Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

TRUE NORTH COMMERCIAL REAL ESTATE INVESTMENT TRUST

Three months ended March 31, 2024 and 2023
(Unaudited)

TRUE NORTH COMMERCIAL REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Financial Position
(In thousands of Canadian dollars)
(Unaudited)

	March 31, 2024	December 31, 2023
Assets		
Non-current assets:		
Investment properties (note 5)	$ 1,212,873	$ 1,250,431
Derivative instruments (note 11)	3,029	1,197
Other assets (note 4)	860	892
Total non-current assets	1,216,762	1,252,520
Current assets:		
Investment properties held for sale (note 5)	91,552	54,331
Tenant and other receivables (note 6)	3,439	2,847
Prepaid expenses and deposits	4,082	3,101
Derivative instruments (note 11)	347	1,927
Cash and cash equivalents	8,198	8,946
Total current assets	107,618	71,152
Total assets	$ 1,324,380	$ 1,323,672
Liabilities and Unitholders' Equity		
Non-current liabilities:		
Mortgages payable (note 7)	$ 542,478	$ 694,379
Total non-current liabilities	542,478	694,379
Current liabilities:		
Mortgages payable (note 7)	249,529	103,014
Credit facility (note 9)	31,800	23,600
Class B LP Units (note 8)	3,894	4,231
Tenant rental deposits and prepayments	8,112	8,998
Accounts payable and accrued liabilities (note 10)	36,366	36,646
Total current liabilities	329,701	176,489
Total liabilities	872,179	870,868
Unitholders' equity (note 12)	452,201	452,804
Total liabilities and unitholders' equity	$ 1,324,380	$ 1,323,672

Subsequent events (note 21).

See accompanying notes to condensed consolidated interim financial statements.

Approved on behalf of the Board of Trustees on May 7, 2024.

"Sandy Poklar" Trustee

"Alon Ossip" Trustee

TRUE NORTH COMMERCIAL REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Income and Comprehensive Income
(In thousands of Canadian dollars)

Three months ended March 31, 2024 and 2023
(Unaudited)

	2024	2023
Revenue (note 14)	$ 32,464	$ 33,858
Expenses:		
Property operating	10,802	9,907
Realty taxes	5,076	5,313
	16,586	18,638
Other income (expenses):		
General and administration expenses	(1,540)	(1,433)
Finance costs (note 15)	(8,600)	(8,200)
Transaction costs on sale of investment properties	—	(244)
Distributions on Class B LP Units (note 8)	—	(313)
Fair value adjustment of Class B LP Units (note 8)	337	5,861
Fair value adjustment of investment properties and investment properties held for sale (note 5)	(1,898)	(6,472)
Unrealized gain (loss) on change in fair value of derivative instruments (note 11)	253	(842)
Net income and comprehensive income	$ 5,138	$ 6,995

See accompanying notes to condensed consolidated interim financial statements.

TRUE NORTH COMMERCIAL REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity
(In thousands of Canadian dollars)

Three months ended March 31, 2024 and 2023
(Unaudited)

	Unit capital	Income and distributions	Total
	(note 12(c))		
Unitholders' equity, January 1, 2023	$ 563,277	$ (41,139)	$ 522,138
Changes during the period:			
Units issued, net of costs	97	—	97
Net income and comprehensive income for the period		6,995	6,995
Distributions	—	(11,382)	(11,382)
Issue of Units under DRIP (note 12(f))	1,591		1,591
Unitholders' equity, March 31, 2023	564,965	(45,526)	519,439
Changes during the period:			
Units issued and repurchased, net of costs	(3,072)	—	(3,072)
Net income and comprehensive income for the period	—	(47,616)	(47,616)
Distributions	—	(15,947)	(15,947)
Unitholders' equity, December 31, 2023	561,893	(109,089)	452,804
Changes during the period:			
Units issued and repurchased, net of costs	(5,741)	—	(5,741)
Net income and comprehensive income for the period	—	5,138	5,138
Unitholders' equity, March 31, 2024	$ 556,152	$ (103,951)	$ 452,201

See accompanying notes to condensed consolidated interim financial statements.

TRUE NORTH COMMERCIAL REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows
(In thousands of Canadian dollars)
Three months ended March 31, 2024 and 2023
(Unaudited)

	2024	2023
Operating activities:		
Net income and comprehensive income for the period	$ 5,138	$ 6,995
Adjustments for financing activities included in income:		
Finance costs (note 15)	8,600	8,200
Unrealized (gain) loss on change in fair value of derivative instruments (note11)	(253)	842
Distributions on Class B LP Units (note 8)	—	313
Fair value adjustment of Class B LP Units (note 8)	(337)	(5,861)
Adjustments for items not involving cash:		
Fair value adjustment of investment properties and investment properties held for sale (note 5)	1,898	6,472
Unit-based compensation expense	81	168
Fair value adjustment of Unit-based compensation	(46)	(299)
Straight-line rental revenue	966	(233)
Amortization of leasing costs and tenant inducements	2,441	2,037
Transaction costs on sale of investment properties	—	244
Change in non-cash operating working capital (note 16)	(3,619)	(2,884)
Cash provided by operating activities	14,869	15,994
Investing activities:		
Dispositions (note 3)	—	7,006
Additions to investment properties and investment properties held for sale (note 5)	(3,922)	(3,674)
Cash (used in) provided by investing activities	(3,922)	3,332
Financing activities:		
Proceeds from Credit Facility	8,200	7,900
Repayment of Credit Facility	—	(4,900)
Proceeds from mortgage financing, net of costs	12,863	30,982
Repayment of mortgage financing	(12,946)	(25,252)
Repayment of mortgages on sale of investment properties	—	(3,522)
Principal payments on mortgages	(5,658)	(6,117)
Payments received on instalment notes receivable	12	14
Cash distributions on Class B LP Units	—	(320)
Finance costs paid	(8,397)	(7,703)
Units repurchased and cancelled under NCIB, net of costs	(5,769)	—
Cash distributions to unitholders	—	(12,111)
Cash used in financing activities	(11,695)	(21,029)
Decrease in cash and cash equivalents	(748)	(1,703)
Cash and cash equivalents, beginning of period	8,946	9,501
Cash and cash equivalents, end of period	$ 8,198	$ 7,798
Supplemental cash flow information:		
Units issued under DRIP – unitholders	$ —	$ 1,536
Units issued under DRIP – Class B LP Units	—	55

See accompanying notes to condensed consolidated interim financial statements.

Organization:

True North Commercial Real Estate Investment Trust (the “REIT”) is an unincorporated, open-ended real estate investment trust established pursuant to the third amended and restated declaration of trust made as of May 11, 2021 (“DOT”), and governed by the laws of the Province of Ontario. The REIT incorporated True North Commercial General Partner Corp. (“TNCGP”) on November 16, 2012 and with TNCGP, formed True North Commercial Limited Partnership (“TNCLP”) on November 16, 2012.

The REIT is listed on the Toronto Stock Exchange (“TSX”) under the symbol TNT.UN. The registered office of the REIT is 1400 - 3280 Bloor Street West, Centre Tower, Toronto, Ontario, Canada, M8X 2X3.

On November 24, 2023, the REIT executed a consolidation of its trust units ("Units"), special voting Units of the REIT and the class B limited partnership units of TNC LP ("Class B LP Units") on the basis of 5.75:1. All Unit and per Unit amounts included in the condensed consolidated interim financial statements have been retroactively adjusted to reflect the Unit consolidation.

1. Basis of Presentation

(a) Statement of compliance:

These condensed consolidated interim financial statements of the REIT have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Selected explanatory notes are included to explain significant events and transactions to understand the changes in financial position and performance of the REIT since the last audited annual consolidated financial statements as at and for the year ended December 31, 2023. Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed.

The condensed consolidated interim financial statements were approved on behalf of the board of trustees (“Trustees”) on May 7, 2024.

(b) Basis of presentation:

The REIT holds its interest in investment properties and other assets and liabilities related to the investment properties in TNCLP, which is wholly owned by the REIT. All intercompany transactions and balances between the REIT and the subsidiary entities have been eliminated upon consolidation.

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the REIT.

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for investment properties, Class B LP Units, Unit options, incentive units under the REIT's incentive trust unit plan dated June 19, 2019 as amended and restated on March 21, 2022 and March 14, 2023 (the “Incentive Unit Plan”) and derivative instruments, which are stated at their fair values.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

1. Basis of Presentation (continued):

(c) Critical judgments and estimates:

In preparing these condensed consolidated interim financial statements, significant judgments and estimates 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, 2023.

2. Accounting policies:

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the REIT's annual consolidated financial statements for the year ended December 31, 2023, except for the adoption of new standards effective January 1, 2024. 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 2024 do not have a material impact on the condensed consolidated interim financial statements of the REIT.

3. Acquisitions and Dispositions:

There were no acquisitions or dispositions completed during the three months ended March 31, 2024.

On March 10, 2023 the REIT completed the sale of 400 Carlingview Drive, Toronto, Ontario ("400 Carlingview") for a sale price of $7,250. The proceeds from the disposition net of costs was $7,006. The property was classified under investment properties held for sale as at December 31, 2022. The assets and liabilities associated with the property disposition have been derecognized. There were no acquisitions completed during the three months ended March 31, 2023.

4. Other assets:

	March 31, 2024	December 31, 2023
Instalment notes receivable	$ 71	$ 81
Deposits	789	811
	$ 860	$ 892

(In thousands of Canadian dollars, except Unit and per Unit amounts)

5. Investment properties and investment properties held for sale:

The following table summarizes the changes in investment properties and investment properties held for sale for the three months ended March 31, 2024 and 2023:

	Investment properties	Investment properties held for sale	Total
Balance, December 31, 2022	$ 1,340,583	$ 84,250	$ 1,424,833
Additions	3,520	154	3,674
Dispositions (note 3)		(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
Additions	11,115	138	11,253
Dispositions		(41,500)	(41,500)
Amortization of leasing costs, tenant inducements and straight-line rents	(4,369)	(161)	(4,530)
Fair value adjustment	(70,645)	(3,088)	(73,733)
Investment properties held for sale	(23,936)	23,936	—
Balance, December 31, 2023	1,250,431	54,331	1,304,762
Additions	3,867	55	3,922
Amortization of leasing costs, tenant inducements and straight-line rents	(2,319)	(42)	(2,361)
Fair value adjustment	(2,106)	208	(1,898)
Investment properties held for sale	(37,000)	37,000	—
Balance, March 31, 2024	$ 1,212,873	$ 91,552	$ 1,304,425

The REIT determines the fair value of investment properties by developing a range of acceptable values based on the discounted cash flow method and the direct capitalization method, both of which are generally accepted appraisal methodologies. The key valuation assumptions for the REIT's investment properties are set out in the following table:

	March 31, 2024	December 31, 2023
Terminal and direct capitalization rates – range	5.50% to 9.50%	5.50% to 9.50%
Terminal and direct capitalization rate – weighted average	6.74%	6.68%
Discount rates – range	6.00% to 9.75%	6.00% to 9.75%
Discount rate – weighted average	7.24%	7.16%

(In thousands of Canadian dollars, except Unit and per Unit amounts)

5. Investment properties and investment properties held for sale (continued):

Investment properties are independently appraised at the time of acquisition. In addition, the REIT engages independent valuation firms to appraise its investment properties such that the majority of the portfolio is independently appraised at least once over a three year period. When an independent appraisal is obtained, the reasonableness of the assumptions are assessed and adjustments made to the internal valuations as required. During the three months ended March 31, 2024 there were five properties externally appraised representing a total fair value of $255,830 (for the year ended December 31, 2023 – 17 properties representing a total fair value of $516,640).

The fair value of the REIT's investment properties are sensitive to changes in key valuation assumptions. Changes in the terminal and direct capitalization rates and discount rates would result in changes to the fair value of the REIT's investment properties as set out in the following table:

		2024
Weighted average terminal, direct capitalization and discount rate:		
25-basis point increase	$	(55,982)
25-basis point decrease		39,881

6. Tenant and other receivables:

		March 31, 2024		December 31, 2023
Tenant receivables	$	2,639	$	2,067
Instalment notes receivable		45		47
Other receivables		755		733
	$	3,439	$	2,847

7. Mortgages payable:

As at March 31, 2024, the REIT had $795,024 (December 31, 2023 – $800,682) of mortgage principal balances outstanding. The mortgages carry a weighted average fixed interest rate of 3.88% (December 31, 2023 – 3.90%) and a weighted average term to maturity of 2.78 years (December 31, 2023 – 3.01 years). All interest rates are fixed for the term of the respective mortgage except for two (December 31, 2023 – three) of the REIT’s mortgages, both (December 31, 2023 - two) of which have utilized interest rate swaps to fix their floating interest rates (note 11). The mortgages are secured by first and second charges on the respective properties.

As at March 31, 2024, mortgages including mortgages payable associated with investment properties held for sale (note 5) are repayable as follows:

(In thousands of Canadian dollars, except Unit and per Unit amounts)

7. Mortgages payable (continued):

	Scheduled principal payments	Debt maturing during the period	Total mortgages payable	Scheduled interest payments
2024 – remainder of year	$ 17,327	$ 68,698	$ 86,025	$ 22,846
2025	15,712	209,797	225,509	21,882
2026	14,026	199,018	213,044	19,514
2027	8,715	78,910	87,625	10,797
2028	6,041	90,583	96,624	5,684
Thereafter	4,195	82,002	86,197	3,279
Face value	$ 66,016	$ 729,008	$ 795,024	$ 84,002
Unamortized mark to market mortgage adjustments			119	
Unamortized financing costs			(3,136)	
Total mortgages payable			$ 792,007	

The outstanding balance of mortgages payable associated with investment properties held for sale as at March 31, 2024 was $61,510 (December 31, 2023 - $42,372).

The following table provides a breakdown of the current and non-current portions of mortgages payable including mortgages payable associated with investment properties held for sale (note 5):

	March 31, 2024	December 31, 2023
Current:		
Mortgages payable	$ 250,837	$ 104,395
Unamortized mark to market mortgage adjustments	30	30
Unamortized financing cost	(1,338)	(1,411)
	249,529	103,014
Non-current:		
Mortgages payable	544,187	696,287
Unamortized mark to market mortgage adjustments	89	97
Unamortized financing cost	(1,798)	(2,005)
	542,478	694,379
	$ 792,007	$ 797,393

(In thousands of Canadian dollars, except Unit and per Unit amounts)

8. Class B LP Units:

Class B LP Units have economic and voting rights equivalent, in all material respects, to Units and are indirectly exchangeable on a one-for-one basis for Units at the option of the Class B LP unitholder.

The following table summarizes the changes in Class B LP Units for the three months ended March 31, 2024 and 2023:

	Class B LP Units		Amount
Outstanding, January 1, 2023	439,365	$	14,628
Fair value adjustment	—		(5,861)
Outstanding, March 31, 2023	439,365		8,767
Class B LP Units exchanged to Units	(18,478)		(262)
Fair Value Adjustment	—		(4,274)
Outstanding, December 31, 2023	420,887		4,231
Fair value adjustment	—		(337)
Outstanding, March 31, 2024	420,887	$	3,894

During the three months ended March 31, 2024 and 2023, distributions on Class B LP Units were $nil and $313 respectively, and have been recorded as an expense in the condensed consolidated interim statements of income and comprehensive income.

9. Credit facility:

The REIT has a $60,000 floating rate revolving credit facility (“Credit Facility”) with a Canadian chartered bank which is comprised of two tranches: (i) up to $35,000 secured by first and 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) $25,000 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 having expired on July 31, 2023 to align with the sale of 32071 South Fraser Way, Abbotsford, British Columbia.

As at March 31, 2024, the REIT had $31,800 drawn on the Credit Facility ($23,600 - December 31, 2023).

(In thousands of Canadian dollars, except Unit and per Unit amounts)

10. Accounts payable and accrued liabilities:

		March 31, 2024		December 31, 2023
Accounts payable and accrued liabilities	$	34,246	$	34,347
Finance costs payable		1,847		$1,999
Unit-based compensation liability (note 12(d))		273		$300
	$	36,366	$	36,646

11. Derivative instruments:

The REIT has entered into interest rate swaps to eliminate its interest rate exposure for certain floating rate mortgages. The interest rate swaps expire co-terminously upon the maturity of the corresponding mortgages.

The combined notional principal amount of the outstanding interest rate swap contracts as at March 31, 2024 was $71,572 (December 31, 2023 – $72,145). The fair value of the interest rate swaps were in an asset position of $3,376 as at March 31, 2024 (December 31 2023 - $3,124). Total unrealized gain on change in the fair value of the derivative instruments for the three months ended March 31, 2024 was $253 (March 31, 2023 unrealized loss - $842).

12. Unitholders' equity:

(a) Units:

The REIT is authorized to issue an unlimited number of Units and an unlimited number of special voting units. Each Unit confers the right to one vote at any meeting of unitholders and to participate *pro rata* in all distributions by the REIT and, in the event of termination or winding-up of the REIT, in the net assets of the REIT. The unitholders of the REIT have the right to require the REIT to redeem their Units on demand pursuant to the terms of the DOT. The Units have no par value.

(b) Unit consolidation:

On November 24, 2023, the REIT executed a consolidation of its Units, special voting Units of the REIT and the Class B LP Units on the basis of 5.75:1.

(c) Units outstanding:

The following table summarizes the changes in Units for the three months ended March 31, 2024 and 2023:

(In thousands of Canadian dollars, except Unit and per Unit amounts)

12. Unitholders' equity (continued):

	Units	Amount
Balance, December 31, 2022	15,967,482	$ 563,277
Issuance (repurchase) of Units:		
DRIP	46,847	1,591
Incentive Units redeemed	3,743	97
Balance, March 31, 2023	16,018,072	564,965
Issuance (repurchase) of Units:		
Exchange of Class B LP Units (note 8)	18,478	262
Incentive Units redeemed	3,206	44
Units repurchased and cancelled under NCIB	(363,112)	(3,281)
Issuance and repurchase costs	—	(97)
Balance, December 31, 2023	15,676,644	561,893
Issuance (repurchase) of Units:		
Incentive Units redeemed	3,038	28
Units repurchased and cancelled under NCIB	(624,860)	(5,763)
Issuance and repurchase costs	—	(6)
Balance, March 31, 2024	15,054,822	$ 556,152

During the three months ended March 31, 2024 the REIT repurchased and cancelled 624,860 Units for cash of $5,763 through the normal course issuer bid ("2023 NCIB"). For the year ended December 31, 2023 the REIT repurchased and cancelled 363,112 Units for cash of $3,281 through the 2023 NCIB.

(d) Unit-based compensation plan:

(i) Incentive Unit Plan:

The Incentive Unit Plan issues two types of securities: (i) deferred units ("Deferred Units") and (ii) restricted units ("Restricted Units").

Deferred Units

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

(In thousands of Canadian dollars, except Unit and per Unit amounts)

12. Unitholders' equity (continued):

The following table summarizes the changes in Deferred Units for the three months ended March 31, 2024 and 2023:

	Deferred Units		Amount
Balance at January 1, 2023	8,213	$	273
Granted and reinvested	1,695		36
Redeemed	(626)		(22)
Fair value adjustment	—		(102)
Balance, March 31, 2023	9,282		185
Granted and reinvested	11,319		134
Fair value adjustment	—		(112)
Balance, December 31, 2023	20,601		207
Granted and reinvested	4,915		45
Fair value adjustment	—		(16)
Balance, March 31, 2024	25,516	$	236

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 grant date.

The following table summarizes the changes in Restricted Units for the three months ended March 31, 2024 and 2023:

(In thousands of Canadian dollars, except Unit and per Unit amounts)

12. Unitholders' equity (continued):

	Restricted Units		Amount
Balance at January 1, 2023	16,217	$	331
Granted and reinvested	9,272		132
Redeemed and expired	(8,220)		(207)
Fair value adjustment	—		(170)
Balance, March 31, 2023	17,269		86
Granted and reinvested	8,132		261
Redeemed and expired	(6,914)		(94)
Fair value adjustment	—		(160)
Balance, December 31, 2023	18,487		93
Granted and reinvested	33,974		36
Redeemed and expired	(8,690)		(63)
Fair value adjustment	—		(30)
Balance, March 31, 2024	43,771	$	36

On March 27, 2024, the REIT issued 33,974 Restricted Units at a price of $9.0880 per Unit.

On July 4, 2023, the REIT issued 6,659 Restricted Units at a price of $13.5148 per Unit. On March 14, 2023, the REIT issued 8,866 Restricted Units at a price of $33.3575 per Unit.

On March 12, 2024, 1,374 Restricted Units were redeemed for 638 Units at a price of $8.7944 per Unit. On March 14, 2024, 4,269 Restricted Units were redeemed for 1,863 Units at a price of $9.1314. On March 21, 2024, 1,255 Restricted Units were redeemed for 537 Units at a price of $9.1121.

On June 30, 2023, 6,133 Restricted Units were redeemed for 2,850 Units at a price of $13.4268 per Unit. On May 15, 2023, 751 Restricted Units were redeemed for 357 Units at a price of $15.2157 per Unit. On March 21, 2023, 5,774 Restricted Units were redeemed for 2,431 Units at a price of $21.6459 per Unit. On March 13, 2023, 2,446 Restricted Units were redeemed for 1,053 Units at a price of $33.7456 per Unit.

(ii) Unit Options:

The Unit option plan has been suspended and no further options may be granted. As at March 31, 2024, all Unit options have vested and expired.

The following table summarizes the changes in Unit options outstanding for the three months ended March 31, 2024 and 2023:

(In thousands of Canadian dollars, except Unit and per Unit amounts)

12. Unitholders' equity (continued):

	Number of Unit options	Weighted average exercise price	Weighted average remaining contractual life (in years)	Number of Unit options exercisable
Outstanding, December 31, 2022	50,551	$ 37.72	0.49	50,551
Unit options expired	(22,899)		—	—
Outstanding, March 31, 2023	27,652	$ 38.30	0.47	27,652
Unit options expired or exercised	(27,652)		—	—
Outstanding, December 31, 2023	—	$ —	—	—

There are no Unit options outstanding as of March 31, 2024. Unit options expense is determined using the Black-Scholes option pricing model.

The REIT's Unit-based compensation expense recognized in general and administrative expense for the three months ended March 31, 2024 and 2023 was:

	2024	2023
Unit options	$ —	$ (27)
Restricted Units	6	(38)
Deferred Units	29	(66)
Unit-based compensation expense	$ 35	$ (131)
Fair value remeasurement expense included in the above:		
Unit options	$ —	$ (27)
Restricted Units	(30)	(170)
Deferred Units	(16)	(102)
	$ (46)	$ (299)

(e) Distributions:

Under the DOT, the total amount of income of the REIT to be distributed to unitholders for each calendar month is at the discretion of the Trustees, however, the total income distributed shall not be less than the amount necessary to ensure the REIT will not be liable to pay income tax for any year.

12. Unitholders' equity (continued):

The REIT paid a monthly distribution of $0.2846 per Unit or $3.4155 per Unit on an annualized basis until March 14, 2023, when the REIT reduced its monthly cash dividend from $0.2846 per Unit to $0.1423 per Unit or $1.70775 per Unit on an annualized basis. The new declared distribution was paid on April 17, 2023 to unitholders of record on March 31, 2023. Effective December 15, 2023, the REIT redirected and reallocated substantially all distributions paid to Unitholders to purchase the maximum number of Units available under the 2023 NCIB. For the three months ended March 31, 2024 and 2023, the REIT declared distributions of $nil and $11,382.

(f) Dividend reinvestment plan ("DRIP"):

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. For the three months ended March 31, 2024 the REIT did not issue any Units under the DRIP. For the three months ended March 31, 2023, the REIT issued 46,847 Units under the DRIP for a value of $1,591.

(g) Normal course issuer bid:

On April 18 2023, the REIT established the 2023 NCIB, as approved by the TSX. Under the 2023 NCIB, the REIT has the ability to purchase for cancellation up to a maximum of 1,432,966 of its Units, representing 10% of the REIT's public float of 14,329,664 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 2023 NCIB was effective from April 18, 2023 until April 17, 2024. Any Units acquired through the 2023 NCIB have been cancelled.

During the three months ended March 31, 2024, the REIT repurchased and cancelled 624,860 Units for $5,763 (for the year ended December 31, 2023, the REIT repurchased 363,112 Units for $3,281) under the 2023 NCIB.

13. Transactions with related parties:

Starlight Group Properties Holdings Inc. ("Starlight") is considered a related party of the REIT as Starlight is controlled by the CEO and Chairman of the Board of the REIT, who is also a significant unitholder of the REIT. The REIT has engaged an affiliate of Starlight to perform certain services, as outlined below.

(a) Pursuant to an asset management agreement (the "Asset Management Agreement"), the affiliate of Starlight is to perform asset management services for a base annual management fee calculated and payable on a monthly basis in arrears on the first day of each month equal to 0.35% of the sum of: (i) the historical purchase price of the properties; and (ii) the cost of any capital expenditures incurred by the REIT or any of its affiliates in respect of the properties.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

13. Transactions with related parties (continued):

(b) Pursuant to the Asset Management Agreement, the affiliate of Starlight is entitled to receive an acquisition fee in respect of properties announced to be acquired, directly or indirectly, by the REIT as a result of such properties having been presented to the REIT by Starlight and calculated as follows:

(i) 1.0% of the purchase price of a property, on the first $100,000 of properties acquired in each fiscal year;

(ii) 0.75% of the purchase price of a property, on the next $100,000 of properties acquired in each fiscal year; and

(iii) 0.50% of the purchase price on properties in excess of $200,000 of properties acquired in each fiscal year.

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

(d) Pursuant to the Asset Management Agreement, the affiliate of Starlight is entitled to a capital expenditure 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.

(e) The REIT reimburses Starlight for all reasonable out-of-pocket expenses in connection with the performance of the services described in the Asset Management Agreement, including capital expenditures, or such other services which the REIT and Starlight agree in writing are to be provided from time to time.

The following table presents the expenses incurred for the three months ended March 31, 2024 and 2023:

	March 31, 2024	Mach 31, 2023
Asset management fees	$ 1,152	$ 1,181
Other expenses	38	41

At March 31, 2024, $413 (December 31, 2023 – $414) is included in accounts payable and accrued liabilities. No incentive fees were earned or capital expenditure fees charged for the three months ended March 31, 2024 and 2023.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

14. Revenue:

The components of the REIT's revenue for the three months ended March 31, 2024 and 2023 were as follows:

	2024	2023
Base rent	$ 17,071	$ 18,491
Property operating and realty tax recoveries	14,004	14,209
Parking and other	1,389	1,158
	$ 32,464	$ 33,858

15. Finance costs:

The following table presents the financing costs incurred for the three months ended March 31, 2024 and 2023:

	2024	2023
Interest on mortgages payable	$ 7,736	$ 7,517
Other interest expense and standby fees	509	312
Amortization of mortgage premiums	(8)	(9)
Amortization of financing costs	363	380
	$ 8,600	$ 8,200

16. Change in non-cash operating working capital:

The change in non-cash operating working capital for the three months ended March 31, 2024 and 2023:

	2024	2023
Deposits	$ 22	$ 8
Tenant and other receivables	(594)	(168)
Prepaid expenses and deposits	(981)	(946)
Tenant rental deposits and prepayments	(886)	(638)
Accounts payable and accrued liabilities	(1,180)	(1,140)
	$ (3,619)	$ (2,884)

(In thousands of Canadian dollars, except Unit and per Unit amounts)

17. Commitments and contingencies:

The REIT entered into unconditional agreements of purchase and sale to dispose of the following investment properties held for sale (note 5):

Property	Closing Date	Sale Price
251 Arvin Avenue, Hamilton, Ontario	April 8, 2024	$ 2,700
6865 Century Avenue, Missisauga, Ontario	April 10, 2024	$ 15,300
135 Hunter Street East, Hamilton, Ontario	April 22, 2024	$ 6,375
		$ 24,375

As at March 31, 2024, the REIT has entered into commitments for building renovations totaling $1,161 (December 31, 2023 – $2,537).

18. Segmented disclosure:

All of the REIT's assets and liabilities are in, and its revenue is derived from, Canadian commercial real estate. The REIT’s investment properties are, therefore, considered by management to have similar economic characteristics.

19. Capital management:

The REIT’s capital management objectives and policies are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended December 31, 2023.

The REIT was in compliance with all financial covenants as at March 31, 2024 and December 31, 2023.

20. Risk management and fair values:

(a) Risk management:

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(i) Interest rate risk:

The REIT is subject to the risks associated with debt financing, including the risk of interest rates on floating-rate debt rising before long-term fixed rate debt is arranged and existing mortgages may not be able to be refinanced on terms similar to those currently in place.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

20. Risk management and fair values (continued):

The REIT's objective of managing interest rate risk is to minimize the volatility of interest expense which impacts earnings.

As at March 31, 2024 and December 31, 2023, the REIT's interest-bearing financial instruments were:

	Carrying value	
	March 31, 2024	December 31, 2023
Fixed-rate instruments:		
Mortgages payable	$ 795,024	$ 787,701
Variable-rate instruments:		
Mortgages payable	$ —	$ 12,981
Credit Facility	$ 31,800	$ 23,600

The REIT is exposed to interest rate risk on its floating-rate debt on two of its properties. For both of these debt instruments, the risk is mitigated by entering into interest rate swaps (note 11). The REIT is also exposed to interest rate risk on its Credit Facility which fluctuates based on prime or floating bankers' acceptance rates. An increase (decrease) of 100 basis points in interest rates at March 31, 2024 for the REIT's variable-rate financial instruments would have minimal impact on net income and comprehensive income.

(ii) Credit risk:

Credit risk is the risk that: (a) one party to a financial instrument will cause a financial loss for the REIT by failing to discharge its obligations; and (b) the possibility that tenants may experience financial difficulty and be unable to meet their rental obligations.

The REIT is exposed to credit risk on financial assets and its exposure is generally limited to the carrying amount on the condensed consolidated interim statements of financial position. The REIT monitors its risk exposure regarding obligations with counterparties through the regular assessment of counterparties' credit positions.

The REIT mitigates the risk of credit loss with respect to tenants by evaluating their creditworthiness, obtaining security deposits, and geographically diversifying its portfolio. The REIT monitors outstanding receivables on a monthly basis to ensure a reasonable allowance is provided for all uncollectible amounts with the exception of the tenants for which a bad debt provision is recorded. The REIT reviewed all outstanding receivables and assessed the risk of uncollectability to be low.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

20. Risk management and fair values (continued):

An aging of billed tenant receivables, including past due but not impaired amounts is as follows:

	March 31, 2024	December 31, 2023
0 to 30 days	$ 1,212	$ 410
31 to 90 days	209	199
Over 90 days	382	265
Total	$ 1,803	$ 874

(b) Fair values:

The fair values of the REIT's financial assets and liabilities, except as noted below, approximate their carrying values due to their short-term nature. The REIT uses various methods in estimating the fair values of its financial instruments and investment properties. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The tables below present the fair value hierarchy of the REIT's non-current assets and liabilities:

March 31, 2024	Level 1	Level 2	Level 3	Total
Assets:				
Investment properties	$ —	$ —	$ 1,212,873	$ 1,212,873
Investment properties held for sale	—	—	91,552	91,552
Derivative instruments, net	—	3,376	—	3,376
	$ —	$ 3,376	$ 1,304,425	$ 1,307,801
Liabilities:				
Mortgages payable[(1)]	$ —	$ 751,900	$ —	$ 751,900
Class B LP Units	3,894	—	—	3,894
	$ 3,894	$ 751,900	$ —	$ 755,794

(1) Includes mortgages payable associated with investment properties held for sale (note 5).

(In thousands of Canadian dollars, except Unit and per Unit amounts)

20. Risk management and fair values (continued):

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets:				
Investment properties	$ —	$ —	$ 1,250,431	$ 1,250,431
Investment Properties held for sale	—	—	54,331	54,331
Derivative Instruments, net	—	3,124	—	3,124
	$ —	$ 3,124	$ 1,304,762	$ 1,307,886
Liabilities:				
Mortgages payable[1]	$ —	$ 770,700	$ —	$ 770,700
Class B LP Units	4,231	—	—	4,231
	$ 4,231	$ 770,700	$ —	$ 774,931

[1] Includes mortgages payable associated with investment properties held for sale (note 5).

The following summarizes the significant methods and assumptions used in estimating fair values of the REIT's assets and liabilities measured at fair value:

(i) Investment properties and investment properties held for sale:

The REIT determines the fair value of investment properties by developing a range of acceptable values based on the discounted cash flow method and the direct capitalization method, both of which are generally accepted appraisal methodologies. The key valuation assumptions of the REIT's investment properties are described in note 5.

(ii) Mortgages payable

The fair value of mortgages payable is estimated based on Level 2 inputs which take into account the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage. The estimated fair value of mortgages payable at March 31, 2024 was approximately $751,900 (December 31, 2023 – $770,700).

(iii) Class B LP Units:

Pursuant to IFRS 13, Fair Value Measurement, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The REIT has chosen to use the closing market price of Units as a practical measure for fair value measurement of its Class B LP Units.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

20. Risk management and fair values (continued):

(iv) Derivative instruments:

Derivative instruments, such as interest rate swaps, are valued using a valuation technique with level 2 market-observable inputs. The valuation technique includes forward pricing models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves.

21. Subsequent Events:

Subsequent to March 31, 2024, the REIT completed the sale of the following properties that were previously classified as investment properties held for sale:

Property	Square Feet	Closing Date	Sale Price
251 Arvin Avenue, Hamilton, Ontario	6,900	April 8, 2024	$ 2,700
6865 Century Avenue, Missisauga, Ontario	63,800	April 10, 2024	$ 15,300
135 Hunter Street E, Hamilton, Ontario	24,400	April 22, 2024	$ 6,375
			$ 24,375

Subsequent to March 31, 2024, the REIT entered into an unconditional agreement of purchase and sale to dispose of 9200 Glenlyon Parkway, Burnaby, British Columbia for a sale price of $37,000 that is expected to close on or about June 27, 2024.

On April 17, 2024, the REIT renewed the 2023 NCIB (the "2024 NCIB"), as approved by the TSX. Under the 2024 NCIB, the REIT has the ability to purchase for cancellation up to a maximum of 1,334,889 of its Units, representing 10% of the REIT's public float of 13,348,894 Units as of April 4, 2024 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 2024 NCIB became effective April 18, 2024 and will remain in place until the earlier of (i) April 17, 2025 or (ii) the date on which the REIT has purchased the maximum number of Units permitted under the 2024 NCIB. Any Units acquired through the 2024 NCIB will be cancelled. The REIT believes the NCIB continues to be a very attractive use of capital.

Subsequent to March 31, 2024, the REIT repurchased and cancelled an additional 159,560 Units and 92,013 Units for $1,457 and $850, respectively, under the 2023 NCIB and 2024 NCIB.