TSX: TNT.UN

True North COMMERCIAL REIT

Q1 2023

MANAGEMENT'S DISCUSSION & ANALYSIS

MAY 9, 2023

AT A GLANCE

Diversified portfolio of high quality properties spanning five provinces with a high concentration of government and credit rated tenants

$1.4 B Total Assets	**$328 M** Market Capitalization	**4.3 YR** Weighted Average Lease Term
46 Properties	**91%** Occupancy	**80%** Revenues Generated from Goverment & Credit rated Tenants

As at March 31, 2023

120, 130, 134, 140 Eileen Stubbs Avenue
Halifax, NS

Stable
Contractual
Cash flow

1595 16th Avenue
GTA, ON

101 McNabb Street
GTA, ON

High Quality
Tenant Base

Focus on
Urban Areas


1112 Fort Street
Victoria, BC

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") is intended to provide readers with an assessment of the performance of the REIT for the three months ended March 31, 2023 and 2022 and should be read in conjunction with the REIT's annual audited consolidated financial statements for the years ended December 31, 2022 and 2021, and accompanying notes thereto. These documents can be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and on the REIT's website at https://truenorthreit.com/ under the tab "Financial Reports" in the "Investor" section.

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. Readers are cautioned that 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, distributions, plans and objectives of or involving the REIT. In some cases, forward-looking information can be identified by such terms as "may", "might", "will", "could", "should", "would", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", or the negative thereof or other similar expressions suggesting future outcomes or events.

This MD&A, and the documents incorporated by reference herein, contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the REIT's business and results of operations, the ability of the REIT to manage inflation and rising interest rates, and the ongoing effects to the REIT's business and operations following the coronavirus pandemic ("COVID-19") and the shift to hybrid working. Forward-looking statements involve known and unknown risks and uncertainties, which may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the REIT's control, affect the operations, performance and results of the REIT and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: risks and uncertainties related to the trust units of the REIT ("Units"); risks related to the REIT and its business; fluctuating interest rates and general economic conditions, including increased levels of inflation; credit, market, operational and liquidity risks generally; occupancy levels and defaults, including the failure to fulfill contractual obligations by tenants; lease renewals and rental increases; the ability to re-lease and find new tenants for vacant space; the timing and ability of the REIT to acquire or sell certain properties; the ongoing effects of COVID-19 and work-from-home flexibility initiatives on the business, operations and financial condition of the REIT and its tenants, as well as on consumer behavior and the economy in general, including the ability to enforce leases, perform capital expenditure work, increase rents, raise capital through the issuance of Units or other securities of the REIT and obtain mortgage financing on the REIT's properties (the "properties"). The foregoing is not an exhaustive list of factors that may affect the REIT's forward-looking statements. Other risks and uncertainties not presently known to the REIT could also cause actual results or events to differ materially from those expressed in its forward-looking statements. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as there can be no assurance actual results will be consistent with such forward-looking statements.

Information contained in forward-looking statements is based upon certain material assumptions applied in drawing a conclusion or making a forecast or projection, including management's perception of historical trends, current conditions and expected future developments, as well as other considerations believed to be appropriate in the circumstances. There can be no assurance regarding: (a) the ongoing effects of COVID-19 and work-from-home initiatives on the REIT's business, operations and performance, including the performance of its Units; (b) the REIT's ability to mitigate any impacts related to fluctuating interest rates, inflation and the after effects of COVID-19 including the shift to hybrid working; (c) the factors, risks and uncertainties expressed above in regards to the post COVID-19 environment on the commercial real estate industry and property occupancy levels; (d) credit, market, operational, and liquidity risks generally; (e) the availability of investment opportunities for growth in Canada and the timing and ability of the REIT to acquire or sell certain properties; (f) Starlight Group Property Holdings Inc., or any of its affiliates ("Starlight"), continuing as asset manager of the REIT in accordance with its current asset management agreement; and (g) other risks inherent to the REIT's business and/or factors beyond its control which could have a material adverse effect on the REIT.

The forward-looking statements made relate only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian law, the REIT undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

NON-IFRS FINANCIAL MEASURES

Certain terms used in this MD&A such as funds from operations ("FFO"), adjusted funds from operations ("AFFO"), FFO and AFFO payout ratios, net operating income ("NOI"), same property net operating income ("Same Property NOI"), indebtedness ("Indebtedness"), gross book value ("GBV"), Indebtedness to GBV ratio, net earnings before interest, tax, depreciation and amortization and fair value gain (loss) on financial instruments and investment properties ("Adjusted EBITDA"), interest coverage ratio, adjusted cash flow provided by operating activities and Available Funds (as defined herein) are not measures defined by International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board ("IASB"), do not have standardized meanings prescribed by IFRS and should not be compared to or construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. FFO, AFFO, FFO and AFFO payout ratios, NOI, Same Property NOI, Indebtedness, GBV, Indebtedness to GBV ratio, Adjusted EBITDA, interest coverage ratio, adjusted cash flow provided by operating activities and Available Funds as computed by the REIT may not be comparable to similar measures presented by other issuers.

FFO is a measure of operating performance based on the funds generated from the business of the REIT before reinvestment or provision for capital needs. FFO is calculated as net income adjusted for realized and unrealized fair value gains (losses), transaction costs on sale of investment properties, distributions on class B limited partnership units of True North Commercial Limited Partnership ("Class B LP Units"), and amortization of leasing costs and tenant inducements. The REIT calculates FFO in accordance with the guidelines set out by the Real Property Association of Canada ("Realpac"). Management considers this non-IFRS measure to be an important measure of the REIT's operating performance. Refer to "FFO and AFFO" for a reconciliation between net income and comprehensive income to FFO.

AFFO is an important performance measure to determine the sustainability of future distributions paid to holders of Units ("Unitholders"). In calculating AFFO, the REIT makes certain cash and non-cash adjustments to FFO such as but not limited to: amortization of fair value mark-to-market adjustments on assumed mortgages, amortization of deferred financing costs, straight-line rent, instalment note receipts, rent supplement, non-cash Unit-based compensation expense and a deduction of a reserve for capital expenditures, tenant inducements, and leasing costs. The method applied by the REIT to calculate AFFO differs from the definition of AFFO as defined by Realpac. Management considers this non-IFRS measure to be an important measure of the REIT's operating performance. Refer to "FFO and AFFO" for a reconciliation from FFO to AFFO.

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

FFO and AFFO payout ratios are supplementary measures used by management to assess the sustainability of the REIT's distribution payments. These ratios are calculated using distributions declared divided by FFO and AFFO, respectively.

NOI is defined by the REIT as rental revenue from property operations less property operating costs and realty 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 properties. Refer to "Analysis of Financial Performance" for a reconciliation.

Same Property NOI is defined by the REIT as NOI for properties owned for an entire quarter or annual reporting period in both the current and comparative period. Adjustments are made to Same Property NOI to exclude non-cash items such as amortization of tenant inducements, leasing costs and straight-line rent. Same Property NOI is presented in this MD&A because management considers this non-IFRS measure to be a valuable measure for evaluating the operating performance of the properties excluding the impact attributable to property acquisitions and dispositions. Refer to "Analysis of Financial Performance - Same Property Analysis" for a reconciliation.

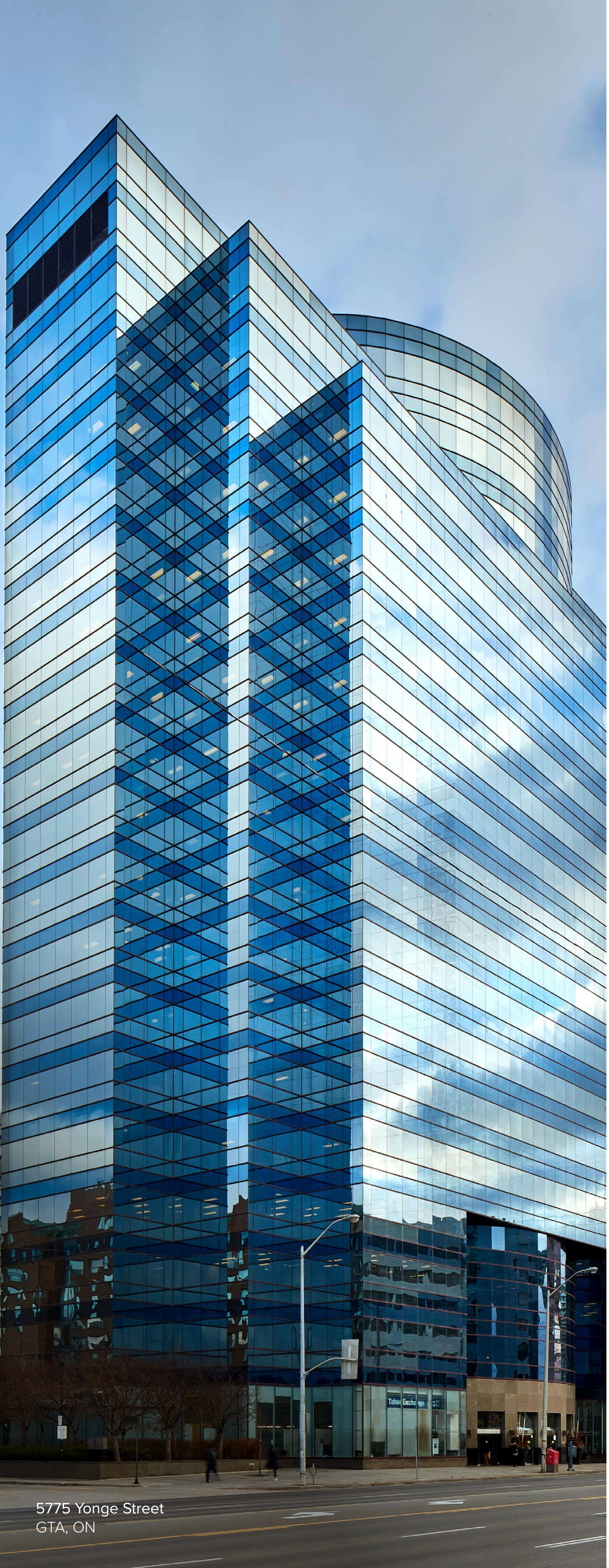
Indebtedness is defined in the REIT's third amended and restated declaration of trust dated as of May 11, 2021 ("DOT") and is a measure of the amount of leverage utilized by the REIT. GBV is defined in the DOT and is a measure of the value of the REIT's total assets. The Indebtedness to GBV ratio is a compliance measure in the DOT and establishes the limit of financial leverage for the REIT. The Indebtedness to GBV ratio is presented in this MD&A as management considers this non-IFRS measure to be an important measure of the REIT's financial position. Refer to "Debt - Indebtedness to GBV" for calculation.

Adjusted EBITDA is defined by the REIT as net earnings before, where applicable, interest, taxes, depreciation, amortization and fair value gain (loss) on financial instruments and investment properties and excludes non-recurring items such as transaction costs on the sale of investment properties. Adjusted EBITDA, calculated on a twelve month trailing basis represents an operating cash flow measure the REIT uses in calculating the interest coverage ratio. Refer to "Debt - Adjusted EBITDA and Interest Coverage Ratio" for reconciliation.

The interest coverage ratio is used to monitor the REIT's ability to service interest requirements on its outstanding debt. The ratio is calculated on a twelve month trailing basis by dividing Adjusted EBITDA by the REIT's interest obligations for the period. Management considers this non-IFRS measure useful in assessing the REIT's ability to service its debt obligations. Refer to "Debt - Adjusted EBITDA and Interest Coverage Ratio" for calculation.

Adjusted cash flow provided by operating activities measures the amount of sustainable cash provided by operating activities less finance costs paid. Adjusted cash flow provided by operating activities is presented in this MD&A because management considers this non-IFRS measure to be an important measure in assessing the REIT's availability of cash flow for distribution. Refer to "Distributions" for reconciliation.

Available Funds is defined as the sum of cash and available funds from the REIT's undrawn Credit Facility (as defined in the "Debt" section). Management believes Available Funds is an important measure in determining the resources available to meet ongoing obligations. Refer to "Liquidity and Capital Investment - Liquidity" for reconciliation.



5775 Yonge Street
GTA, ON

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BASIS OF PRESENTATION

The REIT's condensed consolidated interim financial statements for the three months ended March 31, 2023 and 2022 have been prepared in accordance with IFRS. The REIT's presentation currency is the Canadian dollar. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of dollars, except for Unit and per Unit information.

Certain time periods used in this MD&A are used interchangeably such as three months ended March 31, 2023 ("Q1-2023"), three months ended March 31, 2022 ("Q1-2022"), three months ended December 31, 2022 ("Q4-2022"), and three months ended September 30, 2022 ("Q3-2022").

OVERVIEW AND STRATEGY

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to the DOT, and governed by the laws of the Province of Ontario. The registered head office of the REIT is 1400 – 3280 Bloor Street West, Centre Tower, Toronto, Ontario, Canada, M8X 2X3. The Units are listed on the Toronto Stock Exchange ("TSX") under the symbol TNT.UN. As at March 31, 2023, the REIT owned and operated a portfolio of 46 office properties across Canada consisting of approximately 5.0 million square feet of gross leasable area ("GLA").

The objectives of the REIT are to:

- generate stable cash distributions on a tax-efficient basis;
- expand the asset base of the REIT and increase its distributable cash flow through acquisitions of commercial rental properties across Canada and such other jurisdictions where opportunities exist; and
- enhance the value of the REIT's assets to maximize long-term Unit value through active management of its assets.

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

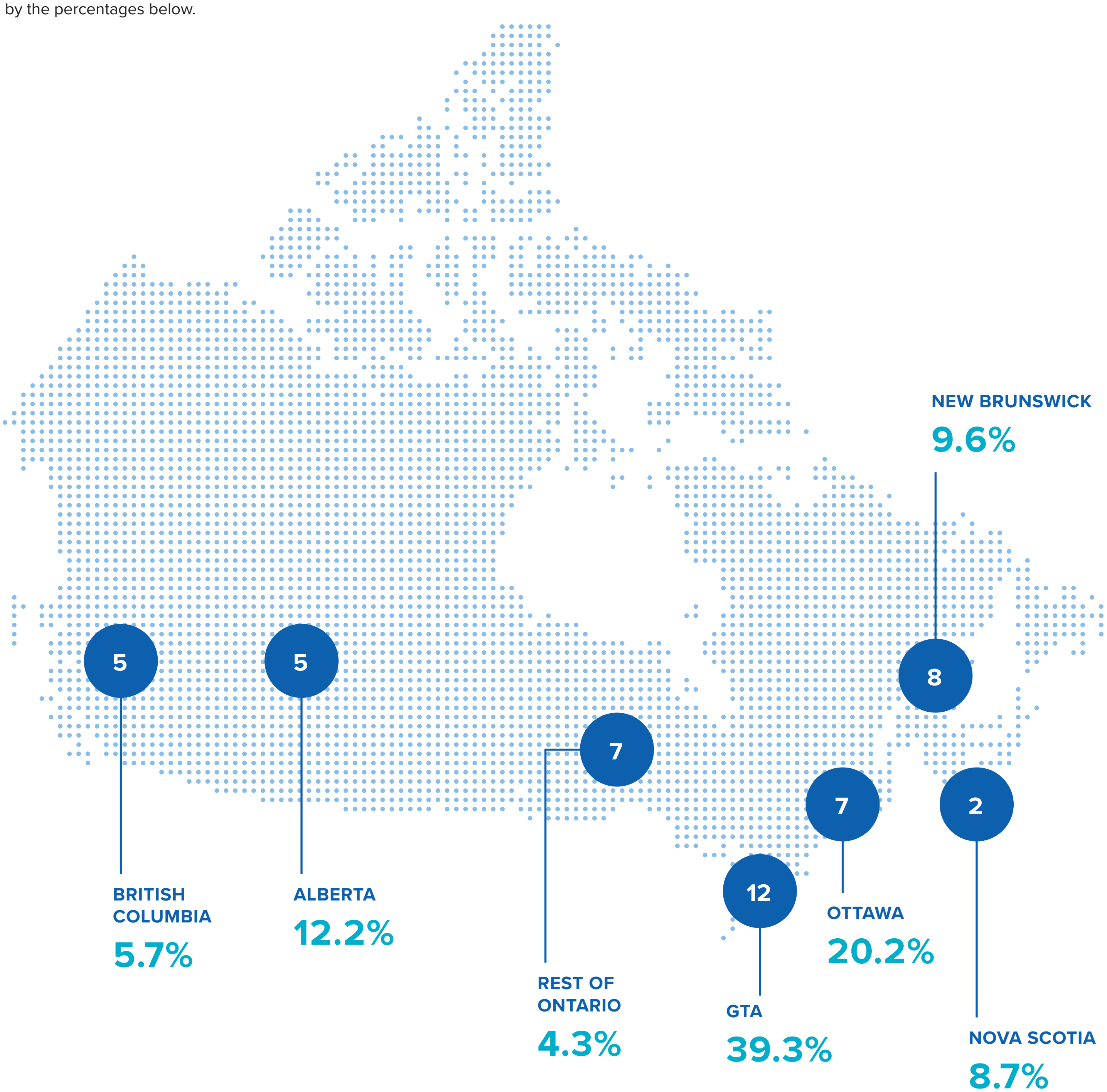

9200 Glenlyon Parkway
Burnaby, BC

PORTFOLIO OVERVIEW

As at March 31, 2023, the REIT's portfolio was comprised of 46 office properties totaling approximately 5.0 million square feet of GLA. See Appendix A for a detailed listing of the REIT's properties.

Current Portfolio & Geographic Diversification

GLA by province as at March 31, 2023 is denoted by the percentages below.



Number of properties

TENANT PROFILE

Top 20 tenants account for 68% of revenue. Approximately 80% of the REIT's portfolio revenue is generated by government and credit rated tenants.

38%
government tenants

+

42%
credit rated tenants

=

80%
total government and credit rated tenants

The REIT's top 20 tenants as at March 31, 2023:

TENANT	% OF GROSS REVENUE	GLA	REMAINING LEASE TERM[1]
Federal Government of Canada	16.0%	730,800	6.0 years
Province of Alberta	9.6%	395,100	3.7 years
Province of Ontario	6.2%	237,200	3.7 years
TD Insurance	6.0%	275,600	1.9 years
General Motors of Canada Company	3.6%	154,800	4.8 years
Province of British Columbia	3.1%	125,100	4.2 years
Province of New Brunswick	2.4%	170,100	0.4 years
Lumentum Ottawa Inc.	2.2%	148,100	4.8 years
LMI Technologies Inc.	2.2%	90,600	3.8 years
Intact Insurance Co.	2.1%	77,800	2.2 years
Staples Canada ULC	2.0%	122,000	10.5 years
General Dynamics Land Systems	1.7%	148,400	0.8 years
EMS Technologies Canada, Ltd.	1.7%	107,200	1.4 years
Ceridian Canada Ltd.	1.6%	49,800	2.9 years
Smucker Foods of Canada Corporation	1.4%	60,800	6.7 years
Paymentus (Canada) Corporation	1.4%	55,800	8.0 years
Stantec Consulting Ltd.	1.3%	55,200	6.2 years
ADP Canada Co.	1.3%	65,600	3.2 years
Prospera Credit Union	1.1%	52,300	1.5 years
Golder Associates Ltd.	1.0%	35,300	7.0 years
Total	**67.8%**	**3,157,600**	**4.3 years**

(1) Weighted by annualized gross revenue.

The following sets out the percentage of annualized gross revenue from the REIT's tenants by industry:

Public Administration	Services	Finance, Insurance, Real Estate	Manufacturing	Other
37%	**22%**	**17%**	**14%**	**10%**

LEASING ACTIVITY

As at March 31, 2023, the REIT's occupancy was 91% with a weighted average remaining lease term of 4.3 years (Q4-2022 – 4.4 years). The REIT's occupancy decreased 2% compared to Q4-2022 largely due to the Federal Government of Canada vacating 101,200 square feet at 360 Laurier Avenue West, Ottawa, Ontario ("Laurier Property") as of February 2023. The REIT has entered into a binding agreement of purchase and sale for the Laurier Property which is expected to close on or about June 15, 2023. Excluding the impact of this vacancy, occupancy remained at 93%, in line with Q4-2022.

The following table summarizes the leasing activity for Q1-2023:

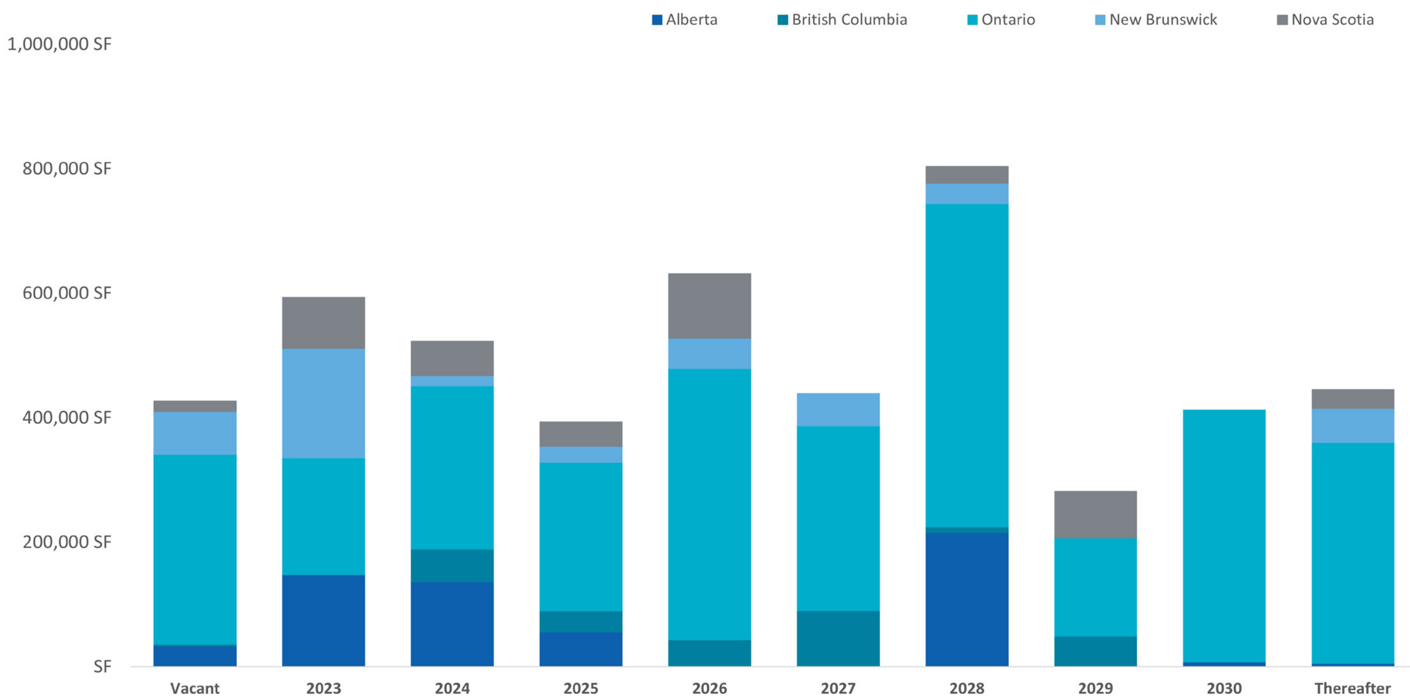
	New Lease Deals		Lease Renewals and Replacements		
	Leasable Area	Weighted Average Lease Term	Leasable Area	Weighted Average Lease Term	% Increase In Rents
Q1 2023	21,800 SF	6.8 YR	102,300 SF	3.2 YR	2.4%

In Q1-2023, the REIT completed 21,800 square feet of new leases with a weighted average lease term of 6.8 years in Ontario and New Brunswick, with rents commencing in the latter half of 2023.

During the quarter, the REIT renewed 102,300 square feet with a weighted average lease term of 3.2 years and a 2.4% increase in base rents over expiring rental rates. This included 79,200 square feet of lease renewals with credit-rated tenants with a weighted average lease term of 2.7 years and a 0.6% increase in base rents over expiring rental rates. The REIT continues to prioritize maintaining strong relationships with its tenants.

LEASE ROLLOVER PROFILE

Lease maturities are based on the square footage of the REIT's leases. As at March 31, 2023 the lease rollover profile was as follows:



FIRST QUARTER HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

The REIT's occupancy at the end of Q1-2023 was 91% (93% excluding investment properties held for sale) with an average remaining lease term of 4.3 years with 80% of revenue generated from government and credit rated tenants.

	Three months ended March 31	
	2023	**2022**
Portfolio		
Number of properties	46	46
Portfolio GLA	4,950,300 sf	4,799,700 sf
Occupancy	91 %	96 %
Remaining weighted average lease term	4.3 years	4.3 years
Revenue from government and credit rated tenants	80 %	76 %
Financial		
Revenue	$ 33,858	$ 36,327
NOI [1]	18,638	22,194
Net income and comprehensive income	6,995	14,909
Same Property NOI [1]	20,037	24,034
FFO [1]	$ 10,743	$ 14,776
FFO per Unit - basic [1]	0.11	0.16
FFO per Unit - diluted [1]	0.11	0.16
AFFO [1]	$ 10,581	$ 14,617
AFFO per Unit - basic [1]	0.11	0.16
AFFO per Unit - diluted [1]	0.11	0.16
AFFO payout ratio - diluted [1]	111 %	94 %
Distributions declared	$ 11,695	$ 13,680

Q1-2023 revenue and NOI decreased 7% and 16%, respectively, when compared to the same period in 2022. The main contributor was the decrease in termination income and lower revenue from a tenant in the REIT's greater Toronto area ("GTA") portfolio that downsized a portion of their space effective Q4-2022 combined with a 101,200 square foot lease expiry in Q1-2023 at the Laurier Property. The decrease was partially offset by termination income received from the tenant at 400 Carlingview Drive, Toronto, Ontario ("Carlingview Property") which was disposed of in Q1-2023 and NOI from an acquisition completed in Q3-2022.

The REIT's FFO and AFFO decreased $4,033 and $4,036, respectively, in Q1-2023 over the comparable period. FFO and AFFO were negatively impacted by a reduction in Same Property NOI, combined with higher financing costs as a result of higher interest rates on mortgage refinancings and higher interest expense on the Credit Facility. FFO and AFFO benefited from NOI on the acquisition completed in Q3-2022 and termination income.

During 2022, the REIT received termination income from one tenant at 6925 Century Avenue who downsized a portion of their space effective Q4-2022. Excluding this termination income and the lost revenue associated with the vacant space, Q4-2022 AFFO basic and diluted per Unit would have been $0.11 which is consistent with Q1-2023. To date, 60% of this vacancy has been contractually re-leased with rents commencing in the latter half of 2023.

Q1-2023 FFO and AFFO basic and diluted per Unit were lower by $0.05 compared to Q1-2022. Excluding termination fees earned in 2022, Q1-2023 FFO basic and diluted per Unit were lower by $0.03 and AFFO basic and diluted per Unit were lower by $0.03 and $0.02, respectively compared to Q1-2022.

[1] This is a non-IFRS financial measure, refer to "Non-IFRS Financial Measures".

Disposition Activity

On March 10, 2023 the REIT completed the sale of the Carlingview Property totaling 26,800 square feet, for a sale price of $7,250. The proceeds from the disposition net of costs were $7,006. The property was classified under investment properties held for sale as at December 31, 2022.

On January 13, 2023, the REIT entered into an unconditional agreement of purchase and sale to dispose of the Laurier Property totaling 107,100 square feet. The Laurier Property is expected to be sold for approximately $17,500 with closing expected to be on or about June 15, 2023.

On April 11, 2022, the REIT entered into an agreement of purchase and sale to dispose of 32071 South Fraser Way, Abbotsford, BC ("Abbotsford Property") totaling 52,300 square feet for a price of approximately $24,000. Closing is expected to be on or about June 30, 2023.

The disposition of the Carlingview Property and Laurier Property are advantageous and strategic given the lead tenant at each property had provided notice that they would be vacating at the end of their current lease term. For these particular properties, the ability to extract their underlying value at this time is advantageous given the significant re-leasing costs and loss of income associated with replacing the vacancy.

Key Debt Metrics and Liquidity

	March 31, 2023	December 31, 2022
Indebtedness to GBV ratio [(1)]	59.8 %	59.3 %
Interest coverage ratio [(1)]	2.80 x	3.00 x
Indebtedness - weighted average fixed interest rate [(1)]	3.63 %	3.54 %
Indebtedness - weighted average term to maturity [(1)]	3.14 years	3.27 years

At the end of Q1-2023, the REIT had access to Available Funds[(1)] of $58,393.

As at March 31, 2023, the REIT's mortgage portfolio carried a weighted average term to maturity of 3.14 years and a weighted average fixed interest rate of 3.63%. During the quarter, the REIT refinanced a total of $31,121 of mortgages, one with a fixed interest rate of 4.83% (five year term) and one with a variable interest rate at prime plus 1.5% (one year term), providing the REIT with additional liquidity of approximately $5,700.

Distribution Reduction

On March 14, 2023, the REIT reduced its monthly cash dividend from $0.0495 per Unit to $0.02475 per Unit or $0.297 per Unit on an annualized basis (the "Distribution Reduction"). The new distribution commenced on April 17, 2023 to Unitholders of record on March 31, 2023. The Distribution Reduction is expected to provide the REIT with financial flexibility to continue advancing its short and long-term objectives while exploring strategic, value-creating opportunities, with maximizing Unitholder value being the principal objective. The Distribution Reduction is expected to provide an additional $25,000 in cash annually that will be used primarily to improve our capital profile and deliver Unitholder value.

The decision to reduce the distribution was made by the Trustees following a careful review of the REIT's strategic goals, capital structure and operations, as well as a thorough investigation of the potential merits of the Distribution Reduction and strategic alternatives. The Trustees and management believe this decision is sensible and in the best interests of the REIT and its Unitholders, particularly in light of current economic conditions. Specifically, this decision underlines the Trustees' and management's view that Unitholders are best served by a well-capitalized REIT, which bolsters the REIT's ability to enhance its portfolio and pursue value-creating opportunities.

(1) This is a non-IFRS financial measure, refer to "Non-IFRS Financial Measures".

The REIT will re-evaluate distributions on a regular basis, taking into account various factors including, but not limited to, market conditions and the REIT’s financial position.

Subsequent events

On April 12, 2023, the REIT announced the intention to commence a normal course issuer bid (the “NCIB”), as approved by the TSX. Under the NCIB, the REIT will have the ability to purchase for cancellation up to a maximum of 8,239,557 of its Units, representing 10% of the REIT's public float of 82,395,573 Units through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per Unit equal to the market price at the time of acquisition. The NCIB became effective on April 18, 2023 and will remain in place until the earlier of April 17, 2024 and the date on which the REIT has purchased the maximum number of Units permitted under the NCIB. Any Units acquired through the NCIB will be cancelled.

On April 12, 2023, the REIT announced the suspension of the DRIP until further notice. As a result, Unitholders received distributions in cash effective with the distribution paid on April 17, 2023 to Unitholders of record on March 31, 2023.

On April 26, 2023, the REIT announced that effective June 30, 2023, Tracy Sherren, the REIT's President and Chief Financial Officer and President, Canadian Commercial, Starlight Investments, will be retiring from her executive positions at the REIT and Starlight Investments. Ms. Sherren will remain as a trustee of the REIT. Martin Liddell, the current Chief Financial Officer at Starlight Investments, will be appointed as a Chief Financial Officer of the REIT in addition to his positions at Starlight Investments. Chris Bell will continue to act as the President and Chief Investment Officer at Starlight Investments as well as serving as the interim President of the Canadian Commercial division at Starlight Investments.

QUARTERLY INFORMATION

	Q1-23	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21
Revenue	$33,858	$35,451	$36,677	$35,120	$36,327	$35,461	$34,222	$33,896
Property operating costs	(15,220)	(14,822)	(14,701)	(13,435)	(14,133)	(15,010)	(13,667)	(13,365)
NOI (1)	18,638	20,629	21,976	21,685	22,194	20,451	20,555	20,531
General and administration expenses	(1,433)	(1,874)	(1,294)	(1,261)	(1,625)	(1,663)	(1,409)	(1,930)
Finance costs	(8,200)	(8,109)	(7,725)	(7,253)	(7,247)	(7,239)	(7,121)	(7,131)
Transaction costs on sale of investment properties	(244)	—	—	—	—	—	—	(623)
Distributions on Class B LP Units	(313)	(375)	(400)	(449)	(449)	(449)	(462)	(469)
Fair value adjustment of Class B LP Units	5,861	(455)	1,629	2,661	755	(514)	514	(1,706)
Fair value adjustment of investment properties	(6,472)	(31,803)	(6,842)	(1,610)	(1,670)	7,361	3,372	(2,166)
Unrealized (loss) gain on change in fair value of derivative instruments	(842)	82	702	1,709	2,951	969	398	15
Net income (loss) and comprehensive income (loss) for the period	$ 6,995	$(21,905)	$ 8,046	$15,482	$14,909	$ 18,916	$15,847	$ 6,521
FFO per Unit - basic (1)	$ 0.11	$ 0.13	$ 0.15	$ 0.16	$ 0.16	$ 0.15	$ 0.15	$ 0.15
AFFO per Unit - basic (1)	$ 0.11	$ 0.14	$ 0.15	$ 0.16	$ 0.16	$ 0.14	$ 0.14	$ 0.14
AFFO per Unit - diluted (1)	$ 0.11	$ 0.14	$ 0.15	$ 0.16	$ 0.16	$ 0.14	$ 0.14	$ 0.14
AFFO payout ratio - basic (1)	110 %	110 %	97 %	96 %	94 %	105 %	104 %	105 %
AFFO payout ratio - diluted (1)	111 %	110 %	97 %	96 %	94 %	106 %	105 %	106 %
Number of investment properties	46	47	47	46	46	46	45	45
Occupancy rate	91 %	93 %	95 %	96 %	96 %	96 %	96 %	97 %

Q1-2023 revenue and NOI decreased 4% and 10% compared to the previous quarter primarily as a result of lower termination income and lower revenue for a tenant in the REIT's GTA portfolio that downsized a portion of their space effective Q4-2022, combined with a lease expiry in Q1-2023 at the Laurier Property, partially offset by termination income received from the tenant at the Carlingview Property prior to disposition.

Excluding the changes in the fair value of Unit-based compensation, general and administration expenses were lower in Q1-2023 as the previous quarter included due diligence costs associated with a property acquisition the REIT is no longer pursuing partially offset by higher year-end professional fees incurred in Q1-2023.

Finance costs increased during the quarter due to higher interest expense on the Credit Facility.

Transaction costs on sale of investment properties include legal and brokerage fees related to the disposition of the Carlingview Property.

Distributions on Class B LP Units decreased in the quarter due to the Distribution Reduction.

During 2022, the REIT received termination income from one tenant at 6925 Century Avenue who downsized a portion of their space effective Q4-2022. Excluding this termination income and the lost revenue associated with the vacant space, Q4-2022 AFFO basic and diluted per Unit would have been $0.11 which is consistent with Q1-2023. To date, 60% of this vacancy has been contractually re-leased with rents commencing in the latter half of 2023.

Portfolio occupancy declined 2% to 91% when compared to Q4-2022. Occupancy was negatively impacted due to a 101,200 square foot lease expiry at the Laurier Property. Excluding the impact of this vacancy, occupancy remained at 93%.

(1) This is a non-IFRS financial measure, refer to "Non-IFRS Financial Measures".

ANALYSIS OF FINANCIAL PERFORMANCE

	Three months ended March 31	
	2023	**2022**
Revenue	$ 33,858	$ 36,327
Expenses:		
Property operating costs	(9,907)	(9,071)
Realty taxes	(5,313)	(5,062)
NOI	$ 18,638	$ 22,194
Other income (expenses):		
General and administration expenses	(1,433)	(1,625)
Finance costs	(8,200)	(7,247)
Transaction costs on sale of investment properties	(244)	—
Distributions on Class B LP Units	(313)	(449)
Fair value adjustment of Class B LP Units	5,861	755
Fair value adjustment of investment properties	(6,472)	(1,670)
Unrealized (loss) gain on change in fair value of derivative instruments	(842)	2,951
Net income and comprehensive income	$ 6,995	$ 14,909

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

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

Revenue and NOI decreased 7% and 16%, respectively, compared to the same period in 2022. The decrease in revenue and NOI was driven by lower Same Property NOI of 16.6% in Q1-2023, partially offset by termination income received from the property disposed during the quarter and NOI from the acquisition completed in Q3-2022.

Property operating expenses and realty taxes increased 9% and 5% compared to Q1-2022, due to higher cleaning and utilities as a result of higher physical building occupancy, timing of costs incurred on fire and safety inspections combined with additional operating expenses associated with the property acquired in Q3-2022. Realty tax expense increased as a result of the Q3-2022 acquisition and higher tax assessments at certain properties.

SAME PROPERTY ANALYSIS

Same Property NOI is a non-IFRS financial measure and includes investment properties owned for the entire current and comparative reporting period. Refer to "Non-IFRS Financial Measures".

	Three months ended March 31	
	2023	**2022**
Number of properties	45	45
Revenue	$ 32,289	$ 36,152
Expenses:		
Property operating	(9,547)	(9,023)
Realty taxes	(5,120)	(5,040)
	$ 17,622	$ 22,089
Add:		
Amortization of leasing costs and tenant inducements	2,028	1,565
Straight-line rent	387	380
Same Property NOI	$ 20,037	$ 24,034
Less:		
Investment properties held for sale	(940)	(1,449)
Same Property NOI excluding investment properties held for sale	$ 19,097	$ 22,585
Reconciliation to condensed consolidated interim financial statements:		
Acquisitions, dispositions and investment properties held for sale	1,345	1,566
Amortization of leasing costs and tenant inducements	(2,037)	(1,578)
Straight-line rent	233	(379)
NOI	$ 18,638	$ 22,194

Occupancy [(1)]

	As at March 31	
	2023	**2022**
Alberta	94.4 %	96.9 %
British Columbia	98.7 %	100.0 %
New Brunswick	85.5 %	82.4 %
Nova Scotia	96.2 %	98.1 %
Ontario	93.2 %	96.4 %
Total	93.1 %	95.3 %

NOI [(1)]

	Three months ended March 31			
	2023	**2022**	**Variance**	**Variance %**
Alberta	$ 3,518	$ 3,486	$ 32	0.9 %
British Columbia	1,273	1,259	14	1.1 %
New Brunswick	791	1,075	(284)	(26.4)%
Nova Scotia	1,680	1,759	(79)	(4.5)%
Ontario	11,835	15,006	(3,171)	(21.1)%
	$ 19,097	$ 22,585	$ (3,488)	(15.4)%

(1) Excludes investment properties held for sale

Q1-2023 Same Property NOI decreased 16.6% and 15.4% excluding investment properties held for sale when compared to Q1-2022.

Property occupancy in Alberta and British Columbia decreased due to lease expiries in the second half of 2022, however NOI was positively impacted by contractual rent increases. New Brunswick and Nova Scotia Same Property NOI experienced a decline due to certain tenants that downsized on renewal, however same property occupancy in New Brunswick was positively impacted by new lease deals and expansions completed in 2022 with rents commencing in the first half of 2023.

Ontario Same Property NOI decreased mainly due to termination fees received in Q1-2022 relating to a tenant in the REIT's GTA portfolio that downsized a portion of their space effective December 2022, of which 60% has been contractually re-leased with rents commencing in the latter half of 2023. The decrease in NOI generated from investment properties held for sale was due to the lead tenant vacating the Laurier Property on expiry effective February 2023.

Same Property NOI excluding investment properties held for sale and termination fees decreased 6.6% in Q1-2023.

GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses include items such as legal and audit fees, trustee fees, investor relations expenses, Trustees' and officers' insurance premiums, costs associated with the Incentive Unit Plan (as defined herein) and Unit Option Plan (as defined herein) and other general and administrative expenses. Also included in general and administration expenses are asset management fees payable to Starlight. See "Related Party Transactions and Arrangements – Arrangements with Starlight".

Excluding the changes in the fair value of Unit-based compensation, general and administration expenses decreased 1% in Q1-2023 due to lower costs associated with the Unit-based compensation plan partially offset by higher asset management fees resulting from the acquisition completed in Q3-2022.

FINANCE COSTS

The REIT's finance costs for the three months ended March 31, 2023 and 2022 are summarized below. Finance costs exclude cash distributions and fair value adjustments on Class B LP Units.

	Three months ended March 31	
	2023	2022
Interest on mortgages payable	$ 7,517	$ 6,802
Other interest expense and standby fees	312	82
Amortization of mortgage premiums	(9)	(13)
Amortization of financing costs	380	376
	$ 8,200	$ 7,247

Interest on mortgages payable was higher due to refinancings and acquisitions completed over the last twelve months at higher interest rates.

Other interest expense and standby fees relate to costs incurred on the Credit Facility which had higher drawings in Q1-2023 compared to Q1-2022.

DISTRIBUTIONS ON CLASS B LP UNITS

Distributions declared were $313 in Q1-2023 ($449 - Q1-2022). The decrease in distributions was due to the conversion of 496,435 Class B LP Units to Units on August 16, 2022 in addition to the Distribution Reduction.

FAIR VALUE ADJUSTMENT OF CLASS B LP UNITS

The fair value change in Class B LP Units represents the change in the trading price of the Units given the Class B LP Units have economic and voting rights equivalent, in all material aspects, to Units. Any resulting change in the fair value of the Class B LP Units is reported in the period such change occurs. The fair value gain of $5,861 in Q1-2023 was due to a decrease in the trading price of the Units from $5.79 at December 31, 2022 to $3.47 at March 31, 2023.

FAIR VALUE ADJUSTMENT OF INVESTMENT PROPERTIES

The REIT has selected the fair value method to account for real estate classified as investment property and records investment 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 adjustments in the statement of income and comprehensive income in the quarter in which they occur.

The REIT determines the fair value of investment properties by developing a range of acceptable values based on the discounted cash flow method and direct capitalization method, both of which are generally accepted appraisal methodologies. Fair value is based on, among other things, assumptions of future cash flows in respect of current and future leases, capitalization rates, terminal capitalization rates, discount rates, market rents, tenant inducements and leasing cost assumptions and expected lease renewals. Fair values are supported by a combination of internal financial information, market data and external independent valuations. Properties are independently appraised at the time of acquisition. In addition, the majority of the portfolio is independently appraised at least once over a three-year period.

In determining the fair value of its investment properties the REIT continuously revises rental growth, lease renewal assumptions along with capital spending on upcoming vacancies to reflect expected market conditions. Moreover, the future cash flows are expected to remain relatively stable as government and credit rated tenants comprise the majority of the REIT's tenant base. With rapidly changing market conditions it is not possible to forecast with certainty the impact of the shift to hybrid working models and rising interest rates will have on the valuation of the REIT's investment properties. Consequently, there is a need to apply a higher degree of judgment as it pertains to the forward-looking assumptions that underlie the REIT's valuation methodologies. The REIT, however, remains committed to owning high-quality properties with long term value propositions.

For the three months ended March 31, 2023, the REIT had a fair value loss of $6,472. The fair value loss was predominantly attributable to moderated leasing assumptions along with increased capitalization rates on certain properties.

The key valuation assumptions for the REIT's investment properties as at March 31, 2023 and 2022 are as follows:

	2023	**2022**
Terminal and direct capitalization rates – range	4.25% to 9.50%	4.25% to 9.50%
Terminal and direct capitalization rate – weighted average	6.26%	6.23 %
Discount rates – range	5.75% to 9.75%	5.75 to 9.75%
Discount rate – weighted average	6.96%	7.00 %

The weighted average terminal and direct capitalization rate increased mainly as a result of increases in capitalization rates in the Alberta portfolio.

UNREALIZED GAIN ON CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENTS

The REIT enters interest rate swap agreements to effectively fix the interest rate on certain mortgages. These derivative instruments are measured at fair value on each reporting date and changes in the fair value are recognized as an unrealized gain or loss in the statements of income and comprehensive income.

The notional principal amount of the outstanding interest rate swap contracts at March 31, 2023 was $73,831 (December 31, 2022 - $74,383). Interest rates are projected to slowly decline throughout 2023 and into 2024, resulting in an unrealized loss on change in the fair value of the derivative instruments totaling $842 in Q1-2023 (Q1-2022 - unrealized gain $2,951).

Given the interest rate swap removes the floating rate exposure on the REIT's debt and replaces it with a fixed rate, the unrealized (loss) gain represents the opportunity (cost) benefit of not maintaining floating rate debt and would only be realized in the event the swap were to be terminated.

FFO AND AFFO

The REIT calculates FFO, a non-IFRS financial measure, in accordance with the guidelines set out by Realpac. Refer to page 5 "Non-IFRS Financial Measures". Reconciliation of net income and comprehensive income determined in accordance with IFRS, to FFO and AFFO is as follows:

	Three months ended March 31 2023	2022
Net income and comprehensive income	$ 6,995	$ 14,909
Add (deduct):		
Fair value adjustment of Unit-based compensation	(299)	(124)
Fair value adjustment of investment properties	6,472	1,670
Fair value adjustment of Class B LP Units	(5,861)	(755)
Transaction costs on sale of investment property	244	—
Distributions on Class B LP Units	313	449
Unrealized loss (gain) on change in fair value of derivative instruments	842	(2,951)
Amortization of leasing costs and tenant inducements	2,037	1,578
FFO	$ 10,743	$ 14,776
Add (deduct):		
Unit-based compensation expense	168	265
Amortization of financing costs	380	376
Rent supplement	743	—
Amortization of mortgage discounts	(9)	(13)
Instalment note receipts	14	17
Straight-line rent	(233)	379
Capital reserve (1)	(1,225)	(1,183)
AFFO	$ 10,581	$ 14,617
FFO per Unit:		
Basic	$ 0.11	$ 0.16
Diluted	$ 0.11	$ 0.16
AFFO per Unit:		
Basic	$ 0.11	$ 0.16
Diluted	$ 0.11	$ 0.16
AFFO payout ratio:		
Basic	110 %	94 %
Diluted	111 %	94 %
Distributions declared	$ 11,695	$ 13,680
Weighted average Units outstanding (000s):		
Basic	94,474	92,052
Add:		
Unit options and Incentive Units	23	548
Diluted	94,497	92,600

Notes:

(1) Based on an estimate of $1.00 (2022 - $1.00) per square foot per annum and represents a reserve for capital expenditures, tenant inducements and leasing costs.

The REIT's FFO and AFFO decreased $4,033, or 27% and $4,036, or 28%, respectively in Q1-2023 over the comparable period. FFO and AFFO were lower as a result of lower Same Property NOI combined with higher financing costs attributed to borrowing on the Credit Facility as well as higher interest rates on refinancings. This was partially offset by NOI from the acquisition completed in Q3-2022 which included a rent supplement that was negotiated with the vendor to compensate the REIT for one year of free rent provided to the tenant. The REIT adds this amount in calculating AFFO as it represents cash received by the REIT that is not recognized in net income over the same period.

Q1-2023 FFO and AFFO basic and diluted per Unit decreased by $0.05 to $0.11. Excluding termination fees, Q1-2023 FFO basic and diluted per Unit were lower by $0.03 and AFFO basic and diluted per Unit were lower by $0.03 and $0.02, respectively.

DISTRIBUTIONS

Following the Distribution Reduction, the REIT pays a monthly distribution to Unitholders of $0.02475 per Unit or $0.297 per Unit on an annualized basis.

The board of trustees of the REIT ("Trustees") determine the level of cash distributions based on the level of cash flow from operations before working capital changes, less actual and planned capital expenditures. In any given period, distributions may differ from cash provided by operating activities, primarily due to fluctuations in working capital. It is expected that normal fluctuations in working capital will be funded from the REIT's cash resources as described in "Liquidity and Capital Investment". In addition, the distributions declared include a component funded by the REIT's distribution reinvestment plan ("DRIP"). Pursuant to the DRIP, Unitholders may elect to reinvest cash distributions into additional Units at a 1% discount to the weighted average closing price of the Units for the five trading days immediately preceding the applicable date of distribution. On April 12, 2023, the REIT suspended the DRIP until further notice. As a result, Unitholders received distributions in cash effective with the distribution paid on April 17, 2023 to Unitholders of record on March 31, 2023.

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

	Three months ended March 31	Years ended December 31		
	2023	**2022**	**2021**	**2020**
Distributions declared	$ 11,695	$ 55,296	$ 53,973	$ 53,139
Add (less): DRIP and change in distributions payable	736	(6,665)	(6,793)	(9,014)
Cash distributions paid	$ 12,431	$ 48,631	$ 47,180	$ 44,125

Distributions declared was lower than cash distributions paid for the three months ended March 31, 2023 as a result of the Distribution Reduction. Cash distributions paid is based on a distribution of $0.0495 per Unit. Distributions declared includes one month at the Distribution Reduction.

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

	Three months ended March 31	Years ended December 31		
	2023	**2022**	**2021**	**2020**
Net income and comprehensive income	$ 6,995	$ 16,532	$ 51,004	$ 39,752
Cash flow provided by operating activities	15,994	103,271	77,312	91,384
Less: Finance costs paid	(7,702)	(28,808)	(27,380)	(27,418)
Adjusted cash flow provided by operating activities	8,292	74,463	49,932	63,966
Declared basis:				
Shortfall of net income and comprehensive income over distributions	(4,700)	(38,764)	(2,969)	(13,387)
(Shortfall) excess of adjusted cash flow provided by operating activities over distributions	(3,403)	19,167	(4,041)	10,827
Cash basis:				
(Shortfall) excess of net income and comprehensive income over distributions	(5,436)	(32,099)	3,824	(4,373)
(Shortfall) excess of adjusted cash flow provided by operating activities over distributions	(4,139)	25,832	2,752	19,841

Net income and comprehensive income were lower than declared and cash distributions during the quarter. The shortfall was primarily due to the fair value adjustments of investments properties which is a non-cash adjustment and included in income and comprehensive income. Adjusted cash flow provided by operating activities was lower than declared and cash distributions by $3,403 and $4,139, respectively. The shortfall was primarily driven by timing of changes in working capital.

RECONCILIATION OF ADJUSTED CASH FLOW PROVIDED BY OPERATING ACTIVITIES TO AFFO

Adjusted cash flow provided by operating activities, a non-IFRS financial measure, represents cash provided by operating activities less interest paid. Refer to “Non-IFRS Financial Measures”. The reconciliation of adjusted cash flow provided by operating activities to AFFO measures the amount of cash generated by operations and available for distribution to Unitholders. See “Distributions”.

	Three months ended March 31	
	2023	**2022**
Adjusted cash flow provided by operating activities	$ 8,292	$ 12,771
Change in finance costs payable	(127)	29
Rent supplement	743	—
Instalment note receipts	14	17
Capital reserve	(1,225)	(1,183)
Change in non-cash operating working capital	2,884	2,983
AFFO	$ 10,581	$ 14,617

AFFO of $10,581 was lower than distributions declared by $1,114 and distributions paid by $1,850 in Q1-2023. The REIT expects to be able to fund distributions from AFFO on a go forward basis as a result of the Distribution Reduction.

CAPITAL RESERVE

The REIT's capital reserve represents a reserve for capital expenditures, tenant inducements and leasing costs. The REIT considers many factors when determining an appropriate capital reserve. Items such as property age, asset class, tenant mix, prior capital investment, lease term, recoverability from tenants and current market conditions are all considered. The REIT also engages independent expert consulting firms to perform a comprehensive property condition assessment prior to the acquisition of a property. The report contains a five or ten year projection of estimated sustaining capital expenditures. The detailed analysis considers the quality of construction, age of building, use of the property, recent capital expenditures and anticipated future maintenance requirements. The estimates generated by the independent consultants are taken into account when estimating the REIT’s capital reserve. The REIT reviews its capital reserve estimate on an annual basis and makes appropriate adjustments.

The REIT includes a normalized capital reserve adjustment based on historical experience when arriving at AFFO as recoverable and non-recoverable capital expenditures, tenant inducements and leasing costs are fundamental to the operating activities of a real estate company and are not considered discretionary investments. These expenditures are required to preserve rental income and should be taken into consideration when determining the amount of sustainable cash available to fund future distributions. The capital reserve adjustment is an estimate and there is no guarantee that future expenditures will reflect historical trends.

LIQUIDITY AND CAPITAL INVESTMENT

LIQUIDITY

Cash flow from operating activities represents the primary source of liquidity to fund distributions, debt service, capital improvements, tenant inducements and leasing costs. The REIT's cash flow from operating activities is dependent upon the occupancy level of its investment properties, the rental rates on its leases, the collectability of rent from its tenants, and other factors. Material changes in these factors may adversely affect the REIT's cash flow from operating activities and hence its liquidity. A more detailed discussion of these risks can be found under the "Risks and Uncertainties" section in the annual information form of the REIT dated March 14, 2023 (the "AIF"). Also see "Risks and Uncertainties".

As at March 31, 2023, the REIT had access to approximately $58,393 of cash and undrawn Credit Facility.

During the quarter, the REIT refinanced a total of $31,121 of mortgages, one with a fixed interest rate of 4.83% (five year term) and one with variable interest rate at prime plus 1.5% (one year term). The refinancings provided the REIT with additional liquidity of approximately $5,700. The REIT's weighted average term to maturity of its mortgage portfolio is 3.14 years with a weighted average fixed interest rate of 3.63%.

The REIT's Available Funds [(1)] are as follows:

	March 31, 2023	December 31, 2022
Cash	$ 7,793	$ 9,501
Undrawn Credit Facility	50,600	53,600
Available Funds [(1)]	$ 58,393	$ 63,101

The Distribution Reduction will provide the REIT with additional cash flow of approximately $25,000 per annum as discussed in "First Quarter Highlights and Key Performance Indicators".

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. Management's strategy to managing liquidity risk is to ensure, to the extent possible, it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities. To mitigate the risk associated with the refinancing of maturing debt, the REIT staggers the maturity dates of its mortgage portfolio over a number of years. The REIT has a number of financing sources available to fulfill its commitments including: cash flow from operating activities; mortgage debt secured by investment properties; Credit Facility; and issuances of debt and equity.

CAPITAL INVESTMENT

The REIT's properties require ongoing capital and leasing expenditures. Leasing expenditures include tenant inducements, leasing commissions and leasehold improvements incurred in connection with the leasing of vacant space and the renewal or replacement of current tenants. The REIT plans to continue to invest capital in its properties in 2023 and beyond. Future expenditures are expected to be funded through cash flow generated by operations, the Credit Facility and cash on hand. For the three months ended March 31, 2023 and 2022, the REIT invested $3,674 and $3,620 respectively, in capital and leasing expenditures.

(1) This is a non-IFRS financial measure, refer to "Non-IFRS Financial Measures".

ASSET PROFILE

INVESTMENT PROPERTIES

The following table summarizes changes in the REIT's investment properties and investment properties held for sale for the three months ended March 31, 2023 and 2022:

	Investment properties	Investment properties held for sale	Total
Balance, December 31, 2021	$ 1,403,579	$ —	$ 1,403,579
Additions	3,620	—	3,620
Amortization of leasing costs, tenant inducements and straight-line rents	(1,501)	—	(1,501)
Fair value adjustment	(1,670)	—	(1,670)
Balance, March 31, 2022	1,404,028	—	1,404,028
Acquisitions	38,845	—	38,845
Additions	28,033	—	28,033
Amortization of leasing costs, tenant inducements and straight-line rents	(5,818)	—	(5,818)
Fair value adjustment	(40,255)	—	(40,255)
Investment properties held for sale	(84,250)	84,250	—
Balance, December 31, 2022	1,340,583	84,250	1,424,833
			—
Additions	3,520	154	3,674
Dispositions	—	(7,250)	(7,250)
Amortization of leasing costs, tenant inducements and straight-line rents	(1,338)	(175)	(1,513)
Fair value adjustment	(4,499)	(1,973)	(6,472)
Balance, March 31, 2023	$ 1,338,266	$ 75,006	$ 1,413,272

As at March 31, 2023 the REIT had three investment properties, located in British Columbia and Ontario having a total fair value of $75,006, classified as investment properties held for sale. As at December 31, 2022 there were four investment properties held for sale with a total fair value of $84,250. On March 10, 2023 the REIT disposed of the Carlingview Property which was classified as held for sale as at December 31, 2022.

ADDITIONS

Additions to investment properties for the three months ended March 31, 2023 were $3,674, consisting of the following:

- Capital expenditures of $426 mainly for tenant amenities and washroom upgrades; and
- Tenant inducements and leasing costs of $3,248, which include costs incurred to renew and obtain new tenants.

PREPAID EXPENSES AND DEPOSITS

At March 31, 2023, the REIT had $4,225 in prepaid expenses and deposits, compared to $3,279 at December 31, 2022. The increase is mainly due to an increase in prepaid realty taxes and higher prepaid interest on the Credit Facility.

DEBT

MORTGAGES PAYABLE

The following table sets out, as at March 31, 2023, scheduled principal repayments and amounts maturing over each of the next five fiscal years:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Percentage of total mortgages payable	Weighted average interest rate of maturing debt	Scheduled interest payments
2023 - remainder of year	$ 17,257	$ 112,858	$ 130,115	15.4 %	3.93 %	$ 21,065
2024	21,638	96,381	118,019	13.9 %	4.12 %	24,071
2025	14,324	197,178	211,502	25.0 %	3.14 %	15,790
2026	12,691	145,486	158,177	18.7 %	3.20 %	13,589
2027	7,423	78,910	86,333	10.2 %	5.13 %	8,329
Thereafter	8,789	133,725	142,514	16.8 %	3.44 %	6,352
	$ 82,122	$ 764,538	$ 846,660	100.0 %	3.63 %	$ 89,196
Unamortized mark to market mortgage adjustments			152			
Unamortized financing costs			(3,676)			
			$ 843,136			

Mortgages payable had a weighted average fixed interest rate of 3.63% (December 31, 2022 – 3.54%) and a weighted average term to maturity of 3.14 years (December 31, 2022 – 3.27 years).

The mortgages payable associated with investment properties held for sale as at March 31, 2023 was $54,354 (December 31, 2022 - $58,330).

CREDIT FACILITY

The REIT has a $68,000 floating rate revolving credit facility ("Credit Facility") with a Canadian chartered bank which is comprised of two tranches: (i) up to $38,000 secured by second charges on certain investment properties, bearing interest on cash advances at 95 basis points per annum above the prime rate or 195 basis points per annum over the floating banker's acceptance rate; and (ii) $30,000 unsecured, bearing interest on cash advances at 190 basis points per annum above the prime rate or 290 basis points per annum over the floating banker's acceptance rate.

On August 19, 2022, the REIT renewed its Credit Facility for a further two years maturing December 1, 2024 which included an increase to $68,000 from $60,000, with the additional $8,000 expiring on June 30, 2023 to align with the sale of the Abbotsford Property.

As at March 31, 2023, the REIT had drawn $17,400 on the Credit Facility (December 31, 2022 - $14,400).

INDEBTEDNESS TO GBV

As at March 31, 2023, the REIT's overall leverage, as represented by Indebtedness to GBV, a non-IFRS financial measure, was 59.8%. The maximum allowable ratio under the DOT is 75%. Below is a calculation of the REIT's Indebtedness to GBV ratio as at March 31, 2023 and December 31, 2022.

		March 31, 2023		December 31, 2022
Total assets	$	1,437,297	$	1,450,315
Deferred financing costs		6,805		7,070
GBV	$	1,444,102	$	1,457,385
Mortgages payable		843,136		846,689
Credit Facility		17,400		14,400
Unamortized financing costs and mark to market mortgage adjustments		3,524		3,745
Indebtedness	$	864,060	$	864,834
Indebtedness to GBV		**59.8 %**		**59.3 %**

The increase in Indebtedness to GBV from December 31, 2022 is driven mainly by $17,400 drawn on the Credit Facility as at March 31, 2023 ($14,400 - December 31, 2022) and the fair value loss on investment properties. As at March 31, 2023, 3.5% (December 31, 2022 - 1.7%) of the REIT's debt was at floating rates not hedged with interest rate swaps.

The REIT's objectives are to maintain a combination of short, medium and long-term financing appropriate for the overall debt level of the REIT, to extend the current weighted average term to maturity and achieve staggered debt maturities while taking into account the availability of financing, market conditions and the financial characteristics of each property. Per the DOT, at no time may the REIT incur debt aggregating more than 20% of GBV at floating interest rates or having maturities less than one year (excluding debt with an original maturity of one year or more falling due in the next 12 months or variable rate debt for which the REIT has entered into interest rate swap agreements to fix the interest rate for a one year period or more).

Financing costs on mortgages and the Credit Facility are netted against the related debt and amortized on an effective interest basis over the expected life of the debt.

ADJUSTED EBITDA AND INTEREST COVERAGE RATIO

The interest coverage ratio, a non-IFRS financial measure, is useful in determining the REIT's ability to service the interest requirements of its outstanding debt. The ratio is calculated by dividing Adjusted EBITDA, a non-IFRS financial measure, by the REIT's interest obligations for the period. Adjusted EBITDA removes the non-cash impact of fair value changes and non-recurring items such as transaction costs on sale of investment properties from net income and comprehensive income. Refer to "Non-IFRS Financial Measures".

The following is the reconciliation of net income and comprehensive income to Adjusted EBITDA:

		Twelve months ended March 31		
		2023		2022
Net income and comprehensive income	$	8,618	$	56,193
Add (deduct):				
Interest expense		29,800		27,360
Fair value adjustment of Unit-based compensation		(755)		392
Transaction costs on sale of investment property		244		623
Fair value adjustment of investment properties		46,727		(6,897)
Fair value adjustment of Class B LP Units		(9,696)		951
Distributions on Class B LP Units		1,537		1,829
Unrealized loss on change in fair value of derivative instruments		(1,651)		(4,333)
Amortization of leasing costs, tenant inducements, mortgage premium and financing costs		8,730		7,685
Adjusted EBITDA	$	83,554	$	83,803

	Twelve months ended March 31 2023	2022
Adjusted EBITDA	$ 83,554	$ 83,803
Interest expense	29,800	27,360
Interest coverage ratio	2.80 x	3.06 x

Interest coverage ratio for the period decreased as a result of lower adjusted EBITDA from Same Property NOI combined with higher interest from additional borrowings associated with the Q3-2022 acquisition, refinancings completed in 2022 and Q1-2023 and higher borrowing on the Credit Facility.

CLASS B LP UNITS

The Class B LP Units meet the definition of a financial liability under International Accounting Standard 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 statements of income and comprehensive income.

The Class B LP Units, together with the related special voting units, have economic and voting rights equivalent, in all material aspects, to Units. They are exchangeable at the option of the holder on a one-for-one basis for Units. Each Class B LP Unit entitles the holder to receive distributions from True North Commercial Limited Partnership equivalent to the distributions such holder would have received if they were holding Units.

As at March 31, 2023, there were 2,526,414 Class B LP Units issued and outstanding valued at $8,767 compared to $14,628 as at December 31, 2022. The change in value is due to a decrease in the Unit price from $5.79 at December 31, 2022 to $3.47 at March 31, 2023.

There have been no further changes in the Class B LP Units outstanding as of May 9, 2023.

UNITHOLDERS' EQUITY

OUTSTANDING UNITS

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

The following table summarizes changes in the Unit capital of the REIT for the three months ended March 31, 2023:

	Units	Amount
Balance, December 31, 2022	91,813,073	$ 563,277
Issue of Units:		
DRIP	269,370	1,591
Incentive Units redeemed	21,521	97
Balance, March 31, 2023	92,103,964	$ 564,965

There have been no further changes in the number of Units outstanding as of May 9, 2023.

INCENTIVE UNIT PLAN

The REIT has established an incentive trust unit plan dated June 19, 2019 as amended and restated on March 21, 2022 and March 14, 2023 (the "Incentive Unit Plan") pursuant to which the REIT may issue two types of units: (i) deferred Units ("Deferred Units"); and (ii) restricted Units ("Restricted Units", and together with the Deferred Units, the "Incentive Units").

Incentive Units granted under the Incentive Unit Plan are classified as liabilities and Unit-based compensation expense is recognized in general and administration expenses over the vesting period of the Incentive Units. Incentive Units are revalued at each reporting period and fair value adjustments are recorded in general and administration expenses.

Deferred Units

Deferred Units are granted to the non-executive Trustees as part of a Trustee's annual fees and vest immediately. Trustees are required to receive at least 50% of their annual retainer in the form of Deferred Units.

The following table summarizes the changes in Deferred Units:

	Deferred Units		Amount
Balance, January 1, 2022	77,813	$	576
Granted and reinvested	7,119		52
Fair value adjustment	—		(20)
Balance, March 31, 2022	84,932		608
Granted and reinvested	23,971		142
Redeemed	(61,676)		(390)
Fair value adjustment	—		(87)
Balance, December 31, 2022	47,227		273
Granted and reinvested	9,744		36
Redeemed	(3,600)		(22)
Fair value adjustment	—		(102)
Balance, March 31, 2023	53,371	$	185

The number of Deferred Units outstanding as at May 9, 2023 is as follows:

Balance, March 31, 2023	53,371
Deferred Units reinvested	392
Balance, May 9, 2023	53,763

Restricted Units

The Trustees may, at their discretion, grant Restricted Units to certain Trustees, officers of the REIT and its subsidiaries and certain eligible service providers, subject to such restrictions including vesting requirements the Trustees may impose. The Trustees may not extend any vesting conditions beyond November 30 of the third calendar year following the grant date.

The following table summarizes the changes in Restricted Units:

	Restricted Units		Amount
Balance at January 1, 2022	90,377		393
Granted and reinvested	97,915		213
Redeemed and expired	(71,192)		(402)
Fair value adjustment	—		(49)
Balance, March 31, 2022	117,100	$	155
Granted and reinvested	6,727		258
Redeemed and expired	(30,583)		(34)
Fair value adjustment	—		(48)
Balance, December 31, 2022	93,244		331
Granted and reinvested	53,317		132
Redeemed	(47,265)		(207)
Fair value adjustment	—		(170)
Balance, March 31, 2023	99,296	$	86

The number of Restricted Units outstanding as at May 9, 2023 is as follows:

Balance, March 31, 2023	99,296
Restricted Units reinvested	729
Balance, May 9, 2023	100,025

UNIT OPTION PLAN

The REIT's Unit option plan has been suspended and no further options will be granted. As of March 31, 2023, all Unit options have vested and are eligible to be exercised prior to the applicable expiry dates.

Options outstanding as at March 31, 2023 consist of the following:

Exercise price [1]	Outstanding	Exercisable	Expiry Date
$6.66	159,001	159,001	September 20, 2023

[1] In actual dollars.

SHORT FORM BASE SHELF PROSPECTUS

On February 17, 2022, the REIT filed a short-form base shelf prospectus. The base shelf prospectus is valid for a 25 month period, during which time the REIT may issue the following securities: (i) Units; (ii) preferred units; (iii) unsecured debt securities; (iv) subscription receipts exchangeable for Units and/or other securities of the REIT; (v) warrants exercisable to acquire Units and/or other securities of the REIT; and (vi) 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 $500,000.

AT-THE-MARKET ("ATM") EQUITY PROGRAM

On April 21, 2022 the REIT filed a prospectus supplement to establish an ATM Program that allows the REIT to issue up to $50 million of Units to the public, at the REIT's discretion, and expires coterminous with the base shelf prospectus.

During the three months ended March 31, 2023, the REIT did not issue Units (for the year ended December 31, 2022, 1,450,800 Units were issued for $9,460) through the ATM Program.

NORMAL COURSE ISSUER BID PROGRAM

On April 12, 2023, the REIT announced the intention to commence a normal course issuer bid (the "NCIB"), as approved by the TSX. Under the NCIB, the REIT will have the ability to purchase for cancellation up to a maximum of 8,239,557 of its Units, representing 10% of the REIT's public float of 82,395,573 Units through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per Unit equal to the market price at the time of acquisition. The NCIB became effective on April 18, 2023 and will remain in place until the earlier of April 17, 2024 or the date on which the REIT has purchased the maximum number of Units permitted under the NCIB. Any Units acquired through the NCIB will be cancelled.

As of May 9, 2023, the REIT has not purchased any Units through the NCIB.

COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the REIT is involved in litigation and claims in relation to its investment properties. In the opinion of management, none of these, individually or in aggregate, could result in a liability that would have a significant adverse effect on the financial position of the REIT. The REIT has agreed to indemnify, in certain circumstances, the Trustees and officers of the REIT.

The REIT entered into unconditional agreements of purchase and sale to dispose of the following investment properties held for sale:

Property		Sale Price	Expected Closing Date
32071 South Fraser Way, Abbotsford, British Columbia	$	24,000	June 30, 2023
360 Laurier Avenue West, Ottawa, Ontario	$	17,500	June 15, 2023

As at March 31, 2023, the REIT had entered into commitments for building renovations, capital upgrades and landlord work at certain properties totaling $623 (December 31, 2022 - $476).

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

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

ARRANGEMENTS WITH STARLIGHT

Pursuant to the asset management agreement ("Asset Management Agreement"), Starlight, provides advisory, asset management and administrative services to the REIT. The REIT is administered and operated by the REIT's CEO and President and Chief Financial Officer ("CFO") and an experienced team of real estate professionals at Starlight.

The Asset Management Agreement has an initial term of ten years and is renewable for successive five-year terms, unless and until the Asset Management Agreement is terminated in accordance with its termination provisions.

Starlight is entitled to the following fees pursuant to the Asset Management Agreement:

(a) Base annual management fee calculated and payable on a monthly basis, equal to 0.35% of the sum of:

- the historical purchase price of properties owned by the REIT; and

- the cost of capital expenditures incurred by the REIT or any of its affiliates in respect of the properties owned by the REIT.

(b) Acquisition fee equal to:

- 1.0% of the purchase price of a property, on the first $100,000 of properties acquired in each fiscal year;
- 0.75% of the purchase price of a property on the next $100,000 of properties acquired in each fiscal year; and
- 0.50% of the purchase price of properties acquired in excess of $200,000 in each fiscal year.

(c) An annual incentive fee is payable by the REIT equal to 15% of the REIT's FFO per Unit in excess of FFO per Unit for fiscal 2013 plus 50% of the annual increase in the weighted average consumer price index (or other similar metric, as determined by the Trustees) of the jurisdictions in which the investment properties are located.

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

In addition, the REIT is required to reimburse Starlight for all reasonable out-of-pocket expenses 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.

	Three months ended March 31	
	2023	**2022**
Asset management fees	$ 1,181	$ 1,136
Other expenses	41	30
Total	$ 1,222	$ 1,166

At March 31, 2023, $410 (December 31, 2022 - $417) was included in accounts payable and accrued liabilities. No incentive fees were earned or capital expenditure fees were charged for the three months ended March 31, 2023 and 2022.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the securities and activities of the REIT. Risks and uncertainties are disclosed, in the REIT's annual MD&A dated March 14, 2023 for the year ended December 31, 2022 and in the AIF. The annual MD&A and AIF are available on SEDAR at www.sedar.com. Current and prospective Unitholders of the REIT should carefully consider such risk factors.

USE OF ESTIMATES

The preparation of the REIT's condensed consolidated interim 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. In preparing the condensed consolidated interim financial statements, significant judgments made by management in applying accounting policies were the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2022.

FINANCIAL INSTRUMENTS

Financial assets are classified and measured using one of the following methods: (i) fair value through profit and loss ("FVTPL"); (ii) fair value through other comprehensive income ("FVTOCI") and (iii) amortized cost. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as FVTOCI are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income. The REIT derecognizes a financial asset when the contractual rights to the cash flows from the asset expire. Financial liabilities may be designated at FVTPL upon initial recognition.

Financial assets and 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
Financial assets:	
Other assets	Amortized cost
Tenant and other receivables	Amortized cost
Derivative instruments	Fair value
Cash and cash equivalents	Amortized cost
Financial liabilities:	
Mortgages payable	Amortized cost
Class B LP Units	Fair value
Credit Facility	Amortized cost
Tenant rental deposits and prepayments	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

The REIT recognizes an allowance for expected credit losses ("ECL") for financial assets measured at amortized cost at each balance sheet date. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. Impairment losses, if incurred, would be recorded as expenses in the consolidated statements of income (loss) and comprehensive income (loss) with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

The fair values of the REIT's installment notes receivable, deposits, tenant and other receivables and cash and cash equivalents, as well as the Credit Facility, tenant rental deposits and prepayments, accounts payable and accrued liabilities approximate their recorded values due to their short-term nature.

The fair value of mortgages payable disclosed in the notes to the REIT's condensed consolidated interim financial statements is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage.

Class B LP Units are carried at fair value and the fair value of the Class B LP Units has been determined with reference to the trading price of the Units. The fair value adjustment for the three months ended March 31, 2023 was a gain of $5,861 (Q1-2022 - $755).

Derivative instruments, such as interest rate swaps, are valued using a valuation technique. The most frequently applied valuation technique includes forward pricing models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves. The REIT has entered into various interest rate swaps to limit its interest rate exposure from floating to fixed for the terms of certain mortgages. Total unrealized loss on change in the fair value of the derivative instruments for the three months ended March 31, 2023 was $842 (Q1-2022 - unrealized gain of $2,951).

These fair value estimates may not necessarily be indicative of the amounts that might be paid or received in the future.

ACCOUNTING POLICIES

The accounting policies applied by the REIT during Q1-2023 are consistent with those followed for the year ended December 31, 2022, except for the adoption of new standards effective January 1, 2023. The REIT has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The amendments that apply for the first time in 2023 do not have a material impact on the condensed consolidated interim financial statements of the REIT.

The REIT's critical judgments and estimates in applying accounting policies can be found in Section 1(c) on page 6 of the REIT's audited consolidated financial statements as at and for the year ended December 31, 2022.

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 condensed consolidated interim 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 that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, 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 the REIT will be continually evolving and enhancing its systems of controls and procedures.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

The CEO and CFO evaluated the effectiveness of the REIT’s disclosure controls and procedures (as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings* (“NI 52-109”) and concluded that the design and operation of the REIT’s disclosure controls and procedures were effective for the three months ended March 31, 2023.

The CEO and CFO evaluated the design and effectiveness of the REIT’s internal controls over financial reporting (as defined in NI 52-109) and concluded that the design and effectiveness of internal controls over financial reporting continue to be appropriate and were effective for the three months ended March 31, 2023.

OUTLOOK

Office vacancy experienced a slight increase in the first quarter of 2023 across Canada, as many tenants continue to focus on rightsizing their office space requirements. The federal government, who comprises close to 20% of the REIT's tenant base, initiated their return-to-the-workplace model of at least three days per week starting March 31, 2023. In addition, a number of large Canadian banks recently called for employees to return to the office starting May 1, 2023, a move which may have a broader impact nationwide. It is expected that employers will continue to remain focused on modernized buildings with a large number of amenities or optimal locations that reduce employee commute times to aid in attracting employees back to the office throughout 2023. The majority of the REIT's properties are in near urban spaces with accessibility to transit, ample parking with numerous amenities. Management continues to support the REIT's tenants through various initiatives so their employees find benefit in being back in the office environment.

Since the Bank of Canada increased it's policy rate on January 25, 2023 to 4.50%, the rate has held steady. As a result of the interest rate hikes throughout 2022, Canada's inflation rate which peaked at more than 8% in June 2022 has declined to just over 4% as of March 2023. It is expected that inflation will continue to decline to around 3% by the middle of 2023, gradually reaching the Bank of Canada's 2% target by the end of 2024. The REIT continues to actively monitor the current interest rate environment and any associated impact this may have on the REIT's financial performance.

National office vacancy increased 60 basis points in the first quarter of 2023 to 17.7%. Excluding the GTA, most office markets in Canada saw minimal change with less than 100,000 square feet of positive or negative net absorption. Sublet levels remain on the rise, however at a much slower pace than at the beginning of the COVID-19 pandemic, with downtown centres in the GTA still accounting for majority of the increase in the first quarter of 2023 as a preference for suburban space persists due to the appeal of shorter commute times. Downtown tenants continue to seek high quality, modernized spaces with a variety of amenities to incentivize their employees to return to the office. The REIT's portfolio occupancy of 93% (excluding investment properties held for sale) remains well above the overall market, reflective of the REIT's near urban geographical focus and stable roster of predominately government and credit-rated tenants.

The GTA downtown office vacancy increased 170 basis points to 15.3% in Q1-2023 due in part to the staffing layoffs and downsizing taking place in the technology industry which has reduced the office space requirements for these companies. The GTA suburban office vacancy increased 80 basis points to 20.1% in Q1-2023. The preference for high quality office space continues to be one of the largest drivers in the GTA market. The REIT's suburban GTA office portfolio experienced positive traction this quarter with the completion of 109,700 square feet of new leases, renewals and replacements.

The Ottawa market continues to experience a slowdown as vacancy rose by 1.2% to 12.3%, as a result of tenant rightsizing under the new hybrid work models. The REIT's Ottawa portfolio continues to outperform the market with occupancy at 98.7% (excluding the Laurier Property). The Halifax office market remained relatively flat with an increase in vacancy of only 20 basis points during the quarter to 15.4%, which is still well above the REIT's Halifax portfolio vacancy of 3.8%. Calgary downtown office activity continued to improve, with vacancy down 60 basis points to 32.0%. However, this was offset by higher vacancy in the suburban market resulting in overall market vacancy decreasing only 10 basis points to 29.9%. The REIT's Calgary portfolio occupancy remained strong at 94.9%.

The REIT remains optimistic about the long-term demand for office space and in particular, a physical work environment that emphasizes collaboration to support and develop employees, as well as enrich company culture.

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

Dated: May 9, 2023
Toronto, Ontario, Canada

APPENDIX A - PROPERTY LISTING AT MARCH 31, 2023

	Property Name	City	Occupancy	Remaining Lease Term [1]	GLA
	Alberta				
1	855 8th Avenue SW	Calgary	68 %	2.1 years	75,700
2	4500 & 4520 - 16th Avenue NW	Calgary	97 %	1.8 years	77,600
3	1020 68th Avenue NE	Calgary	100 %	0.8 years	148,400
4	3699 63rd Avenue NE	Calgary	100 %	5.7 years	209,400
5	13140 St. Albert Trail	Edmonton	92 %	2.0 years	95,200
	Total Alberta		*94 %*	*3.4 years*	*606,300*
	British Columbia				
6	810 Blanshard Street	Victoria	100 %	1.8 years	34,400
7	727 Fisgard Street	Victoria	94 %	6.6 years	50,100
8	1112 Fort Street	Victoria	100 %	3.4 years	52,000
9	9200 Glenlyon Parkway	Burnaby	100 %	3.8 years	90,600
10	32071 South Fraser Way	Abbotsford	100 %	1.5 years	52,300
	Total British Columbia		*99 %*	*3.6 years*	*279,400*
	New Brunswick				
11	500 Beaverbrook Court	Fredericton	93 %	1.0 years	55,600
12	295 Belliveau Avenue	Shediac	100 %	3.8 years	42,100
13	410 King George Highway	Miramichi	75 %	8.1 years	73,200
14	551 King Street	Fredericton	97 %	0.5 years	85,300
15	495 Prospect Street	Fredericton	82 %	5.0 years	86,900
16	845 Prospect Street	Fredericton	50 %	4.9 years	39,000
17	414-422 York Street	Fredericton	91 %	1.5 years	32,800
18	440-470 York Street	Fredericton	90 %	0.5 years	60,200
	Total New Brunswick		*85 %*	*3.3 years*	*475,100*

(1) Weighted by annualized gross revenue

	Property Name	City	Occupancy	Remaining Lease Term [1]	GLA
	Nova Scotia				
19	36 & 38 Solutions Drive	Halifax	96 %	2.5 years	131,300
20	120, 130, 134 & 140 Eileen Stubbs Avenue	Halifax	96 %	4.3 years	297,300
	Total Nova Scotia		*96 %*	*3.6 years*	*428,600*
	Ontario				
21	1595 16th Avenue	Richmond Hill	100 %	7.1 years	123,200
22	251 Arvin Avenue	Hamilton	100 %	1.2 years	6,900
23	61 Bill Leathem Drive	Ottawa	100 %	4.8 years	148,100
24	777 Brock Road	Pickering	100 %	4.9 years	98,900
25	6865 Century Avenue	Mississauga	100 %	1.1 years	63,800
26	6925 Century Avenue	Mississauga	79 %	6.0 years	253,500
27	675 Cochrane Drive	Markham	87 %	4.1 years	370,700
28	1161 Crawford Drive	Peterborough	100 %	4.0 years	32,500
29	520 Exmouth Street	Sarnia	100 %	3.7 years	34,700
30	3115 Harvester Road	Burlington	76 %	5.1 years	78,800
31	135 Hunter Street East	Hamilton	100 %	5.3 years	24,400
32	340 Laurier Avenue West	Ottawa	100 %	6.8 years	279,800
33	360 Laurier Avenue West	Ottawa	5 %	2.0 years	107,100
34	400 Cumberland Street	Ottawa	98 %	5.8 years	174,400
35	400 Maple Grove Road	Ottawa	100 %	1.4 years	107,200
36	101 McNabb Street	Markham	100 %	4.1 years	315,400
37	78 Meg Drive	London	100 %	2.2 years	11,300
38	301 & 303 Moodie Drive	Ottawa	94 %	3.2 years	148,200
39	8 Oakes Avenue	Kirkland Lake	100 %	9.0 years	41,000
40	5160 Orbitor Drive	Mississauga	100 %	7.0 years	31,400
41	231 Shearson Crescent	Cambridge	100 %	2.5 years	60,700
42	6 Staples Avenue	Richmond Hill	100 %	10.5 years	122,000
43	2300 St. Laurent Boulevard	Ottawa	100 %	3.0 years	37,500
44	3650 Victoria Park Avenue	Toronto	91 %	0.6 years	154,400
45	80 Whitehall Drive	Markham	100 %	6.7 years	60,800
46	5775 Yonge Street	Toronto	79 %	4.0 years	274,200
	Total Ontario		*90 %*	*4.8 years*	*3,160,900*
	Average/Total Portfolio		91 %	4.3 years	4,950,300

[1] Weighted by annualized gross revenue.

True North Commercial REIT

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