Office
REIT
SLATE

Q2 2015
TSX: SOT.UN

DEAR FELLOW UNITHOLDERS

> *"The most common cause of low prices is pessimism - sometimes pervasive, sometimes specific to a company or industry. We want to do business in such an environment, not because we like pessimism but because we like the prices it produces."*
>
> \- Warren Buffett

We are now eight months into our strategy to build a highly compelling pure-play office REIT with institutional quality assets, and I am pleased to be able to highlight several significant milestones in management's plan to position Slate Office REIT (the "REIT") as a leading Canadian public real estate platform:

- Portfolio size, in terms of square feet, has tripled since Slate assumed management in Q4 2014, largely due to our transformative acquisition of the Fortis portfolio;
- The MTS Data Centre in Winnipeg is complete and is expected to contribute $2.2 million to Funds from Operations based on the REIT's 50% ownership, which we anticipate increasing to 100% by third quarter 2015;
- We are pleased to announce the addition of Nora Duke as the REIT's sixth independent trustee and the appointment of John O'Bryan as Chair of the Board; and,
- We continue to grow institutional ownership, which provides an increasingly stable base of support on which to achieve further growth.

I would like to spend a few minutes outlining for you some of the reasons why management is so optimistic that our plan is on track, and that the future is bright for Slate Office REIT.

Fortis Portfolio Acquisition
In June, the REIT successfully completed the $430 million acquisition of a 14-property portfolio from Fortis Properties, with the REIT's share being $304 million. Primarily consisting of high quality office properties, the acquisition makes Slate Office REIT one of Atlantic Canada's preeminent commercial real estate investors while at the same time further establishing the REIT's national footprint, which now spans seven provinces. Consistent with management's stated strategy of focusing on high-quality office properties, this asset class - including the Fortis portfolio acquisition - now generates nearly 90% of the REIT's net operating income as compared with just over 50% when we began our strategy. The contribution to net operating income from the newly acquired properties will begin in the third quarter of 2015.

MTS Data Centre Completion
Construction of the MTS Data Centre in Winnipeg is complete and rent commenced on June 5, 2015. The REIT owns a 50% interest in the development which has a 15-year lease with MTS on a quadruple net basis. We anticipate that the year one contribution to Funds from Operations from the development will be approximately $2.2 million based on our 50% equity ownership.

Subsequent to the June 30, 2015, the mezzanine loan provided by the REIT to the 50% limited partner to fund their share of the development was converted into a further 30% ownership interest. Additionally we have agreed with the limited partner that the REIT will acquire the remaining 20% interest in the MTS Data Centre at fair market value by way of the exercise of the put-call option as contemplated in the limited partnership agreement. We expect to purchase this 20% interest in the third quarter of 2015, increasing the REIT's ownership to 100%.

Corporate Governance Enhancements

Concurrent with the completion of the Fortis acquisition, the REIT's Board of Trustees appointed Nora Duke as the sixth independent trustee-the third such appointment this year. As the Chief Executive Officer of Fortis Properties Inc. since 2007, Nora brings considerable real estate experience with a career that has spanned 25 years. Our board now has a total of six highly experienced independent trustees who bring to the fold extremely complementary skill sets that will continue to guide management as we carry out our vision.

Additionally, John O'Bryan, who joined as Independent Trustee in March 2015, has been appointed as Chair of the Board of Trustees, effective immediately.

A Significant Value Proposition

Turning to the public markets, we continue to observe a meaningful disconnect in our trading fundamentals as compared to our peers. Today, Slate Office REIT trades at 7.3 times 2016 estimated adjusted funds from operations per unit, or 40% less than the average multiple for office-focused REITs. Fundamentally speaking, Slate Office REIT's implied enterprise value per square foot is $137, which is significantly below replacement cost. While we cannot control the day-to-day performance of our unit price, we have a defined strategy for growth and value generation and we will not deviate from it. As the market comes to understand the transformation taking place at Slate Office REIT, and as we continue deliver on our plan, we are optimistic that the disconnect will start to disappear.

Operational Performance

We continue to execute on our internal growth strategy with hands on operations and aggressive leasing strategies being key components. In the second quarter, we completed over 184,000 square feet of leasing activity including over 149,000 square feet of renewals, on which we achieved 21.9% spreads on expiring rents, and nearly 35,000 square feet of new leases, on which we achieved 15.2% spreads on building in-place rents. Our portfolio occupancy of approximately 90%, coupled with the REIT's recent entry into Atlantic Canada, provides runway in the months and years ahead to drive value for our unitholders and tenants alike. We are excited to grow alongside them. Finally, we will continue our prudent and tactical approach to debt financing: Our banking relationships have opened up access to large, flexible credit structures that facilitate continued growth. We will couple this scale and access to capital with deploying on stabilized assets efficient, fixed-term mortgages that take full advantage of the attractive financing rates currently available. We believe following this strategy will result in considerable opportunities to crystallize value creation while lowering the REIT's borrowing costs.

Slate's Commitment

As the largest unitholder of Slate Office REIT, with a 19% stake representing some $50 million, Slate Asset Management LP is aligned with unitholders to continue to execute on its strategy for Slate Office REIT. Slate Asset Management will continue to build-out the REIT's dedicated management team to optimize the REIT's daily operations. Slate Asset Management, with its 40 real estate professionals and deep experience and connections within the commercial real estate industry, will continue to be a key resource and an unmatched platform for the REIT to leverage in order to realize its tremendous growth potential.

We thank our unitholders for their continued trust and support.

Sincerely,

Scott Antoniak
Chief Executive Officer
August 6, 2015

SLATE Office REIT

Management's Discussion and Analysis
Q2 2015
TSX: SOT.UN, SOT.WT

June 30, 2015

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Section 1. OBJECTIVES

Basis of Presentation

This Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") for the six months ended June 30, 2015 has been prepared and includes material financial information as of August 6, 2015. This MD&A should be read in conjunction with the audited consolidated financial statements of Slate Office REIT ("Slate Office" or the "REIT"), formerly known as FAM Real Estate Investment Trust, for the year ended December 31, 2014 and the unaudited condensed consolidated interim financial statements for the six months ended June 30, 2015, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All dollar amounts in this MD&A are in Canadian dollars.

Additional information relating to the REIT, including the REIT's annual information form for the year ended December 31, 2014 is available on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain information herein constitutes "forward-looking statements" within the meaning of applicable securities legislation. Forward-looking statements include statements about management's expectations regarding objectives, plans, goals, strategies, future growth, operating results and performance, business prospects and opportunities of the REIT. Forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "might", "should", "seeks", "intends", "plans", "pro-forma", "estimates" or "anticipates"; or variations of such words; and phrases or statements that certain actions, events or results "may", "could" or "might" occur or be achieved; or the negative connotation thereof. Forward-looking statements are made based on reasonable assumptions, however, there is no assurance that the events or circumstances reflected in forward-looking statements will occur or be achieved. Forward-looking statements are based on numerous assumptions of factors that if untrue, could cause actual results to differ materially from those that are implied by such forward-looking statements. These factors include but are not limited to: general and local economic and real estate business conditions; the financial condition of tenants; occupancy rates; rental rates; the ability of the REIT to refinance maturing debt; the REIT's ability to source and complete accretive acquisitions; changes in government, environmental and tax regulations; inflation and interest rate fluctuations; the REIT's ability to obtain equity or debt financing for additional funding requirements; and adequacy of insurance.

Forward-looking statements are subject to risks and uncertainties, many of which are beyond the REIT's control. These risks and uncertainties include, but are not limited to: risks related to general and local financial conditions including 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; governmental, environmental, taxation and other regulatory risks; litigation risks and other risks and factors described from time to time in the documents filed by the REIT with the securities regulators.

The REIT has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements. However, there may be other factors that could cause results to not be as anticipated, estimated or intended. Forward-looking statements are provided to inform readers about management's current expectations and plans and allow investors and others to better understand the REIT's operating environment. However, readers should not place undue reliance on forward-looking statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results, or of the timing that such performance or results will be achieved. Forward-looking statements included in this MD&A are made as of August 6, 2015 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. Additional information about risks and uncertainties is contained in the REIT's annual information form for the year ended December 31, 2014 available on SEDAR at www.sedar.com.

Non-IFRS Financial Measures

The REIT has included certain non-IFRS financial measures throughout this MD&A. Management believes that in addition to conventional measures prepared in accordance with IFRS, investors in the real estate industry use these non-IFRS financial measures to evaluate the REIT's performance and ability to generate cash flows. Accordingly, these non-IFRS financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS. In addition, they do not have standardized meanings and may not be comparable to measures used by other issuers in the real estate industry or other industries. The non-IFRS financial measures included in this MD&A are as follows:

Net operating income ("NOI")

The REIT calculates net operating income as revenue from investment properties less property operating expenses.

Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA")

The REIT calculates Adjusted EBITDA as net income before income taxes, depreciation and amortization, fair value adjustments to investment properties and financial instruments, realized gains or losses on disposals of investment properties, share of net income or loss from equity accounted investment, and finance costs excluding interest income.

Funds From Operations ("FFO ") and Adjusted Funds From Operations ("AFFO")

Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO") are commonly acceptable and meaningful indicators of financial performance for the commercial real estate industry. However, FFO and AFFO are not measures defined under IFRS.

The REIT calculates FFO in accordance with the *Real Property Association of Canada ("REALpac") White Paper on FFO for IFRS* which was revised April 2014. Specifically, the REIT calculates FFO as net income calculated in accordance with IFRS; adjusted for distributions on Class B LP units; share of FFO from equity accounted investment; and most non-cash expenses including: amortization of capitalized leasing costs; gains and losses on dispositions of investment properties; fair value adjustments to investment properties; fair value adjustments to subscription receipts and Class B LP units and warrants which are puttable instruments classified as financial liabilities.

In calculating AFFO, the REIT makes certain adjustments to FFO for certain items including: amortization of straight-line rent; accretion on the vendor take-back loan; amortization of deferred transaction costs; fair value adjustments to interest rate swaps; normalized direct leasing costs and capital expenditures; de-recognition and amortization of mark-to-market adjustments on mortgages refinanced or discharged; guaranteed income supplement; and the interest rate and capital expenditure subsidies (as described under "Section 4 – Financial Condition, Interest Rate and Capital Expenditures Subsidies" of this MD&A). The method applied by the REIT to calculate AFFO may differ from methods applied by other issuers in the real estate industry and therefore may not be comparable with measures reported by such issuers.

Change in calculation of AFFO

During the period ended March 31, 2015, the REIT successfully entered into a lease with the Province of Manitoba for 74,248 square feet ("sq. ft.") at 114 Garry with a rent increase from $10.25 per sq. ft. to $19.54 per sq. ft. This lease which is for a 25 year period, requires the REIT to incur capital and leasing costs over a two year time frame that will benefit the REIT over the lease period. As a result, beginning January 1, 2015, the REIT has normalized its reserves for capital expenditures and leasing costs in deriving AFFO. The REIT previously calculated AFFO using the actual capital expenditures and capitalized leasing costs incurred. The following table summarizes the AFFO as previously calculated and the current method of calculating AFFO:

	Three months ended				For the cumulative period ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
AFFO - as previously calculated	$ 2,268	$ 2,029	$ 2,357	$ 128	$ 2,268	$ 4,297	$ 6,654	$ 6,782
AFFO per unit - as previously calculated	$ 0.19	$ 0.15	$ 0.16	$ 0.01	$ 0.19	$ 0.34	$ 0.49	$ 0.48
AFFO	$ 2,055	$ 2,228	$ 2,387	$ 850	$ 2,055	$ 4,283	$ 6,670	$ 7,520
AFFO per unit	$ 0.17	$ 0.16	$ 0.16	$ 0.05	$ 0.17	$ 0.34	$ 0.49	$ 0.53

Core - FFO

Management believes that the computation of FFO includes certain items that are not indicative of the results provided by the REIT's operating portfolio and affect the comparability of the REIT's period-over-period performance. These items include, but are not limited to, fair value adjustments to interest rate swaps and Special Committee related expenses. Therefore, in addition to FFO, management uses Core - FFO to normalize for such items. Management believes that Core - FFO is a useful supplemental measure, however this may not be comparable to the adjusted or modified FFO of other REITs.

Debt to Adjusted EBITDA leverage ratio and Net Debt to Adjusted EBITDA leverage ratio

The REIT calculates its leverage ratio using two methods: 1) the average debt outstanding divided by annualized Adjusted EBITDA and 2) the average debt outstanding net of cash at period end divided by annualized Adjusted EBITDA. Debt consists of mortgages payable, vendor take-back loan, and the revolving credit facilities, term loan facilities at face value, excluding deferred transaction costs. These ratios are widely used and meaningful metrics for the assessment of creditworthiness and debt default probability. The Debt to Adjusted EBITDA leverage ratio 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 takes into consideration the cash on hand to decrease debt.

Indebtedness ratio (also referred to as Debt to Gross Book Value, or “Debt/GBV”)

The REIT calculates its indebtedness ratio as total debt divided by total assets at period-end. The indebtedness ratio is a measure of the REIT’s financial risk and determines the percentage of the REIT’s assets financed by debt.

Interest coverage ratio

The REIT calculates the interest coverage ratio as Adjusted EBITDA for the period divided by interest expensed during the period. Specifically, interest expense is computed as net finance costs adjusted for the interest rate subsidy and interest income, less non-cash items including gains and losses from interest rate swaps, de-recognition or amortization of mark-to-market adjustments on mortgages, amortization of deferred financing costs, accretion on the vendor take-back loan, distributions on Class B LP units, and defeasance costs. The interest coverage ratio is a measure of the REIT's ability to service its debt.

Debt service coverage ratio

The REIT calculates the debt service coverage ratio as Adjusted EBITDA divided by the debt service requirements for the period, whereby the debt service requirements reflects 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 measure of the REIT's ability to meet annual interest and principal payments.

AFFO pay-out ratio

The REIT calculates the AFFO pay-out ratio as total distributions divided by AFFO for the period. The AFFO pay-out ratio is a measure of the REIT's ability to sustain its total distributions, when compared to its cash flow capacity.

Review and Approval by the Board of Trustees

The Board of Trustees approved the contents of this MD&A on August 6, 2015.

Core Business and Objectives

Slate Office REIT's trust units and warrants are listed on the Toronto Stock Exchange ("TSX") and traded under the symbols "SOT.UN" and "SOT.WT", respectively.

The REIT is an unincorporated, open-ended real estate investment trust constituted in accordance with the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated as of December 17, 2014, as amended on March 16, 2015 and May 25, 2015. On December 28, 2012, the REIT completed its initial public offering of offered units, which comprised of trust units and warrants, and acquired a portfolio of 27 income-producing office, industrial, and retail properties located in four provinces and one territory of Canada (the "Initial Properties"). The REIT had no operations prior to December 28, 2012.

The objectives of the REIT are to: (i) provide unitholders with stable and growing cash distributions from investment properties initially focused in Canada, on a tax efficient basis; (ii) enhance the value of the REIT's assets and maximize long-term trust unit value through active management; and (iii) expand the asset base of the REIT and increase the REIT's AFFO per trust unit, including through accretive acquisitions.

Management and Strategy

Overview

The REIT is an unincorporated, open-ended investment trust under, and governed by, the laws of the Province of Ontario. The REIT focuses on acquiring, owning and leasing a diversified portfolio of revenue-producing commercial real estate properties in Canada with an emphasis on commercial office properties. The principal, registered and head office of the REIT is 121 King St W, Suite 200, Toronto, ON M5H 3T9.

Management by Slate Asset Management LP

The REIT is externally managed and operated by Slate Management Corporation (the "Manager"), formerly Huntingdon Capital Corp., a wholly-owned subsidiary of Slate Asset Management LP (“Slate”), a leading real estate investment platform with over $3.0 billion in assets under management.

Slate has a highly experienced team of real estate professionals and has a proven track record of success in real estate investment and management. Management’s interests are significantly aligned with the Unitholders of the REIT through its significant ownership position.

Slate has been managing the REIT since November 2014 and since then has been focused on the following strategic objectives:

i. repositioning itself as a pure play office REIT with growth focused on high-quality downtown and suburban office properties; and,
ii. becoming an institutional quality investment vehicle that leverages Slate's sophisticated and professional management resources.

During the quarter ended June 30, 2015, the REIT achieved significant milestones towards its strategic objectives:

- On June 30, 2015, the REIT successfully completed the $304 million acquisition of a 14-property portfolio from Fortis Properties Corporation. Primarily consisting of high quality office properties, the acquisition makes the REIT one of Atlantic Canada’s preeminent commercial real estate investors while at the same time further establishing Slate Office REIT's national footprint, which now spans seven provinces. Consistent with management’s stated strategy of focusing on high-quality office properties, this asset class now generates nearly 90% of the REIT’s net operating income as compared with just over 50% when we began our strategy. The contribution to net operating income from the newly acquired properties will begin in the third quarter of 2015.

- The REIT continued to strengthen its corporate governance this quarter with the addition of another highly experienced independent trustee. This is the sixth independent trustee and the third addition to the trustees this year.

- The REIT continues to execute on the internal growth strategy with hands on operations and aggressive leasing strategies being key components. In the second quarter, the REIT completed 184,118 square feet of leasing including 154,563 square feet of renewals and 29,555 square feet of new leases. Net rents on new deals increased 15.2% over building in-place rent and net rents on renewals increased 21.9% over expiring rents. Management believes leasing momentum will continue into subsequent quarters and value will continue to be created from increasing below market in-place occupancies and rental rates.

- The MTS Data Centre (the “Data Centre”), a fully pre-leased development in Winnipeg, Manitoba, reached substantial completion and rent commenced on June 5, 2015. The Data Centre is expected to have a significant positive impact on the REIT’s financial performance. On an annualized basis, the incremental year one contribution to Funds from Operations will be approximately $2.3 million at the REIT's 50% share.

As a manager and the largest single unitholder, with an approximate 19% interest in the REIT as at June 30, 2015, Slate is highly motivated to increase the value of the portfolio and provide stable, reliable and growing returns to the REIT's unitholders.

Section 2. FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

($000s unless otherwise noted and except per unit amounts)	**June 30, 2015**	March 31, 2015	June 30, 2014
Portfolio:			
Number of properties	**48**	35	28
Gross leasable area ("GLA") in square feet ("sq. ft.")	**5,262,636**	2,903,398	1,829,096
Total assets	**$ 801,946**	$ 476,293	$ 289,107
Total debt	**493,235**	281,955	137,759
Occupancy	**90.0%**	91.7%	97.8%

($000s unless otherwise noted and except per unit amounts)	**Three months ended June 30, 2015**	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
Operating:				
Revenue from investment properties	**$ 14,390**	$ 7,972	**$ 28,472**	$ 16,179
Net operating income	**8,003**	4,927	**15,631**	9,692
Net income (loss) and comprehensive income (loss)	**10,480**	(1,872)	**9,250**	(2,226)
Weighted average number of trust units (000s)	**20,204**	13,551	**20,111**	12,776
FFO	**5,575**	2,074	**8,518**	3,263
FFO per unit (basic and diluted)	**$ 0.28**	$ 0.15	**$ 0.42**	$ 0.26
Core - FFO	**4,658**	2,930	**9,317**	5,528
Core - FFO per unit (basic and diluted)	**$ 0.23**	$ 0.22	**$ 0.46**	$ 0.43
AFFO(2)	**3,670**	2,228	**7,236**	4,283
AFFO per unit (basic and diluted)(2)	**$ 0.18**	$ 0.16	**$ 0.36**	$ 0.34
Distributions per unit(1)	**$ 0.19**	$ 0.19	**$ 0.38**	$ 0.38
AFFO pay-out ratio	**105%**	117%	**106%**	114%
Cash distributions per unit – basic and diluted(1)	**$ 0.19**	$ 0.13	**$ 0.38**	$ 0.25

(1) Distribution per unit is based on the monthly distribution per unit of $0.0625.
(2) AFFO for the comparative period was restated, as disclosed under the "Non-IFRS Financial Measures" of this MD&A.

	June 30, 2015	March 31, 2015	June 30, 2014
Financing:			
Weighted average debt interest rate*	**3.9%**	3.9%	4.7%
Interest coverage ratio (times)	**2.7x**	2.8x	2.8x
Debt to Adjusted EBITDA leverage ratio (times)	**9.7x**	9.7x	8.2x
Net Debt to Adjusted EBITDA leverage ratio (times)	**9.6x**	9.5x	7.8x

*At period end

Recent Developments

Fortis Acquisition

On June 30, 2015, the Trust completed the acquisition of a 100% undivided interest in eleven commercial properties (the "Portfolio Properties") and a 10% undivided interest in three commercial properties (the "Co-Owned Properties") from Fortis Properties Corporation ("Fortis"), for cash consideration of $304 million. A Canadian institutional real estate fund (the "Co-Owner"), acquired the remaining 90% undivided interest in the Co-Owned Properties. Concurrently with the closing of the acquisition, the Trust entered into a co-ownership agreement (the "Co-Ownership Agreement") with the Co-Owner in connection with the Co-owned Properties.

The Co-Ownership Agreement includes put/call rights pursuant to which the Co-owner can put to the Trust (i) an additional 39% interest in the Co-Owned Properties on June 1, 2016, and (ii) the remaining interest in the Co-Owned Properties on December 1, 2016. Also on June 1, 2016 and December 1, 2016, the Trust will have the right to acquire from the Co-Owner up to an additional 39% in the Co-Owned Properties. The Co-Ownership Agreement specifies the price at which the respective interests in the Co-Owned Properties may be purchased/sold. The put/call rights expire on December 15, 2016.

The acquisition was primarily funded with proceeds from an $80 million public offering of subscription receipts of the REIT, a $35 million private placement of units of the REIT to Fortis Inc., an affiliate of Fortis, and $200.5 million from new acquisition credit facilities.

The acquisition, which consists principally of high quality office buildings located in major markets in Atlantic Canada, significantly enhances the REIT's position as an office REIT. The acquisition nearly doubles the REIT's asset base and creates a national footprint with 48 properties and total gross leasable area ("GLA") of 5.3 million square feet. The transaction delivers on the REIT's stated growth strategy and focus on office assets.

The Portfolio comprises some of Atlantic Canada's highest-quality commercial buildings, including ten office buildings, one mixed-use office complex and three retail centres totalling 2.8 million square feet of GLA. Notable regional addresses include Maritime Centre in Halifax, Nova Scotia; the Blue Cross Centre in Moncton, New Brunswick; and Fortis Place in St. John's, Newfoundland. The REIT's proportionate interest in the Portfolio and Co-owned Properties comprises 2.5 million square feet of GLA.

The contribution to net operating income from the newly acquired properties will begin in the third quarter of 2015.

Asset Disposition

On June 18, 2015, the REIT completed the sale of one of its industrial properties at 110 Lowson Crescent, Winnipeg, Manitoba ("110 Lowson") for consideration of $6.7 million.

MTS Data Centre and Occupancy

The MTS Data Centre achieved substantial completion in the second quarter and rent commenced on June 5, 2015.

Subsequent to quarter end, the Mezzanine Loan provided to a 50% limited partner to fund their share of the MTS Data Centre development with a due date of July 31, 2015, has been converted into a further 30% equity ownership interest in the partnership. Also, the parties agreed that the Trust will acquire the remaining 20% equity interest in the partnership at fair market value by way of the exercise of the put-call option as contemplated in the limited partnership agreement. The Trust is expected to purchase this 20% interest in the third quarter of 2015 to increase its ownership to 100%.

Portfolio Performance

Same Property Portfolio

	Occupancy Rate (%)		Gross Leasable Area (sq. ft.)			
	June 30, 2015	March 31, 2015	**As at June 30, 2015**		As at March 31, 2015	
			Total	**%**	Total	%
Ontario	**89.8%**	90.4%	**1,769,470**	62.3%	1,769,470	62.3%
Manitoba	**98.9%**	98.9%	**859,856**	30.2%	859,856	30.2%
Saskatchewan	**68.2%**	72.6%	**84,243**	3.0%	84,243	3.0%
Alberta	**45.6%**	67.2%	**113,451**	4.0%	113,451	4.0%
Northwest Territories	**100.0%**	100.0%	**15,475**	0.5%	15,475	0.5%
Total	**90.2%**	91.6%	**2,842,495**	100.0%	2,842,495	100.0%

The above Same Property Portfolio analysis provides a comparison of properties that were owned by the REIT at both the end of the first quarter and the end of the second quarter in the current year.

On a quarter-over-quarter basis, the in-place occupancy for the same property portfolio decreased from 91.6% to 90.2%, equivalent to a reduction of 37,875 square feet. This reduction is the net result of 42,333 square feet of new vacancy offset by 4,458 square feet of new leases that commenced during the quarter. The new vacancy includes the impact of a previously disclosed tenant insolvency in Grande Prairie, Alberta - the insolvent tenant vacated a single-use 33,280 square foot industrial building in April 2015.

During the quarter the REIT completed 34,838 square feet of new leasing and 149,280 square feet of renewals. On a quarter-over-quarter basis, the committed occupancy rate, which includes completed lease transactions with commencement dates subsequent to quarter-end, increased from 92.3% to 92.4%.

Net rents on new deals increased by 15.2% over building in-place rents on a weighted-average basis. Net rents on renewals increased by 21.9% over the previous contractual rents on a weighted-average basis.

Property Portfolio Including Acquisitions & Dispositions

	Occupancy Rate (%)		Gross Leasable Area (sq. ft.)			
	June 30, 2015	March 31, 2015	**As at June 30, 2015**		As at March 31, 2015	
			Total	**%**	Total	%
Ontario	**89.8%**	90.4%	**1,769,470**	33.5%	1,769,470	61.0%
Manitoba	**98.9%**	99.0%	**859,856**	16.3%	920,759	31.7%
Saskatchewan	**68.2%**	72.6%	**84,243**	1.6%	84,243	2.9%
Alberta	**45.6%**	67.2%	**113,451**	2.2%	113,451	3.9%
Northwest Territories	**100.0%**	100.0%	**15,475**	0.3%	15,475	0.5%
New Brunswick	**91.7%**	n/a	**1,120,644**	21.3%	n/a	n/a
Newfoundland	**82.3%**	n/a	**752,483**	14.3%	n/a	n/a
Nova Scotia	**96.2%**	n/a	**547,014**	10.5%	n/a	n/a
Total	**90.0%**	91.7%	**5,262,636**	100.0%	2,903,398	100.0%

The above analysis on the property portfolio including acquisitions and dispositions provides a comparison of properties that were owned by the REIT at the end of the first quarter and the properties that were owned by the REIT at the end of the second quarter. The second quarter numbers include the acquisition of the Portfolio Properties and Co-Owned Properties from Fortis and account for the disposition of 110 Lowson.

The in-place occupancy of the REIT, including acquisition and disposition activity, decreased from 91.7% to 90.0%. The committed occupancy decreased from 92.4% to 91.4%.

Tenant Base Profile

As part of the strategy to move to a pure play office REIT, the quality and covenant of the tenants has increased as a result of the REIT's recent acquisition of the Portfolio Properties from Fortis. The following is a list of the REIT's top 10 largest tenants:

Rank	Tenant	GLA (SF)	Annual Base Rent	Base Rent PSF	Weighted Average Lease Term
1	Bell Canada	506,047	$ 5,625,395	$ 11.12	4.4
2	Goverrnment of Canada	213,659	$ 4,678,651	$ 21.90	6.0
3	MTS	34,439	$ 3,463,658	$ 100.57	14.0
4	SNC Nuclear	222,252	$ 3,110,248	$ 13.99	2.6
5	Medavie Blue Cross	160,838	$ 2,768,408	$ 17.21	3.9
6	Province of New Brunswick	127,851	$ 2,574,753	$ 20.14	5.4
7	Province of Nova Scotia	147,224	$ 2,072,650	$ 14.08	1.9
8	Northern Reflections	258,960	$ 1,732,442	$ 6.69	10.8
9	Province of Manitoba	112,761	$ 1,570,377	$ 13.93	19.2
10	Minacs	103,179	$ 1,547,685	$ 15.00	1.4

Net operating income

The REIT achieved NOI of $8.0 million for the three months ended and $15.6 million for the six months ended June 30, 2015, compared to $4.9 million and $9.7 million for the same periods in 2014 attributable to portfolio growth most notably from the Suburban Office acquisition in December 2014.

Funds From Operations

FFO was $0.28 per unit for the three months ended June 30, 2015. After adjusting for the $0.05 per unit $0.9 million non-cash fair value gain on the interest rate swaps, Core - FFO was $0.23 per unit.

FFO was $0.15 per unit for the three months ended June 30, 2014. After adjusting for the $0.05 per unit $0.6 million fair value loss on interest rate swaps and the $0.02 per unit ($0.2 million) Special Committee related expenses, Core - FFO was $0.22 per unit.

The increase in Core - FFO is attributable to accretive growth in the portfolio. Furthermore, the MTS Data Centre achieved substantial completion and rent commenced at the end of the second quarter of 2015, which will generate additional annualized FFO of approximately $2.3 million.

Adjusted Funds From Operations

AFFO was $0.18 per unit for the three months ended June 30, 2015, which was higher than the prior period due to the growth in Core - FFO. AFFO is expected to increase by approximately $2.2 million upon rent commencement of MTS Data Centre which was achieved at the end of the second quarter of 2015.

Pay-out Ratio

The distribution pay-out ratio as a percentage of AFFO was 105% for the three months ended June 30, 2015, compared to the pay-out ratio of 117% for the same period in 2014.

Section 3. REVIEW OF FINANCIAL AND OPERATIONAL RESULTS

Summary of Selected Financial Information

($000s)		**Three months ended June 30, 2015**		Three months ended June 30, 2014		**Six months ended June 30, 2015**		Six months ended June 30, 2014
Revenue from investment properties	**$**	**14,390**	$	7,972	**$**	**28,472**	$	16,179
Property operating expenses		**(6,387)**		(3,045)		**(12,841)**		(6,487)
Net operating income		**8,003**		4,927	**$**	**15,631**	$	9,692
General and administration		**(798)**		(520)	**$**	**(1,391)**	$	(1,052)
Special Committee related expenses		**—**		(220)		**—**		(338)
Finance costs, net		**2,280**		(2,729)		**(2,860)**		(6,241)
Share of net income (loss) from equity accounted investment		**1,250**		(109)		**2,440**		(109)
Fair value adjustments to financial instruments		**5,385**		6		**3,197**		(290)
Fair value adjustments on investment properties		**(5,412)**		(3,227)		**(7,539)**		(3,888)
Loss on disposition of investment property		**(228)**		—		**(228)**		—
Net income (loss) and comprehensive income (loss)	**$**	**10,480**	$	(1,872)	**$**	**9,250**	$	(2,226)
Total assets*		**801,946**		289,107				
Total debt(1)*		**493,235**		137,759				

* At period-end

(1) Includes mortgages payable, vendor take-back loan, and amounts drawn under revolving credit and term facilities at face value.

Review of Financial Results

Revenue from Investment Properties

Revenue from investment properties includes rent from tenants under lease agreements, straight-line rental income, percentage rents, property taxes and operating cost recoveries, and other incidental income.

For the three months ended June 30, 2015, revenue from investment properties was $14.4 million compared to $8.0 million for the same period in 2014. For the six months ended June 30, 2015, revenue from investment properties was $28.5 million compared to $16.2 million for the same period in 2014. The increase in revenue from investment properties was driven by incremental revenues from property acquisitions during the fourth quarter of 2014.

Property Operating 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 investment properties and amounted to $6.1 million for the three months and $11.9 million for the six months ended June 30, 2015, compared to $2.8 million and $5.8 million for the same periods in 2014.

For the three months ended June 30, 2015, property operating expenses were $6.4 million compared to $3.0 million for the same period in 2014. For the six months ended June 30, 2015, property operating expenses were $12.8 million million compared to $6.5 million for the same period in 2014. The increase in property operating expenses of $3.4 million for the three month period ($6.3 million for six month period) was primarily due to incremental expenses related to the portfolio acquisitions during the fourth quarter of 2014.

General and administration

General and administration expenses are primarily comprised of asset management fees, professional fees, trustee fees, and other reporting fees.

For the three months ended June 30, 2015, general and administration expenses increased by $0.3 million, compared to the prior period. The increase was due to higher asset management, legal, accounting and other professional fees related to the growth of the REIT's property portfolio.

Special Committee related expenses

In February 2014, the REIT established a Special Committee to assess the implications of the Manager's strategic review on the REIT. Special Committee related expenses include legal, financial advisory and trustee fees. No such related expenses were incurred in the current period as the Special Committee no longer exists.

Finance costs, net

Finance costs is presented net of interest income, and is comprised of the following:

	Three months ended June 30, 2015	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
Mortgage interest	**$ 2,618**	$ 1,506	**$ 5,239**	$ 3,020
Distributions on Class B LP units	**952**	558	**1,903**	1,116
Accretion on vendor take-back loan	**—**	72	**—**	144
Interest on vendor take-back loan	**69**	69	**138**	138
Interest on revolving credit facility	**139**	68	**192**	121
Amortization of deferred transaction costs	**74**	67	**146**	126
Amortization of mark-to-market adjustment on mortgages	**(65)**	(55)	**(120)**	(111)
Loss (gain) on interest rate swaps	**(917)**	636	**799**	1,927
Interest income	**(281)**	(192)	**(568)**	(240)
Gain on extinguishment of subscription receipts	**(4,869)**	—	**(4,869)**	—
	$ (2,280)	$ 2,729	**$ 2,860**	$ 6,241

For the three months ended June 30, 2015, finance costs resulted in income of $2.3 million. The REIT recorded a gain of $4.9 million on the extinguishment of subscription receipts issued on the public offering in June 2015. This gain was partially offset by increased mortgage interest paid and distributions on the Class B Units in the quarter as a result of the increase in portfolio size.
On June 10, 2015, the REIT issued 10,820,000 subscription receipts at $7.40 per subscription receipt (See Recent Developments). On June 30, 2015, on closing of the Portfolio Properties from Fortis, one Trust Unit was automatically issued in exchange for each outstanding subscription receipt. The trading price of the Units on June 30, 2015 was $6.95 and, as the subscription receipts were accounted for as financial liabilities in accordance with IAS 32, the REIT realized a gain on the extinguishment of subscription receipts of $4.9 million.

For the six months ended June 30, 2015, finance costs were $2.9 million compared to $6.2 million for the same period in 2014. The decrease of $3.4 million was attributable to a gain on extinguishment of subscription receipts of $4.9 million and a decrease in the loss on interest rate swaps of $1.1 million. This was offset by an increase of $2.2 million in mortgage interest due to the increase in the size of the portfolio compared to the same period in 2014 as well as additional distributions related to the Class B LP units of $0.8 million.

Share of net income from equity accounted investment

During the three months and six months ended June 30, 2015, the REIT recorded income of $1.3 million and $2.4 million from its equity accounted investment in the MTS Data Centre compared to loss of $0.1 million and $0.1 million for the same periods in 2014. The equity income was largely driven by a fair value adjustment to its investment property under development.

Fair value adjustments to financial instruments

The Class B LP units are exchangeable into trust units of the REIT on a one-for-one basis at the option of the unitholder. Under IFRS, the Class B LP units are considered puttable financial instruments to the REIT, and are recognized in the consolidated financial statements as financial liabilities measured at fair value through profit or loss. The fair value is re-measured at the end of each reporting period based on the quoted closing price of the trust units into which they are exchangeable.

During the three months ended June 30, 2015, the REIT recognized a $5.4 million unrealized fair value gain related to the Class B LP units, as a result of a decline in the REIT's share price from from $8.01 at March 31, 2015 to $6.95 at June 30, 2015, decreasing the resulting liability.

During the six months ended June 30, 2015, the REIT recognized $3.2 million unrealized fair value gain related to the Class B LP units, as a result of a decline in the REIT's share price from $7.58 at December 31, 2014 to $6.95 at June 30, 2015.

Under IFRS, the trust unit purchase warrants issued on December 28, 2012 in connection with the REIT’s initial public offering are considered puttable instruments to the REIT, and are recognized in the consolidated financial statements as financial liabilities measured at fair value through profit or loss. The fair value is re-measured at the end of each reporting period based on the quoted closing price of the warrants.

During the three months and six months ended June 30, 2015 and 2014, the fair value adjustment to warrants were nominal.

Fair value adjustments to investment properties

In accordance with IFRS, the REIT measures its investment properties at fair value at the end of each reporting period. The fair values of investment properties are determined either internally by management or externally by nationally-recognized qualified third party appraisers using a number of approaches including the discounted cash flow and direct capitalization approaches.

During the six months ended June 30, 2015, the REIT's investment properties increased from $448.0 million to $747.3 million. The change included:

- $304 million from the acquisition of Fortis properties (see Recent Development section), plus $4.6 million of transaction costs and other adjustments
- $4.0 million in capital expenditures and direct leasing expenses
- $0.9 million of net amortization of leasing expenses and straight-line rents included in revenue
- ($6.7) million from the disposition of 110 Lowson (See Recent Development section)
- ($7.5) million fair value loss. This fair value loss include the write off of the Fortis transaction costs of $5.6 million, offset by insignificant unrealized gains and losses on the other properties

Income taxes

The REIT is a mutual fund trust and real estate investment trust pursuant to the Income Tax Act (Canada). Under the Income Tax Act (Canada), 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. It therefore has not recognized any current or deferred income taxes in its condensed consolidated interim financial statements for the three and six months ended June 30, 2015 and 2014.

Segmented Information

The REIT has earned income from five geographic locations to date. As the acquisition of the Fortis properties closed on June 30, 2015, no income has been recognized in the REIT's financial statements during the period relating to these properties.

	Net Operating Income							
	Three months ended June 30, 2015		Three months ended June 30, 2014		**Six months ended June 30, 2015**		Six months ended June 30, 2014	
($000s except percentages)	**Total**	**Percentage (%)**	Total	Percentage (%)	**Total**	**Percentage (%)**	Total	Percentage (%)
Ontario	**$ 5,833**	**72.9%**	2,386	48.4%	**$ 11,059**	**70.8%**	$ 4,681	48.3%
Manitoba	**2,064**	**25.8%**	1,820	36.9%	**3,978**	**25.4%**	3,517	36.3%
Saskatchewan	**110**	**1.4%**	148	3.0%	**221**	**1.4%**	295	3.0%
Alberta	**(120)**	**-1.5%**	442	9.0%	**142**	**0.9%**	939	9.7%
Northwest Territories	**116**	**1.4%**	131	2.7%	**231**	**1.5%**	260	2.7%
	$ 8,003	**100.0%**	$ 4,927	100.0%	**$ 15,631**	**100.0%**	$ 9,692	100.0%

Ontario

($000s unless otherwise noted)	**Three months ended June 30, 2015**	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
# of properties (period-end)	***15***	*4*	***15***	*4*
Owned GLA (000s of sq. ft.) (period-end)	***1,769***	*693*	***1,769***	*693*
Occupancy rate (%) (period-end)	***89.8%***	*98.8%*	***89.8%***	*98.8%*
Revenue from investment properties	**$ 10,458**	$ 3,693	**$ 20,248**	$ 7,477
Property operating expenses	**(4,625)**	(1,307)	**(9,189)**	(2,796)
Net operating income	**$ 5,833**	$ 2,386	**$ 11,059**	$ 4,681

NOI for the properties in Ontario increased by $3.4 million for the three months ended June 30, 2015, when compared to the same period in 2014. NOI for the properties in Ontario increased by $6.4 million for the six months ended June 30, 2015, when compared to the same period in 2014. The increase in NOI was due to the growth in portfolio from the acquisition of properties during the fourth quarter of 2014.

Manitoba

($000s unless otherwise noted)	**Three months ended June 30, 2015**	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
# of properties (period-end)	***20***	*18*	***20***	*18*
Owned GLA (000s of sq. ft.) (period-end)	***860***	*923*	***860***	*923*
Occupancy rate (%) (period-end)	***98.9%***	*98.7%*	***98.9%***	*98.7%*
Revenue from investment properties	**$ 3,405**	$ 3,138	**$ 6,752**	$ 6,376
Property operating expenses	**(1,341)**	(1,318)	**(2,774)**	(2,859)
Net operating income	**$ 2,064**	$ 1,820	**$ 3,978**	$ 3,517

NOI for the properties in Manitoba increased by $0.2 million for the three months ended June 30, 2015, when compared to the same period in 2014. NOI for the properties in Manitoba increased by $0.5 million for the six months ended June 30, 2015, when compared to the same period in 2014. This increase was due to the increase in rental revenues associated with the 25 year lease renewal at 114 Garry.

Saskatchewan

($000s unless otherwise noted)	**Three months ended June 30, 2015**	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
# of properties (period-end)	***1***	*1*	***1***	*1*
Owned GLA (000s of sq. ft.) (period-end)	***84***	*84*	***84***	*84*
Occupancy rate (%) (period-end)	***68.2%***	*76.7%*	***68.2%***	*76.7%*
Revenue from investment properties	**$ 372**	$ 374	**$ 737**	$ 800
Property operating expenses	**(262)**	(226)	**(516)**	(505)
Net operating income	**$ 110**	$ 148	**$ 221**	$ 295

NOI for the property in Saskatchewan in the current quarter was relatively comparable to the prior year's second quarter.

Alberta

($000s unless otherwise noted)	**Three months ended June 30, 2015**	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
# of properties (period-end)	***4***	*4*	***4***	*4*
Owned GLA (000s of sq. ft.) (period-end)	***113***	*113*	***113***	*113*
Occupancy rate (%) (period-end)	***45.6%***	*100.0%*	***45.6%***	*100.0%*
Revenue from investment properties	**$ 5**	$ 606	**$ 434**	$ 1,201
Property operating expenses	**(125)**	(164)	**(292)**	(262)
Net operating income	**$ (120)**	$ 442	**$ 142**	$ 939

NOI for properties in Alberta decreased by $0.6 million for the three months ended period, when compared to the same period in 2014. NOI for properties in Alberta decreased by $0.8 million for the six months ended period, when compared to the same period in 2014. The decline was due to a tenant bankruptcy which impacted 96th Street in Grand Prairie and 35 Martin Way in Brooks, which led to the termination of the tenant leases.

Northwest Territories

($000s unless otherwise noted)	**Three months ended June 30, 2015**	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
# of properties (period-end)	***1***	*1*	***1***	*1*
Owned GLA (000s of sq. ft.) (period-end)	***15***	*15*	***15***	*15*
Occupancy rate (%) (period-end)	***100.0%***	*100.0%*	***100.0%***	*100.0%*
Revenue from investment properties	**$ 150**	$ 161	**$ 301**	$ 325
Property operating expenses	**(34)**	(30)	**(70)**	(65)
Net operating income	**$ 116**	$ 131	**$ 231**	$ 260

NOI for the property in the Northwest Territories in the current quarter was relatively comparable to the prior quarter.

Funds From Operations

The reconciliation of FFO to net loss is as follows:

($000s)		Three months ended June 30, 2015		Three months ended June 30, 2014		Six months ended June 30, 2015		Six months ended June 30, 2014
Net income (loss)	$	10,480	$	(1,872)	$	9,250	$	(2,226)
Add (deduct):								
Amortization of leasing costs		7		58		104		86
Distribution on Class B LP units		952		558		1,903		1,116
Share of net income (loss) from equity accounted investment		(1,250)		109		(2,440)		109
Fair value adjustments to financial instruments		(5,385)		(6)		(3,197)		290
Fair value adjustments to investment properties		5,412		3,227		7,539		3,888
Loss on disposal of investment property		228		—		228		—
Gain on extinguishment of subscription receipts		(4,869)		—		(4,869)		—
FFO	$	5,575	$	2,074	$	8,518	$	3,263
Add (deduct):								
Fair value adjustments to interest rate swaps		(917)		636		799		1,927
Special Committee related expenses		—		220		—		338
Core - FFO		4,658		2,930		9,317		5,528
Weighted average number of units outstanding (000s)(1)								
Basic and diluted		20,204		13,551		20,111		12,776
FFO per unit (basic and diluted)	$	0.28	$	0.15	$	0.42	$	0.26
Core - FFO per unit (basic and diluted)	$	0.23	$	0.22	$	0.46	$	0.43

(1) The basic and diluted weighted average number of units outstanding includes the weighted average of all REIT units and Class B LP units.

FFO was $0.28 per unit for the three months ended June 30, 2015. After adjusting for the $0.05 per unit $0.9 million non-cash fair value gain on the interest rate swaps, Core - FFO was $0.23 per unit.

FFO was $0.15 per unit for the three months ended June 30, 2014. After adjusting for the $0.05 per unit $0.6 million fair value loss on interest rate swaps and the $0.02 per unit $0.2 million Special Committee related expenses, Core - FFO was $0.22 per unit.

The increase in Core - FFO is attributable to accretive growth in the portfolio. Furthermore, the MTS Data Centre reached substantial completion and commenced rent on June 5, 2015. The impact of the Data Centre will generate additional annualized FFO of approximately $2.2 million at the REIT's 50% share.

Adjusted Funds from Operations

The reconciliation of AFFO to the REIT's FFO is as follows:

($000s)	**Three months ended June 30, 2015**	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
FFO	**$ 5,575**	$ 2,074	**$ 8,518**	$ 3,263
Add (deduct):				
Interest rate subsidy[1]	**91**	94	**189**	191
Guaranteed income supplement	**88**	—	**242**	—
Accretion on vendor take-back loan	**—**	72	**—**	144
Amortization of deferred transaction costs	**74**	67	**146**	126
Amortization of mark-to-market adjustments on mortgages	**(65)**	(55)	**(120)** -	(111)
Amortization of straight-line rent	**(376)**	(167)	**(975)**	(287)
Normalized direct leasing costs and capital expenditures	**(800)**	(493)	**(1,563)**	(970)
Fair value loss (gain) on interest rate swaps	**(917)**	636	**799** -	1,927
AFFO[3]	**$ 3,670**	$ 2,228	**$ 7,236**	$ 4,283
Weighted average number of units outstanding (000s)[2]				
Basic and diluted	**20,204**	13,551	**20,111**	12,776
AFFO per unit (basic and diluted)	**$ 0.18**	$ 0.16	**$ 0.36**	$ 0.34

(1) The interest rate subsidy is described in further detail under "Section 4 – Financial Condition, Interest Rate and Capital Expenditures Subsidies" of this MD&A.

(2) The basic and diluted weighted average number of units outstanding includes the weighted average of all REIT units and Class B LP units.

(3) AFFO for the comparative period was restated, as disclosed under the "Non-IFRS Financial Measures" of this MD&A.

For the three months ended June 30, 2015, AFFO was $0.18 per unit, which was higher than the prior period due to the growth in FFO. AFFO is expected to increase with the additional cash flow from the Portfolio Properties and Co-owned Properties and the MTS Data Center in the following quarters.

Distributions

The REIT's Board of Trustees has full discretion with respect to the timing and extent of distributions, including the adoption, amendment or revocation of any distribution policy. In determining the amount of monthly cash distributions paid to unitholders, the Board of Trustees applies discretionary judgment to forward-looking cash flow information, including forecasts and budgets. As net income calculated in accordance with IFRS recognizes certain revenues and expenses at time intervals that do not match the receipt of or the payment of cash, the Board of Trustees considers AFFO when establishing cash distributions to unitholders, as well as other factors. The excess of AFFO over cash distributions represents a measure of operating cash flow retained in the business.

It is the REIT's intention to make distributions to unitholders at least equal to the amount of net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for current income taxes.

The REIT has a distribution reinvestment plan (the "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 and will also receive a "bonus distribution" of units equal in value to 3% of each distribution.

The distributions declared during the six months ended June 30, 2015 resulted in 37,227 trust units issued under the DRIP.

During the six months ended June 30, 2015 and 2014, the REIT declared monthly distributions of $0.0625 per unit. The distributions were paid on or about the 15th day of the month following declaration.

The following table summarizes the distribution payments for the three months and six months ended June 30, 2015 and 2014:

	Three months ended June 30, 2015		Six months ended June 30, 2015	
($000s)	Trust units	Class B LP units	Trust units	Class B LP units
Cash distributions	$ 3,617	$ 952	$ 6,302	$ 1,903
Distributions reinvested in trust units	160	—	277	—
Distributions declared	3,777	952	6,579	1,903
Less: distributions payable, end of period	(1,907)	(317)	(1,907)	(317)
Plus: distributions payable, beginning of period	934	317	933	317
Distributions paid or settled	**$ 2,804**	**$ 952**	**$ 5,605**	**$ 1,903**

	Three months ended June 30, 2014		Six months ended June 30, 2014	
($000s)	Trust units	Class B LP units	Trust units	Class B LP units
Cash distributions	$ 1,751	$ —	$ 3,266	$ —
Distributions reinvested in trust units	307	558	485	1,116
Distributions declared	2,058	558	3,751	1,116
Less: distributions payable, end of period	(566)	(186)	(746)	(186)
Plus: distributions payable, beginning of period	561	186	561	186
Distributions paid or settled	**$ 2,053**	**$ 558**	**$ 3,566**	**$ 1,116**

As at June 30, 2015, approximately 1.7% of the trust units outstanding were subscribed to the REIT's DRIP.

The following table reconciles AFFO to cash flow from operating activities reported in the consolidated financial statements of the REIT for the three months and six months ended June 30, 2015 and 2014.

($000s)	**Three months ended June 30, 2015**	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
Cash flow from operating activities	**$ 11,624**	$ 2,912	**$ 14,016**	$ 5,578
Add (deduct):				
Changes in non-cash working capital	**(8,566)**	(1,035)	**(8,119)**	(1,872)
Capital expenditure reserve	**(800)**	(493)	**(1,563)**	(970)
Distributions on Class B LP units	**952**	558	**1,903**	1,116
Guaranteed income supplement	**88**	—	**242**	—
Interest rate subsidy(1)	**91**	94	**189**	191
Interest income accrued	**281**	192	**568**	240
AFFO	**$ 3,670**	$ 2,228	**$ 7,236**	$ 4,283

(1) The interest rate subsidy is described in further detail under "Section 4 – Financial Condition, Interest Rate and Capital Expenditures Subsidies" of this MD&A.

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

($000s)	**Three months ended June 30, 2015**	Three months ended June 30, 2014	**Six months ended June 30, 2015**	Six months ended June 30, 2014
AFFO	**$ 3,670**	$ 2,228	**$ 7,236**	$ 4,283
Total distributions paid or payable in cash – trust units and Class B LP units	**4,569**	1,751	**8,205**	3,266
Excess (shortfall) of AFFO cash distributions	**$ (899)**	$ 477	**$ (969)**	$ 1,017

As a result of a distribution paid on trust units issued on June 30, 2015 in connection with the Fortis transaction, distributions were higher than AFFO. As a result of this shortfall, cash distributions were funded using the REIT's revolving credit facilities.

On a pro-forma basis, with the additional cash flow from the Portfolio Properties and the MTS Data Centre, the AFFO pay-out ratio is expected to be more in line with our peers.

Management believes that the current level of distributions is sustainable, as the current occupancy levels provide for cash flow growth through near-term leasing opportunities.

Summary of Selected Quarterly Information

($000s, except per unit amount)	**Q2 2015**	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Revenues from investment properties	**$ 14,390**	$ 14,082	$ 8,917	$ 7,991	$ 7,972	$ 8,207	$ 8,228	$ 7,568
Net income (loss) and comprehensive income (loss)	**10,480**	(1,230)	435	4,652	(1,872)	(354)	1,827	1,228
Per Unit								
- Basic(1)	**$ 0.52**	$ (0.08)	$ 0.03	$ 0.39	$ (0.18)	$ (0.04)	$ 0.20	$ 0.16
- Diluted	**$ 0.52**	$ (0.08)	$ 0.06	$ 0.18	$ (0.18)	$ (0.04)	$ 0.20	$ (0.03)

(1) The weighted average number of basic units reflects the REIT units, and excludes the Class B LP units.

The growing trend in revenues from investment properties was largely driven by the acquisitions in 2014. Net income (loss) and comprehensive income (loss) for each of the periods in the table above reflect fluctuations arising from fair value adjustments on investment properties, Class B LP units, warrants, interest rate swaps and gain on extinguishment of subscription receipts.

Section 4. FINANCIAL CONDITION

Liquidity and Capital Resources

The principal liquidity needs of the REIT arise from working capital requirements; debt servicing and repayment obligations, which include mortgages payable, amounts drawn on the revolving and term credit facilities and a vendor take-back loan; distributions to unitholders; obligations to redeem outstanding puttable trust units at the option of the unitholders; planned funding of maintenance capital expenditures and leasing costs; and future investment property acquisition funding requirements.

Cash flows from operating the REIT's property portfolio, available funding under the REIT's revolving credit facilities and cash on hand represent the primary sources of liquidity. Cash flows from operations are dependent upon rental occupancy levels, rental rates, collection of rents, recoveries of operating costs and operating costs.

Debt Strategy

The REIT's obligations with respect to debt repayments, redemption of outstanding trust units which are puttable at the option of the unitholders and funding requirements for future investment property acquisitions will be primarily funded by refinancing the REIT's maturing debt, financing unencumbered properties, or future issuances of trust units and debentures.

The REIT's overall borrowing objective is to obtain secured mortgage 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 (i) achieve and maintain staggered debt maturities that reduce its exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix rates and extend loan terms when borrowing conditions are favourable; and (iii) provide flexibility with respect to property operations. Subject to market conditions and the growth of the REIT, management currently intends to maintain total indebtedness at approximately 55% of the REIT's gross book value ("GBV"). 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, mortgage principal repayments would be funded by operating cash flows, additional draws under the REIT's revolving credit facility, financing of unencumbered income-producing properties or by issuances of equity or debt securities.

In accordance with the amended and restated Declaration of Trust ("DOT") dated December 17, 2014, as amended on March 16, 2015 and May 25, 2015, the REIT may not incur or assume any indebtedness if, after giving effect to the incurring or assumption of such indebtedness, the total indebtedness of the REIT would exceed 65% of the GBV of the REIT's assets. The REIT's indebtedness ratio at June 30, 2015 was 61.5%, which was slightly higher than the stated target level of approximately 55%, but lower than the level permitted in the Declaration of Trust. This is expected to be temporary as the REIT intends to align its capital structure to return to the stated target level following the expected disposition of the REIT's retail and industrial properties.

Indebtedness Ratio

($000s unless otherwise noted)		**As at June 30, 2015**		As at December 31, 2014
Mortgages payable	$	**268,486**	$	270,559
Vendor take-back loan		**9,180**		9,180
Revolving credit facility - non-current		**190,000**		—
Revolving credit facility - current		**15,069**		1,500
Term loan facility- non-current		**10,500**		—
Total debt at period end		**493,235**	$	281,239
Total assets at period end		**801,946**		476,670
Indebtedness ratio		**61.5%**		59.0%

Interest rates and debt maturities are reviewed regularly by the REIT's Board of Trustees to ensure the appropriate debt management strategies are implemented.

Leverage and Interest Coverage Ratios

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Weighted average:				
Mortgages payable	$ 269,007	$ 129,074	$ 134,094	$ 129,570
Vendor take-back loan	9,180	9,180	9,180	9,180
Revolving credit facility - non-current	190,000	—	190,000	—
Revolving credit facility - current	12,996	5,035	2,138	4,225
Term loan facility- non-current	10,500	—	$ 10,500	—
Weighted average amount of indebtedness	$ 491,683	$ 143,289	$ 345,912	$ 142,975
Deduct: Weighted average amount of cash	(3,599)	(6,590)	(3,831)	(4,301)
Weighted average amount of indebtedness, net of cash	$ 488,084	$ 136,699	$ 342,081	$ 138,674

($000s unless otherwise noted)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Adjusted EBITDA	$ 7,486	$ 4,379	$ 14,808	$ 8,542
Debt to Adjusted EBITDA leverage ratio (times)	9.7x	8.2x	9.7x	8.4x
Net Debt to Adjusted EBITDA leverage ratio (times)	9.6x	7.8x	9.6x	8.1x
Interest expense	$ 2,735	$ 1,549	$ 5,380	$ 3,088
Interest coverage ratio (times)	2.7x	2.8x	2.8x	2.8x
Debt service requirements:				
Interest expense	$ 2,735	$ 1,549	$ 5,380	$ 3,088
Principal repayments	1,039	989	2,073	1,975
Total debt service requirements	$ 3,774	$ 2,538	$ 7,453	$ 5,063
Debt service coverage ratio (times)	2.0x	1.7x	2.0x	1.7x

The interest coverage ratio and debt service coverage ratio for the three months and six months ended June 30, 2015 have remained consistent with the comparative periods.

Mortgage Repayment Schedule

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

For the years ending December 31,		Annual Principal Payments ($000s)		Principal Repayments on Maturity ($000s)		Total ($000s)	Percentage (%)	Weighted Average Contractual Interest Rate (%)(1)(2)
2015 (remaining six months)	**$**	**2,829**	**$**	**13,153**	**$**	**15,982**	6.0%	3.9%
2016		**3,457**		**154,624**		**158,081**	58.9%	4.2%
2017		**3,334**		**6,750**		**10,084**	3.8%	4.4%
2018		**2,553**		**18,674**		**21,227**	7.9%	4.3%
2019		**2,377**		**18,652**		**21,029**	7.8%	4.2%
Thereafter		**7,508**		**34,575**		**42,083**	15.6%	4.2% (3)
	$	**22,058**	**$**	**246,428**	**$**	**268,486**	**100.0%**	

(1) Pursuant to the acquisition agreement with the Manager, the total purchase price payable for the Initial Properties acquired on December 28, 2012 was reduced by $1.9 million in respect of an interest rate subsidy. The interest rate subsidy will be used to subsidize the REIT's mortgage interest payments to achieve an annual blended cash interest rate of 4.5% for the years 2013 to 2017.

(2) Includes payments under interest rate swaps.

(3) Represents the weighted average interest rate as at December 31, 2019.

Total Debt Repayments

The following table outlines the repayment schedule for the REIT's total debt with fixed repayment terms:

				For the periods ending December 31,									
($000s)		**Total**		**2015(1)**		**2016**		**2017**		**2018**		**2019**	**Thereafter**
Mortgages payable	$	268,486	$	15,982	$	158,081	$	10,084	$	21,227	$	21,029	$ 42,083
Vendor take-back loan		9,180		9,180		—		—		—		—	—
Revolving credit facility- non-current		190,000		—		—		—		190,000		—	—
Term loan facility- non-current		10,500		—		—		10,500		—		—	—
Revolving credit facility - current		15,069		15,069		—		—				—	—
	$	**493,235**	**$**	**40,231**	**$**	**158,081**	**$**	**20,584**	**$**	**211,227**	**$**	**21,029**	**$ 42,083**

(1) For the remaining six months of 2015.

On June 30, 2015, in connection with the acquisition of the Portfolio Properties, the REIT entered into a revolving loan facility maturing on June 30, 2018, bearing interest at the Canadian Bankers' Acceptance rate plus 2.00%, and is secured by each of the Portfolio Properties. As at June 30, 2015, $190.0 million was drawn on the revolving loan facility. The revolving loan facility is secured by the Portfolio Properties and the amount available for drawdown under the revolving loan facility is computed on the lesser of the margined fair market value and the refinancing amount of the Portfolio Properties, up to a maximum of $230.0 million.

In connection with the acquisition of the Co-owned Properties, the REIT and the Co-owner entered into a $105.0 million loan facility of which the REIT's 10% share is $10.5 million. The loan facility has a maturity date of June 30, 2017 and the interest rate is based on the Canadian Bankers' Acceptance rate plus 2.13%. As at June 30, 2015, the REIT's share of the loan facility was $10.5 million.

The Trust has a revolving credit facility that expires on November 30, 2015, bearing interest of prime plus 1.25% per annum and a standby fee of 0.5% charged quarterly in arrears based on the average daily undrawn amount. The revolving credit facility is secured by four investment properties. The amount available for drawdown under the revolving credit facility is computed on the 12 month trailing net operating income and the appraised values of the secured properties, up to a maximum of $17.0 million, subject to achieving a minimum occupancy threshold by the secured investment properties. As at June 30, 2015, the REIT had $15.1 million outstanding on the revolving credit facility, and was compliant with all financial covenants.

As partial consideration for the acquisition of the Initial Properties on December 28, 2012, the REIT entered into a vendor take-back loan agreement with the Manager. The unsecured loan has a face value of $9.2 million bearing interest at 3.0% per annum payable quarterly, with the principal originally due in full on December 28, 2014. During the second quarter of 2015, the loan was renegotiated and extended to mature on September 30, 2015.

Interest rate swaps

As at June 30, 2015, the REIT has interest rate swaps that entitle the REIT to receive interest at floating rates and pay interest at a fixed rate.

Interest rate swaps are re-measured at fair value at the end of each reporting period with fair values calculated as the present value of contractual cash flows based on quoted forward curves and discount rates incorporating the applicable yield curve. At June 30, 2015, the REIT had the following interest rate swap agreements:

	Notional amount	Effective interest rate	Maturity date		Unrealized loss for the six months ended June 30, 2015		Cumulative unrealized loss at June 30, 2015
$	3,700	5.89%	1-Feb-25	$	22	$	656
	22,060	4.60%	14-Aug-23		335		1,817
	23,679	3.68%	1-May-23		442		565
					799		3,038

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.

The following table provides an overview of the REIT's cash flows from operating, financing and investing activities for the three months and six months ended June 30, 2015 and 2014.

($000s)		**Three months ended June 30, 2015**		Three months ended June 30, 2014		**Six months ended June 30, 2015**		Six months ended June 30, 2014
Net change in cash related to:								
Operating	**$**	**11,624**	$	2,912	**$**	**14,016**	$	5,578
Investing		**(316,100)**		(13,788)		**(317,709)**		(17,052)
Financing		**317,803**		15,755		**315,819**		16,421
Increase in cash	**$**	**13,327**	$	4,879	**$**	**12,126**	$	4,947

The increase in net cash flow for the three months and six months ended June 30, 2015 compared to the same periods in 2014 was the result of the following factors:

- Operating – cash flows for the three and six months ended June 30, 2015 increased when compared to the same period in 2014, mainly due the increase in non-cash working capital items assumed on the acquisition of the Portfolio Properties from Fortis. In addition, interest on mortgages payable has increased in the period as a result of the acquisition of Suburban Office properties in December 2014. NOI increased from the growth in the portfolio and the timing of cash receipts and settlement of payables. These increases are offset by fair value adjustments to financial instruments, the distributions on Class B LP units distributions in cash, and interest paid on mortgage payable.

- Investing – cash flows for the three and six months ended June 30, 2015 were primarily related to the acquisition of Portfolio Properties and Co-Owned Properties from Fortis for cash consideration of $313.5 million plus certain other adjustments.

- Financing – cash flows for the three and six months ended June 30, 2015 were from the proceeds on the issuance of trust units and the new revolving credit facility and term facility in connection with the Fortis transaction. This is offset by the increase in transaction costs on the equity offering and new debt, as well as distributions paid on trust units in cash.

Unitholders' 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 trust units are traded on the TSX with a closing ask price of $6.95 as at June 30, 2015.

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 were no preferred units created or issued during the six months ended June 30, 2015.

As at June 30, 2015, the total number of trust units outstanding was 30,518,598. As at August 6, 2015, the total number of trust units outstanding was 30,527,433.

Potential trust units:

	Number of Units	
	June 30, 2015	December 31, 2014
Class B LP units	**5,073,818**	5,073,818
Warrants	**1,598,550**	1,598,550
	6,672,368	6,672,368

The Class B LP units are exchangeable into trust units of the REIT on a one-for-one basis, subject to anti-dilution adjustments. Each Class B LP unit is accompanied by one special voting unit of the REIT providing the same voting rights in the REIT as the trust units of the REIT and is entitled to distributions of cash equal to the cash distributions paid to holders of trust units by the REIT. The Class B LP units are recognized in the REIT's consolidated financial statements as financial liabilities measured at fair value through profit and loss. Upon exchange into trust units of the REIT, the carrying amount of the liability representing the fair value of the Class B LP units on exchange date will be reclassified to unitholders' equity. During the three months and six months ended June 30, 2015, there were no Class B LP units exchanged for the REIT's trust units.

As at June 30, 2015, the total number of Class B LP units outstanding was 5,073,818.

Each whole warrant entitles the holder to acquire one trust unit of the REIT at an exercise price of $10.50 per trust unit at any time until December 28, 2015. The warrants are recognized in the consolidated financial statements of the REIT as financial liabilities measured at fair value through profit or loss. Upon exercise, the carrying amount of the liability representing the fair value of the warrants on exercise date will be reclassified to unitholders' equity. The warrants are traded on the TSX with a closing ask price of $6.95 as at June 30, 2015.

As at June 30, 2015, the total number of warrants outstanding was 1,598,550.

Deferred Unit Plan

Effective May 26, 2015, the REIT adopted a Deferred Unit Plan ("DUP"). Trustees of the REIT who are neither full nor part-time employees of the REIT, Slate, or any of their subsidiaries, are eligible to participate in the 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 REIT units on the date of the redemption request.

The REIT measures deferred units as a liability at their fair value, which is equivalent to the fair value of trust units. Changes in the measurement of deferred units is recorded as a gain or loss.

As at June 30, 2015, the total number of deferred units outstanding was 2,384.

Interest Rate and Capital Expenditures Subsidies

On December 28, 2012, in connection with the acquisition of the Initial Properties, the total purchase price payable by the REIT was reduced by $4.9 million in respect of interest rate and capital expenditures subsidies. Of the amount retained, $1.9 million is to be used to subsidize the REIT's interest payments on mortgages payable (including interest paid under the interest rate swap) related to the Initial Properties to achieve a blended cash interest rate of 4.5% for the five year period to December 2017, representing the market interest rate on similar debt. The remaining $3.0 million retained is to be used to subsidize capital expenditures on the Initial Properties in excess of the normalized maintenance capital expenditure level of $675,000 on an annual basis for the five year period to December 2017. The capital expenditures subsidy is recorded as a contra account to investment properties and is reduced as the subsidy is utilized.

The amounts retained for both the interest rate and capital expenditures subsidies can be utilized by the REIT for operational matters but must be ultimately replenished to fund the required interest payments and capital expenditures. The table below summarizes the movements related to the interest rate subsidy:

($000s)		**Six months ended June 30, 2015**		Twelve months ended December 31, 2014
Balance, beginning of period	**$**	**853**	$	1,271
Amortization of interest rate subsidy		**(189)**		(418)
Balance, end of period	**$**	**664**	$	853

The interest rate subsidy of $0.2 million was utilized during the six months ended June 30, 2015 to reflect the blended interest rate of 4.5% on the mortgages payable related to the Initial Properties.

The table below summarizes the movements related to the capital expenditures subsidy:

($000s)		**Six months ended June 30, 2015**		Twelve months ended December 31, 2014
Balance, beginning of period	**$**	**2,668**	$	2,736
Subsidy utilized		**—**		(68)
Balance, end of period	**$**	**2,668**	$	2,668

Related Party Transactions

The REIT has a Management Agreement with the Manager, as disclosed in the consolidated financial statements for the year ended December 31, 2014. During the three months and six months ended June 30, 2015 and 2014, the REIT incurred the following costs in connection with the Management Agreement:

($000s)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Property management fees	**$ 383**	$ 224	**$ 771**	$ 454
Asset management fees	**356**	204	**712**	406
Leasing, financing, and construction management fees	**752**	128	**1,479**	171
Acquisition fees	**2,267**	95	**2,360**	95
	$ 3,758	$ 651	**$ 5,322**	$ 1,126

Property administration fees are allowable under the tenants' leases relating to assets or resources of the Manager that are directly attributable to the management of the REIT's properties. For the three months ended June 30, 2015, property administration fees were $0.9 million, compared to $0.2 million for the same period in 2014. For the six months ended June 30, 2015, property administration fees were $1.6 million, compared to $0.5 million for the same period in 2014. The increase in property management fees in the period is due to the increased growth in the portfolio. These fees are recovered from the tenants by the REIT and payable by the REIT to the Manager under the terms of the Management Agreement. As at June 30, 2015, included in accounts payable and other liabilities is $4.5 million due to the Manager (December 31, 2014 - $1.0 million).

Acquisition fees for the acquisition of the Portfolio and Co-owned Properties of $2.3 million was incurred in the period ended June 30, 2015. As well, financing fees of $0.7 million were incurred in relation to the new revolving loan facilities obtained in order to finance the acquisition.

As at June 30, 2015, included in accounts receivable is a receivable from the Manager of $1.4 million (December 31, 2014 - $3.8 million) related to properties acquired in December 2014.

New standards applicable in future periods

IFRS 9, *Financial Instruments* ("IFRS 9"), replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their cash flows. In addition, under IFRS 9 for financial liabilities measured at fair value, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the changes recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018. The REIT is currently evaluating the impact of IFRS 9 on its condensed consolidated interim financial statements.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The new standard is effective for annual periods beginning on or after January 1, 2017. The REIT does not expect the standard to have a material impact on its condensed consolidated interim financial statements.

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports. These amendments will not require any significant change to current practice, but should facilitate improvement in financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. The extent of the impact of adoption has not yet been determined.

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities. Estimates are based on historical experience and on various assumptions that are reasonable under the circumstances. Actual results could differ from the estimated amounts.

Critical Judgments

The critical judgments made by management, apart from those involving estimations, that have the most significant effect on the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period are as follows:

Business combinations

The REIT makes certain judgments based on relevant facts and circumstances to determine whether a set of assets acquired and liabilities assumed constitute a business accounted for as a business combination. The REIT has determined that the acquisition of the investment properties on June 30, 2015 and December 17, 2014 both constituted asset acquisitions.

Leases

The REIT makes judgments in determining whether certain leases, in particular those leases with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where the REIT is the lessee, are operating or finance leases. The REIT has determined that none of its leases are finance leases.

Lease incentives

Lease incentives such as rent-free periods and lessee or lessor owned improvements may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease. This assessment requires the consideration of several factors, including whether the incentives enhance the value of the property, uniqueness of the improvements, and tenant discretion in use of funds.

Income taxes

The REIT has determined that it is not subject to income taxes as it intends to continue to meet prescribed conditions under the Income Tax Act (Canada) and make distributions not less than the amount necessary to ensure that it is not liable to pay income taxes under current tax legislation.

Assets and liabilities held for sale

The REIT makes judgments in determining whether certain non-current assets or group of assets and liabilities meet the specified criteria under IFRS for classification as held for sale. As at June 30, 2015, the REIT has determined that there were no assets or group of assets and liabilities that met the specified criteria.

Key Estimates

The key estimates and assumptions made by management about the future and other major sources of estimation uncertainty at the date of the consolidated financial statements that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Valuation of investment properties

The fair values of investment properties, including the investment property under development held by the equity-accounted investee, are determined by management using recognized valuation techniques with a portion of fair values supported by externally qualified third party appraisers. The critical estimates and assumptions underlying the valuation of investment properties include, among other things, rental revenue from current leases, rental revenue from future leases in light of current conditions, future cash outflows in respect of leasing costs, capital expenditures, property operations, and capitalization and discount rates based on market data within the applicable market segment and geographical location. In addition, critical estimates for the investment property under development also include the exercise of the purchase option by the tenant and the stage of completion. Valuations are most sensitive to changes in discount rates and capitalization rates. Changes to the estimates and assumptions used by management or to local and general economic conditions can result in a significant change to the valuation of investment properties, which will be recognized as fair value adjustments during the periods the changes occur.

Section 6. RISKS AND UNCERTAINTIES

For a full list and explanation of the REIT's risks and uncertainties, please refer to the REIT's Annual Information Form for the year ended December 31, 2014, available on SEDAR.

Section 7. 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. The REIT has adopted the *Internal Control – Integrated Framework (2013)* published by the Committee of Sponsoring Organizations of the Treadway Commission for the design of its ICFR for the six months ended June 30, 2015.

As required by NI 52-109, the REIT's CEO and CFO have evaluated the effectiveness of the REIT's DC&P and ICFR. Based on such evaluations, they have concluded that the design and operation of the REIT's DC&P and ICFR, as applicable, are adequately designed and effective, as at June 30, 2015. No changes were made in the REIT's design of ICFR during the six months ended June 30, 2015, that have materially affected, or are reasonably likely to materially affect, the REIT's ICFR.

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

Additionally, controls may be circumvented by unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Appendix A - Property Table as at June 30, 2015

A summary of details of the REIT's property portfolio as at June 30, 2015 is set out in the table below.

Asset Class	Property Name	City, Province	Year Built / Renovated / Expanded	(sq. ft.)	GLA Occupancy
OFFICE					
1	Saskatchewan Place	Regina, SK	1985	84,243	68.2%
2	280 Broadway Avenue (2)	Winnipeg, MB	1957	112,642	99.0%
3	585 Century Street (3)	Winnipeg, MB	1959	9,680	100.0%
4	220 Cree Crescent	Winnipeg, MB	1980	18,000	100.0%
5	1680 Ellice Avenue (3)	Winnipeg, MB	1980	29,843	89.8%
6	1700 Ellice Avenue (3)	Winnipeg, MB	1956 / 1959(6)	30,268	100.0%
7	1030 – 1040 Empress Street	Winnipeg, MB	1956 / 1983	33,478	100.0%
8	114 Garry Street	Winnipeg, MB	1950 / 1995	74,248	100.0%
9	1336 – 1340 Sargent Avenue	Winnipeg, MB	1950 / 1995	42,092	100.0%
10	895 Waverley Street	Winnipeg, MB	1991	34,364	100.0%
11	1000 Waverley Street	Winnipeg, MB	1966 / 1998	58,668	91.0%
12	4211 Yonge Street	Toronto, ON	1982	170,972	88.7%
13	1189 Colonel Sam Drive	Oshawa, ON	2001	103,179	100.0%
14	The Promontory	Mississauga, ON	1987 / 1989	159,752	100.0%
15	Woodbine Complex	Markham, ON	1984 / 2011	359,833	85.9%
16	135 Queens Plate	Toronto, ON	1989 / 2012	93,581	71.5%
17	1 Eva Road	Toronto, ON	1978 / 2011	91,068	86.6%
18	Meadowpine Blvd	Mississauga, ON	1990	59,095	89.9%
19	Centennial Centre	Toronto, ON	1985	235,299	81.4%
20	2285 Speakman	Mississauga, ON	1981	126,270	100.0%
21	2599 Speakman	Mississauga, ON	1971 / 2011	111,461	86.1%
22	644 Main Street	Moncton, NB	1988 / 2006	320,818	99.4%
23	39 King Street	Saint John, NB	1976	507,804	89.4%
24	440 King Street	Fredericton, NB	1974 / 2001	292,022	87.3%
25	1505 Barrington Street	Halifax, NS	1977 / 1985	547,014	96.2%
26	100 New Gower Street	St. John's, NL	1987	13,463	100.0%
27	10 Factory Lane	St. John's, NL	1980	188,170	100.0%
28	139 Water Street	St. John's, NL	1968 / 1994	82,648	59.4%
29	5 Springdale Street	St. John's, NL	2014	14,352	99.7%
30	4 Herald Avenue	Corner Brook, NL	2014	67,203	96.5%
31	230 Airport Boulecard	Gander, NL	1970	98,883	69.3%
32	195-207 Ville Marie Drive	Marystown, NL	1969 / 1979	91,990	84.1%
33	140 Water Street	St. John's, NL	1980 / 2013	9,947	87.8%
34	Water Street Properties	St. John's, NL	Various	71,541	43.4%
TOTAL – OFFICE				**4,343,891**	**89.7%**

Asset Class	Property Name	City, Province	Year Built / Renovated / Expanded	(sq. ft.)	GLA Occupancy
INDUSTRIAL					
35	35 Martin Way	Brooks, AB	2005	28,400	—%
36	5404 36th Street SE	Calgary, AB	1980	36,000	100.0%
37	7001 96th Street	Grande Prairie, AB	1980	33,280	—%
38	891 – 895 Century Street	Winnipeg, MB	1961 / 1968	51,841	100.0%
39	130 Lowson Crescent	Winnipeg, MB	1999	25,672	100.0%
40	119 – 130 Plymouth Street	Winnipeg, MB	1977 / 1999	43,364	100.0%
41	1271 Sargent Avenue	Winnipeg, MB	1981 / 1984	40,893	100.0%
42	1855 Sargent Avenue	Winnipeg, MB	1953 / 1998	77,500	100.0%
43	1935 Sargent Avenue (1)	Winnipeg, MB	1962 / 1997	113,864	100.0%
44	505 Industrial Drive	Milton, ON	1987 / 1991	258,960	100.0%
TOTAL – INDUSTRIAL				**709,774**	**91.3%**
RETAIL					
45	125 – 185 First Street	Cochrane, AB	1998	15,771	43.9%
46	Flin Flon Wal-Mart	Flin Flon, MB	2002	63,439	100.0%
47	Airport Road Shopping Centre	Yellowknife, NWT	2001 / 2003(7)	15,475	100.0%
48	Millbrook Mall	Corner Brook, NL	1966 / 1992	114,386	92.8%
TOTAL – RETAIL				**209,071**	**91.8%**
TOTAL PROPERTIES				**5,262.636**	**90.4%**

Notes:

(1) Leasehold interest with ground lease expiring in 2036.

(2) Includes 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 the residential tenants at 70 Smith Street.

(3) 1680 Ellice Avenue, 1700 Ellice Avenue and 585 Century Street comprise the Century Business Park.