 15, 2013 to Unitholders and holders of LP Units of record as at April 30, 2013.

On May 15, 2013, the REIT declared distributions of $0.02475 (pre-Consolidation) per Unit or LP Unit for the month of May. The distribution was paid on June 17, 2013 to Unitholders and holders of LP Units of record as at May 31, 2013.

On June 17, 2013, the REIT declared distributions of $0.02475 (pre-Consolidation) per Unit or LP Unit for the month of June. The distribution was paid on July 15, 2013 to Unitholders and holders of LP Units of record as at June 28, 2013.

On June 17, 2013, the REIT announced the TSX‘s 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 and the special voting units of the REIT (“Special Voting Units” and together with the Units, the “Voting Units”) on the TSX, the Voting Units were consolidated (the “Consolidation”) on the basis of one (1) post-Consolidation Voting Unit for two (2) pre-Consolidation Voting Units. The exercise price and number of Units issuable upon exercise of the outstanding options of the REIT, as well as the number of outstanding Class B LP Units and the common shares issued prior to the Plan of Arrangement, have all been proportionally adjusted in this MD&A. In this regard, the REIT’s regular monthly distribution of $0.02475 (pre-Consolidation) remains unchanged and is now equivalent to $0.0495 (post-Consolidation) per Unit.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The financial and operational highlights for the three and six months ended June 30, 2013 are as follows:

	As at June 30, 2013
Summary of Financial Information	
Gross Book Value (1)	$173,673
Indebtedness (2)	$98,580
Indebtedness to Gross Book Value (3)	56.76%
Weighted average mortgage fixed interest rate	3.48%
Weighted average mortgage term to maturity	4.58 years

	Three months ended June 30, 2013	Six months ended June 30, 2013
Summary of Financial Information		
Revenue from property operations	$4,774	$7,260
NOI	$2,988	$4,671
Net income and comprehensive income	$20,871	$17,445

Notes:

(1) "Gross Book Value" is defined in the DOT and includes deferred financing costs of $803.

(2) "Indebtedness" is defined in the DOT and excludes unamortized financing costs of $738.

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

PROPERTY PROFILE

The following table highlights certain information about the REIT's properties as at June 30, 2013:

Property Name	City	Province	Type	Occupancy	Average Remaining Lease Term (1)	Sq Ft
Office						
Laurier Property	Ottawa	ON	Office	100%	4.7 years	279,047
Century Property	Calgary	AB	Office	95.1%	4.2 years	75,675
Maple Property	Ottawa	ON	Office	100%	4.2 years	107,243
Carlingview Property	Toronto	ON	Office	100%	4.6 years	26,754
Office/Retail						
Miramichi Property	Miramichi	NB	Office/Retail	100%	4.0 years	73,163
Retail						
Coronation Mall	Duncan	BC	Retail	100%	5.7 years	48,994
Average/Total				99.4%	4.6 years	610,876

Notes:

(1) Weighted by budgeted gross revenue for 2013

PROPERTY DESCRIPTIONS

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 100% 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.

FEBRUARY 2013 PROPERTY ACQUISITIONS ("FEBRUARY 2013 PROPERTIES"):

THE LAURIER PROPERTY

The Laurier Property is a 279,047 square foot office building located in Ottawa, Ontario currently 100% occupied, with the Canadian Federal Government 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.

THE CENTURY PROPERTY

The Century Property is a 75,675 square foot office building located in Calgary, Alberta that is currently 95.1% occupied. The Century Property is approximately 63.5% occupied by the Province of Alberta with a remaining lease term of just under five years. The building has been well-maintained and provides for 43 parking stalls in its underground parkade.

THE 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.

THE MIRAMICHI PROPERTY

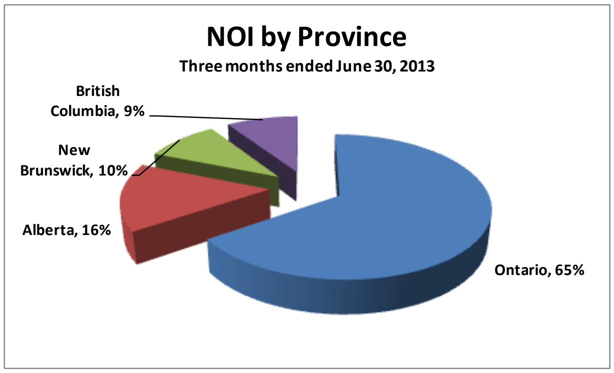
The Miramichi Property is a 73,163 square foot office/retail facility located in Miramichi, New Brunswick that is 100% occupied. The property was originally constructed in 1969 as a neighbourhood retail strip plaza with major renovations completed in 1995, 1996, and 2012. Over $4 million of capital improvements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

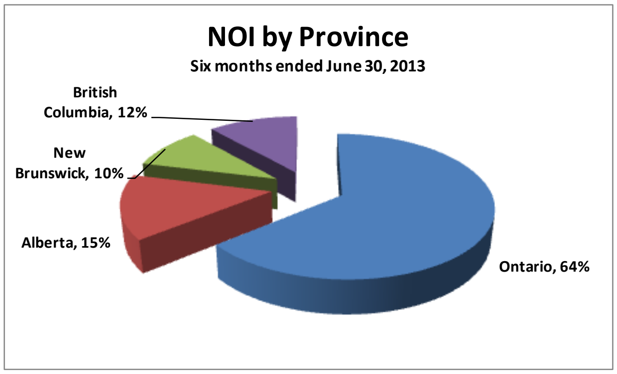
THE CARLINGVIEW PROPERTY

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

Geographic Distribution

The properties are diversified regionally as follows:

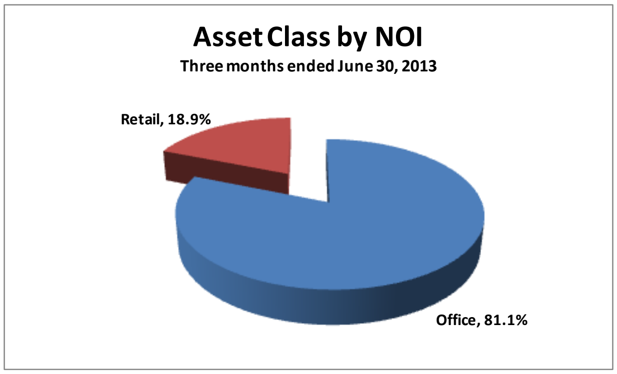


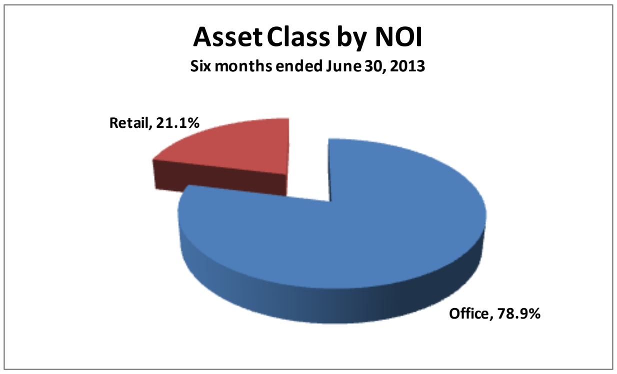


The NOI is based on actual results for the three and six months ended June 30, 2013.

Asset Class Distribution

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

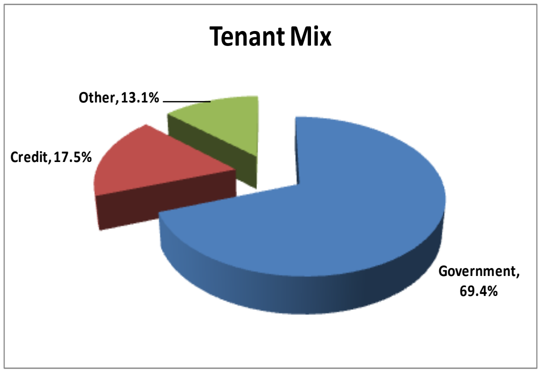




The NOI is based on actual results for the three and six months ended June 30, 2013.

Tenant Mix

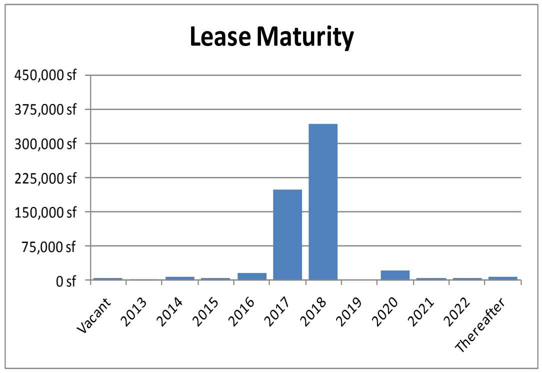
As at June 30, 2013, the percentage of tenants occupying the properties that are government institutions, credit-rated or other is as follows:



The tenant mix is based on the tenant's annualized budgeted gross revenue.

LEASE ROLLOVER PROFILE

As at June 30, 2013, the lease rollover profile of the REIT is as follows:



Lease maturity is based on square footage of the properties.

FINANCIAL PERFORMANCE

The REIT's financial performance and results of operations for the three and six months ended June 30, 2013 are summarized below. There are no comparative period results given the REIT commenced operations on December 14, 2012 as a continuity of interests of the Company which was formed on July 13, 2012.

FINANCIAL PERFORMANCE

	Three months ended June 30 2013	Six months ended June 30 2013
Revenue from property operations	$ 4,774	$ 7,260
Property operating costs	1,786	2,589
Net operating income	2,988	4,671
Trust expenses	(613)	(1,014)
Fair value adjustment of investment properties	16,349	12,958
Finance income	3	6
Finance costs	(902)	(1,406)
Finance costs - fair value adjustment of LP Units	2,241	2,455
Finance costs - distributions on LP Units	(317)	(692)
Unrealized gain on change in fair value of derivative instrument	1,122	467
Net income and comprehensive income	$ 20,871	$ 17,445

NET OPERATING INCOME

NOI is defined by the REIT as rental revenue from property operations less property operating costs and property taxes. The REIT's method of calculating NOI may differ from other issuers' methods and, accordingly, may not be comparable to NOI reported by other issuers.

	Three months ended June 30, 2013	Six months ended June 30, 2013
Revenue from property operations	$ 4,774	$ 7,260
Expenses:		
Operating costs	1,070	1,452
Property taxes	716	1,137
	1,786	2,589
Net operating income	$ 2,988	$ 4,671
NOI margin	62.6%	64.3%

PROPERTY REVENUE AND OPERATING EXPENSES

Revenue from property operations 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, parking, operating cost 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 total straight line rent adjustment for the three and six months ended June 30, 2013 was $104 and $676, respectively.

Operating costs includes costs relating to building maintenance, HVAC, elevator, insurance, utilities and management fees.

Revenue from property operations for the three and six months ended June 30, 2013 was $4,774 and $7,260 respectively. Operating costs for the respective periods were $1,786 and 2,589. The increases are due to the timing of the acquisitions of the majority of the current portfolio. The three months ended June 30, 2013 represents the first full quarter of operations of the six properties currently owned by the REIT.

Occupancy for the portfolio has remained stable at 99.4% compared to 99.7% at March 31, 2013.

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 the trust expenses for the three and six months ended June 30, 2013 is as follows:

	Three months ended June 30 2013	Six months ended June 30 2013
Legal, audit and compliance	$ 166	$ 206
Investor relations	42	62
Unit based compensation	53	248
General and administration	41	108
TSX listing and graduation fees	172	172
Asset management fee	139	218
Total trust expenses	$ 613	$ 1,014

The REIT incurred $613 in trust expenses for the three months ended June 30, 2013. Approximately $172 relates to one time fees associated with the REIT's graduation and listing of its Units on the Toronto Stock Exchange. Also, additional legal and other fees were incurred associated with annual regulatory filing requirements and the annual general meeting of the REIT.

INVESTMENTS PROPERTIES – FAIR VALUE ADJUSTMENTS

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

The REIT calculates fair value using both the discounted cash flow method and direct capitalization method which are generally accepted appraisal methodologies and is based on, among other things, assumptions of future cash flows in respect of current and future leases, capitalization rates 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 six months ended June 30, 2013 and the period from July 13, 2012 to December 31, 2012:

		Amount
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		139,946
Additions to investment properties		9
Leasing commissions		10
Straight line rent adjustment		676
Fair value adjustment		12,958
Balance at June 30, 2013	$	168,153

The REIT recorded a cumulative fair value increase of $12,958 for the six months ended June 30, 2013, which is made up of a fair value increase of $17,244 for the six properties offset by the write off of $3,600 of acquisition costs, $10 relating to leasing commissions and $676 relating to the straight line rent adjustment.

The fair value changes in individual properties result from changes in the projected income and cash flow projections of these properties as well as from changes in capitalization rates and discount rates applied. The gain in fair value for the three months ended June 30, 2013 was a result of capitalization rate compression, an increase in expected market rents and increased cash flow due to operating efficiencies realized throughout the portfolio.

The key valuation assumptions for the REIT's investment properties are set out in the following table:

Terminal capitalization rates - range	6.00% - 11.58%
Terminal capitalization rate - weighted average	6.64%
Discount rates - range	6.50% - 10.50%
Discount rate - weighted average	7.16%

FINANCE COSTS

The REIT's finance costs for the three and six months ended June 30, 2013 are summarized below.

		Three months ended June 30, 2013		Six months ended June 30, 2013
Interest on mortgages payable	$	(855)	$	(1,343)
Amortization of financing costs		(47)		(63)
		(902)		(1,406)
Distriubtions on LP Units		(317)		(692)
Fair value adjustment of LP Units		2,241		2,455
	$	1,022	$	357

Interest on mortgages payable for the three and six months ended June 30, 2013 is comprised of interest on outstanding mortgages payable of $98,580 as at June 30, 2013. Total financing costs associated with the mortgages amounts to $803. (See "Mortgages Payable"). The amortization of those financing costs associated with the mortgages amounts to $47 and $63 for the three and six months ended June 30, 2013.

The REIT declared its first distribution for the period from December 14, 2012 to January 31, 2013 on February 15, 2013. Distributions on LP Units for the three and six months ended June 30, 2013 of $317 and $692, respectively reflect distributions on 2,134,375 LP Units issued and outstanding and includes distributions payable for the 17 day period from December 14 to December 31, 2012. (See "Unitholders' Equity & Class B LP and Special Voting Units")

The fair value change in LP Units is an increase or decrease in correlation to the increase or decrease in the trading price of the Units on the TSX and any resulting change in their fair value is reported in the period such change occurs. The trading price of the Units on December 31, 2012 was $7.50 compared to $6.35 on June 28, 2013 thus resulting in a fair value adjustment of $2,241 and $2,455, respectively, for the three and six months ended June 30, 2013.

UNREALIZED LOSS ON CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENT

The REIT entered into an interest rate swap agreement to limit its interest rate exposure during the term of the mortgage on the Laurier Property. The mortgage has a principal balance of $48,439 as at June 30, 2013 and an annual fixed interest rate of 3.388%. For this derivate 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 and at each settlement 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 and corresponding receivable of $467 is the present value of the difference between the fixed rate the lender would offer the REIT on June 30, 2013 compared to the 3.388% multiplied by the principal balance.

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

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

As at June 30, 2013, the total capital of the REIT was as follows:

As at June 30, 2013		
Mortgages payable (excludes unamortized financing costs of $738)	$	98,580
LP Units (including cumulative fair value adjustment of $10,473)		13,553
Unitholders' equity		58,040
Total capital	$	170,173

DEBT PROFILE

As at June 30, 2013, the overall leverage, as represented by the ratio of indebtedness to Gross Book Value was 56.76%. The maximum allowable ratio under the DOT is 75%. Below is a calculatioin of the REIT's indebtedness to GBV ratio at June 30, 2013.

As at June 30, 2013		
Total reported assets	$	172,870
Deferred Financing Costs		803
Gross Book Value	$	173,673
Mortgages payable		97,842
Unamortized financing costs		738
Indebtedness	$	98,580
Indebtedness to Gross Book Value		56.76%

The mortgages carry a weighted average fixed interest rate of 3.48% (December 31, 2012 – 3.92%), and a weighted average term to maturity of 4.58 years (December 31, 2012 – 4.90 years). All interest rates are fixed for the term of the respective mortgages.

The REIT's strategy is to maintain a combination of short, medium and long-term debt maturities appropriate for the overall debt level of the REIT, taking into account availability of financing, market conditions and the financial characteristics of each property and to extend the current weighted average term to maturity and achieve staggered debt maturities.

MORTGAGES PAYABLE

The following table sets out, as at June 30, 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
2013	$ 1,150	$ -	$ 1,150	$ 1,702	1.17%
2014	2,579	1,662	4,241	3,323	4.30%
2015	2,671	-	2,671	3,214	2.71%
2016	2,765	-	2,765	3,121	2.80%
2017	2,838	9,136	11,974	2,992	12.15%
Thereafter	493	75,286	75,779	651	76.87%
	$ 12,496	$ 86,084	98,580	$ 15,003	100.00%
Unamortized financing costs			(738)		
			$ 97,842		

Included in the balance of $98,580 is financing obtained by the REIT from the vendor as part of the purchase of the Miramichi Property, in the amount of $1,662. Subsequent to the acquisition, this vendor take back mortgage was sold as a secured promissory note ("Note"). The Note will be repaid by an amount equal to the total gross revenue realizable from any new lease of a specified portion of the property starting June 1, 2014. However, the full amount is repayable no later than February 12, 2018. The Note bears interest at an annual fixed rate of 2.0%. The Note is interest-only and is payable monthly in arrears.

OPERATING 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 at 225 basis points per annum over the floating banker's acceptance rate or 100 basis points over prime rate to be determined on the date the facility is drawn down. The Credit Facility expires on February 12, 2015. As at June 30, 2013, no amounts were drawn on the Credit Facility. The revolving Credit Facility is secured by a first charge on the Miramichi Property.

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 is 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 commitments 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 equity and debentures.

CASH FLOW

The following table details the changes in cash and cash equivalents for the three and six months ended June 30, 2013:

	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
Cash provided by operating activities	$ 984	$ 1,502
Cash provided (used) by investing activities	136	(138,082)
Cash provided (used) by financing activities	(2,877)	137,058
Increase (decrease) in cash and cash equivalents	(1,757)	478
Cash and cash equivalents, beginning of period	3,142	907
Cash and cash equivalents, end of period	$ 1,385	$ 1,385

Cash and cash equivalents on hand as at June 30, 2013 was $1,385.

Cash provided by operating activities for the three and six months ended June 30, 2013 of $984 and 1,502 respectively, relate primarily to the property operations of Coronation Mall for a full six months and the February 2013 Properties from their dates of acquisition.

The cash used in investing activities for the six months ended June 30, 2013 of $138,082 reflects the acquisition of the February 2013 Properties.

Cash used in financing activities for the three months ended June 30, 2013 of $2,877 relates primarily to financing costs of $126 for the mortgages associated with the acquisition of the February 2013 Properties, principal mortgage payments of $557, additional costs related to the issuance of Units of $118, interest payments of $855, and distributions to Unitholders of $1,224.

Cash provided by financing activities for the six months ended June 30, 2013 of $137,058 relates primarily to proceeds from the mortgages of $86,523 (net of financing costs of $650) and the issuance of Units of $54,028 (net of costs of $4,716). This was offset by interest payments and other finance costs and income of $1,228, principal mortgage payments of $557 and distributions to Unitholders of $1,714.

UNITHOLDERS' EQUITY, CLASS B LP AND SPECIAL VOTING UNITS

The REIT is authorized to issue an unlimited number of Units and an unlimited number of 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 holders of Units 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 June 30, 2013:

	Units		Amount
Outstanding as at July 13, 2012	-	$	-
Issuance of Units on exchange for common shares of the Company, December 14, 2012, net of costs of $192	1,303,125		1,728
Issuance of Units, December 14, 2012	66,845		500
Outstanding as at December 31, 2012	1,369,970		2,228
Issuance of Units, February 12, 2013, net of costs of $4,716	7,274,957		51,010
Issuance of Units, February 12, 2013	391,645		3,000
Issuance of Units under DRIP	96,489		663
Issuance of Units from warrants exercised	3,721		18
Outstanding as at June 30, 2013	9,136,782	$	56,919

Special Voting Units

The DOT and the exchange agreement dated December 14, 2012 between the REIT, Starlight, the GP and the Partnership, amongst others (the "Exchange Agreement") 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 LP Units). Each Special Voting Unit is not transferable separately from the LP Unit to which it is attached and will be automatically redeemed and cancelled upon exchange of the attached LP Unit into a Unit.

The 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 REIT's Units. They are exchangeable at the option of the holder thereof on a one-for-one basis (subject to anti-dilution adjustments) for the REIT's Units at the option of the holder, under the terms of the Exchange Agreement. Each 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 LP Units.

Units may be "put" to the REIT and, therefore, the LP Units meet the definition of a financial liability under IAS 32, Financial Instruments – Presentation. Further, the LP Units are classified as fair value through profit or loss financial liabilities and are measured at fair value at each reporting period with any changes in fair value recorded in profit and loss. The distributions paid on the LP Units are accounted for as finance costs.

The following table summarizes the changes in LP Units for the period from July 13, 2012 to June 30, 2013:

	LP Units		Amount
Outstanding as at July 13, 2012	-	$	-
Issuance of LP Units on exchange for common shares of the Company, December 14, 2012	2,134,375		3,080
Fair value adjustment	-		12,928
Outstanding at December 31, 2012	2,134,375	$	16,008
Fair value adjustment	-	-	2,455
Outstanding at June 30, 2013	2,134,375	$	13,553

A summary of the carrying and fair value of LP Units as at June 30, 2013:

		As at June 30, 2013
Carrying value	$	3,080
Cumulative fair value adjustment		10,473
Fair value	$	13,553

DISTRIBUTIONS

The REIT adopted the DRIP on January 1, 2013. Eligible Unitholders, as well as holders of 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 will determine for each distribution payment date, the amount of new equity, if any that will be made available under the DRIP on that date.

The REIT currently pays monthly distributions to Unitholders of $.0495 per Unit or LP Unit or $0.594 on an annual basis. Distributions declared for the three and six months ended June 30, 2013 were $2,356 and $3,048 respectively. Of this amount, $388 and $663 for three and six months ended June 30, 2013 was reinvested into 58,514 and 96,489 additional Units pursuant to the terms of the DRIP.

The following table shows distribution payments to holders of Units and LP Units for the three and six months ended June 30, 2013:

	Three months ended June 30, 2013			Six months ended June 30, 2013		
	Units	LP Units	Total	Units	LP Units	Total
Distributions paid	$ 805	$ 37	$ 842	$ 1,714	$ 113	$ 1,827
Distributions paid in Units pursuant to DRIP	96	175	271	190	473	663
Distributions Payable at June 30, 2013	452	106	558	452	106	558
Total	$ 1,353	$ 318	$ 1,671	$ 2,356	$ 692	$ 3,048

UNIT OPTION PLAN

The REIT's 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 to the REIT. The Unit Options are non-transferable options to purchase Units, 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 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 share options at an exercise price of $0.20 per 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 share options have been 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 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.

WARRANTS

On August 28, 2012, in connection with the Company's initial public offering, Raymond James Ltd. (the "Agent") was granted non-transferable warrants (the "Warrants") to purchase, in aggregate, 125,000 shares at a price of $0.60 per share, expiring on August 28, 2014. The Warrant certificate contains provisions which provides that if there is a reorganization or reclassification of the shares into other shares or into other securities, the Agent will be entitled to receive in lieu of the number of shares 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 Warrants have been exchanged for 15,625 Unit Options at an exercise price of $4.80 per Unit Option on the basis of one Unit Option for every eight Warrants of the Company. The Unit Options have terms identical to the Warrants, subject to the adjustment of the number of Units based on the exchange ratio of one Unit for every eight Warrants.

On March 18, 2013, 3,721 warrants were exchanged for Unit Options and exercised at an exercise price of $4.80 per Unit Option. The fair value adjustment on the Unit Options exercised of $7 was recognized through unitholders' equity.

The changes in the REIT's Unit Options for the period from July 13, 2012 to June 30, 2013 are summarized below:

	Number of Unit Options	Weighted average exercise price (in actual dollars)
Outstanding as at July 13, 2012	-	$ -
Unit Options exchanged for share options of the Company, December 14, 2012	243,750	1.60
Unit Options exchanged for Warrants, December 14, 2012	15,625	4.80
Granted Unit Options, December 14, 2012	100,000	7.48
Outstanding as at December 31, 2012	359,375	3.38
Granted Unit Options, February 12, 2013	427,500	7.66
Unit Options exchanged for Warrants exercised	(3,721)	4.80
Outstanding as at June 30, 2013	783,154	$ 5.71

Unit Options and Warrants outstanding at June 30, 2013 consist of the following:

Exercise price (in actual dollars)	Number of Unit Options	Remaining contractual life	Number of Unit Options exercisable
$ 1.60	243,750	4.41 years	-
4.80	11,904	1.41 years	11,904
7.48	100,000	4.71 years	-
7.66	427,500	4.62 years	
	783,154		11,904

For the three and six months ended June 30, 2013 compensation expense for the Unit Options issued of $53 and $248, respectively, were determined using the Black-Scholes option pricing model, with the following assumptions:

	As at June 30, 2013
Expected option life	2.95 years
Expected volatility	20.00%
Dividend yield	9.35%
Risk-free interest rate	1.46%

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

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

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 will be administered and operated by the REIT's Chief Executive Officer and Chief Financial Officer and an experienced team of real estate professionals from Starlight who have diverse backgrounds in the acquisition, divestiture, financing and operation of real estate.

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 will be 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 properties owned by the REIT.

(b) Acquisition fee equal to:
  - 1.0% of the purchase price of a property, on the first $100,000 of properties announced to be acquired in each fiscal year;
  - 0.75% of the purchase price of a property on the next $100,000 of properties announced to be acquired in each fiscal year; and
  - 0.50% of the purchase price on properties announced to be acquired in excess of $200,000 in each fiscal year.

(c) From and after January 1, 2013, an incentive fee payable by the REIT for each fiscal year equal to 15% of the 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 as at the end of such fiscal year.

(d) Capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1,000 excluding work done on behalf of tenants or any maintenance capital expenditures.

For the three and six months ended June 30, 2013, the base asset management fee was $139 and $218 respectively. Of this amount, $46 (December 31, 2012 - $3) is included in accounts payable and accrued liabilities.

For the three and six months ended June 30, 2013, the REIT incurred $0 and $1,335 respectively, for acquisition services under the Asset Management agreement, which were paid at the time of acquisition. These costs were initially capitalized to investment properties on acquisition.

There were no capital expenditure fees incurred for the three and six months ended June 30, 2013.

In addition, the REIT will reimburse Starlight for all reasonable and necessary actual 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. Reimbursements of out-of-pocket costs and expenses for the three and six months ended June 30, 2013 were $14 and $14, 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 management information circular of the Company dated November 16, 2012 (the "Circular"), as well as, the following, which current and prospective holders of securities of the REIT should carefully consider. The Circular 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 will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors.

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

Upon the expiry of any lease, there can be no assurance the lease will be renewed or the tenant will be replaced. The terms of any subsequent lease may be less favourable to the REIT than those of an existing lease. Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the 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.

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 20 tenant leases with a weighted-average term to maturity of 4.6 years. Approximately 86.9% of the REIT's portfolio was occupied by government and other credit-rated entities based on annualized gross revenue.

INTEREST RATE RISK

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

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 facility 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 facility or to borrow using such facility 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 on) 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 the investment funds, and an increase in interest in real property investments, may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

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

ILLIQUIDITY OF REAL ESTATE INVESTMENTS

Real estate investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for, and the perceived desirability of, such investments. Such illiquidity may limit the REIT's ability to promptly adjust its portfolio in response to changing economic or other conditions. If the REIT were required to quickly liquidate its 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.

RISKS RELATED TO THE REIT AND ITS BUSINESS

PUBLIC MARKET RISK

It is not possible to predict the price at which the Units will trade and there can be no assurance that an active trading market for the Units will be sustained. The Units will not necessarily trade at values determined solely by reference to the value of the REIT's current properties or future properties acquired by the REIT. Accordingly, the Units may trade at a premium or a discount to values implied by the value of the current or future-acquired properties of the REIT. The market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the REIT.

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 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 market. As a result, it is possible financing which the REIT may require in order to grow and expand its operations, upon the expiry of the term of financing, upon refinancing of any particular property owned by the REIT or otherwise, may not be available or, if it is available, may not be available on favourable terms to the REIT.

As at June 30, 2013, the REIT had outstanding mortgage debt of $98,580 (before adjusting for financing costs of ($738). 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.

The REIT is subject to the risks associated with debt financing, including the risk the mortgages and banking 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.

POTENTIAL CONFLICTS OF INTEREST WITH TRUSTEES

The Trustees will, 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 certain Trustees of the REIT will be 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* (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 three and six months ended June 30, 2013, and plans to continue to do so throughout 2013 and 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 three and six months ended June 30, 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 2013 or any subsequent year until the end of the particular year.

SIGNIFICANT OWNERSHIP BY STARLIGHT

As at June 30, 2013, Daniel Drimmer, the REIT's Chief Executive Officer, and his related parties held an approximate 19.95% effective interest in the REIT through ownership of Units and LP Units. For so long as Starlight maintains a significant effective interest in the REIT, Starlight benefits from certain contractual rights regarding the REIT. 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. Starlight 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. Additionally, Starlight's significant effective interest may discourage transactions involving a change of control of the REIT, including transactions in which an investor as a holder of the Units might otherwise receive a premium for its Units over the then-current market price.

Pursuant to the Exchange Agreement, each 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 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.

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.

Because of the inherent limitations in all control systems, 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.

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.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the REIT in the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 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.

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, ie. an exit price.

The REIT adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the REIT to determine fair value and did not result in any measurement adjustments as at January 1, 2013.

USE OF ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

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 properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each 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 internally 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, reflecting of a period of time reflecting the Unit Option's average expected unit option holding period. 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, which are available in the forms of external market data and 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.

- Fair value through profit and loss — LP Units, restricted cash and cash and cash equivalents.
- Loans and receivables — tenant and other receivables.
- Other financial liabilities — mortgages payable, tenant rental deposits, accounts payable and accrued liabilities, finance cost payable and derivative instruments.

The fair values of the REIT's financial assets, which include tenant and other receivables, cash and cash equivalents, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, and finance costs payable, approximate their recorded values due to their short-term nature at the date of consolidated statement of financial position.

The estimated fair value of the mortgage payable approximates its carrying value.

LP Units are carried at fair value and the fair value of the LP Units has been determined with reference to the trading price of the Units.

Unit Options granted and warrants granted are carried at fair value estimated using the Black Scholes option pricing model for option valuation.

These fair value estimates may not be necessarily 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 July 15, 2013 the REIT declared a distribution of $0.0495 per Unit or LP Unit for the month of July 2013. The distribution is payable on August 15, 2013 to Unitholders and holders of LP Units of record as at July 31, 2013.

OUTLOOK

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

The REIT will achieve its objective by employing the following strategies:

- execute an aggressive acquisitions program, targeting diversified commercial real estate assets in secondary markets across Canada. The program will primarily focus on office, retail and industrial properties with strong tenant profiles and long term lease maturities. The REIT's objective is to have approximately 70% of its income generated from office properties;
- leverage the relationship with the REIT's external asset manager, Starlight, through its extensive resources and relationship to source off –market acquisitions. The REIT will benefit from Starlight's industry and lending relationships as well as the economies of scale and expertise of Starlight's management and staff; and
- focus on internal NOI growth and value creation through the use of best-in-class, third party property managers who offer clients the benefits of both exceptional service and local market knowledge and expertise.

Management is also focused on further diversifying the geographic concentration of the portfolio through accretive acquisitions. Management believes the geographic diversification of the property portfolio will serve to add stability to the REIT's cash flow as it reduces the REIT's vulnerability to economic fluctuations affecting any particular region in Canada.

The REIT's strategy is to maintain a combination of short, medium and long term debt maturities that are appropriate for the overall debt level of the REIT, taking into account availability of financing, market conditions and the financial characteristics of each property and to extend the current weighted average term to maturity.

The REIT's internal growth strategy focuses on generating greater cash flow from its property portfolio. The REIT achieves this by strengthening its asset base by maximizing occupancy and average monthly rents in accordance with local conditions in each of its geographic markets. Management conducts regular reviews of the property portfolio and, based on its experience and market knowledge, assesses ongoing opportunities within the portfolio.

QUARTERLY INFORMATION

The following table shows information for revenues and net income (loss) and comprehensive income (loss) for the periods noted therein.

	Three months ended June 30, 2013	Three months ended March 31, 2013 [1]	Year ended December 31, 2012 [2]
Revenue from property operations	$4,774	$ 2,486	$ 73
Property operating costs	1,786	803	19
Operating income	2,988	1,683	54
Trust expenses	(613)	(401)	(790)
Fair value adjustment of investment properties	16,349	(3,391)	(103)
Finance income	3	3	28
Finance costs	(902)	(504)	(44)
Finance costs - fair value adjustment of LP Units	2,241	214	(12,928)
Finance costs - distributions on LP Units	(317)	(375)	-
Unrealized loss on change in fair value of derivative instrument	1,122	(655)	-
Net income (loss) and comprehensive income (loss) for the period	$ 20,871	$ (3,426)	$ (13,783)

Notes:

(1) During the three months ended March 31, 2013, the REIT acquired the February 2013 Properties.

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

Additional information relating to the REIT can be found on SEDAR at www.sedar.com.

Dated: July 31, 2013
Toronto, Ontario, Canada