TSX: TNT.UN

True North COMMERCIAL REIT

Q3 2024

MANAGEMENT'S DISCUSSION & ANALYSIS

Nov 12, 2024

675 Cochrane Drive
GTA, ON

AT A GLANCE

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

$1.3 B
Total Assets

76%
Revenues Generated from Goverment & Credit Rated Tenants

4.3 YR (1)
Weighted Average Lease Term

40
Properties

93% (1)
Occupancy

5
Provinces

As at September 30, 2024
(1) Excluding investment properties held for sale.

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

Stable
Contractual
Cash flow

1595 16th Avenue
Toronto, ON

101 McNabb Street
GTA, ON

High Quality
Tenant Base

Focus on
Transit-Based
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 and nine months ended September 30, 2024 and 2023 and should be read in conjunction with the REIT's annual audited consolidated financial statements for the years ended December 31, 2023, and accompanying notes thereto. These documents can be found on the System for Electronic Document Analysis and Retrieval + ("SEDAR+") website at www.sedarplus.ca 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, debt financing, 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, the benefits and renewal of the normal course issuer bid (the "NCIB"), or through other capital programs, the impact of the consolidation (the "Unit Consolidation") (as described below) 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 the impact of inflation on the REIT's operating costs and fluctuating interest rates, and the ongoing effects on the REIT's business and operations following 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") and trading value of the Units; risks related to the REIT and its business; fluctuating interest rates and general economic conditions, including fluctuating 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 secure new tenants for vacant space; the timing and ability of the REIT to acquire or sell certain properties; 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; the ability to enforce leases, perform capital expenditure work, increase rents, raise capital through the issuance of Units or other securities of the REIT; the benefits of the NCIB, or through other capital programs, the impact of the Unit Consolidation, the ability of the REIT to resume distributions in future periods; and obtain mortgage financing on the REIT's properties (the "Properties") and for potential acquisitions or to refinance debt at maturity on similar terms. 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) 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 shift to hybrid working; (c) the factors, risks and uncertainties expressed above in regards to the hybrid work 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) repurchasing Units under the NCIB; (g) 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; (h) the benefits of the NCIB, or through other capital programs; (i) the impact of the Unit Consolidation; (j) the availability of debt financing for potential acquisitions or refinancing loans at maturity on similar terms; (k) the ability of the REIT to resume distributions in future periods and (l) 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, net asset value ("NAV") per Unit, Total Equity, Available Funds (as defined herein), occupancy and weighted average remaining lease term ("WALT") 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, NAV per Unit, Total Equity, Available Funds, occupancy and WALT 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 loss 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 loss and comprehensive loss 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 reporting period in both the current and comparative period and also excludes the results for properties classified as held for sale as at the applicable reporting date. Changes are made to NOI in order to determine 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.

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 a reconciliation.

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 a reconciliation.

Available Funds is defined as the sum of cash and available funds from the REIT's undrawn floating rate revolving credit facility ("Credit Facility") (as described 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 a reconciliation.

Indebtedness is defined in the REIT's third amended and restated declaration of trust made 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 the calculation.

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 the calculation.

NAV per Unit is a ratio calculated as total equity (including Class B LP Units) divided by the total number of Units and Class B LP Units outstanding at the end of the period. NAV per Unit is presented in this MD&A as the REIT considers it to be reflective of the intrinsic value of the Units which enables investors to determine if the REIT's Unit price is trading at a discount or premium relative to the NAV per Unit at each reporting period. Refer to "Third Quarter Highlights and Key Performance Indicators - Distribution Reduction, Reallocation and Suspension of DRIP" for the calculation.

Total Equity (including Class B LP Units) is made up of Unitholders' equity plus Class B LP Units and is one of the components used to determine NAV per Unit. Management believes it is important to include Class B LP Units for the purpose of determining the REIT's capital management. Management does not consider the Class B LP Units to be debt or borrowings of the REIT for capital management purposes. Refer to "Third Quarter Highlights and Key Performance Indicators - Distribution Reduction, Reallocation and Suspension of DRIP" for the calculation.

Occupancy is measured as the number of square feet under contract to lease (including contractual move-ins) as at the applicable reporting date, divided by the total of leasable square footage of the applicable property or group of properties owned by the REIT. This measure is calculated for an individual property or group of properties, as applicable.

WALT is measured as the remaining term between the applicable reporting date and ultimate expiry of the contractual leases in place as at the applicable reporting date, pro-rated based on the total revenue of all applicable contracts as at the applicable date. This measure is calculated for an individual property or group of properties, as applicable.

ESG STRATEGY AND PROGRAM

The REIT has developed an environmental, social and governance ("ESG") strategy that aligns with the REIT's mission, vision and objectives, and supports long-term value creation. The strategy identifies the REIT's key ESG priorities, goals, actions and performance measures, and will continue to evolve over time as the REIT progresses and adapts to the changing operating and investing environments.

ESG Governance Structure

The success of the strategy relies on the commitment and oversight from the Board of Trustees ("Board"). The Board is responsible for the oversight of the strategy and initiatives developed by management and Starlight. The Governance, Compensation & Nominating Committee of the REIT ("GC&N Committee") oversees and monitors the REIT's performance against the strategy.

Pursuant to the Board's mandate, the Board oversees and monitors the REIT's policies and practices related to the strategy and the alignment of the strategy with the REIT's overall business objectives. The Board is required to satisfy itself that the REIT has developed and implemented appropriate ESG standards in the conduct of its operations. At least annually, together with Starlight, the Board reviews the REIT's ESG reporting and verifies compliance with any applicable legal and regulatory requirements related to ESG disclosure.

Pursuant to the charter of the Audit Committee, members of the Audit Committee are required to satisfy themselves that adequate procedures and controls are in place for the review of the metrics, key performance indicators and other quantitative data included in the REIT's public disclosure including with respect to ESG reporting.

Pursuant to the charter of the GC&N Committee, the GC&N Committee is required to review the REIT's diversity policy at least annually and take into consideration the diversity policy when establishing qualifications for potential trustees and officers. In addition, the charter provides that the GC&N Committee is required to review, on a periodic basis, the REIT's governance practices in relation to its ESG program, including assessing and making recommendations regarding the Board's level of ESG education and expertise; and must review the REIT's public disclosure related to its ESG policies and practices.

Pursuant to the charter of the Investment Committee, the Investment Committee must review all proposed investments prior to approval for alignment with the REIT's ESG program and strategy.

ESG Disclosure Standards

The REIT's strategy is aligned with external standards and best practices, including the GRI Universal Standards (2021) and the Global Real Estate Sustainability Benchmark ("GRESB"). The REIT has also taken guidance from the ISSB IFRS Sustainability Standards S1 General Requirements for Disclosure of Sustainability-related Financial Information and S2 Climate-related Disclosures. These standards help shape the REIT's commitments and ensure accountability in its data, initiatives and goals. The REIT submitted its second submission in 2024 with GRESB and achieved 80 points resulting in a 3-star rating.

The REIT's commitments are also aligned with the United Nations' Sustainable Development Goals ("UN SDGs"), a set of integrated goals that call on countries and industries to help end poverty, protect the planet and ensure peace and prosperity. The REIT's ESG strategy contributes to the following UN SDGs: (a) good health and well-being; (b) quality education; (c) gender equality; (d) decent work and economic growth; (e) industry, innovation and infrastructure; (f) Sustainable cities and communities; (g) climate action; and (h) partnerships for the goals.

Importance of ESG

The REIT has engaged its stakeholders to determine the ESG initiatives that are most important to its Unitholders, partners and communities, and where the REIT has a significant impact. Conducting this exercise determines the most relevant ESG programs for the REIT to address. The resulting matrix is a cumulative product of extensive research, workshops, one-on-one discussions and data cross-referencing from across the REIT's industry and Starlight's employees.

This matrix has assisted the REIT to develop a strategy that embeds ESG in every aspect of its business, including operations, investment activities and trust functions, to: (a) promote resource efficiency, cost savings and minimizes environmental degradation; (b) increase property values, contribute to stakeholder satisfaction, and drive long-term NAV growth for Unitholders; (c) drive the appeal of the Properties, helping to attract and retain tenants and build lasting collaborative relationships; and (d) manage risk and comply with evolving regulations and insurance requirements while enhancing operations, management and governance practices.

ESG Commitment

The REIT's core ESG commitments are as follows:

Social Impact: The REIT aims to bring value to local communities, enhance resident well-being and provide healthy and equitable living and working spaces;

Operations and Development: The REIT aims to create and maintain low-carbon, resource efficient, resilient spaces and complete communities; and

Transparency and accountability: The REIT aims to demonstrate transparency in our governance practices and proactively respond to existing and future risks.

ESG Initiatives and Results

The REIT has developed short and long-term initiatives and targets around ESG, including the following:

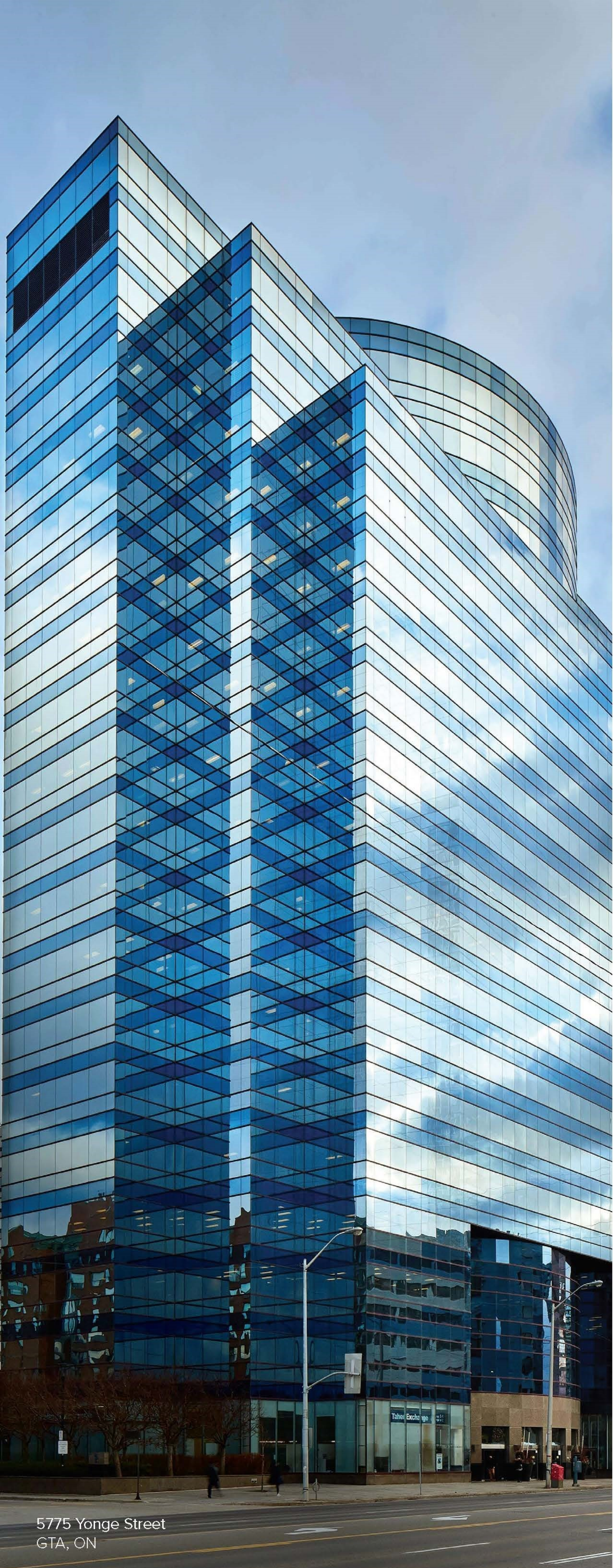
Carbon emissions	• Aim to achieve net zero operational carbon emissions intensity across all scopes by 2050 • Reduced carbon emissions, energy, and water use by 2% annually or 10% over 5 years (annually) • 2019 (baseline year) - 2023 Like for Like ("L4L") figures: ◦ Energy L4L - 1.5% decrease ◦ Carbon L4L - 3.2% decrease ◦ Water L4L - 3.4% decrease
Resource consumption	• Increase number of buildings with ENERGY STAR scores to 100% in 2024 - approximately 68% in 2023 • Increase whole building energy and water data to 100% by 2024 - approximately 88% in 2023 • Increase waste data coverage to 100% in 2024 - approximately 68% in 2023 • Target to achieve 85% waste diversion by 2025 - approximately 23.3% diversion rate achieved in 2023 • Approximately 50% of the Properties have waste reduction plans based on green building certifications including BOMA Best, LEED® and FITWEL®
Climate risk	• Completed climate risk assessments in 2023 • Together with a consultant, the REIT completed both physical and transition climate risks for its Properties. The assessment provided an overview of the most material physical and transition risks to its Properties, as well as recommendations on how to manage these risks to improve climate resilience
Transparency and accountability	• Engage with 100% of property managers and tenants on ESG activities (annually) • Increase green building certification to 75% by 2025 - approximately 52% in 2023
Social impact	• Improve/create amenities at certain Properties (i.e, tenant lounge, gym, café) • Engage tenants on ESG through the REIT's property managers running events and campaigns that relate to supporting the environment and/or health and wellness of tenants

Progress on ESG Initiatives:

The REIT continues its commitment to environmental leadership and reducing its environmental footprint through the undertaking of green building certifications. These certifications evaluate buildings from both an environmental and social impact to enhance sustainability and tenant satisfaction.

See “Property Portfolio – Description of the Properties” in the section in the annual information form of the REIT dated March 19, 2024 (the “AIF”) for a complete list of all certifications.

The REIT understands that its actions have an impact, not only on the communities where its Properties are located, but also on local and national communities and it is committed to creating a sustainable future that benefits our Unitholders, partners and investors.


5775 Yonge Street
GTA, ON

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BASIS OF PRESENTATION

The REIT's condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 and 2023 have been prepared in accordance with IFRS interim financial reporting. The REIT's presentation currency is the Canadian dollar. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of dollars, except for Unit and per Unit information.

Certain time periods used in this MD&A are used interchangeably such as three and nine months ended September 30, 2024 ("Q3-2024") and ("YTD-2024"), respectively, three and nine months ended September 30, 2023 ("Q3-2023") and ("YTD-2023"), respectively, three months ended June 30, 2024 ("Q2-2024"), three months ended March 31, 2024 ("Q1-2024"), and three months ended December 31, 2023 ("Q4-2023").

On November 24, 2023, the REIT executed a consolidated of its Units, special voting Units of the REIT and the Class B LP Units on the basis of 5.75:1. All Units (including Class B LP Units) and per Unit amounts included in this MD&A have been retroactively adjusted to reflect the Unit Consolidation.

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 September 30, 2024, the REIT owned and operated a portfolio of 40 office properties across Canada consisting of approximately 4.6 million square feet of gross leasable area ("GLA").

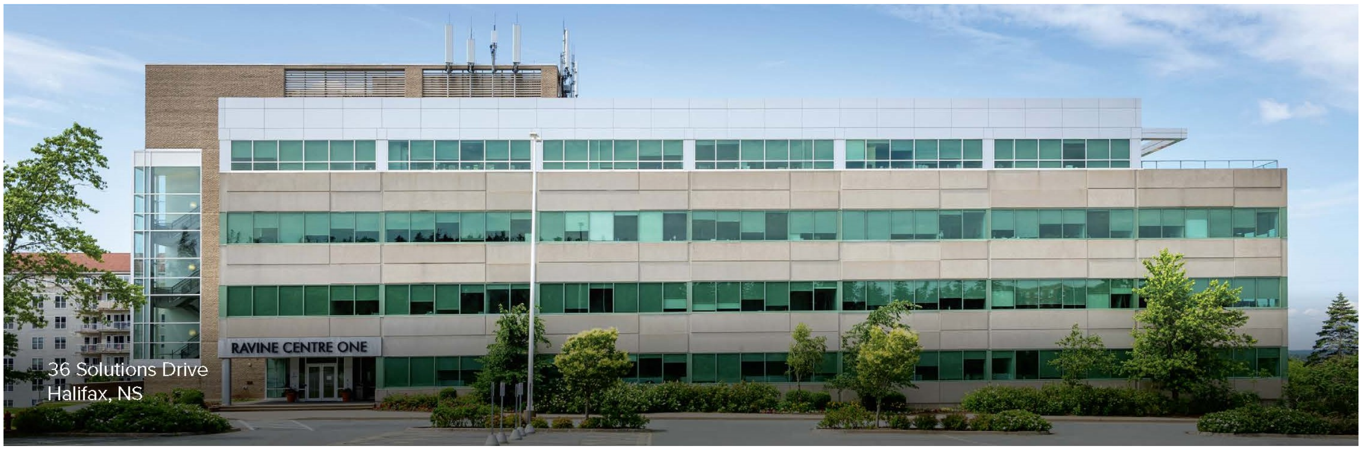
The long-term objectives of the REIT are to:

- 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.

In the current environment, the REIT's short-term objectives are to:

- optimize asset performance through maintaining high levels of occupancy;
- maintain high tenant concentration of government and credit rated tenants;
- execute an effective leasing strategy in a challenging environment;
- leverage strong relationships with lenders to continue to renew maturing debt; and
- evaluate and pursue dispositions of certain non-core 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.

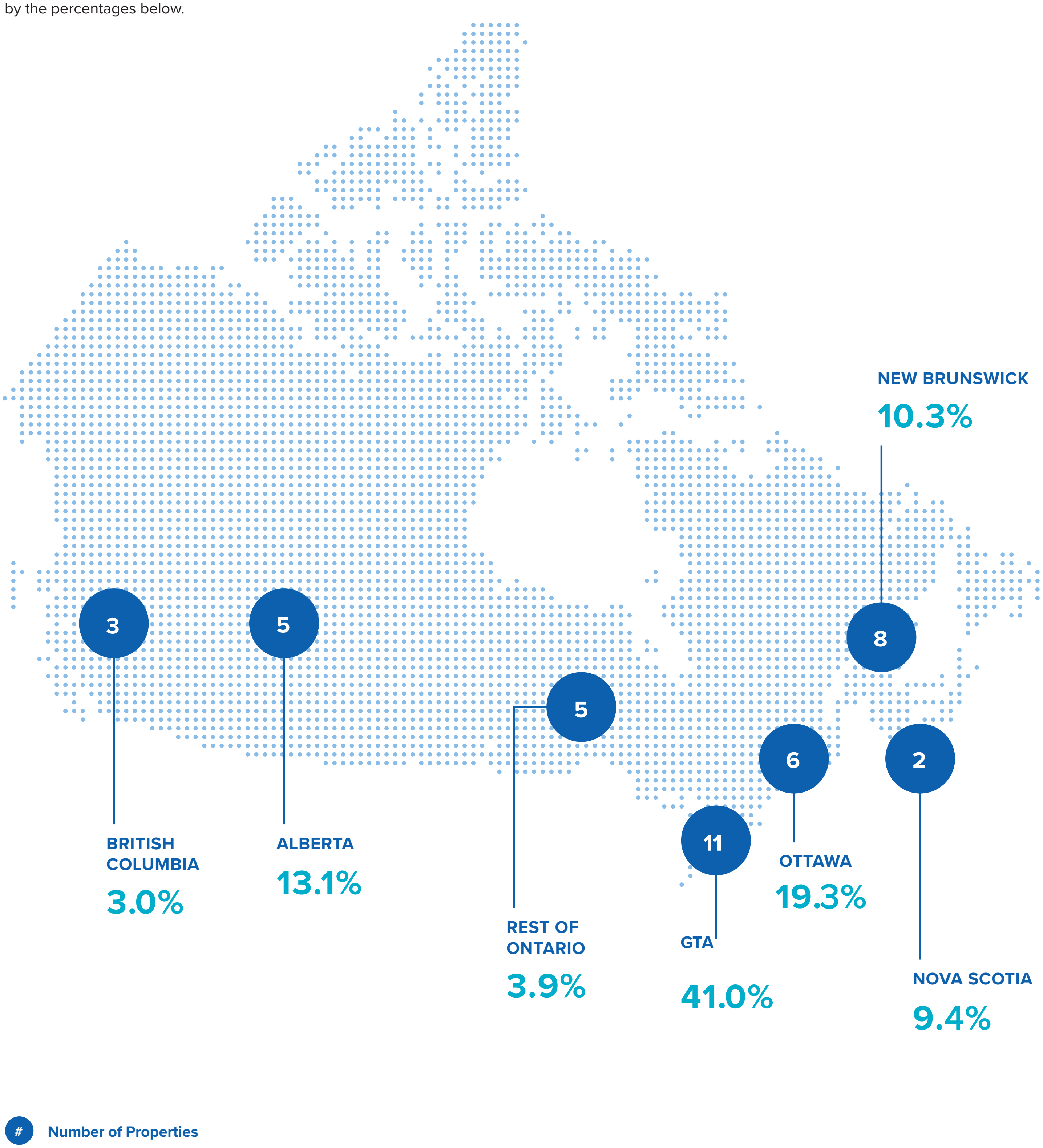


PORTFOLIO OVERVIEW

As at September 30, 2024, the REIT's portfolio was comprised of 40 office properties totaling approximately 4.6 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 September 30, 2024 is denoted by the percentages below.



TENANT PROFILE

Top 20 tenants account for 69% of revenue. Approximately 76% of the REIT's portfolio revenue is generated by government and credit rated tenants

41%

government tenants

+

35%

credit rated tenants

=

76%

total government and credit rated tenants

Top 20 tenants as at September 30, 2024:

TENANT	% OF GROSS REVENUE	GLA	REMAINING LEASE TERM[1]
Federal Government of Canada	16.5%	698,300	4.7 years
Province of Alberta	10.9%	395,100	3.5 years
Province of Ontario	6.7%	241,700	3.2 years
General Motors of Canada Company	3.9%	154,800	3.2 years
TD Insurance	3.5%	160,600	1.9 years
Province of British Columbia	3.2%	125,100	2.8 years
Province of New Brunswick	3.1%	163,100	3.5 years
Intact Insurance Co.	3.0%	104,500	4.0 years
Lumentum Ottawa Inc.	2.4%	148,100	3.3 years
Staples Canada ULC	2.1%	122,000	9.0 years
EMS Technologies Canada, Ltd.	1.8%	107,200	6.9 years
Smucker Foods of Canada Corporation	1.6%	60,800	0.2 years
WSP Canada Inc.	1.5%	60,000	4.5 years
Paymentus (Canada) Corporation	1.5%	55,800	6.5 years
Stantec Consulting Ltd.	1.4%	54,700	4.7 years
ADP Canada Co.	1.4%	65,600	1.7 years
Ceridian Canada Ltd.	1.3%	37,500	1.4 years
Concentrix Technologies Services Limited	1.0%	41,500	5.3 years
Astellas Pharma Canada, Inc.	1.0%	32,400	1.6 years
AllStream Business Inc.	1.0%	31,400	5.5 years
Total	**68.8%**	**2,860,200**	**3.9 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
40%	**25%**	**14%**	**13%**	**8%**

LEASING ACTIVITY

As of September 30, 2024, the REIT's occupancy was 93% (88% including investment properties held for sale) with a WALT of 4.3 years. The REIT has identified two additional properties that have been classified as held for sale during Q3-2024 as the REIT has identified these as non-core assets (see "Asset Profile - Investment Properties" for further details). The REIT's core portfolio occupancy excluding held for sale assets increased to approximately 93% relative to approximately 90% in Q2-2024 as a result of the REIT focusing on the disposition of these non-core assets.

The following table summarizes the leasing activity for Q3-2024:

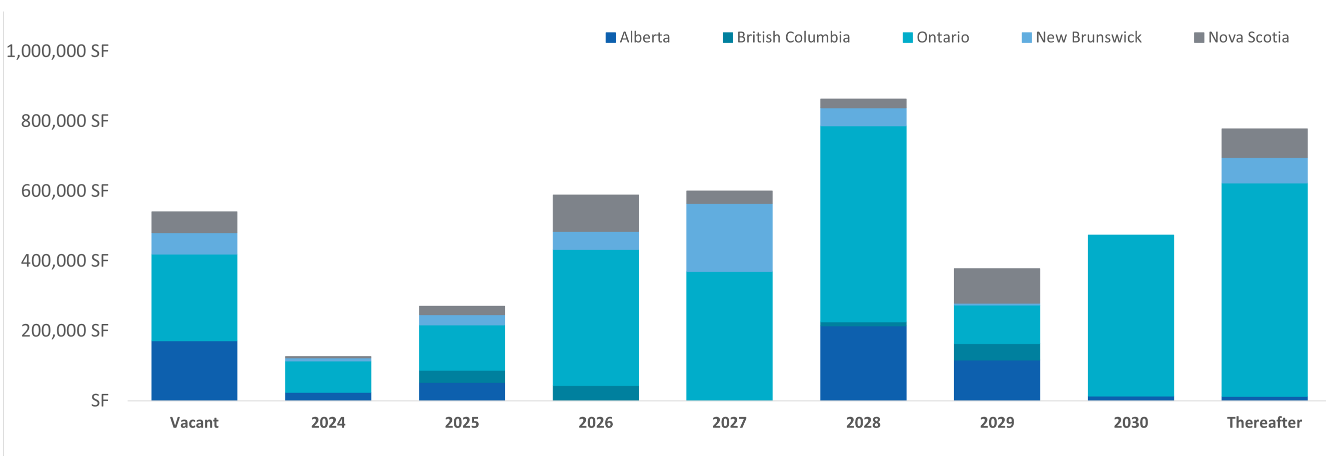
	New lease deals		Lease renewals and relocation		
	Leasable area	WALT	Leasable area	WALT	% increase in rents
Q3-2024	66,500 SF	9.2 YR	72,400 SF	4.9 YR	0.9%
YTD-2024	186,300 SF	8.2 YR	245,800 SF	3.7 YR	-1.6%

In Q3-2024, the REIT completed 66,500 square feet of new leases concentrated in Ontario, Nova Scotia and Alberta with a WALT of 9.2 years, along with 72,400 square feet of renewals with a WALT of 4.9 years and a positive rent spread of 0.9%. The Q3-2024 new leases consists of approximately 15,000 square feet of expansions in Nova Scotia, as well as ten and eleven year terms with credit rated tenants in the Greater Toronto Area ("GTA") for 17,500 and 12,000 square feet, respectively. The lower leasing spread in YTD-2024 was primarily due to a specific tenant lease entered into at 6925 Century Avenue in Q2-2024. Excluding the renewal noted at 6925 Century Avenue, the REIT had positive renewal spreads of 3.2% for YTD-2024.

The successful new leases and renewals completed to date continues to demonstrate the REIT’s focus on maintaining strong relationships with its tenants and reinforces our strategic focus on securing and retaining government and credit-worthy tenants.

Lease Rollover Profile

Lease maturities are based on the square footage of the REIT's leases. As at September 30, 2024, the lease rollover profile was as follows[(1)]:



[(1)] Inclusive of investment properties held for sale

THIRD QUARTER HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

The REIT's occupancy excluding investment properties held for sale at the end of Q3-2024 was 93% with a WALT of 4.3 years (88% and 4.3 years including investment properties held for sale). As at September 30, 2024, 76% of revenue continues to be generated from government and credit rated tenants.

	Three months ended September 30		Nine months ended September 30	
	2024	**2023**	**2024**	**2023**
Portfolio				
Number of properties[1]			40	44
Portfolio GLA[1]			4,619,600 sf	4,791,500 sf
Occupancy[1][2]			93 %	93 %
WALT[1][2]			4.3 years	4.4 years
Revenue from government and credit rated tenants[1]			76 %	78 %
Financial				
Revenue	$ 30,437	$ 32,789	$ 95,226	$ 99,337
NOI[3]	16,257	18,082	50,364	55,202
Net loss and comprehensive loss	(3,383)	(42,472)	(5,793)	(34,684)
Same Property NOI[3]	19,820	19,195	59,288	57,194
FFO[3]	$ 9,114	$ 10,351	$ 27,894	$ 31,770
FFO per Unit - basic[3]	0.61	0.63	1.82	1.93
FFO per Unit - diluted[3]	0.61	0.63	1.82	1.93
AFFO[3]	$ 9,513	$ 10,101	$ 28,671	$ 31,148
AFFO per Unit - basic[3]	0.64	0.61	1.87	1.89
AFFO per Unit - diluted[3]	0.64	0.61	1.87	1.89
AFFO payout ratio - diluted[3]	— %	69 %	— %	83 %
Distributions declared	$ —	7,012	$ —	$ 25,731

The REIT's Q3-2024 revenue and NOI decreased relative to the same period in 2023 by 7% and 10%, respectively (YTD-2024 - 4% and 9%, respectively), primarily due to the disposition activity in 2023 and 2024 (the “Primary Variance Drivers”), which was partially offset by Q3-2024 normalized Same Property NOI growth of 1.5% (see "Same Property Analysis"). The normalized Same Property NOI growth was primarily due to the REIT maintaining stable occupancy relative to Q3-2023 at approximately 93% (excluding held for sale properties) as well as contractual rent increases.

The REIT’s Q3-2024 FFO and AFFO decreased $1,237 and $588, respectively when compared to the same period in 2023 primarily due to the Primary Variance Drivers and reduction in occupancy for the REIT's held for sale properties, which was partially offset by Same Property NOI growth (see "Same Property Analysis"). The REIT's YTD-2024 FFO and AFFO decreased $3,876 and $2,477, respectively due to the same factors as outlined for Q3-2024. Same property interest costs (excluding the impact of properties' disposed during 2023 and 2024) remained relatively stable with the REIT's weighted average interest rate declining from approximately 4.03% in Q3-2023 to 3.90% during Q3-2024 primarily as a result of the repayment of first mortgages on the properties disposed during 2023 and 2024 which carried a higher weighted average interest rate. During Q3-2024, the REIT also completed the refinancing of $15,516 of first mortgages at a weighted average interest rate of 4.95%. The REIT is also focused on renewing the remaining 2024 debt maturities with large Canadian financial institutions with whom the REIT and their asset manager have strong relationships.

Q3-2024 FFO basic and diluted per Unit decreased from $0.63 in Q3-2023 to $0.61, whereas AFFO basic and diluted per Unit increased from $0.61 to $0.64 over the comparable period. YTD-2024 FFO and AFFO basic and diluted per Unit decreased $0.11 and $0.02 to $1.82 and $1.87, respectively, compared to YTD-2023, primarily due to the factors described above for FFO and AFFO partially offset by the reduction in the number of Units repurchased under NCIB program.

[1] This is presented as at the end of the applicable reporting period, rather than for the quarter. [2] Excluding assets held for sale. [3] This is a non-IFRS financial measure, refer to “Non-IFRS Financial Measures”.

Disposition Activity

The REIT completed the following dispositions during the nine months ended September 30, 2024:

Property	Closing Date	GLA	Sale Price	Net Proceeds[1]
251 Arvin Avenue, Hamilton, Ontario	April 08, 2024	6,900	$ 2,700	$ 2,557
6865 Century Avenue, Mississauga, Ontario	April 10, 2024	63,800	15,300	14,823
135 Hunter Street East, Hamilton, Ontario	April 22, 2024	24,400	6,375	6,136
9200 Glenlyon Parkway, Burnaby, British Columbia	June 27, 2024	90,600	37,000	35,891
			$ 61,375	$ 59,407

The dispositions of these non-core properties allowed the REIT to capitalize on available liquidity in the market. All four properties were sold under favourable terms for more than their initial purchase price unlocking proceeds used to repay existing indebtedness on its Credit Facility and the continued repurchase of units under it's NCIB. All these properties were classified as investment properties held for sale as at December 31, 2023, except for 9200 Glenlyon Parkway which was classified under investment properties held for sale as at March 31, 2024.

Distribution Reduction, Reallocation and Suspension of DRIP

On March 14, 2023, 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 “Distribution Reduction”). The new distribution commenced on April 17, 2023 to Unitholders of record on March 31, 2023.

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

On November 13, 2023, the Board determined that the most effective use of available capital was to reallocate substantially all distribution amounts to purchase Units under the 2023 normal course issuer bid (the "2023 NCIB") or through other acquisition programs (the "Distribution Reallocation"). The REIT's reallocation of the distribution amounts to 2023 NCIB, was immediately accretive to Unitholders and reflected the most compelling near term opportunity to increase Unitholders value and per Unit growth at that time.

As at September 30, 2024, the REIT's NAV per Unit was $29.85 resulting in the REIT's Unit price trading at a significant discount at that point in time. The REIT will evaluate the reinstatement of a distribution as operating and capital market conditions improve. The table below calculates the REIT's NAV per Unit as at September 30, 2024 and December 31, 2023:

	September 30, 2024		**December 31, 2023**	
	Units	Amount	Units	Amount
Unitholders' equity	14,303,080	$ 433,910	15,676,644	$ 452,804
Add: Class B LP Units	418,714	5,570	420,887	4,231
Total equity (including Class B LP Units)[2]	14,721,794	$ 439,480	16,097,531	$ 457,035
NAV per Unit[2]		$ 29.85		$ 28.39

[1] Net proceeds presented above represent the sale price less transaction costs incurred and excluding any repayment of the first mortgage on such property at the time of sale. The transaction costs incurred during the three and nine months ended September 30, 2024 of $1,969 were recorded to transaction costs on sale of investment properties in the condensed consolidated interim statement of loss and comprehensive loss.
[2] This is a non-IFRS financial measure, refer to "Non-IFRS Financial Measures".

NCIB

On April 18, 2023, the REIT established the 2023 NCIB, as approved by the TSX. Under the 2023 NCIB, the REIT had 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 were cancelled.

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.

Up to September 30, 2024, the REIT had repurchased 1,147,532 Units for $10,501 at a weighted average price of $9.15 per Unit under the 2023 NCIB (of which 784,420 were repurchased during YTD-2024 at a weighted average price of $9.20) which represented an inferred distribution yield of approximately 18.7%[1]. During YTD-2024, under the 2024 NCIB, the REIT repurchased 595,326 Units for $5,669 for the weighted average price of $9.52 per Unit which represented an inferred distribution yield of approximately 17.9%[1]. In total, the REIT has repurchased 1,742,858 Units under the 2023 NCIB and 2024 NCIB from April 2023 to September 30, 2024.

Key Debt Metrics

	September 30, 2024	December 31, 2023
Indebtedness to GBV ratio[2]	61.0 %	61.9 %
Interest coverage ratio[2]	2.20 x	2.30 x
Indebtedness[2] - weighted average fixed interest rate	3.94 %	3.90 %
Indebtedness[2] - weighted average term to maturity	2.39 years	3.01 years

At the end of Q3-2024, the REIT had access to Available Funds[2] of approximately $63,804, representing an increase of $18,458 from Q4-2023, primarily due to the disposition of non-core assets during YTD-2024 as well as the amendment of the REIT's Credit Facility. In addition, the REIT had a weighted average term to maturity of 2.39 years in its mortgage portfolio with a weighted average fixed interest rate of 3.94%.

On May 14, 2024, the REIT amended its $60,000 Credit Facility with a Canadian chartered bank to increase the maximum facility amount to $75,000 and extended the maturity date to December 1, 2025. The Credit Facility continues to bear interest at 95 or 195 basis points per annum above the prime rate or over the Canadian Overnight Repo Rate Average ("CORRA"), respectively at the option of the REIT.

Subsequent Events

Subsequent to September 30, 2024, the REIT repurchased and cancelled an additional 91,000 Units for $1,154 under the 2024 NCIB at a weighted average price of $12.68 per Unit.

[1] Estimated using the $1.70775 per Unit distribution prior to reallocating funds used for distributions to the NCIB and the average market price the REIT repurchased Units at under the NCIB up to the date of this filing.
[2] This is a non-IFRS financial measure, refer to "Non-IFRS Financial Measures".

QUARTERLY INFORMATION

	Q3-2024	Q2-2024	Q1-2024	Q4-2023	Q3-2023	Q2-2023	Q1-2023	Q4-2022
Revenue	$ 30,437	$32,325	$32,464	$32,867	$32,789	$32,690	$33,858	$ 35,451
Property operating costs	(14,180)	(14,804)	(15,878)	(15,521)	(14,707)	(14,208)	(15,220)	(14,822)
NOI[1]	16,257	17,521	16,586	17,346	18,082	18,482	18,638	20,629
General and administration expenses	(1,713)	(1,549)	(1,540)	(1,333)	(1,349)	(1,525)	(1,433)	(1,874)
Finance costs	(8,143)	(8,627)	(8,600)	(8,812)	(8,756)	(8,418)	(8,200)	(8,109)
Transaction costs on sale of investment properties	—	(1,969)	—	(1)	(1,131)	—	(244)	—
Distributions on Class B LP Units	—	—	—	(60)	(181)	(185)	(313)	(375)
Fair value adjustment of Class B LP Units	(2,006)	311	337	956	584	2,734	5,861	(455)
Fair value adjustment of investment properties and investment properties held for sale	(6,236)	(12,703)	(1,898)	(11,814)	(50,087)	(11,832)	(6,472)	(31,803)
Unrealized (loss) gain on change in fair value of derivative instruments	(1,542)	(532)	253	(2,219)	366	1,537	(842)	82
Net (loss) income and comprehensive (loss) income	$ (3,383)	$ (7,548)	$ 5,138	$ (5,937)	$(42,472)	$ 793	$ 6,995	$(21,905)
FFO per Unit - basic[1]	$ 0.61	$ 0.65	$ 0.56	$ 0.59	$ 0.63	$ 0.65	$ 0.63	$ 0.77
AFFO per Unit - basic[1]	0.64	0.66	0.57	0.58	0.61	0.64	0.62	0.78
AFFO per Unit - diluted[1]	0.64	0.66	0.57	0.58	0.61	0.64	0.62	0.78
AFFO payout ratio - basic[1]	— %	— %	— %	25 %	69 %	67 %	110 %	110 %
AFFO payout ratio - diluted[1]	— %	— %	— %	25 %	69 %	67 %	111 %	110 %
Number of Properties	40	40	44	44	44	46	46	47
Occupancy rate[2]	93 %	90 %	90 %	89 %	93 %	93 %	93 %	93 %

Q3-2024 NOI decreased 7% compared to the previous quarter primarily due to higher termination income received from a tenant in the REIT's GTA Ontario portfolio during Q2-2024 and a decrease in NOI due to the Primary Variance Drivers partially offset by positive same property NOI growth.

General and administrative costs excluding unit based compensation were consistent between Q2-2024 and Q3-2024. Unit based compensation expense included within general and administrative costs increased primarily as a result of the increase in the trading price of the REIT.

Q3-2024 finance costs decreased during the quarter primarily due to lower interest costs as a result of the repayment of first mortgages resulting from the Primary Variance Drivers, as well as the repayments made towards the REIT's line of credit as a result of the disposition activity.

No distributions were paid on Class B LP Units in Q1-2024, Q2-2024 and Q3-2024 due to the Distribution Reallocation.

FFO and AFFO per Unit decreased $0.04 and $0.02 to $0.61 and $0.64 when compared to Q2-2024 primarily due to the decrease in NOI, partially offset by the reduction in Units under the 2024 NCIB.

No AFFO payout ratio was presented for Q1-2024, Q2-2024 and Q3-2024 as a result of the Distribution Reallocation.

The REIT's occupancy was stable for its core portfolio at approximately 93% between Q2-2024 and Q3-2024 (which excludes the three properties classified as held for sale as at the end of Q3-2024 for both periods).

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

(2) Excluding assets held for sale at that time. The increase in the REIT's occupancy from 90% in Q2-2024 to 93% in Q3-2024 is primarily as a result of the REIT focusing on the disposition of two non-core assets which were classified as held for sale commencing in Q3-2024.

ANALYSIS OF FINANCIAL PERFORMANCE

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Revenue	$ 30,437	$ 32,789	$ 95,226	$ 99,337
Expenses:				
Property operating	(9,363)	(9,699)	(30,041)	(28,800)
Realty taxes	(4,817)	(5,008)	(14,821)	(15,335)
NOI	16,257	18,082	50,364	55,202
Other income (expenses):				
General and administration expenses	(1,713)	(1,349)	(4,802)	(4,307)
Finance costs	(8,143)	(8,756)	(25,370)	(25,374)
Transaction costs on sale of investment properties	—	(1,131)	(1,969)	(1,375)
Distributions on Class B LP Units	—	(181)	—	(679)
Fair value adjustment of Class B LP Units	(2,006)	584	(1,358)	9,179
Fair value adjustment of investment properties and investment properties held for sale	(6,236)	(50,087)	(20,837)	(68,391)
Unrealized (loss) gain on change in fair value of derivative instruments	(1,542)	366	(1,821)	1,061
Net loss and comprehensive loss	$ (3,383)	$ (42,472)	$ (5,793)	$ (34,684)

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

The REIT's Q3-2024 revenue and NOI decreased relative to the same period in 2023 by 7% and 10%, respectively (YTD-2024 - 4% and 9%, respectively), primarily due to the disposition activity in 2023 and 2024 (the “Primary Variance Drivers”), which was partially offset by Q3-2024 normalized Same Property NOI growth of 1.5% (see "Same Property Analysis"). The normalized Same Property NOI growth was primarily due to the REIT maintaining stable occupancy relative to Q3-2023 at approximately 93% (excluding held for sale properties) as well as contractual rent increases.

Q3-2024 property operating expenses decreased by 3% compared to Q3-2023 due to lower repair and maintenance costs and utilities primarily resulting from the Primary Variance Drivers. YTD-2024 operating expenses increased by 4% relative to YTD-2023 primarily resulting from increases cleaning, repair and maintenance costs and utilities as a result of a higher physical building occupancy at the REIT's properties which are primarily recoverable by the REIT partially offset by the impact of the Primary Variance Drivers. The REIT's realty tax expenses decreased by 4% (YTD-2024 - 3%) primarily as result of the Primary Variance Drivers partially offset by increases in property taxes at certain properties which are recoverable by the REIT.

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 September 30		Nine months ended September 30	
	2024	**2023**	**2024**	**2023**
Number of properties	40	40	40	40
Revenue	$ 30,415	$ 31,000	$ 92,761	$ 92,731
Expenses:				
Property operating	(9,303)	(9,113)	(29,212)	(26,942)
Realty taxes	(4,817)	(4,843)	(14,523)	(14,409)
	$ 16,295	$ 17,044	$ 49,026	$ 51,380
Add:				
Amortization of leasing costs and tenant inducements	2,521	2,393	7,385	6,588
Straight-line rent	1,004	(242)	2,877	(774)
Same Property NOI	$ 19,820	$ 19,195	$ 59,288	$ 57,194
Less: properties held for sale included in the above	416	616	1,154	3,358
Same Property NOI excluding investment properties held for sale	$ 19,404	$ 18,579	$ 58,134	$ 53,836
Reconciliation to condensed consolidated interim financial statements:				
Acquisition, dispositions and investment properties held for sale	379	1,705	2,536	7,391
Amortization of leasing costs and tenant inducements	(2,521)	(2,428)	(7,402)	(6,735)
Straight-line rent	(1,005)	226	(2,904)	710
NOI	$ 16,257	$ 18,082	$ 50,364	$ 55,202

Occupancy[(1)]

	As at September 30	
	2024	**2023**
Alberta	93.3 %	93.1 %
British Columbia	100.0 %	100.0 %
New Brunswick	87.9 %	85.8 %
Nova Scotia	86.1 %	89.5 %
Ontario	94.7 %	94.1 %
Total	93.1 %	92.8 %

NOI

	Three months ended September 30			
	2024	**2023**	**Variance**	**Variance %**
Alberta	$ 3,216	$ 2,976	$ 240	8.1 %
British Columbia	795	776	19	2.4 %
New Brunswick	1,320	1,297	23	1.8 %
Nova Scotia	1,303	1,776	(473)	(26.6)%
Ontario	12,770	11,754	1,016	8.6 %
Total	$ 19,404	$ 18,579	$ 825	4.4 %

Q3-2024 Same Property NOI increased by 4% (YTD-2024 - 8%) compared to the same period in 2023 which normalized to exclude the impact of termination income and free rent credits in both periods would have been 1.5% primarily as a result of contractual rent increases. Q3-2024 Same Property NOI included termination income of approximately $46 (Q3-2023 - $404) and free rent credits of $76 (Q3-2023 - $981) for certain tenants in the REIT's Ontario portfolio.

Q3-2024 Alberta Same Property NOI increased by 8% primarily attributable to the slight increase in occupancy from Q3-2023 to Q3-2024 as well as the impact of contractual rent increases at certain properties. Q3-2024 British Columbia Same Property NOI increased by 2% primarily as a result of stable occupancy and contractual rent increases.

Q3-2024 New Brunswick Same Property NOI increased by 2% relative to Q3-2023 as a result of the increase in occupancy resulting from strong leasing activity in late 2023. Same Property NOI in Nova Scotia decreased due to lower occupancy from certain tenants not renewing upon lease maturity in Q4-2023 which was partially offset by contractual rent increases and new lease commencements.

[(1)] Excluding assets held for sale.

Q3-2024 Ontario Same Property NOI increased by 9% relative to Q3-2023 primarily due to new leases that commenced throughout 2023 and 2024 on previously vacant space in the GTA, higher rental revenue from a property in the Ottawa portfolio due to the free rent provided to the tenant in 2023 as part of the new lease term that commenced in 2023, partially offset by lower income in the rest of Ontario from the early termination of a tenant in 2023. Normalized Q3-2024 Ontario Same Property NOI growth (excluding the impact of termination income and free rent amounts in both periods) would have been 3.3%.

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 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".

General and administrative costs increased by 27% and 11%, respectively for Q3-2024 and YTD-2024 relative to the same period in the prior year primarily due to higher administrative costs and unit based compensation expenses impacted by increase in Unit price, partially offset by reductions in asset management fees from the Primary Variance Drivers and higher interest income earned on deposit funds held. Excluding the impact of unit based compensation expense, general and administrative costs for Q3-2024 and YTD-2024 would have been relatively consistent with prior year.

Finance Costs

The REIT's finance costs for the three and nine months ended September 30, 2024 and 2023 are summarized below. Finance costs exclude cash distributions and fair value adjustments on Class B LP Units.

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Interest on mortgages payable	$ 7,307	$ 8,049	$ 22,588	$ 23,250
Other interest expense and standby fees	422	386	1,539	1,078
Amortization of mortgage premiums	(7)	(8)	(23)	(25)
Amortization of financing costs	421	329	1,266	1,071
	$ 8,143	$ 8,756	$ 25,370	$ 25,374

Interest on mortgages payable was lower during Q3-2024 and YTD-2024 compared to prior year periods primarily due to lower interest costs as a result of the Primary Variance Drivers .

Other interest expenses and standby fees relate to amounts incurred on the Credit Facility which had a higher average principal amount outstanding during YTD-2024 compared to YTD-2023.

Distributions on Class B LP Units

Distributions declared were $nil in Q3-2024 (Q3-2023 - $181) and $nil YTD-2024 (YTD-2023 - $679). The decrease in distributions was due to the Distribution Reallocation.

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 loss of $2,006 in Q3-2024 was due to an increase in the trading price of the Units from $8.55 at June 30, 2024 to $13.34 at September 30, 2024. The fair value loss of $1,358 YTD-2024 was due to an increase in the trading price of the Units from $10.05 at December 31, 2023 to $13.34 at September 30, 2024.

Fair Value Adjustment of Investment Properties

The REIT has selected the fair value method to account for real estate classified as investment properties 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 and 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 the shift to hybrid working models and elevated 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 and nine months ended September 30, 2024, the REIT had a fair value loss of $6,236 and $20,837, respectively. The fair value loss was predominantly attributable to moderated leasing assumptions and increased capitalization rates in the REIT's Alberta portfolio.

The key valuation assumptions for the REIT’s investment properties as at September 30, 2024 and December 31, 2023 are as follows:

	2024	**2023**
Terminal and direct capitalization rates - range	5.50% to 9.50%	5.50% to 9.50%
Terminal and direct capitalization rate - weighted average	6.73 %	6.68 %
Discount rates - range	6.25% to 9.75%	6.00% to 9.75%
Discount rate - weighted average	7.26 %	7.16 %

The weighted average terminal and direct capitalization rate increased mainly as a result of increases in capitalization rates on a number of properties across the portfolio due to overall market conditions.

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 loss and comprehensive loss.

The notional principal amount of the outstanding interest rate swap contracts at September 30, 2024 was $70,411 (December 31, 2023 - $72,145). During the three and nine months ended September 30, 2024, the REIT recognized an unrealized loss on the change in fair value of the derivative instruments totaling $1,542 in Q3-2024 (Q3-2023 - gain $366) and loss of $1,821 in YTD-2024 (YTD-2023 - gain $1,061) primarily due to changes in future interest rate expectations during each applicable period.

Given the interest rate swap removes the floating rate exposure on the REIT's debt and replaces it with a fixed rate, the fair value represents the opportunity benefit (cost) of not maintaining floating rate debt that would be realized in the event the swap was 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 loss and comprehensive loss determined in accordance with IFRS, to FFO and AFFO is as follows:

	Three months ended September 30		Nine months ended September 30	
	2024	**2023**	**2024**	**2023**
Net loss and comprehensive loss	$ (3,383)	$ (42,472)	$ (5,793)	$ (34,684)
Add (deduct):				
Fair value adjustment of Unit-based compensation	192	(54)	300	(486)
Fair value adjustment of investment properties and investment properties held for sale	6,236	50,087	20,837	68,391
Fair value adjustment of Class B LP Units	2,006	(584)	1,358	(9,179)
Transaction costs on sale of investment properties	—	1,131	1,969	1,375
Distributions on Class B LP Units	—	181	—	679
Unrealized loss (gain) on change in fair value of derivative instruments	1,542	(366)	1,821	(1,061)
Amortization of leasing costs and tenant inducements	2,521	2,428	7,402	6,735
FFO	$ 9,114	$ 10,351	$ 27,894	$ 31,770
Add (deduct):				
Unit-based compensation expense	129	114	124	446
Amortization of financing costs	421	329	1,266	1,071
Rent supplement	—	743	—	2,228
Amortization of mortgage discounts	(7)	(8)	(23)	(25)
Instalment note receipts	12	13	36	41
Straight-line rent	1,005	(226)	2,904	(710)
Capital reserve	(1,161)	(1,215)	(3,530)	(3,673)
AFFO	$ 9,513	$ 10,101	$ 28,671	$ 31,148
FFO per Unit:				
Basic	$0.61	$0.63	$1.82	$1.93
Diluted	0.61	0.63	1.82	1.93
AFFO per Unit:				
Basic	$ 0.64	$ 0.61	$ 1.87	$ 1.89
Diluted	0.64	0.61	1.87	1.89
AFFO payout ratio:				
Basic	— %	69 %	— %	83 %
Diluted	— %	69 %	— %	83 %
Distributions declared	$ —	$ 7,012	$ —	$ 25,731
Weighted average Units outstanding (000s):				
Basic	14,880	16,429	15,350	16,439
Add:				
Unit options and incentive Units	15	6	13	5
Diluted	14,895	16,435	15,363	16,444

The REIT’s Q3-2024 FFO and AFFO decreased $1,237 and $588, respectively when compared to the same period in 2023 primarily due to the Primary Variance Drivers and reduction in occupancy for the REIT's held for sale properties, which was partially offset by Same Property NOI growth (see "Same Property Analysis"). The REIT's YTD-2024 FFO and AFFO decreased $3,876 and $2,477, respectively due to the same factors as outlined for Q3-2024.

Q3-2024 FFO basis and diluted per Unit decreased from $0.63 in Q3-2023 to $0.61, whereas AFFO basic and diluted per Unit increased from $0.61 to $0.64 over the comparative period. YTD-2024 FFO and AFFO basic and diluted per Unit decreased $0.11 and $0.02 to $1.82 and $1.87, respectively, compared to YTD-2023, primarily due to the factors described above for FFO and AFFO partially offset by the reduction in the number of Units repurchased under NCIB program.

AFFO basic and diluted payout ratio was nil% in Q3-2024 is a result of the Distribution Reallocation.

DISTRIBUTIONS

Following the Distribution Reduction, the REIT paid a monthly distribution to Unitholders of $0.1423 per Unit or $1.70775 per Unit on an annualized basis. As a result of the Distribution Reallocation, distributions were paused as of November 13, 2023.

Historically, the Board determines 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 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 until the distributions were paused on November 13, 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 September 30	Nine months ended September 30	Year ended December 31	
	2024	2024	2023	2022
Distributions declared	$ —	$ —	$ 28,068	$ 55,296
Add: DRIP and change in distributions payable	—	—	3,079	(6,665)
Cash distributions paid	$ —	$ —	$ 31,147	$ 48,631

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

	Three months ended September 30	Nine months ended September 30	Year ended December 31	
	2024	2024	2023	2022
Net (loss) income and comprehensive (loss) income	$ (3,383)	$ (5,793)	$ (40,621)	$ 16,532
Cash provided by operating activities	18,980	53,496	73,943	103,271
Less: Finance costs paid	(7,451)	(23,071)	(32,741)	(28,808)
Adjusted cash flow provided by operating activities	$ 11,529	$ 30,425	$ 41,202	$ 74,463
Declared basis:				
Shortfall of net (loss) income and comprehensive (loss) income over distributions	$ (3,383)	$ (5,793)	$ (68,689)	$ (38,764)
Excess of adjusted cash flow provided by operating activities over distributions	11,529	30,425	13,134	19,167
Cash basis:				
Shortfall of net (loss) income and comprehensive (loss) income over distributions	$ (3,383)	$ (5,793)	$ (71,768)	$ (32,099)
Excess of adjusted cash flow provided by operating activities over distributions	11,529	30,425	10,055	25,832

On November 13, 2023, the REIT paused distributions for both Units and Class B LP Units. The shortfalls in net (loss) income and comprehensive (loss) income in the comparative years ended December 31, 2023 and 2022 were primarily due to non-cash adjustments for fair value reduction in investment properties. Any shortfalls between cash provided by operating activities and distributions paid in 2023 and 2022 were covered by cash on hand.

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 September 30		Nine months ended September 30	
	2024	**2023**	**2024**	**2023**
Adjusted cash flow provided by operating activities	$ 11,529	$ 8,281	$ 30,425	$ 26,730
Change in finance costs payable	(278)	(147)	(1,056)	(258)
Rent supplement	—	743	—	2,228
Instalment note receipts	12	13	36	41
Capital reserve	(1,161)	(1,215)	(3,530)	(3,673)
Change in non-cash operating working capital	(589)	2,426	2,796	6,080
AFFO	$ 9,513	$ 10,101	$ 28,671	$ 31,148

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 AIF. Also see "Risks and Uncertainties".

As at September 30, 2024, the REIT had access to approximately $63,804 in cash and availability on the Credit Facility, representing an increase of $18,458 from Q4-2023, primarily due to the disposition of non-core assets during YTD-2024 as well as the amendment of the REIT's Credit Facility. The REIT's weighted average term to maturity of its mortgage portfolio was 2.39 years with a weighted average fixed interest rate of 3.94%.

On May 14, 2024, the REIT amended its $60,000 Credit Facility with a Canadian chartered bank to increase the maximum facility amount to $75,000 and extended the maturity date to December 1, 2025. The Credit Facility continues to bear interest at 95 or 195 basis points per annum above the prime rate or over the CORRA, respectively at the option of the REIT.

The REIT's Available Funds are as follows:

		September 30, 2024		December 31, 2023
Cash	$	9,674	$	8,946
Undrawn Credit Facility		54,130		36,400
Available Funds[1]	$	63,804	$	45,346

The REIT expects to be able to meet all of its obligations, including leasing 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 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 2024 and beyond. Future expenditures are expected to be funded through cash flow generated by operations, the Credit Facility and cash on hand. For the nine months ended September 30, 2024 and 2023, the REIT invested $20,152 and $10,304 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 for nine months ended September 30, 2024 and 2023 (where investment properties held for sale include 3650 Victoria Park Avenue, 80 Whitehall Drive, and 1020- 68th Avenue NE):

	Investment properties	Investment properties held for sale	Total
Balance, December 31, 2022	$ 1,340,583	$ 84,250	$ 1,424,833
Additions	10,012	292	10,304
Dispositions	—	(48,750)	(48,750)
Amortization of leasing costs, tenant inducements and straight-line rents	(3,994)	(316)	(4,310)
Fair value adjustment	(63,962)	(4,429)	(68,391)
Balance, September 30, 2023	1,282,639	31,047	1,313,686
Additions	4,623	—	4,623
Amortization of leasing costs, tenant inducements and straight-line rents	(1,713)	(20)	(1,733)
Fair value adjustment	(11,182)	(632)	(11,814)
Investment properties held for sale	(23,936)	23,936	—
Balance, December 31, 2023	1,250,431	54,331	1,304,762
Additions	15,502	4,650	20,152
Dispositions	—	(61,375)	(61,375)
Amortization of leasing costs, tenant inducements and straight-line rents	(7,940)	(92)	(8,032)
Fair value adjustment	(16,425)	(4,412)	(20,837)
Investment properties held for sale	(68,859)	68,859	—
Balance, September 30, 2024	$ 1,172,709	$ 61,961	$ 1,234,670

Additions

Additions to investment properties and investment properties held for sale for the nine months ended September 30, 2024 were $20,152, consisting of the following:

- Capital expenditures of $4,198 mainly for the replacement of induction units, roof replacements, painting and washroom upgrades; and
- Tenant inducements and leasing costs of $15,954, which include costs incurred to renew and secure new tenants.

Prepaid Expenses and Deposits

At September 30, 2024, the REIT had $4,336 in prepaid expenses and deposits, compared to $3,101 at December 31, 2023. The increase is mainly due to an increase in prepaid realty taxes.

DEBT

Mortgages Payable

The following table sets out, as at September 30, 2024, scheduled principal repayments and amounts maturing over each of the next five fiscal years:

	Scheduled principal payments	Debt maturing during the period	Total mortgages payable	Percentage of total mortgages payable	Weighted average interest rate of maturing debt	Scheduled interest payments
2024 - remainder of year	$ 5,495	$ 60,762	$ 66,257	8.9 %	3.44 %	$ 7,350
2025	14,918	197,327	212,245	28.4 %	3.43 %	21,510
2026	13,403	170,944	184,347	24.6 %	4.03 %	19,313
2027	9,114	78,910	88,024	11.8 %	5.13 %	11,509
2028	6,458	90,583	97,041	13.0 %	4.59 %	6,378
Thereafter	4,507	95,506	100,013	13.3 %	3.41 %	3,755
	$ 53,895	$ 694,032	$ 747,927	100.0 %	3.94 %	$ 69,815
Unamortized mark to market mortgage adjustments			104			
Unamortized financing costs			(2,486)			
			$ 745,545			

Mortgages payable had a weighted average fixed interest rate of 3.94% (December 31, 2023 – 3.90%) and a weighted average term to maturity of 2.39 years (December 31, 2023 – 3.01 years).

The mortgages payable associated with investment properties held for sale as at September 30, 2024 was $53,042 (December 31, 2023 - $42,372).

Credit Facility

On May 14, 2024, the REIT amended its $60,000 Credit Facility with a Canadian chartered bank to increase the maximum facility amount to $75,000, removed the $25,000 unsecured tranche and extended the facility to December 1, 2025. The Credit Facility continues to bear interest on cash advances at 95 basis points per annum above the prime rate or 195 basis points per annum over the CORRA, respectively at the option of the REIT.

As at September 30, 2024, the REIT had $20,870 of principal outstanding under the Credit Facility (December 31, 2023 - $23,600).

Indebtedness to GBV

As at September 30, 2024, the REIT's overall leverage, as represented by Indebtedness to GBV, a non-IFRS financial measure, was 61.0%. The maximum allowable ratio under the DOT is 75%. Below is a calculation of the REIT’s Indebtedness to GBV ratio as at September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
Total assets	$ 1,254,456	$ 1,323,672
Deferred financing costs	6,826	6,976
GBV[(1)]	1,261,282	1,330,648
Mortgages payable	745,545	797,393
Credit Facility	20,870	23,600
Unamortized financing costs and mark to market mortgage adjustments	2,382	3,289
Indebtedness[(1)]	$ 768,797	$ 824,282
Indebtedness to GBV ratio[(1)]	**61.0 %**	**61.9 %**

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

The REIT's Indebtedness to GBV of 61.0% as at September 30, 2024, representing a reduction from December 31, 2023 due to the repayment of first mortgages and the Credit Facility utilizing proceeds from the property dispositions occurring throughout 2024.

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 by the REIT's interest obligations for the period. Adjusted EBITDA, a non-IFRS financial measure, removes the non-cash impact of fair value changes and non-recurring items such as transaction costs on sale of investment properties from net loss and comprehensive loss. Refer to "Non-IFRS Financial Measures".

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

	Twelve months ended September 30	
	2024	**2023**
Net loss and comprehensive loss	$ (11,730)	$ (56,589)
Add (deduct):		
Interest expense	32,620	32,055
Fair value adjustment of Unit-based compensation	215	(479)
Transaction costs on sale of investment properties	1,970	1,375
Fair value adjustment of investment properties and investment properties held for sale	32,651	100,194
Fair value adjustment of Class B LP Units	402	(8,724)
Distributions on Class B LP Units	60	1,054
Unrealized loss (gain) on change in fair value of derivative instruments	4,040	(1,143)
Amortization of leasing costs, tenant inducements, mortgage premium and financing costs	11,488	10,175
Adjusted EBITDA[1]	$ 71,716	$ 77,918

	Twelve months ended September 30	
	2024	**2023**
Adjusted EBITDA	$ 71,716	$ 77,918
Interest expense	32,620	32,055
Interest coverage ratio	2.20 x	2.43 x

Interest coverage ratio for the period decreased as a result of lower Adjusted EBITDA due to the Primary Variance Drivers and lower occupancy on the REIT's held for sale properties. The REIT's interest expense increased slightly between the two periods presented primarily as a result of result of a higher weighted average interest rate on refinancings completed during 2023 and 2024, partially offset by reductions in interest resulting from the repayment of first mortgages of the properties disposed during 2023 and 2024.

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

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 loss and comprehensive loss.

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 September 30, 2024, there were 418,714 Class B LP Units issued and outstanding valued at $5,570 compared to 420,887 Class B LP Units valued at $4,231 as at December 31, 2023. The change in value is due to an increase in the Unit price from $10.05 at December 31, 2023 to $13.34 at September 30, 2024.

The number of Class B LP Units outstanding as at November 12, 2024 remained unchanged.

UNITHOLDERS' EQUITY

Outstanding Units

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

The following table summarizes changes in the Unit capital of the REIT for the nine months ended September 30, 2024:

	Units	Amount
Balance, December 31, 2023	15,676,644	$ 561,893
Issuance (repurchase) of Units:		
Exchange of Class B LP Units into Units	2,173	19
Incentive Units redeemed into Units	4,009	39
Units repurchased and cancelled under NCIB	(1,379,746)	(12,889)
Issuance and repurchase costs	—	(270)
Balance, September 30, 2024	14,303,080	$ 548,792

The number of Units outstanding as at November 12, 2024 is as follows:

Balance, September 30, 2024	14,303,080
Units repurchased and cancelled under NCIB	(91,000)
Balance, November 12, 2024	14,212,080

Incentive Unit Plan

The REIT has established an Incentive Unit Plan dated June 19, 2019 as amended and restated on March 21, 2022 and March 14, 2023 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, 2023	8,213	$ 273
Granted and reinvested	8,095	121
Redeemed	(626)	(22)
Fair value adjustment	—	(179)
Balance, September 30, 2023	15,682	193
Granted and reinvested	4,919	49
Fair value adjustment	—	(35)
Balance, December 31, 2023	20,601	207
Granted and reinvested	13,625	135
Fair value adjustment	—	115
Balance, September 30, 2024	34,226	$ 457

The number of Deferred Units outstanding as at November 12, 2024 remained unchanged.

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, January 1, 2023	16,217	$ 331
Granted and reinvested	16,849	326
Redeemed and expired	(15,134)	(301)
Fair value adjustment	—	(280)
Balance, September 30, 2023	17,932	76
Granted and reinvested	555	67
Fair value adjustment	—	(50)
Balance, December 31, 2023	18,487	93
Granted and reinvested	33,974	118
Redeemed and expired	(12,792)	(210)
Fair value adjustment	—	185
Balance, September 30, 2024	39,669	$ 186

The number of Restricted Units outstanding as at November 12, 2024 remained unchanged.

Short Form Base Shelf Prospectus

On February 17, 2022, the REIT filed a short-form base shelf prospectus ("Base Shelf Prospectus"). The Base Shelf Prospectus was 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. The Base Shelf Prospectus expired on March 17, 2024.

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, which has expired on March 17, 2024.

During the nine months ended September 30, 2024, the REIT did not issue Units (December 31, 2023 - nil) through the ATM program.

NCIB Program

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 were cancelled.

During the nine months ended September 30, 2024, the REIT repurchased and cancelled 784,420 Units for cash of $7,220, under the 2023 NCIB and 595,326 Units for cash of $5,669 under the 2024 NCIB (year ended December 31, 2023 - 363,112 Units for $3,281 under the 2023 NCIB).

On April 17, 2024, the REIT renewed 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.

Subsequent to September 30, 2024, the REIT repurchased and cancelled an additional 91,000 Units for $1,154 under the 2024 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. As at September 30, 2024, the REIT had entered into commitments for building renovations, capital upgrades and landlord work at certain properties totaling $1,570 (December 31, 2023 - $2,537).

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 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 Board) of the jurisdictions in which the investment properties are located.

(d) Capital expenditure fees 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 September 30		Nine months ended September 30	
	2024	**2023**	**2024**	**2023**
Asset management fees	$ 1,116	$ 1,173	$ 3,402	$ 3,545
Other expenses	41	24	111	122
	$ 1,157	$ 1,197	$ 3,513	$ 3,667

At September 30, 2024, $364 (December 31, 2023 - $414) was included in accounts payable and accrued liabilities. No incentive fees were earned and no acquisition fees or capital expenditure fees were charged for the three and nine months ended September 30, 2024 and 2023.

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 19, 2024 for the year ended December 31, 2023 and in the AIF. The annual MD&A and AIF are available on SEDAR+ at www.sedarplus.ca. 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, 2023.

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 condensed consolidated interim statements of loss and comprehensive 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 instalment 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 and nine months ended September 30, 2024 was a loss of $2,006 (Q3-2023 - gain of $584) and $1,358 (YTD-2023 - gain of $9,179), respectively.

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 and nine months ended September 30, 2024 was $1,542 (Q3-2023 - gain $366) and $1,821 (YTD-2023 - gain $1,061), respectively.

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

MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies applied by the REIT during Q3-2024 are consistent with those followed 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.

The REIT's critical judgments and estimates in applying accounting policies can be found in Section 1(c) on page 5 of the REIT's audited consolidated financial statements as at and for the year ended December 31, 2023.

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 and nine months ended September 30, 2024.

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 and nine months ended September 30, 2024.

OUTLOOK

During Q3-2024, National office vacancy remained fairly stable at 18.6% with net absorption at the national level reporting a reduction of 53,000 square feet. On a market by market basis, six of the ten major markets across Canada reported positive net absorption which was offset by softness in the remaining four markets including Vancouver and Montreal. CBRE continues to anticipate overall positive net absorption in 2024 which would be the first time since 2019 that such figures were reported underpinning the continued theme of challenging but improving trends in the office market as more and more employers focus on return to office. The divergence between downtown and suburban assets continued into Q3-2024 with downtown vacancy at 19.7% compared to a nationwide suburban rate of 17.3%. The REIT has continued to outperform vacancy metrics given the REIT’s focus on leasing to government and credit rated tenants, relationships with brokers and a strong focus on ensuring that new leases provide adequate consideration for tenants to develop their leased space in a manner that will help support their objectives as well as continue to position the REIT’s properties for long term capital appreciation.

According to a recent survey by Cisco Systems Inc., 76% of Canadian employers are mandating full or partial return to office policies in an effort to enhance productivity, team communication, and workplace culture. However, only 40% of employers believe that their current office lay out supports the ability to support these initiatives, which the REIT has continued to focus on during lease negotiations as noted above. Tenants continue to concentrate on high quality, modernized spaces with a variety of amenities in optimal locations that reduce employee commute times and enhance the employee experience. Over the past few years, the REIT has invested in capital expenditures, specifically geared towards tenant amenities and common spaces including lounges, gyms and cafés. The majority of the REIT's properties are located near urban areas outside of the downtown core with accessibility to transit, ample parking and numerous amenities. Management continues to support the REIT's tenants through various initiatives ensuring their employees find benefit in returning to the office environment.

The REIT's Alberta portfolio continues to experience challenging local market conditions but the REIT was able to achieve an increase in occupancy of 120 bps to 71.7% for Q3-2024 driven by leasing activity. Overall, the Alberta market experienced positive net absorption during the quarter and according to CBRE, surpassed all other markets except Toronto. In Nova Scotia, the REIT saw an increase in occupancy of 380 bps to 86.1% in Nova Scotia as the REIT continues to focus on leasing activity at these properties.

In October 2024, the Bank of Canada reduced its key interest rate by a further 50 basis points bringing the rate down to 3.75% with further rate cuts expected for the duration of 2024 as it continues to focus on rate reductions to ensure no significant reduction in economic activity while balancing the prospects of any potential increases in inflation. The REIT remains optimistic about the long-term demand for office space as the REIT believes the labor market will improve with strengthening of economic growth from the reduced interest rates.

Additional information relating to the REIT including the REIT’s annual information form, can be found on SEDAR+ at www.sedarplus.ca.

Dated: November 12, 2024

Toronto, Ontario, Canada

APPENDIX A - PROPERTY LISTING AT SEPTEMBER 30, 2024

	Property name	City	Occupancy	Remaining lease term[1]	GLA
	Alberta				
1	855 8th Avenue SW	Calgary	70 %	1.0 years	75,700
2	4500 & 4520 - 16th Avenue NW	Calgary	100 %	3.2 years	77,600
3	1020 68th Avenue NE	Calgary	— %	0.0 years	148,400
4	3699 63rd Avenue NE	Calgary	100 %	4.2 years	209,400
5	13140 St. Albert Trail	Edmonton	92 %	4.3 years	94,900
	Total Alberta		*71 %*	*3.6 years*	*606,000*
	British Columbia				
6	810 Blanshard Street	Victoria	100 %	0.3 years	34,400
7	727 Fisgard Street	Victoria	100 %	5.0 years	50,200
8	1112 Fort Street	Victoria	100 %	1.9 years	52,000
	Total British Columbia		*100 %*	*2.7 years*	*136,600*
	New Brunswick				
9	500 Beaverbrook Court	Fredericton	99 %	4.2 years	56,000
10	295 Belliveau Avenue	Shediac	100 %	2.3 years	42,100
11	410 King George Highway	Miramichi	75 %	6.7 years	72,700
12	551 King Street	Fredericton	92 %	3.1 years	85,300
13	495 Prospect Street	Fredericton	93 %	3.5 years	87,100
14	845 Prospect Street	Fredericton	49 %	3.4 years	38,600
15	414-422 York Street	Fredericton	97 %	3.6 years	33,000
16	440-470 York Street	Fredericton	90 %	2.8 years	60,200
	Total New Brunswick		*88 %*	3.7 years	*475,000*
	Nova Scotia				
17	36 & 38 Solutions Drive	Halifax	83 %	5.1 years	130,200
18	120, 130, 134 & 140 Eileen Stubbs Avenue	Halifax	88 %	4.3 years	302,300
	Total Nova Scotia		*86 %*	4.6 years	*432,500*

[1] Weighted by annualized gross revenue

	Property name	City	Occupancy	Remaining lease term[1]	GLA
	Ontario				
19	1595 16th Avenue	Richmond Hill	100 %	5.8 years	123,300
20	61 Bill Leathem Drive	Ottawa	100 %	3.3 years	148,100
21	777 Brock Road	Pickering	100 %	3.4 years	98,900
22	6925 Century Avenue	Mississauga	92 %	5.8 years	254,900
23	675 Cochrane Drive	Markham	81 %	3.9 years	379,500
24	1161 Crawford Drive	Peterborough	100 %	2.5 years	32,500
25	520 Exmouth Street	Sarnia	100 %	2.2 years	34,700
26	3115 Harvester Road	Burlington	89 %	5.5 years	79,000
27	340 Laurier Avenue West	Ottawa	100 %	5.3 years	279,800
28	400 Cumberland Street	Ottawa	98 %	4.3 years	174,400
29	400 Maple Grove Road	Ottawa	100 %	6.9 years	107,200
30	101 McNabb Street	Markham	100 %	2.6 years	315,400
31	78 Meg Drive	London	100 %	0.7 years	11,300
32	301 & 303 Moodie Drive	Ottawa	93 %	3.3 years	146,700
33	8 Oakes Avenue	Kirkland Lake	100 %	7.5 years	41,000
34	5160 Orbitor Drive	Mississauga	100 %	5.5 years	31,400
35	231 Shearson Crescent	Cambridge	91 %	6.2 years	62,400
36	6 Staples Avenue	Richmond Hill	100 %	9.0 years	122,000
37	2300 St. Laurent Boulevard	Ottawa	100 %	3.2 years	37,500
38	3650 Victoria Park Avenue	Toronto	33 %	5.8 years	153,700
39	80 Whitehall Drive	Markham	100 %	0.2 years	60,800
40	5775 Yonge Street	Toronto	90 %	4.2 years	275,000
	Total Ontario		*92 %*	4.5 years	*2,969,500*
	Average/Total portfolio		88 %	4.3 years	4,619,600

[1] Weighted by annualized gross revenue.

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