
Slate Office REIT

Q1 2021 Quarterly Report



SLATE

Experience
gives us the
knowledge to
execute quickly.





Blue Cross Centre, Moncton, NB

About Slate Office REIT

(TSX: SOT.UN)

Slate Office REIT is an owner and operator of North American office real estate. The REIT owns interests in and operates a portfolio of 34 strategic and well-located real estate assets across Canada's major population centres and includes two assets in downtown Chicago, Illinois. 60% of the REIT's portfolio is comprised of government or credit rated tenants. The REIT acquires quality assets at a discount to replacement cost and creates value for unitholders by applying hands-on asset management strategies to grow rental revenue, extend lease term and increase occupancy. Visit slateofficereit.com to learn more.

Slate Asset Management is a leading real estate focused alternative investment platform with approximately \$6.5 billion in assets under management. Slate is a value-oriented manager and a significant sponsor of all of its private and publicly traded investment vehicles, which are tailored to the unique goals and objectives of its investors. The firm's careful and selective investment approach creates long-term value with an emphasis on capital preservation and outsized returns. Slate is supported by exceptional people, flexible capital and a demonstrated ability to originate and execute on a wide range of compelling investment opportunities. Visit slateam.com to learn more.

Forward-looking Statements

Forward-looking Statements Certain information in this management's discussion and analysis ("MD&A") constitutes "forward-looking statements" within the meaning of applicable securities legislation. These statements reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of Slate Office REIT (the "REIT") including expectations for the current financial year, and include, but are not limited to, statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Statements that contain words such as "could", "should", "would", "can", "anticipate", "expect", "does not expect", "believe", "plan",

"budget", "schedule", "estimate", "intend", "project", "will", "may", "might", "continue" and similar expressions or statements relating to matters that are not historical facts constitute forward-looking statements. Some of the specific forward-looking statements contained herein include, but are not limited to, statements relating to the impact of the COVID-19 pandemic. These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on the REIT's current estimates and assumptions, which are subject to significant risks and uncertainties. The REIT believes that these statements are made based on reasonable assumptions; however, there is no assurance that the events or circumstances reflected in these forward-looking statements will occur or be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to the risks that are more fully discussed under the "Risk Factors" section of the annual information form of the REIT for

the year ended December 31, 2020 ("Annual Information Form"). Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: risks incidental to ownership and operation of real estate properties including local real estate conditions; financial risks related to obtaining available equity and debt financing at reasonable costs and interest rate fluctuations; operational risks including timely leasing of vacant space and re-leasing of occupied space on expiration of current leases on terms at current or anticipated rental rates; tenant defaults and bankruptcies; uncertainties of acquisition activities including availability of suitable property acquisitions and integration of acquisitions; competition including development of properties in close proximity to the REIT's properties; loss of key management and

employees; potential environmental liabilities; catastrophic events, such as earthquakes and hurricanes; governmental, taxation and other regulatory risks and litigation risks. Forward-looking statements included in this MD&A are made as of May 12, 2021, and accordingly are subject to change after such date. The REIT does not undertake to update any forward-looking statements that are included in this MD&A, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities laws. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. Investors are cautioned against placing undue reliance on forward-looking statements.

Highlights

34

Investment properties

6.9M

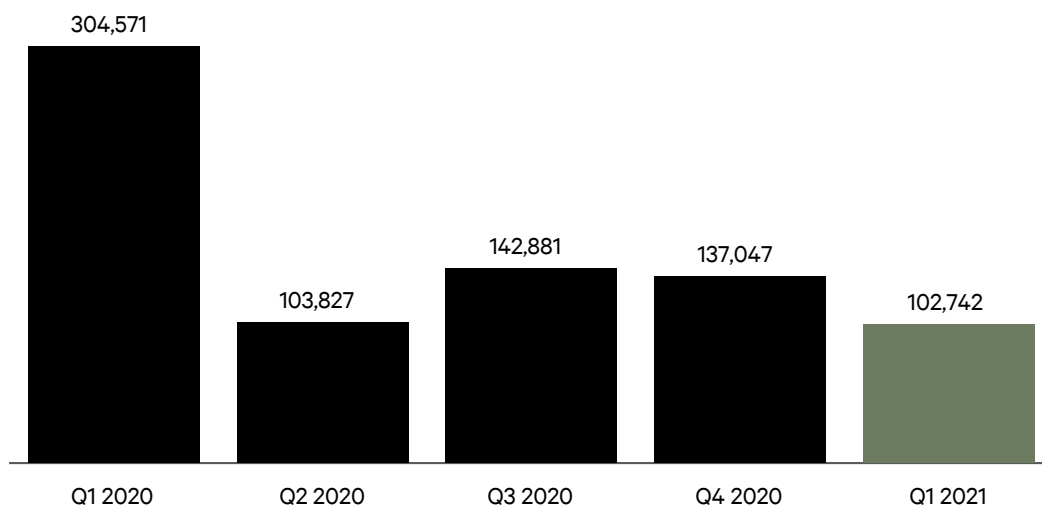
Square feet

\$1.7B

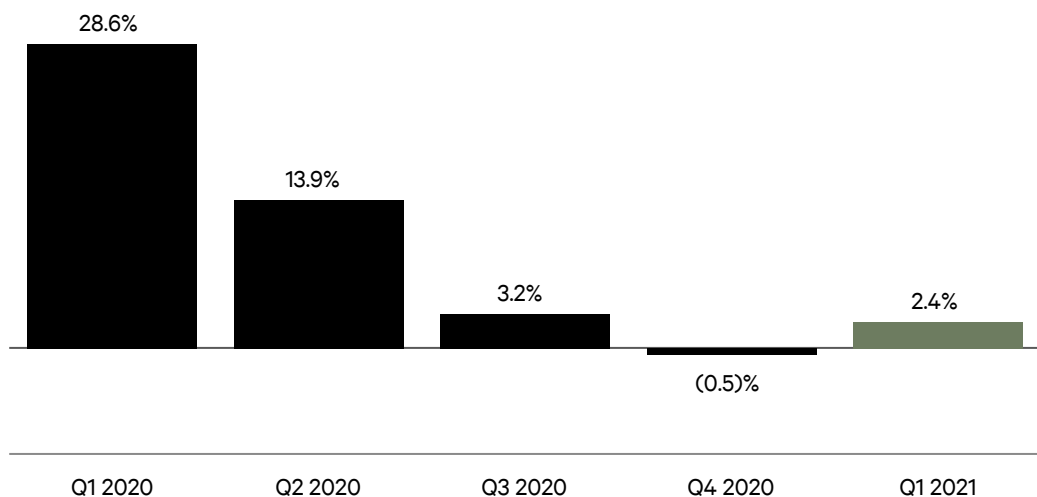
Total asset value

Strong Leasing Activity and Spreads

Total Leasing Activity (New and Renewal)



Total Leasing Spreads (New & Renewal)



Top 5 Tenants

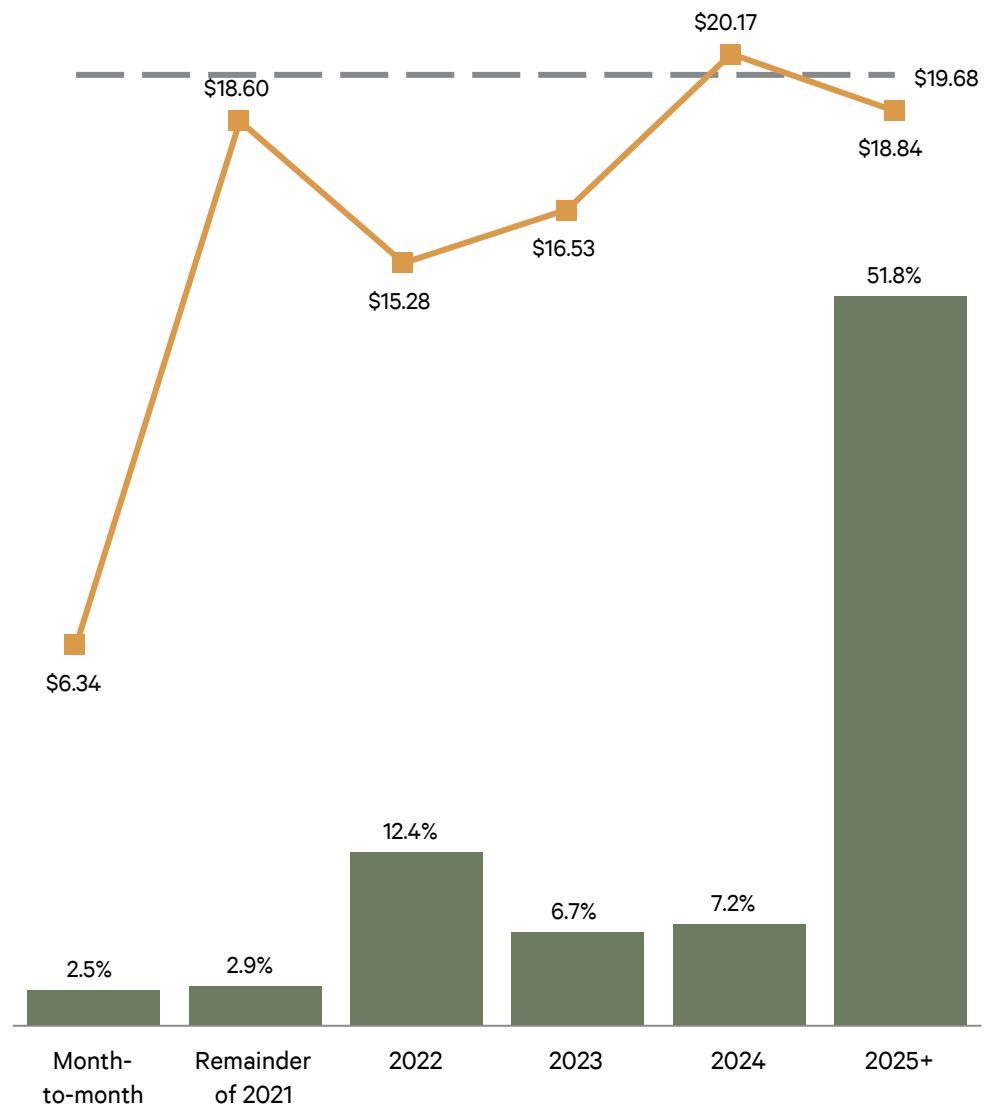
Ranked by Annual Base Rent*

1	7.2%	
2	7.2%	
3	7.1%	
4	5.5%	 Canada
5	3.5%	




60% of base rent is derived from government or credit rated tenants

* As at March 31, 2021

In-Place vs. Market Rents



Legend

-  Current Market Rent
-  Average Expiring Rent
-  Percentage of Portfolio Expiring

Slate.
Where value
investing meets
investors with
values.





Letter to Unitholders

Dear Fellow Unitholders,

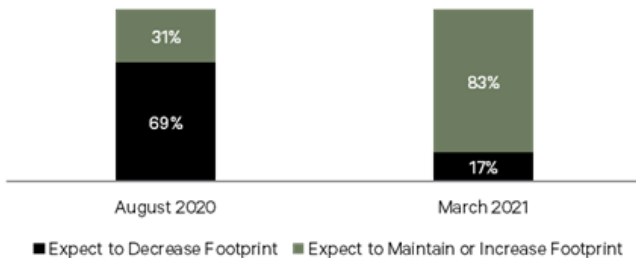
Sentiment towards the office sector is improving and we are seeing positive momentum in our business. The roll-out of vaccinations in North America is giving our tenants more confidence that their employees will return to the office later this year and, as a result, we are seeing more leasing activity and a willingness to make long-term real estate commitments. When you combine a gradual improvement in overall operating fundamentals with the durability of our income and our scalable platform, it makes for a compelling story.

The credit quality of our tenants has always been fundamental to our investment strategy and the resiliency of our cash flow is demonstrated during the pandemic. Approximately 60% of the REIT's income is generated from government and credit rated tenancies. The portfolio has a weighted average remaining lease term of 5.3 years with only 2.9% of the gross leasable area remaining to be renewed in 2021. This dependable cash flow allowed us, in the first quarter of 2021, to provide unitholders with an industry leading average distribution yield of 9.3%, which was well-covered with a 79.2% payout ratio.

Leasing in the quarter was strong - we completed 62,154 square feet of renewals and 40,588 square feet of new deals. We continued to demonstrate organic growth in our portfolio with an average rental rate increase of 2.4%. Subsequent to the quarter end, we completed a 10-year renewal with the Province of New Brunswick for over 100,000 square feet and we are seeing very good leasing momentum in all of our markets. We are still forecasting a rebound in new office leasing demand in the second half of 2021, which will partially close the gap between our current occupancy of 83.5% and where we expect portfolio occupancy to stabilize in the 90% - 92% range.

“In summary, we have a well-covered distribution, we are trading at a significant discount to NAV and we have a positive outlook on office real estate.”

The data from the KMPG 2021 CEO Outlook Pulse Survey (500 CEOs surveyed across 11 global markets) supports our positive outlook on office demand. It shows a stark contrast in views towards office space demand between August 2020 and March 2021:



This survey supports our view that business leaders are starting to see the adverse impacts working from home has had on culture, engagement, productivity and work-life balance. Companies like JPMorgan Chase & Co., the largest U.S. bank by assets, have already notified their U.S. employees that they will be returning to the office in July 2021. We expect to see similar announcements from other major employers over the coming months.

Notwithstanding our durable income and improving sentiment in the office sector, Slate Office REIT is trading at a ~49% discount to NAV. As the workforce starts to return to the office, we are optimistic the public markets will adjust valuations to be more in line with where office real estate is valued privately. The REIT's NAV is supported by recent market transactions as well as external appraisals, which were completed for 74% of the portfolio in 2020.

In summary, we have a well-covered distribution, we are trading at a significant discount to NAV and we have a positive outlook on office real estate. We have a tremendous opportunity to leverage our scalable platform of Slate Asset Management and continue to grow. The REIT has a history of being creative to unlock value when there is dislocation in the market and we are confident there will be many opportunities for the REIT to grow its asset base through accretive acquisitions. A larger asset base is critical for the REIT's long-term success as it will further diversify and stabilize our income and NAV, attract more institutional investors, reduce our cost of capital and further strengthen our balance sheet and liquidity.

We would like to wish you all health and happiness as the world starts to return to “normal” gradually throughout the year.

Thank you for your continued support.



Sincerely,
Steve Hodgson
Chief Executive Officer
May 12, 2021

Management's Discussion and Analysis

SLATE OFFICE REIT

TSX: SOT.UN

March 31, 2021

CONTENTS

PART I - OVERVIEW.....	13
PART II - LEASING AND PROPERTY PORTFOLIO.....	18
PART III - RESULTS OF OPERATIONS.....	23
PART IV - FINANCIAL CONDITION.....	37
PART V - ACCOUNTING AND CONTROL.....	46
PART VI - PROPERTY TABLE.....	48

FINANCIAL AND INFORMATIONAL HIGHLIGHTS

(in thousands, except per unit amounts and as otherwise stated)

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Summary of Portfolio Information					
Number of properties	34	34	36	36	36
Gross leasable area ("GLA") ¹	6,908,587	6,909,687	6,951,427	6,940,503	6,936,049
Total assets	\$ 1,674,255	\$ 1,679,207	\$ 1,694,187	\$ 1,695,859	\$ 1,700,643
Total debt	\$ 968,399	\$ 972,604	\$ 979,004	\$ 987,461	\$ 991,057
Occupancy ²	83.5%	84.2%	85.4%	86.8%	86.5%

	Three months ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Summary of Financial Information					
Revenue	\$ 43,161	\$ 43,436	\$ 45,852	\$ 44,604	\$ 49,694
Net operating income ("NOI") ³	\$ 21,345	\$ 21,118	\$ 24,040	\$ 23,411	\$ 22,995
Net income (loss)	\$ 18,638	\$ 6,644	\$ 16,221	\$ 5,689	\$ (14,906)
Funds from operations ("FFO") ³	\$ 9,634	\$ 8,625	\$ 13,066	\$ 12,735	\$ 12,408
Core-FFO ³	\$ 10,406	\$ 9,384	\$ 13,813	\$ 13,413	\$ 13,054
Adjusted FFO ("AFFO") ³	\$ 9,211	\$ 8,439	\$ 11,777	\$ 11,787	\$ 11,189
IFRS net asset value ("NAV") ³	\$ 639,464	\$ 627,504	\$ 629,904	\$ 623,277	\$ 629,983
Per Unit Financial Information					
Weighted average diluted number of trust units (000s)	73,266	73,246	73,227	73,203	73,278
Diluted units outstanding (000s)	73,277	73,263	73,244	73,225	73,201
IFRS NAV per unit ³	\$ 8.73	\$ 8.57	\$ 8.60	\$ 8.51	\$ 8.61
FFO per unit ³	\$ 0.13	\$ 0.12	\$ 0.18	\$ 0.17	\$ 0.17
Core-FFO per unit ³	\$ 0.14	\$ 0.13	\$ 0.19	\$ 0.18	\$ 0.18
AFFO per unit ³	\$ 0.13	\$ 0.12	\$ 0.16	\$ 0.16	\$ 0.15
Distributions per unit ³	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10
FFO payout ratio ³	75.8%	84.6%	55.9%	57.3%	58.9%
Core-FFO payout ratio ³	70.1%	77.8%	52.8%	54.4%	56.0%
AFFO payout ratio ³	79.2%	86.5%	62.0%	61.9%	65.3%

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Financial Data					
Loan-to-value ("LTV") ratio ³	58.0%	58.0%	57.8%	58.3%	58.3%
Weighted average debt interest rate	4.1%	4.1%	3.9%	3.9%	3.9%
Interest coverage ratio (times) ³	2.1x	2.2x	2.3x	2.3x	2.2x
Net debt to adjusted EBITDA ratio (times) ³	11.3x	11.1x	10.8x	10.6x	10.4x

¹Gross leasable area is presented at 100% of the building's GLA, without taking ownership percentage into consideration.

²Occupancy is presented at 100% of the building's GLA, without taking ownership percentage into consideration.

³The calculation of these non-IFRS financial measures and a reconciliation to relevant IFRS measures are included in Part III and IV.

PART I - OVERVIEW

INTRODUCTION

This MD&A of the financial position and results of operations of the REIT is intended to provide readers with an assessment of performance and summarize the financial position and results of operations of the REIT for the three months ended March 31, 2021. The presentation of the REIT's financial results, including the related comparative information, contained in this MD&A are based on the REIT's condensed consolidated interim financial statements as at March 31, 2021 and for the three months ended March 31, 2021 and 2020 (the "consolidated financial statements"). This MD&A should be read in conjunction with those consolidated financial statements. All dollar amounts are in thousands of Canadian dollars, unless otherwise noted.

The information contained in this MD&A is based on information available to the REIT and is dated as of May 12, 2021, which is also the date the Board of Trustees, upon the recommendation of its Audit Committee, approved the contents of this MD&A.

SLATE OFFICE REIT PROFILE

The REIT owns interests in and operates 34 properties comprised of 33 office properties and 1 non-office property totaling 6.85 million and 0.06 million square feet, respectively, of GLA as of March 31, 2021. The properties are located in geographically diversified markets in Canada and the United States of America (the "U.S."). The REIT is an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated as of March 21, 2016, as amended March 1, 2019, as it may be further amended, supplemented or amended and restated from time to time (the "Declaration of Trust").

The REIT is externally managed and operated by Slate Management ULC ("SMULC"), a subsidiary of Slate Asset Management (Canada) L.P., (collectively, "Slate" or the "Manager"). Slate has an experienced and dedicated team of real estate professionals with a proven track record of success in real estate investment and management. Management's interests are aligned with the unitholders of the REIT through its sponsorship and as a significant unitholder of the REIT. Slate is the largest unitholder in the REIT, with a 9.5% interest at March 31, 2021 and accordingly, is highly motivated to increase the value of the REIT on a per unit basis and provide reliable returns to the REIT's unitholders. Slate assumed management responsibilities for the REIT in November 2014 with the vision of creating a pure-play office REIT focused on real estate assets with strong fundamentals. This vision was premised on the belief that the office market was changing and a pure-play office REIT would provide a vehicle to capitalize on future opportunities.

Additional information on the REIT, including its Annual Information Form, is available on SEDAR at www.sedar.com and on the REIT's website at www.slateofficereit.com.

NON-IFRS MEASURES

We disclose a number of financial measures in this MD&A that are not measures used under International Financial Reporting Standards ("IFRS"), including net operating income, same property net operating income, funds from operations, core funds from operations, adjusted funds from operations, adjusted funds from operations payout ratio, IFRS net asset value, adjusted EBITDA, net debt to adjusted EBITDA ratio, interest coverage ratio, debt service coverage ratio and loan-to-value ratio, in addition to certain of these measures on a fully-diluted per unit basis. We utilize these measures for a variety of reasons, including measuring performance, managing the business, capital allocation and the assessment of risk. Descriptions of why these non-IFRS measures are useful to investors and how management uses each measure are included in this MD&A. We believe that providing these performance measures on a supplemental basis to our IFRS results is helpful to investors in assessing the overall performance of our business in a manner similar to management. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with IFRS. We caution readers that these non-IFRS financial measures may differ from the calculations disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others. Reconciliations of these non-IFRS measures to the most directly comparable financial measures calculated and presented in accordance with IFRS are included within Part III and IV of this MD&A.

RISKS AND UNCERTAINTIES

The REIT's business is subject to a number of risks and uncertainties which are described in its most recently filed Annual Information Form for the year ended December 31, 2020, available on SEDAR at www.sedar.com.

COVID-19

Slate, as manager of the REIT, has a robust COVID-19 response plan in-place with employee and tenant safety a top priority. This plan is intended to monitor and mitigate the business and health risks posed to the REIT and its stakeholders. The REIT is taking operational planning and cost-controlling measure to manage exposure to COVID-19. No assurance can be made that the plan will mitigate the adverse impacts of COVID-19. The COVID-19 pandemic could have a material impact on the financial position, results and cash flows of the REIT, including tenants' ability to pay rent, occupancy, leasing demand, market rents, labor shortages and disruptions, and access to capital markets on acceptable terms or at all, certain of which may impact the REIT, including but not limited to, the valuation of its properties and the ability of the REIT to meet financial obligations, the measurement of which is not currently determinable. Market volatility has resulted and may continue to result in a negative impact on the market price of the REIT's equity securities. Governments and central banks have intervened through monetary and new fiscal policies, however, it is unknown at this time how these interventions will impact capital markets or the financial stability of the REIT's tenants.

Additional risks and uncertainties not presently known to the REIT or that the REIT currently considers immaterial also may impair its business and operations and cause the price of the REIT's units to decline in value. If any of the noted risks actually occur, the REIT's business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the units could decline and unitholders may lose all or part of their investment.

U.S. London Interbank Offering Rate ("U.S. LIBOR") Transition

The REIT is exposed to U.S. LIBOR interest rate on debt pertaining to its U.S. properties, which is subject to the interest rate benchmark reform. The REIT has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the Financial Conduct Authority ("FCA") and the US Commodity Futures Trading Commission) regarding the transition away from U.S. LIBOR to the Secured Overnight Financing Rate ("SOFR"). The FCA has made clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit to LIBOR.

Upon the expected discontinuation of U.S. LIBOR, there is uncertainty in the determination of the applicable interest rate and payment amount. This will depend on the terms agreed to by the REIT and may require significant management time to transition to using the new benchmark rates and to implement necessary changes to the determination of the REIT's expected future cash flows. The calculation of interest rates under the replacement benchmarks may impact the REIT's interest and finance costs and overall financial condition or results of operations. Additionally, debt holders or governing bodies may decide to transition to a successor rate prior to the expected LIBOR phase-out date.

In response to the announcements and risks, the REIT is in the process of developing a transition program. The aim of the program is to understand where LIBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to an alternative benchmark rate. The REIT has engaged in discussions with its lenders of U.S. LIBOR based loans to stay apprised of transitional developments and is adhering to the International Swaps and Derivatives Association ("ISDA") fallback protocols which outlines a transition from U.S. LIBOR to new reference rates.

The REIT will continue to apply the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the REIT is exposed ends. The REIT has assumed that this uncertainty will not end until the REIT's contracts that reference U.S. LIBOR are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will in part, be dependent on the introduction of fall back clauses which have yet to be added to the REIT's contracts and the negotiation with lenders.

STRATEGY

Our strategy is to own an institutional quality portfolio of assets in stable and growing office markets. We believe that seeking out assets that can be purchased at a significant discount to peak and replacement value while retaining stable operating fundamentals allows the potential for superior risk-adjusted returns. Approximately two-thirds of office inventory is often overlooked by large institutional investors for various reasons. The REIT's portfolio of office properties provides diversification, an ability to generate cash flow to provide distributions to unitholders, while also providing the opportunity to grow net asset value on a per unit basis. We have taken note that these characteristics exist in numerous markets throughout Canada and the U.S. and have developed a robust pipeline of assets that meet our investment criteria.

While our primary goals are to grow net asset value on a per unit basis and provide distributions to unitholders, we are focused on the following areas to achieve the REIT's objectives:

- A focus on our cost basis, which means buying quality assets at a discount to replacement costs. We have a bias towards assets with strong credit tenants and where rents are below market so we can realize organic growth;
- Prudent and proactive capital and asset management to reposition properties, grow rental revenue, extend lease term and increase occupancy to create value while minimizing property and portfolio vacancy exposure;
- Prudent and disciplined management of capital outlays that will maintain and increase the attractiveness of the REIT's portfolio and achieve increased rents;
- Continue to increase the REIT's financial strength and flexibility through robust balance sheet management;
- Maintain a conservative AFFO payout ratio taking into account the REIT's other available opportunities and capital allocation requirements; and financing or disposing of stabilized assets and redeploying proceeds to new investment opportunities.

Overall, we believe that the REIT is positioned for long term growth with a portfolio of high credit-quality tenants and a conservative AFFO pay-out ratio.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

At Slate, we believe the responsibility of a fiduciary is not limited to generating investment returns – it is about treating people, our partners and our environment with respect and setting an example for others through our conduct. Our environmental, social and corporate governance ("ESG") philosophy is a key pillar of our firm and can be summarized as follows:

- Our people are our most important asset; an investment in our people positions our firm for future growth and success

- Our governing principles hold us accountable; these ensure our core values are apparent and adhered to in everything we do
- Our planet is home to all our stakeholders; we have a duty to invest in a sustainable and responsible manner

More than 80% of the properties in the REIT portfolio are currently certified or in the process of being certified as either Leadership in Energy and Environmental Design ("LEED") or Building Owners and Managers Association Building Environmental Standards ("BOMA BEST") compliant. These designations reflect a commitment to our ESG philosophy with a focus on operational best practices including energy and water conservation, waste reduction and improved indoor air quality. In addition to our efforts at the property level, we value the opportunity to collaborate with our tenants, neighbours and suppliers through various outreach projects with the goal of meaningfully contributing to the communities in which we work and live.

Our governance drives everything we do - we strive to be an example in the industry that acts responsibly and with integrity in all aspects of our business. Slate, as manager of the REIT, has formal governance measures in place which ensure alignment of all stakeholders and establish accountability. To learn more about our ESG policy please visit our website: www.slateofficereit.com.

TOTAL RETURN TO UNITHOLDERS

As described above, our strategy is to grow net asset value on a per unit basis and provide distributions to unitholders. The REIT believes this strategy aligns to the perspective of the REIT's unitholders, as the combination of (i) the change in net asset value on a per unit basis and (ii) distributions received, represent the value provided to them by the REIT. Over the past number of years, the REIT has provided a meaningful total return to unitholders as outlined below.

The following reconciliation shows the change in IFRS net asset value of the REIT on a total and per unit basis for the three months ended March 31, 2021 and for the years ended December 31, 2020 and 2019:

	Three months ended March 31, 2021		Year ended December 31, 2020		Year ended December 31, 2019	
	IFRS Net Asset Value ¹	Per Unit	IFRS Net Asset Value ¹	Per Unit	IFRS Net Asset Value ¹	Per Unit
Beginning of period	627,504	8.57	\$ 659,057	\$ 8.99	\$ 642,878	\$ 8.54
Core-FFO	10,406	0.14	49,664	0.68	56,011	0.76
Property fair value changes ²	1,708	0.02	(114)	—	32,738	0.44
Other fair value changes	11,614	0.16	(29,803)	(0.41)	(2,710)	(0.04)
Depreciation on hotel	(254)	(0.01)	(1,058)	(0.01)	(1,000)	(0.01)
Foreign exchange	(1,512)	(0.02)	(8,747)	(0.13)	(2,756)	(0.05)
Distributions	(7,298)	(0.10)	(29,203)	(0.40)	(36,133)	(0.46)
DRIP units	—	—	—	—	650	(0.01)
Unit repurchases	—	—	(358)	0.01	(12,974)	0.08
Transaction costs	—	—	(1,979)	(0.03)	(12,142)	(0.16)
Other	(2,704)	(0.03)	(9,955)	(0.13)	(5,505)	(0.10)
End of period	\$ 639,464	\$ 8.73	\$ 627,504	\$ 8.57	\$ 659,057	\$ 8.99

¹Refer to the IFRS Net Asset Value section of this MD&A for the calculation of IFRS net asset value on a total and per unit basis to the REIT's consolidated financial statements.

²Includes the impact of IFRIC 21 property tax adjustment.

Net asset value has been determined using the REIT's consolidated financial statements prepared in accordance with IFRS. It is important to note that the consolidated financial statements of the REIT may not be fully representative of the net asset value of the REIT. Specifically, the fair value of properties are measured individually without consideration to their aggregate value on a portfolio basis. No consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or to the utilization of a common management platform, amongst other benefits. As a result, the fair value of the REIT's properties taken in aggregate may differ from the fair value of properties measured individually in the REIT's consolidated statements of financial position.

Core-FFO contributed \$10.4 million to net asset value and the REIT has paid \$0.10 per unit in distributions to unitholders for the three months ended March 31, 2021. The increase in net asset value is furthered by a gain of \$11.6 million on the fair value of the REIT's pay-fixed interest rate swaps and U.S. dollar depreciation at March 31, 2021 compared to December 31, 2020 resulted in a loss of \$1.5 million.

The following table shows the per unit value created or provided to unitholders in addition to the related total return for the following periods:

	Three months ended March 31, 2021		Year ended December 31, 2020		Year ended December 31, 2019	
	Percentage Return	Per Unit	Percentage Return	Per Unit	Percentage Return	Per Unit
IFRS net asset value change	1.9%	\$ 0.16	(4.7%)	\$ (0.42)	5.3%	\$ 0.45
Distributions	4.7%	0.10	4.4%	0.40	5.4%	0.46
Total	6.6%	\$ 0.26	(0.3)%	\$ (0.02)	10.7%	\$ 0.91

During the three months ended March 31, 2021 the REIT has provided \$0.10 per unit in cash distributions to unitholders. It is important to note that this represents an annualized yield of 9.1% based on the closing price of the REIT's units at March 31, 2021 and an annual return of 4.7% based on the REIT's IFRS NAV at December 31, 2020. IFRS NAV increased \$0.16 per unit driven by an increase in value from pay-fixed interest rate swaps. In 2020, the REIT's NAV decreased \$0.42 per unit primarily as a result of non-cash losses on pay-fixed interest rate swaps, offset by \$0.40 per unit of distributions. In 2019, total return to unitholders was \$0.91 per unit or 10.7% of which \$0.46 was returned to unitholders in the form of a distribution and \$0.45 was retained in the REIT which served to increase IFRS net asset value. Importantly, this value creation in 2018 is equivalent to a 10.7% total return on a per unit basis.

A large portion of this total return to unitholders is provided by way of distributions. In 2020, 43.3% of the distributions received by unitholders were treated as a return of capital and 56.7% were treated as capital gains due to the impact of capital gains and depreciation recapture on asset sales. For 2019, 77.0% of the distributions received by unitholders were treated as a return of capital for taxation purposes compared to 100.0% in 2018 and 2017.

IFRS NET ASSET VALUE

IFRS net asset value is a non-IFRS measure and is defined by the REIT as the aggregate of the carrying value of the REIT's equity, Class B LP units and deferred units. Management believes that this measure reflects the residual value of the REIT to equity holders and is used by management on both an aggregate and per unit basis to evaluate the net asset value attributable to unitholders and changes thereon based on the execution of the REIT's strategy.

The following is the calculation of IFRS net asset value on a total and per unit basis at March 31, 2021 and December 31, 2020 to the REIT's consolidated financial statements:

	March 31, 2021	December 31, 2020
Equity	\$ 615,020	\$ 604,743
Class B LP units	23,201	21,880
Deferred unit liability	993	881
Deferred tax liability	250	—
IFRS net asset value	\$ 639,464	\$ 627,504
Diluted number of units outstanding ¹	73,277	73,263
IFRS net asset value per unit	\$ 8.73	\$ 8.57

¹Represents the fully diluted number of units outstanding and includes outstanding REIT units, DUP units and Class B LP units.

The current price for the REIT's units reflects a substantial discount to the REIT's IFRS net asset value per unit of \$8.73 at March 31, 2021. Management believes that there is a substantive basis to support a net asset value of \$8.73 per unit as the REIT has obtained independent third party appraisals for 22 of its assets throughout 2020 which had a combined appraisal value of \$12 billion, representing 74.0% of the REIT's property fair value at December 31, 2020. The following is an illustration of the REIT's valuation used to determine IFRS net asset value at March 31, 2021:

(thousands, except per unit amount)	March 31, 2021
Property fair value	\$ 1,595,777
Data Centre	52,543
Working capital	(40,457)
Debt	(968,399)
IFRS net asset value	\$ 639,464
Diluted number of units outstanding	73,277
IFRS net asset value per unit	\$ 8.73

SIGNIFICANT HIGHLIGHTS

The following are the significant highlights for the three months ended March 31, 2021:

Leasing

- The REIT completed a total of 102,742 square feet of leasing, comprised of 62,154 square feet of renewals and 40,588 square feet of new lease deals.
- The overall rental rate spread on leasing was 2.4%. New deals were 4.2% above in-place building rent while renewals were 1.2% above expiring rents.
- As at the end of the first quarter, the portfolio has a weighted average remaining lease term of 5.3 years and only 2.9% of the portfolio gross leasable area remains to be renewed for the balance of 2021.
- Atlantic Canada continues to see increased leasing activity as a result of the travel restrictions implemented early on in the pandemic. Management views the recovery in Atlantic Canada as a leading indicator with 35,000 square feet of leasing completed in the first quarter of 2021.
- Leasing activity in the Greater Toronto Area has gained momentum as a result of pent up demand due to continued lock downs and stay at home orders. Over 60,000 square feet of leasing was completed across the REIT's portfolio in the Greater Toronto Area in the first quarter. Activity is expected to further increase in parallel with rollout of the COVID-19 vaccine.
- Notable leasing throughout the quarter includes the following:
 - A new lease for approximately 14,000 square feet in Halifax, NS with a national software company
 - A renewal in the west end of Toronto, ON for approximately 35,000 square feet with a national health and fitness organization
 - The expansion of a national accountancy and advisory firm for approximately 8,000 square feet in Markham, ON

Recent Transactions

- Subsequent to quarter end, the REIT completed a 104,000 square foot lease renewal at Kings Place in Fredericton, NB for a term of 10 years. Including this lease, the REIT has completed 240,000 square feet of leasing in Atlantic Canada since March 31, 2020.
- The REIT has completed an additional 55,000 square feet of leasing in the Greater Toronto Area subsequent to quarter end including a 40,000 square foot renewal in the west end of Toronto. Management expects this activity to continue as market fundamentals improve and tenants start to return to the office.

Financial

- Net income was \$18.6 million for the three months ended March 31, 2021 compared to net income of \$6.6 million for the three months ended December 31, 2020.
- FFO and Core-FFO for the three months ended March 31, 2021 were \$9.6 million and \$10.4 million, respectively or \$0.13 and \$0.14, respectively on a per unit basis, an improvement from \$0.12 and \$0.13 per unit, respectively for the three months ended December 31, 2020.
- FFO and Core-FFO payout ratios were 75.8% and 70.1%, respectively for the three months ended March 31, 2021, an improvement from 84.6% and 77.8%, respectively for the three months ended December 31, 2020.
- AFFO for the three months ended March 31, 2021 was \$9.2 million or \$0.13 per unit, an increase from \$0.12 per unit for the three months ended December 31, 2020.
- AFFO payout ratio for the three months ended March 31, 2021 was 79.2%, an improvement from 86.5% compared to the three months ended December 31, 2020.

PART II - LEASING AND PROPERTY PORTFOLIO

LEASING

The REIT continues to renew leases to drive occupancy and value. In the first quarter of 2021 the REIT completed a total of 102,742 square feet of leasing, comprised of 40,588 square feet of new lease deals and 62,154 square feet of renewals. The overall rental rate spread on leasing was 2.4%. New deals were 4.2% above in-place building rent while renewals were 1.2% above expiring rents. Occupancy at March 31, 2021 decreased 66 basis points to 83.5% compared to 84.2% at December 31, 2020 while the weighted average lease term decreased to 5.3 years. The decrease in occupancy was expected and the tenants' decisions to vacate predated the COVID-19 pandemic. The REIT has secured new leases to partially offset the impact of these known vacancies and has a strategy focused on increasing occupancy.

OCCUPANCY

The following is a continuity of the change in the in-place occupancy of the REIT's properties:

	Three months ended March 31, 2021			Three months ended December 31, 2020		
	GLA	Occupancy (square feet)	Occupancy (%)	GLA	Occupancy (square feet)	Occupancy (%)
Occupancy, beginning of period	6,909,687	5,815,333	84.2%	6,951,427	5,934,189	85.4%
Dispositions	—	—	—%	(51,395)	(51,395)	100.0%
Remeasurements	(1,100)	—	—%	9,655	—	—%
Change in same property occupancy	—	(48,995)	—%	—	(67,461)	—%
Occupancy, end of period	6,908,587	5,766,338	83.5%	6,909,687	5,815,333	84.2%

LEASE MATURITIES

The REIT generally enters into leases with an initial term to maturity between 2 and 10 years. The weighted average remaining term to maturity at March 31, 2021 was 5.3 years, not including tenants on month-to-month leases. Management considers the current average term of leases to be indicative of the stability of the portfolio's cash flow and diversified maturity risk.

The following table summarizes the composition of the remaining term to maturity of the REIT's leases by region:

	March 31, 2021			December 31, 2020		
	Weighted average years to maturity ¹	GLA	% of GLA	Weighted average years to maturity ¹	GLA	% of GLA
Atlantic	5.2	1,958,477	28.4%	5.2	2,020,117	29.3%
Ontario	4.6	2,484,151	36.0%	4.8	2,471,506	35.8%
Western	7.5	416,193	6.0%	7.7	416,193	6.0%
U.S.	6.2	907,517	13.1%	6.5	907,517	13.1%
	5.3	5,766,338	83.5%	5.4	5,815,333	84.2%
Vacant		1,142,249	16.5%		1,094,354	15.8%
Total		6,908,587	100.0%		6,909,687	100.0%

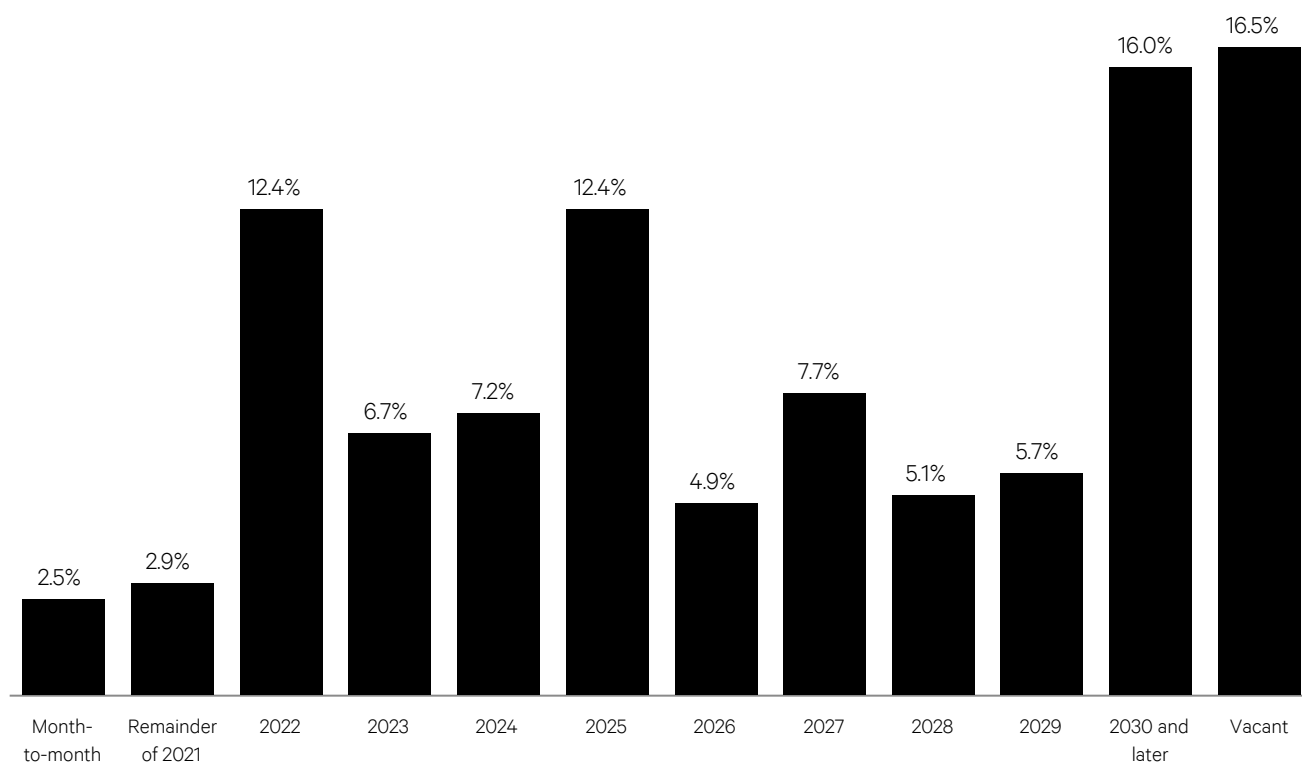
¹The calculation of weighted average term to maturity does not include month-to-month tenants.

The following is a profile of the maturities of the REIT's leases excluding the impact of tenant extension options at March 31, 2021:

	GLA	% of portfolio	Weighted average in-place rent (per square foot) ¹
Month-to-month	169,425	2.5%	\$ 6.34
Remainder of 2021	203,768	2.9%	18.60
2022	854,268	12.4%	15.28
2023	464,983	6.7%	16.53
2024	494,722	7.2%	20.17
2025	857,585	12.4%	16.39
2026	335,541	4.9%	15.82
2027	533,177	7.7%	17.72
2028	350,774	5.1%	16.92
2029	392,523	5.7%	16.30
2030 and later	1,109,572	16.0%	23.68
Vacant	1,142,249	16.5%	n/a
Total / weighted average	6,908,587	100.0%	\$ 17.86

¹The weighted average in-place occupancy is based on in-place rents for active expiries.

Lease Maturities



Month-to-month tenants include a large tenant occupying 103,877 square feet that the REIT has extended for 10 years subsequent to quarter end. Excluding this large tenant who has subsequently renewed results in month-to-month tenants comprising less than 1% of the portfolio gross leasable area. Throughout the balance of 2021, 2.9% of the REIT's portfolio GLA is maturing. Securing renewals for these maturities and entering into leasing proposals with new tenants is a critical focus for the REIT in the markets in which it operates. The in-place rent of the 2021 maturities is approximately 6% below market rent, providing upside opportunity for the REIT upon renewing and re-leasing this space.

The REIT has completed approximately 57,230 square feet of new deals which commence occupancy in 2021. Management's goal is to drive organic growth in the portfolio and focus on creating meaningful per unit net asset value accretion through positive rental spreads, increased occupancy, improved tenant quality and longer weighted-average lease terms. The success of the REIT's leasing will depend on the demand for office space in the markets in which the REIT operates, which is in part determined by economic stability and growth.

IN-PLACE AND MARKET RENTS

During the three months ended March 31, 2021 the REIT completed 102,742 square feet of leasing comprised of both new deals and renewals. On a weighted average basis, rates for new leases were 4.2% above building in-place rents while renewals were 1.2% below expiring rents.

The following table summarizes the REIT's leasing activity during the three months ended March 31, 2021:

	GLA	Number of leases	Weighted average expiring rent (per square foot)	Weighted average new rent (per square foot)	Increase in rent
Renewed leases	62,154	11	\$ 17.84	\$ 18.06	1.2%
New leases	40,588	11	16.38	17.07	4.2%
Total / weighted average	102,742	22	\$ 17.27	\$ 17.67	2.4%
Less: leases not renewed / vacated	(78,495)	(15)			
Net total	24,247	7			

The weighted-average in-place rent of the REIT's office portfolio at March 31, 2021 is \$17.86 per square foot. Management estimates the current weighted average market rate to be \$19.72 per square foot for the markets in which the REIT's office properties are located, 10.4% or \$1.86 per square foot higher than the REIT's current in-place rental rates. This estimate of current market rent is based on management's estimates, third party valuations and leasing data obtained from actual new and renewed leasing activity. While there are no assurances that maturing leases will be renewed at rates in excess of current in-place rents, or at all, management compares in-place to market rents to determine the future revenue capacity of the REIT's current portfolio and roll-over revenue risk.

The following is a summary of the REIT's new and renewal leasing activity during the last four quarters:

Quarter	Renewals			New leases			Total	
	GLA	Number of leases	Rental spread	GLA	Number of leases	Rental spread	GLA	Number of leases
Q2 2020	90,214	13	14.7%	13,613	4	8.6%	103,827	17
Q3 2020	92,757	13	—%	50,124	8	10.7%	142,881	21
Q4 2020	84,380	11	(2.6%)	52,667	13	4.0%	137,047	24
Q1 2021	62,154	11	1.2%	40,588	11	4.2%	102,742	22
Total	329,505	48	3.6%	156,992	36	6.6%	486,497	84

In Atlantic Canada, travel restrictions implemented in response to the pandemic have expedited the market's re-opening, resulting in increased leasing activity. Management views the recovery in Atlantic Canada as a leading indicator evidenced by over 60,000 square feet of leasing completed in the Greater Toronto Area in the first quarter of 2021 signalling increased confidence in market fundamentals.

TENANT PROFILE

Management's strategy includes ensuring that the REIT's tenants are diversified and of high credit quality. A higher quality tenant base increases the stability of the REIT's income through economic cycles, which directly relates to their continued ability to meet their lease obligations to the REIT and continue to retain their workforce, which directly impacts their need for office space. The REIT has experienced the benefit of this high quality tenant base through the collection of rents during COVID-19 related closures in markets across the REIT's portfolio.

The following are the REIT's top 10 largest tenants by GLA at March 31, 2021, which together represent 44.3% of base rental receipts:

Tenant	Credit rating ¹	GLA	Number of properties	% of base rental receipts	Weighted average lease term (years)
SNC-Lavalin Inc. ²	BBB (low)	433,800	3	7.2%	3.8
Government of Canada	AAA	376,986	9	5.5%	5.0
CIBC	AA	346,346	4	7.2%	7.6
Province of New Brunswick	A+	314,435	5	3.5%	2.6
Thales Rail Signalling Solutions Inc.	A2	220,476	1	3.5%	4.5
Medavie Blue Cross	Unrated	199,358	3	3.2%	6.6
Kraft Canada Inc.	BB+	156,426	1	2.4%	5.2
Johnson Insurance	A	156,217	1	2.7%	9.7
Province of Nova Scotia	AA-	145,034	1	2.0%	6.2
Bell Canada Enterprises	BBB+	136,246	4	7.1%	7.5
Total		2,485,324		44.3%	5.4

¹ Source: DBRS, Moody's and S&P as at March 31, 2021.

² Includes 338,983 square feet of SNC-Lavalin Nuclear Inc.

The REIT's total exposure to the Government of Canada and provinces is approximately 987,713 square feet or 13.3% of base rent at share with a weighted average lease term of 5.5 years.

PROPERTY PROFILE

The REIT's property portfolio at March 31, 2021 consists of interests in 34 properties, comprised of 33 office properties and 1 non-office property. The portfolio comprises 6.9 million square feet of GLA. For a listing of all of the REIT's properties see Part VI of this MD&A.

Acquisition pipeline

The REIT continues to evaluate potential new opportunities in the cities in which we operate and in markets that are new to the REIT. While the number of opportunities is high, we continue to be disciplined in our underwriting and pricing. We will not sacrifice long-term value creation for short-term income and accordingly do not pursue acquisitions that do not meet appropriate return expectations.

In pursuing acquisition properties, we have a bias towards opportunities with the following two characteristics:

- *Meaningful discount to replacement cost:* A property purchased well below replacement cost provides opportunity for investment in leasing or asset repositioning, with favourable economic returns to the REIT in excess of new build. We also believe that price per square foot, if at a meaningful discount to replacement cost, provides prudent downside protection while retaining significant opportunity to attract tenants on a competitive basis, especially when competing against new builds.
- *Opportunity for value creation:* We are focused on opportunities that will create value for unitholders. We are less focused on immediate accretion (i.e. the next quarter) and more focused on finding acquisitions that allow for significant equity creation over the medium term. Properties are attractive to us if they are located in a stable market, in good physical condition and have opportunities to drive value by moving existing rents to market rates and/or increase occupancy through focused leasing or repositioning.

Non-core office properties will often satisfy these two characteristics. In contrast to core assets, which often trade in excess of replacement cost with optimized tenancing, we believe that the risk-return profile of non-core assets remains attractive, and we will continue to seek the best opportunities.

Redevelopment properties

Maritime Centre

Although not classified as a redevelopment property, the REIT has budgeted approximately \$17.6 million of return generating capital to significantly enhance Maritime Centre in downtown Halifax, Nova Scotia (www.maritimecentre.ca) which is expected to drive occupancy, rental rates and create a meaningful total return. The project converts the food court level to parking which is in high demand in downtown Halifax. This conversion has added more than 100 parking stalls to Maritime Centre. A new glass facade at the Barrington Street level will host a 6,000 square foot restaurant and a new lobby. Costs incurred are approximately \$12.7 million and the balance is expected to be incurred throughout 2021. Approximately \$6.1 million of project costs can be amortized and recovered through the tenant leases while the balance is non-recoverable capital aimed at driving incremental returns. The redevelopment has enabled the REIT to drive rent growth by 30% and improve occupancy by 25% since acquisition. The expected return from this redevelopment is compelling and is a great example of the REIT re-deploying capital into its existing assets to drive out-sized returns.

IFRS fair value

The REIT's property portfolio at March 31, 2021 had an estimated IFRS fair value of \$1.6 billion. The REIT's IFRS fair value reflects the current economics of the REIT's properties, including its 83.5% in-place occupancy which includes its redevelopment assets and current weighted average in-place rents of \$17.86 per square foot, which management estimates to be on average \$1.86 per square foot below estimated market rents. Various properties within the REIT's portfolio are either vacant, or significantly below normalized occupancy, and certain of which are expected to be so for all or a portion of the next twelve-month period.

Overall, the average estimated IFRS fair value per square foot of the REIT's portfolio excluding the Data Centre and Delta Brunswick Hotel is \$247 with an average cost to the REIT of \$237 per square foot. Management believes that this average value per square foot is significantly lower than replacement cost, which management estimates to be on average between \$300 and \$400 per square foot. In certain markets, such as St. John's, NL, the cost to construct is significantly higher. Furthermore, the difference between the IFRS fair value compared to the average cost to the REIT represents approximately \$63 million of value creation from ownership, based on the REIT's current portfolio.

The following table presents a summary of the discount and terminal capitalization rates for the fair value of the REIT's properties:

	March 31, 2021		December 31, 2020	
	Discount rate	Terminal capitalization rate	Discount rate	Terminal capitalization rate
Minimum	6.25%	6.00%	6.25%	6.00%
Maximum	8.75%	8.50%	8.75%	8.50%
Weighted average	7.26%	6.63%	7.26%	6.63%

The fair value of properties are measured individually without consideration to their aggregate value on a portfolio basis. No consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or to the utilization of a common management platform, amongst other benefits. As a result, the fair value of the REIT's properties taken in aggregate may differ from the fair value of properties measured individually in the REIT's consolidated statements of financial position. The maximum discount rate in the REIT's portfolio was 8.75% at March 31, 2021, consistent with December 31, 2020.

Property continuity

A continuity of the REIT's property interests is summarized below:

	Three months ended March 31,	
	2021	2020
Beginning of period	\$ 1,593,945	\$ 1,622,085
Capital expenditures	4,592	5,652
Leasing costs	1,881	2,953
Dispositions	—	(46,794)
Depreciation of hotel asset	(254)	(262)
Foreign exchange	(4,225)	30,191
Change in fair value	9,027	2,929
IFRIC 21 property tax adjustment ¹	(7,319)	(7,169)
Straight-line rent and other changes	(1,870)	(947)
End of period	\$ 1,595,777	\$ 1,608,638

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO, Core-FFO or AFFO.

Capital expenditures are incurred by the REIT for maintaining or improving its properties. Certain leases provide the ability to recover all or a portion of these costs from tenants over time. Direct leasing costs generally include tenant improvement construction costs related to new and renewal leasing.

For the three months ended March 31, 2021 the REIT's investment property value increased primarily as a result of leasing and capital spend, offset by a decrease in value of \$4.2 million as a result of lower foreign exchange rate on the U.S. dollars compared to Canadian dollars.

PART III - RESULTS OF OPERATIONS

SUMMARY OF RESULTS OF OPERATIONS

The following is a summary of the results of operations:

	Three months ended March 31,	
	2021	2020
Rental revenue	\$ 43,161	\$ 49,694
Property operating expenses	(31,005)	(34,815)
Finance income on finance lease receivable	834	879
Interest income	130	164
Interest and finance costs	(10,727)	(10,322)
General and administrative expenses	(2,041)	(1,984)
Change in fair value of investment properties	9,027	2,929
Change in fair value of financial instruments	11,614	(31,860)
Transaction costs	—	(419)
Depreciation of hotel asset	(254)	(262)
Deferred income tax (expense) recovery	(252)	96
Net income (loss) before Class B LP units	\$ 20,487	\$ (25,900)
Change in fair value of Class B LP units	(1,321)	11,522
Distributions to Class B LP unitholders	(528)	(528)
Net income (loss)	\$ 18,638	\$ (14,906)
Other comprehensive (loss) gain to be subsequently reclassified to profit or loss:		
Foreign currency translation (loss) gain	(1,512)	11,185
Fair value loss on net investment hedges	—	(6,396)
Total other comprehensive (loss) gain	(1,512)	4,789
Comprehensive income (loss)	\$ 17,126	\$ (10,117)

NET INCOME (LOSS) BEFORE CLASS B LP UNITS

Net income (loss) before Class B LP units is an additional IFRS measure that represents the change in net income (loss), before the impact of fair value adjustments to Class B LP units and distributions to Class B LP unitholders recorded in net income (loss). Management uses and believes that this metric is valuable to users to evaluate net income (loss) prior to all residual equity holders, as the Class B LP units are exchangeable into REIT units and are in all material respects economically equivalent to REIT units.

Net income before Class B LP units for the three months ended March 31, 2021 was \$20.5 million compared to net loss of \$25.9 million for the same period in 2020. The change is primarily due to an increase in the fair value of financial instruments of \$43.5 million year-over-year. This is furthered by an increase in the fair value of investment properties of \$6.1 million as the REIT revised the timing of expected future cashflows during the three months ended March 31, 2020.

NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the three months ended March 31, 2021 net income was \$18.6 million compared to net loss of \$14.9 million for the same period in the prior year. The increase is a result of net income before Class B LP Units of \$20.5 million for the three months ended March 31, 2021 compared to a loss of \$25.9 million for the same period in the prior year. This is offset by a loss on the fair value of Class B LP units of \$1.3 million for the three months ended March 31, 2021 compared to a gain of \$11.5 million in the same period in the prior year. The REIT recognized net other comprehensive loss of \$1.5 million for the three months ended March 31, 2021 from U.S. dollar depreciation compared to a gain of \$4.8 million for the same period in the prior year from U.S. dollar appreciation, offset by a loss on the REIT's net investment hedges.

NET OPERATING INCOME

Net operating income is a non-IFRS measure and is defined by the REIT as rental revenue, excluding non-cash straight-line rent and leasing costs amortized to revenue, less property operating costs prior to IFRIC 21, Levies ("IFRIC 21") adjustments. Rental revenue for purposes of measuring NOI excludes revenue recorded as a result of determining rent on a straight-line basis and the amortization of leasing costs in revenue for IFRS, which management believes better reflects the cash generation activity of the REIT's properties. NOI is an important measure of the income generated from the REIT's properties and is used by the REIT in evaluating the performance of its properties.

The following is a calculation of NOI for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,	
	2021	2020
Revenue	\$ 43,161	\$ 49,694
Property operating expenses	(31,005)	(34,815)
IFRIC 21 property tax adjustment ¹	7,319	7,169
Straight-line rents and other changes	1,870	947
Net operating income	\$ 21,345	\$ 22,995

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

For the three months ended March 31, 2021, NOI decreased to \$21.3 million from \$23.0 million for the same period in the prior year. The decrease is a result of the disposition of 4211 Yonge Street in January 2020, 307-311 Old Airport Road in Yellowknife, NT in October 2020 and 5404 36th Street SE in Calgary, AB in December 2020. Furthermore, the REIT had tenants comprising approximately 119,000 square feet which vacated two of the REIT's assets as of the third quarter of 2020 which reduced NOI approximately \$1.0 million for the three months ended March 31, 2021 compared to the same prior in the prior year. Parking revenue also decreased \$0.9 million compared to the prior period from overall lower utilization rates and less event parking across the REIT's portfolio. The decrease in revenue is offset by lower operating expenses during the three months ended March 31, 2021 compared to the same period in the prior year.

The following is a reconciliation of the change in NOI for the three months ended March 31, 2021 compared to the same period in the prior year:

Net operating income, Q1 2020	\$	22,995
Change in same-property NOI		(1,134)
Impact of foreign exchange rates		(344)
Reduced contribution from sold properties		(172)
Net operating income, Q1 2021	\$	21,345
Year-over-year change - \$	\$	(1,650)
Year-over-year change - %		(7.2)%

The following is a reconciliation of the change in NOI for the three months ended March 31, 2021 compared to the immediately preceding quarter:

Net operating income, Q4 2020	\$	21,118
Change in same-property NOI		690
Impact of foreign exchange rates		(329)
Change in hotel contribution ¹		(51)
Reduced contribution from sold properties		(83)
Net operating income, Q1 2021	\$	21,345
Quarter-over-quarter change - \$	\$	227
Quarter-over-quarter change - %		1.1%

¹Contribution from the REIT's hotel is not included in same property changes when compared to the preceding quarter due to the seasonality of its contribution to NOI.

SAME-PROPERTY NOI

Same-property NOI is a non-IFRS measure and is defined by the REIT as rental revenue, excluding non-cash straight-line rent, less property operating costs for those properties owned by the REIT for all of the current period and the relevant comparative period, reported at the REIT's proportionate ownership. Other than on a year-over-year basis, same property NOI excludes the earnings attributable to the REIT's hotel asset due to the seasonality of that asset. Same-property NOI is an important measure of the income generated from the REIT's properties period-over-period, but without consideration of acquisition and disposition activity, and is used by the REIT in evaluating the performance of its properties. The REIT seeks to increase or maintain same-property NOI through high-occupancy, increasing rents on renewal to market rents and by signing leases with embedded rent increases throughout the term of the lease.

Management compares same-property NOI for the current quarter to the immediately preceding quarter and to the same quarter in the preceding year.

Same-property NOI: comparison of the current quarter to the same quarter in the prior year

The same-property NOI comparison for the three months ended March 31, 2021 excludes assets disposed of prior to March 31, 2021. Where the REIT owns a partial interest in a property, NOI is included at the REIT's proportionate ownership for the current and comparative period based on its ownership at the current quarter end. The operations of the REIT's hotel asset are included when comparing to the prior year as the seasonal variations are consistent.

	Three months ended	
	March 31, 2021	March 31, 2020
Number of properties	34	34
GLA ¹	6,909,687	6,909,687
Revenue	\$ 43,143	\$ 49,110
Operating expenses	(31,038)	(34,461)
IFRIC 21 property tax adjustment	7,319	7,169
Straight-line rents and other changes	1,870	954
Same-property NOI (including hotel asset)	\$ 21,294	\$ 22,772
Period-over-period change - \$	\$ (1,478)	
Period-over-period change - %	(6.5%)	

¹Gross leasable area is presented at 100% of the building's GLA, without taking ownership percentage into consideration.

Same-property NOI for the three months ended March 31, 2021 compared to the same period in 2020 decreased by \$1.5 million or 6.5%. This decrease is primarily from known vacancies at two of the REIT's Atlantic properties where two tenants vacated approximately 119,000 square feet in the second and third quarter of 2020 which reduced NOI \$1.0 million year-over-year. Parking revenue decreased \$0.9 million year-over-year due to lower utilization rates and third party parking across the REIT's portfolio from COVID-19 related closures. NOI contribution from the REIT's hotel asset decreased \$0.1 million year-over-year primarily from COVID-19 related closures and reduced travel to Atlantic Canada. The REIT's U.S. assets have contributed an incremental \$0.9 million of NOI, net of foreign exchange rate changes, as a result of higher average occupancy year-over-year.

Same-property NOI: comparison of the current quarter to the preceding quarter

The same-property NOI comparison to the three months ended December 31, 2020 excludes the impact of properties disposed of in part or whole prior to March 31, 2021. Where the REIT owns a partial interest in a property, NOI is included at the REIT's proportionate ownership for the current and comparative period based on its ownership at the current quarter end. The comparison also excludes the impact of the REIT's hotel asset due to the seasonality of its earnings and contribution to NOI.

	Three months ended	
	March 31, 2021	December 31, 2020
Number of properties	34	34
GLA ¹	6,908,587	6,909,687
Revenue	\$ 43,143	\$ 43,278
Property operating expenses	(31,038)	(21,422)
IFRIC 21 property tax adjustment	7,319	(2,339)
Straight-line rents and other changes	1,870	1,467
Same-property NOI (including hotel asset)	21,294	20,984
NOI attributable to hotel asset	96	45
Same-property NOI (excluding hotel asset)	\$ 21,390	\$ 21,029
Period-over-period change - \$	\$ 361	
Period-over-period change - %	1.7%	

¹Gross leasable area is presented at 100% of the building's GLA, without taking ownership percentage into consideration.

Same-property NOI, excluding the REIT's hotel asset, for the three months ended March 31, 2021 compared to the most recently completed quarter, increased by \$0.4 million. The increase is a result of higher NOI contributions from U.S. properties, offset by lower foreign exchange rates during the three months ended March 31, 2021 compared to the immediately preceding quarter.

Looking forward, renewal spreads are expected to be strong as the current in-place rent is an estimated 9.4% below market. The REIT's portfolio has maturities throughout 2021 of 2.9% of its portfolio GLA with expiring rents estimated to be 6% below market rents. The REIT is

actively managing to execute new or renewed leases and is in renewal discussions with most major tenants with upcoming expiries. The REIT has completed approximately 57,230 square feet of new deals which commence occupancy in 2021.

FUNDS FROM OPERATIONS

Funds from operations

Funds from operations ("FFO") is a non-IFRS measure for evaluating real estate operating performance. The REIT calculates FFO in accordance with the definition provided by the Real Property Association of Canada ("RealPAC") in its White Paper on Funds From Operations, as revised in February 2019.

Core-FFO

Core-FFO is a non-IFRS measure which makes certain adjustments to the REIT's calculation of FFO to recognize the REIT's share of lease payments received for its Data Centre asset, which for IFRS purposes is accounted for as a finance lease.

Reconciliation of FFO and Core-FFO

Management believes that FFO and Core-FFO are important measures of the operating performance and are used by the REIT in evaluating the combined performance of its operations, including the impact of its capital structure and are useful for investors to evaluate the performance of the REIT.

The following is a reconciliation of FFO and Core-FFO from cash flow from operating activities:

	Three months ended March 31,	
	2021	2020
Cash flow from operating activities	\$ 9,154	\$ 7,774
Add (deduct):		
Leasing costs amortized to revenue	1,963	1,623
Transaction costs	—	419
Working capital items	597	3,623
Straight-line rent and other changes	(1,870)	(947)
Interest and other finance costs	(10,727)	(10,322)
Interest paid	9,989	9,710
Distributions paid to Class B unitholders	528	528
FFO	\$ 9,634	\$ 12,408
Finance income on finance lease receivable	(834)	(879)
Finance lease payments received	1,606	1,525
Core-FFO	\$ 10,406	\$ 13,054

The following is a reconciliation of FFO and Core-FFO from net income:

	Three months ended March 31,	
	2021	2020
Net income (loss)	\$ 18,638	\$ (14,906)
Add (deduct):		
Leasing costs amortized to revenue	1,963	1,623
Change in fair value of properties	(9,027)	(2,929)
IFRIC 21 property tax adjustment ¹	7,319	7,169
Change in fair value of financial instruments	(11,614)	31,860
Transaction costs	—	419
Depreciation of hotel asset	254	262
Deferred income tax (recovery) expense	252	(96)
Change in fair value of Class B LP units	1,321	(11,522)
Distributions to Class B unitholders	528	528
FFO	\$ 9,634	\$ 12,408
Finance income on finance lease receivable	(834)	(879)
Finance lease payments received	1,606	1,525
Core-FFO	\$ 10,406	\$ 13,054
Weighted average number of units outstanding ²	73,266	73,278
FFO per unit (diluted)	\$ 0.13	\$ 0.17
Core-FFO per unit (diluted)	\$ 0.14	\$ 0.18

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

²Represents the diluted weighted average number of units outstanding and includes the weighted average outstanding of all REIT units, DUP units and Class B LP units.

The following is a calculation of FFO and Core-FFO from the REIT's consolidated financial statements:

	Three months ended March 31,	
	2021	2020
Rental revenue	\$ 43,161	\$ 49,694
Property operating expenses	(31,005)	(34,815)
Finance income on finance lease receivable	834	879
Interest income	130	164
Interest and finance costs	(10,727)	(10,322)
General and administrative expenses	(2,041)	(1,984)
IFRIC 21 property tax adjustment ¹	7,319	7,169
Leasing costs amortized to revenue	1,963	1,623
FFO	\$ 9,634	\$ 12,408
Finance income on finance lease receivable	(834)	(879)
Finance lease payments received	1,606	1,525
Core-FFO	\$ 10,406	\$ 13,054
Weighted average number of units outstanding ²	73,266	73,278
FFO per unit (diluted)	\$ 0.13	\$ 0.17
Core-FFO per unit (diluted)	\$ 0.14	\$ 0.18

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

²Represents the diluted weighted average number of units outstanding and includes the weighted average outstanding of all REIT units, DUP units and Class B LP units.

FFO for the three months ended March 31, 2021 was \$9.6 million and \$12.4 million for the same period in 2020. The decrease is a result of lower NOI and higher interest and finance costs from higher weighted average interest rates for three months ended March 31, 2021 compared to the same period in the prior year as a result of debt refinancing completed throughout 2020. On a per unit basis, FFO decreased \$0.04 for the three months ended March 31, 2021 compared to the same period in the prior year.

Core-FFO decreased to \$10.4 million or \$0.14 per unit for the three months ended March 31, 2021 from \$13.1 million or \$0.18 per unit for the same period in 2020. The changes are a result of the changes as described for FFO and a step up in payments received on the REIT's finance lease.

ADJUSTED FUNDS FROM OPERATIONS

Adjusted FFO ("AFFO") is a non-IFRS measure that is used by management of the REIT, certain of the real estate industry and investors to measure the cash flows generated from operations including certain capital costs, leasing costs, tenant improvements and the impact of non-cash revenue. It is a meaningful measure used to evaluate the extent of cash available for distribution to unitholders. The REIT's use and calculation of AFFO may be different than the use or as disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others.

In calculating AFFO, the REIT makes adjustments to FFO for certain items including: guaranteed income supplements; amortization of deferred transaction costs; de-recognition and amortization of mark-to-market adjustments on mortgages refinanced or discharged; adjustments for interest rate subsidies received; recognition of the REIT's share of lease payments received for its Data Centre asset, which for IFRS purposes is accounted for as a finance lease; amortization of straight-line rent; and normalized direct leasing and capital costs.

Guaranteed income supplements are cash amounts received from vendors or properties acquired by the REIT that are not recognized in income. Such amounts were negotiated between the REIT and certain vendors to compensate the REIT for lost income related to free rent periods and/or vacancies. The REIT was provided an income supplement in the aggregate amount of \$2.4 million to be received in equal quarterly installments in each of the eight calendar quarters following the acquisition of a seven asset portfolio in the Greater Toronto Area and Atlantic Canada from Slate Canadian Real Estate Opportunity Fund I L.P. ("SCREO I L.P."). The REIT recognizes interest income related to the difference between the present value on acquisition and the \$2.4 million principal amount. Accordingly, the REIT recognizes in AFFO the cash portion received in excess of any amount already included in net income. The last payment under this income supplement was received in the first quarter of 2020.

Amortization of deferred transaction costs are costs incurred to obtain debt financing that are recorded in net income, generally, on a systematic basis over the life of the debt to which they relate. The REIT deducts these amounts in determining AFFO as they represent non-cash charges to net income in the current period. Amortization of mark-to-market adjustments are differences between debt assumed in conjunction with a property acquisition and the fair value of the debt on assumption that are recorded in net income, generally, on a systematic basis over the life of the debt to which they relate. The REIT deducts or adds, as applicable, these amounts in determining AFFO as they represent non-cash charges to net income.

The interest rate subsidy is an amount received monthly by the REIT from a vendor of a property acquired by the REIT, to the extent not otherwise recognized in net income. Such amount was negotiated between the REIT and a vendor to compensate the REIT, in part, for assuming debt in conjunction with a property acquisition that was unfavorable to debt that could otherwise have been obtained by the REIT had the vendor made the property available to be purchased on a 'free-and-clear' basis. The REIT adds this amount in determining AFFO as it represents cash received by the REIT not otherwise recognized in net income.

Normalized direct leasing and capital costs are determined as 10% of the net of rental revenue less property operating expenses and represents the normalized on-going costs required to maintain existing space of a stabilized property. Actual amounts will vary from period to period depending on various factors, including but not limited to, the timing of expenditures made and contractual lease obligations.

The method applied by the REIT to calculate AFFO may differ from methods applied by other issuers in the real estate industry and differs from the definition of AFFO as defined by RealPAC in its White Paper, as issued in February 2019.

The following table reconciles AFFO from cash flow from operating activities:

	Three months ended March 31,	
	2021	2020
Cash flow from operating activities	\$ 9,154	\$ 7,774
Add (deduct):		
Working capital items	597	3,623
Principal repayments on finance lease receivable	772	646
Distributions paid to Class B LP unitholders	528	528
Transaction costs	—	419
Interest rate subsidy	108	108
Guaranteed income supplements	—	296
Normalized direct leasing and capital costs	(1,948)	(2,205)
AFFO	\$ 9,211	\$ 11,189

The following table reconciles AFFO from NOI:

	Three months ended March 31,	
	2021	2020
Net operating income	\$ 21,345	\$ 22,995
Add (deduct):		
General and administrative	(2,041)	(1,984)
Finance lease payments received	1,606	1,525
Cash interest	(9,859)	(9,546)
Interest rate subsidy	108	108
Guaranteed income supplements	—	296
Normalized direct leasing and capital costs	(1,948)	(2,205)
AFFO	\$ 9,211	\$ 11,189

A reconciliation of Core-FFO to AFFO is as follows:

	Three months ended March 31,	
	2021	2020
Core-FFO	\$ 10,406	\$ 13,054
Add (deduct):		
Amortization of deferred transaction costs	778	670
Amortization of debt mark-to-market adjustments	(40)	(58)
Amortization of straight-line rent	(93)	(676)
Interest rate subsidy	108	108
Guaranteed income supplements	—	296
Normalized direct leasing and capital costs	(1,948)	(2,205)
AFFO	\$ 9,211	\$ 11,189
Weighted average number of units outstanding ¹	73,266	73,278
AFFO per unit (diluted)	\$ 0.13	\$ 0.15

¹Represents the diluted weighted average number of units outstanding and includes the weighted average outstanding of all REIT units, DUP units and Class B LP units.

For the three months ended March 31, 2021, AFFO was \$9.2 million or \$0.13 per unit, whereas AFFO for the same period in 2020 was \$11.2 million or \$0.15 per unit, representing a decrease of \$2.0 million and \$0.02 on a per unit basis. The decrease is a result of lower NOI of \$1.7 million due to asset dispositions throughout 2020, two tenant vacancies in Atlantic Canada which reduced NOI \$1.0 million and lower parking revenue which reduced NOI \$0.9 million in addition to higher cash interest from debt refinancings throughout 2020.

Reconciliation of FFO, Core-FFO and AFFO

A reconciliation of net income (loss) to FFO, Core-FFO and AFFO is as follows:

	Three months ended March 31,	
	2021	2020
Net income (loss)	\$ 18,638	\$ (14,906)
Add (deduct):		
Leasing costs amortized to revenue	1,963	1,623
Change in fair value of properties	(9,027)	(2,929)
IFRIC 21 property tax adjustment ¹	7,319	7,169
Change in fair value of financial instruments	(11,614)	31,860
Transaction costs	—	419
Depreciation of hotel asset	254	262
Deferred income tax (recovery) expense	252	(96)
Change in fair value of Class B LP units	1,321	(11,522)
Distributions to Class B unitholders	528	528
FFO	9,634	12,408
Finance income on finance lease receivable	(834)	(879)
Finance lease payments received	1,606	1,525
Core-FFO	10,406	13,054
Amortization of deferred transaction costs	778	670
Amortization of debt mark-to-market adjustments	(40)	(58)
Amortization of straight-line rent	(93)	(676)
Interest rate subsidy	108	108
Guaranteed income supplements	—	296
Normalized direct leasing and capital costs	(1,948)	(2,205)
AFFO	\$ 9,211	\$ 11,189

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

The following is FFO, Core-FFO and AFFO expressed on a per unit basis:

	Three months ended March 31,	
	2021	2020
FFO per unit (diluted)	\$ 0.13	\$ 0.17
Core-FFO per unit (diluted)	0.14	0.18
AFFO per unit (diluted)	\$ 0.13	\$ 0.15

DISTRIBUTIONS

The REIT pays monthly distributions to unitholders which are also paid at the same rate to holders of the REIT's Class B LP units. Distributions are paid on or about the 15th day of the month following declaration.

The Board of Trustees continually evaluates the distribution policy of the REIT in consideration of various factors. These factors generally include the REIT's available liquidity to fund distributions, the asset allocation alternatives available to the REIT including acquisitions and their impact, the interest rate environment, the REIT's cost of capital and the expected future cash flows to be generated by the REIT in consideration of the REIT's future cash flow needs, which include funding value add redevelopment opportunities, leasing costs and other capital. Based on these factors the Board of Trustees of the REIT may determine a modification of the REIT's distribution to be beneficial to the REIT.

The following table summarizes distributions made during the three months ended March 31, 2021 and 2020 to unitholders of the REIT and Class B LP unitholders:

	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Trust units	Class B LP units		Trust units	Class B LP units	
Distributions declared	\$ 6,770	\$ 528	\$ 7,298	\$ 6,777	\$ 528	\$ 7,305

Distributions made during the three months ended March 31, 2021 and 2020 were settled in cash. Cash flow from operating activities for the three months ended March 31, 2021 was \$9.2 million which is higher than distributions declared to unitholders of the REIT of \$7.3 million. When distributions are more than cash flow from operating activities the REIT finances such amounts from cash on hand and/or borrowings on its credit facility and represent a return of capital.

Taxation of distributions

The REIT qualifies as a "mutual fund trust" under the Income Tax Act (Canada) (the "Tax Act"). For taxable Canadian resident REIT unitholders, the REIT's distributions are treated as follows for tax purposes over the four most recent years:

Taxation year	Return of capital	Capital gains	Other income
2020 per \$ of distribution	43.3%	56.7%	—
2019 per \$ of distribution	77.0%	23.0%	—
2018 per \$ of distribution	100.0%	—	—
2017 per \$ of distribution	100.0%	—	—

Of the distributions received by unitholders in 2020, 56.7% were treated as capital gains and 43.3% were treated as return of capital due to the impact of capital gains and depreciation recapture on asset sales. For 2019, 77.0% of the distributions received by unitholders were treated as a return of capital for taxation purposes compared to 100.0% in 2018 and 2017.

FFO, CORE-FFO AND AFFO PAYOUT RATIOS

FFO, Core-FFO and AFFO payout ratios (the "payout ratios") are non-IFRS measures that provide a comparison of the distributions made by the REIT to unitholders compared to FFO, Core-FFO and AFFO generated by the REIT. Management uses these measures to evaluate the REIT's ability to sustain its distributions. The payout ratios are calculated by dividing aggregate distributions made in respect of units of the REIT and Class B LP units by FFO, Core-FFO and AFFO during the period of measurement.

One of the REIT's objectives is to provide a distribution over time that is appropriate in consideration of the REIT's available liquidity to fund distributions, the asset allocation alternatives available to the REIT, the estimated impact on the trading price of the REIT's trust units and the expected future cash flows to be generated by the REIT in consideration of the REIT's future cash flow needs. To the extent these factors change, the Board of Trustees of the REIT will consider adjustments to its distribution policy.

The REIT's AFFO payout ratio for the three months ended March 31, 2021 was 79.2% which the REIT believes to be sustainable and looks to maintain current distribution rates to provide consistent returns to unitholders.

The table below illustrates the REIT's cash flow capacity, based on FFO, in comparison to its cash distributions:

	Three months ended March 31,	
	2021	2020
FFO	\$ 9,634	\$ 12,408
REIT unit and Class B LP distributions declared and settled	7,298	7,305
Excess of FFO over cash distributions	\$ 2,336	\$ 5,103
FFO payout ratio	75.8%	58.9%

The table below illustrates the REIT's cash flow capacity, based on Core-FFO, in comparison to its cash distributions:

	Three months ended March 31,	
	2021	2020
Core-FFO	\$ 10,406	\$ 13,054
REIT unit and Class B LP distributions declared	7,298	7,305
Excess of Core-FFO over cash distributions	\$ 3,108	\$ 5,749
Core-FFO payout ratio	70.1%	56.0%

The table below illustrates the REIT's cash flow capacity, based on AFFO, in comparison to its cash distributions:

	Three months ended March 31,	
	2021	2020
AFFO	\$ 9,211	\$ 11,189
REIT unit and Class B LP distributions declared	7,298	7,305
Excess of AFFO over cash distributions	\$ 1,913	\$ 3,884
AFFO payout ratio	79.2%	65.3%

The FFO, Core-FFO and AFFO payout ratios have increased for the three months ended March 31, 2021 compared to the same period in 2020 as a result of lower NOI from asset dispositions and certain known tenant vacancies.

SEGMENTED INFORMATION

The REIT has NOI from four geographic locations. The following is the REIT's NOI by geographic region:

	Three months ended March 31,			
	2021		2020	
	NOI	Percentage (%)	NOI	Percentage (%)
Atlantic	\$ 6,500	30.4%	\$ 8,239	35.8%
Ontario	8,302	38.9%	8,786	38.2%
Western	1,025	4.8%	1,324	5.8%
U.S.	5,518	25.9%	4,646	20.2%
Total	\$ 21,345	100.0%	\$ 22,995	100.0%

	Three months ended March 31,	
	2021	2020
Atlantic		
# of properties	14	14
Owned GLA (000s of square feet)	2,660	2,634
Occupancy rate (%) (period-end)	73.6%	82.0%
Revenue	\$ 15,018	\$ 19,227
Property operating expenses	(9,141)	(11,605)
Straight-line rent and other changes	623	617
NOI	\$ 6,500	\$ 8,239

NOI for the Atlantic properties decreased by \$1.7 million for the three months ended March 31, 2021 compared to the same period in 2020. The decrease is a result of certain known tenant vacancies for the third quarter of 2020 comprising approximately 119,000 square feet which decreased NOI by \$1.0 million. Further to this, parking revenue declined \$0.6 million and the REIT's hotel contributed \$0.1 million less NOI compared to the same period in the prior year.

Ontario	Three months ended March 31,	
	2021	2020
# of properties	12	12
Owned GLA (000s of square feet)	2,761	2,750
Occupancy rate (%) (period-end)	90.0%	90.2%
Revenue	\$ 15,616	\$ 17,165
Property operating expenses	(7,926)	(8,642)
Straight-line rent and other changes	612	263
NOI	\$ 8,302	\$ 8,786

NOI for the three months ended March 31, 2021 was \$8.3 million compared to NOI of \$8.8 million for the three months ended March 31, 2020, representing a decrease of \$0.5 million year-over-year. This decrease is due to the disposition of 4211 Yonge Street in January 2020 and a reduction in parking revenue of \$0.3 million from the comparative period in the prior year.

Western	Three months ended March 31,	
	2021	2020
# of properties	6	8
Owned GLA (000s of square feet)	462	514
Occupancy rate (%) (period-end)	90.2%	92.3%
Revenue	\$ 2,302	\$ 2,738
Property operating expenses	(1,299)	(1,434)
Straight-line rent and other changes	22	20
NOI	\$ 1,025	\$ 1,324
NOI from Data Centre	1,606	1,525
NOI including Data Centre	\$ 2,631	\$ 2,849

NOI for the three months ended March 31, 2021 was \$2.6 million including the income from the Data Centre which is a decrease from \$2.8 million in the comparable period. The decrease is primarily a result of the disposition of 5404 36th Street SE in Calgary, AB and 307-311 Old Airport Road in Yellowknife, NT. The Data Centre is accounted for as a finance lease and corresponding interest income is recorded below NOI and principal repayments reduce the balance of the lease receivable.

United States	Three months ended March 31,	
	2021	2020
# of properties	2	2
Owned GLA (000s of square feet)	1,026	1,038
Occupancy rate (%) (period-end)	88.5%	85.3%
Revenue	\$ 10,225	\$ 10,538
Property operating expenses	(12,639)	(13,108)
IFRIC 21 property tax adjustment ¹	7,319	7,169
Straight-line rent and other changes	613	47
NOI	\$ 5,518	\$ 4,646

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

NOI for the three months ended March 31, 2021 was \$5.5 million which is an increase of \$0.9 million compared to the same period in 2020. The increase is a result of numerous lease commencements throughout 2020 which increased average occupancy for the three months ended March 31, 2021 compared to the same period in the prior year.

REVENUE

Revenue from properties includes rent from tenants under lease agreements, straight-line rental income, percentage rents, property taxes and operating cost recoveries, parking revenue and other incidental income. The following is a summary of the components of revenue:

	Three months ended March 31,	
	2021	2020
Property base rent ¹	\$ 21,912	\$ 23,784
Operating cost recoveries	15,079	17,059
Tax recoveries	7,750	8,005
Hotel	290	1,793
Straight-line adjustments and other	(1,870)	(947)
	\$ 43,161	\$ 49,694

¹Includes parking revenue earned at properties.

For the three months ended March 31, 2021, revenue from properties was \$43.2 million, lower than \$49.7 million for the same period in 2020. The decrease is a result of the disposition of 4211 Yonge Street in January 2020, 307-311 Old Airport Road in Yellowknife, NT in October 2020 and 5404 36th Street SE in Calgary, AB in December 2020. Furthermore, the REIT had tenants comprising approximately 119,000 square feet which vacated two of the REIT's assets as of the third quarter of 2020 which reduced revenue for the three months ended March 31, 2021 compared to the same prior in the prior year. Parking revenue also decreased \$0.9 million compared to the prior period from overall lower utilization rates and less event parking across the REIT's portfolio. Revenue at the REIT's hotel property decreased as a result of reduced travel and events resulting from COVID-19 related restrictions.

PROPERTY OPERATING RECOVERIES AND EXPENSES

Property operating expenses consist of property taxes, property management fees and other expenses such as common area costs, utilities, and insurance. The majority of the REIT's property operating expenses are recoverable from tenants in accordance with the terms of the tenants' lease agreements. Operating cost recoveries are included in revenue from properties and amounted to \$15.1 million for the three months ended March 31, 2021 compared to \$17.1 million for the same period in 2020. Property tax recoveries were \$7.8 million for the three months ended March 31, 2021 which is lower than \$8.0 million for the same period in 2020. The decrease is a result of asset dispositions and lower average occupancy in 2021 compared to the same period in the prior year.

GENERAL AND ADMINISTRATIVE

General and administrative expenses are primarily comprised of asset management fees, professional fees, trustee fees, and other amounts. For the three months ended, general and administrative expenses are consistent with the same period in 2020.

INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Three months ended March 31,	
	2021	2020
Mortgage interest	\$ 6,346	\$ 6,159
Interest on other debt	3,279	3,175
Amortization of financing costs	778	670
Amortization of debt mark-to-market adjustments	(40)	(58)
Interest on convertible debentures	364	376
	\$ 10,727	\$ 10,322

For the three months ended March 31, 2021, interest and finance costs were \$10.7 million, which has increased by \$0.4 million when compared to the same period in 2020 primarily from the completion of refinancing transactions completed throughout 2020.

FINANCE INCOME ON FINANCE LEASE RECEIVABLE

The REIT has a 15 year lease with Manitoba Telecom Services Inc. for the Data Centre. The terms of the lease at inception met the requirements for classification as a finance lease because the minimum lease payments amounted to at least substantially all of the fair value of the leased asset. As a result of this classification, a portion of the lease payments earned on the property is recorded as interest income on finance lease. Interest income recognized on the finance lease for the three months ended March 31, 2021 was \$0.8 million and \$0.9 million for the same period in 2020.

The REIT makes an adjustment to recognize the contribution made by the Data Centre to its Core-FFO and AFFO to account for the difference between accounting under IFRS and the lease contributions on a cash basis. On a cash basis the Data Centre currently contributes approximately \$6.4 million annually from lease payments.

CHANGE IN FAIR VALUE OF PROPERTIES

The change in fair value of properties increased \$6.1 million for the three months ended March 31, 2021 compared to the comparative period in 2020. A large portion of the change in fair value of properties relates to revised timing of speculative leasing across the REIT's portfolio due to COVID-19 for the three months ended March 31, 2020.

CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

The change in fair value of financial instruments represents the change in the fair value of the REIT's interest rate swaps and deferred unit liabilities on deferred units issued to Trustees and Officers of the REIT. The fair value of financial instruments increased \$43.5 million for the three months ended March 31, 2021 compared to the same period in the prior year due to higher prevailing interest rates which impacts the REIT's pay-fixed receive-float interest rate swaps.

INCOME TAXES

The REIT is a mutual fund trust and real estate investment trust pursuant to the Tax Act. Under the Tax Act, so long as the REIT meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"), the REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders during the period. Management intends to operate the REIT in a manner that enables the REIT to continue to meet the REIT Conditions and to distribute all of its taxable income to unitholders. The REIT has reviewed the SIFT Rules and has assessed their application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions for the three months ended March 31, 2021 and 2020, and accordingly is not subject to current income taxes in Canada. Accordingly, no provision for current income taxes is required, except for amounts incurred by the U.S. subsidiary.

The REIT's U.S. subsidiary is subject to federal and state income tax on taxable income from U.S. operations. The REIT recognizes deferred tax assets and liabilities at prevailing tax rates when such differences are expected to settle, based on tax laws enacted at the reporting date. The U.S. subsidiary is subject to a combined federal and state rate of 28.51%.

QUARTERLY INFORMATION

The following is a summary of financial and operational information for the REIT for the eight most recently completed quarters:

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Revenue	\$ 43,161	\$ 43,436	\$ 45,852	\$ 44,604	\$ 49,694	\$ 51,329	\$ 52,539	\$ 54,452
Operating costs	(31,005)	(21,450)	(21,016)	(20,365)	(34,815)	(25,599)	(25,152)	(26,468)
IFRIC 21 property tax adjustment	7,319	(2,339)	(2,254)	(2,576)	7,169	(2,555)	(2,330)	(2,212)
Straight-line rent and other	1,870	1,471	1,458	1,748	947	999	378	612
Net operating income	\$ 21,345	\$ 21,118	\$ 24,040	\$ 23,411	\$ 22,995	\$ 24,174	\$ 25,435	\$ 26,384
Net income (loss)	\$ 18,638	\$ 6,644	\$ 16,221	\$ 5,689	\$ (14,906)	\$ 19,813	\$ 27,195	\$ 9,514
Weighted average diluted units ¹	73,266	73,246	73,227	73,203	73,278	73,278	73,283	74,093
Net income (loss) and comprehensive income (loss) per unit	\$ 0.25	\$ 0.09	\$ 0.22	\$ 0.08	\$ (0.20)	\$ 0.27	\$ 0.37	\$ 0.13
Distributions ²	\$ 7,298	\$ 7,298	\$ 7,298	\$ 7,298	\$ 7,305	\$ 7,309	\$ 7,309	\$ 7,361
Distributions per unit	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10
FFO ³	\$ 9,634	\$ 8,625	\$ 13,066	\$ 12,735	\$ 12,408	\$ 12,600	\$ 14,280	\$ 13,103
FFO per unit - diluted ³	\$ 0.13	\$ 0.12	\$ 0.18	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.19	\$ 0.18
FFO payout ratio ³	75.8%	84.6%	55.9%	57.3%	58.9%	58.0%	51.2%	56.2%
Core-FFO ³	\$ 10,406	\$ 9,384	\$ 13,813	\$ 13,413	\$ 13,054	\$ 13,236	\$ 14,906	\$ 13,719
Core-FFO per unit - diluted ³	\$ 0.14	\$ 0.13	\$ 0.19	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.20	\$ 0.19
Core-FFO payout ratio ³	70.1%	77.8%	52.8%	54.4%	56.0%	55.2%	49.0%	53.7%
AFFO ³	\$ 9,211	\$ 8,439	\$ 11,777	\$ 11,787	\$ 11,189	\$ 11,498	\$ 12,420	\$ 12,193
AFFO per unit - diluted ³	\$ 0.13	\$ 0.12	\$ 0.16	\$ 0.16	\$ 0.15	\$ 0.16	\$ 0.17	\$ 0.16
AFFO payout ratio ³	79.2%	86.5%	62.0%	61.9%	65.3%	63.6%	58.8%	60.4%
Properties	\$1,595,777	\$1,593,945	\$1,609,242	\$1,602,165	\$1,608,638	\$1,622,085	\$1,658,126	\$1,655,665
Total assets	\$1,674,255	\$1,679,207	\$1,694,187	\$1,695,859	\$1,700,643	\$1,709,964	\$1,751,013	\$1,742,831
Debt	\$ 968,399	\$ 972,604	\$ 979,004	\$ 987,461	\$ 991,057	\$1,001,947	\$1,044,297	\$1,064,353
IFRS net asset value ("NAV")	\$ 639,464	\$ 627,504	\$ 629,904	\$ 623,277	\$ 629,983	\$ 659,057	\$ 649,423	\$ 624,928
Diluted units outstanding ¹	73,277	73,263	73,244	73,225	73,201	73,291	73,277	73,293
IFRS NAV per unit	\$ 8.73	\$ 8.57	\$ 8.60	\$ 8.51	\$ 8.61	\$ 8.99	\$ 8.86	\$ 8.53
LTV ratio	58.0%	58.0%	57.8%	58.3%	58.3%	58.7%	59.7%	61.2%
Net debt to adjusted EBITDA	11.3x	11.1x	10.8x	10.6x	10.4x	10.1x	10.2x	10.0x
Interest coverage ratio ³	2.1x	2.2x	2.3x	2.3x	2.2x	2.2x	2.1x	2.2x
Debt service coverage ratio ³	1.7x	1.7x	1.8x	1.8x	1.7x	1.7x	1.6x	1.6x
Leasing activity (square feet)	102,742	137,047	142,881	103,827	304,571	190,894	124,697	149,226
Leasing activity as a % of portfolio	1.5%	2.0%	2.1%	1.5%	4.4%	2.7%	1.7%	2.0%
Weighted average lease term (years)	5.3	5.4	5.5	5.4	5.5	5.6	5.6	5.5
Number of properties	34	34	36	36	36	37	38	39
Office GLA	6,845,148	6,846,248	6,836,593	6,825,669	6,821,215	6,998,980	7,221,258	7,377,177
Total GLA	6,908,587	6,909,687	6,951,427	6,940,503	6,936,049	7,113,814	7,336,092	7,492,011
Occupancy - excluding redevelopment	83.5%	84.2%	86.0%	88.0%	87.7%	88.3%	87.5%	88.6%
Occupancy	83.5%	84.2%	85.4%	86.8%	86.5%	87.1%	86.3%	87.2%

¹Includes REIT units, the conversion of the Class B LP units and deferred units and is shown in thousands at the end of the respective periods. Weighted average diluted units is the weighted average number of diluted units outstanding during the respective quarter and diluted units outstanding is the diluted units outstanding at the end of the quarter.

²Includes distributions made to both unitholders of the REIT and Class B LP unitholders.

³The calculation of these non-IFRS financial measures and a reconciliation to relevant IFRS measures are included in Part III and IV.

PART IV - FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

The REIT endeavors to maintain appropriate levels of financial liquidity to meet its business objectives and commitments. Primarily, the REIT utilizes revolving credit facilities to provide this financial liquidity in addition to cash on hand. The revolving credit facilities can be drawn or repaid on short notice, which reduces the need to hold cash and deposits, while also minimizing borrowing rates.

The principal liquidity needs of the REIT arise from working capital requirements, distributions to unitholders, planned funding of maintenance capital expenditures, leasing costs and future property acquisitions. Cash flows from operating the REIT's property portfolio, available funding under the REIT's credit facilities and cash on hand represent the primary sources of liquidity. Cash flows from operations are dependent upon rental occupancy levels, rental rates, the collection of rents, recoveries of operating costs and the level of operating costs.

The REIT's available liquidity is as follows:

	March 31, 2021	December 31, 2020
Cash	\$ 2,758	\$ 8,520
Undrawn revolving facilities	45,892	46,245
Liquidity	\$ 48,650	\$ 54,765

DEBT STRATEGY

The REIT's obligations with respect to debt repayments and funding requirements for future investment property acquisitions will be primarily funded from cash retained after distributions, refinancing the REIT's maturing debt, financing unencumbered properties or future issuances of trust units.

The REIT's overall borrowing objective is to obtain secured financing, with terms to maturity that are appropriate having regard to the lease maturity profiles of the underlying properties and which allows the REIT to stagger debt maturities that reduce its exposure to interest rate fluctuations and re-financing risk in any particular period. The REIT also endeavors to have an appropriate amount of fixed rate debt and to extend loan terms when borrowing conditions are favourable, which is actively monitored by management.

The REIT has multiple sources of financing from its credit facility which has borrowing capacity available and provides shorter term flexibility to support the REIT's multiple growth-oriented initiatives. Further, in instances where management believes that there are meaningful value creation opportunities, the REIT will generally seek to utilize short-term floating rate financing, to allow for maximum debt proceeds when subsequently utilizing term or mortgage debt upon full execution of management's asset strategy. Additionally, where management has identified properties for potential sale, the REIT will seek to utilize short-term floating rate financing to prevent value erosion on sale from requiring a purchaser to assume potentially above market low leverage debt. While the REIT's credit facilities represent one element of our funding strategy, this will be coupled with the REIT's access to financing alternatives from multiple financial institutions at competitive rates, which the REIT has consistently done through proactive and early discussions with lenders on new and maturing debt. In addition, the REIT's development pipeline and associated construction activities are funded by dedicated construction facilities provided by various banking syndicates at attractive rates for appropriate terms commensurate with each respective project.

The REIT's revolving credit facility, construction facility and some mortgages are subject to financial and other covenants, including customary maximum leverage ratios, interest service coverage ratios, minimum debt service coverage ratios, minimum unitholders' equity among others which may impact the available capacity based on the financial results of the REIT. The REIT is in compliance with these covenants.

Convertible Debentures

On January 26, 2018, the REIT issued \$28.8 million of 5.25% convertible unsecured subordinated debentures of the REIT. The convertible debentures are convertible into freely tradeable units at the option of the holder at any time prior to the close of business on the earliest of; (i) the last business day before February 28, 2023; or (ii) if called for redemption, the business day immediately preceding the date specified by the REIT for redemption of the debentures, at a conversion price of \$10.53 per unit (the "Conversion Price"). Convertible debenture holders converting their debentures will, in addition to the applicable number of units to be received on conversion, receive accrued and unpaid interest, if any, for the period from the last interest payment date on their convertible debentures to and including the last record date set by the REIT occurring prior to the date of conversion for determining the unitholders entitled to receive a distribution on the units.

On and from February 28, 2021, and prior to February 28, 2022, the convertible debentures may be redeemed by the REIT, in whole at any time, or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted-average trading price of the Units on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and from February 28, 2022, and prior to February 28, 2023, the convertible debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice. During the three months ended March 31, 2021 the REIT did not redeem any of the convertible debentures.

Maturity profile

The REIT's 2021 maturities relate to three office properties that are well tenanted with long weighted average lease terms and the REIT expects normal course renewals. The following is a summary of future principal repayments and maturities at March 31, 2021:

Remainder of 2021	\$ 164,883
2022	350,162
2023	218,617
2024	6,475
2025	88,187
Thereafter	145,953
	\$ 974,277

Debt profile

Debt held by the REIT at March 31, 2021 is as follows:

	Maturity	Coupon ¹	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn ²
Mortgages ^{3 4 5}	Various	Various	17	\$ 1,003,585	\$ 616,947	\$ 616,947	\$ —	\$ —
Revolving facilities ^{5 6 7}	Oct. 14, 2022	Various	16	588,265	375,372	328,580	900	45,892
Convertible debentures	Feb. 28, 2023	5.25%	—	—	28,750	28,750	—	—
			33	\$ 1,591,850	\$ 1,021,069	\$ 974,277	\$ 900	\$ 45,892

¹BA* means the one-month Bankers' Acceptances rate and "bps" means basis point or 1/100th of one percent.

²Debt is only available to be drawn subject to certain covenants and other requirements.

³The weighted average remaining term to maturity of mortgages is 3.0 years with maturities ranging from 0.4 to 9.5 years and the weighted average interest rate of mortgages is 3.22% with coupons ranging from 2.45% to 4.95%.

⁴Security includes the Data Centre, which is accounted for as a finance lease receivable and not included in the REIT's properties. The fair value of security includes the carrying value of the finance lease receivable.

⁵Amounts have been translated from U.S. to Canadian dollars using the prevailing exchange rate on March 31, 2021.

⁶Stand-by fees incurred on the unutilized portion of on the revolving operating facility and the revolving credit facility are 68.75 bps, charged and paid quarterly.

⁷Principal balance includes \$256.6 million and U.S. \$57.3 million of operating facilities. The remaining term to maturity of revolving facilities is 1.5 years and the weighted average interest rate of revolving facilities is 3.10%.

The carrying value of debt held by the REIT at March 31, 2021 is as follows:

	Principal	Mark-to-market ("MTM") adjustments and costs	Accumulated amortization of MTM adjustments, costs and other	Carrying amount	Current	Non-current
Mortgages	\$ 616,947	\$ (2,727)	\$ (7)	\$ 614,213	\$ 166,563	\$ 447,650
Revolving facilities	328,580	(3,245)	726	326,061	—	326,061
Convertible debentures ¹	28,750	(1,320)	695	28,125	—	28,125
	\$ 974,277	\$ (7,292)	\$ 1,414	\$ 968,399	\$ 166,563	\$ 801,836

¹Represents the debt component of the convertible debentures. The embedded derivative features, which are the holder conversion option and the issuer redemption option, originally recorded in the amount of \$0.2 million, are accounted for separately. These embedded derivative features are included within derivatives on the REIT's consolidated statements of financial position.

INDEBTEDNESS RATIO

The indebtedness ratio is a non-IFRS measure calculated by the REIT. In accordance with the REIT's Declaration of Trust, the REIT's indebtedness may not exceed 65% of gross book value, which is defined by the Declaration of Trust as total assets less restricted cash. The REIT's indebtedness ratio at March 31, 2021 was 58.0% which is consistent with December 31, 2020. Subject to market conditions and the growth of the REIT, management's medium term target is to maintain total indebtedness at approximately 55%. The success of this strategy is dependent upon debt market parameters existing at the time of borrowing, as well as the particular features and quality of the underlying assets being financed. If this strategy is unsuccessful, debt principal repayments may need to be funded by operating cash flows, additional draws under the REIT's revolving credit and operating facilities, financing of unencumbered income-producing properties or by issuances of equity or debt securities. Additional investment and operating guidelines are provided for by the Declaration of Trust. The REIT is in compliance with these guidelines.

The REIT's indebtedness level is calculated as follows:

	March 31, 2021	December 31, 2020
Total assets	\$ 1,674,255	\$ 1,679,207
Less: restricted cash	(4,767)	(3,327)
Gross book value	1,669,488	1,675,880
Debt	\$ 968,399	\$ 972,604
Leverage ratio	58.0%	58.0%

ADJUSTED EBITDA

Adjusted EBITDA is a non-IFRS measure and is used by the REIT to monitor the REIT's ability to satisfy and service its debt as well as monitor requirements imposed by the REIT's lenders. Specifically, adjusted EBITDA is used to monitor the REIT's leverage ratio, interest coverage ratio and debt service ratio, which the REIT uses to measure its debt profile and assess its ability to satisfy its obligations, including servicing its debt. Management views adjusted EBITDA as a proxy for operating cash flow prior to interest costs. Adjusted EBITDA represents earnings before interest, income taxes, depreciation, fair value gains (losses) from both financial instruments and investment properties, while also excluding non-recurring items such as transaction costs from dispositions, acquisitions or other events.

The following is a reconciliation from net income to adjusted EBITDA:

	Twelve months ended March 31,	
	2021	2020
Net income	\$ 47,192	\$ 41,616
Straight line rent and other changes	6,547	2,936
Interest income	(521)	(608)
Interest and finance costs	42,902	45,856
Change in fair value of properties	(5,984)	(29,424)
IFRIC 21 property tax adjustment ¹	150	72
Change in fair value of financial instruments	(13,671)	31,236
Distributions to Class B shareholders	2,112	2,112
Transaction costs	1,560	12,212
Depreciation of hotel asset	1,050	1,023
Change in fair value of Class B LP units	3,805	(12,896)
Deferred income tax expense	252	675
Adjusted EBITDA	\$ 85,394	\$ 94,810

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

The following is a calculation of adjusted EBITDA:

	Twelve months ended March 31,	
	2021	2020
Rental revenue	\$ 177,053	\$ 208,014
Property operating expenses	(93,836)	(112,034)
IFRIC 21 property tax adjustment ¹	150	72
Finance income on finance lease receivable	3,407	3,576
Straight line rent and other changes	6,547	2,936
General and administrative	(7,927)	(7,754)
Adjusted EBITDA	\$ 85,394	\$ 94,810

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

INTEREST COVERAGE

In addition to the REIT's level of indebtedness calculated in accordance with the REIT's Declaration of Trust, management also monitors certain financial measures, which include the (i) net debt to adjusted EBITDA leverage ratio, (ii) interest coverage ratio, and (iii) the debt service coverage ratio. All of these measures are non-IFRS measures.

Net debt to adjusted EBITDA leverage ratio

The net debt to adjusted EBITDA ratio is used to calculate the financial leverage of the REIT, specifically, its ability to meet financial obligations and to provide a measure of its balance sheet strength. The REIT calculates debt to adjusted EBITDA by dividing the aggregate amount of debt outstanding, less cash on hand, by the trailing twelve month adjusted EBITDA. The net debt to adjusted EBITDA leverage ratio also indicates the number of years required for the REIT's unleveraged operating earnings (i.e. before depreciation, amortization, transaction costs, gains or losses, fair value adjustments, and taxes) to cover or repay all outstanding debts. The net debt to adjusted EBITDA ratio also takes into consideration the cash on hand to decrease debt.

The following is a calculation of net debt to adjusted EBITDA for the trailing twelve months ended:

	March 31, 2021	December 31, 2020
Debt	\$ 968,399	\$ 972,604
Less: Cash on hand	2,758	8,520
Net debt	965,641	964,084
Adjusted EBITDA ¹	85,394	87,146
Net debt to Adjusted EBITDA (times)	11.3x	11.1x

¹Adjusted EBITDA is based on actuals for the twelve months preceding the balance sheet date.

Interest coverage ratio

The interest coverage ratio is useful in determining the REIT's ability to service the interest requirements of its outstanding debt. The interest coverage ratio is calculated by dividing adjusted EBITDA by the REIT's interest obligations for the period. Management utilizes this ratio to measure and limit leverage.

The following is a calculation of interest coverage ratio:

	Twelve months ended March 31,	
	2021	2020
Adjusted EBITDA	\$ 85,394	\$ 94,810
Interest expense	39,752	42,413
Interest coverage ratio (times)	2.1x	2.2x

Debt service coverage ratio

The debt service coverage ratio is determined as adjusted EBITDA divided by the debt service requirements for the period, whereby the debt service requirements reflects amortizing principal repayments and interest expensed during the period. Payments related to defeasance, prepayment penalties, or payments upon discharge of a mortgage are excluded from the calculation. The debt service coverage ratio is a useful measure and is used by the REIT's management to monitor the REIT's ability to meet annual interest and principal payments.

The following is a calculation of debt service coverage ratio:

	Twelve months ended March 31,	
	2021	2020
Adjusted EBITDA	\$ 85,394	\$ 94,810
Interest expense	39,752	42,413
Principal repayments	11,159	12,168
Debt service requirements	\$ 50,911	\$ 54,581
Debt service coverage ratio	1.7x	1.7x

DEBT REPAYMENT SCHEDULE

The following table outlines the REIT's annual principal payments and maturity schedule, together with the weighted average annual interest rates at March 31, 2021:

	Annual Principal Payments	Principal Repayments on Maturity	Total	Percentage (%)	Weighted Average Contractual Interest Rate on Maturing Debt (%)
Remainder of 2021	\$ 7,901	\$ 156,982	\$ 164,883	16.9%	2.8%
2022	9,582	340,580	350,162	35.9%	3.1%
2023	7,566	211,051	218,617	22.4%	3.9%
2024	6,475	—	6,475	0.7%	0.0%
2025	6,416	81,771	88,187	9.1%	3.0%
Thereafter	15,217	130,736	145,953	15.0%	2.8%
Weighted average interest rate					3.2%

The REIT has managed indebtedness to ensure the REIT is not exposed to liquidity risk due to concentration of debt maturities. As part of this strategy, the REIT is proactive in negotiating renewals for near term debt maturities. The REIT has \$164.9 million of debt maturing throughout 2021 which include well tenanted buildings. At March 31, 2021 and December 31, 2020, after the impact of interest rate swaps, all of the REIT's debt is subject to fixed interest rates.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following is a summary of the REIT's contractual obligations over the next five years at March 31, 2021:

	Total contractual cash flow	Remainder of 2021	2022-2023	2024-2025	Thereafter
Accounts payable and accrued liabilities	\$ 37,031	\$ 34,641	\$ 1,226	\$ 1,164	\$ —
Amortizing principal repayments on debt	53,157	7,901	17,148	12,891	15,217
Principal repayments on maturity of debt	921,120	156,982	551,631	81,771	130,736
Interest on debt ¹	74,852	22,110	34,215	13,257	5,270
Interest rate swaps ²	17,989	5,433	10,683	2,008	(135)
Other liabilities	6,296	1,405	979	891	3,021
Total	\$ 1,110,445	\$ 228,472	\$ 615,882	\$ 111,982	\$ 154,109

¹Interest amounts on floating debt have been determined using floating rates at March 31, 2021.

²Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the March 31, 2021 floating rate.

DERIVATIVES

Interest rate derivatives

The REIT has entered into interest rate derivatives to reduce the impact of interest rate risk of certain debt with floating interest rates.

The REIT currently has in-place certain pay-fixed and receive-float interest rate swaps. The swaps are derivative financial instruments that require a periodic exchange of payments with counter-parties without the exchange of the notional amount on which the payments are based. The recorded interest expense on the underlying mortgages payable reflects payments made and received under the interest rate swaps. These swaps are not designated as hedging instruments that qualify for hedge accounting under IFRS. Interest rate derivatives are measured at fair value with fair values estimated as the present value of contractual cash flows based on forward curves and an applicable discount rate.

The following are the terms and fair values of the REIT's interest rate swaps at March 31, 2021:

Maturity date	Floating interest rate ¹	Fixed interest rate	Notional amount ²		Fair value	
			March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
June 10, 2021	1 month CDOR	1.87%	\$ 61,038	\$ 61,528	\$ (245)	\$ (455)
June 30, 2021	1 month BA	1.94%	35,000	35,000	(133)	(260)
April 12, 2023	1 month BA	1.90%	58,281	58,281	(1,484)	(1,794)
April 12, 2023	1 month CDOR	2.04%	77,015	77,708	(2,294)	(2,699)
April 12, 2023	1 month CDOR	2.04%	36,370	36,697	(1,084)	(1,275)
August 14, 2023	1 month BA	2.77%	18,135	18,249	(905)	(1,073)
February 1, 2024	1 month U.S. LIBOR	1.80%	62,810	63,625	(2,594)	(3,253)
March 22, 2024	1 month BA	1.90%	100,000	100,000	(3,026)	(4,148)
March 3, 2025	1 month BA	1.23%	62,500	62,500	(56)	(1,276)
September 10, 2025	1 month U.S. LIBOR	2.56%	126,970	128,618	(8,050)	(11,565)
October 30, 2026	1 month BA	2.30%	100,000	100,000	(4,187)	(8,068)
Total			\$ 738,119	\$ 742,206	\$ (24,058)	\$ (35,866)

¹BA" means the one-month Bankers' Acceptances rate and "LIBOR" means the one month U.S. London Interbank Offering Rate, and "CDOR" means the Canadian Dollar Offered Rate.

²The notional amount of the U.S. dollar pay-fixed receive-float interest rate swaps, maturing September 10, 2025 and February 1, 2024, are U.S. \$101.1 million and U.S. \$50 million respectively.

Foreign exchange derivative

The REIT intends to manage its U.S. dollar exposure from its net investment in U.S. operations through foreign exchange swaps. From time to time, the REIT may enter into foreign exchange derivatives to sell U.S. dollars and buy Canadian dollars on a forward basis to mitigate the REIT's exposure to value changes in the Canadian dollar equivalent value of the REIT's equity in its U.S. properties resulting from U.S.-Canadian exchange rates. During the three months ended March 31, 2021 the REIT did not enter into or settle any foreign exchange derivatives.

FINANCIAL CONDITION

The REIT's primary sources of capital are cash generated from operating, financing and investing activities. Management expects to meet all of the REIT's obligations through current cash and cash equivalents, cash flows from operations, the REIT's revolving credit facility, and refinancing of mortgages and equity. The REIT's contractual obligations as outlined above are expected to be funded through its sources of capital. Incremental to these contractual obligations, the REIT endeavours to invest in its current portfolio of assets through leasing and capital expenditure, the amount and timing of which are uncertain. The REIT intends to fund these expenditures through its various sources of capital.

The following table provides an overview of the REIT's cash flows from operating, financing and investing activities:

	Three months ended March 31,	
	2021	2020
Net change in cash related to:		
Operating	\$ 9,154	\$ 7,774
Investing	(5,701)	10,213
Financing	(9,209)	(17,788)
Foreign exchange (loss) gain on cash held in foreign currency	(6)	53
(Decrease) increase in cash	\$ (5,762)	\$ 252

The change in cash for the three months ended March 31, 2021 and 2020 was the result of the following factors:

- Operating – cash flows for the three months ended March 31, 2021 increased by \$1.4 million when compared to the same period in 2020. The increase is the result of higher net income and changes in working capital accounts from the collection of outstanding receivables during the three months ended March 31, 2021.
- Investing – cash outflows for the three months ended March 31, 2021 were \$5.7 million compared to cash inflows of \$10.2 million in 2020. The cash outflows in the current period were from capital expenditures throughout the REIT's portfolio, mainly focused on the Maritime Centre redevelopment and a parking garage renovation in the Greater Toronto Area. For the three months ended March 31, 2020 the REIT had cash inflows of \$10.2 million from the disposition of 4211 Yonge Street in Toronto, ON.

- Financing – cash expenditure for the three months ended March 31, 2021 primarily relates to the repayment of debt and distributions paid to unitholders. For the three months ended March 31, 2020, the REIT repaid debt on the disposition of 4211 Yonge Street in Toronto, ON resulting in total cash outflow of \$17.8 million.

DEFERRED UNIT PLAN

Trustee deferred unit plan

Trustees who are not employees of the REIT or the Manager, Slate Asset Management (Canada) L.P., or any of their subsidiaries, are eligible to participate in the deferred unit plan for Trustees (the "Trustee DUP"). Participants may elect to receive all or a portion of their annual retainer, meeting fees and additional compensation (including travel fees), in deferred units. One deferred unit, which vests immediately on the grant date, is equivalent to one trust unit. Additional deferred units accumulate at the same rate that distributions are paid on the trust units.

The deferred units may be redeemed by a participant for a period of two years after the participant ceases to be a Trustee of the REIT in whole or in part for cash or trust units. The value of the deferred units when converted to cash will be equivalent to the market value of trust units on the date of the redemption request.

At March 31, 2021, the liability associated with the Trustee DUP was \$0.9 million (December 31, 2020 - \$0.8 million), and the number of outstanding deferred units was 214,632 (December 31, 2020 - 201,730 units).

Officer deferred unit plan

The REIT has a deferred unit plan for its officers (the "Officer DUP") which provides officers of the REIT the opportunity to receive deferred units of the REIT. The maximum number of deferred units reserved for issuance under the Officer DUP is 1% of total units outstanding. One deferred unit, which vests immediately on the grant date, is equal to one trust unit. Any units issued under the Officer DUP will result in an equal reduction and offsetting in the asset management fee payable to SMULC, based on the trading price of units on the day of issuance.

The deferred units may be redeemed by a participant after two years following the date the units were issued in whole or in part for cash or trust units. The value of the deferred units when converted to cash will be equivalent to the market value of trust units on the date of the redemption request.

If a participant ceases to be an officer of the REIT, the deferred units must be redeemed no later than two years following that date.

As at March 31, 2021, the liability associated with deferred units issued under the Officer DUP was \$50 thousand (December 31, 2020 - \$46 thousand) and the number of deferred units was 11,405 (December 31, 2020 - 11,145).

EQUITY

The REIT is authorized to issue an unlimited number of trust units. Each trust unit represents a proportionate undivided beneficial interest and voting right in the REIT and entitles the holder to an equal participation in distributions of the REIT. The trust units are redeemable at the option of the holder at any time. The REIT's trust units are traded on the TSX and had a closing price of \$4.39 on March 31, 2021.

The REIT is also authorized to create and issue an unlimited number of preferred units, in one or more classes comprised of unlimited series, having terms and conditions as may be determined by the Board of Trustees from time to time. There have been no preferred units created or issued.

As at March 31, 2021, the total number of trust units outstanding was 67,765,409. As at May 12, 2021, the total number of trust units outstanding was 67,765,409.

Normal course issuer bid

On May 20, 2020 the REIT renewed its normal course issuer bid ("NCIB"), whereby the REIT may purchase up to 6,785,339 trust units, subject to certain restrictions. The renewed NCIB expires on the earlier of May 19, 2021 and the repurchase of the maximum number of trust units. Since the renewal of its NCIB, the REIT has repurchased and cancelled 113,000 units for an aggregate cost of \$0.4 million. During the three months ended March 31, 2021 the REIT has not repurchased units under its NCIB.

Potential trust units

	March 31, 2021	December 31, 2020
Class B LP units	5,285,160	5,285,160
Deferred units	226,037	212,875
	5,511,197	5,498,035

The Class B LP units are exchangeable into trust units of the REIT on a one-for-one basis, subject to anti-dilution adjustments. Each Class B LP unit is accompanied by one special voting unit of the REIT providing the same voting rights in the REIT as the trust units of the REIT and is entitled to distributions of cash equal to the cash distributions paid to holders of trust units by the REIT. The Class B LP units are recognized in the REIT's consolidated financial statements as financial liabilities measured at fair value through profit and loss. Upon exchange into trust units of the REIT, the carrying amount of the liability representing the fair value of the Class B LP units on exchange date

will be reclassified to unitholders' equity. During the three months ended March 31, 2021, there were no Class B LP units exchanged for the REIT's trust units.

Weighted average diluted units outstanding

The following is the weighted average diluted number of units outstanding during the three months ended March 31, 2021 and 2020. The diluted weighted average trust units outstanding is determined as if all of the Class B LP units and deferred units have been converted to units of the REIT:

	Three months ended March 31,	
	2021	2020
Basic weighted average units outstanding	67,765,409	67,864,750
Class B LP units	5,285,160	5,285,160
Deferred units	215,350	128,116
Diluted weighted average units outstanding	73,265,919	73,278,026

Diluted units outstanding

The following is the diluted number of units outstanding at March 31, 2021 and 2020. The diluted number of units outstanding is determined as if all of the Class B LP units and deferred units have been converted to units of the REIT:

	March 31, 2021	March 31, 2020
Trust units outstanding	67,765,409	67,765,409
Class B LP units	5,285,160	5,285,160
Deferred units	226,037	150,339
Diluted units outstanding	73,276,606	73,200,908

RELATED PARTY TRANSACTIONS

The REIT has a management agreement (the "Management Agreement") with SMULC, an indirect subsidiary of Slate, whereby SMULC as the REIT's manager provides the REIT with the strategic, administrative, property management, leasing, acquisition and disposition, financing and construction management services necessary to manage the strategy and day-to-day operations of the REIT and its assets.

Slate directly and indirectly held the following interests in the REIT:

	March 31, 2021	December 31, 2020
REIT units	1,687,251	1,687,251
Class B LP units	5,285,160	5,285,160
Total	6,972,411	6,972,411
Economic interest	9.5%	9.5%

Since becoming the manager of the REIT in late 2014, Slate has been the largest unitholder in the REIT. Accordingly, Slate is highly motivated to continue to grow the operations and financial position of the REIT on an accretive basis.

The Management Agreement provides for the following fees:

Type	Basis
Property management	3% of gross revenue ¹
Asset management	0.3% of gross book value ²
Leasing	5% on new leases, 2% on renewals ³
Financing	0.25% of debt financed
Construction	5.0% of costs
Acquisition	Variable ⁴

¹Gross revenue is defined as all revenues received by and/or on behalf of the REIT from the leasing and/or licensing of the REIT's properties.

²Gross book value is defined as the book value of the REIT's assets as shown on the previous quarter's consolidated financial statements, less restricted cash.

³Leasing fees are charged to the REIT net of any third party brokerage fees paid to leasing agents retained by the REIT. No fee is charged to the REIT where such third party fees are equal to or greater than the lease fee payable to SMULC.

⁴Acquisition fees are 1.0% on the first \$100.0 million of acquisitions; 0.75% on the next \$100.0 million of acquisitions and 0.50% for acquisitions in excess of \$200.0 million.

The REIT incurred the following fees under the Management Agreement:

	Three months ended March 31,	
	2021	2020
Property management	\$ 1,393	\$ 1,449
Asset management	1,264	1,290
Leasing, financing, and construction management	352	1,049
	\$ 3,009	\$ 3,788

Property administration fees are generally recoverable under the tenants' leases relating to assets or resources of the Manager that are directly attributable to the management of the REIT's properties. Property administration fees were \$2.3 million for the three months ended March 31, 2021 (March 31, 2020 – \$2.5 million). Administrative fees are recovered from most tenants by the REIT in accordance with the terms of the leases, whereas property management fees payable by the REIT to the Manager are determined in accordance with the Management Agreement. The REIT entered into an agreement to lease approximately 6,000 square feet of office space to Slate at one of its properties for a term of 10 years at market rents. For the three months ended March 31, 2021, the REIT received \$0.1 million in rent payment in respect of this lease (March 31, 2020 - nil). There were no amounts receivable related to this lease at March 31, 2021 and December 31, 2020.

As part of the REIT's acquisition of a seven asset portfolio in the Greater Toronto Area and Atlantic Canada on March 27, 2018, the REIT was provided an income supplement in the aggregate amount of \$2.4 million to be received in equal quarterly installments in each of the eight calendar quarters following the acquisition of the seven asset portfolio from SCREO I L.P., an entity managed by Slate. The final payment in respect of this income supplement was received in the first quarter of 2020.

The following are the assets and liabilities included in the consolidated statements of financial position of the REIT related to SMULC and Slate:

	March 31, 2021	December 31, 2020
Accounts receivable	262	383
Accounts payable and accrued liabilities	(314)	(308)
Class B LP units	(23,201)	(21,880)

PART V - ACCOUNTING AND CONTROL

CRITICAL ACCOUNTING ESTIMATES

The REIT has identified the estimate of the fair value of its properties as a critical accounting estimate due to the significance of the estimate to the REIT's financial position and impact of changes on fair value to net income. Estimating the fair value of real property is characterized by uncertainty, both in terms of differences between different methods of valuation but also in the selection of assumptions to reflect the property being valued, certain of which are subjective. There is no assurance that management's, or a third-party's, estimate of fair value would be realized on sale due to the specific and unique aspects of real property, including their location, liquidity, tenants and the local demand and supply of competing properties for tenants.

The REIT determines the fair value of properties based upon either the overall income capitalization rate method or the discounted cash flow method, direct comparison approach or through a combination of methods. All methods are generally accepted appraisal methodologies. If a third party appraisal is not obtained for a property, management uses one or a combination of the overall income capitalization rate method and the discounted cash flow method. In certain circumstances the direct comparison approach is used by comparing properties to similar properties that have sold, but adjusting for differences in the nature, location and other relevant considerations of the properties. The valuation methodology used, or combination of methodologies used, is based on the applicability and reliability of the relative approaches in the context of the subject property.

The fair values of properties are measured individually without consideration to their aggregate value on a portfolio basis. No consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or to the utilization of a common management platform, amongst other benefits. As a result, the fair value of the REIT's properties taken in aggregate may differ from the fair value of properties measured individually in the REIT's consolidated statements of financial position.

The following is a summary of the methodologies undertaken by management to estimate the fair value of the REIT's properties:

Overall income capitalization approach

The overall income capitalization approach evaluates a property's potential to generate cash flows and converts those cash flows into a present value. Generally, the REIT estimates a stabilized NOI and applies a capitalization rate to that income to estimate fair value. Stabilized NOI is determined as the property's potential gross income that could be generated at full capacity, less a vacancy and collection allowance. The capitalization rate used is derived from analysis of comparable sales data and the relative relationship of other properties' NOI over their sale price. In many cases, industry surveys are available that provide indicative ranges of capitalization rates for recently sold properties or views on value, however, certain adjustments are required to adjust for the specific nature, location and quality of properties.

Discounted cash flow method

Under the discounted cash flow method, fair values are primarily determined by discounting the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 NOI. Capitalization and discount rates are the most significant assumptions in determining fair value. The REIT uses leasing history, market reports, tenant profiles and available appraisals, among other things, in determining the most appropriate assumptions.

Direct comparison approach

This approach involves comparing properties similar to the property for which fair value is being estimated and making adjustments to reconcile differences in size, location, nature and the quality of the property.

A summary of the significant assumptions used in the REIT's estimate of fair value as at March 31, 2021 is included in this MD&A. Changes in these assumptions would have a significant impact on the REIT's estimate of fair value, which can be impacted by changes in demand for properties similar to those owned by the REIT, expectations of market rents, the covenant quality of tenants and the general economic environment. Further, these changes can occur at different times and magnitudes for each of the REIT's regions based on the investment environments in each of their respective markets.

NEW ACCOUNTING POLICIES

Application of Interest Rate Benchmark Reform ("IBOR")

In August 2020, the IASB issued IBOR Reform and the Effects on Financial Reporting – Phase II (amendments to IFRS 9, IFRS 7, IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"), IFRS 4 – Insurance Contracts ("IFRS 4") and IFRS 16 – Leases ("IFRS 16")). The objective of the second phase of the IASB's project was to assist entities in providing useful information about the effects of the transition to alternative benchmark rates and support preparers in applying the requirements of the IFRS Standards when changes are made to contractual cash flows or hedging relationships as a result of the transition to an alternative benchmark interest rate. The amendments affect the basis for determining the contractual cash flows as a result of benchmark interest rate reform, hedge accounting and disclosures. There was no impact to the REIT's financial position or results of operations as a result of implementing this standard.

INCOME TAXES AND THE REIT EXCEPTION

The REIT currently qualifies as a "mutual fund trust" as defined in the Tax Act. In accordance with the REIT's Declaration of Trust, distributions to unitholders are declared at the discretion of the trustees. The REIT endeavours to distribute to unitholders, in cash or trust units, in each taxation year its taxable income to such an extent that the REIT will not be liable to income tax under Part I of the Tax Act.

The Tax Act imposes a special taxation regime (the "SIFT Rules") applicable to certain publicly traded income trusts (each a "SIFT"). A SIFT includes a trust resident in Canada with publicly traded units that holds one or more "non-portfolio properties". "Non-portfolio properties" include certain investments in real properties situated in Canada and certain investments in corporations and trust residents in Canada and in partnerships with specified connections in Canada. Under SIFT Rules, a SIFT is subject to tax in respect of certain distributions that are attributable to the SIFT's "non-portfolio earnings" (as defined in the Tax Act; generally, income (other than certain dividends) from, or capital gains realized on, "non-portfolio properties", which does not include certain investments in non-Canadian entities), at a rate substantially equivalent to the combined federal and provincial corporate tax rate on certain types of income. The SIFT Rules are not applicable to a SIFT that meets certain specified criteria relating to the nature of its revenues and investments in order to qualify as a real estate investment trust for purposes of the Tax Act (the "REIT Exception"). The REIT believes that it qualifies for the REIT Exception as of March 31, 2021.

The REIT's U.S. subsidiary is subject to federal and state income tax on taxable income from the operations of 20 South Clark and 120 South LaSalle. The REIT recognizes deferred tax assets and liabilities at prevailing tax rates when such differences are expected to settle, based on tax laws enacted at the reporting date. The REIT assesses each reporting period whether it can recognize the deferred tax asset of its U.S. subsidiary's net deferred tax asset of U.S. \$1.2 million.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The REIT's management, under the supervision of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as such terms are defined in National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109").

DC&P are those controls and other procedures that are designed to provide reasonable assurance that all material information required to be disclosed by the REIT in annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. Furthermore, DC&P are those controls and other procedures that are designed to ensure that material information required to be disclosed by the REIT in annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the REIT's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS for the three months ended March 31, 2021.

The REIT's CEO and CFO, along with the assistance of others, have designed disclosure controls and procedures to provide reasonable assurance that information required to be disclosed in the various reports filed or submitted by the REIT under securities legislation is recorded, processed, summarized and reported accurately and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In the design of its internal controls the REIT uses the 2013 framework published by the Committee of Sponsoring Organizations of the Treadway Commission. No changes were made in the REIT's design of ICFR for the three months ended March 31, 2021, that have materially affected, or are reasonably likely to materially affect, the REIT's ICFR.

In designing such controls, it should be recognized that due to inherent limitations, any controls or control systems, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected or prevented. These inherent limitations include, without limitation, (i) the possibility that management's assumptions and judgments may ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any control system 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. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART VI - PROPERTY TABLE

Details of the REIT's property portfolio at March 31, 2021 is set out in the table below:

Asset Class	Property Address	Property Name	City	Year Built / Renovated / Expanded	Interest	Square feet of GLA	Occupancy
United States Office							
	20 South Clark Street		Chicago, IL	1970 / 2005	100%	369,917	86.4%
	120 South LaSalle Street		Chicago, IL	1929 / 1998	100%	656,021	89.6%
Total United States Office						1,025,938	88.5%
Greater Toronto Area Office							
	7030, 7050, 7100 Woodbine Avenue & 55, 85 Idema Road	Woodbine & Steeles Corporate Centre	Markham, ON	1984 / 2011	75%	359,541	84.6%
	3000 - 3100 Steeles Avenue East	Gateway Centre	Markham, ON	1982 / 1987	75%	240,735	91.5%
	2655 - 2695 North Sheridan Way	The Sheridan Exchange	Mississauga, ON	1987 / 1989	75%	158,322	88.7%
	2285 Speakman Drive		Mississauga, ON	1981 / 2016	100%	127,419	100.0%
	2599 Speakman Drive		Mississauga, ON	1971 / 2011	100%	127,782	52.3%
	2251 Speakman Drive		Mississauga, ON	1965 / 2016	100%	115,580	100.0%
	1189 Colonel Sam Drive		Oshawa, ON	2001	100%	103,179	100.0%
	1 Eva Road		Toronto, ON	1978 / 2011	100%	91,963	81.1%
	185 - 195 The West Mall	West Metro Corporate Centre	Toronto, ON	1986 / 2006	75%	618,334	93.8%
	401 - 405 The West Mall	Commerce West	Toronto, ON	1982 / 2009	75%	412,558	90.6%
	105 Moatfield Drive		Toronto, ON	1982	100%	248,981	88.8%
	95 Moatfield Drive		Toronto, ON	1982	100%	156,426	100.0%
Total Greater Toronto Area Office						2,760,820	90.0%
Atlantic Office							
	440 King Street	Kings Place	Fredericton, NB	1974 / 2001	100%	296,294	83.7%
	250 King Street		Fredericton, NB	2000	100%	80,162	100.0%
	460 Two Nations Crossing		Fredericton, NB	2008	100%	50,229	100.0%
	570 Queen Street		Fredericton, NB	1989	100%	69,137	47.4%
	644 Main Street	Blue Cross Centre	Moncton, NB	1988 / 2006	100%	320,154	99.0%
	81 Albert Street		Moncton, NB	2002	100%	64,954	100.0%
	39 King Street ¹	Brunswick Square	Saint John, NB	1976	100%	506,739	59.8%
	4 Herald Avenue		Corner Brook, NL	1968 / 1978	100%	73,393	25.3%
	100 New Gower Street	Cabot Place	St. John's, NL	1987	100%	136,167	27.6%
	10 Factory Lane	The Johnson Building	St. John's, NL	1980	100%	210,863	75.5%
	5 Springdale Street	Fortis Place	St. John's, NL	2014	100%	142,973	78.2%
	140 Water Street	TD Place	St. John's, NL	1980 / 2013	100%	102,747	39.2%
	1505 Barrington Street	Maritime Centre	Halifax, NS	1977 / 1985	100%	528,087	82.9%
	84 - 86 Chain Lake Drive		Halifax, NS	2008 / 2011	100%	78,253	73.1%
Total Atlantic Office						2,660,152	73.6%

¹GLA and occupancy stats do not include the Delta Brunswick Hotel.

Asset Class	Property Address	Property Name	City	Year Built / Renovated / Expanded	Interest	Square feet of GLA	Occupancy
Western Office							
	280 Broadway Avenue ²		Winnipeg, MB	1957	100%	105,341	86.2%
	114 Garry Street		Winnipeg, MB	1950 / 1995	100%	74,246	100.0%
	1450 Waverley Street	Bell MTS Data Centre	Winnipeg, MB	2015	100%	64,000	100.0%
	365 Hargrave Street		Winnipeg, MB	Various	100%	70,719	100.0%
	1870 Albert Street	Saskatchewan Place	Regina, SK	1985	100%	83,932	63.1%
Total Western Office						398,238	88.6%
Office						6,845,148	83.3%
Non-office							
	200 Manitoba 10	Walmart Flin Flon	Flin Flon, MB	2002	100%	63,439	100.0%
Non-office						63,439	100.0%
Total Portfolio						6,908,587	83.5%

²Includes a seven-storey office building at 280 Broadway Avenue, a three-storey multi-family residential building located at 70 Smith Street and two parking lots located at 286 Broadway Avenue and 68 Smith Street; excludes occupancy from residential tenants at 70 Smith Street.

Corporate Information

Slate Office REIT is an unincorporated, open-ended investment trust fund under and governed by the laws of the Province of Ontario. The REIT focuses on acquiring, owning and leasing a portfolio of diversified revenue-producing commercial real estate office properties in North America.

Trustees

Thomas Farley, Chair ¹²³
Corporate Director

Monty Baker ¹²
Corporate Director

Nora Duke ²³
Executive Vice-President, Sustainability and Chief
Human Resources Officer, Fortis Inc.

Meredith Michetti ¹
Corporate Director

Lori-Ann Beausoleil ¹²
Corporate Director

Blair Welch ³
Partner and Co-founder,
Slate Asset Management

Brady Welch
Partner and Co-founder,
Slate Asset Management

¹ Compensation, Governance and Nomination Committee

² Audit Committee

³ Investment Committee

Head Office

Slate Office REIT
121 King Street W, Suite 200
Toronto, ON M5H 3T9
T +1 416 644 4264
F +1 416 947 9366
E info@slateam.com

Independent Auditors

KPMG LLP
Chartered Professional Accountants
Toronto, Canada

Toronto Stock Exchange Listings

SOT.UN: trust units
SOT.DB: 5.25% convertible unsecured subordinated debentures

Registrar and Transfer Agent

TSX Trust Company
301 - 100 Adelaide Street W
Toronto, ON M5H 4H1
T +1 416 361 0930
F +1 416 361 0470

The REIT's website www.slateofficereit.com provides additional information regarding the REIT's portfolio, investment strategy, management and corporate governance. Additionally, the Investor section includes news, presentations, events, regulatory filings and stock information.

