
Slate Office REIT

2020 Annual 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 February 24, 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

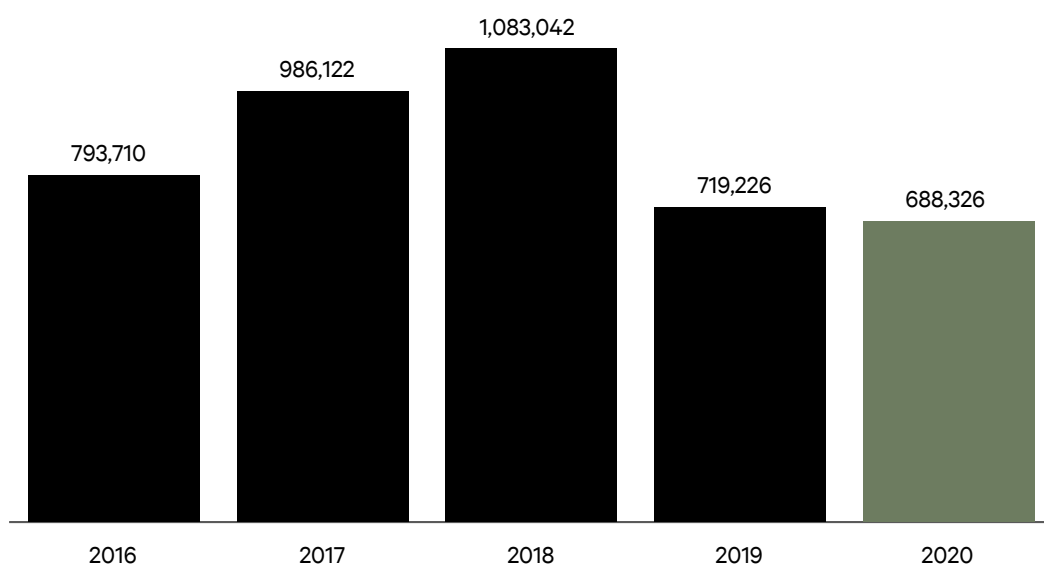
Investment properties

Strong Leasing and Positive Leasing Spread

6.9M

Square feet

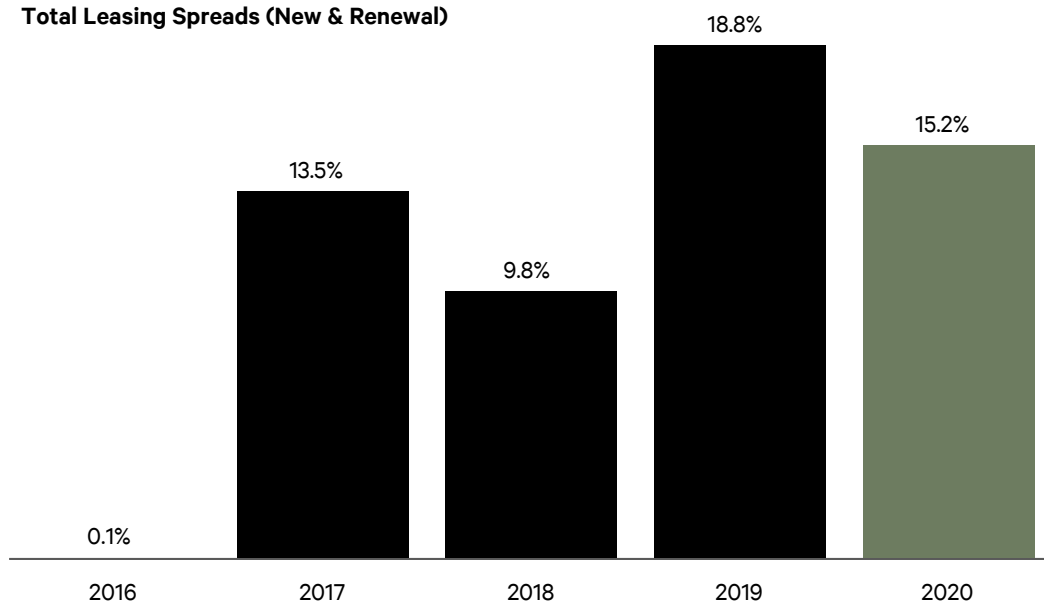
Total Leasing Activity (New and Renewal)



\$1.7B

Total asset value

Total Leasing Spreads (New & Renewal)



Top 5 Tenants

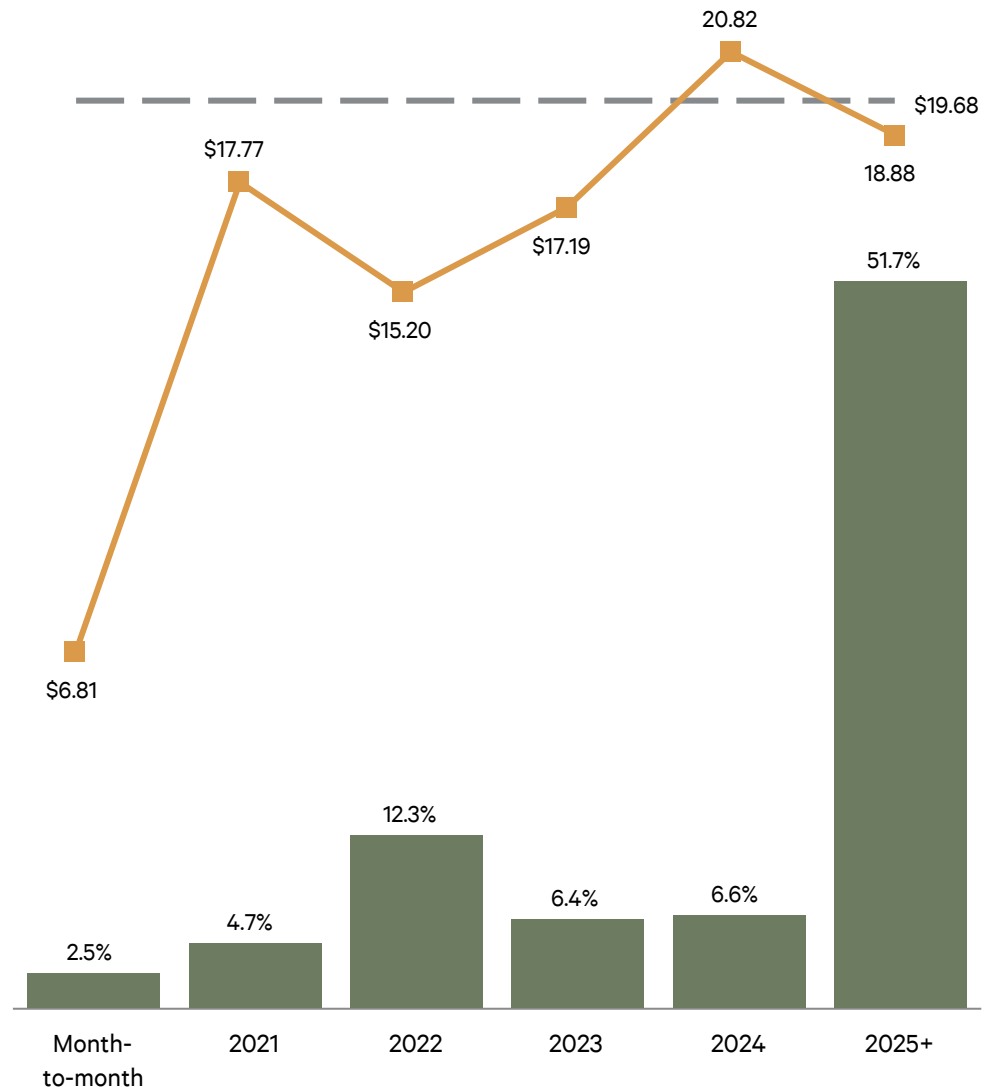
Ranked by Annual Base Rent*

1	7.3%	
2	6.9%	
3	6.9%	
4	5.7%	 Canada
5	3.5%	




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

* As at December 31, 2020

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,

When I reflect on our business in 2020, I continue to be impressed by the quality of our people, the durability of our income and net asset value (“NAV”), and our scalable platform that is poised for growth.

Our team has excelled in what has been a very challenging time to operate a commercial real estate portfolio. We were quick to assess the opportunities and risks in our portfolio and proactively communicated with our tenants, colleagues, investors, lenders, board and other key stakeholders.

The REIT leveraged the strength and scale of the Slate Asset Management platform for both real-time data insights through our proprietary cloud-based asset management software in addition to best practices from various real estate markets globally. Frequent and transparent communication was a key driver of our success in mitigating the impacts of the pandemic and, as an added benefit, we are now closer with our tenants and know our assets better than ever.

The REIT’s rent collections in 2020 were industry leading, ranging from 96% - 98% per month in cash since April 2020. The remainder of the rent will be substantially collected through short-term deferral agreements. The credit quality of our tenants has always been fundamental to our investment strategy as further demonstrated through the durability of our cash flow during the pandemic. Approximately 60% of the REIT’s income is generated from government and credit rated tenancies and the portfolio has a weighted average remaining lease term of 5.4 years. This dependable cash flow allowed us to pay an average 10.0% distribution to our unitholders in 2020 that was well-covered with a 67.6% payout ratio.

The REIT is currently trading at an approximately 50% discount to NAV. There is a significant disconnect between the low price that public market investors are assigning to the office sector versus the higher value of private market office transactions. While overall investment transaction volume is down in the office sector, several recent transactions are supportive of the REIT’s NAV. In addition, 74% of the portfolio was externally appraised in 2020, which further validates the REIT’s value.

“We continued to demonstrate organic rental rate growth in our portfolio, with our average rental rate increase on renewals of 15.2% and 15.1% on new deals.”

On the leasing side, we completed 463,259 square feet of renewals and 225,067 square feet of new leases. We continued to demonstrate organic rental rate growth in our portfolio, with our average rental rate increase on renewals of 15.2% and 15.1% on new deals. While leasing volumes are down from historical norms, we are starting to see activity pick up, particularly in Atlantic Canada where the pandemic impact has been less pronounced and tenant utilization rates have been and continue to be much higher (45% - 50% versus less than 20% in other markets). We are 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 84.2% and where the portfolio occupancy should stabilize in the 90% - 92% range.

Our team continues to be very optimistic about the long-term demand for office space. The work-from-home experiment, while it may be novel and attractive for certain individuals in the short-term, will have an adverse impact on an organization's ability to build culture and attract and grow talented people. Further, employers should be concerned about some of the statistics published earlier this month in the Harvard Business Review. In the fall of 2020 they surveyed 1,500 respondents in 46 countries across various sectors, roles and seniority levels, and the following results were alarming to me: 89% said their work life was getting worse, 85% said their well-being had declined, 56% said their job demands had increased and 62% of those who were struggling to manage their workloads had experienced burnout “often” or “extremely often” in the previous three months. This situation is not sustainable for individuals or businesses and it begs the question: are we “working from home” or are we “living at the office”?

We believe the current dislocation of pricing in the office sector creates opportunities for a scalable platform like ours to grow. As mentioned above, single asset transactions in the markets we monitor are holding value as there is strong demand from private investors and debt is both available and inexpensive for the right sponsors. On the other hand, large institutional investors and capital allocators are not as active in the office sector right now and that has created a disconnect in pricing in the public markets and for larger, more complicated portfolio transactions. 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 are very optimistic about the future of our company. We have demonstrated the resiliency of our portfolio during a difficult time and we are well positioned for both internal and external growth.

Thank you for your continued support.



Sincerely,
Steve Hodgson
Chief Executive Officer
February 24, 2021

Management's Discussion and Analysis

SLATE OFFICE REIT

TSX: SOT.UN

December 31, 2020

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FINANCIAL AND INFORMATIONAL HIGHLIGHTS

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

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Summary of Portfolio Information					
Number of properties	34	36	36	36	37
Gross leasable area ("GLA") ¹	6,909,687	6,951,427	6,940,503	6,936,049	7,113,814
Total assets	\$ 1,679,207	\$ 1,694,187	\$ 1,695,859	\$ 1,700,643	\$ 1,709,964
Total debt	\$ 972,604	\$ 979,004	\$ 987,461	\$ 991,057	\$ 1,001,947
Occupancy ²	84.2%	85.4%	86.8%	86.5%	87.1%

	Three months ended				
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Summary of Financial Information					
Revenue	\$ 43,436	\$ 45,852	\$ 44,604	\$ 49,694	\$ 51,329
Net operating income ("NOI") ³	\$ 21,118	\$ 24,040	\$ 23,411	\$ 22,995	\$ 24,174
Net income (loss)	\$ 6,644	\$ 16,221	\$ 5,689	\$ (14,906)	\$ 19,813
Funds from operations ("FFO") ³	\$ 8,625	\$ 13,066	\$ 12,735	\$ 12,408	\$ 12,600
Core-FFO ³	\$ 9,384	\$ 13,813	\$ 13,413	\$ 13,054	\$ 13,236
Adjusted FFO ("AFFO") ³	\$ 8,439	\$ 11,777	\$ 11,787	\$ 11,189	\$ 11,498
IFRS net asset value ("NAV") ³	\$ 627,504	\$ 629,904	\$ 623,277	\$ 629,983	\$ 659,057
Per Unit Financial Information					
Weighted average diluted number of trust units (000s)	73,246	73,227	73,203	73,278	73,278
Diluted units outstanding (000s)	73,263	73,244	73,225	73,201	73,291
IFRS NAV per unit ³	\$ 8.57	\$ 8.60	\$ 8.51	\$ 8.61	\$ 8.99
FFO per unit ³	\$ 0.12	\$ 0.18	\$ 0.17	\$ 0.17	\$ 0.17
Core-FFO per unit ³	\$ 0.13	\$ 0.19	\$ 0.18	\$ 0.18	\$ 0.18
AFFO per unit ³	\$ 0.12	\$ 0.16	\$ 0.16	\$ 0.15	\$ 0.16
Distributions per unit ³	\$ 0.1000	\$ 0.1000	\$ 0.1000	\$ 0.1000	\$ 0.1000
FFO payout ratio ³	84.6%	55.9%	57.3%	58.9%	58.0%
Core-FFO payout ratio ³	77.8%	52.8%	54.4%	56.0%	55.2%
AFFO payout ratio ³	86.5%	62.0%	61.9%	65.3%	63.6%

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Financial Data					
Loan-to-value ("LTV") ratio ³	58.0%	57.8%	58.3%	58.3%	58.7%
Weighted average debt interest rate	4.1%	3.9%	3.9%	3.9%	3.9%
Interest coverage ratio (times) ³	2.2x	2.3x	2.3x	2.2x	2.2x
Net debt to adjusted EBITDA ratio (times) ³	11.1x	10.8x	10.6x	10.4x	10.1x

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 year ended December 31, 2020. The presentation of the REIT's financial results, including the related comparative information, contained in this MD&A are based on the REIT's consolidated financial statements as at and for the years ended December 31, 2020 and 2019 (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 February 24, 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 December 31, 2020. 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 December 31, 2020 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.

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 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 LEED (Leadership in Energy and Environmental Design) or BOMA BEST (Building Environmental Standards) 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 consistently 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 years ended December 31, 2020, 2019 and 2018:

	Year ended December 31, 2020		Year ended December 31, 2019		Year ended December 31, 2018	
	IFRS Net Asset Value ¹	Per Unit	IFRS Net Asset Value ¹	Per Unit	IFRS Net Asset Value ¹	Per Unit
Beginning of period	\$ 659,057	\$ 8.99	\$ 642,878	\$ 8.54	\$ 528,051	\$ 8.48
Core-FFO	49,664	0.68	56,011	0.76	57,266	0.79
Property fair value changes	(114)	—	32,738	0.44	19,659	0.27
Other fair value changes	(29,803)	(0.41)	(2,710)	(0.04)	(3,350)	(0.05)
Depreciation on hotel	(1,058)	(0.01)	(1,000)	(0.01)	(947)	(0.01)
Foreign exchange	(8,747)	(0.13)	(2,756)	(0.05)	6,241	0.09
Unit issuances	—	—	—	—	98,586	(0.14)
Distributions	(29,203)	(0.40)	(36,133)	(0.46)	(54,728)	(0.75)
DRIP units	—	—	650	(0.01)	1,459	(0.02)
Unit repurchases	(358)	0.01	(12,974)	0.08	(1)	—
Transaction costs	(1,979)	(0.03)	(12,142)	(0.16)	(2,247)	(0.03)
Other	(9,955)	(0.13)	(5,505)	(0.10)	(7,111)	(0.09)
End of period	\$ 627,504	\$ 8.57	\$ 659,057	\$ 8.99	\$ 642,878	\$ 8.54

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.

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 \$49.7 million to net asset value and the REIT has paid \$0.40 per unit in distributions to unitholders for the year ended December 31, 2020. U.S. dollar depreciation at December 31, 2020 compared to December 31, 2019 resulted in a loss of \$2.4 million in addition to a \$6.4 million loss the REIT's net investment hedge. The decrease in net asset value is furthered by a \$29.8 million non-cash loss on the fair value of the REIT's pay-fixed interest rate swaps.

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

	Year ended December 31, 2020		Year ended December 31, 2019		Year ended December 31, 2018	
	Percentage Return	Per Unit	Percentage Return	Per Unit	Percentage Return	Per Unit
IFRS net asset value change	(4.7%)	\$ (0.42)	5.3%	\$ 0.45	0.8%	\$ 0.07
Distributions	4.4%	0.40	5.4%	0.46	8.8%	0.75
Total	(0.3)%	\$ (0.02)	10.7%	\$ 0.91	9.6%	\$ 0.82

In 2020 the REIT has provided \$0.40 per unit in cash distributions to unitholders. It is important to note that this represents a yield of 9.7% based on the closing price of the REIT's units at December 31, 2020 and an annual return of 4.4% based on the REIT's IFRS NAV at December 31, 2019. IFRS NAV decreased \$0.42 per unit driven by a decrease in value from pay-fixed interest rate swaps. In 2019 and 2018, the REIT created \$0.91 and \$0.82 of value per unit, respectively. Of this, a total of \$0.46 (2019) and \$0.75 (2018) was returned to unitholders in the form of a distribution and \$0.45 (2019) and \$0.07 (2018) was retained in the REIT which served to increase IFRS net asset value. Importantly, this value creation in 2019 and 2018 is equivalent to a 10.7% and a 9.6% total return on a per unit basis, respectively.

A large portion of this total return to unitholders is provided by way of distributions. In 2019, 77.0% of the distributions received by unitholders were treated as a return of capital and 23.0% were treated as capital gains due to the impact of capital gains and depreciation recapture on asset sales and modification of the REIT's distribution to \$0.40 annually. For 2018 and 2017, 100.0% of the distributions received by unitholders were treated as a return of capital for taxation purposes compared to 90.2% in 2016, resulting in a meaningful deferral of the taxation of returns being provided.

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 December 31, 2020 and December 31, 2019 to the REIT's consolidated financial statements:

	December 31, 2020	December 31, 2019
Equity	\$ 604,743	\$ 627,305
Class B LP units	21,880	30,918
Deferred unit liability	881	742
Deferred tax liability (asset)	—	92
IFRS net asset value	\$ 627,504	\$ 659,057
Diluted number of units outstanding ¹	73,263	73,291
IFRS net asset value per unit	\$ 8.57	\$ 8.99

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 \$8.57 at December 31, 2020. Management believes that there is a substantive basis to support a net asset value of \$8.57 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 \$1.2 billion, representing 74.1% 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 December 31, 2020:

<i>(thousands, except per unit amount)</i>	December 31, 2020
Property fair value	\$ 1,593,945
Data Centre	53,315
Working capital	(47,152)
Debt	(972,604)
IFRS net asset value	\$ 627,504
Diluted number of units outstanding	73,263
IFRS net asset value per unit	\$ 8.57

Unit Repurchases

During the year ended December 31, 2020, the REIT repurchased 113,000 units at a total cost of \$0.4 million through its normal course issuer bid ("NCIB"). Given the uncertain economic environment resulting from COVID-19 the REIT believes that cash preservation is the most prudent strategy in the short term. Management will continue to evaluate its allocation of capital with the intention of maximizing unitholder return.

SIGNIFICANT HIGHLIGHTS

The following are the significant highlights for the year ended December 31, 2020:

Leasing

- The REIT completed a total of 688,326 square feet of leasing, comprised of 463,259 square feet of renewals and 225,067 square feet of new lease deals.
- The overall rental rate spread on leasing was 15.2%. New deals were 15.1% above in-place building rent while renewals were 15.2% above expiring rents.
- Notable new leasing throughout 2020 includes the following:
 - Approximately 47,200 square foot new lease at 2599 Speakman Drive in Mississauga, ON which was leased to a federal government tenant for a term of 10 years
 - Approximately 38,000 square foot new lease at 120 South LaSalle for a term of 11 years

- Approximately 29,000 square foot renewal with a national accountancy and advisory firm at Gateway Centre for a term of 10 years
- A new lease deal with a law firm for approximately 25,800 square feet and a renewal of approximately 65,000 square foot with a major Canadian bank, both at West Metro Corporate Centre in Toronto
- In Atlantic Canada, travel restrictions implemented in response to the pandemic have expedited the market's re-opening, resulting in increased leasing activity with the REIT completing 79,344 square feet of renewals and 41,880 square feet of new lease deals in the fourth quarter. Management views the recovery in Atlantic Canada as a leading indicator and expects the gradual reversal of restrictions in other markets to have a similarly positive impact on leasing activity.

Recent Transactions

- In the fourth quarter of 2020 the REIT executed its strategy to consolidate its existing credit facilities into a \$300.0 million and U.S. \$60.0 million revolving credit facility which expires October 14, 2022. This facility replaces the REIT's two revolving credit facilities, term loan and one mortgage. This transaction supports the REIT's liquidity while maintaining current leverage.
- Concurrent with the new revolving credit facility, the REIT obtained mortgages for three of its Atlantic Canada assets that were previously secured on a term loan expiring June 2021. Combined proceeds were \$55.7 million at a weighted average interest rate of 2.57% and a weighted average term to maturity of 5.25 years.
- The REIT extended the mortgage on 120 South LaSalle in Chicago, IL for one year on similar terms. The property has committed leases that will generate incremental rental revenue in 2021 and position it for longer term financing.
- On September 30, 2020, the REIT refinanced the Johnson Building mortgage on similar terms, which now expires in January 2025.
- After renewing both tenants on long-term leases the REIT disposed of 307-311 Old Airport Road in Yellowknife, NT, a non-strategic retail asset, for \$6.2 million which was above the REIT's IFRS fair value. Proceeds were used to repay debt on the REIT's revolving credit facility.
- On December 22, 2020, the REIT disposed of 5404 36th Street SE, an industrial property in Calgary, AB for \$2.8 million which was consistent with the REIT's IFRS fair value. Proceeds were used to repay debt on the REIT's revolving credit facility.

Financial

- The REIT's LTV has improved to 58.0% at December 31, 2020 from 58.7% at December 31, 2019.
- Net income was \$13.6 million for the year ended December 31, 2020.
- FFO and Core-FFO for the year ended December 31, 2020 were \$46.8 million and \$49.7 million, respectively or \$0.64 and \$0.68, respectively on a per unit basis.
- FFO and Core-FFO payout ratios were 62.3% and 58.8%, respectively for the year ended December 31, 2020.
- AFFO for the year ended December 31, 2020 was \$43.2 million or \$0.59 per unit.
- AFFO payout ratio for the year ended December 31, 2020 was 67.6%.

COVID-19

- From the onset of COVID-19 through to December 2020, the REIT collected 96% to 98% of rent in cash each month. The residual rent is expected to be collected through short-term rent deferral programs.
- The quality of the tenants located throughout the REIT's portfolio has resulted in strong collections and limited rent deferrals compared to most of its peers. The portfolio is comprised of 60% government or credit rated tenants and less than 2% non-essential retail tenants.

PART II - LEASING AND PROPERTY PORTFOLIO

LEASING

The REIT continues to renew and extend leases to drive occupancy and value. In 2020 the REIT completed a total of 688,326 square feet of leasing, comprised of 225,067 square feet of new lease deals and 463,259 square feet of renewals. The overall rental rate spread on leasing was 15.2%. New deals were 15.1% above in-place building rent while renewals were 15.2% above expiring rents. In the fourth quarter of 2020 the REIT completed 137,047 square feet of leasing, comprised of 52,667 square feet of new lease deals and 84,380 square feet of renewals. The overall rental spread on leasing in the quarter was (0.5)%. New deals were 4.0% above building in-place rents while renewals were 2.6% below expiring rents. Occupancy at December 31, 2020 decreased 117 basis points to 84.2% compared to 85.4% at September 30, 2020 while the weighted average lease term decreased to 5.4 years. The decrease in occupancy is from two large tenants vacating the REIT's portfolio in St. John's, NFLD and one tenant giving back a portion of its space in Toronto, ON. This decline in occupancy was expected and the tenants' decisions to vacate predated the COVID-19 pandemic. The REIT was able to secure new leases to partially offset the impact of those 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 December 31, 2020			Three months ended September 30, 2020		
	GLA	Occupancy (square feet)	Occupancy (%)	GLA	Occupancy (square feet)	Occupancy (%)
Occupancy, beginning of period	6,951,427	5,934,189	85.4%	6,940,503	6,022,085	86.8%
Dispositions	(51,395)	(51,395)	100.0%	—	—	—%
Remeasurements	9,655	—	—%	10,924	—	—%
Change in same property occupancy	—	(67,461)	—%	—	(87,896)	—%
Occupancy, end of period	6,909,687	5,815,333	84.2%	6,951,427	5,934,189	85.4%
Redevelopment properties	—	—	—%	127,782	66,780	52.3%
Occupancy, excluding redevelopments	6,909,687	5,815,333	84.2%	6,823,645	5,867,409	86.0%

The REIT's objective is to maintain a high level of occupancy throughout the portfolio. At December 31, 2020 the REIT's occupancy was 84.2%, a decrease of 117 basis points from September 30, 2020 due to 67,461 square feet of net vacancies and the dispositions of 307-311 Old Airport Road in Yellowknife, NT and 5404 36th Street SE in Calgary, AB.

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 December 31, 2020 was 5.4 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:

	December 31, 2020			September 30, 2020		
	Weighted average years to maturity ¹	GLA	% of GLA	Weighted average years to maturity ¹	GLA	% of GLA
Atlantic	5.2	2,020,117	29.3%	5.2	2,035,497	29.3%
Ontario	4.8	2,471,506	35.8%	4.9	2,496,875	35.9%
Western	7.7	416,193	6.0%	7.3	476,368	6.9%
U.S.	6.5	907,517	13.1%	6.6	925,449	13.3%
	5.4	5,815,333	84.2%	5.5	5,934,189	85.4%
Vacant		1,094,354	15.8%		1,017,238	14.6%
Total		6,909,687	100.0%		6,951,427	100.0%

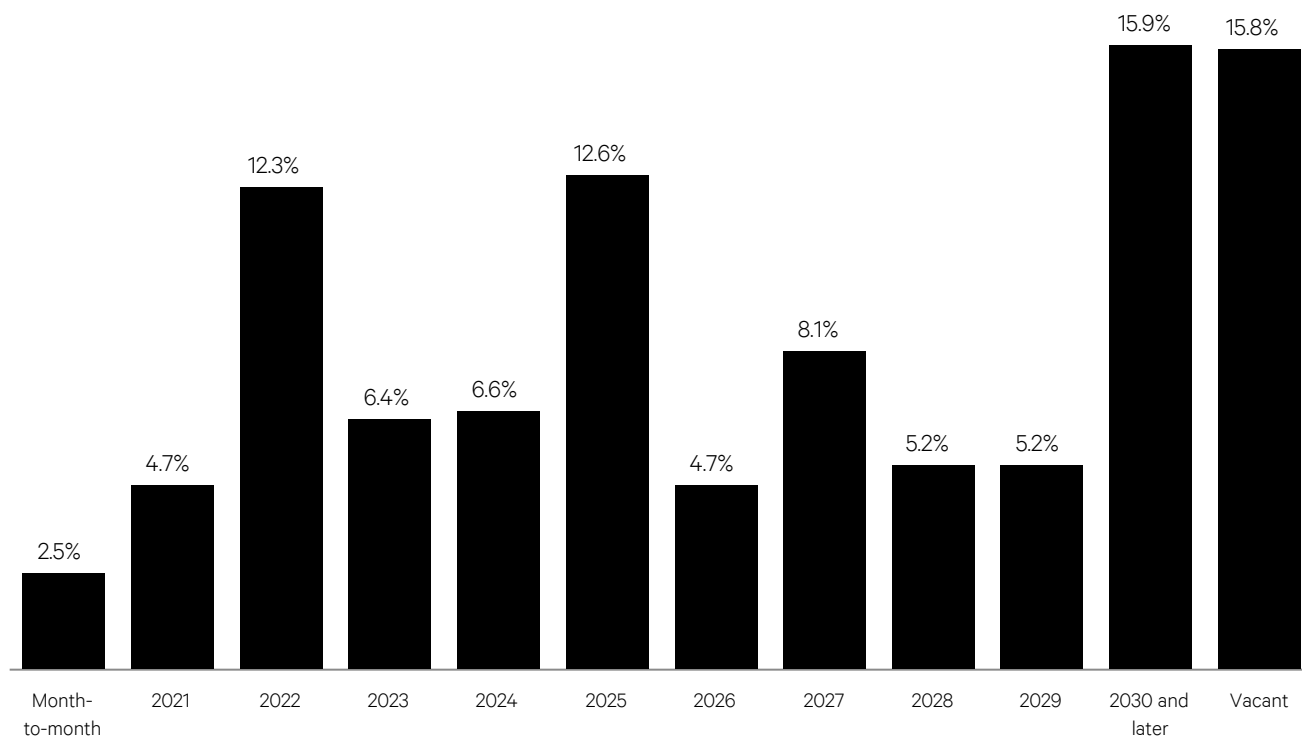
¹The calculation of weighted average term to maturity does not include month-to-month tenants.

The following is a profile of the maturities of the REIT's leases excluding the impact of tenant extension options at December 31, 2020:

	GLA	% of portfolio	Weighted average in-place rent (per square foot) ¹
Month-to-month	173,905	2.5%	\$ 6.81
2021	322,227	4.7%	17.77
2022	849,429	12.3%	15.20
2023	438,931	6.4%	17.19
2024	459,633	6.6%	20.82
2025	868,876	12.6%	16.30
2026	326,071	4.7%	15.71
2027	560,943	8.1%	17.55
2028	357,896	5.2%	17.28
2029	357,635	5.2%	16.45
2030 and later	1,099,787	15.9%	23.86
Vacant	1,094,354	15.8%	n/a
Total / weighted average	6,909,687	100.0%	\$ 17.95

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

Lease Maturities



Month-to-month tenants includes a large tenant that the REIT is in discussions with to renew on a long term lease. Throughout 2021, 4.7% 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 5% below market rent, providing upside opportunity for the REIT upon renewing and re-leasing this space.

The REIT has completed approximately 21,200 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

In 2020 the REIT completed a total of 688,326 square feet of leasing, comprised of 225,067 square feet of new lease deals and 463,259 square feet of renewals. The overall rental rate spread on leasing was 15.2%. New deals were 15.1% above in-place building rent while renewals were 15.2% above expiring rents.

During the three months ended December 31, 2020 the REIT completed 137,047 square feet of leasing comprised of both new deals and renewals. On a weighted average basis, rates for new leases were 4.0% above building in-place rents while renewals were 2.6% below expiring rents.

The following table summarizes the REIT's leasing activity during the three months ended December 31, 2020:

	GLA	Number of leases	Weighted average expiring rent (per square foot)	Weighted average new rent (per square foot)	Increase in rent
Renewed leases	84,380	11	\$ 20.22	\$ 19.70	(2.6)%
New leases	52,667	13	15.43	16.05	4.0 %
Total / weighted average	137,047	24	\$ 18.38	\$ 18.30	(0.5)%
Less: leases not renewed / vacated	(123,417)	(20)			
Net total	13,630	4			

The weighted-average in-place rent of the REIT's office portfolio at December 31, 2020 is \$17.95 per square foot. Management estimates the current weighted average market rate to be \$19.68 per square foot for the markets in which the REIT's office properties are located, 9.6% or \$1.73 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 2020:

Quarter	Renewals			New leases			Total	
	GLA	Number of leases	Rental spread	GLA	Number of leases	Rental spread	GLA	Number of leases
Q1 2020	195,908	20	33.4 %	108,663	11	21.5 %	304,571	31
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
Total	463,259	57	15.2%	225,067	36	15.1%	688,326	93

In Atlantic Canada, travel restrictions implemented in response to the pandemic have expedited the market's re-opening, resulting in increased leasing activity with the REIT completing 79,344 square feet of renewals and 41,880 square feet of new lease deals in the fourth quarter. Management views the recovery in Atlantic Canada as a leading indicator and expects the gradual reversal of restrictions in other markets to have a similarly positive impact on leasing activity. Impacting the rental spread on renewed leasing was a lease completed with a regional law firm in Atlantic Canada coming off of above-market rents. The leasing completed outside of this renewal resulted in positive leasing spreads of 4.4% during the three months ended December 31, 2020.

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 December 31, 2020, which together represent 44.0% 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	6.9%	4.0
Government of Canada	AAA	400,692	9	5.7%	4.9
CIBC	AA	346,346	4	7.3%	7.8
Province of New Brunswick	A+	317,572	5	3.5%	2.7
Thales Rail Signalling Solutions Inc.	A2	220,476	1	3.5%	4.8
Medavie Blue Cross	Unrated	199,358	3	3.1%	6.9
Kraft Canada Inc.	BB+	156,426	1	2.4%	5.4
Johnson Insurance	A	156,217	1	2.7%	9.9
Province of Nova Scotia	AA-	145,034	1	2.0%	6.5
Bell Canada Enterprises	BBB+	136,246	4	6.9%	7.7
Total		2,512,167		44.0%	5.6

¹ Source: DBRS, Moody's and S&P as at December 31, 2020.

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 1,028,000 square feet or 14.4% of base rent at share with a weighted average lease term of 5.5 years.

PROPERTY PROFILE

The REIT's property portfolio at December 31, 2020, comprises interests in 34 properties, comprised of 33 office properties and 1 non-office property. The portfolio comprises 6.9 million square feet of GLA. Of the REIT's property portfolio, one of its office properties is currently classified as redevelopment. 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 tenanting, 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 will add 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 \$11.6 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.

The REIT has reclassified 2599 Speakman Drive as income producing from a redevelopment property during the year ended December 31, 2020. 2599 Speakman Drive is one of five properties located in the Sheridan Business Park in Mississauga, ON in which the REIT owns a 100% interest. The GLA of 2599 Speakman Drive is 127,782 square feet. In the second quarter of 2019, the REIT entered into a lease agreement for 18,000 square feet at this property commencing in the fourth quarter of 2019 for a term of 5 years. In the first quarter of 2020 the REIT entered into a lease agreement for 40,100 square feet at this property with a government tenant for a term of 10 years. During the second quarter of 2020 the government tenant agreed to expand its premises by another approximately 7,100 square feet. The REIT is continuing to engage in discussions with prospective tenants to lease the remainder of 2599 Speakman Drive.

IFRS fair value

The REIT's property portfolio at December 31, 2020 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 84.2% in-place occupancy which includes its redevelopment assets and current weighted average in-place rents of \$17.95 per square foot, which management estimates to be on average \$1.73 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 \$246 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:

	December 31, 2020		December 31, 2019	
	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%	8.25%
Weighted average	7.26%	6.63%	7.27%	6.69%

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 December 31, 2020, consistent with December 31, 2019.

Property continuity

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

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Beginning of period	\$ 1,609,242	\$ 1,658,126	\$ 1,622,085	\$ 1,780,413
Capital expenditures	5,703	9,315	22,993	26,977
Leasing costs	4,591	6,166	18,516	29,733
Dispositions	(8,950)	(45,936)	(55,744)	(228,380)
Depreciation of hotel asset	(270)	(261)	(1,058)	(1,000)
Foreign exchange	(15,320)	(6,413)	(7,109)	(16,057)
Change in fair value	(1,919)	(468)	(114)	32,738
IFRIC 21 property tax adjustment ¹	2,339	2,555	—	—
Straight-line rent and other changes	(1,471)	(999)	(5,624)	(2,339)
End of period	\$ 1,593,945	\$ 1,622,085	\$ 1,593,945	\$ 1,622,085

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 December 31, 2020 the REIT's investment property value decrease compared to the same period in the prior year, primarily as a result of the disposition of 5404 36th Street SE in Calgary, AB in December 2020, 307-311 Old Airport Road in October 2020 and 4211 Yonge Street in January 2020. The decrease in foreign exchange rate on the U.S. dollars compared to Canadian dollars resulted in a decrease of \$15.3 million for the three months ended December 31, 2020 compared to a decrease of \$6.4 million for the same period in the prior year.

The decrease in cumulative value of the REIT's properties during the year ended December 31, 2020 compared to the same period in the prior year is primarily from the disposition of 5404 36th Street SE in Calgary, AB in December 2020, 307-311 Old Airport Road in October 2020 and 4211 Yonge Street in January 2020, offset by leasing and capital expenditures. The change in the U.S. to Canadian dollar exchange rate at December 31, 2020 compared to December 31, 2019 decreased the REIT's U.S. property value by \$7.1 million for the year ended December 31, 2020.

PART III - RESULTS OF OPERATIONS

SUMMARY OF RESULTS OF OPERATIONS

The following is a summary of the results of operations:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Rental revenue	\$ 43,436	\$ 51,329	\$ 183,586	\$ 215,520
Property operating expenses	(21,450)	(25,599)	(97,646)	(114,823)
Finance income on finance lease receivable	846	889	3,452	3,615
Interest income	131	149	555	556
Interest and finance costs	(11,826)	(11,117)	(42,497)	(48,988)
General and administrative expenses	(2,087)	(1,941)	(7,870)	(7,708)
Change in fair value of investment properties	(1,919)	(468)	(114)	32,738
Change in fair value of financial instruments	3,778	6,500	(29,803)	(2,710)
Transaction costs	(402)	(816)	(1,979)	(12,142)
Depreciation of hotel asset	(270)	(261)	(1,058)	(1,000)
Deferred income tax recovery (expense)	—	(861)	96	(830)
Net income before Class B LP units	\$ 10,237	\$ 17,804	\$ 6,722	\$ 64,228
Change in fair value of Class B LP units	(3,065)	2,537	9,038	634
Distributions to Class B LP unitholders	(528)	(528)	(2,112)	(2,421)
Net income	\$ 6,644	\$ 19,813	\$ 13,648	\$ 62,441
Other comprehensive loss to be subsequently reclassified to profit or loss:				
Foreign currency translation loss	(5,532)	(2,419)	(2,351)	(6,020)
Fair value (loss) gain on net investment hedges	—	676	(6,396)	3,264
Total other comprehensive loss	(5,532)	(1,743)	(8,747)	(2,756)
Comprehensive income	\$ 1,112	\$ 18,070	\$ 4,901	\$ 59,685

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 December 31, 2020 when compared to the same period in 2019 decreased by \$7.6 million due to lower property NOI from asset dispositions and known vacancies at certain of the REIT's assets throughout 2020. Interest in finance costs increased due to the write-off of unamortized deferred financing on facilities that were refinanced during the three months ended December 31, 2020.

Net income before Class B LP units for the year ended December 31, 2020 was \$6.7 million compared to net income before Class B LP units of \$64.2 million for the same period in 2019. The decrease is primarily due to a decrease in the fair value of financial instruments which includes interest rate hedges for the year ended December 31, 2020 and lower property NOI from asset dispositions throughout 2019, in January, October and December of 2020. The change in fair value of investment properties is lower by \$32.9 million compared to the same period in 2019 as the REIT has revised the timing of its speculative leasing which decreased value in 2020. The REIT also incurred \$2.0 million of transaction costs during 2020 on the sale of 4211 Yonge Street in Toronto, ON in January 2020, 307-311 Old Airport Road in Yellowknife, NT in October 2020 and 5404 36th Street SE, Calgary, AB and transaction costs related to the acquisition of Cypress Financial Centre which did not close. In 2019 the REIT incurred transaction costs of \$12.1 million related to asset dispositions. Interest expense decreased compared to the same period in 2019 from the repayment of debt on asset dispositions throughout 2019 and 2020.

NET INCOME AND COMPREHENSIVE INCOME

For the three months ended December 31, 2020 net income was \$6.6 million compared to \$19.8 million for the same period in the prior year. The decrease is a result of lower net income before Class B LP Units of \$10.2 million for the three months ended December 31, 2020 compared to \$17.8 million for the same period in the prior year and a loss on the fair value of Class B LP units of \$3.1 million for the three months ended December 31, 2020 compared to a gain of \$2.5 million in the same period in the prior year. The REIT recognized net other comprehensive loss of \$5.5 million for the three months ended December 31, 2020 compared to a loss of \$1.7 million for the same period in the prior year related to a loss on the foreign exchange impact from the REIT's net investment in U.S. assets related to 20 South Clark and 120 South LaSalle in Chicago, IL.

For the year ended December 31, 2020 net income was \$13.6 million compared to \$62.4 million for the same period in the prior year. The decrease is due to lower net income before Class B LP Units which was \$6.7 million for the year ended December 31, 2020, offset by a gain on the fair value of Class B LP units of \$9.0 million for the year ended December 31, 2020 compared to net income before Class B LP units of \$64.2 million and a gain of \$0.6 million on the fair value of Class B LP units in the same period in the prior year. The REIT recognized net other comprehensive loss of \$8.7 million for the year ended December 31, 2020 due to a loss on the hedge of the REIT's net investment in U.S. operations at 20 South Clark and 120 South LaSalle in Chicago, IL and a loss on the foreign exchange impact from the REIT's exposure in its U.S. properties. For the same period in 2019 the REIT recognized net other comprehensive loss of \$2.8 million comprised of a \$6.0 million loss on the REIT's exposure to its U.S. properties, offset by a gain of \$3.3 million on hedges of the REIT's net investment in U.S. operations.

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 and year ended December 31, 2020 and 2019:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Revenue	\$ 43,436	\$ 51,329	\$ 183,586	\$ 215,520
Property operating expenses	(21,450)	(25,599)	(97,646)	(114,823)
IFRIC 21 property tax adjustment ¹	(2,339)	(2,555)	—	—
Straight-line rents and other changes	1,471	999	5,624	2,339
Net operating income	\$ 21,118	\$ 24,174	\$ 91,564	\$ 103,036

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 December 31, 2020, NOI decreased to \$21.1 million from \$24.2 million for the same period in the prior year. The decrease is a result of the disposition of 5500 North Service Road in Burlington, ON in November 2019, 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 \$1.1 million for the three months ended December 31, 2020 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.

For the year ended December 31, 2020, NOI decreased to \$91.6 million from \$103.0 million for the same period in the prior year. The decrease is a result of the decrease in NOI for the three months ended December 31, 2020 compared to the same period in the prior year in addition to the disposition of 225 Duncan Mill Road in Toronto, ON in July 2019 and lower parking revenue of \$2.6 million year-over-year as a result of lower utilization rates across the REIT's portfolio and lower event traffic in 2020 compared to 2019 from COVID-19 related closures.

The following is a reconciliation of the change in NOI for the three months ended December 31, 2020 compared to the same period in the prior year:

Net operating income, Q4 2019	\$	24,174
Change in same-property NOI		(2,335)
Impact of foreign exchange rates		78
Reduced contribution from sold properties		(799)
Net operating income, Q4 2020	\$	21,118
Year-over-year change - \$	\$	(3,056)
Year-over-year change - %		(12.6)%

The following is a reconciliation of the change in NOI for the three months ended December 31, 2020 compared to the immediately preceding quarter:

Net operating income, Q3 2020	\$	24,040
Change in same-property NOI		(2,442)
Impact of foreign exchange rates		(46)
Change in hotel contribution ¹		(239)
Reduced contribution from sold properties		(195)
Net operating income, Q4 2020	\$	21,118
Quarter-over-quarter change - \$	\$	(2,922)
Quarter-over-quarter change - %		(12.2)%

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 December 31, 2020 excludes assets disposed of prior to December 31, 2020. 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	
	December 31, 2020	December 31, 2019
Number of properties	34	34
GLA ¹	6,909,687	6,909,687
Revenue	\$ 43,575	\$ 49,694
Operating expenses	(21,554)	(24,690)
IFRIC 21 property tax adjustment	(2,339)	(2,555)
Straight-line rents and other changes	1,467	957
Same-property NOI (including hotel asset)	\$ 21,149	\$ 23,406
Period-over-period change - \$	\$ (2,257)	
Period-over-period change - %	(9.6)%	

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

	December 31, 2020	December 31, 2019
Same-property NOI (including hotel asset)	\$ 21,149	\$ 23,406
Less: hotel contribution	45	(346)
Same-property NOI excluding hotel	\$ 21,194	\$ 23,060
Period-over-period change - \$	\$ (1,866)	
Period-over-period change - %	(8.1%)	

Same-property NOI for the three months ended December 31, 2020 compared to the same period in 2019 decreased by \$2.3 million or 9.6%. The decrease is the result of a decrease of \$0.4 million at the REIT's hotel asset year-over-year primarily from COVID-19 related closures and reduced travel to Atlantic Canada. Removing the impact of the REIT's hotel asset the REIT's same-property NOI decreased by \$1.9 million. 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 \$1.4 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. The REIT's U.S. assets have contributed an incremental \$0.6 million of NOI 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 September 30, 2020 excludes the impact of properties disposed of in part or whole prior to December 31, 2020. 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	
	December 31, 2020	September 30, 2020
Number of properties	34	34
GLA ¹	6,909,687	6,909,687
Revenue	\$ 43,575	\$ 45,736
Property operating expenses	(21,554)	(21,060)
IFRIC 21 property tax adjustment	(2,339)	(2,254)
Straight-line rents and other changes	1,467	1,454
Same-property NOI (including hotel asset)	21,149	23,876
NOI attributable to hotel asset	45	(194)
Same-property NOI (excluding hotel asset)	\$ 21,194	\$ 23,682
Period-over-period change - \$	\$ (2,488)	
Period-over-period change - %	(10.5%)	

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

	December 31, 2020	September 30, 2020
Same-property NOI (including hotel asset)	21,149	23,876
Less: hotel contribution	45	(194)
Less: lease termination payments	—	(1,271)
Same-property NOI excluding hotel and termination income	\$ 21,194	\$ 22,411
Period-over-period change - \$	\$ (1,217)	
Period-over-period change - %	(5.4%)	

Same-property NOI, excluding the REIT's hotel asset, for the three months ended December 31, 2020 compared to the most recently completed quarter, decreased by \$2.5 million. The decrease is a result of approximately 119,000 square feet of known vacancies at two of the REIT's assets during the third quarter of 2020 which decreased the REIT's NOI \$0.3 million, net of termination income at those properties. Parking revenue has decreased \$0.2 million quarter-over-quarter from lower seasonal activity during the three months ended December 31, 2020. The remaining decrease in same-property NOI quarter-over-quarter is a result of seasonal variances in the timing of expenses and recoveries in addition to certain one time adjustments to tenant recoveries.

Looking forward, renewal spreads are expected to be strong as the current in-place rent is an estimated 8.8% below market. The REIT's portfolio has maturities throughout 2021 of 4.7% of its portfolio GLA with expiring rents estimated to be 5% 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 21,200 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 December 31,		Year ended December 31,	
	2020	2019	2020	2019
Cash flow from operating activities	\$ 9,528	\$ 15,600	\$ 46,450	\$ 49,296
Add (deduct):				
Leasing costs amortized to revenue	1,914	1,445	7,254	5,354
Transaction costs	402	816	1,979	12,142
Working capital items	(921)	(4,168)	(2,313)	(9,914)
Straight-line rent and other changes	(1,471)	(999)	(5,624)	(2,339)
Interest and other finance costs	(11,826)	(11,117)	(42,497)	(48,988)
Interest paid	10,471	10,495	39,473	45,400
Distributions paid to Class B unitholders	528	528	2,112	2,575
FFO	\$ 8,625	\$ 12,600	\$ 46,834	\$ 53,526
Finance income on finance lease receivable	(846)	(889)	(3,452)	(3,615)
Finance lease payments received	1,605	1,525	6,282	6,100
Core-FFO	\$ 9,384	\$ 13,236	\$ 49,664	\$ 56,011

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

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Net income	\$ 6,644	\$ 19,813	\$ 13,648	\$ 62,441
Add (deduct):				
Leasing costs amortized to revenue	1,914	1,445	7,254	5,354
Change in fair value of properties	1,919	468	114	(32,738)
IFRIC 21 property tax adjustment ¹	(2,339)	(2,555)	—	—
Change in fair value of financial instruments	(3,778)	(6,500)	29,803	2,710
Transaction costs	402	816	1,979	12,142
Depreciation of hotel asset	270	261	1,058	1,000
Deferred income tax (recovery) expense	—	861	(96)	830
Change in fair value of Class B LP units	3,065	(2,537)	(9,038)	(634)
Distributions to Class B unitholders	528	528	2,112	2,421
FFO	\$ 8,625	\$ 12,600	\$ 46,834	\$ 53,526
Finance income on finance lease receivable	(846)	(889)	(3,452)	(3,615)
Finance lease payments received	1,605	1,525	6,282	6,100
Core-FFO	\$ 9,384	\$ 13,236	\$ 49,664	\$ 56,011
Weighted average number of units outstanding ²	73,246	73,278	73,239	73,963
FFO per unit (diluted)	\$ 0.12	\$ 0.17	\$ 0.64	\$ 0.72
Core-FFO per unit (diluted)	\$ 0.13	\$ 0.18	\$ 0.68	\$ 0.76

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 December 31,		Year ended December 31,	
	2020	2019	2020	2019
Rental revenue	\$ 43,436	\$ 51,329	\$ 183,586	\$ 215,520
Property operating expenses	(21,450)	(25,599)	(97,646)	(114,823)
Finance income on finance lease receivable	846	889	3,452	3,615
Interest income	131	149	555	556
Interest and finance costs	(11,826)	(11,117)	(42,497)	(48,988)
General and administrative expenses	(2,087)	(1,941)	(7,870)	(7,708)
IFRIC 21 property tax adjustment ¹	(2,339)	(2,555)	—	—
Leasing costs amortized to revenue	1,914	1,445	7,254	5,354
FFO	\$ 8,625	\$ 12,600	\$ 46,834	\$ 53,526
Finance income on finance lease receivable	(846)	(889)	(3,452)	(3,615)
Finance lease payments received	1,605	1,525	6,282	6,100
Core-FFO	\$ 9,384	\$ 13,236	\$ 49,664	\$ 56,011
Weighted average number of units outstanding ²	73,246	73,278	73,239	73,963
FFO per unit (diluted)	\$ 0.12	\$ 0.17	\$ 0.64	\$ 0.72
Core-FFO per unit (diluted)	\$ 0.13	\$ 0.18	\$ 0.68	\$ 0.76

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 December 31, 2020 was \$8.6 million and \$12.6 million for the same period in 2019. The decrease is a result of lower NOI from the disposition of 5500 North Service Road in Burlington, ON in November 2019, 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. Parking revenue also decreased \$0.9 million for the three months ended December 31, 2020 compared to the same period in the prior year. The decrease in interest costs from debt repayment on asset dispositions has been offset by the write-off of \$0.7 million unamortized financing costs on

facilities that were refinanced during the three months ended December 31, 2020. On a per unit basis, FFO decreased \$0.05 for the three months ended December 31, 2020 compared to the same period in the prior year.

For the year ended December 31, 2020 FFO was \$46.8 million and \$53.5 million for the year ended December 31, 2019. The decreases year-over-year are a result of reduced parking revenue of \$2.6 million due to lower utilization and event parking across the REIT's portfolio as a result of COVID-19 closures. In addition, the REIT disposed of 5404 36th Street SE in Calgary, AB in December 2020, 307-311 Old Airport Road in Yellowknife, NT in October 2020, 4211 Yonge Street in Toronto, ON in January 2020, 5500 North Service Road in Burlington, ON in November 2019, 225 Duncan Mill Road in Toronto, ON in July 2019, 895 and 1000 Waverley in Winnipeg, MB in June 2019 and a 25% interest in six office assets in the Greater Toronto Area in April 2019. The decrease in NOI is offset by lower interest costs on debt repayment from disposition proceeds. On a per unit basis, FFO decreased \$0.08 for the year ended December 31, 2020 compared to the same period in the prior year.

The write-off of unamortized financing costs of \$0.7 million reduced FFO by \$0.01 per unit. If the REIT had not refinanced these facilities prior to their maturity, FFO would have been \$0.13 per unit for the three months ended December 31, 2020 and \$0.65 per unit for the year ended December 31, 2020.

Core-FFO decreased to \$9.4 million or \$0.13 per unit for the three months ended December 31, 2020 from \$13.2 million or \$0.18 per unit for the same period in 2019. Core-FFO was \$49.7 million or \$0.68 per unit for the year ended December 31, 2020 compared to \$56.0 million or \$0.76 per unit for the same period in the prior year. 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. Also in conjunction with the acquisition from SCREO I LP, the REIT entered into a one-year head lease with Cominar REIT whereby Cominar REIT provided payments to the REIT to compensate it for the existing vacancy to the extent the REIT did not otherwise re-lease the vacant space at 225 Duncan Mill Road in Toronto, ON which was disposed of in July 2019. The maximum receivable from Cominar REIT was approximately \$3.2 million. Amounts received under the head lease arrangement are not recognized in AFFO.

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 December 31,		Year ended December 31,	
	2020	2019	2020	2019
Cash flow from operating activities	\$ 9,528	\$ 15,600	\$ 46,450	\$ 49,296
Add (deduct):				
Working capital items	(921)	(4,168)	(2,313)	(9,914)
Principal repayments on finance lease receivable	759	636	2,830	2,485
Distributions paid to Class B LP unitholders	528	528	2,112	2,575
Transaction costs	402	816	1,979	12,142
Interest rate subsidy	108	108	432	432
Guaranteed income supplements	—	296	296	1,152
Normalized direct leasing and capital costs	(1,965)	(2,318)	(8,594)	(10,291)
AFFO	\$ 8,439	\$ 11,498	\$ 43,192	\$ 47,877

The following table reconciles AFFO from NOI:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Net operating income	\$ 21,118	\$ 24,174	\$ 91,564	\$ 103,036
Add (deduct):				
General and administrative	(2,087)	(1,941)	(7,870)	(7,708)
Finance lease payments received	1,605	1,525	6,282	6,100
Cash interest	(10,340)	(10,346)	(38,918)	(44,844)
Interest rate subsidy	108	108	432	432
Guaranteed income supplements	—	296	296	1,152
Normalized direct leasing and capital costs	(1,965)	(2,318)	(8,594)	(10,291)
AFFO	\$ 8,439	\$ 11,498	\$ 43,192	\$ 47,877

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

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Core-FFO	\$ 9,384	\$ 13,236	\$ 49,664	\$ 56,011
Add (deduct):				
Amortization of deferred transaction costs	1,396	681	3,395	3,854
Amortization of debt mark-to-market adjustments	(41)	(59)	(371)	(266)
Amortization of straight-line rent	(443)	(446)	(1,630)	(3,015)
Interest rate subsidy	108	108	432	432
Guaranteed income supplements	—	296	296	1,152
Normalized direct leasing and capital costs	(1,965)	(2,318)	(8,594)	(10,291)
AFFO	\$ 8,439	\$ 11,498	\$ 43,192	\$ 47,877
Weighted average number of units outstanding ¹	73,246	73,278	73,239	73,963
AFFO per unit (diluted)	\$ 0.12	\$ 0.16	\$ 0.59	\$ 0.65

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 December 31, 2020, AFFO was \$8.4 million or \$0.12 per unit, whereas AFFO for the same period in 2019 was \$11.5 million or \$0.16 per unit, representing a decrease of \$3.1 million and \$0.04 on a per unit basis. For the year ended December 31, 2020 AFFO was \$43.2 million or \$0.59 per unit, a decrease of \$4.7 million or \$0.06 per unit compared to the same period in the prior year. The decrease is a result of lower NOI and cash interest from debt repayment on various asset dispositions throughout 2020 and 2019. Parking revenue decreased \$0.9 million for the three months ended December 31, 2020 and \$2.6 million for the year ended December 31, 2020 compared to the same periods in the prior year as a result of lower event revenue and overall building utilization rates compared to the prior year.

Reconciliation of FFO, Core-FFO and AFFO

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

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Net income	\$ 6,644	\$ 19,813	\$ 13,648	\$ 62,441
Add (deduct):				
Leasing costs amortized to revenue	1,914	1,445	7,254	5,354
Change in fair value of properties	1,919	468	114	(32,738)
IFRIC 21 property tax adjustment ¹	(2,339)	(2,555)	—	—
Change in fair value of financial instruments	(3,778)	(6,500)	29,803	2,710
Transaction costs	402	816	1,979	12,142
Depreciation of hotel asset	270	261	1,058	1,000
Deferred income tax (recovery) expense	—	861	(96)	830
Change in fair value of Class B LP units	3,065	(2,537)	(9,038)	(634)
Distributions to Class B unitholders	528	528	2,112	2,421
FFO	8,625	12,600	46,834	53,526
Finance income on finance lease receivable	(846)	(889)	(3,452)	(3,615)
Finance lease payments received	1,605	1,525	6,282	6,100
Core-FFO	9,384	13,236	49,664	56,011
Amortization of deferred transaction costs	1,396	681	3,395	3,854
Amortization of debt mark-to-market adjustments	(41)	(59)	(371)	(266)
Amortization of straight-line rent	(443)	(446)	(1,630)	(3,015)
Interest rate subsidy	108	108	432	432
Guaranteed income supplements	—	296	296	1,152
Normalized direct leasing and capital costs	(1,965)	(2,318)	(8,594)	(10,291)
AFFO	\$ 8,439	\$ 11,498	\$ 43,192	\$ 47,877

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 December 31,		Year ended December 31,	
	2020	2019	2020	2019
FFO per unit (diluted)	\$ 0.12	\$ 0.17	\$ 0.64	\$ 0.72
Core-FFO per unit (diluted)	0.13	0.18	0.68	0.76
AFFO per unit (diluted)	\$ 0.12	\$ 0.16	\$ 0.59	\$ 0.65

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 REIT has a distribution reinvestment plan ("DRIP"), where eligible unitholders, which include holders of Class B LP units, that elect to participate in the DRIP will have their cash distributions used to purchase trust units of the REIT. On May 3, 2019 the REIT's Board of Trustees approved the suspension of the REIT's DRIP commencing with the May 2019 distribution to be paid in June 2019. Management of the REIT believes this is a prudent capital allocation strategy that will retain value for unitholders. During the year ended December 31, 2020 no trust units were issued under the DRIP (2019 - 102,601).

The following table summarizes distributions made during the three months ended December 31, 2020 and 2019 to unitholders of the REIT and Class B LP unitholders:

	Three months ended December 31, 2020			Three months ended December 31, 2019		
	Trust units	Class B LP units	Total	Trust units	Class B LP units	Total
Distributions declared	\$ 6,770	\$ 528	\$ 7,298	\$ 6,781	\$ 528	\$ 7,309
Distributions reinvested in trust units	—	—	—	—	—	—
Distributions, net of DRIP	\$ 6,770	\$ 528	\$ 7,298	\$ 6,781	\$ 528	\$ 7,309

The following table summarizes distributions made during the years ended December 31, 2020 and 2019 to unitholders of the REIT and Class B LP unitholders:

	Year ended December 31, 2020			Year ended December 31, 2019		
	Trust units	Class B LP units	Total	Trust units	Class B LP units	Total
Distributions declared	\$ 27,087	\$ 2,112	\$ 29,199	\$ 31,448	\$ 2,421	\$ 33,869
Distributions reinvested in trust units	—	—	—	536	—	536
Distributions, net of DRIP	\$ 27,087	\$ 2,112	\$ 29,199	\$ 30,912	\$ 2,421	\$ 33,333

Cash flow from operating activities for the year ended December 31, 2020 was \$46.5 million which is higher than distributions declared to unitholders of the REIT of \$29.2 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
2019 per \$ of distribution	77.0%	23.0%	—
2018 per \$ of distribution	100.0%	—	—
2017 per \$ of distribution	100.0%	—	—
2016 per \$ of distribution	90.2%	3.8%	6.0%

Of the distributions received by unitholders in 2019, 23.0% were treated as capital gains and 77.0% were treated as return of capital due to the impact of capital gains and depreciation recapture on asset sales and modification of the REIT's distribution to \$0.40 annually. For 2018 and 2017, 100.0% of the distributions received by unitholders were treated as a return of capital for taxation purposes compared to 90.2% in 2016, resulting in a meaningful deferral of the taxation of returns being provided.

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 December 31, 2020 was 86.5% and for the year ended December 31, 2020 was 67.6% which the REIT believes to be sustainable and looks to maintain current distribution rates to provide consistent returns to unitholders while providing sufficient cashflow for the REIT to reinvest in the growth of its portfolio.

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

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
FFO	\$ 8,625	\$ 12,600	\$ 46,834	\$ 53,526
REIT unit and Class B LP distributions declared	7,298	7,309	29,199	33,869
Excess of FFO over distributions declared	1,327	5,291	17,635	19,657
Cash retained from DRIP	—	—	—	536
Excess of FFO over cash distributions	\$ 1,327	\$ 5,291	\$ 17,635	\$ 20,193
FFO payout ratio	84.6%	58.0%	62.3%	63.3%
FFO payout ratio after DRIP¹	84.6%	58.0%	62.3%	62.3%

¹Impact after DRIP represents actual DRIP levels during the period.

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

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Core-FFO	\$ 9,384	\$ 13,236	\$ 49,664	\$ 56,011
REIT unit and Class B LP distributions declared	7,298	7,309	29,199	33,869
Excess of Core-FFO over distributions declared	2,086	5,927	20,465	22,142
Cash retained from DRIP	—	—	—	536
Excess of Core-FFO over cash distributions	\$ 2,086	\$ 5,927	\$ 20,465	\$ 22,678
Core-FFO payout ratio	77.8%	55.2%	58.8%	60.5%
Core-FFO payout ratio after DRIP¹	77.8%	55.2%	58.8%	59.5%

¹Impact after DRIP represents actual DRIP levels during the period.

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

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
AFFO	\$ 8,439	\$ 11,498	\$ 43,192	\$ 47,877
REIT unit and Class B LP distributions declared	7,298	7,309	29,199	33,869
Excess of AFFO over distributions declared	1,141	4,189	13,993	14,008
Cash retained from DRIP	—	—	—	536
Excess of AFFO over cash distributions	\$ 1,141	\$ 4,189	\$ 13,993	\$ 14,544
AFFO payout ratio	86.5%	63.6%	67.6%	70.7%
AFFO payout ratio after DRIP¹	86.5%	63.6%	67.6%	69.6%

¹Impact after DRIP represents actual DRIP levels during the period.

The FFO, Core-FFO and AFFO payout ratios have improved for the year ended December 31, 2020 compared to the same period in 2019 resulting from the revision of the REIT's distribution to \$0.40 annually from \$0.75 beginning with the REIT's March 2019 distribution.

SEGMENTED INFORMATION

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

	Three months ended December 31,			
	2020		2019	
	NOI	Percentage (%)	NOI	Percentage (%)
Atlantic	\$ 6,803	32.2%	\$ 8,973	37.1%
Ontario	8,219	38.9%	9,584	39.6%
Western	1,354	6.4%	1,446	6.0%
U.S.	4,742	22.5%	4,171	17.3%
Total	\$ 21,118	100.0%	\$ 24,174	100.0%

	Year ended December 31,			
	2020		2019	
	NOI	Percentage (%)	NOI	Percentage (%)
Atlantic	\$ 31,330	34.2%	\$ 36,256	35.2%
Ontario	34,733	37.9%	42,117	40.9%
Western	5,563	6.1%	6,305	6.1%
U.S.	19,938	21.8%	18,358	17.8%
Total	\$ 91,564	100.0%	\$ 103,036	100.0%

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Atlantic				
# of properties	14	14	14	14
Owned GLA (000s of square feet)	2,662	2,641	2,662	2,641
Occupancy rate (%) (period-end)	75.9%	84.4%	75.9%	84.4%
Revenue	\$ 14,329	\$ 20,200	\$ 65,925	\$ 81,006
Property operating expenses	(8,313)	(11,734)	(37,760)	(46,445)
Straight-line rent and other changes	787	507	3,165	1,695
NOI	\$ 6,803	\$ 8,973	\$ 31,330	\$ 36,256

NOI for the Atlantic properties decreased by \$2.2 million for the three months ended December 31, 2020 compared to the same period in 2019. 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 \$1.4 million. Further to this, parking revenue declined \$0.5 million and the REIT's hotel contributed \$0.4 million less NOI compared to the same period in the prior year. NOI for the Atlantic properties decreased by \$4.9 million for the year ended December 31, 2020 compared to the same period in 2019. The decrease is a result of lower parking revenue of \$1.0 million and lower NOI contribution from the REIT's hotel which has decreased \$2.0 million compared to the same period in the prior year. The previously known vacancies at two of the REIT's Atlantic Canada assets have decreased NOI by \$1.8 million year-over-year.

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Ontario				
# of properties	12	13	12	13
Owned GLA (000s of square feet)	2,760	2,921	2,760	2,921
Occupancy rate (%) (period-end)	89.5%	89.4%	89.5%	89.4%
Revenue	\$ 16,166	\$ 18,190	\$ 64,898	\$ 80,772
Property operating expenses	(8,319)	(8,946)	(31,969)	(39,753)
Straight-line rent and other changes	372	340	1,804	1,098
NOI	\$ 8,219	\$ 9,584	\$ 34,733	\$ 42,117

NOI for the three months ended December 31, 2020 was \$8.2 million compared to NOI of \$9.6 million for the three months ended December 31, 2019, representing a decrease of \$1.4 million year-over-year. NOI from the disposition of 5500 North Service Road in Burlington, ON in November 2019 and 4211 Yonge Street in January 2020. Parking revenue also decreased \$0.4 million from the comparative period in the prior year.

NOI for the year ended December 31, 2020 was \$34.7 million compared to NOI of \$42.1 million for the year ended December 31, 2019, representing a decrease of \$7.4 million. The decrease in NOI is a result of the disposition of 4211 Yonge Street in Toronto, ON in January 2020, 5500 North Service Road in Burlington, ON in November 2019, 225 Duncan Mill Road in Toronto, ON in July 2019 and a 25% interest in six office assets in the Greater Toronto Area on April 12, 2019. Parking revenue also decreased \$1.4 million year-over-year as a result of lower utilization at the REIT's properties.

Western	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
# of properties	6	8	6	8
Owned GLA (000s of square feet)	462	514	462	514
Occupancy rate (%) (period-end)	90.2%	92.3%	90.2%	92.3%
Revenue	\$ 2,550	\$ 2,776	\$ 10,646	\$ 11,821
Property operating expenses	(1,208)	(1,319)	(5,158)	(5,535)
Straight-line rent and other changes	12	(11)	75	19
NOI	\$ 1,354	\$ 1,446	\$ 5,563	\$ 6,305
NOI from Data Centre	1,605	1,525	6,282	6,100
NOI including Data Centre	\$ 2,959	\$ 2,971	\$ 11,845	\$ 12,405

NOI for the three months ended December 31, 2020 was \$3.0 million including the income from the Data Centre which is consistent with the comparable period. NOI for the year ended December 31, 2020 decreased \$0.6 million to \$11.8 million. The decrease is a result of the disposition of 895 and 1000 Waverley in Winnipeg, MB in June 2019 and \$0.1 million of lower parking revenue. 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 December 31,		Year ended December 31,	
	2020	2019	2020	2019
# of properties	2	2	2	2
Owned GLA (000s of square feet)	1,026	1,038	1,026	1,038
Occupancy rate (%) (period-end)	88.5%	84.7%	88.5%	84.7%
Revenue	\$ 10,391	\$ 10,163	\$ 42,117	\$ 41,921
Property operating expenses	(3,610)	(3,600)	(22,759)	(23,090)
IFRIC 21 property tax adjustment ¹	(2,339)	(2,555)	—	—
Straight-line rent and other changes	300	163	580	(473)
NOI	\$ 4,742	\$ 4,171	\$ 19,938	\$ 18,358

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 December 31, 2020 was \$4.7 million which is an increase of \$0.6 million compared to the same period in 2019. For the year ended December 31, 2020, NOI was \$19.9 million which is an increase of \$1.6 million compared to the same period in 2019. The increase is a result of higher average U.S. exchange rates in 2020 compared to the same periods in the prior year and increased average occupancy compared to the same periods in 2019.

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 December 31,		Year ended December 31,	
	2020	2019	2020	2019
Property base rent ¹	\$ 26,698	\$ 24,558	\$ 96,917	\$ 104,104
Operating cost recoveries	12,281	17,485	59,090	70,202
Tax recoveries	5,438	7,824	30,005	32,980
Hotel	490	2,461	3,198	10,573
Straight-line adjustments and other	(1,471)	(999)	(5,624)	(2,339)
	\$ 43,436	\$ 51,329	\$ 183,586	\$ 215,520

¹Includes parking revenue earned at properties.

For the three months ended December 31, 2020, revenue from properties was \$43.4 million, lower than \$51.3 million for the same period in 2019. The decrease is a result of the disposition of 5500 North Service Road in Burlington, ON in November 2019, 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 December 31, 2020 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.

For the year ended December 31, 2020, revenue from properties was \$183.6 million, lower than \$215.5 million for the same period in 2019. The decrease is a result of the decrease in revenue for the three months ended December 31, 2020 compared to the same period in the prior year in addition to the disposition of 225 Duncan Mill Road in Toronto, ON in July 2019 and a 25% interest in six office assets in the Greater Toronto Area. Parking revenue also decreased \$2.6 million year-over-year as a result of lower utilization rates across the REIT's portfolio and lower event traffic in 2020 compared to 2019.

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 \$12.3 million for the three months ended December 31, 2020 compared to \$17.5 million for the same period in 2019. Property tax recoveries were \$5.4 million for the three months ended December 31, 2020 which is lower than \$7.8 million for the same period in 2019. The decrease is a result of asset dispositions and lower average occupancy in 2020 compared to the same period in the prior year.

For the year ended December 31, 2020, operating cost recoveries amounted to \$59.1 million compared to \$70.2 million for the same period in 2019. Property tax recoveries decreased to \$30.0 million for the year ended December 31, 2020 from \$33.0 million for the same period in 2019.

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 and year ended December 31, 2020, general and administrative expenses increased when compared to the same periods in 2019 as a result of increased bad debt expenses of \$0.3 million for the year ended December 31, 2020 compared to the same period in 2019.

INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Mortgage interest	\$ 6,683	\$ 6,614	\$ 26,107	\$ 28,106
Interest on other debt	3,407	3,501	11,849	15,786
Amortization of financing costs	1,396	681	3,395	3,854
Amortization of debt mark-to-market adjustments	(41)	(59)	(371)	(266)
Interest on convertible debentures	381	380	1,517	1,508
	\$ 11,826	\$ 11,117	\$ 42,497	\$ 48,988

For the three months ended December 31, 2020, interest and finance costs were \$11.8 million, which has increased by \$0.7 million when compared to the same period in 2019 primarily from the accelerated amortization of deferred financing costs on the REIT's facilities that were refinanced during the three months ended December 31, 2020. The REIT also repaid debt on proceeds from asset dispositions throughout 2019 and 2020 which resulted in a decrease in interest and finance costs from \$49.0 million for the year ended December 31, 2019 to \$42.5 million for the year ended December 31, 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 and year ended December 31, 2020 were \$0.8 million and \$3.5 million, respectively, which is comparable to interest income recognized for the same periods in 2019.

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 \$6.3 million annually from lease payments.

CHANGE IN FAIR VALUE OF PROPERTIES

The change in fair value of properties decreased \$1.5 million for the three months ended December 31, 2020 compared to the comparative period in 2019. For the year ended December 31, 2020 the change in fair value of properties decreased \$32.9 million compared to the same period in the prior year. 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 year ended December 31, 2020 compared to a gain for the same period in the prior year based on agreed upon sale prices. The REIT also obtained independent third party property appraisals for 22 of its assets with a value of \$1,181.7 million during the year ended December 31, 2020. These values were consistent with the REIT's previously recorded IFRS fair values, validating a large portion of the REIT's NAV.

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, subscription receipts and deferred unit liabilities on deferred units issued to Trustees and Officers of the REIT. The fair value of financial instruments decreased \$2.7 million for the three months ended December 31, 2020 compared to the same period in the prior year and decreased \$27.1 million for the year ended December 31, 2020, compared to the same period in 2019 due to lower 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 years ended December 31, 2020 and 2019, 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%.

SELECTED ANNUAL INFORMATION

The following table provides selected financial information for the past three years:

	Year ended December 31,		
	2020	2019	2018
Rental revenue	\$ 183,586	\$ 215,520	\$ 209,899
Net income and comprehensive income	4,901	59,685	83,378
Total assets	1,679,207	1,709,964	1,866,729
Non-current debt	803,449	818,621	908,488
Total debt	972,604	1,001,947	1,175,826
Annual distribution, per unit	0.40	0.46	0.75

QUARTERLY INFORMATION

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

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue	\$ 43,436	\$ 45,852	\$ 44,604	\$ 49,694	\$ 51,329	\$ 52,539	\$ 54,452	\$ 57,200
Operating costs	(21,450)	(21,016)	(20,365)	(34,815)	(25,599)	(25,152)	(26,468)	(37,604)
IFRIC 21 property tax adjustment	(2,339)	(2,254)	(2,576)	7,169	(2,555)	(2,330)	(2,212)	7,097
Straight-line rent and other	1,471	1,458	1,748	947	999	378	612	350
Net operating income	\$ 21,118	\$ 24,040	\$ 23,411	\$ 22,995	\$ 24,174	\$ 25,435	\$ 26,384	\$ 27,043
Net income (loss)	\$ 6,644	\$ 16,221	\$ 5,689	\$ (14,906)	\$ 19,813	\$ 27,195	\$ 9,514	\$ 5,919
Weighted average diluted units ¹	73,246	73,227	73,203	73,278	73,278	73,283	74,093	75,247
Net income (loss) and comprehensive income (loss) per unit	\$ 0.09	\$ 0.22	\$ 0.08	\$ (0.20)	\$ 0.27	\$ 0.37	\$ 0.13	\$ 0.08
Distributions ²	\$ 7,298	\$ 7,298	\$ 7,298	\$ 7,305	\$ 7,309	\$ 7,309	\$ 7,361	\$ 11,890
Distributions per unit	\$ 0.1000	\$ 0.1000	\$ 0.1000	\$ 0.1000	\$ 0.1000	\$ 0.1000	\$ 0.1000	\$ 0.1583
FFO ³	\$ 8,625	\$ 13,066	\$ 12,735	\$ 12,408	\$ 12,600	\$ 14,280	\$ 13,103	\$ 13,543
FFO per unit - diluted ³	\$ 0.12	\$ 0.18	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.19	\$ 0.18	\$ 0.18
FFO payout ratio ³	84.6%	55.9%	57.3%	58.9%	58.0%	51.2%	56.2%	87.8%
Core-FFO ³	\$ 9,384	\$ 13,813	\$ 13,413	\$ 13,054	\$ 13,236	\$ 14,906	\$ 13,719	\$ 14,150
Core-FFO per unit - diluted ³	\$ 0.13	\$ 0.19	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.20	\$ 0.19	\$ 0.19
Core-FFO payout ratio ³	77.8%	52.8%	54.4%	56.0%	55.2%	49.0%	53.7%	84.0%
AFFO ³	\$ 8,439	\$ 11,777	\$ 11,787	\$ 11,189	\$ 11,498	\$ 12,420	\$ 12,193	\$ 11,766
AFFO per unit - diluted ³	\$ 0.12	\$ 0.16	\$ 0.16	\$ 0.15	\$ 0.16	\$ 0.17	\$ 0.16	\$ 0.16
AFFO payout ratio ³	86.5%	62.0%	61.9%	65.3%	63.6%	58.8%	60.4%	101.1%
Properties	\$1,593,945	\$1,609,242	\$1,602,165	\$1,608,638	\$1,622,085	\$1,658,126	\$1,655,665	\$1,789,784
Total assets	\$1,679,207	\$1,694,187	\$1,695,859	\$1,700,643	\$1,709,964	\$1,751,013	\$1,742,831	\$1,875,906
Debt	\$ 972,604	\$ 979,004	\$ 987,461	\$ 991,057	\$1,001,947	\$1,044,297	\$1,064,353	\$ 1,181,621
IFRS net asset value ("NAV")	\$ 627,504	\$ 629,904	\$ 623,277	\$ 629,983	\$ 659,057	\$ 649,423	\$ 624,928	\$ 634,447
Diluted units outstanding ¹	73,263	73,244	73,225	73,201	73,291	73,277	73,293	74,746
IFRS NAV per unit	\$ 8.57	\$ 8.60	\$ 8.51	\$ 8.61	\$ 8.99	\$ 8.86	\$ 8.53	\$ 8.49
LTV ratio	58.0%	57.8%	58.3%	58.3%	58.7%	59.7%	61.2%	63.1%
Net debt to adjusted EBITDA	11.1x	10.8x	10.6x	10.4x	10.1x	10.2x	10.0x	11.6x
Interest coverage ratio ³	2.2x	2.3x	2.3x	2.2x	2.2x	2.1x	2.2x	2.0x
Debt service coverage ratio ³	1.7x	1.8x	1.8x	1.7x	1.7x	1.6x	1.6x	1.7x
Leasing activity (square feet)	137,047	142,881	103,827	304,571	190,894	124,697	149,226	254,409
Leasing activity as a % of portfolio	2.0%	2.1%	1.5%	4.4%	2.7%	1.7%	2.0%	3.4%
Weighted average lease term (years)	5.4	5.5	5.4	5.5	5.6	5.6	5.5	5.6
Number of properties	34	36	36	36	37	38	39	41
Office GLA	6,846,248	6,836,593	6,825,669	6,821,215	6,998,980	7,221,258	7,377,177	7,467,648
Total GLA	6,909,687	6,951,427	6,940,503	6,936,049	7,113,814	7,336,092	7,492,011	7,582,482
Occupancy - excluding redevelopment	84.2%	86.0%	88.0%	87.7%	88.3%	87.5%	88.6%	89.0%
Occupancy	84.2%	85.4%	86.8%	86.5%	87.1%	86.3%	87.2%	87.7%

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:

	December 31, 2020	December 31, 2019
Cash	\$ 8,520	\$ 6,117
Undrawn revolving facilities	46,245	31,121
Liquidity	\$ 54,765	\$ 37,238

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 achieve and maintain staggered 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. 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.

The convertible debentures may not be redeemed by the REIT prior to February 28, 2021. 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.

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 December 31, 2020:

2021	\$ 169,155
2022	350,787
2023	218,617
2024	6,475
2025	155,357
Thereafter	78,784
	\$ 979,175

Debt profile

The REIT completed the following transactions in 2020:

- In April 2020, the REIT refinanced the Maritime Centre in Halifax, NS. This financing is comprised of a \$62.5 million mortgage and a \$12.6 million construction facility for a term of 5 years with interest-only payments at a fixed rate of 2.78%. At December 31, 2020 the REIT has drawn \$4.7 million under this construction facility.
- In September 2020, the REIT refinanced 120 South LaSalle in Chicago, IL for U.S. \$101.1 million on a 1 year term with interest-only payments at LIBOR plus 2.00% and the Johnson Building in St. John's, NL for \$40.0 million on a term of 4.3 years at a fixed rate of 3.37%.
- In October 2020, the REIT obtained financing for a revolving credit facility of \$300.0 million and U.S. \$60.0 million for a term of 2 years. The proceeds were used to repay and cancel the REIT's existing credit facilities, term loan and one mortgage with principal balances.
- In October 2020, the REIT refinanced Fortis Place in St. John's, NL for \$38.4 million, 250 King Street in Fredericton, NB for \$9.4 million and 460 Two Nations Crossing in Fredericton, NB for \$7.9M. The weighted average term for these financings is 5.3 years and the weighted average rate is 2.57%.
- In November 2020, the REIT refinanced 2599 Speakman Drive in Mississauga, ON. This financing is comprised of a \$12.0 million mortgage and a \$2.5 million capital facility for a term of 2 years with interest only payments at a rate of CDOR plus 2.25%. The REIT has not drawn under the capital facility at December 31, 2020.

Debt held by the REIT at December 31, 2020 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	\$ 1,000,783	\$ 621,220	\$ 621,220	\$ —	\$ —
Revolving facilities ^{5,6,7}	Oct. 14, 2022	Various	16	589,235	376,350	329,205	900	46,245
Convertible debentures	Feb. 28, 2023	5.25%	—	—	28,750	28,750	—	—
			33	\$1,590,018	\$1,026,320	\$ 979,175	\$ 900	\$ 46,245

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 3.2 years with maturities ranging from 0.7 to 9.8 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 December 31, 2020.

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 \$254.0 million and U.S. \$59.1 million of operating facilities. The weighted average remaining term to maturity of revolving facilities is 1.8 years and the weighted average interest rate of revolving facilities is 3.14%.

The carrying value of debt held by the REIT at December 31, 2020 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	\$ 621,220	\$ (2,734)	\$ (284)	\$ 618,202	\$ 169,155	\$ 449,047
Revolving facilities	329,205	(3,198)	329	326,336	—	326,336
Convertible debentures ¹	28,750	(1,320)	636	28,066	—	28,066
	\$ 979,175	\$ (7,252)	\$ 681	\$ 972,604	\$ 169,155	\$ 803,449

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 December 31, 2020 was 58.0% which is lower by 71 basis points compared to December 31, 2019. 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.

The REIT's indebtedness level is calculated as follows:

	December 31, 2020	December 31, 2019
Total assets	\$ 1,679,207	\$ 1,709,964
Less: restricted cash	(3,327)	(4,253)
Gross book value	1,675,880	1,705,711
Debt	\$ 972,604	\$ 1,001,947
Leverage ratio	58.0%	58.7%

Additional investment and operating guidelines are provided for by the Declaration of Trust. The REIT is in compliance with these guidelines.

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 December 31,	
	2020	2019
Net income	\$ 13,648	\$ 62,441
Straight line rent and other changes	5,624	2,339
Interest income	(555)	(556)
Interest and finance costs	42,497	48,988
Change in fair value of properties	114	(32,738)
Change in fair value of financial instruments	29,803	2,710
Distributions to Class B shareholders	2,112	2,421
Transaction costs	1,979	12,142
Depreciation of hotel asset	1,058	1,000
Change in fair value of Class B LP units	(9,038)	(634)
Deferred income tax recovery	(96)	830
Adjusted EBITDA	\$ 87,146	\$ 98,943

The following is a calculation of adjusted EBITDA:

	Twelve months ended December 31,	
	2020	2019
Rental revenue	\$ 183,586	\$ 215,520
Property operating expenses	(97,646)	(114,823)
Finance income on finance lease receivable	3,452	3,615
Straight line rent and other changes	5,624	2,339
General and administrative	(7,870)	(7,708)
Adjusted EBITDA	\$ 87,146	\$ 98,943

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:

	December 31, 2020	December 31, 2019
Debt	\$ 972,604	\$ 1,001,947
Less: Cash on hand	8,520	6,117
Net debt	964,084	995,830
Adjusted EBITDA ¹	\$ 87,146	\$ 98,943
Net debt to Adjusted EBITDA (times)	11.1x	10.1x

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 December 31,	
	2020	2019
Adjusted EBITDA	\$ 87,146	\$ 98,943
Interest expense	\$ 39,473	\$ 45,400
Interest coverage ratio (times)	2.2x	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 December 31,	
	2020	2019
Adjusted EBITDA	\$ 87,146	\$ 98,943
Interest expense	39,473	45,400
Principal repayments	11,356	13,247
Debt service requirements	\$ 50,829	\$ 58,647
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 December 31, 2020:

	Annual Principal Payments	Principal Repayments on Maturity	Total	Percentage (%)	Weighted Average Contractual Interest Rate on Maturing Debt (%)
2021	\$ 10,526	\$ 158,629	\$ 169,155	17.3%	2.8%
2022	9,582	341,205	350,787	35.8%	3.1%
2023	7,566	211,051	218,617	22.3%	3.9%
2024	6,475	—	6,475	0.7%	0.0%
2025	6,416	148,941	155,357	15.9%	2.9%
Thereafter	\$ 15,217	\$ 63,567	\$ 78,784	8.0%	3.5%
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 \$169.2 million of debt maturing throughout 2021 which include well tenanted buildings. At December 31, 2020, after the impact of interest rate swaps, all of the REIT's debt is subject to fixed interest rates (December 31, 2019 – \$88.2 million). The following table presents the annualized impact of a change in floating interest rates of 25 basis points on finance costs:

	December 31, 2020	December 31, 2019
Change of 25 bps	\$ —	\$ 221

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following is a summary of the REIT's contractual obligations over the next five years at December 31, 2020:

	Total contractual cash flow		2021	2022-2023	2024-2025	Thereafter
Accounts payable and accrued liabilities	\$ 37,994	\$ 35,604	\$ 1,226	\$ 1,164	\$ —	
Amortizing principal repayments on debt	55,782	10,526	17,148	12,891	15,217	
Principal repayments on maturity of debt	923,393	158,629	552,256	148,941	63,567	
Interest on debt ¹	81,207	30,195	34,335	12,022	4,655	
Interest rate swaps ²	27,294	7,331	12,774	6,465	724	
Other liabilities	6,117	1,683	973	612	2,849	
Total	\$ 1,131,787	\$ 243,968	\$ 618,712	\$ 182,095	\$ 87,012	

¹Interest amounts on floating debt have been determined using floating rates at December 31, 2020.

²Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the December 31, 2020 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.

On April 3, 2020 the REIT entered into a \$62.5 million notional amount pay-fixed receive-float interest rate swap. The interest rate swap has a fixed rate of 1.23%, and a start date of April 3, 2020, expiring March 3, 2025.

The following are the terms and fair values of the REIT's interest rate swaps at December 31, 2020:

Maturity date	Floating interest rate ¹	Fixed interest rate	Notional amount ²		Fair value	
			December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
June 10, 2021	1 month CDOR	1.87%	\$ 61,528	\$ 63,488	\$ (455)	\$ 93
June 30, 2021	1 month BA	1.94%	35,000	35,000	(260)	15
April 12, 2023	1 month BA	1.90%	58,281	58,281	(1,794)	294
April 12, 2023	1 month CDOR	2.04%	77,708	79,614	(2,699)	(125)
April 12, 2023	1 month CDOR	2.04%	36,697	37,596	(1,275)	(59)
May 1, 2023	1 month BA	1.98%	—	25,802	—	(69)
August 14, 2023	1 month BA	2.77%	18,249	18,692	(1,073)	(546)
February 1, 2024	1 month U.S. LIBOR	1.80%	63,625	64,940	(3,253)	(650)
March 22, 2024	1 month BA	1.90%	100,000	100,000	(4,148)	439
March 3, 2025	1 month BA	1.23%	62,500	—	(1,276)	—
September 10, 2025	1 month U.S. LIBOR	2.56%	128,618	131,276	(11,565)	(4,205)
October 30, 2026	1 month BA	2.30%	100,000	100,000	(8,068)	(1,560)
Total			\$ 742,206	\$ 714,689	\$ (35,866)	\$ (6,373)

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 swap, maturing September 10, 2025, is U.S. \$101.1 million.

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.

On February 6, 2020 the REIT entered into a foreign exchange transaction to sell U.S. \$50.0 million at an exchange rate of 1.3295 and purchase Canadian dollars. On March 6 2020, the REIT entered into a foreign exchange transaction to sell U.S. \$25.0 million at an exchange rate of 1.3422 and purchase Canadian dollars. On March 31, 2020 the REIT entered into an offsetting trade to purchase U.S. \$75.0 million and settled on a net basis with the original transaction for \$6.3 million which was recorded in other comprehensive income.

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:

	Year ended December 31,	
	2020	2019
Net change in cash related to:		
Operating	\$ 46,450	\$ 49,296
Investing	(7,887)	116,572
Financing	(35,978)	(166,909)
Foreign exchange loss on cash held in foreign currency	(182)	(34)
Increase (decrease) in cash	\$ 2,403	\$ (1,075)

The change in cash for the year ended December 31, 2020 and 2019 was the result of the following factors:

- Operating – cash flows for the year ended December 31, 2020 decreased by \$2.8 million when compared to the same period in 2019. The decrease is primarily the result of lower parking revenue of \$2.6 million due to COVID related closures during the year ended December 31, 2020.

- Investing – cash outflows for the year ended December 31, 2020 were \$7.9 million compared to cash inflows of \$116.6 million in 2019. 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, offset by the disposition of 4211 Yonge Street in Toronto, ON. For the year ended December 31, 2019 the REIT had cash inflows of \$116.6 million from the disposition of partial and full interests in certain of the REIT's assets, offset by capital and leasing expenditures.
- Financing – cash expenditure for the year ended December 31, 2020 primarily relates to the repayment of debt from proceeds on asset dispositions in 2020 and the settlement of net investment hedges. For the year ended December 31, 2019, the REIT repaid debt on asset dispositions resulting in total cash outflow of \$166.9 million.

DEFERRED UNIT PLAN

Trustee deferred unit plan

Effective May 26, 2015, the REIT adopted a deferred unit plan for Trustees of the REIT (the "Trustee DUP"). 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 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 December 31, 2020, the liability associated with the Trustee DUP was \$0.8 million (December 31, 2019 - \$0.7 million), and the number of outstanding deferred units was 201,730 (December 31, 2019 - 116,902 units).

Officer deferred unit plan

On March 21, 2016, the REIT adopted a deferred unit plan for officers of the REIT (the "Officer DUP"). The Officer DUP 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 December 31, 2020, the liability associated with deferred units issued under the Officer DUP was \$46 thousand (December 31, 2019 - \$59.1 thousand) and the number of deferred units was 11,145 (December 31, 2019 - 10,105).

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 \$4.14 on December 31, 2020.

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 December 31, 2020, the total number of trust units outstanding was 67,765,409. As at February 24, 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 expired on the earlier of May 19, 2021 and the repurchase of the maximum number of trust units. During the year ended December 31, 2020 the REIT repurchased and cancelled 113,000 units for an aggregate cost of \$0.4 million. This reduced the number of outstanding REIT units, which is accretive to net asset value and per unit metrics for unitholders. As the impact of COVID-19 develops, the REIT has prioritized cash preservation over continuing to repurchase units under its NCIB until there is further clarity on the ultimate impact to the REIT and its tenants.

Potential trust units

	December 31, 2020	December 31, 2019
Class B LP units	5,285,160	5,285,160
Deferred units	212,875	127,007
	5,498,035	5,412,167

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 year ended December 31, 2020, 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 year ended December 31, 2020 and 2019. 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 December 31,		Year ended December 31,	
	2020	2019	2020	2019
Basic weighted average units outstanding	67,765,409	67,878,409	67,790,109	68,567,368
Class B LP units	5,285,160	5,285,160	5,285,160	5,285,160
Deferred units	195,739	114,344	163,337	110,425
Diluted weighted average units outstanding	73,246,308	73,277,913	73,238,606	73,962,953

Diluted units outstanding

The following is the diluted number of units outstanding at December 31, 2020 and 2019. 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:

	December 31, 2020	December 31, 2019
Trust units outstanding	67,765,409	67,878,409
Class B LP units	5,285,160	5,285,160
Deferred units	212,875	127,007
Diluted units outstanding	73,263,444	73,290,576

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:

	December 31, 2020	December 31, 2019
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 December 31,		Year ended December 31,	
	2020	2019	2020	2019
Property management	\$ 1,240	\$ 1,649	\$ 5,396	\$ 6,404
Asset management	1,278	1,320	5,133	5,432
Leasing, financing, and construction management	1,477	829	4,097	4,052
	\$ 3,995	\$ 3,798	\$ 14,626	\$ 15,888

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 \$9.2 million for the year ended December 31, 2020 (December 31, 2019 – \$10.4 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, commencing November 1, 2019. For the year ended December 31, 2020, the REIT received \$0.2 million in rent payment in respect of this lease (December 31, 2019 - nil). There were no amounts receivable related to this lease at December 31, 2020 and 2019.

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. During the year ended December 31, 2020, the REIT recorded \$4 thousand as interest income in the consolidated statement of income. 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:

	December 31, 2020	December 31, 2019
Income supplement receivable	\$ —	\$ 296
Accounts receivable	383	545
Accounts payable and accrued liabilities	(308)	(843)
Class B LP units	(21,880)	(30,918)

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 December 31, 2020 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

IFRS 3, Business Combinations ("IFRS 3")

The REIT has adopted the amendments to IFRS 3 on January 1, 2020. The amendments have narrowed and clarified the definition of a business. The objective of the amendment is to assist companies in determining whether an acquisition made is of a business or a group of assets. It also permits a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. These amendments have been applied to the REIT's acquisition transactions during the year. The adoption of the amended standard did not have an impact on the REIT's consolidated financial statements.

Application of Interest Rate Benchmark Reform ("IBOR")

In September 2019, the IASB issued Interest Rate Benchmark Reform – Amendments to IFRS 9 – Financial Instruments ("IFRS 9") and IFRS 7 – Financial Instruments: Disclosures ("IFRS 7"). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. These amendments are mandatory for annual reporting periods beginning on or after January 1, 2020. There was no impact on the REIT's financial statements as a result.

FUTURE 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. The amendments are effective for annual periods beginning on or after January 1, 2021 with early application permitted and include retrospective application with reinstatement of hedge relationships. The REIT is currently in the process of assessing the impact of adopting the amendments in Phase II on its consolidated financial statements.

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 December 31, 2020.

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 year ended December 31, 2020.

As at December 31, 2020 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 year ended December 31, 2020, 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.

The REIT's CEO and CFO have evaluated, or caused the evaluation of, under their supervision, the effectiveness of the REIT's DC&P and its ICFR as at December 31, 2020 and have concluded that such DC&P and ICFR were operating effectively.

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 December 31, 2020 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	84.7%
	3000 - 3100 Steeles Avenue East	Gateway Centre	Markham, ON	1982 / 1987	75%	240,409	88.6%
	2655 - 2695 North Sheridan Way	The Sheridan Exchange	Mississauga, ON	1987 / 1989	75%	158,322	85.0%
	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%	618,338	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						2,760,498	89.5%
Atlantic Office							
	440 King Street	Kings Place	Fredericton, NB	1974 / 2001	100%	296,294	90.0%
	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	81.7%
	644 Main Street	Blue Cross Centre	Moncton, NB	1988 / 2006	100%	320,154	99.3%
	81 Albert Street		Moncton, NB	2002	100%	64,954	100.0%
	39 King Street ¹	Brunswick Square	Saint John, NB	1976	100%	508,303	63.1%
	4 Herald Avenue		Corner Brook, NL	1968 / 1978	100%	73,393	25.8%
	100 New Gower Street	Cabot Place	St. John's, NL	1987	100%	136,167	28.5%
	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%	78,111	71.7%
Total Atlantic Office						2,661,574	75.9%

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						6,846,248	84.0%
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						6,909,687	84.2%

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, Chair¹²³
Corporate Director

Monty Baker¹²
Corporate Director

Nora Duke²³
Executive Vice-President, Sustainability and Chief
Human Resources Officer, Fortis Inc.

Meredith Michetti¹
Corporate Director

Lori-Ann Beausoleil¹²
Corporate Director

Blair Welch³
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

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Independent Auditors

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Toronto, Canada

Toronto Stock Exchange Listings

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

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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.

