



Office
REIT

Q3 2016
TSX: SOT.UN

DEAR FELLOW UNITHOLDERS

"Complexity creates confusion, simplicity focus."

-Edward de Bono

It was business as usual for Slate Office REIT in the third quarter of 2016. We completed a number of transactions across all aspects of the business that were in furtherance of refining our goal of becoming a dominant owner and operator of "non-trophy" office assets across Canada. With relatively high volatility in the Canadian office market as a whole, we have been especially prudent on the acquisition front while continuing to focus on the operation and leasing of our existing portfolio. Through proactive management and a focus on both external and organic growth, we believe that we are providing unitholders with an investment that offers strong, stable cash flows along with future upside. I would like to share some examples of what the team has accomplished over the past quarter.

Acquisitions

With respect to external growth, the REIT completed two acquisitions in the third quarter of 2016. In both cases we were able to lever relationships with our partners in order to grow our portfolio accretively. First, we acquired 365 Hargrave Street, a 71,472 square foot office building located in downtown Winnipeg, Manitoba. The building is 90.1% leased to the Government of Canada with a remaining lease term of approximately 9.0 years. The acquisition provides the REIT with a stable long-term cash flow stream as well as potential upside via incremental leasing.

Secondly, the REIT acquired the remaining 51% of St. John's Places, three well situated Class A office towers located in downtown St. John's, Newfoundland, further establishing the REIT's position as a dominant office landlord in Atlantic Canada. Upon completion of St. John's Places acquisition, Slate Office REIT now has a 100% interest in all of its Atlantic properties.

Both acquisitions were accretive and consistent with our strategy of acquiring well located assets with high quality tenants at values below replacement cost.

In order to finance these acquisitions, the REIT completed its second equity offering of 2016, a \$58.3 million bought deal financing that closed on September 7, 2016 and was comprised of \$51.6 million from treasury and a further \$6.7 million secondary offering. In addition to providing financing for the acquisitions, the equity offering provided the REIT with incremental proceeds that were used initially to pay down debt and fund future growth.

Operations

On the operations side, the REIT executed approximately 335,000 square feet of leasing in the third quarter, highlighted by the Medavie Blue Cross transaction at the Blue Cross Centre in Moncton, New Brunswick. This 155,470 square foot lease extension was completed over two years in advance of the existing lease maturity and keeps Medavie Blue Cross at the centre of downtown Moncton until 2029. It is indicative of Management's commitment to securing long-term relationships with high-quality tenants and consistent with our diligent approach to driving organic growth across the portfolio. Additional leasing highlights include approximately 50,000 square feet of new leasing at Maritime Centre to the Province of Nova Scotia and Dalhousie University. Overall portfolio occupancy increased 50 bps to 86.3%, while occupancy excluding properties held for redevelopment increased to 90.2% at quarter end. Given the tenant demand we are currently seeing, we expect to see continued strength in leasing opportunities in the near future for both renewals and new tenancies.

Financial Highlights

The REIT posted strong results across a number of key financial metrics, consistent with our long-term goals to lower the AFFO payout and loan-to-value ratios coupled with a general "de-risking" of the portfolio that we have executed on over the past year-and-a-half since assuming management. The AFFO payout ratio in the third quarter was 87.3% ahead of our 90.0% guidance for the quarter. Moreover, the year-to-date AFFO payout ratio

is approximately 87.2% in line with our long term objectives. Coupled with the fact that 44.0% of the REIT's income is generated by investment grade tenancies, we are very pleased with the quality and sustainability of the monthly distribution going forward. Other financial highlights include:

- Loan-to-value decreased 190 bps to 59.2%
- Net Operating Income increased 13.2% quarter over quarter
- Core FFO increased 9.6% quarter over quarter
- AFFO increased 9.9% quarter over quarter

While these results measure the REITs performance at a specific point in time, we are most encouraged by the overall trend in the financial results since we assumed control of management at the end of 2014. We remain acutely focused on continuing this trend in the coming quarters.

We have been very pleased to see a keen interest from new investors in Slate Office REIT as evidenced by the average daily trading volume doubling over the past six months. It has been a large focus of our dedicated Slate Office team and myself to get the REIT's story out to the street and we are starting to reap the rewards of that effort. Over 66.0% of Canadian office space is deemed "non-trophy" with Slate Office REIT being the only public vehicle actively acquiring. Achieving the scale we know we are capable of requires that support of our trusted unitholders and we are thrilled to see that group continuing to grow.

Outlook

Slate Office REIT delivered another solid quarter of financial results in Q3 2016. At the same time we remain focused on the long-term objectives that we have set out - to be a leading owner and operator of office real estate and delivering strong and consistent returns to our unitholders. We believe that the best way to accomplish these objectives is relatively simple - we need to be disciplined buyers of office real estate that fits our investment criteria, and, once we own the real estate we need to be best-in-class managers. If we are consistent with this approach, the results will continue to reflect our efforts.

We thank our unitholders for their continued trust and support.

Sincerely,

A handwritten signature in blue ink, appearing to read "S Antoniak".

Scott Antoniak
Chief Executive Officer
November 3, 2016



Office
REIT

Management's Discussion and Analysis

TSX: SOT.UN

September 30, 2016

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FORWARD LOOKING STATEMENTS

Certain information in this Management's Discussion and Analysis ("MD&A") constitutes "forward-looking statements" within the meaning of applicable securities legislation. These statements reflect Management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the REIT including expectations for the current financial year, and include, but are not limited to, statements with respect to Management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Statements that contain words such as "could", "should", "would", "can", "anticipate", "expect", "does not expect", "believe", "plan", "budget", "schedule", "estimate", "intend", "project", "will", "may", "might", "continue" and similar expressions or statements relating to matters that are not historical facts constitute forward-looking statements.

These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on the REIT's current estimates and assumptions, which are subject to significant risks and uncertainties. The REIT believes that these statements are made based on reasonable assumptions; however, there is no assurance that the events or circumstances reflected in these forward-looking statements will occur or be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to the risks that are more fully discussed under the "Risk Factors" section of the annual information form of the REIT for the year ended December 31, 2015 ("Annual Information Form"). Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: risks incidental to ownership and operation of real estate properties including local real estate conditions; financial risks related to obtaining available equity and debt financing at reasonable costs and interest rate fluctuations; operational risks including timely leasing of vacant space and re-leasing of occupied space on expiration of current leases on terms at current or anticipated rental rates; tenant defaults and bankruptcies; uncertainties of acquisition activities including availability of suitable property acquisitions and integration of acquisitions; competition including development of properties in close proximity to the REIT's properties; loss of key management and employees; potential environmental liabilities; catastrophic events, such as earthquakes and hurricanes; governmental, taxation and other regulatory risks and litigation risks.

Forward-looking statements included in this MD&A are made as of November 3, 2016 and accordingly are subject to change after such date. The REIT does not undertake to update any forward-looking statements that are included in this MD&A, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities laws. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. Investors are cautioned against placing undue reliance on forward-looking statements.

FINANCIAL AND INFORMATIONAL HIGHLIGHTS

(in thousands of dollars)

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Summary of Portfolio Information					
Number of properties	35	34	34	34	48
Gross leasable area ("GLA")	4,990,052	4,727,414	4,436,293	4,436,293	5,054,812
Total assets	\$ 1,020,671	\$ 926,179	\$ 817,233	\$ 812,995	\$ 813,571
Total debt	\$ 603,671	\$ 564,882	\$ 493,496	\$ 495,604	\$ 498,573
Occupancy	86.3%	85.8%	85.0%	85.4%	89.2%

	Three months ended				
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Summary of Financial Information					
Revenue	\$ 31,330	\$ 28,197	\$ 27,569	\$ 29,939	\$ 29,133
Net operating income	14,449	12,760	11,774	12,326	13,887
Net income and comprehensive income	2,984	15,244	3,621	13,201	4,830
Funds from operations ("FFO")	9,989	9,078	8,173	7,513	9,526
Core FFO	10,507	9,588	8,676	8,528	9,867
Adjusted FFO	9,004	8,192	7,338	7,409	8,294

Per Unit Financial Information

Weighted average diluted number of trust units (000s)	41,449	35,674	35,334	35,519	35,567
FFO per unit	\$ 0.24	\$ 0.25	\$ 0.23	\$ 0.21	\$ 0.27
Core FFO per unit	0.25	0.27	0.25	0.24	0.28
AFFO per unit	0.22	0.23	0.21	0.21	0.23
Distributions per unit	0.1875	0.1875	0.1875	0.1875	0.1875
FFO pay-out ratio	78.7%	76.1%	81.0%	88.5%	70.0%
AFFO pay-out ratio	87.3%	84.4%	90.3%	89.7%	80.4%

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Financial Data					
Weighted average debt interest rate	3.3%	3.3%	3.2%	3.2%	3.5%
Interest coverage ratio (times)	3.2x	3.3x	3.2x	3.0x	3.0x
Net debt to adjusted EBITDA ratio (times)	9.8x	10.2x	9.7x	9.4x	9.4x

PART I - OVERVIEW

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of Slate Office REIT (TSX: SOT.UN) (the "REIT") is intended to provide readers with an assessment of performance and summarize the financial position and results of operations of the REIT for the three and nine months ended September 30, 2016. The presentation of the REIT's financial results, including the related comparative information, contained in this MD&A are based on the REIT's condensed consolidated interim financial statements as at September 30, 2016 and for the three and nine months ended September 30, 2016 and 2015 (the "consolidated financial statements"), which have been prepared by Management in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with those financial statements. All amounts are in thousands of Canadian dollars, unless otherwise noted.

The information contained in this MD&A is based on information available to the REIT and is dated as of November 3, 2016, which is also the date the Board of Trustees, upon the recommendation of its Audit Committee, approved the contents of this MD&A.

SLATE OFFICE REIT PROFILE

The REIT 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, May 25, 2015 and March 21, 2016. On September 30, 2016, the REIT owned interests in thirty-five properties comprised of thirty office properties and five non-office properties totaling 4.8 million and 0.2 million square feet ("sq.ft."), respectively, of GLA. The properties are located in geographically diversified markets in Canada.

The REIT is externally managed and operated by Slate Management Corporation ("SMC"), a subsidiary of Slate Asset Management L.P., (collectively, "Slate" or the "Manager"). Slate has an experienced and dedicated team of real estate professionals with a proven track record of success in real estate investment and management. Management's interests are aligned with the unitholders of the REIT through its sponsorship and as a significant unitholder of the REIT. Slate assumed management responsibilities for the REIT with the vision of creating a pure-play office REIT focused on "non-core" real estate assets in Canada. This vision was premised on the belief that the Canadian office market was changing and a pure-play office REIT would provide a vehicle to capitalize on future opportunities. Slate is the largest unitholder in the REIT, with a 15.1% interest, and accordingly, is highly motivated to increase the value of the REIT on a per unit basis and provide reliable growing returns to the REIT's unitholders.

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

STRATEGY AND OUTLOOK

Our strategy is to own an institutional quality portfolio of non-trophy assets in major office markets across Canada, where millions of Canadians come to work every day. We believe that non-trophy assets provide superior risk-adjusted yields relative to conventional "Class A" office towers pursued by many other large investors. This "non-core" office product comprises approximately two-thirds of Canadian office inventory that is often overlooked by large institutional investors. Accordingly, these assets can frequently be purchased at a significant discount to peak and replacement value while retaining stable operating fundamentals that together allow superior risk-adjusted yields, relative to trophy assets. The REIT's portfolio of office properties provides diversification, enhancing our ability to continue to provide steady and reliable distributions to unitholders.

We are focused on the following areas to achieve the REIT's objectives through 2016 and 2017:

- Proactive property and asset management that results in NOI growth while minimizing property and portfolio vacancy exposure;
- Prudent and disciplined management of capital outlays that will maintain and increase the attractiveness of the REIT's portfolio and achieve increased rents;
- Continue to increase the REIT's financial strength and flexibility through robust balance sheet management;
- Maintain a conservative AFFO pay-out ratio to continue to provide steady and reliable distributions to unitholders; and
- Continue to selectively dispose of non-strategic assets and recycle capital to appropriately manage leverage and acquire office properties on an opportunistic basis.

Overall, we believe that the REIT has positioned its portfolio, capital structure and distribution strategy to effectively grow in the current economic environment and to capitalize on opportunities in the future.

NON-IFRS MEASURES

We disclose a number of financial measures in this MD&A that are not measures used under IFRS, including net operating income, same property net operating income, funds from operations, core funds from operations, adjusted funds from operations, adjusted funds from operations pay-out ratio, adjusted EBITDA, net debt to adjusted EBITDA ratio, interest coverage ratio, and the debt service coverage ratio, in addition to certain of these measures on a per unit basis. We utilize these measures for a variety of reasons, including measuring performance, managing the business, capital allocation and the assessment of risk. Descriptions of why these non-IFRS measures are useful to investors and how Management uses each measure are included in this MD&A. We believe that providing these performance measures on a supplemental basis to our IFRS results is helpful

to investors in assessing the overall performance of our business in a manner similar to Management. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with IFRS. We caution readers that these non-IFRS financial measures may differ from the calculations disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others. Reconciliations of these non-IFRS measures to the most directly comparable financial measures calculated and presented in accordance with IFRS are included within this MD&A.

RISKS AND UNCERTAINTIES

The REIT's business is subject to a number of risks and uncertainties which are described in its most recently filed Annual Information Form for the year ended December 31, 2015, available on SEDAR at www.sedar.com. Additional risks and uncertainties not presently known to the REIT or that the REIT currently considers immaterial also may impair its business and operations and cause the price of the REIT's units to decline in value. If any of the noted risks actually occur, the REIT's business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the units could decline, and unitholders may lose all or part of their investment.

SIGNIFICANT DEVELOPMENTS

The successful repositioning of the REIT's portfolio in 2015 to a pure-play office portfolio has provided the foundation for the strong operating results realized during the third quarter of 2016. The following are the significant highlights in the quarter:

- On September 8, 2016, the REIT acquired 365 Hargrave, a government-tenanted office building located in the heart of Winnipeg, Manitoba, for \$12.3 million. The building totals 71,472 square feet of GLA and is 90.1% leased to the Government of Canada through 2025. Subsequent to acquisition the REIT arranged a mortgage in the amount of \$8.0 million at a rate of 2.65% for a five-year term.
- The REIT increased its interest in its three co-owned office properties (the "St. John's Places") by 51% to 100% on September 8, 2016, for an additional investment of \$73.4 million. The acquired interest was funded by the REIT through a combination of cash and the assumption of existing mortgage financing. The St. John's Places comprise three well situated Class A office towers in St. John's, Newfoundland.
- On September 7, 2016, the REIT completed the issuance of 6,104,500 units for gross proceeds of \$51.6 million. The net proceeds from the issuance were initially used to repay debt, but subsequently redrawn in-part to fund the acquisition of 365 Hargrave and the St. John's Places. During the third quarter, there has been a significant increase in the trading volume of units of the REIT when compared to historical levels. The volume of units that traded for the quarter ending September 30, 2016, was over 8.6 million compared to 4.5 million units traded in the previous quarter.
- The REIT completed a total of 335,231 square feet of leasing during the third quarter of 2016, comprised of 257,551 square feet of renewals and 77,680 square feet of new lease deals. The most notable transaction was a long-term renewal with Medavie Blue Cross, who occupies 155,470 square feet or 49% of the Blue Cross Centre in Moncton, New Brunswick. This renewal extends the term of the lease until 2029 and is consistent with the REIT's strategy to enter into advance discussions with major tenants. The average rental rate over the term of the new lease is above the REIT's acquisition underwriting on June 30, 2015.
- The leasing momentum at the Maritime Centre in Halifax, Nova Scotia is also important to highlight. As previously disclosed, Bell Aliant is vacating 193,861 square feet on April 30, 2017, and Management has been working with existing sub-tenants and new tenants to drive occupancy and grow rents significantly. Two new lease transactions have been completed - the Province of Nova Scotia is occupying 41,571 square feet and Dalhousie University is occupying 10,217 square feet - and together these deals represent a 46.2% increase over the current in-place rent from Bell Aliant. An additional 66,636 square feet is currently subleased by Bell Aliant and Management is working to convert those tenants to long-term head leases. Management is pleased with the demand for this space to date; the Maritime Centre represents an exceptional opportunity to grow same property NOI, through meaningful rent increases.
- The REIT completed the redevelopment of 2251 Speakman Drive and turned over the property to SNC-Lavalin Nuclear in July 2016. At this time the REIT reclassified the property from redevelopment to income-producing. Completion of 2251 Speakman Drive represents the completion of the first significant milestone on its redevelopment of project with SNC-Lavalin Nuclear. The REIT also reclassified 2285 Speakman Drive from income-producing to redevelopment and expects to begin construction in the first quarter of 2017, with completion expected in the latter half of 2017.
- Year-over-year same-property NOI for the three months ended September 30, 2016 increased 0.6% over the same period in the prior year, primarily as a result of an increase in occupancy.
- AFFO was \$9.0 million for the third quarter of 2016 representing an increase of \$0.8 million over the second quarter of 2016. The increase is attributable to better same property performance, increased contribution from the hotel operations as a result of seasonality, offset by slightly higher general and administrative costs. This represents an AFFO payout ratio of 87.3% compared to 84.4% for June 30, 2016 and 80.4% in the same period during 2015. We believe that a continually reduced payout ratio represents a more appropriate margin of safety to provide unitholders with greater assurance on the continued ability of the REIT to deliver distributions to unitholders while having the ability to reinvest undistributed earnings in the REIT.

PART II - LEASING AND PROPERTY PORTFOLIO

LEASING

The REIT's asset management team had a successful quarter in continuing to renew and extend leases. In aggregate, 335,231 square feet of leasing was completed, representing 77,680 square feet of new lease deals and 257,551 square feet of lease renewals. The most notable transaction was a long-term lease renewal with Medavie Blue Cross, who occupies 155,470 square feet or 49% of the Blue Cross Centre in Moncton, New Brunswick. This renewal extends the term of the lease until 2029 and is consistent with the REIT's strategy to enter into advance discussions with major tenants. The average rental rate over the term of the new lease is above the REIT's acquisition underwriting on June 30, 2015. Management believes that locking in Medavie Blue Cross for a significant term provides significant benefits for the valuation parameters of Blue Cross Centre given the significant reduction of releasing risk.

Leasing spreads in the quarter were 2.8% below expiring or building in-place rents. The negative rental spread growth was primarily due to the Medavie lease renewal at Blue Cross Centre, which was completed at an average rent 6.1% below in-place rent and was also impacted by a new lease deal for 6,700 square feet in the Water Street Properties that provides the REIT with redevelopment flexibility in exchange for providing the tenant below market rent. Excluding these two deals, the leasing spread would be positive 3.4%, which is closer to Management's expectations for the portfolio.

Overall, in-place occupancy increased by 50 bps, to 86.3%, and the weighted-average lease term for the portfolio increased from 5.3 years to 5.6 years.

For the remainder of 2016, 3.0% of the portfolio GLA is maturing and Management expects normal course renewals with the exception of a 48,902 square foot tenant at the Promontory in Mississauga, ON, that will be vacating at the end of 2016 as previously disclosed. In 2017, also previously disclosed, Bell Aliant is vacating 193,861 square feet at the Maritime Centre in Halifax, NS, on April 30, 2017. Management has been working with existing sub-tenants and new tenants at Maritime Centre to drive occupancy and grow rents significantly. Two new lease transactions have been completed - the Province of Nova Scotia is taking 41,571 square feet and Dalhousie University is taking 10,217 square feet - and together these deals represent a 46.2% lift over the Bell Aliant rent. An additional 66,636 square feet is currently subleased by Bell Aliant and Management is working to convert those tenants to long-term leases.

The REIT is focused on all 2017 and 2018 leasing renewals as well as a number of significant proposals in the markets in which we operate. Overall, Management expects to continue a trend of positive rental spreads, increased occupancy, improved tenant quality and longer weighted-average lease terms; these metrics will continue to drive the organic growth of the portfolio and provide meaningful net asset value accretion.

OCCUPANCY

The following is a continuity of the change in the in-place occupancy of the REIT's properties from June 30, 2016 to September 30, 2016:

	Three months ended September 30, 2016			Three months ended June 30, 2016		
	GLA	Occupancy (sq. ft.)	Occupancy (%)	GLA	Occupancy (sq. ft.)	Occupancy (%)
Occupancy, beginning of period	4,727,414	4,056,432	85.8%	4,436,293	3,772,570	85.0%
Acquisitions	262,638	250,199	95.3%	306,892	293,415	95.6%
Dispositions	—	—	—	(15,771)	(11,134)	70.6%
Temporary changes ⁽¹⁾	—	(10,688)	—	—	—	—
Change in same property occupancy	—	9,259	—	—	1,581	—
Occupancy, end of period	4,990,052	4,305,202	86.3%	4,727,414	4,056,432	85.8%
Redevelopment properties	280,459	56,496	20.1%	269,771	56,496	20.9%
Occupancy, excluding redevelopments	4,709,593	4,248,706	90.2%	4,457,643	3,999,936	89.7%

⁽¹⁾ This change in occupancy relates to the lease with SNC-Lavalin Nuclear and associated redevelopment of 2251 and 2258 Speakman Drive. The redevelopment of 2251 Speakman Drive (115,582 sq. feet) was completed and turned over to the tenant for fixturing in July 2016 and the redevelopment of 2285 Speakman Drive (126,270 sq. feet) is now commencing. This milestone has caused temporary decline of 10,688 sq. feet, which will be reversed when the redevelopment of 2285 Speakman Drive is completed in mid-2017.

The REIT's objective is to maintain high levels of occupancy throughout the portfolio. At September 30, 2016, the REIT's occupancy, excluding redevelopment office properties, was 90.2% compared to 89.7% at June 30, 2016. This occupancy level is higher by 50 basis points due to an increase in same store occupancy and due to higher occupancy levels at the Gateway Centre acquired at the end of the prior quarter.

At September 30, 2016, the in-place occupancy of the REIT's total portfolio including redevelopment assets was 86.3%. This occupancy level has increased 50 basis points from the second quarter of 2016 as a result of the full occupancy of 2251 Speakman Drive, which was previously classified as being under redevelopment.

LEASE MATURITIES

The REIT generally enters into leases with an initial term to maturity between 2 and 10 years. Accordingly, the average in-place remaining term to maturity is shorter than the initial term. The weighted average remaining term to maturity at September 30, 2016 was 5.6 years, not including tenants on month-to-month leases. Management considers the current average duration of rents to be indicative of the stability of the portfolio's cash flow generation abilities and diversified maturity risk.

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

	September 30, 2016			June 30, 2016		
	Weighted average years to maturity ⁽¹⁾	GLA	% of GLA	Weighted average years to maturity ⁽¹⁾	GLA	% of GLA
Atlantic	5.5	2,189,353	43.9%	4.9	1,988,267	42.1%
Ontario	4.4	1,674,966	33.6%	4.6	1,559,007	33.0%
Western	8.9	567,153	11.4%	9.1	509,158	10.8%
	5.6	4,431,472	88.9%	5.3	4,056,432	85.9%
Vacant ⁽²⁾		558,580	11.1%		670,982	14.1%
Total		4,990,052	100.0%		4,727,414	100.0%

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

⁽²⁾ Does not include committed leases commencing after September 30, 2016.

The following is a profile of the maturities of the REIT's leases without including the impact of tenant extension options at September 30, 2016:

	GLA	% of portfolio	Weighted average in-place rent (per sq.ft.) ⁽¹⁾
Month-to-month	133,224	2.7%	\$ 15.69
Remainder of 2016	149,411	3.0%	15.47
2017	585,043	11.7%	13.02
2018	709,838	14.2%	15.28
2019	398,973	8.0%	16.52
2020	621,300	12.5%	17.25
2021	261,717	5.2%	19.37
2022 and later	1,524,021	30.5%	18.54
Vacant	606,525	12.2%	—
Total/weighted average	4,990,052	100.0%	\$ 16.77

⁽¹⁾ Future weighted average in-place rents include contractual step-ups, which in certain leases, have not been realized by the REIT.

IN-PLACE AND MARKET RENTS

During the three months ended September 30, 2016, the REIT completed 335,231 square feet of leasing comprised of both new deals and renewals. The following table summarizes the REIT's leasing activity during the three months ended September 30, 2016:

	GLA	Number of leases	Weighted average expiring rent (per sq.ft.)	Weighted average new rent (per sq.ft.)	Increase (decrease) in rent
Renewed leases	257,551	11	\$ 16.42	\$ 15.92	(3.0)%
New leases	77,680	13	12.20	11.95	(2.1)%
Total / weighted average	335,231	24			(2.8)%
Less: leases not renewed / vacated	26,717	11			
Net total / weighted average	308,514				

Overall, during the quarter, rent on renewed leases were completed at a 3.0% discount to expiring rents and new leases were completed at a 2.1% discount to in-place building rents. The negative rental spread growth was caused in part by the Medavie Blue Cross lease renewal at Blue Cross Centre in Moncton, New Brunswick, which was completed at an average rent 6.1% below in-place rent but at a higher rent than the REIT anticipated

in the acquisition underwriting. The leasing spread was also adversely impacted by a new 6,700 square foot lease in the Water Street Properties in St. John's, Newfoundland, that provides the REIT with redevelopment flexibility in exchange for providing the tenant below market rent. Excluding these two unique deals, the overall leasing spread was positive 3.4%, with new leases representing a 5.0% increase, and renewals representing a 2.4% increase, which is in-line with our expectations for the portfolio.

The weighted-average in-place rent of the REIT's portfolio at September 30, 2016 is \$14.21 per sq.ft. Management estimates current weighted average market rate to be \$15.25 per sq.ft. for the markets in which the REIT's properties are located, or \$1.04 per sq.ft. higher than the REIT's current in-place rental rate expiring in 2016. This estimate of current market rent is based on Management's estimates, third party valuations and leasing data obtained from actual new and renewed leasing activity. While there are no assurances that maturing leases will be renewed at rates in excess of current in-place rents, or at all, Management compares in-place to market rents to determine the future revenue capacity of the REIT's current portfolio and roll-over revenue risk.

TENANT PROFILE

Management's strategy includes ensuring that the REIT's tenants are diversified and of high credit quality. A higher quality tenant base increases the durability of the REIT's income through economic cycles, which directly relates to their continued ability to meet their lease obligations to the REIT and continue to retain their workforce, which directly impacts their need for office space.

The following are the REIT's top 10 largest tenants at September 30, 2016, which together represent 46.5% of base rental receipts:

Tenant	Credit rating ⁽¹⁾	GLA (SF)	Number of properties	% of base rental receipts	Weighted average lease term (years)
Government of Canada	AAA	338,736	8	10.2%	6.3
Manitoba Telecom Services Inc.	BBB (high)	66,439	2	8.7%	13.3
Bell Canada Enterprises	BBB	484,794	3	7.6%	3.5
SNC-Lavalin Nuclear Inc.	BBB	223,401	2	4.5%	6.2
Medavie Blue Cross	Unrated	160,433	2	4.2%	12.2
Province of New Brunswick	AA	126,609	2	3.7%	4.2
Province of Nova Scotia	AA	131,877	1	2.5%	2.3
The Minacs Group Inc.	Unrated	103,179	1	2.2%	5.3
Province of Manitoba	AA	95,650	2	1.9%	21.2
Extendicare Inc.	B (high)	50,187	1	1.0%	3.3
		1,781,305		46.5%	6.5

(1) Source: DBRS, Moody's

(2) The credit rating for SNC-Lavalin Nuclear Inc. reflects that of its parent, SNC-Lavalin Group Inc.

PROPERTY PROFILE

The REIT's property portfolio at September 30, 2016, comprises wholly-owned interests in thirty office properties, three industrial properties, two retail properties and one hotel. The portfolio comprises 5.0 million square feet of GLA. Of the REIT's property portfolio, three of its office properties are currently under redevelopment. For a listing of all of the REIT's properties see PART VI of this MD&A.

Acquisitions

During the quarter ended September 30, 2016, the REIT completed two acquisitions. On September 8, 2016, the REIT completed the acquisition of a government-tenanted building, located at 365 Hargrave in Winnipeg, Manitoba from SMC. The property was acquired for \$12.3 million. Subsequent to the acquisition, the REIT arranged for an \$8.0 million, 5-year fixed rate mortgage on the property at a rate of 2.65%. On the same day as the Hargrave acquisition, the REIT also increased its interest in the St. John's Places by 51% to 100%, for an additional investment of \$73.4 million, which was satisfied by the REIT through a combination of cash and assumption of mortgage financing. The St. John's Places comprise three well situated Class A office towers in St. John's, Newfoundland.

The following is a summary of the property interests acquired by the REIT during 2016:

	Gateway Centre	St. John's Places	St. John's Places	365 Hargrave St.	Total
REIT's interest	100%	19%	51%	100%	
Number of properties	1	3	3	1	
Acquisition date	June 30, 2016	June 15, 2016	September 8, 2016	September 8, 2016	
Purchase price	\$ 57,525	\$ 27,406	\$ 73,437	\$ 12,250	\$ 170,618
Transaction costs	1,618	274	588	24	2,504
Investment properties	59,143	27,680	74,025	12,274	173,122
Working capital	(1,390)	126	415	154	(695)
Interest rate subsidy	2,368	—	—	—	2,368
Debt, including mark-to-market adjustment	(26,020)	(19,950)	(53,550)	—	(99,520)
Total cash investment	\$ 34,101	\$ 7,856	\$ 20,890	\$ 12,428	\$ 75,275

Acquisition pipeline

The REIT currently has a significant pipeline of active opportunities in the cities in which we operate. We are also seeing an increasing number of interesting opportunities in certain markets in which we currently do not have meaningful exposure.

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

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

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

Currently, we are primarily focused on opportunities in markets where we have a presence and that reinforce our focus on suburban nodes of primary markets and core opportunities in secondary or tertiary cities. We would be interested in expanding to markets we currently are not in, however, we would either need to be able to do so with appropriate scale or where Slate has a historical operating expertise.

Dispositions

During the nine months ended September 30, 2016, the REIT made the following property disposition:

	125-185 First Street East
Disposition date	June 15, 2016
Number of properties	1
Location	Cochrane, AB
Sale price	\$ 4,275
Working capital	(223)
Discharge of mortgage	(1,532)
Disposition costs	(221)
Net proceeds	\$ 2,299

Included in disposition costs are transaction costs directly attributable to property sales and costs of related mortgages that were extinguished.

Redevelopment Properties

The REIT has classified the following properties as redevelopment during the quarter ending September 30, 2016:

Property Address	Property Name	City, Province	Year Built / Renovated / Expanded	Interest	Sq. ft. of GLA	Occupancy
2285 Speakman Drive		Mississauga, ON	1,981	100%	126,270	—%
Various	Water Street Properties	St. John's, NL	Various	100%	71,541	45.0%
139 Water Street	Fortis Building	St. John's, NL	1968 / 1994	100%	82,648	29.4%

In St. John's, Newfoundland, the Water Street Properties and the Fortis Building form a contiguous group of properties well located at the northeast end of downtown with prime views of the St. John's Harbour and the Narrows. Fortis Building was formerly occupied by Fortis Corporation which has moved its head-office to the REIT's Fortis Place property. The Fortis Building and Water Street Properties are owned by the REIT at a cost base of approximately \$122.00 per square foot and have the potential for redevelopment as a regional head-office, possibly for an energy focused user. The REIT's low cost base would allow for significant capital to be allocated towards a redevelopment of the Water Street Properties with competitive economics against other properties and new construction, which we estimate to be between \$450 and \$550 per square foot in St. John's. The short-term strategy for these assets is to drive cash flow through short-term leases that allow flexibility for building redevelopment or tenant relocation.

2285 Speakman Drive is one of three properties owned by the REIT in Mississauga's Sheridan Park. The REIT entered into a 10-year lease with SNC-Lavalin Nuclear whereby the REIT will construct a campus style office complex comprised of 2285 and 2251 Speakman Drive, which upon completion will include highly functional, contemporary facilities with modern amenities. Sheridan Park offers excellent accessibility to major arterial roadways including Erin Mills Parkway, Winston Churchill Boulevard, and highways including the Queen Elizabeth Expressway, 401, 403 and 407 ETR. In addition, being on the Mississauga-Oakville border means Sheridan Park is serviced at various locations by the routes of two transit commissions with connections to GO Transit and the TTC subway.

At the time of the REIT's entering into the lease with SNC-Lavalin Nuclear in September 2015, SNC-Lavalin Nuclear occupied 2285 and 2599 Speakman Drive. In July 2016, the REIT completed its redevelopment of 2251 Speakman Drive and delivered the space to SNC-Lavalin Nuclear, and accordingly reclassified 2251 Speakman Drive from redevelopment to income producing property. The next phase of the redevelopment requires the REIT to undertake a modernization of 2285 Speakman Drive, which has been reclassified to redevelopment property as of September 30, 2016. Construction is expected to begin in the first quarter of 2017, once SNC-Lavalin Nuclear vacates the premises and is expected to be complete in the later half of 2017. Upon completion of the redevelopment of 2285 Speakman Drive, SNC-Lavalin Nuclear will move from its existing premises at 2599 Speakman Drive, leaving that property vacant, at which point in time the REIT expects to reclassify 2599 Speakman Drive to redevelopment and 2285 Speakman Drive to income producing property. The REIT is continuing to engage in preliminary discussions with prospective tenants regarding the redevelopment and leasing of 2599 Speakman Drive.

IFRS fair value

The REIT's property portfolio at September 30, 2016 had an estimated IFRS fair value of \$937.2 million, with a weighted average going-in capitalization rate of 6.34%. It is important to highlight that this capitalization rate reflects the current economics of the REIT's properties, including its 86.3% in-place occupancy which includes its redevelopment assets and current in-place rents of \$14.21, which Management estimates to be on average \$1.04 below market rents. Overall, the average estimated IFRS value per sq. ft. of the REIT's portfolio is \$187.81 with an average cost to the REIT of \$182.00 per sq. ft. Management believes that this average value per sq. ft. is significantly lower than replacement cost, which Management estimates to be on average between \$250.00 and \$350.00 per sq. ft., depending on the property.

The following table presents a summary of the discount, terminal capitalization and going-in capitalization rates for the fair value of the REIT's properties at September 30, 2016 and December 31, 2015:

	September 30, 2016			December 31, 2015		
	Discount rate	Terminal cap rate	Capitalization rate ⁽¹⁾	Discount rate	Terminal cap rate	Capitalization rate ⁽¹⁾
Minimum	6.75%	6.25%	4.50%	7.00%	6.25%	4.50%
Maximum	11.00%	9.00%	13.17%	11.00%	9.00%	13.17%
Weighted average	7.53%	7.03%	6.34%	7.83%	6.93%	6.77%

(1) Represents the going-in capitalization rate on the REIT's properties based on Management's estimate of twelve-month forward NOI. The figures presented are inclusive of both those properties where the direct capitalization approach has been used as well as those properties where the primary valuation methodology was the discounted cash flow approach.

While the weighted average capitalization rate is 6.34%, which represents the going-in capitalization rate on the REIT's properties based on Management's estimate of twelve-month forward NOI, the minimum and maximum capitalization rates are 4.50% and 13.17%, respectively. The lower end of the range represents a property with redevelopment excess density, while the upper end of the range represents a property with a single tenant under a shorter duration lease. Both of these properties have an estimated fair value of less than \$4.0 million individually.

Various properties within the REIT's portfolio are either vacant, or significantly below normalized occupancy, and certain of which are expected to be so for all or a portion of the next twelve-month period. These properties include the REIT's development properties, 2285 Speakman Drive and the

two vacant Alberta industrial properties. After removing the NOI contribution of these properties from the REIT's calculation of its going-in capitalization rate of 6.34%, the rate would be adjusted to 6.79%.

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

Property continuity

A continuity of the REIT's property interests, including acquisitions, dispositions, capital and other changes is summarized below:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Balance, beginning of period	\$ 843,257	\$ 747,270	\$ 729,089	\$ 448,012
Acquisitions	86,336	(69)	173,122	308,579
Capital expenditures	5,835	717	21,762	1,134
Direct leasing costs	2,856	2,560	9,521	6,126
Dispositions	—	(22,550)	(4,275)	(29,250)
Depreciation of hotel asset	(149)	—	(428)	—
Provisions	—	19	—	14
Change in fair value	(1,497)	(332)	6,911	(7,871)
Straight line rent and other changes	522	438	1,458	1,309
Balance, end of period	\$ 937,160	\$ 728,053	\$ 937,160	\$ 728,053

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

The change in carrying value of the REIT's properties during the three months ended September 30, 2016 is primarily the result of acquisition activity as well as additional capital and direct leasing spend and other additions and small modifications to discount and capitalization rates.

PART III - RESULTS OF OPERATIONS

SUMMARY OF RESULTS OF OPERATIONS

The following is a summary of the results of operations for the three and nine months ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Rental revenue	\$ 31,330	\$ 29,133	\$ 87,096	\$ 57,604
Property operating expenses	(16,362)	(14,808)	(46,658)	(27,649)
Income from equity accounted investment	—	107	—	2,547
Finance income on finance lease receivable	1,006	518	3,043	691
Interest income	20	286	50	682
Interest and finance costs	(5,005)	(4,510)	(13,638)	(10,105)
General and administrative	(1,168)	(1,121)	(3,130)	(2,512)
Change in fair value of investment properties	(1,497)	(332)	6,911	(7,871)
Change in fair value of financial instruments	96	(779)	(962)	3,291
Depreciation of hotel asset	(149)	—	(428)	—
Disposition costs	(15)	(1,495)	(221)	(1,723)
Net income before Class B LP units	\$ 8,256	\$ 6,999	\$ 32,063	\$ 14,955
Change in fair value of Class B LP units	(4,281)	(1,218)	(7,241)	1,979
Distributions to Class B LP unitholders	(991)	(951)	(2,973)	(2,854)
Net income and comprehensive income	\$ 2,984	\$ 4,830	\$ 21,849	\$ 14,080
Attributed to unitholders	2,984	4,750	21,849	14,000
Attributed to non-controlling interests	—	80	—	80
	\$ 2,984	\$ 4,830	\$ 21,849	\$ 14,080

NET INCOME BEFORE CLASS B LP UNITS

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

Net income before Class B LP units for the three months ended September 30, 2016 was \$8.3 million compared to \$7.0 million for the same period in 2015. Net income before Class B LP units for the nine months ended September 30, 2016 and 2015 was \$32.1 million and \$15.0 million, respectively. The higher net income before Class B LP units for the three months ended September 30, 2016 was due to a slight increase in NOI, as well as increased income on the finance lease receivable and decreased disposition costs, offset by an increase in interest and finance costs. The higher net income before Class B LP units for the nine months ended September 30, 2016 was primarily due to increase in NOI, as well as decreased disposition costs for the period.

NET INCOME

For the three months ended September 30, 2016, net income was \$3.0 million, representing a decrease of \$1.8 million compared to the same period in 2015. This decrease was primarily due to the change in net income before Class B LP units described above, together with a loss of \$4.3 million as a result of an increase in fair value of the Class B LP units, which are directly correlated with the increase in the unit price of the REIT's units. Class B LP units are recorded as a liability by the REIT. Distributions to Class B LP units remained consistent with the comparative period.

For the nine months ended September 30, 2016, net income was \$21.8 million, representing an increase of \$7.8 million compared to the same period in 2015. This change is primarily due to the change in net income before Class B LP units described above, offset by a loss of \$7.2 million as a result of an increase in the fair value of Class B units.

NET OPERATING INCOME

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

The following is a calculation of NOI for the three and nine months ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Revenue	\$ 31,330	\$ 29,133	\$ 87,096	\$ 57,604
Operating expenses	(16,362)	(14,808)	(46,658)	(27,649)
Straight-line rents and other changes	(522)	(438)	(1,458)	(1,309)
Net operating income	\$ 14,446	\$ 13,887	\$ 38,980	\$ 28,646

The increase in NOI of \$0.6 million for the three months ended September 30, 2016 compared to the same period in 2015 was the result of portfolio growth, most notably the sale of the industrial and retail portfolios in December 2015 which would have positively contributed to 2015 NOI, offset by the acquisition of 20% of St. John's Places in December 2015, an additional 19% in June 2015 and a further 51% in September 2015, increasing ownership to 100% at the end of the quarter. The REIT also completed the acquisition of the Gateway Complex at the end of the second quarter 2016, which has positively contributed to the increase in NOI period over period.

NOI for the nine months ended September 30, 2016 and 2015 were \$39.0 million and \$28.6 million, respectively. The REIT acquired the Fortis Portfolio in June 2015 which consisted of 14 properties, 11 of which were owned at 100% and 3 properties were acquired at a 10% interest. Subsequently, three of the retail properties acquired were disposed of in December 2015. The NOI contribution from these properties would have only been reflected in three of the nine months ended September 30, 2015, where as these properties would have positively contributed to NOI throughout the entire nine month comparative period in 2016. Offsetting this increase in NOI, was the disposition of the industrial portfolio in December 2015, which would have positively contributed to revenue in during the nine months ended September 30, 2015 with no contribution during the comparable period. The remaining NOI increase for the nine month period is attributable to the acquisition and disposition activity discussed above.

SAME-PROPERTY NOI

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

Management compares same-property NOI for the current quarter to the most recently completed comparative quarter as well as the same quarter in the prior year. The same-property comparison to June 30, 2016 includes all of the REIT's properties owned during the quarter, but reflecting only a 30% interest the St. John's Places assets as only 30% of those assets were owned consistently throughout the second and third quarter of 2016. The same-property comparison to September 30, 2015 excludes the industrial and retail portfolio sales in December 2015 as well as the Gateway acquisition, and only includes 10% of St. John's Places.

The following is a summary of the same-property NOI for the current quarter compared to the same quarter in the prior year:

	Three months ended	
	September 30, 2016	September 30, 2015
Number of properties	32	32
GLA	4,229,973	4,229,973
Revenue	\$ 27,189	\$ 26,433
Operating expenses	(14,657)	(13,736)
Straight-line rents and other changes	(172)	(413)
Same-property NOI (including hotel asset)	12,360	12,284
Year-over-year change - \$	\$ 76	
Year-over-year change - %	0.6%	

The following is a summary of the same-property NOI for the current quarter compared to the immediately prior quarter:

	September 30, 2016	Three months ended June 30, 2016
Number of properties	33	33
GLA	4,420,522	4,420,522
Revenue	\$ 28,227	\$ 28,009
Operating expenses	(15,084)	(14,917)
Straight-line rents and other changes	(469)	(443)
Same-property NOI (including hotel asset)	12,674	12,649
NOI attributable to hotel asset	(488)	(422)
Same-property NOI (excluding hotel asset)	\$ 12,186	\$ 12,227
Quarter-over-quarter change - \$	\$ (41)	
Quarter-over-quarter change - %	(0.3)%	

Same-property NOI for the three months ended September 30, 2016 compared to the prior quarter, remained flat at \$12.2 million primarily as a result of declines in new and renewed leasing spreads offset by increases in occupancy. Same-property NOI for the three months ended September 30, 2016 compared to the same period in 2015, increased by \$0.1 million or 0.6%. In accordance with the REIT's definition of same-property NOI, the quarter-over-quarter results exclude the impact of the REIT's Atlantic Canada hotel asset due to the seasonality of such asset, which generally experiences decreased levels of business in the winter months and heightened activity during spring and summer. This has no impact for year-over-year comparison.

FUNDS FROM OPERATIONS

Funds from operations

Funds from operations ("FFO") is a non-IFRS measure for evaluating real estate operating performance. The REIT calculates FFO in accordance with the definition provided by the Real Property Association of Canada ("RealPAC") in its White Paper on Funds From Operations, as revised in April 2014.

Core-FFO

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

Reconciliation of FFO and Core-FFO

Management believes that FFO and Core-FFO are important measures of the operating performance and are used by the REIT in evaluating the combined performance of its operations including the impact of its capital structure and are useful for investors to evaluate the performance of the REIT. The following is a reconciliation of FFO and Core-FFO for the three and nine months ended September 30, 2016 and 2015 from net income and comprehensive income:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net income and comprehensive income	\$ 2,984	\$ 4,830	\$ 21,849	\$ 14,080
Add (deduct):				
Leasing costs amortized to revenue	168	59	477	163
Fair value adjustment in equity accounted investment	—	—	—	(2,508)
Non-controlling interests	—	(138)	—	(138)
Change in fair value of investment property	1,497	332	(6,911)	7,871
Change in fair value of financial instruments	(96)	779	962	(3,291)
Disposition costs	15	1,495	221	1,723
Depreciation of hotel asset	149	—	428	—
Change in fair value of Class B LP units	4,281	1,218	7,241	(1,979)
Distributions to Class B unitholders	991	951	2,973	2,854
FFO	\$ 9,989	\$ 9,526	\$ 27,240	\$ 18,775
Finance income on finance lease receivable	(1,006)	(726)	(3,043)	(899)
Finance lease payments received	1,524	1,067	4,574	1,284
Core-FFO	\$ 10,507	\$ 9,867	\$ 28,771	\$ 19,160
Weighted average number of units outstanding ⁽¹⁾	41,449	35,567	37,499	25,265
FFO per unit (diluted)	\$ 0.24	\$ 0.27	\$ 0.73	\$ 0.74
Core-FFO per unit (diluted)	\$ 0.25	\$ 0.28	\$ 0.77	\$ 0.76

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

For the three months ended September 30, 2016, FFO was \$10.0 million or \$0.24 per unit whereas FFO for the three months ended September 30, 2015 was \$9.5 million or \$0.27 per unit, representing an increase of \$0.5 million or a decrease of \$0.03 per unit. The decline in FFO per unit is as a result of an increase in the weighted average number of units outstanding in the current quarter from the equity offering completed by the REIT in September 2016. FFO for the nine months ended September 30, 2016 was \$27.2 million, which is \$8.5 million higher than FFO from the same period in 2015. The increase in FFO for the three and nine month periods is primarily attributable to portfolio growth, most notably, the portfolio acquisitions in June 2015 offset by the disposition of the industrial and retail properties in December 2015. The REIT also acquired an additional 20% interest in St. John's Places in December 2015, an additional 19% in June 2016 and a further 51% in September 2016, to increase ownership to 100%, which has positively contributed to the increase in NOI period over period. This positive impact is somewhat offset by the increase in interest and finance costs from additional borrowings used to finance acquisitions and decrease in interest income in the current period.

Core-FFO for the three and nine months ended September 30, 2016 was \$10.5 million and \$28.8 million, respectively, compared to \$9.9 million and \$19.2 million for the same periods in 2015. The increase in Core-FFO in the current quarter for the three and nine month periods is attributable to the increase in FFO, as well as an increase in finance lease payments received in the current quarter as compared to 2015.

ADJUSTED FUNDS FROM OPERATIONS

Adjusted FFO ("AFFO") is a non-IFRS measure that is widely used by the real estate industry and investors to measure the cash generated from operations, after debt service and certain capital and leasing costs and also after reversing the impact of non-cash interest and revenue amounts. It is also a meaningful measure used to evaluate the cash available for distribution to unitholders.

In calculating AFFO, the REIT makes adjustments to FFO for certain items including: guaranteed income supplements; amortization of deferred transaction costs; de-recognition and amortization of mark-to-market adjustments on mortgages refinanced or discharged; amortization of straight-line rent and normalized direct leasing and capital costs. Guaranteed income supplements relate to income sources to the REIT that are not recognized in NOI. The income sources are from free rent adjustments on the acquisition of the suburban office portfolio in December 2014 and headlease payments receivable at Fortis Place, in St. John's, NL. The income supplement from headlease payments will end in mid-2017. The free rent income supplement continues through to 2020.

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.

A reconciliation of Core-FFO to AFFO for the three and nine months ended September 30, 2016 as compared to the same period in the prior year is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Core-FFO	\$ 10,507	\$ 9,867	\$ 28,771	\$ 19,160
Add (deduct):				
Guaranteed income supplements ⁽¹⁾	352	246	946	488
Amortization of deferred transaction costs	351	253	855	399
Amortization of debt mark-to-market adjustments	(127)	(142)	(167)	(262)
Interest rate subsidy	108	—	108	—
Amortization of straight-line rent	(690)	(497)	(1,935)	(1,472)
Normalized direct leasing and capital costs	(1,497)	(1,433)	(4,044)	(2,996)
AFFO	\$ 9,004	\$ 8,294	\$ 24,534	\$ 15,317
Weighted average number of units outstanding ⁽²⁾	41,449	35,567	37,499	25,265
AFFO per unit (diluted)	\$ 0.22	\$ 0.23	\$ 0.65	\$ 0.61

(1) Guaranteed income supplements relate to free rent periods and vacancies from acquired properties. The income supplement from vacancies expire in mid-2017 while the free rent supplements will continue through to 2020.

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

For the three months ended September 30, 2016, AFFO was \$9.0 million or \$0.22 per unit whereas AFFO for the three months ended September 30, 2015 was \$8.3 million or \$0.23 per unit, representing an increase of \$0.7 million or decrease of \$0.01 per unit, respectively. The increase in AFFO is attributable to the growth in the portfolio over the year. AFFO for the nine months ended September 30, 2016 was \$24.5 million compared to \$15.3 million in the same period in 2015. This represents an increase of per unit of \$0.04 as a result of the increase in Core-FFO period over period.

Reconciliation of FFO, Core-FFO and AFFO

A reconciliation of net income to FFO, Core-FFO and AFFO for three and nine months ended September 30, 2016 as compared to the same period in the prior year is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net income and comprehensive income	\$ 2,984	\$ 4,830	\$ 21,849	14,080
Add (deduct):				
Leasing costs amortized to revenue	168	59	477	163
Fair value adjustment in equity accounted investment	—	—	—	(2,508)
Non-controlling interests	—	(138)	—	(138)
Change in fair value of investment property	1,497	332	(6,911)	7,871
Change in fair value of financial instruments	(96)	779	962	(3,291)
Disposition costs	15	1,495	221	1,723
Depreciation of hotel asset	149	—	428	—
Change in fair value of Class B LP units	4,281	1,218	7,241	(1,979)
Distributions to Class B unitholders	991	951	2,973	2,854
FFO	9,989	9,526	27,240	18,775
Finance income on finance lease receivable	(1,006)	(726)	(3,043)	(899)
Finance lease payments received	1,524	1,067	4,574	1,284
Core-FFO	10,507	9,867	28,771	19,160
Guaranteed income supplements ⁽¹⁾	352	246	946	488
Amortization of deferred transaction costs	351	253	855	399
Amortization of debt mark-to-market adjustments	(127)	(142)	(167)	(262)
Interest rate subsidy	108	—	108	—
Amortization of straight-line rent	(690)	(497)	(1,935)	(1,472)
Normalized direct leasing and capital costs	(1,497)	(1,433)	(4,044)	(2,996)
AFFO	\$ 9,004	\$ 8,294	\$ 24,534	15,317

The following is FFO and AFFO expressed on a per unit basis for the three and nine months ended September 30, 2016 as compared to the same period in the prior year:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
FFO per unit (diluted)	\$ 0.24	\$ 0.27	\$ 0.73	0.74
Core- FFO per unit (diluted)	0.25	0.28	0.77	0.76
AFFO per unit (diluted)	\$ 0.22	\$ 0.23	\$ 0.65	0.61

The following table reconciles AFFO from cash flow from operating activities for the three and nine months ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Cash flow from operating activities	\$ 13,143	\$ 5,797	\$ 21,345	\$ 19,585
Add (deduct):				
Working capital items	(4,626)	612	1,454	(6,939)
Principal repayments on finance lease receivable	518	341	1,531	385
Distributions paid to Class B LP unitholders	991	951	2,973	2,854
Disposition costs	15	1,495	221	1,723
Guaranteed income supplement	352	246	946	488
Interest rate subsidy	108	—	108	—
Income from equity accounted investment	—	107	—	2,547
Adjustment on acquisition of Data Centre	—	316	—	316
Fair value adjustment in equity accounted investment	—	—	—	(2,508)
Non-controlling interests	—	(138)	—	(138)
Normalized direct leasing and capital costs	(1,497)	(1,433)	(4,044)	(2,996)
AFFO	\$ 9,004	\$ 8,294	\$ 24,534	\$ 15,317

The following table reconciles AFFO from NOI for the three and nine months ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net operating income	\$ 14,446	\$ 13,887	\$ 38,980	\$ 28,647
Add (deduct):				
General and administrative	(1,168)	(1,121)	(3,130)	(2,512)
Finance lease payments received	1,524	1,067	4,574	1,284
Other earnings from equity accounted investments	—	(66)	—	(307)
Cash interest	(4,761)	(4,286)	(12,900)	(9,287)
Interest rate subsidy	108	—	108	—
Guaranteed income supplement	352	246	946	488
Normalized direct leasing and capital costs	(1,497)	(1,433)	(4,044)	(2,996)
AFFO	\$ 9,004	\$ 8,294	\$ 24,534	\$ 15,317

DISTRIBUTIONS

During the year, the REIT paid quarterly distributions of \$0.1875 per unit, or \$0.75 per unit on an annualized basis. Distributions paid to unitholders are paid at the same rate to holders of the REIT's Class B LP units and are paid on or about the 15th day of the month following declaration.

The following table summarizes distributions made during the three months ended September 30, 2016 and 2015 to unitholders of the REIT and Class B LP unitholders:

	Three months ended September 30, 2016			Three months ended September 30, 2015		
	Trust units	Class B		Trust units	Class B	
		LP units	Total		LP units	Total
Distributions declared	\$ 6,871	\$ 991	\$ 7,862	\$ 5,713	\$ 951	\$ 6,664
Distributions reinvested in trust units	139	—	139	338	—	338
Distributions made in cash	\$ 6,732	\$ 991	\$ 7,723	\$ 5,375	\$ 951	\$ 6,326

The following table summarizes distributions made during the nine months ended September 30, and 2015 to unitholders of the REIT and Class B LP unitholders:

	Nine months ended September 30, 2016			Nine months ended September 30, 2015		
	Class B			Class B		
	Trust units	LP units	Total	Trust units	LP units	Total
Distributions declared	\$ 18,424	\$ 2,973	\$ 21,397	\$ 12,292	\$ 2,854	\$ 15,146
Distributions reinvested in trust units	586	—	586	615	—	615
Distributions made in cash	\$ 17,838	\$ 2,973	\$ 20,811	\$ 11,677	\$ 2,854	\$ 14,531

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. The distributions declared during the three and nine months ended September 30, 2016 resulted in 16,368 and 78,226 trust units issued/ issuable under the DRIP, respectively. For the September 2016 distribution, approximately 2.0% of the trust units outstanding subscribed to the REIT's DRIP. To the extent unitholders participate in the DRIP additional cash will be retained by the REIT.

AFFO PAYOUT RATIO

The AFFO payout ratio is a non-IFRS measure that provides a representation of the distributions made by the REIT to unitholders compared to AFFO generated by the REIT. Management uses this measure on a total and per unit basis to evaluate the REIT's ability to sustain its distributions. The AFFO payout ratio is calculated by dividing aggregate distributions made in respect of units of the REIT and Class B LP units by AFFO during the period of measurement.

One of the REIT's key objectives is to maintain a conservative AFFO payout ratio to continue to provide steady and reliable distributions to unitholders. As a result, the REIT is focused on maintaining a policy that provides a high level of certainty that the distribution will be maintained or increased over time.

For the three months ended September 30, 2016, the AFFO payout ratio was 87.3%, compared to the payout ratio of 80.3% for the same period in 2015. The decrease in the AFFO pay-out ratio in the current year when compared to the prior year is the result of overall portfolio growth coupled with strong results from the REIT's hotel operations in the third quarter of 2016 as well as additional NOI contribution from the acquisition of the Gateway Centre in June 2016. Management believes that the current distribution level is appropriate to meet the REIT's objective to provide a high level of certainty over ongoing distributions.

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
AFFO	\$ 9,004	\$ 8,294	\$ 24,534	\$ 15,317
REIT unit and Class B LP distributions declared	7,862	6,664	21,397	15,146
Excess of AFFO over distributions declared	1,142	1,630	3,137	171
Cash retained from DRIP	139	338	586	615
Excess of AFFO over cash distributions	\$ 1,281	\$ 1,968	\$ 3,723	\$ 786
AFFO payout ratio	87.3%	80.3%	87.2%	98.9%
AFFO payout ratio after DRIP ⁽¹⁾	85.8%	76.3%	84.8%	94.9%

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

SEGMENTED INFORMATION

The REIT has net operating income from three geographic locations. The following is the REIT's NOI by geographic region for the three months ended September 30, 2016 and 2015:

	Three months ended September 30,			
	2016		2015	
	NOI	Percentage (%)	NOI	Percentage (%)
Atlantic	\$ 7,594	52.6%	\$ 7,325	52.7%
Ontario	5,557	38.4%	4,373	31.5%
Western	1,298	9.0%	2,189	15.8%
	\$ 14,449	100.0%	\$ 13,887	100.0%

The following is the REIT's NOI by geographic region for the nine months ended September 30, 2016 and 2015:

	Nine months ended September 30,			
	2016		2015	
	NOI	Percentage (%)	NOI	Percentage (%)
Atlantic	\$ 20,556	52.7%	\$ 7,325	25.6%
Ontario	14,540	37.3%	14,581	50.9%
Western	3,884	10.0%	6,740	23.5%
	\$ 38,980	100.0%	\$ 28,646	100.0%

Atlantic

(\$000s unless otherwise noted)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
# of properties	11	14	11	14
Owned GLA (000s of sq. ft.)	2,452	2,758	2,452	2,758
Occupancy rate (%) (period-end)	88.6%	87.4%	88.6%	87.4%
Revenue	\$ 17,242	\$ 16,127	\$ 49,277	\$ 16,127
Property operating expenses	(9,514)	(8,702)	(28,265)	(8,702)
Straight-line rent and other changes	(134)	(100)	(456)	(100)
NOI	\$ 7,594	\$ 7,325	\$ 20,556	\$ 7,325

NOI for the Atlantic properties has increased by \$0.3 million for the three months ended September 30, 2016 compared to the same period in 2015. The third quarter of 2015 was the first quarter in which the REIT recorded NOI contributions from the Atlantic properties acquired in June 2015. For the nine months ended September 30, 2016, NOI from the Atlantic properties was \$20.6 million compared to \$7.3 million in the same period in 2015.

The increase in NOI year over year for the nine month comparable period, is a combined result of the sale of the three Atlantic retail assets in December 2015, offset by the REIT's increased ownership in the St. John's Places assets throughout 2015 and 2016. During the 2015 period, NOI contribution for the St. John's Places assets is included in NOI at 10%. As at September 30, 2016, the REIT has increased its ownership in these assets to 100%.

Ontario

(\$000s unless otherwise noted)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
# of properties	12	11	12	11
Owned GLA (000s of sq. ft.)	1,862	1,511	1,862	1,511
Occupancy rate (%) (period-end)	83.8%	90.6%	83.8%	90.6%
Revenue	\$ 11,278	\$ 9,042	\$ 29,383	\$ 29,020
Property operating expenses	(5,482)	(4,491)	(14,266)	(13,735)
Straight-line rent and other changes	(239)	(178)	(577)	(704)
NOI	\$ 5,557	\$ 4,373	\$ 14,540	\$ 14,581

NOI for the three months ended September 30, 2016 was \$5.6 million compared to NOI of \$4.4 million for the three months ended September 30, 2015. NOI for the nine months ended September 30, 2016 was comparable, increasing minimally year over year. The increase in the period over period comparison is a result of the acquisition of the Gateway Centre in June 2016, which contributions close to \$1.0 million per quarter to NOI.

Western

(\$000s unless otherwise noted)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
# of properties	12	24	12	24
Owned GLA (000s of sq. ft.)	676	1,137	676	1,137
Occupancy rate (%) (period-end)	83.1%	91.4%	83.1%	91.4%
Revenue	\$ 2,810	\$ 3,964	\$ 8,436	\$ 12,457
Property operating expenses	(1,363)	(1,615)	(4,127)	(5,212)
Straight-line rent and other changes	(149)	(160)	(425)	(505)
NOI	\$ 1,298	\$ 2,189	\$ 3,884	\$ 6,740
NOI from Data Centre	1,525	—	4,574	—
NOI including Data Centre	\$ 2,823	\$ 2,189	\$ 8,458	\$ 6,740

NOI for the three and nine months ended September 30, 2016 was \$2.8 million and \$8.5 million including the net operating income from Data Centre which is accounted for as a finance lease and corresponding interest income is recorded below net operating income. The decline in NOI before the Data Centre contributions is as a result of the disposition of the industrial portfolio in December 2015.

REVENUE

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. The following is a summary of the components of revenue:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Property base rent	\$ 16,758	\$ 16,420	\$ 47,001	\$ 32,120
Operating cost and tax recoveries	11,705	10,043	32,545	21,943
Hotel	2,345	2,231	6,092	2,231
Straight-line adjustments and other	522	439	1,458	1,310
	\$ 31,330	\$ 29,133	\$ 87,096	\$ 57,604

For the three months ended September 30, 2016, revenue from investment properties was \$31.3 million compared to \$29.1 million for the same period in 2015. For the nine months ended September 30, 2016, revenue from investment properties was \$87.1 million compared to \$57.6 million in the same period in 2015. The increase in revenue is a result of overall portfolio growth, most notably, the acquisition of the Gateway Centre in the second quarter of 2016 as well as the additional ownership acquired in the St. John's Places from 10% on acquisition in June 2015 to 100% at the end of the third quarter in 2016.

PROPERTY OPERATING RECOVERIES AND EXPENSES

Property operating expenses consist of property taxes, property management fees and other expenses such as common area costs, utilities, and insurance. The majority of the REIT's property operating expenses are recoverable from tenants in accordance with the terms of the tenants' lease agreements. Operating cost recoveries are included in revenue from investment properties and amounted to \$11.7 million for the three months ended September 30, 2016 compared to \$10.0 million for the same period in 2015, while recoveries for the nine months ended September 30, 2016 and 2015 were \$32.5 million and \$21.9 million, respectively.

GENERAL AND ADMINISTRATIVE

General and administration expenses are primarily comprised of asset management fees, professional fees, trustee fees, and other reporting fees. For the three months ended September 30, 2016, general and administrative expenses have increased slightly over the same period in 2015. The increase in expenses is as a result of higher asset management fees of \$0.1 million, offset by lower professional and other fees, mainly due to the timing of expenses. General and administrative expenses for the nine months ended September 30, 2016 were higher than the nine months ended September 30, 2015 by \$0.6 million due to portfolio growth, increasing asset management fees by \$0.6 million offset by other small changes in professional fees and other as a result of the timing of expenses.

INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Mortgage interest	\$ 2,552	\$ 2,657	\$ 6,877	\$ 7,896
Interest on other debt	2,229	1,695	6,073	1,887
Interest on vendor take-back loan	—	47	—	185
Amortization of deferred transaction costs	351	253	855	399
Amortization of mark-to-market adjustment on mortgages	(127)	(142)	(167)	(262)
	\$ 5,005	\$ 4,510	\$ 13,638	\$ 10,105

For the three months ended September 30, 2016, interest and finance costs were \$5.0 million compared to \$4.5 million in the same period in 2015. Interest and finance costs for the nine months ended September 30, 2016 were \$13.6 million compared to \$10.1 million. The increase in finance costs in 2016 compared to the same period in 2015 is as a result of portfolio growth, most notably the acquisition of an additional 20% of St. John's Places in December 2015, 19% in June 2016, and a further 51% in September 2016, as well the acquisition of the Gateway Centre in June 2016, offset by the disposition of the Industrial portfolio in December 2015 which were primarily financed through mortgages that were discharged on sale.

FINANCE INCOME ON FINANCE LEASE RECEIVABLE

The REIT has a 15 year lease with Manitoba Telecom Services Inc. for the Data Centre. The terms of the lease meet the requirements for classification as a finance lease because the minimum lease payments amount to at least substantially all of the fair value of the leased asset. As a result of this classification, a portion of revenue earned on the property is recorded as interest income on finance lease. Interest income recognized on the finance lease for the three and nine months ended September 30, 2016 was \$1.0 million and \$3.0 million, respectively, compared to \$0.5 million and \$0.7 million for the same periods in 2015. As the lease commenced on June 5, 2015, interest income from finance lease receivable for the nine months ended September 30, 2015 only includes 4 months of income, compared to a full 9 months of income in 2016, accounting for the significant increase year over year.

The REIT makes certain non-IFRS adjustments for the contributions made by the Data Centre to its Core-FFO and AFFO to account for the difference between accounting under IFRS and the lease contributions under a cash basis. On a cash basis the Data Centre contributes approximately \$6.0 million annually from lease payments.

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. Therefore, the REIT has not recognized any current or deferred income taxes in its consolidated financial statements.

QUARTERLY INFORMATION

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

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Revenue	\$ 31,330	\$ 28,197	\$ 27,569	\$ 29,939	\$ 29,133	\$ 14,390	\$ 14,082	\$ 8,917
Operating costs	(16,362)	(14,994)	(15,302)	(17,295)	(14,808)	(6,387)	(6,454)	(4,165)
Straight-line rent and other	(522)	(443)	(493)	(318)	(438)	(369)	(502)	(64)
Net operating income	\$ 14,446	\$ 12,760	\$ 11,774	\$ 12,326	\$ 13,887	\$ 7,634	\$ 7,126	\$ 4,688
Net income (loss) and comprehensive income (loss)	\$ 2,984	\$ 15,244	\$ 3,621	\$ 13,201	\$ 4,830	\$ 10,480	\$ (1,230)	\$ 435
Weighted average diluted units ⁽¹⁾	41,449	35,674	35,334	35,519	35,567	20,032	20,016	19,126
Distributions ⁽²⁾	7,862	6,912	6,623	6,646	6,664	4,729	3,753	3,138
Distributions per unit	0.1875	0.1875	0.1875	0.1875	0.1875	0.1875	0.1875	0.1875
FFO	9,989	9,078	8,173	7,513	9,525	4,720	4,530	1,125
FFO per unit - diluted	0.24	0.25	0.23	0.21	0.27	0.24	0.23	0.06
Core-FFO	10,507	9,588	8,676	8,528	9,867	4,764	4,530	2,479
Core-FFO per unit - diluted	0.25	0.27	0.25	0.24	0.28	0.24	0.23	0.13
AFFO	9,004	8,192	7,338	7,409	8,293	3,685	3,339	1,971
AFFO per unit - diluted	0.22	0.23	0.21	0.21	0.23	0.18	0.17	0.10
AFFO payout ratio	87.3%	84.4%	90.3%	89.7%	80.4%	128.3%	112.4%	159.2%
Properties	937,160	843,257	741,681	729,089	728,053	747,270	448,062	448,012
Total assets	1,020,671	926,179	817,233	812,995	813,571	801,946	476,293	476,670
Total debt	603,671	564,882	493,496	495,604	498,573	490,656	281,210	280,486
LTV ratio	59.2%	61.1%	60.5%	61.1%	61.4%	61.3%	59.2%	59.0%
Net debt to adjusted EBITDA	9.8x	30.7x	29.0x	28.2x	25.4x	51.1x	30.0x	0.0x
Interest coverage ratio	3.2x	3.3x	3.2x	3.0x	3.3x	2.5x	2.6x	2.7x
Debt service coverage ratio	2.6x	2.7x	2.7x	2.4x	2.7x	1.9x	1.9x	1.7x
Number of properties	35	34	34	34	48	48	35	35
Office GLA	4,813,458	4,550,820	4,243,928	4,243,928	4,204,054	4,343,891	2,038,036	2,040,294
Total GLA	4,990,052	4,727,414	4,436,293	4,436,293	5,054,812	5,262,636	2,903,398	2,905,756
Occupancy - excluding redevelopment	90.2%	89.7%	89.4%	89.7%	90.7%	90.7%	91.7%	92.3%
Occupancy	86.3%	85.8%	85.0%	85.4%	89.2%	90.0%	91.7%	92.3%

(1) The weighted average number of basic units reflects the REIT units and includes the conversion of the Class B LP units and is shown in thousands.

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

PART IV - FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

The principal liquidity needs of the REIT arise from working capital requirements, distributions to unitholders, planned funding of maintenance capital expenditures and leasing costs, and future property acquisitions.

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

DEBT STRATEGY

The REIT's obligations with respect to debt repayments and funding requirements for future investment property acquisitions will be primarily funded by refinancing cash retained after distribution 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 financing, with terms to maturity that are appropriate having regard to the lease maturity profiles of the underlying properties and which allows the REIT to achieve and maintain staggered debt maturities that reduce its exposure to interest rate fluctuations and re-financing risk in any particular period. The REIT also endeavors to have an appropriate amount of fixed rate debt and to extend loan terms when borrowing conditions are favourable.

INDEBTEDNESS RATIO

Indebtedness ratio is a non-IFRS measure calculated by the REIT. In accordance with the REIT's Declaration of Trust the REIT's indebtedness may not exceed 65% of the gross book value, which is defined by the Declaration of Trust as total assets less restricted cash. The REIT's indebtedness ratio at September 30, 2016 was 59.2% which is lower by 190 bps compared December 31, 2015. Property acquisitions were financed with borrowings at a leverage ratio greater than the REIT's pre-existing properties offset by the impact of the REIT's equity offering in June 2016 and September 2016, which reduced debt, which was subsequently redrawn to make acquisitions. Subject to market conditions and the growth of the REIT, Management's target is to maintain total indebtedness at approximately 55%. The success of this strategy is dependent upon debt market parameters existing at the time of borrowing, as well as the particular features and quality of the underlying assets being financed. If this strategy is unsuccessful, debt principal repayments 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.

The REIT's indebtedness level is calculated as follows:

	September 30, 2016	December 31, 2015
Total assets	\$ 1,020,671	\$ 812,995
Less: restricted cash	1,404	1,403
Gross book value	1,019,267	811,592
Debt	\$ 603,671	\$ 495,604
Leverage ratio	59.2%	61.1%

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

ADJUSTED EBITDA

Adjusted EBITDA is a non-IFRS measure and is used by the REIT to monitor the REIT's ability to satisfy and service its debt as well as monitor requirements imposed by the REIT's lenders. Specifically, adjusted EBITDA is used to monitor the REIT's leverage ratio, interest coverage ratio and debt service ratio, which the REIT uses to measure its debt profile and assess its ability to satisfy its obligations, including servicing its debt. Management views adjusted EBITDA as a proxy for operating cash flow prior to interest costs. Adjusted EBITDA represents earnings before interest, income taxes, depreciation, fair value gains (losses) from both financial instruments and investment properties, while also excluding nonrecurring items such as transaction costs from dispositions, acquisitions or other events and adjusting income received from the Data Centre to cash received as opposed to finance income recorded for accounting purposes. Similar adjustments are made to the REIT's share of net income or loss from its equity accounted investment when calculating adjusted EBITDA.

The following is a reconciliation from net income and comprehensive income to adjusted EBITDA for the three and nine months ended September 30, 2016:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net income and comprehensive income	\$ 2,984	\$ 4,830	\$ 21,849	\$ 14,080
Income from equity accounted investment	—	(107)	—	(2,547)
Finance income on finance lease receivable	(1,006)	(518)	(3,043)	(691)
Net operating income from Data Centre	1,524	—	4,574	—
Interest income	(20)	(286)	(50)	(682)
Interest and finance costs	5,005	4,510	13,638	10,105
Change in fair value of investment property	1,497	332	(6,911)	7,871
Change in fair value of financial instruments	(96)	779	962	(3,291)
Disposition costs	15	1,495	221	1,723
Depreciation of hotel asset	149	—	428	—
Change in fair value of Class B LP units	4,281	1,218	7,241	(1,979)
Distributions to Class B LP unitholders	991	951	2,973	2,854
Adjusted EBITDA	\$ 15,324	\$ 13,204	\$ 41,882	\$ 27,443

The following is a calculation of adjusted EBITDA for the three and nine months ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Rental revenue	\$ 31,330	\$ 29,133	\$ 87,096	\$ 57,604
Property operating expenses	(16,362)	(14,808)	(46,658)	(27,649)
Net operating income from Data Centre	1,524	—	4,574	—
General and administrative	(1,168)	(1,121)	(3,130)	(2,512)
Adjusted EBITDA	\$ 15,324	\$ 13,204	\$ 41,882	\$ 27,443

INTEREST COVERAGE

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

Net Debt to adjusted EBITDA leverage ratio

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

The following is a calculation of adjusted EBITDA for the three and nine months ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Debt, net	\$ 603,671	\$ 498,573	\$ 603,671	\$ 498,573
Adjusted EBITDA ⁽¹⁾	61,296	52,816	55,843	36,591
Net debt to Adjusted EBITDA	9.8x	9.4x	10.8x	13.6x

(1) Adjusted EBITDA for three and nine months is based on three and nine months adjusted EBITDA annualized.

Interest coverage ratio

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

The following is a calculation of adjusted EBITDA for the three and nine months ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Adjusted EBITDA	\$ 15,324	\$ 13,204	\$ 41,882	\$ 27,443
Interest expense	4,781	4,399	12,950	9,968
Interest coverage ratio	3.2x	3.0x	3.2x	2.8x

Debt service coverage ratio

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

The following is a calculation of adjusted EBITDA for the three and nine months ended September 30, 2016 and 2015:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Adjusted EBITDA	\$ 15,324	\$ 13,204	\$ 41,882	\$ 27,443
Interest expense	4,781	4,399	12,950	9,968
Principal repayments	1,077	1,018	2,745	3,091
Debt service requirements	\$ 5,858	\$ 5,417	\$ 15,695	\$ 13,059
Debt service coverage ratio	2.6x	2.4x	2.7x	2.1x

DEBT REPAYMENT SCHEDULE

The following table outlines the REIT's annual principal payments and maturity schedule, together with the weighted average annual interest rates at September 30, 2016:

	Annual Principal Payments	Principal Repayments on Maturity ⁽¹⁾	Total	Percentage (%)	Weighted Average Contractual Interest Rate on Maturing Debt (%)
Remainder of 2016	\$ 1,145	\$ —	\$ 1,145	0.2%	—%
2017	4,771	138,000	142,771	23.6%	3.1%
2018	4,900	183,284	188,184	31.1%	2.9%
2019	5,082	10,376	15,458	2.6%	4.4%
2020	4,905	—	4,905	0.8%	—%
Thereafter	\$ 28,715	\$ 223,469	\$ 252,184	41.7%	3.5%

(1) Includes payments under interest rate swaps.

CONTRACTUAL OBLIGATIONS

The following is a summary of the REIT's contractual obligations over the next five years at September 30, 2016:

	Total contractual cash flow	Remainder of 2016	2017-2018 ⁽¹⁾	2019-2020	Thereafter
Accounts payable and other liabilities	\$ 22,732	\$ 22,732	\$ —	\$ —	\$ —
Amortizing principal repayments on debt	49,518	1,145	9,671	9,987	28,715
Principal repayments on maturity of debt	555,129	—	321,284	10,376	223,469
Interest on debt ⁽¹⁾	68,640	4,869	29,239	18,644	15,888
Interest rate swaps ⁽²⁾	4,156	161	1,294	1,202	1,499
Security deposits	5,116	1,162	848	1,092	2,014
Total	\$ 705,291	\$ 30,069	\$ 362,336	\$ 41,301	\$ 271,585

(1) Interest amounts on floating debt have been determined using floating rates at September 30, 2016.

(2) Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the September 30, 2016 floating rate.

DERIVATIVES

Interest rate swaps

As at September 30, 2016, the REIT has interest rate swaps that entitle the REIT to receive interest at floating rates and pay interest at fixed rates. Interest rate swaps are measured at fair value with fair values calculated as the present value of contractual cash flows based on current forward curves.

On September 30, 2016 and December 31, 2015 the REIT had the following interest rate swap agreements:

Maturity date	Fixed interest rate	Notional amount		Fair value	
		September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Aug. 14, 2023	4.60%	\$ 21,373	\$ 21,790	\$ 2,561	\$ 2,163
May 1, 2023	3.68%	22,837	23,347	1,467	990
			\$	4,028	\$ 3,153

Interest rate caps

The REIT entered into an interest rate cap with a \$125.0 million notional amount, a strike price of 1.90% based on one month bankers acceptances, and has a maturity of July 2018. The cost to the REIT was \$0.05 million.

The following is a reconciliation of the change in the balance of the interest rate swap and interest rate cap liability during the nine months ended September 30, 2016:

	September 30, 2016	December 31, 2015
Balance, beginning of period	\$ 3,153	\$ 2,239
Premiums paid	(52)	—
Extinguishment	—	(651)
Fair value changes	915	1,565
Balance, end of period	\$ 4,016	\$ 3,153

Changes in the fair value of the interest rate swaps is dependent on changes in the underlying swap curve which impacts the future expectation of net payments to be made by the REIT over the term to maturity.

FINANCIAL CONDITION

The REIT's primary sources of capital are cash generated from operating, financing and investing activities. Management expects to meet all of the REIT's obligations through current cash and cash equivalents, cash flows from operations, the REIT's revolving credit facility, and refinancing of mortgages and equity.

The following table provides an overview of the REIT's cash flows from operating, financing and investing activities for the nine months ended September 30, 2016 and 2015:

	Nine months ended September 30,	
	2016	2015
Net change in cash related to:		
Operating	\$ 21,345	\$ 19,585
Investing	(102,728)	(292,595)
Financing	75,439	275,888
(Decrease) increase in cash	\$ (5,944)	\$ 2,878

The change in cash for the nine months ended September 30, 2016 and 2015 was the result of the following factors:

- Operating – cash flows for the nine months ended September 30, 2016 increased when compared to the same period in 2015, mainly due to the changes in non-cash working capital items as well as increased interest and finance costs in the period. Net operating income increased significantly in the quarter when compared to the same quarter in 2015 attributable to growth in the portfolio.
- Investing – cash outflows for the nine months ended September 30, 2016 were attributable to the acquisition of the Gateway Centre, 365 Hargrave and an additional 19% interest, followed by the remaining 51% interest in the St. John's Places of \$75.3 million along with \$21.8 million and \$9.5 million spent on on capital and leasing costs, respectively. Cash outflows were \$292.6 million for the nine months ended September 30, 2015 due to the acquisition of the Fortis portfolio.
- Financing – cash flows for nine months ended September 30, 2016 relate to proceeds from the equity issuances on June 24, 2016 and September 7, 2016 totaling \$87.2 million and offset repayments of debt in the amount of \$7.7 million.

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 \$8.42 as at September 30, 2016.

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 period ended September 30, 2016.

On June 24, 2016, the REIT completed a bought deal offering of 4,531,137 units at an issuance price of \$7.85 per unit, for gross proceeds of \$35.6 million. Proceeds from the offering were initially used to repay debt, but redrawn in part to finance the acquisition of the Gateway Centre and an additional 19% ownership interest in St. John's Places. In connection with the offering, a secondary offering of 1,838,863 units of Subcore Equities Inc., a private corporation, for gross proceeds of \$14.4 million was completed. The REIT received no proceeds from the secondary offering.

On September 7, 2016, the REIT completed a bought deal offering of 6,104,500 units at an issuance price of \$8.45, for gross proceeds of \$51.6 million. Proceeds from the offering were used to finance the acquisition of 365 Hargrave from SMC for \$12.3 million and the acquisition of the remaining 51% of the St. John's Places, increasing the REIT's ownership to 100%. Consideration for this acquisition was \$73.4 million plus transaction costs. The remainder of the proceeds from the offering were used to pay down the REIT's revolving credit and operating facilities. In connection with the offering, a secondary offering of 795,500 units of Subcore Equities Inc. was completed for gross proceeds of \$6.7 million. The REIT received no proceeds from the secondary offering. The combined result of the two secondary offerings has reduced Subcore Equities holdings in the REIT to nil.

As at September 30, 2016, the total number of trust units outstanding was 40,722,032. As at November 3, 2016, the total number of trust units outstanding was 40,728,004.

Normal course issuer bid

On January 15, 2016, the REIT renewed its NCIB, whereby the REIT may purchase up to 2,334,509 trust units, subject to certain restrictions. The renewed NCIB expires on the earlier of January 25, 2017 and repurchase of the maximum number of trust units.

For the nine months ended September 30, 2016, 50,813 trust units were purchased and subsequently canceled under the NCIB for a total cost, including transaction costs, of \$0.4 million at an average price of \$7.04 per unit. No new purchases have been made since renewing the NCIB.

Potential trust units

	September 30, 2016	December 31, 2015
Class B LP units	5,285,160	5,073,818
Deferred units	34,618	17,440
	5,319,778	5,091,258

The Class B LP units are exchangeable into trust units of the REIT on a one-for-one basis, subject to anti-dilution adjustments. Each Class B LP unit is accompanied by one special voting unit of the REIT providing the same voting rights in the REIT as the trust units of the REIT and is entitled to distributions of cash equal to the cash distributions paid to holders of trust units by the REIT. The Class B LP units are recognized in the REIT's consolidated financial statements as financial liabilities measured at fair value through profit and loss. Upon exchange into trust units of the REIT, the carrying amount of the liability representing the fair value of the Class B LP units on exchange date will be reclassified to unitholders' equity. During the three months ended September 30, 2016, there were no Class B LP units exchanged for the REIT's trust units.

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 September 30, 2016, the total number of deferred units outstanding was 34,618.

RELATED PARTY TRANSACTIONS

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

Slate directly and indirectly held the following interests in the REIT at September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
REIT units	1,687,251	1,687,251
Class B LP units	5,285,160	5,285,160
Total	6,972,411	6,972,411
Economic interest	15.1%	19.7%

Since becoming the manager of the REIT in late 2014, Slate has been the largest unitholder in the REIT. Accordingly, Slate is highly motivated to continue to grow the operations and financial position of the REIT on an accretive basis. The Management Agreement provides for the following fees:

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

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

(2) Acquisition fees are 1.0% on the first \$100 million of acquisitions; 0.75% on the next \$100MM of acquisitions and 0.50% for acquisitions in excess of \$200 million.

For the three and nine months ended September 30, 2016 and 2015 the REIT incurred the following fees under the Management Agreement:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Property management	\$ 857	\$ 857	\$ 2,455	\$ 1,628
Asset management	719	603	1,955	1,315
Leasing, financing, and construction management	507	172	2,245	1,651
Acquisition	588	96	1,437	2,456
	\$ 2,671	\$ 1,728	\$ 8,092	\$ 7,050

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 September 30, 2016, property administration fees were \$1.4 million, compared

to \$1.6 million for the same period in 2015. 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.

Assets and liabilities included in the consolidated statement of financial position of the REIT related to SMC and Slate as at September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
Accounts receivable	\$ 728	\$ 1,424
Accounts payable and accrued liabilities	20	2,748
Class B LP units	44,501	37,260

On October 1, 2015, the REIT acquired 2251 Speakman Drive from Slate and on September 8, 2016, the REIT acquired 365 Hargrave from SMC. For each of the acquisitions of 2251 Speakman Drive and 365 Hargrave no acquisition fees were charged by SMC. SMC and Slate have not provided any mortgage guarantees at September 30, 2016 (December 31, 2015 – \$1.6 million).

PART V - ACCOUNTING AND CONTROL

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

Overall income capitalization approach

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

Discounted cash flow method

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

Direct comparison approach

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

A summary of the significant assumptions used in the REIT's estimate of fair value as at September 30, 2016 is included on page 7 of this MD&A. Changes in these assumptions would have a significant impact on the REIT's estimate of fair value, which can be impacted by changes in demand for properties similar to those owned by the REIT, expectations of market rents, the covenant quality of tenants and the general economic environment. Further, these changes can occur at different times and magnitudes for each of the REIT's Western, Ontario and Atlantic regions based on the investment environments in each of their respective markets.

NEW ACCOUNTING POLICIES

The REIT adopted the following new accounting policy beginning on January 1, 2016:

IAS 1, *Presentation of Financial Statements* ("IAS 1")

IAS 1 was amended to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosure of accounting policies. The amendment to IAS 1 are effective for annual periods beginning on or after January 1, 2016.

The amendments include the following guidance:

- i. the entity shall not aggregate or disaggregate information applicable to each of the primary financial statements, the notes and each specific disclosures required by IFRSs in a manner that obscures useful information;
- ii. specific line items in the primary financial statements can be disaggregated;
- iii. the entity has flexibility in the order of the notes to the financial statements; and
- iv. an entity's share of other comprehensive income from equity accounted associates and joint ventures will be presented in aggregate, classified between amounts that will and will not be reclassified to profit and loss.

Amendments to IFRS 11, *Joint Arrangements* ("IFRS 11")

The amendments to IFRS 11 require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments apply prospectively for annual periods beginning on or after January 1, 2016.

These amendments did not have a material impact on the REIT's consolidated financial statements.

FUTURE ACCOUNTING POLICIES

The IASB has issued the following new standards that will be relevant to the REIT in preparing its consolidated financial statements in future periods:

IFRS 9, *Financial Instruments* ("IFRS 9")

IFRS 9, which replaces IAS 39 *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. 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. This new standard is effective for annual periods beginning on or after January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. The new standards includes 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. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 16, *Leases* ("IFRS 16")

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, *Leases*, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The new standard is effective for annual periods beginning on or after January 1, 2019, which is when the REIT intends to adopt IFRS 16 in its financial statements. The extent of the impact of adoption of the standard has not yet been determined.

For each of the above changes in accounting policy the REIT expects to adopt such changes at the time of their required adoption. The REIT continues to assess the impact of the changes in accounting policy on its consolidated financial statements, however, there is currently no identified impact on the REIT's business.

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 period ended September 30, 2016.

The REIT's CEO and CFO, along with the assistance of others, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the REIT is made known to the CEO and CFO, and have designed internal controls over financial reporting and disclosure to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

No changes were made in the REIT's design of ICFR during the three month period ended September 30, 2016, that have materially affected, or are reasonably likely to materially affect, the REIT's ICFR.

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

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

PART VI - PROPERTY TABLE

A summary of details of the REIT's property portfolio as at September 30, 2016 is set out in the table below.

Asset Class	Property Address	Property Name	City, Province	Year Built / Renovated / Expanded	Interest	Sq. ft. of GLA	Occupancy
Office - Income Producing							
	1870 Albert Street	Saskatchewan Place	Regina, SK	1985	100%	84,243	68.4%
	280 Broadway Avenue ⁽¹⁾		Winnipeg, MB	1957	100%	112,642	92.3%
	114 Garry Street		Winnipeg, MB	1950 / 2016	100%	74,248	100.0%
	895 Waverley Street		Winnipeg, MB	1991	100%	34,364	100.0%
	1000 Waverley Street		Winnipeg, MB	1966 / 1998	100%	58,668	91.3%
	1450 Waverley Street	MTS Data Centre	Winnipeg, MB	2015	100%	64,000	100.0%
	4211 Yonge Street		Toronto, ON	1982	100%	170,972	95.2%
	1189 Colonel Sam Drive		Oshawa, ON	2001	100%	103,179	100.0%
	2655 – 2695 North Sheridan Way	The Promontory	Mississauga, ON	1987 / 1989	100%	159,752	99.3%
	7030, 7050, 7100 Woodbine Avenue & 55, 85 Idema Road	Woodbine Complex	Markham, ON	1984 / 2011	100%	359,833	86.6%
	135 Queens Plate		Toronto, ON	1989 / 2012	100%	93,581	82.3%
	1 Eva Road		Toronto, ON	1978 / 2011	100%	91,068	78.1%
	2400 – 2430 Meadowpine Boulevard		Mississauga, ON	1990	100%	59,095	75.9%
	5395 – 5409 Eglinton Avenue West	Centennial Centre	Toronto, ON	1985	100%	235,299	78.1%
	2251 Speakman Drive		Mississauga, ON	1965/2016	100%	115,582	100.0%
	2599 Speakman Drive		Mississauga, ON	1971 / 2011	100%	111,461	86.1%
	3000 - 3100 Steeles Avenue East	Gateway Centre	Markham, ON	1982 / 1987	100%	235,673	95.1%
	644 Main Street	Blue Cross Centre	Moncton, NB	1988 / 2006	100%	320,818	97.6%
	39 King Street ⁽²⁾	Brunswick Square	Saint John, NB	1976	100%	507,804	85.3%
	440 King Street	King's Place	Fredericton, NB	1974 / 2001	100%	292,022	87.2%
	1505 Barrington Street	Maritime Center	Halifax, NS	1977 / 1985	100%	547,014	94.5%
	100 New Gower Street	Cabot Place	St. John's, NL	1987	100%	134,632	99.1%
	10 Factory Lane	Fort William Building	St. John's, NL	1980	100%	188,170	100.0%
	5 Springdale Street	Fortis Place	St. John's, NL	2014	100%	142,771	100.0%
	4 Herald Avenue	Fortis Tower	Corner Brook, NL	2014	100%	67,203	92.4%
	140 Water Street	TD Place	St. John's, NL	1980 / 2013	100%	97,433	90.4%
	365 Hargrave		Winnipeg, MB	1922/2003	100%	71,472	90.1%
Office - Redevelopment							
	Various	Water Street Properties	St. John's, NL	Various	100%	71,541	45.0%
	2285 Speakman Drive		Mississauga, ON	1981	100%	126,270	0.0%
	139 Water Street	Fortis Building	St. John's, NL	1968 / 1994	100%	82,648	29.4%
						4,813,458	87.1%
Industrial							
	35 Martin Way		Brooks, AB	2005	100%	28,400	0.0%
	5404 36th Street SE	Doka Building	Calgary, AB	1980	100%	36,000	100.0%
	7001 96th Street		Grande Prairie, AB	2006	100%	33,280	0.0%
						97,680	36.9%
Retail							
	200 Manitoba 10	Flin Flon Wal-Mart	Flin Flon, MB	2002	100%	63,439	100.0%
	307 – 311 Airport Road	Airport Road Shopping Centre	Yellowknife, NWT	2001 / 2003	100%	15,475	100.0%
						78,914	100.0%
Total - Total Portfolio						4,990,052	86.3%
Total - Excluding Office Redevelopment						4,709,593	90.2%

(1) 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 residential tenants at 70 Smith Street.

(2) Includes Delta Brunswick Hotel.

CORPORATE INFORMATION

Slate Office REIT is an unincorporated, open-ended investment trust fund under and governed by the laws of the Province of Ontario. The REIT focuses on acquiring, owning and leasing a portfolio of diversified revenue-producing commercial real estate properties in Canada with an emphasis on office properties. The REIT has a current portfolio that spans 5.0 million square feet of GLA and consists of 35 properties located across Canada.

Head office

Slate Office REIT
121 King Street West, Suite 200
Toronto, ON M5H 3T9
Tel: +1 416 644 4264
Fax: +1 416 947 9366
E-mail: info@slateam.com

Independent auditors

KPMG LLP
Chartered Professional Accountants
Winnipeg, Canada

Stock exchange listing and symbol

The REIT's units are listed on the Toronto Stock Exchange and trade under the symbol SOT.UN

Registrar and transfer agent

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario
Tel: +1 416 263 9481
Fax: +1 416 981 9679

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

Trustees

John O'Bryan ⁽³⁾
Corporate Director

Pam Spackman ⁽¹⁾⁽²⁾
Corporate Director

Al Mawani ⁽¹⁾⁽²⁾
President,
Exponent Capital Partners Inc.

Nora Duke ⁽²⁾⁽³⁾
Executive Vice-President, Corporate Service and
Chief Human Resources Officer, Fortis Inc.

Georges Dubes ⁽¹⁾
Partner, McMillan LLP

Blair Welch ⁽³⁾
Partner and Co-founder
Slate Asset Management L.P.

Brady Welch
Partner and Co-founder
Slate Asset Management L.P.

⁽¹⁾ Compensation, Governance and Nomination Committee

⁽²⁾ Audit Committee

⁽³⁾ Investment Committee