



Office  
REIT

**Q4 2016**  
TSX: SOT.UN

## DEAR FELLOW UNITHOLDERS

*"Companies that solely focus on competition will ultimately die. Those that focus on value creation will thrive."*

- Edward de Bono

The fourth quarter of 2016 marks the end of our second full year as an owner and operator of office properties in key markets across Canada. As always, our focus throughout the year has been to create value for unitholders through the disciplined execution of our strategy. That strategy - acquiring quality, stable office assets that have been overlooked by others and employing best-in-class asset management to enhance returns through leasing, increased operating efficiency and strategic capital investment - remains the foundation of everything we do.

We are not focused on "chasing" yield nor are we going to grow simply for growth's sake. What we are going to do is continue to take advantage of some headwinds in the Canadian office market and go where others are not, to find and create value for our investors.

The financial results for the quarter and 2016 as a whole prove that we have made significant progress in creating an investment vehicle that is consistent with this focus and aligned with our strategy. I wanted to take the opportunity to have a closer look at various measures of our performance to see how we are doing.

### External Growth

As outlined above, our investment approach has been consistent from the very start. By focusing on the entire Canadian office market - urban, suburban, primary and secondary markets - we cast a very wide net. In fact, we estimate the size of investible assets that fall within this definition is approximately 225 million square feet or two-thirds of the Canadian office market. This provides us with the ability to be disciplined and strategic in what we acquire.

The \$171 million of acquisitions completed by the REIT in 2016 are examples of this discipline. We acquired downtown Class 'A' assets in Atlantic Canada through the purchase of the "Places" in St. John's, Gateway Complex, a suburban office property in Markham and an asset in downtown Winnipeg with a long-term lease with the federal government. While different on the surface, each of these assets fits within our strategy of acquiring quality assets with solid tenants and operating histories at compelling prices. By acquiring these assets below what it would cost to replace them and with in-place rents below market, we believe we have a competitive advantage on the leasing side which creates a future pipeline for organic growth and ultimately, value creation.

### Organic Growth

In the fourth quarter of 2016, the REIT completed a further 59,834 square feet of leasing at rates reflecting a 4.9% spread over expiring or in-place rents. This brings the total leasing activity for 2016 to 793,710 square feet at rates slightly above expiring or in place rents on a weighted basis. The most notable leasing transaction of 2016 was the 155,470 square foot long-term renewal of Medavie at Blue Cross Centre in Moncton.

Subsequent to quarter end, we completed a 154,018 square foot new lease with Johnson Insurance, a subsidiary of Royal Sun Alliance at the newly renamed Johnson Building in St. John's. Johnson Insurance is currently a subtenant in the building and has agreed to a 10 year direct extension through 2030.

By extending our largest tenants in the Blue Cross Centre to 2029 and in the Johnson Centre to 2030, we have significantly improved the risk profile of the assets and accordingly, created significant value for unitholders by securing contractual long-term, high-quality income.

## Redevelopment Assets

SNC-Lavalin has moved into 2251 Speakman Drive in Mississauga, a major milestone in the redevelopment of the REIT's assets in Mississauga's Sheridan Park. Construction has now commenced on 2285 Speakman Drive with the expectation that SNC-Lavalin will be in full occupancy of their new premises in late 2017. The SNC-Lavalin redevelopment is an excellent example of what can be accomplished through disciplined acquisition and proactive management. We are able to provide SNC-Lavalin with effectively new premises at a more competitive rate than new construction and we are creating value for unitholders via a long-term tenancy in an effectively new asset in the GTA.

In Atlantic Canada, work continues at Brunswick Square in St. John. The renovation of the Delta Hotel will be complete by the end of 2017 and we continue to invest value enhancing capital in the parking garage and throughout the complex which is expected to further enhance the asset's competitive position in the downtown St. John market.

## Key Financial Metrics

From an operations perspective, Q4 2016 was another strong quarter for the REIT, as was 2016 on the whole. Here are some of the key financial indicators on a quarterly and annual basis:

	Quarterly Comparison		Annual Comparison	
	Q4 2016	Q3 2016	2016	2015
Net operating income	\$ 15,065	\$ 14,449	\$ 54,080	\$ 40,971
FFO per unit	\$ 0.23	\$ 0.24	\$ 0.96	\$ 0.94
AFFO per unit	\$ 0.21	\$ 0.22	\$ 0.86	\$ 0.82
AFFO payout ratio	88.6%	87.3%	87.6%	95.9%
Occupancy	86.4%	86.3%	86.4%	85.4%
Occupancy excluding redevelopment	90.2%	90.2%	90.2%	89.7%
LTV (Debt/Total Assets)	59.1%	59.2%	59.1%	61.1%

## Moving Forward

One of the principal benefits of the evolution of Slate Office REIT has been the effect from de-risking the portfolio. At the end of 2016, the REIT comprised a geographically, tenant and market diversified portfolio of office assets across the country. The average lease term of the portfolio sits at 5.4 years and approximately 45% of the REIT's income is derived from investment grade and government tenancies. We completed long term leases in Moncton and St. John's with two key tenants and are well on the way to completing redevelopments in Mississauga and St. John. Investors in Slate Office REIT are being rewarded with a higher quality income stream and an improved asset base.

We thank our unitholders for their continued trust and support.

Sincerely,



Scott Antoniak  
Chief Executive Officer  
March 5, 2017



Office  
REIT

**Management's Discussion and Analysis**

TSX: SOT.UN

**December 31, 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, 2016 ("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 March 5, 2017 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 except per unit amounts)

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
<b>Summary of Portfolio Information</b>					
Number of properties	35	35	34	34	34
Gross leasable area ("GLA")	4,990,052	4,990,052	4,727,414	4,436,293	4,436,293
Total assets	\$ 1,025,522	\$ 1,020,671	\$ 926,179	\$ 817,233	\$ 812,995
Total debt	\$ 604,953	\$ 603,671	\$ 564,882	\$ 493,496	\$ 495,604
Occupancy	86.4%	86.3%	85.8%	85.0%	85.4%

	Three months ended				
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
<b>Summary of Financial Information</b>					
Revenue	\$ 35,094	\$ 31,330	\$ 28,197	\$ 27,569	\$ 29,939
Net operating income	15,065	14,446	12,760	11,774	12,326
Net income and comprehensive income	14,571	2,984	15,244	3,621	13,201
Funds from operations ("FFO")	10,650	9,989	9,078	8,173	7,513
Core FFO	11,177	10,507	9,588	8,676	8,528
Adjusted FFO	9,737	9,004	8,192	7,338	7,409

### Per Unit Financial Information

Weighted average diluted number of trust units (000s)	46,071	41,449	35,674	35,334	35,519
FFO per unit	\$ 0.23	\$ 0.24	\$ 0.25	\$ 0.23	\$ 0.21
Core FFO per unit	0.24	0.25	0.27	0.25	0.24
AFFO per unit	0.21	0.22	0.23	0.21	0.21
Distributions per unit	\$ 0.1875	\$ 0.1875	\$ 0.1875	\$ 0.1875	\$ 0.1875
FFO pay-out ratio	81.0%	78.7%	76.1%	81.0%	88.5%
AFFO pay-out ratio	88.6%	87.3%	84.4%	90.3%	89.7%

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
<b>Financial Data</b>					
Weighted average debt interest rate	3.3%	3.3%	3.3%	3.2%	3.2%
Interest coverage ratio (times)	3.2x	3.2x	3.3x	3.2x	3.0x
Net debt to adjusted EBITDA ratio (times)	9.4x	9.8x	10.2x	9.7x	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 year ended December 31, 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 consolidated financial statements as at December 31, 2016 and for the year ended December 31, 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 dollar amounts are in thousands of Canadian dollars, unless otherwise noted.

The information contained in this MD&A is based on information available to the REIT and is dated as of March 5, 2017, 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 December 31, 2016, the REIT owned interests in 35 properties comprised of 30 office properties and 5 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](http://www.sedar.com) and on the REIT's website at [www.slateofficereit.com](http://www.slateofficereit.com).

### **STRATEGY**

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 returns 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 returns, 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, while also providing the opportunity to grow net asset value on a per unit basis.

While our primary goals are to provide steady and reliable distributions to unitholders and to grow net asset value on a per unit basis, we are focused on the following areas to achieve the REIT's objectives through 2017 and 2018:

- 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 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, 2016, available on SEDAR at [www.sedar.com](http://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 HIGHLIGHTS

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

- Year-over-year same-property NOI for the three months ended December 31, 2016 increased 4.8%, or \$0.6 million. This increase was attributable to increased rent from contractual increases embedded in leases, transitioning renewing tenants to market rents, the leasing of vacant space and improved operations at the REIT's hotel asset.
- AFFO was \$9.7 million for the fourth quarter of 2016 representing an increase of \$2.3 million over the same period in 2015. Similarly, Core-FFO was \$11.2 million for the three months ended December 31, 2016, which is \$2.6 million more than the same period in 2015. These increases are attributable to better same property NOI performance, as described above, and the contribution from acquisitions made during 2016 offset by higher interest expense from debt required to finance acquisitions. The AFFO pay-out ratio was 88.6%, which is slightly less than the AFFO pay-out ratio of 89.7% in the same period during 2015.
- For the 2016 year the REIT's AFFO payout ratio was 87.6% compared to 95.9% in 2015. This decrease is the result of increased contribution to earnings from existing operations and acquisitions, but offset by increased distributions made during the year as a result of increased outstanding units from equity offerings.
- In the fourth quarter of 2016, the REIT completed a total of 59,834 square feet of leasing, comprised of 33,000 square feet of renewals and 26,834 square feet of new lease deals. Leasing spreads in the quarter were 4.9% above expiring or building in-place rents and new deals were 4.2% above building in-place rent where renewals were 5.3% above expiring rents. Overall, in-place occupancy and the weighted-average lease term for the portfolio remained generally consistent, at 86.4% and 5.4 years, respectively, compared to 86.3% and 5.6 years as at September 30, 2016.
- During 2016, the REIT completed over \$300 million of financing activity. This included the issuance of an aggregate of 10,635,637 units by way of two bought deal offerings raising gross proceeds of \$87.2 million in addition to completing \$218.3 million of debt financing, of which \$144.0 million was related to re-financings. The new capital was deployed, in part, to fund \$170.6 million of acquisitions and \$24.3 million of capital expenditures, primarily at the REIT's redevelopment and improvement projects, in addition to providing additional liquidity to the REIT. As a result of this financing activity and fair value gains on the REIT's properties the REIT has reduced leverage 200 basis points from 61.1% to 59.1% during 2016.
- Subsequent to the fourth quarter of 2016, Management completed a 154,018 square foot lease with Johnson Insurance ("Johnson") in St. John's, NL. Johnson is currently a sub-tenant of Bell Aliant in the newly named Johnson Building (formerly, Fort William Building) until November 2020. The new lease will secure Johnson in the building for an additional 10 years. Johnson has an option to expand into another floor for approximately 40,000 square feet, which must be exercised by December 2018. We believe this deal significantly increases the value of the Johnson Building and stabilizes the cash flow in the long-term.
- Over the past year we believe significant progress was made in a number of areas that will contribute to net asset growth and stability of cash flows generated by the REIT. We expanded and diversified the portfolio through high quality acquisitions and completed a number of significant long term leases with high credit quality tenants.

## OUTLOOK

The 2016 year represented a substantial period of growth for the REIT, which we believe has been displayed in our leasing activity, acquisitions and financing activity. The following are some of the more significant items that management expects will impact the REIT during 2017 and 2018:

- Our redevelopment of 2251 and 2285 Speakman Drive for SNC-Lavalin Nuclear represents a multi-year transformation project for the Sheridan Business Park in Mississauga, ON. 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. In 2016,



the REIT reclassified 2285 Speakman Drive from income-producing to redevelopment and has begun construction in the first quarter of 2017. Completion is expected in late-2017.

- The leasing momentum at the Maritime Centre in Halifax, NS is important to highlight and is a significant focus of Management in 2017. 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 rent growth. In the prior quarter, the Province of Nova Scotia leased 41,571 square feet and Dalhousie University leased 10,217 square feet, and together these deals represented a 46.0% increase over the expiring rent from Bell Aliant. In the current quarter, 5,056 square feet of former Bell Aliant space was leased to Fujitsu at a 48.6% premium to expiring rent. Subsequent to December 31, 2016, an additional 15,849 square feet of former Bell Aliant space was leased to Salesforce at a 37.1% premium to expiring rent. Management expects another 62,000 square feet of former Bell Aliant space to be leased prior to April 30, 2017. We are pleased with the demand for this space to date and believe the Maritime Centre represents an exceptional opportunity to grow same property NOI through meaningful rent increases.
- Management is focused on continuing to complete lease deals that will add significant value to the portfolio, through extending term, increasing rents and enhancing the credit quality of the REIT's tenant base. This was exemplified with transactions such as the renewal of Medavie Blue Cross in Moncton at the Blue Cross Centre through to 2029 and a new deal with Johnson Insurance at the newly renamed Johnson Building through to 2030.
- In 2017, 11.0% 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, and a 41,389 square foot tenant at Brunswick Square in St. John, NB, that have both vacated on January 1, 2017. Management had underwrote these vacancies on acquisition and continue to work diligently to re-lease this space.
- Throughout 2016 we completed a number of lease deals in the portfolio, which resulted in meaningful increases in value, however, will have short-term negative impacts to NOI. Specifically, the 155,470 square foot lease with Medavie Blue Cross at the Blue Cross Centre in Moncton, NB through to 2029, resulted in a decline in rent beginning in the fourth quarter of 2016, however, over the term to maturity, the lease will provide additional cash flow from contractual rent step-ups. Further, in early 2016, the REIT renewed a 103,179 square foot lease with Concentrix Technologies Services (formerly, The Minacs Group Inc.) at 1189 Colonel Sam in Oshawa, ON, for an additional 5 years that was set to mature at the end of 2016. The new lease will result in a lower initial lease rate beginning in January of 2017 than was previously in place.

## **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, 59,834 square feet of leasing was completed, representing 26,834 square feet of new lease deals and 33,000 square feet of lease renewals. The majority of the leasing activity was in the GTA portfolio, with the exception of a 5,056 square foot new deal at the Maritime Centre in Halifax, NS. Leasing spreads in the quarter were 4.9% above expiring or building in-place rents and new deals were 4.2% above building in-place rent where renewals were 5.3% above expiring rents. Overall, in-place occupancy and the weighted-average lease term for the portfolio remained consistent, at 86.4% and 5.4 years, respectively, compared to 86.3% and 5.6 years as at September 30, 2016.

Looking forward to 2017, 11.0% 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, and a 41,389 square foot tenant at Brunswick Square in St. John, NB, that vacated on January 1, 2017. As well, Bell Aliant is vacating 193,861 square feet at the Maritime Centre in Halifax, NS, on April 30, 2017. Management has had success working with existing sub-tenants and new tenants at Maritime Centre to drive occupancy and grow rents. As of December 31, 2016, 71,051 square feet of former Bell Aliant space has been leased at rental rates 44.2% over the existing Bell Aliant rent. An additional 47,452 square feet is currently subleased by Bell Aliant and Management is currently working on converting 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 term. Management will continue to drive the organic growth of the portfolio to focus on creating meaningful per unit net asset value accretion.

## OCCUPANCY

The following is a continuity of the change in the in-place occupancy of the REIT's properties from September 30, 2016 to December 31, 2016:

	Three months ended December 31, 2016			Three months ended September 30, 2016		
	GLA	Occupancy (sq. ft.)	Occupancy (%)	GLA	Occupancy (sq. ft.)	Occupancy (%)
Occupancy, beginning of period	4,990,052	4,305,202	86.3%	4,727,414	4,056,432	85.8%
Acquisitions	—	—	—	262,638	250,199	95.3%
Dispositions	—	—	—	—	—	—
Disposed properties	—	—	—	—	(10,688)	—
Change in same property occupancy	—	4,262	—	—	9,259	—
Occupancy, end of period	4,990,052	4,309,464	86.4%	4,990,052	4,305,202	86.3%
Redevelopment properties	280,459	63,646	22.7%	280,459	56,496	20.1%
Occupancy, excluding redevelopments	4,709,593	4,245,818	90.2%	4,709,593	4,248,706	90.2%

(1) This change in occupancy relates to the lease with SNC-Lavalin Nuclear and associated redevelopment of 2251 and 2285 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. ft.) is now commencing. This milestone has caused temporary decline of 10,688 sq. ft., 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 December 31, 2016, the REIT's occupancy, excluding redevelopment office properties, was 90.2% which is consistent with the portfolio's occupancy, excluding redevelopment, at September 30, 2016.

At December 31, 2016, the in-place occupancy of the REIT's total portfolio including redevelopment assets was 86.4%. This occupancy level has increased 10 basis points from the third quarter of 2016 as a result of the additional occupancy at Fortis Building, which is classified as a redevelopment property.

## LEASE MATURITIES

The REIT generally enters into leases with an initial term to maturity between 2 and 10 years. The weighted average remaining term to maturity at December 31, 2016 was 5.4 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:

	December 31, 2016			September 30, 2016		
	Weighted average years to maturity <sup>(1)</sup>	GLA	% of GLA	Weighted average years to maturity <sup>(1)</sup>	GLA	% of GLA
Atlantic	5.3	2,188,946	43.9%	5.5	2,189,353	43.9%
Ontario	4.4	1,551,921	31.1%	4.4	1,548,695	31.0%
Western	8.7	568,596	11.4%	8.9	567,153	11.4%
	5.4	4,309,463	86.4%	5.6	4,305,201	86.3%
Vacant <sup>(2)</sup>		680,589	13.6%		684,850	13.7%
Total		4,990,052	100.0%		4,990,051	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 December 31, 2016.

The following is a profile of the maturities of the REIT's leases without including the impact of tenant extension options at December 31, 2016:

	GLA	% of portfolio	Weighted average in-place rent (per sq.ft.) <sup>(1)</sup>
Month-to-month	151,750	3.0%	\$ 15.67
2017	549,017	11.0%	13.46
2018	603,037	12.1%	14.81
2019	408,899	8.2%	16.60
2020	622,732	12.5%	17.23
2021	230,508	4.6%	18.68
2022	495,020	9.9%	13.32
2013 and later	1,248,500	25.1%	19.93
Vacant	680,589	13.6%	—
<b>Total/weighted average</b>	<b>4,990,052</b>	<b>100.0%</b>	<b>\$ 16.72</b>

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

### IN-PLACE AND MARKET RENTS

During the three months ended December 31, 2016, the REIT completed 59,834 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 December 31, 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	33,000	15	\$ 15.41	\$ 16.23	5.3%
New leases	26,834	10	13.28	13.85	4.2%
Total / weighted average	59,834	25			4.9%
Less: leases not renewed / vacated	(21,695)	12			
Net total	38,139				

During the quarter, on a weighted average basis, renewed leases were completed at a 5.3% increase to expiring rents and new leases were completed at a 4.2% premium to in-place building rents. These rental rate spreads are consistent with Management's expectations for the portfolio.

The following table summarizes the REIT's leasing activity during the year ended December 31, 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	631,231	74	\$ 14.86	\$ 14.89	0.2%
New leases	162,479	43	13.16	12.93	(1.8)%
Total / weighted average	793,710	117	\$ 14.51	\$ 14.49	0.1%
Less: leases not renewed / vacated	(116,522)	62			
Net total	677,188				

Over the past year, lease renewals were completed at a 0.2% premium to in-place rents, while new deals were completed at a 1.8% discount to in-place rent. Throughout 2016 Management completed a number of lease deals in the portfolio, which resulted in meaningful increases in value, however, certain lease transactions will have short-term negative impacts to NOI. Specifically, the 155,470 square foot lease with Medavie Blue Cross in Moncton at the Blue Cross Centre through to 2029 resulted in a decline in rent year one of the term, however, over the term to maturity, the lease will provide additional cash flow from contractual rent step-ups. Further, in early 2016, the REIT renewed a 103,179 square foot lease with Concentrix Technologies Services at 1189 Colonel Sam in Oshawa, ON for an additional 5 years that was set to mature at the end of 2016, but will result in a slightly lower initial lease rate. Both deals represent high credit tenants in smaller markets, that in the opinion of Management, create significant increases in value.

The weighted-average in-place rent of the REIT's portfolio at December 31, 2016 is \$14.61 per square foot. Management estimates the current weighted average market rate to be \$15.98 per square foot for the markets in which the REIT's properties are located, or \$1.37 per square foot 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 December 31, 2016, which together represent 47.5% of base rental receipts:

Tenant	Credit rating <sup>(1)</sup>	GLA (SF)	Number of properties	% of base rental receipts	Weighted average lease term (years)
Government of Canada	AAA	338,736	8	10.0%	6.0
Manitoba Telecom Services Inc.	BBB (high)	66,439	2	8.7%	13.1
Bell Canada Enterprises	BBB	484,794	3	7.6%	3.5
SNC-Lavalin Nuclear Inc.	BBB	342,580	2	7.4%	7.3
Province of New Brunswick	AA	126,609	2	3.7%	4.0
Blue Cross	Unrated	160,433	2	3.0%	11.3
Province of Nova Scotia	AA	129,759	1	2.4%	2.1
Concentrix Technologies Services	Unrated	103,179	1	1.9%	5.1
Province of Manitoba	AA	95,650	2	1.7%	17.9
Extendicare	B (high)	50,187	1	1.1%	3.0
<b>Total</b>		<b>1,898,366</b>		<b>47.5%</b>	<b>6.4</b>

(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 December 31, 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 classified as redevelopment. For a listing of all of the REIT's properties see PART VI of this MD&A.

## Acquisitions

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

	Gateway Complex	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	1,435	274	600	9	2,318
Properties	58,960	27,680	74,037	12,259	172,936
Working capital	(1,390)	126	415	154	(695)
Interest rate subsidy	2,368	—	—	—	2,368
Debt assumed <sup>(1)</sup>	(26,020)	(19,950)	(53,550)	—	(99,520)
Total cash investment	\$ 33,918	\$ 7,856	\$ 20,902	\$ 12,413	\$ 75,089

On June 30, 2016, the REIT acquired Gateway Complex, a suburban office complex located at 3000 and 3100 Steeles Avenue East in Markham, ON, for an aggregate purchase price of \$57.5 million. Gateway Complex is located on a prominent corner with excellent highway connectivity throughout the Greater Toronto Area and is adjacent to the REIT's Woodbine Complex property. Gateway Complex totals 235,673 square feet of Class A space comprised of two mid-rise office towers that are connected through a single story commercial corridor. At the time of acquisition the property was 95.1% occupied by a diversified mix of predominately service oriented companies.

During 2016, the REIT increased its interest in its three co-owned office properties (the "St. John's Places") to 100%. The St. John's Places assets are comprised of TD Place, Cabot Place and Fortis Place all located in St. John's, NL. This increase was completed in two tranches in June and September, for an additional aggregate investment of \$100.8 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, NL and has secured the REIT's position as a dominant landlord in that market.

On September 8, 2016, the REIT acquired 365 Hargrave St., a government-tenanted office building located in the heart of Winnipeg, MB, 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.

### Acquisition pipeline

The REIT currently has a significant pipeline of active opportunities in the cities in which we operate. While the number of opportunities is high we will continue to be disciplined in our underwriting and pricing. We will not sacrifice long term value creation for short-term income.

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 are located in a stable market, in good physical condition and have opportunities to drive value by moving existing rents to market rates and/or increase occupancy through focused leasing or repositioning.

'Non-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 reinforces 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 historical operating expertise.

### Dispositions

During the year ended December 31, 2016, the REIT made the following property disposition:

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

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 December 31, 2016:

Property Address	Property Name	City, Province	Year Built / Renovated / Expanded	Interest	Sq ft.of GLA	Occupancy
2285 Speakman Drive		Mississauga, ON	1981	100%	126,270	—%
Various	Water Street Properties	St. John's, NL	Various	100%	71,541	54.4%
139 Water Street	Fortis Building	St. John's, NL	1968 / 1994	100%	82,648	22.7%

In St. John's, NL, 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 \$122 per square foot and have the potential for redevelopment as a regional head-office, possibly for an energy industry user. The REIT's low cost base would allow for significant capital to be allocated towards a redevelopment of the Water Street Properties and Fortis Building 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 is constructing 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 was reclassified to redevelopment property in the third quarter of 2016. Construction commenced in the first quarter of 2017 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 December 31, 2016 had an estimated IFRS fair value of \$946.9 million, with a weighted average going-in capitalization rate of 6.37%. It is important to highlight that this capitalization rate reflects the current economics of the REIT's properties, including its 86.4% in-place occupancy which includes its redevelopment assets and current in-place rents of \$14.61 per square foot, which Management estimates to be on average \$1.37 below market rents. Overall, the average estimated IFRS value per square foot of the REIT's portfolio is \$190 with an average cost to the REIT of \$182 per square foot. Management believes that this average value per square foot is significantly lower than replacement cost, which Management estimates to be on average between \$250 and \$350 per square foot, depending on the property. In certain markets, such as St. John's, NL, the cost to construct is significantly higher.

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 December 31, 2016 and December 31, 2015:

	December 31, 2016			December 31, 2015		
	Discount rate	Terminal cap rate	Capitalization rate <sup>(1)</sup>	Discount rate	Terminal cap rate	Capitalization rate <sup>(1)</sup>
Minimum	6.75%	6.25%	4.16%	7.00%	6.25%	4.50%
Maximum	11.00%	9.00%	11.92%	11.00%	9.00%	13.17%
Weighted average	7.55%	7.05%	6.37%	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 6.37%, 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 4.16% and 11.92%, 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 redevelopment 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 6.37%, the rate would be adjusted to 6.53%.

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 December 31,		Year ended December 31,	
	2016	2015	2016	2015
Balance, beginning of period	\$ 937,160	\$ 728,053	\$ 729,089	\$ 448,012
Acquisitions	—	38,688	172,936	347,267
Capital expenditures	2,398	2,390	24,345	3,524
Direct leasing costs	5,897	4,059	15,418	10,185
Dispositions	—	(53,261)	(4,275)	(82,511)
Depreciation of hotel asset	(162)	(271)	(590)	(271)
Provisions	—	(545)	—	(531)
Change in fair value	1,022	9,657	7,933	1,786
Straight line rent and other changes	625	319	2,083	1,628
<b>Balance, end of period</b>	<b>\$ 946,939</b>	<b>\$ 729,089</b>	<b>\$ 946,939</b>	<b>\$ 729,089</b>

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 December 31, 2016 is primarily the result of additional capital and direct leasing spend and other additions and modifications to discount and capitalization rates. The change in carrying value for the REIT's properties during the year-end December 31, 2016 is attributable to acquisition activity of \$172.9 million, as well as capital and direct leasing spend of \$24.3 million and \$15.4 million, respectively.

## PART III - RESULTS OF OPERATIONS

### SUMMARY OF RESULTS OF OPERATIONS

The following is a summary of the results of operations for the three months ended December 31, 2016 and 2015 and years ended December 31, 2016, 2015 and 2014:

	Three months ended December 31,			Year ended December 31,	
	2016	2015	2016	2015	2014
Rental revenue	\$ 35,094	\$ 29,939	\$ 122,190	\$ 87,543	\$ 33,087
Property operating expenses	(19,404)	(17,295)	(66,062)	(44,944)	(13,800)
Income from equity accounted investment	—	—	—	2,547	1,501
Finance income on finance lease receivable	998	1,030	4,041	1,721	—
Interest income	21	21	71	703	633
Interest and finance costs	(5,143)	(5,234)	(18,781)	(15,339)	(6,992)
General and administrative	(1,075)	(976)	(4,205)	(3,488)	(3,909)
Change in fair value of properties	1,022	9,657	7,933	1,786	(4,620)
Change in fair value of financial instruments	1,564	21	602	3,312	(3,119)
Disposition costs	(101)	(3,411)	(322)	(5,134)	—
Depreciation of hotel asset	(162)	(271)	(590)	(271)	—
<b>Net income before Class B LP units</b>	<b>\$ 12,814</b>	<b>\$ 13,481</b>	<b>\$ 44,877</b>	<b>\$ 28,436</b>	<b>\$ 2,781</b>
Change in fair value of Class B LP units	2,748	712	(4,493)	2,691	2,444
Distributions to Class B LP unitholders	(991)	(992)	(3,964)	(3,846)	(2,364)
<b>Net income and comprehensive income</b>	<b>\$ 14,571</b>	<b>\$ 13,201</b>	<b>\$ 36,420</b>	<b>\$ 27,281</b>	<b>\$ 2,861</b>
Attributed to unitholders	14,571	13,181	36,420	27,181	2,861
Attributed to non-controlling interests	—	20	—	100	—
	<b>\$ 14,571</b>	<b>\$ 13,201</b>	<b>\$ 36,420</b>	<b>\$ 27,281</b>	<b>\$ 2,861</b>

### NET INCOME BEFORE CLASS B LP UNITS

Net income before Class B LP units is an additional 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 December 31, 2016 was \$12.8 million compared to \$13.5 million for the same period in 2015. Net income before Class B LP units for the year ended December 31, 2016 and 2015 was \$44.9 million and \$28.4 million, respectively. Net income before Class B LP units was lower for the three months ended December 31, 2016 when compared to the same period in 2015 as a result of higher NOI from overall portfolio growth offset by a lower change in fair value of investment property in the current quarter. The change in fair value for the three months ended December 31, 2016 was \$1.0 million compared to \$9.7 million for the same period in 2015.

Net income before Class B LP units for the year ended December 31, 2016 has increased by \$16.4 million due to higher NOI in the year to date period as well, the change in fair value of investment properties \$7.9 million compared to \$1.8 million in the same period in 2015. The REIT also recorded higher finance income from the finance lease receivable of \$2.3 million as a result of a full year of 100% ownership of the Data Centre.

### NET INCOME

For the three months ended December 31, 2016, net income was \$14.6 million, representing an increase of \$1.4 million compared to the same period in 2015. This increase was primarily due to a gain of \$2.7 million from the change in fair value of the Class B LP units for the three months ended December 31, 2016 compared to \$0.7 million for the same period in 2015, which is directly correlated with the change in the unit price of the REIT's units during the three month period. 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 year ended December 31, 2016, net income was \$36.4 million, representing an increase of \$9.1 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 \$4.5 million as a result of an increase in the fair value of Class B units as a result of an increase in the REIT's share price for the year ended compared to the same period in the prior year. Distributions to Class B LP unitholders remained consistent across both periods.



## 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 months and year ended December 31, 2016 and 2015:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Revenue	\$ 35,094	\$ 29,939	\$ 122,190	\$ 87,543
Property operating expenses	(19,404)	(17,295)	(66,062)	(44,944)
Straight-line rents and other changes	(625)	(318)	(2,083)	(1,628)
Net operating income	\$ 15,065	\$ 12,326	\$ 54,045	\$ 40,971

The increase in NOI of \$2.7 million for the three months ended December 31, 2016 compared to the same period in 2015 was the result of portfolio growth, most notably, the acquisition of the remaining interest in the St. John's Places through two partial interest acquisitions in 2016. The first being the acquisition of an additional 19% ownership in June 2016 and a further 51% in September 2016, increasing ownership to 100% at the end of 2016. The REIT also completed the acquisition of the Gateway Complex at the end of the second quarter 2016 and 365 Hargrave St. in September 2016, which have both positively contributed to NOI in the period.

NOI for the year ended December 31, 2016 and 2015 was \$54.0 million and \$41.0 million, respectively. The REIT acquired the Fortis Portfolio in June 2015 which consisted of 14 properties, 11 of which were owned at 100% and the St. John's Places were acquired at a 10% interest. Subsequently, three of the retail properties acquired were disposed of in December 2015. The NOI contribution from the acquired properties would have only been reflected in six of the twelve months ended December 31, 2015, where these properties would have positively contributed to NOI throughout the entire year in 2016. Offsetting this increase in NOI, was the disposition of an industrial portfolio in December 2015, which would positively contributed to revenue during the year ended December 31, 2015 with no contribution during 2016.

## 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. Other than on a year-over-year basis, same property NOI excludes the earnings attributable to the REIT's hotel asset due to the seasonality of that asset. Same-property NOI is an important measure of the income generated from the REIT's properties period-over-period, but without consideration of acquisition and disposition activity, and is used by the REIT in evaluating the performance of its properties. The REIT seeks to increase or maintain same-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 the same-property NOI in the current quarter to December 31, 2015 and excludes the industrial and retail portfolio sales in December 2015 as well as the acquisition of 365 Hargrave St., 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	
	December 31, 2016	December 31, 2015
Number of properties	33	33
GLA	4,345,555	4,345,555
Revenue	\$ 28,855	\$ 27,913
Property operating expenses	(16,271)	(16,105)
Straight-line rents and other changes	(531)	(308)
Same-property NOI (including hotel asset)	12,053	11,500
Year-over-year change - \$	\$ 553	
Year-over-year change - %	4.8%	

Same-property NOI for the three months ended December 31, 2016 compared to the same quarter in 2015, has increased by \$0.6 million or 4.8%, an increase from \$11.5 million to \$12.1 million. This increase was attributable to increased rental rates as a result of contractual increases embedded in leases, transitioning renewing tenants to market rents, the leasing of vacant space and improved operations at the REIT's hotel asset.

Management also compares same-property NOI for the current quarter to the most recently completed comparative quarter. The same-property NOI comparison to September 30, 2016 includes all of the REIT's properties owned during the quarter, but reflecting only a 49% interest St. John's Places as only 49% of those assets were owned consistently throughout the third and fourth quarter of 2016.

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

	<b>December 31, 2016</b>	Three months ended September 30, 2016
Number of properties	<b>35</b>	35
GLA	<b>4,798,886</b>	4,798,886
Revenue	<b>\$ 32,427</b>	\$ 30,773
Operating expenses	<b>(18,042)</b>	(16,086)
Straight-line rents and other changes	<b>(617)</b>	(519)
Same-property NOI (including hotel asset)	<b>13,768</b>	14,168
NOI attributable to hotel asset	<b>(157)</b>	(488)
Same-property NOI (excluding hotel asset)	<b>\$ 13,611</b>	\$ 13,680
Quarter-over-quarter change - \$	<b>\$ (69)</b>	
Quarter-over-quarter change - %	<b>(0.5)%</b>	

Same-property NOI for the three months ended December 31, 2016 compared to the immediately preceding quarter has decreased by \$0.1 million million or 2.8%. NOI has remained relatively consistent in the comparable period.

## 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 months and year ended December 31, 2016 and 2015 from net income and comprehensive income:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
<b>Net income and comprehensive income</b>	<b>\$ 14,571</b>	<b>\$ 13,201</b>	<b>\$ 36,420</b>	<b>\$ 27,281</b>
Add (deduct):				
Leasing costs amortized to revenue	159	62	636	225
Fair value adjustment in equity accounted investment	—	—	—	(2,507)
Non-controlling interests	—	(35)	—	(173)
Change in fair value of investment property	(1,022)	(9,657)	(7,933)	(1,786)
Change in fair value of financial instruments	(1,564)	(21)	(602)	(3,312)
Disposition costs	101	3,412	322	5,134
Depreciation of hotel asset	162	271	590	271
Change in fair value of Class B LP units	(2,748)	(712)	4,493	(2,691)
Distributions to Class B unitholders	991	992	3,964	3,846
<b>FFO</b>	<b>\$ 10,650</b>	<b>\$ 7,513</b>	<b>\$ 37,890</b>	<b>\$ 26,288</b>
Finance income on finance lease receivable	(998)	(996)	(4,041)	(1,896)
Finance lease payments received	1,525	1,475	6,099	2,759
Mortgage discharge fees	—	536	—	536
<b>Core-FFO</b>	<b>\$ 11,177</b>	<b>\$ 8,528</b>	<b>\$ 39,948</b>	<b>\$ 27,687</b>
Weighted average number of units outstanding <sup>(1)</sup>	46,071	35,519	39,653	27,852
FFO per unit (diluted)	\$ 0.23	\$ 0.21	\$ 0.96	\$ 0.94
Core-FFO per unit (diluted)	\$ 0.24	\$ 0.24	\$ 1.01	\$ 0.99

(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 December 31, 2016, FFO was \$10.7 million or \$0.23 per unit compared to FFO for the three months ended December 31, 2015 was \$7.5 million or \$0.21 per unit, representing an increase of \$3.1 million or \$0.02 per unit. The increase in FFO per unit is a result of the increase in contribution in the quarter from acquisition activity, increases in same-property NOI, offset by an increase in the weighted average number of units outstanding in the current quarter from the equity offerings completed in June and September 2016.

FFO for the year ended December 31, 2016 was \$37.9 million, which is \$11.6 million higher than FFO from the same period in 2015, representing an increase of \$0.02 per unit, year-over-year. The increase in FFO is primarily attributable to portfolio growth, most notably, the acquisition of the Fortis portfolio in June 2015, which consisted of 11 properties acquired at 100% and a 10% interest in the St. John's Places assets. The REIT acquired an additional 20% interest in St. John's Places on December 31, 2015. Throughout the remainder of 2016, the REIT acquired 100% of St. John's Places in 2016, up from 30% at the end of 2015, as well as the acquisition of the Gateway Complex and 365 Hargave Street, all of which have had a positive contribution on NOI. These increases are offset by the by the disposition of the industrial and retail properties in the fourth quarter 2015. This positive increase in FFO is partially offset by the increase in interest and finance costs from additional borrowings used to finance acquisitions.

Core-FFO for the three months and year ended December 31, 2016 was \$11.2 million and \$39.9 million, respectively, compared to \$8.5 million and \$27.7 million for the same periods in 2015. The increase in Core-FFO in the current quarter and for the year ended is attributable to the increase in

FFO, as well as an increase in finance lease payments received in 2016 representing 100% ownership while the REIT only held an 80% interest in the Data Centre for a portion of the fourth quarter in 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; adjustments for interest rate subsidy received; 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 months and year ended December 31, 2016 as compared to the same period in the prior year is as follows:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
<b>Core-FFO</b>	\$ 11,177	\$ 8,528	\$ 39,948	\$ 27,687
Add (deduct):				
Guaranteed income supplements <sup>(1)</sup>	628	259	1,574	747
Amortization of deferred transaction costs	304	336	1,159	735
Amortization of debt mark-to-market adjustments	(127)	(69)	(294)	(331)
Interest rate subsidy	108	—	216	—
Amortization of straight-line rent	(784)	(381)	(2,719)	(1,853)
Normalized direct leasing and capital costs	(1,569)	(1,264)	(5,613)	(4,260)
<b>AFFO</b>	\$ 9,737	\$ 7,409	\$ 34,271	\$ 22,725
Weighted average number of units outstanding <sup>(2)</sup>	46,071	35,519	39,653	27,852
AFFO per unit (diluted)	\$ 0.21	\$ 0.21	\$ 0.86	\$ 0.82

(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 December 31, 2016, AFFO was \$9.7 million or \$0.21 per unit whereas AFFO for the three months ended December 31, 2015 was \$7.4 million or \$0.21 per unit, representing an increase of \$2.3 million while AFFO per unit remained consistent with prior year. The increase in AFFO is attributable to the growth in the portfolio from acquisition activity. AFFO for the year ended December 31, 2016 was \$34.3 million compared to \$22.7 million in the same period in 2015. This represents an increase of per unit of \$0.04 year-over-year. The increase in AFFO is attributable to increases in NOI from overall portfolio growth as a result of the Fortis portfolio acquisition in June 2015, the acquisition of an additional 20% of St. John's Places assets on December 31, 2015, the acquisition of 100% of St. John's Places, the Gateway Complex and 365 Hargrave St. in 2016 which have all contributed positively to the REIT's operating results when compared to the same period in 2015.

## Reconciliation of FFO, Core-FFO and AFFO

A reconciliation of net income to FFO, Core-FFO and AFFO for three months and year ended December 31, 2016 as compared to the same period in the prior year is as follows:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
<b>Net income and comprehensive income</b>	<b>\$ 14,571</b>	<b>\$ 13,201</b>	<b>\$ 36,420</b>	<b>\$ 27,281</b>
Add (deduct):				
Leasing costs amortized to revenue	159	62	636	225
Fair value adjustment in equity accounted investment	—	—	—	(2,507)
Non-controlling interests	—	(35)	—	(173)
Change in fair value of investment property	(1,022)	(9,657)	(7,933)	(1,786)
Change in fair value of financial instruments	(1,564)	(21)	(602)	(3,312)
Disposition costs	101	3,412	322	5,134
Depreciation of hotel asset	162	271	590	271
Change in fair value of Class B LP units	(2,748)	(712)	4,493	(2,691)
Distributions to Class B unitholders	991	992	3,964	3,846
<b>FFO</b>	<b>10,650</b>	<b>7,513</b>	<b>37,890</b>	<b>26,288</b>
Finance income on finance lease receivable	(998)	(996)	(4,041)	(1,896)
Finance lease payments received	1,525	1,475	6,099	2,759
Mortgage discharge fees	—	536	—	536
<b>Core-FFO</b>	<b>11,177</b>	<b>8,528</b>	<b>39,948</b>	<b>27,687</b>
Guaranteed income supplements <sup>(1)</sup>	628	259	1,574	747
Amortization of deferred transaction costs	304	336	1,159	735
Amortization of debt mark-to-market adjustments	(127)	(69)	(294)	(331)
Interest rate subsidy	108	—	216	—
Amortization of straight-line rent	(784)	(381)	(2,719)	(1,853)
Normalized direct leasing and capital costs	(1,569)	(1,264)	(5,613)	(4,260)
<b>AFFO</b>	<b>\$ 9,737</b>	<b>\$ 7,409</b>	<b>\$ 34,271</b>	<b>\$ 22,725</b>

(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.

The following is FFO and AFFO expressed on a per unit basis for the three months and year ended December 31, 2016 as compared to the same period in the prior year:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
FFO per unit (diluted)	\$ 0.23	\$ 0.21	\$ 0.96	\$ 0.94
Core FFO per unit (diluted)	0.24	0.24	1.01	0.99
AFFO per unit (diluted)	\$ 0.21	\$ 0.21	\$ 0.86	\$ 0.82

The following table reconciles AFFO from cash flow from operating activities for the three months and year ended December 31, 2016 and 2015:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
<b>Cash flow from operating activities</b>	<b>\$ 15,322</b>	<b>\$ 10,661</b>	<b>\$ 36,667</b>	<b>30,246</b>
Add (deduct):				
Working capital items	(6,371)	(6,219)	(4,917)	(13,158)
Principal repayments on finance lease receivable	527	479	2,058	863
Distributions paid to Class B LP unitholders	991	979	3,964	3,833
Disposition costs	101	3,412	322	5,134
Guaranteed income supplement	628	259	1,574	747
Interest rate subsidy	108	—	216	—
Income from equity accounted investment	—	—	—	2,547
Adjustment on acquisition of Data Centre	—	(863)	—	(547)
Fair value adjustment in equity accounted investment	—	—	—	(2,507)
Non-controlling interests	—	(35)	—	(173)
Normalized direct leasing and capital costs	(1,569)	(1,264)	(5,613)	(4,260)
<b>AFFO</b>	<b>\$ 9,737</b>	<b>\$ 7,409</b>	<b>\$ 34,271</b>	<b>22,725</b>

The following table reconciles AFFO from NOI for the three months and year ended December 31, 2016 and 2015:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
<b>Net operating income</b>	<b>\$ 15,065</b>	<b>\$ 12,326</b>	<b>\$ 54,045</b>	<b>40,973</b>
Add (deduct):				
General and administrative	(1,075)	(976)	(4,205)	(3,488)
Finance lease payments received	1,525	1,475	6,099	2,759
Other earnings from equity accounted investments	—	—	—	(307)
Cash interest	(4,945)	(4,411)	(17,845)	(13,699)
Interest rate subsidy	108	—	216	—
Guaranteed income supplement	628	259	1,574	747
Normalized direct leasing and capital costs	(1,569)	(1,264)	(5,613)	(4,260)
<b>AFFO</b>	<b>\$ 9,737</b>	<b>\$ 7,409</b>	<b>\$ 34,271</b>	<b>22,725</b>

## DISTRIBUTIONS

During the year, the REIT paid monthly distributions equal to \$0.0625 per unit, 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 15<sup>th</sup> day of the month following declaration.

The following table summarizes distributions made during the three months ended December 31, 2016 and 2015 to unitholders of the REIT and Class B LP unitholders:

	Three months ended December 31, 2016			Three months ended December 31, 2015		
	Trust units	Class B LP units	Total	Trust units	Class B LP units	Total
Distributions declared	\$ 7,638	\$ 991	\$ 8,629	\$ 5,654	\$ 992	\$ 6,646
Distributions reinvested in trust units	280	—	280	472	—	472
Distributions made in cash	\$ 7,358	\$ 991	\$ 8,349	\$ 5,182	\$ 992	\$ 6,174

The following table summarizes distributions made during the year ended December 31, and 2015 to unitholders of the REIT and Class B LP unitholders:

	Year ended December 31, 2016			Year ended December 31, 2015		
	Trust units	Class B LP units	Total	Trust units	Class B LP units	Total
Distributions declared	\$ 26,062	\$ 3,964	\$ 30,026	\$ 17,946	\$ 3,846	\$ 21,792
Distributions reinvested in trust units	866	—	866	1,087	—	1,087
Distributions made in cash	\$ 25,196	\$ 3,964	\$ 29,160	\$ 16,859	\$ 3,846	\$ 20,705

The REIT has a distribution reinvestment plan (“DRIP”), where eligible unitholders, which include holders of Class B LP units, that elect to participate in the DRIP will have their cash distributions used to purchase trust units of the REIT. The distributions declared during the three months and year ended December 31, 2016 resulted in 21,605 and 117,383 trust units issued/issuable under the DRIP, respectively. For the December 2016 distribution, approximately 2.6% 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 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 December 31, 2016, the AFFO payout ratio was 88.6%, compared to the payout ratio of 89.7% 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 fiscal 2016 as well as additional NOI contribution from the acquisition of the Gateway Complex in June 2016 and 365 Hargrave St. in September 2016 and the additional acquisitions of St. John’s Places in June and September 2016 increasing ownership to 100% at the end of the year. 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. During the year ended December 31, 2016, the AFFO payout ratio was 87.6%. The AFFO payout ratio was 95.9% for the same period in 2015.

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

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
AFFO	\$ 9,737	\$ 7,409	\$ 34,271	\$ 22,725
REIT unit and Class B LP distributions declared	8,629	6,646	30,026	21,792
Excess of AFFO over distributions declared	1,108	763	4,245	933
Cash retained from DRIP	280	472	866	1,087
Excess of AFFO over cash distributions	\$ 1,388	\$ 1,235	\$ 5,111	\$ 2,020
AFFO payout ratio	88.6%	89.7%	87.6%	95.9%
AFFO payout ratio after DRIP <sup>(1)</sup>	85.7%	83.3%	85.1%	91.1%

(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 December 31, 2016 and 2015:

	Three months ended December 31,			
	2016		2015	
	NOI	Percentage (%)	NOI	Percentage (%)
Atlantic	\$ 7,732	51.3%	\$ 5,999	48.7%
Ontario	5,825	38.7%	4,328	35.1%
Western	1,508	10.0%	1,999	16.2%
	\$ 15,065	100.0%	\$ 12,326	100.0%

The following is the REIT's NOI by geographic region for the year ended December 31, 2016 and 2015:

	Year ended December 31,			
	2016		2015	
	NOI	Percentage (%)	NOI	Percentage (%)
Atlantic	\$ 28,332	52.4%	\$ 13,348	32.6%
Ontario	20,313	37.6%	19,044	46.5%
Western	5,435	10.0%	8,579	20.9%
	\$ 54,080	100.0%	\$ 40,971	100.0%

#### Atlantic

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
# of properties	11	11	11	11
Owned GLA (000s of sq. ft.)	2,452	2,190	2,452	2,190
Occupancy rate (%) (period-end)	89.3%	88.2%	89.3%	88.2%
Revenue	\$ 20,111	\$ 16,720	\$ 69,387	\$ 32,840
Property operating expenses	(12,129)	(10,611)	(40,349)	(19,282)
Straight-line rent and other changes	(250)	(110)	(706)	(210)
NOI	\$ 7,732	\$ 5,999	\$ 28,332	\$ 13,348

NOI for the Atlantic properties has increased by \$1.7 million for the three months ended December 31, 2016 compared to the same period in 2015. For the year ended December 31, 2016, NOI from the Atlantic properties was \$28.3 million compared to \$13.3 million.

NOI for the three months ended December 31, 2016 has increased from the same period in 2015 as a result of the the acquisition of the Fortis portfolio in June 2015, which consisted of the acquisition of a 100% ownership in 11 properties and a 10% interest in St. John's Places assets. The REIT acquired an additional 20% interest in St. John's Places on December 31, 2015 and a further 70% throughout 2016 for a total ownership of 100% as at the end of 2016. Included in NOI for the three months ended December 31, 2015 is 10% contribution from St. John's Places as the acquisition of 30% occurred on December 31, 2015 with no resulting income statement impact. NOI for the three months ended December 31, 2016 includes 100% of the NOI contribution from these assets which has resulted in the increase in NOI period over period. The increase in NOI for the year ended December 31, 2016 of \$15.0 million is also as a result of increased ownership in St. John's Places.

#### Ontario

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
# of properties	12	11	12	11
Owned GLA (000s of sq. ft.)	1,862	1,626	1,862	1,626
Occupancy rate (%) (period-end)	83.4%	82.4%	83.4%	82.4%
Revenue	\$ 11,730	\$ 9,251	\$ 41,114	\$ 38,366
Property operating expenses	(5,664)	(4,862)	(19,983)	(18,556)
Straight-line rent and other changes	(241)	(61)	(818)	(766)
NOI	\$ 5,825	\$ 4,328	\$ 20,313	\$ 19,044

NOI for the three months ended December 31, 2016 was \$5.8 million compared to NOI of \$4.3 million for the three months ended December 31, 2015, representing an increase of \$1.5 million. NOI for the year ended December 31, 2016 increased by \$1.3 million over the same period in 2016. The increase in NOI in the period over period comparison is mainly as a result of the acquisition of the Gateway Complex in June 2016, which contributions close to \$1.0 million per quarter to NOI. As well, positive leasing at the REIT's Ontario properties has resulting in increased occupancy and a positive contribution to NOI period over period.



## Western

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
# of properties	12	12	12	12
Owned GLA (000s of sq. ft.)	676	621	676	621
Occupancy rate (%) (period-end)	84.1%	83.7%	84.1%	83.7%
Revenue	\$ 3,253	\$ 3,968	\$ 11,690	\$ 16,338
Property operating expenses	(1,611)	(1,821)	(5,696)	(7,107)
Straight-line rent and other changes	(134)	(148)	(559)	(652)
NOI	\$ 1,508	\$ 1,999	\$ 5,435	\$ 8,579
NOI from Data Centre	1,525	1,525	6,099	3,484
NOI including Data Centre	\$ 3,033	\$ 3,524	\$ 11,534	\$ 12,063

NOI for the three months and year ended December 31, 2016 was \$3.0 million and \$11.5 million including the income from the Data Centre. The Data Centre is accounted for as a finance lease and corresponding interest income is recorded below net operating income and principal repayments reduce the balance of the lease receivable. 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 December 31,		Year ended December 31,	
	2016	2015	2016	2015
Property base rent	\$ 18,201	\$ 15,950	\$ 65,202	\$ 48,070
Operating cost and tax recoveries	14,251	11,589	46,796	33,532
Hotel	2,017	2,082	8,109	4,313
Straight-line adjustments and other	625	318	2,083	1,628
	\$ 35,094	\$ 29,939	\$ 122,190	\$ 87,543

For the three months ended December 31, 2016, revenue from investment properties was \$35.1 million compared to \$29.9 million for the same period in 2015. For the year ended December 31, 2016, revenue was \$122.2 million compared to \$87.5 million in the same period in 2015. The increase in revenue is a result of overall portfolio growth, most notably, the acquisition of the Fortis portfolio in June 2015, the acquisition of the Gateway Complex 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 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 \$14.3 million for the three months ended December 31, 2016 compared to \$11.6 million for the same period in 2015, while recoveries for the year ended December 31, 2016 and 2015 were \$46.8 million and \$33.5 million, respectively.

### GENERAL AND ADMINISTRATIVE

General and administration expenses are primarily comprised of asset management fees, professional fees, trustee fees, and other amounts. For the three months ended December 31, 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 year ended December 31, 2016 were higher than the year ended December 31, 2015 by \$0.7 million due to portfolio growth which increased asset management fees, 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 December 31,		Year ended December 31,	
	2016	2015	2016	2015
Mortgage interest	\$ 2,561	\$ 2,701	\$ 9,438	\$ 10,597
Interest on other debt	2,405	1,730	8,478	3,617
Interest on vendor take-back loan	—	—	—	185
Amortization of deferred transaction costs	304	336	1,159	735
Amortization of mark-to-market adjustment on mortgages	(127)	(69)	(294)	(331)
Mortgage discharge	—	536	—	536
	\$ 5,143	\$ 5,234	\$ 18,781	\$ 15,339

For the three months ended December 31, 2016, interest and finance costs were \$5.1 million which is consistent with interest and finance costs in the same period in 2015. Interest and finance costs for the year ended December 31, 2016 were \$18.8 million compared to \$15.3 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 the Fortis portfolio in June 2015, as well as 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 Complex in June 2016. These assets were partially financed by debt which increased interest costs. Additionally, the REIT has borrowed on its facilities to finance the redevelopment of Speakman Drive. Increased interest was offset by the disposition of the industrial portfolio in December 2015 which was 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 months and year ended December 31, 2016 was \$1.0 million and \$4.0 million, respectively, compared to \$1.0 million and \$1.7 million for the same periods in 2015. As the lease commenced on June 5, 2015, interest income from finance lease receivable for the year ended December 31, 2015 only includes seven months of income, compared to a full twelve 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 \$6.1 million annually from lease payments.

## CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

The change in fair value investment properties was \$1.0 million and \$7.9 million for the three months and year ended December 31, 2016 compared to \$9.7 million and \$1.8 million for the same periods in 2015. The quarterly and annual changes are dependent on timing of capital expenditures that directly increase the value of the REIT's investment properties as well as the timing of newly executed lease deals as well as significant renewals which positively impact the fair value of the investment properties.

## CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

The change in fair value of financial instruments represents the change in the fair value of the REIT's interest rate swaps, interest rate cap and deferred unit liabilities on deferred units issued to Trustees and Officers of the REIT. In prior year, these changes also included fair value changes on warrants and gain on satisfaction of subscription receipts. The change for the three months ended December 31, 2016 was a gain of \$1.6 million compared to a gain of \$0.02 million in the same period in 2015. The fair value change is as a result of a \$1.5 million decrease in the fair value of interest rate swaps as well as small changes in the remaining financial instruments. The change was \$0.6 million for 2016 compared to \$3.3 million for 2015. The change in 2015 was mainly as a result of \$4.9 million gain on the satisfaction of subscription receipts offset by a loss of \$1.6 million as a result of an increase in the swap liability.

## 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:

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Revenue	\$ 35,094	\$ 31,330	\$ 28,197	\$ 27,569	\$ 29,939	\$ 29,133	\$ 14,390	\$ 14,082
Operating costs	(19,404)	(16,362)	(14,994)	(15,302)	(17,295)	(14,808)	(6,387)	(6,454)
Straight-line rent and other	(625)	(522)	(443)	(493)	(318)	(438)	(369)	(502)
Net operating income	\$ 15,065	\$ 14,446	\$ 12,760	\$ 11,774	\$ 12,326	\$ 13,887	\$ 7,634	\$ 7,126
Net income (loss) and comprehensive income (loss)	\$ 14,571	\$ 2,984	\$ 15,244	\$ 3,621	\$ 13,201	\$ 4,830	\$ 10,480	\$ (1,230)
Weighted average diluted units <sup>(1)</sup>	46,071	41,449	35,674	35,334	35,519	35,567	20,032	20,016
Net income (loss) and comprehensive income (loss) per unit	\$ 0.32	\$ 0.07	\$ 0.43	\$ 0.10	\$ 0.37	\$ 0.14	\$ 0.52	\$ (0.06)
Distributions <sup>(2)</sup>	8,629	7,862	6,912	6,623	6,646	6,664	4,729	3,753
Distributions per unit	0.1875	0.1875	0.1875	0.1875	0.1875	0.1875	0.1875	0.1875
FFO	10,650	9,989	9,078	8,173	7,513	9,525	4,720	4,530
FFO per unit - diluted	0.23	0.24	0.25	0.23	0.21	0.27	0.24	0.23
Core-FFO	11,177	10,507	9,588	8,676	8,528	9,867	4,764	4,530
Core-FFO per unit - diluted	0.24	0.25	0.27	0.25	0.24	0.28	0.24	0.23
AFFO	9,737	9,004	8,192	7,338	7,409	8,293	3,685	3,339
AFFO per unit - diluted	0.21	0.22	0.23	0.21	0.21	0.23	0.18	0.17
AFFO payout ratio	88.6%	87.3%	84.4%	90.3%	89.7%	80.4%	128.3%	112.4%
Properties	946,939	937,160	843,257	741,681	729,089	728,053	747,270	448,062
Total assets	1,025,522	1,020,671	926,179	817,233	812,995	813,571	801,946	476,293
Total debt	604,953	603,671	564,882	493,496	495,604	498,573	490,656	281,210
IFRS net asset value ("NAV")	387,465	383,200	333,599	291,953	289,417	283,505	284,443	176,789
Diluted units outstanding <sup>(1)</sup>	46,079	46,042	39,914	35,369	35,344	35,466	35,595	20,024
IFRS NAV per unit	\$ 8.41	\$ 8.32	\$ 8.36	\$ 8.25	\$ 8.19	\$ 7.99	\$ 7.99	\$ 8.83
LTV ratio	59.1%	59.2%	61.1%	60.5%	61.1%	61.4%	61.3%	59.2%
Net debt to adjusted EBITDA	9.4x	9.8x	10.2x	9.7x	9.4x	8.5x	17.0x	10.0x
Interest coverage ratio	3.2x	3.2x	3.3x	3.2x	3.0x	3.3x	2.5x	2.6x
Debt service coverage ratio	2.7x	2.6x	2.7x	2.7x	2.4x	2.7x	1.9x	1.9x
Leasing activity (sq.ft.)	59,834	335,231	187,375	211,270	107,315	296,248	184,673	209,767
Leasing activity as a % of portfolio	1.2%	6.7%	4.0%	4.8%	2.4%	5.9%	3.5%	7.2%
Number of properties	35	35	34	34	34	48	48	35
Office GLA	4,813,458	4,813,458	4,550,820	4,243,928	4,243,928	4,204,054	4,152,854	2,038,036
Total GLA	4,990,052	4,990,052	4,727,414	4,436,293	4,436,293	5,054,812	5,262,636	2,903,398
Occupancy - excluding redevelopment	90.2%	90.2%	89.7%	89.4%	89.7%	90.7%	90.7%	91.7%
Occupancy	86.4%	86.3%	85.8%	85.0%	85.4%	89.2%	90.0%	91.7%

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

(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 from cash retained after distributions, refinancing the REIT's maturing debt, financing unencumbered properties or future issuances of trust units.

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

### INDEBTEDNESS RATIO

The indebtedness ratio is a non-IFRS measure calculated by the REIT. In accordance with the REIT's Declaration of Trust the REIT's indebtedness may not exceed 65% of gross book value, which is defined by the Declaration of Trust as total assets less restricted cash. The REIT's indebtedness ratio at December 31, 2016 was 59.1% which is lower by 200 basis points compared to 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 in part subsequently redrawn to make acquisitions and fund redevelopment projects. 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 may need to 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:

	December 31, 2016	December 31, 2015	December 31, 2014
Total assets	\$ 1,025,522	\$ 812,995	\$ 476,670
Less: restricted cash	1,404	1,403	1,596
Gross book value	1,024,118	811,592	475,074
Debt	\$ 604,953	\$ 495,604	\$ 280,486
Leverage ratio	59.1%	61.1%	59.0%

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 months and year ended December 31, 2016 and 2015:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Net income and comprehensive income	\$ 14,571	\$ 13,201	\$ 36,420	\$ 27,281
Income from equity accounted investment	—	—	—	(2,547)
Finance income on finance lease receivable	(998)	(1,030)	(4,041)	(1,721)
Net operating income from the Data Centre	1,524	1,525	6,099	3,484
Interest income	(21)	(21)	(71)	(703)
Interest and finance costs	5,143	5,234	18,781	15,339
Change in fair value of investment property	(1,022)	(9,657)	(7,933)	(1,786)
Change in fair value of financial instruments	(1,564)	(21)	(602)	(3,312)
Disposition costs	101	3,411	322	5,134
Depreciation of hotel asset	162	271	590	271
Change in fair value of Class B LP units	(2,748)	(712)	4,493	(2,691)
Distributions to Class B LP unitholders	991	992	3,964	3,846
<b>Adjusted EBITDA</b>	<b>\$ 16,139</b>	<b>\$ 13,193</b>	<b>\$ 58,022</b>	<b>\$ 42,595</b>

The following is a calculation of adjusted EBITDA for the three months and year ended December 31, 2016 and 2015:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Rental revenue	\$ 35,094	\$ 29,939	\$ 122,190	\$ 87,543
Property operating expenses	(19,404)	(17,295)	(66,062)	(44,944)
Net operating income from the Data Centre	1,524	1,525	6,099	3,484
General and administrative	(1,075)	(976)	(4,205)	(3,488)
<b>Adjusted EBITDA</b>	<b>\$ 16,139</b>	<b>\$ 13,193</b>	<b>\$ 58,022</b>	<b>\$ 42,595</b>

## 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 months and years ended December 31, 2016 and 2015:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Debt, net	\$ 604,953	\$ 495,604	\$ 604,953	\$ 495,604
Adjusted EBITDA <sup>(1)</sup>	64,556	52,772	58,022	42,595
Net debt to Adjusted EBITDA	9.4x	9.4x	10.4x	11.6x

(1) Adjusted EBITDA for three months is based on three 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 months and year ended December 31, 2016 and 2015:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Adjusted EBITDA	\$ 16,139	\$ 13,193	\$ 58,022	\$ 42,595
Interest expense	4,966	4,431	17,916	14,399
Interest coverage ratio	3.2x	3.0x	3.2x	3.0x

#### 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 months and year ended December 31, 2016 and 2015:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Adjusted EBITDA	\$ 16,139	\$ 13,193	\$ 58,022	\$ 42,595
Interest expense	4,966	4,431	17,916	14,399
Principal repayments	972	3,368	3,717	4,198
Debt service requirements	\$ 5,938	\$ 7,799	\$ 21,633	\$ 18,597
Debt service coverage ratio	2.7x	1.7x	2.7x	2.3x

#### DEBT REPAYMENT SCHEDULE

The following table outlines the REIT's annual principal payments and maturity schedule, together with the weighted average annual interest rates at December 31, 2016:

	Annual Principal Payments	Principal Repayments on Maturity <sup>(1)</sup>	Total	Percentage (%)	Weighted Average Contractual Interest Rate on Maturing Debt (%)
2017	\$ 4,771	\$ 138,000	\$ 142,771	23.6%	3.1%
2018	4,899	185,284	190,183	31.4%	2.9%
2019	5,082	10,376	15,458	2.6%	4.4%
2020	4,905	—	4,905	0.8%	0.0%
2021	5,074	179,918	184,992	30.6%	3.3%
Thereafter	\$ 23,644	\$ 43,551	\$ 67,195	11.1%	4.1%

(1) Includes payments under interest rate swaps.

At December 31, 2016, excluding the mortgages associated with interest rate swaps, the REIT had a floating rate mortgage and debt of \$465.2 million (December 31, 2015 – \$397.4 million). The following table presents the impact of a change in floating interest rates of 25 basis points on finance costs.

	December 31, 2016	December 31, 2015
Change of 25 bps	\$ 1,163	\$ 994

## COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following is a summary of the REIT's contractual obligations over the next five years at December 31, 2016:

	Total contractual cash flow	2017	2018-2019 <sup>(1)</sup>	2020-2021	Thereafter
Accounts payable and accrued liabilities	\$ 23,751	\$ 23,751	\$ —	\$ —	\$ —
Amortizing principal repayments on debt	48,375	4,771	9,981	9,979	23,644
Principal repayments on maturity of debt	557,129	138,000	195,660	179,918	43,551
Interest on debt <sup>(1)</sup>	64,107	17,322	21,659	15,757	9,369
Interest rate swaps <sup>(2)</sup>	3,996	658	1,251	1,160	927
Other liabilities	6,871	2,852	1,042	882	2,095
<b>Total</b>	<b>\$ 704,229</b>	<b>\$ 187,354</b>	<b>\$ 229,593</b>	<b>\$ 207,696</b>	<b>\$ 79,586</b>

(1) Interest amounts on floating debt have been determined using floating rates at December 31, 2016.

(2) Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the December 31, 2016 floating rate.

In connection with the REIT's redevelopment of 2251 and 2285 Speakman Drive as per the SNC-Lavalin lease agreement, the REIT has committed to spend \$40.2 million of capital and redevelopment costs. At December 31, 2016, \$17.5 million of the improvements has been spent. This redevelopment project will be funded through working capital and draws from the revolving credit and operating facilities as well as the construction facility.

## DERIVATIVES

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

The REIT currently has in place certain pay fix and receive float interest rate swaps and an interest rate cap. The swaps are derivative financial instruments that require a periodic exchange of payments with counter-parties without the exchange of the notional amount on which the payments are based. The recorded interest expense on the underlying mortgages payable reflects payments made and received under the interest rate swaps. These swaps are not designated as hedging instruments that qualify for hedge accounting under IFRS. The REIT has an interest rate cap with a \$125.0 million notional amount, a strike price of 1.90% based on one month bankers acceptances and a maturity of July 2018. The cost to the REIT was \$0.05 million. The interest rate cap is measured at its fair value.

Interest rate derivatives are measured at fair value with fair values estimated as the present value of contractual cash flows based on forward curves and an applicable discount rate.

The following are the terms and fair values of the REIT's interest rate swaps:

Maturity date	Fixed interest rate	Notional amount		Fair value	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
August 14, 2023	4.60%	\$ 21,231	\$ 21,790	\$ 1,765	2,163
May 1, 2023	3.68%	22,664	23,347	730	990
				<b>\$ 2,495</b>	<b>\$ 3,153</b>

The following is a reconciliation of the change in the fair value liability of derivative instruments:

	December 31, 2016	December 31, 2015
Balance, beginning of period	\$ 3,153	\$ 2,239
Premiums paid	(52)	—
Extinguishment	—	(651)
Fair value change of interest rate swaps	(658)	1,565
Fair value changes	39	—
Balance, end of period	<b>\$ 2,482</b>	<b>\$ 3,153</b>

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 year ended December 31, 2016 and 2015:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Net change in cash related to:				
Operating	\$ 15,321	\$ 10,662	\$ 36,667	\$ 30,246
Investing	(7,767)	26,104	(110,495)	(266,491)
Financing	(6,276)	(33,793)	69,163	242,095
Increase (decrease) in cash	\$ 1,278	\$ 2,973	\$ (4,665)	\$ 5,850

The change in cash for the three months and year ended December 31, 2016 and 2015 was the result of the following factors:

- Operating – cash flows for the three months and year ended December 31, 2016 increased when compared to the same period in 2015, mainly as a result of increase net income and comprehensive income in the year when compared to 2015, which is attributable to portfolio growth through acquisition of the Fortis portfolio in June 2015 and an additional 20% acquisition of St. John's Places in December 31, 2015. As well, in 2016, the REIT acquired the Gateway Complex, 365 Hargrave St. and completing the acquisition of the remaining 70% ownership in the St. John's Places which have contributed positively to the increased net income and comprehensive income in the period.
- Investing – cash outflows for the three months ended December 31, 2016 were \$7.8 million compared to cash inflows of \$26.1 million in the same period in 2015. The cash outflows in 2016 were from spending on capital expenditures and direct leasing costs. The cash inflow in 2015 was from the disposition of the industrial and retail portfolio in December 2015. The cash outflows for the year ended December 31, 2016 were \$110.5 million compared to \$266.5 million for the same period in 2015. The increased cash outflows in 2015 was due to the acquisition of the Fortis Portfolio for proceeds of \$304.0 million, offset by disposition activity.
- Financing – cash flows for the year ended December 31, 2016 relate to proceeds from the equity issuances on June 24, 2016 and September 7, 2016 totaling \$87.2 million, less equity issuance costs of \$4.5 million compared to proceeds from the equity issuance in connection with the Fortis acquisition of \$115.1 million in June 2015 offset by transaction costs of \$4.3 million. In 2015, new debt assumed amounted to \$220.5 million less mortgage and other debt repayments of \$68.2 million which was in connection with the Fortis acquisition and the industrial and retail dispositions. In 2016 new mortgage financings of \$21.7 million were assumed the finance new acquisitions and mortgage and other debt repayments totaled \$9.4 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 \$7.90 as at December 31, 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 have been no preferred units created or issued.

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 Complex 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 St. 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 December 31, 2016, the total number of trust units outstanding was 40,743,637. As at March 5, 2017, the total number of trust units outstanding was 40,771,908.

### 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 year ended December 31, 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.

On March 2, 2017, the REIT renewed its NCIB, whereby the REIT may purchase up to 3,890,593 trust units, subject to certain restrictions. The renewed NCIB expires on the earlier of March 1, 2018 and the repurchase of the maximum number of trust units.

#### Potential trust units

	December 31, 2016	December 31, 2015
Class B LP units	5,285,160	5,285,160
Deferred units	49,859	17,440
	<b>5,335,019</b>	<b>5,302,600</b>

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 December 31, 2016, there were no Class B LP units exchanged for the REIT's trust units.

#### DEFERRED UNIT PLAN

##### *Trustee deferred unit plan*

Effective May 26, 2015, the REIT adopted a deferred unit plan for Trustees of the REIT (the "Trustee DUP"). Trustees who are not employees of the REIT or the Manager, Slate Asset Management L.P., or any of their subsidiaries, are eligible to participate in the Trustee DUP. Participants may elect to receive all or a portion of their annual retainer, meeting fees and additional compensation (including travel fees), in deferred units. One deferred unit, which vests immediately on the grant date, is equivalent to one trust unit. Additional deferred units accumulate at the same rate that distributions are paid on the trust units.

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

At December 31, 2016, the liability associated with the deferred units was \$0.3 million (December 31, 2015- \$0.1 million), and the number of outstanding deferred units was 42,147 (December 31, 2015 - 17,440 units).

##### *Officer deferred unit plan*

On March 21, 2016, the REIT adopted a deferred unit plan for officers of the REIT (the "Officer DUP"). The Officer DUP provides officers of the REIT the opportunity to receive deferred units of the REIT. The maximum number of deferred units reserved for issuance under the Officer DUP is 1% of total units outstanding. One deferred unit, which vests immediately on the grant date, is equal to one trust unit. Any units issued under the Officer DUP will result in an equal reduction and offsetting in the asset management fee payable to SMC, based on the trading price of units on the day of issuance.

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

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

As at December 31, 2016, the liability associated with deferred units issued under the Officer DUP was \$0.1 million, and the number of deferred units was 7,712 (December 31, 2015 - nil).

#### 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 December 31, 2016 and December 31, 2015:

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

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 <sup>(1)</sup>
Financing	0.25% of debt placed
Construction	5.0% of costs
Acquisition	Variable <sup>(2)</sup>

(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 \$100 million of acquisitions and 0.50% for acquisitions in excess of \$200 million.

For the three months and year ended December 31, 2016 and 2015 the REIT incurred the following fees under the Management Agreement:

	Three months ended December 31,		Year ended December 31,	
	2016	2015	2016	2015
Property management	\$ 1,058	\$ 831	\$ 3,513	\$ 2,459
Asset management	710	606	2,665	1,921
Leasing, financing, and construction management	336	552	2,581	2,203
Acquisition	—	215	1,437	2,671
	\$ 2,104	\$ 2,204	\$ 10,196	\$ 9,254

Property administration fees are generally recoverable under the tenants' leases relating to assets or resources of the Manager that are directly attributable to the management of the REIT's properties. Property administration fees were \$5.6 million for the year ended December 31, 2016 (December 31, 2015 – \$4.8 million). Administrative fees are recovered from most tenants by the REIT in accordance with the terms of the leases, whereas property management fees payable by the REIT to the Manager are determined in accordance with the Management Agreement.

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

	December 31, 2016	December 31, 2015
Accounts receivable	\$ 469	\$ 1,424
Accounts payable and accrued liabilities	215	2,748
Class B LP units	41,753	37,260

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

## SELECTED ANNUAL INFORMATION

The following selected annual information is shown for the three most recently completed financial years:

	December 31, 2016	December 31, 2015	December 31, 2014
Revenue	\$ 122,190	\$ 87,543	\$ 33,087
Net income before Class B LP units	44,877	28,436	2,781
Net income and comprehensive income	36,420	27,281	2,861
Net income and comprehensive income per share	\$ 0.92	\$ 0.98	\$ 0.19
Total assets	1,025,522	812,995	476,670
Total non-current liabilities	510,898	534,230	295,642
Total liabilities	679,810	560,838	336,576
Distributions per unit	\$ 0.75	\$ 0.75	\$ 0.75

## **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 assumptions in determining fair value. The REIT uses leasing history, market reports, tenant profiles and available appraisals, among other things, in determining the most appropriate assumptions.

#### *Direct comparison approach*

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

A summary of the significant assumptions used in the REIT's estimate of fair value as at December 31, 2016 is included on page 10 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**

#### *Amendments to IAS 1, Presentation of Financial Statements ("IAS 1")*

The IASB issued amendments to IAS 1 as part of its initiative to improve presentation and disclosure in financial reports. These amendments do not require any significant change to current practice, but are intended to facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016 and were adopted by the REIT in the consolidated financial statements. The adoption of the amendments was not material to the consolidated financial statements.

#### *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. The REIT has adopted the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The adoption of the amendments was not material to the 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:

### IAS 7, *Disclosure Initiative* ("IAS 7")

Amendments to IAS 7 require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments apply prospectively for annual periods beginning on or after January 1, 2017. The Company will adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. Early application is permitted. The extent of the impact of adoption of the amendments has not yet been determined.

### IFRS 2, *Share based payments* ("IFRS 2")

The amendments to IFRS 2 Share-based Payment provide clarification on how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The extent of the impact of adoption of the amendments has not yet been determined.

### 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. Early adoption is permitted. 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 standard 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.

## 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 December 31, 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.

As required by NI 52-109, the REIT's CEO and CFO have evaluated the effectiveness of the REIT's DC&P and ICFR. Based on such evaluations, we have concluded that the design and operation of the REIT's DC&P and ICFR, as applicable, are adequately designed and effective, as at December 31, 2016. No changes were made in the REIT's design of ICFR during the year ended December 31, 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 December 31, 2016 is set out in the table below.

Asset Class	Property Address	Property Name	City, Province	Year Built / Renovated / Expanded	Sq. ft. of GLA	Occupancy
<b>Office - Income Producing</b>						
	1870 Albert Street	Saskatchewan Place	Regina, SK	1985	84,243	70.2%
	280 Broadway Avenue <sup>(1)</sup>		Winnipeg, MB	1957	112,642	92.3%
	114 Garry Street		Winnipeg, MB	1950 / 2016	74,248	100.0%
	895 Waverley Street		Winnipeg, MB	1991	34,364	100.0%
	1000 Waverley Street		Winnipeg, MB	1966 / 1998	58,668	91.3%
	1450 Waverley Street	MTS Data Centre	Winnipeg, MB	2015	64,000	100.0%
	4211 Yonge Street		Toronto, ON	1982	170,972	96.8%
	1189 Colonel Sam Drive		Oshawa, ON	2001	103,179	100.0%
	2655 – 2695 North Sheridan Way	The Promontory	Mississauga, ON	1987 / 1989	159,752	99.3%
	7030, 7050, 7100 Woodbine Avenue & 55, 85 Idema Road	Woodbine Complex	Markham, ON	1984 / 2011	359,833	87.6%
	135 Queens Plate		Toronto, ON	1989 / 2012	93,581	82.3%
	1 Eva Road		Toronto, ON	1978 / 2011	91,068	79.1%
	2400 – 2430 Meadowpine Boulevard		Mississauga, ON	1990	59,095	72.5%
	5395 – 5409 Eglinton Avenue West	Centennial Centre	Toronto, ON	1985	235,299	81.8%
	2251 Speakman Drive		Mississauga, ON	1965/2016	115,582	100.0%
	2599 Speakman Drive		Mississauga, ON	1971 / 2011	111,461	86.1%
	3000 - 3100 Steeles Avenue East	Gateway Complex	Markham, ON	1982 / 1987	235,673	90.6%
	644 Main Street	Blue Cross Centre	Moncton, NB	1988 / 2006	320,818	97.2%
	39 King Street <sup>(2)</sup>	Brunswick Square	Saint John, NB	1976	507,804	84.6%
	440 King Street	King's Place	Fredericton, NB	1974 / 2001	292,022	87.2%
	1505 Barrington Street	Maritime Centre	Halifax, NS	1977 / 1985	547,014	94.1%
	100 New Gower Street	Cabot Place	St. John's, NL	1987	134,632	99.1%
	10 Factory Lane	Johnson Building	St. John's, NL	1980	188,170	100.0%
	5 Springdale Street	Fortis Place	St. John's, NL	2014	142,771	100.0%
	4 Herald Avenue	Fortis Tower	Corner Brook, NL	2014	67,203	92.4%
	140 Water Street	TD Place	St. John's, NL	1980 / 2013	97,433	90.4%
	365 Hargrave Street		Winnipeg, MB	1922/2003	71,472	90.1%
<b>Office - Redevelopment</b>						
	2285 Speakman Drive		Mississauga, ON	1981	126,270	0.0%
	Various	Water Street Properties	St. John's, NL	Various	71,541	54.4%
	139 Water Street	Fortis Building	St. John's, NL	1968 / 1994	82,648	22.7%
					<b>4,813,458</b>	<b>87.1%</b>
<b>Industrial</b>						
	35 Martin Way		Brooks, AB	2005	28,400	0.0%
	5404 36th Street SE	Doka Building	Calgary, AB	1980	36,000	100.0%
	7001 96th Street		Grande Prairie, AB	2006	33,280	0.0%
					<b>97,680</b>	<b>36.9%</b>
<b>Retail</b>						
	200 Manitoba 10	Flin Flon Wal-Mart	Flin Flon, MB	2002	63,439	100.0%
	307 – 311 Airport Road	Airport Road Shopping Centre	Yellowknife, NWT	2001 / 2003	15,475	100.0%
					<b>78,914</b>	<b>100.0%</b>
<b>Total - Total Portfolio</b>					<b>4,990,052</b>	<b>86.4%</b>
<b>Total - Excluding Office Redevelopment</b>					<b>4,709,593</b>	<b>90.2%</b>

(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](mailto: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.slateofficereit.com](http://www.slateofficereit.com) provides additional information regarding the REIT's portfolio, investment strategy, management and corporate governance. Additionally, the Investor section includes news, presentations, events, regulatory filings and stock information.

### Trustees

John O'Bryan <sup>(3)</sup>  
Corporate Director

Georges Dubes <sup>(1)</sup>  
Partner, McMillan LLP

Pam Spackman <sup>(1)(2)</sup>  
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Nora Duke <sup>(2)(3)</sup>  
Executive Vice-President, Corporate Service and  
Chief Human Resources Officer, Fortis Inc.

(1) Compensation, Governance and Nomination Committee

(2) Audit Committee

(3) Investment Committee