



Office
REIT

Q1 2017
TSX: SOT.UN

DEAR FELLOW UNITHOLDERS

"We just look to do the most intelligent thing we can with the capital that we have. We measure everything against our alternatives."

- Charlie Munger

The first quarter of 2017 was very productive for Slate Office REIT. We completed a number of important transactions that position the REIT for both strong operating results and long-term value creation. We were able to secure a long-term lease with Johnson Insurance which drove value in our Atlantic Canada portfolio and entered into acquisition agreements that provide the REIT a significant presence in the 427-Corridor in the Greater Toronto Area. These transactions were consistent with our overall strategy of buying quality office assets at compelling prices and employing best-in-class management to enhance returns through leasing, operations and strategic capital investment.

The key quarterly highlights are as follows:

- Raised \$120 million of equity via subscription receipts on March 15. The proceeds were primarily used to acquire three office properties for \$165 million - West Metro Corporate Centre in Toronto and 250 King and 460 Two Nations in Fredericton. The property acquisitions were completed on April 25, 2017.
- Subsequent to the quarter, the REIT entered into an agreement to purchase Commerce West in Toronto for \$95 million. This acquisition is complementary to the West Metro Corporate Centre acquisition and to our existing portfolio holdings along Highway 427.
- These acquisitions will be accretive to AFFO, contribute positively to the REITs occupancy, weighted average lease term and credit quality and are fully aligned with our overall acquisition strategy.
- On the operations side, we completed 238,650 square feet of leasing at spreads 32% above building in-place or expiring rents highlighted by the previously announced 154,018 square foot lease with Johnson Insurance in St. John's, NL.
- Occupancy and FFO declines in the quarter are expected to be offset as new and expansion lease commitments take up occupancy in later quarters.

Overall, this quarter's results were consistent with our expectations. Over time, the acquisitions and leasing activity noted above will have a positive impact on these metrics.

Here are some of the key financial indicators on a quarterly basis:

	Quarterly Comparison		
	Q1 2017	Q4 2016	Q1 2016
Net operating income	\$ 14,175	\$ 15,065	\$ 11,774
FFO per unit	\$ 0.21	\$ 0.23	\$ 0.23
AFFO per unit	\$ 0.19	\$ 0.21	\$ 0.21
AFFO payout ratio	97.7%	88.6%	90.3%
Occupancy	84.0%	86.4%	85.0%
Occupancy excluding redevelopment	87.7%	90.2%	89.4%
LTV (Debt/Total Assets)	59.5%	59.1%	60.5%

Looking Ahead

Overall, the REIT had an excellent start to 2017. When the full impact of the leasing and acquisitions is realized, Slate Office REIT will have a larger, more diversified portfolio, increased occupancy, longer weighted average lease term and enhanced tenant credit quality. We also expect positive impacts on both FFO and AFFO. These results remain consistent with our long term goal of creating net asset value while providing unitholders with a secure, high quality income stream.

We thank our unitholders for their continued support.

Sincerely,

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

Scott Antoniak
Chief Executive Officer
May 8, 2017



Office
REIT

Management's Discussion and Analysis

TSX: SOT.UN

March 31, 2017

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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 three months ended March 31, 2017 ("Annual Information Form"). Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: risks incidental to ownership and operation of real estate properties including local real estate conditions; financial risks related to obtaining available equity and debt financing at reasonable costs and interest rate fluctuations; operational risks including timely leasing of vacant space and re-leasing of occupied space on expiration of current leases on terms at current or anticipated rental rates; tenant defaults and bankruptcies; uncertainties of acquisition activities including availability of suitable property acquisitions and integration of acquisitions; competition including development of properties in close proximity to the REIT's properties; loss of key management and employees; potential environmental liabilities; catastrophic events, such as earthquakes and hurricanes; governmental, taxation and other regulatory risks and litigation risks.

Forward-looking statements included in this MD&A are made as of May 8, 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)

	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Summary of Portfolio Information					
Number of properties	35	35	35	34	34
Gross leasable area ("GLA")	4,990,052	4,990,052	4,990,052	4,727,414	4,436,293
Total assets	\$ 1,164,104	\$ 1,025,522	\$ 1,020,671	\$ 926,179	\$ 817,233
Total debt	\$ 621,896	\$ 604,953	\$ 603,671	\$ 564,882	\$ 493,496
Occupancy	84.0%	86.4%	86.3%	85.8%	85.0%

	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Three months ended					
Summary of Financial Information					
Revenue	\$ 32,318	\$ 35,094	\$ 31,330	\$ 28,197	\$ 27,569
Net operating income ("NOI")	14,175	15,065	14,446	12,760	11,774
Net income and comprehensive income	8,442	14,571	2,984	15,244	3,621
Funds from operations ("FFO")	9,495	10,650	9,989	9,078	8,173
Core FFO	10,030	11,177	10,507	9,588	8,676
Adjusted FFO ("AFFO")	8,842	9,737	9,004	8,192	7,338

Per Unit Financial Information

Weighted average diluted number of trust units (000s)	46,101	46,071	41,449	35,674	35,334
FFO per unit	\$ 0.21	\$ 0.23	\$ 0.24	\$ 0.25	\$ 0.23
Core FFO per unit	0.22	0.24	0.25	0.27	0.25
AFFO per unit	0.19	0.21	0.22	0.23	0.21
Distributions per unit	\$ 0.1875	\$ 0.1875	\$ 0.1875	\$ 0.1875	\$ 0.1875
FFO pay-out ratio	91.0%	81.0%	78.7%	76.1%	81.0%
AFFO pay-out ratio	97.7%	88.6%	87.3%	84.4%	90.3%

	March 31, 2017	December 31, 2016	June 30, 2016	March 31, 2017	March 31, 2016
Financial Data					
Weighted average debt interest rate	3.3%	3.3%	3.3%	3.3%	3.2%
Interest coverage ratio (times)	3.0x	3.2x	3.2x	3.3x	3.2x
Net debt to adjusted EBITDA ratio (times)	10.4x	9.4x	9.8x	10.2x	9.7x

PART I - OVERVIEW

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of Slate Office REIT (TSX: SOT.UN) (the "REIT") is intended to provide readers with an assessment of performance and summarize the financial position and results of operations of the REIT for the three months ended March 31, 2017. The presentation of the REIT's financial results, including the related comparative information, contained in this MD&A are based on the REIT's condensed consolidated interim financial statements (the "consolidated financial statements") as at March 31, 2017 and for the three months ended March 31, 2017 and 2016. This MD&A should be read in conjunction with those consolidated financial statements. All dollar amounts are in thousands of Canadian dollars, unless otherwise noted.

The information contained in this MD&A is based on information available to the REIT and is dated as of May 8, 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 March 31, 2017, 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, respectively, of GLA. The properties are located in geographically diversified markets in Canada.

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

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

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.

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 taking into account the REIT's investment requirements in accretive capital and leasing investments 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.

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. 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 throughout 2016 has provided the foundation for the strong operating results realized during the first quarter of 2017. The following are the significant highlights in the first quarter:

- In the first quarter of 2017, the REIT completed a total of 238,650 square feet of leasing, comprised of 45,893 square feet of renewals and 192,757 square feet of new lease deals. This includes a 154,018 square foot lease with Johnson Insurance in St. John's, NL. Johnson Insurance is a sub-tenant of Bell Aliant until November 2020. The new lease will secure Johnson Insurance in the building for an additional 10 years through 2030. Johnson Insurance 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.
- Leasing spreads in the quarter were 32.2% above expiring or building in-place rents - new deals were 37.9% above building in-place rent while renewals were 8.1% above expiring rents. Overall, in-place occupancy for the portfolio declined to 84.0% compared to 86.4% at Q4 2016. The decline in occupancy is primarily related to transitional vacancy at the Promontory, Brunswick Square and Centennial Centre. The REIT has also completed new lease deals that are not reflected yet in the reported in-place occupancy because the leases do not commence until subsequent to Q1 2017. Most notably, the REIT has already completed 35,919 square feet of new lease deals in the portfolio that commence in Q2 2017 and will positively contribute to occupancy in the next quarterly results.
- Weighted average lease term increased to 5.7 years from 5.4 years in Q4 2016 as a result of the new lease deal completed with Johnson Insurance at the newly renamed Johnson Building (formerly, Fort Williams Building), which was extended through to 2030.
- During the first quarter of 2017, the REIT announced the acquisition of three office properties, West Metro Corporate Centre in Toronto, ON and 250 King and 460 Two Nations in Fredericton, NB, for \$165.0 million. In connection with the acquisitions, on March 15, 2017, the REIT issued 14,820,000 subscription receipts at an issuance price of \$8.10 per unit, for gross proceeds of \$120.0 million. In connection with the acquisitions, the REIT assumed an existing mortgage on the West Metro Corporate Centre with a principal balance of \$75.7 million and an interest rate of 3.07% maturing on May 1, 2018. The acquisitions closed on April 25, 2017.
- On April 25, 2017, on closing of the acquisition of West Metro Corporate Centre, 250 King and 460 Two Nations, the subscription receipts issued on March 15, 2017 were exchanged for REIT units on a one-for-one basis. The REIT issued 14,820,000 units at a price of \$8.10 for gross proceeds of \$120.0 million. A private placement was also completed for 1,234,568 units at a price of \$8.10 for gross proceeds of \$10.0 million, for combined proceeds of \$130.0 million. The proceeds of the offering were used to purchase the West Metro Corporate Centre and 250 King and 460 Two Nations. Any excess proceeds were used to pay down the REIT's revolving operating facilities.
- AFFO was \$8.8 million for the first quarter of 2017 representing an increase of \$1.5 million over the same period in 2016. Similarly, Core-FFO was \$10.0 million for the three months ended March 31, 2017, which is \$1.4 million more than the same period in 2016. These increases are attributable to NOI contribution from acquisitions made during 2016 offset by higher interest expense from debt required to finance acquisitions.
- For the first quarter of 2017 the REIT's AFFO payout ratio was 97.7% compared to 90.3% in the first quarter of 2016. This increase in payout ratio is the result of increased contribution to earnings from existing operations and acquisitions, but offset by increased distributions made during the period as a result of equity offerings completed throughout 2016.
- Subsequent to quarter end, on April 13, 2017, the REIT entered into a firm commitment to sell an industrial building located at 7001 96th Street in Grande Prairie, AB ("Grande Prairie"), for a proceeds of \$4.4 million, before adjustments. The sale of Grande Prairie is an example of Management's continued effort to dispose of non-strategic assets and recycle capital appropriately to manage leverage.
- Additionally, on April 19, 2017, the REIT entered into a binding agreement to acquire a suburban office complex, located at 401-405 The West Mall in Etobicoke, ON for an aggregate purchase price of \$95.0 million. The transaction remains subject to lender consent to a loan assumption and other customary closing conditions.

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:

- The 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 vacated 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. At the end of the first quarter 2017, leasing of 72,693 square feet of former Bell Aliant space was completed at a 44% premium to expiring rental rates. Subsequent to the first quarter, an additional 5,151 square feet has been leased and another 57,644 square feet is conditionally leased. We are pleased with the demand for this space 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 the remainder of 2017, 9.8% of the portfolio GLA is maturing and Management expects normal course renewals with the exception of the departure of Bell Aliant from Maritime Centre, where as mentioned above, we are having tremendous success re-leasing at higher rental rates.
- 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 which began 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, 238,650 square feet of leasing was completed, representing 192,757 square feet of new lease deals and 45,893 square feet of lease renewals. Leasing spreads in the quarter were 32.2% above expiring or building in-place rents and new deals were 37.9% above building in-place rent where renewals were 8.1% above expiring rents. Overall, in-place occupancy at March 31, 2017 was 84.0% compared to 86.4% in the same period in 2016, while the weighted average lease term increased to 5.7 years from 5.4 years at December 31, 2016.

Looking forward to the remainder of 2017, 9.8% of the portfolio GLA is maturing and Management expects normal course renewals with the exception of Bell Aliant 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. At the end of the first quarter 2017, leasing of 72,693 square feet of former Bell Aliant space had been completed at a 44% premium to expiring rental rates. Subsequent to the first quarter, an additional 5,151 square feet has been leased and another 57,644 square feet is conditionally leased. 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.

The REIT has also completed new lease deals that are not reflected yet in the reported in-place occupancy because the leases do not commence until subsequent to Q1 2017. Most notably, the REIT has already completed 35,919 square feet of new lease deals in the portfolio that commence in Q2 2017 and will positively contribute to occupancy in the next quarterly results.

The REIT is focused on the remaining 2017 and 2018 leasing expiries 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 December 31, 2016 to March 31, 2017:

	Three months ended March 31, 2017			Three months ended December 31, 2016		
	GLA	Occupancy (square feet)	Occupancy (%)	GLA	Occupancy (square feet)	Occupancy (%)
Occupancy, beginning of period	4,990,052	4,309,464	86.4%	4,990,052	4,305,202	86.3%
Change in same property occupancy	—	(116,965)	—	—	4,262	—
Occupancy, end of period	4,990,052	4,192,499	84.0%	4,990,052	4,309,464	86.4%
Redevelopment properties	280,459	63,646	22.7%	280,459	63,646	22.7%
Occupancy, excluding redevelopments	4,709,593	4,128,853	87.7%	4,709,593	4,245,818	90.2%

The REIT's objective is to maintain high levels of occupancy throughout the portfolio. At March 31, 2017, the REIT's occupancy, excluding redevelopment office properties, was 87.7%, which has declined by 250 bps from the portfolio's occupancy, excluding redevelopment, at December 31, 2016. As previously disclosed, the decline in occupancy is primarily a result of transitional vacancy at the Promontory in Mississauga, ON (48,902 square feet) and Brunswick Square in St. John, NB (41,389 square feet). The vacancy at Brunswick Square was underwritten at the time of acquisition and the vacancy at the Promontory has been white boxed and is being actively marketed. The REIT's Management has been active in leasing up this space, the benefits of which will be realized throughout 2017. By way of example, the REIT has already completed 35,919 square feet of new lease deals in the portfolio that commence in Q2 2017 and increase occupancy.

Similarly, the in-place occupancy of the REIT's total portfolio including redevelopment assets was 84.0% at the end of the quarter compared to 86.4% at December 31, 2016, a decline of 240 basis points. The decrease in occupancy is a result of the maturing leases discussed above.

LEASE MATURITIES

The REIT generally enters into leases with an initial term to maturity between 2 and 10 years. The weighted average remaining term to maturity at March 31, 2017 was 5.7 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:

	March 31, 2017			December 31, 2016		
	Weighted average years to maturity ⁽¹⁾	GLA	% of GLA	Weighted average years to maturity ⁽¹⁾	GLA	% of GLA
Atlantic	5.9	2,132,811	42.7%	5.3	2,188,946	43.9%
Ontario	4.4	1,496,716	30.0%	4.4	1,551,921	31.1%
Western	8.6	562,972	11.3%	8.7	568,596	11.4%
	5.7	4,192,499	84.0%	5.4	4,309,463	86.4%
Vacant ⁽²⁾		797,553	16.0%		680,589	13.6%
Total		4,990,052	100.0%		4,990,052	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 March 31, 2017.

The following is a profile of the maturities of the REIT's leases without including the impact of tenant extension options at March 31, 2017:

	GLA	% of portfolio	Weighted average in-place rent (per square foot) ⁽¹⁾
Month-to-month	130,341	2.6%	\$ 16.06
Remainder of 2017	489,378	9.8%	13.46
2018	599,687	12.0%	14.81
2019	404,881	8.1%	16.60
2020	599,723	12.0%	17.23
2021	230,508	4.6%	18.68
2022	523,413	10.5%	13.32
2023 and later	1,214,568	24.3%	19.93
Vacant	797,553	16.1%	—
Total/weighted average	4,990,052	100.0%	\$ 16.79

(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 March 31, 2017, the REIT completed 238,650 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 March 31, 2017:

	GLA	Number of leases	Weighted average expiring rent (per square foot)	Weighted average new rent (per square foot)	Increase (decrease) in rent
Renewed leases	45,893	8	\$ 13.74	\$ 14.85	8.1%
New leases	192,757	11	14.16	19.52	37.9%
Total / weighted average	238,650	19	\$ 14.08	\$ 18.62	32.2%
Less: leases not renewed / vacated	(135,245)	12			
Net total	103,405				

During the quarter, on a weighted average basis, renewed leases were completed at a 8.1% increase to expiring rents and new leases were completed at a 37.9% premium to in-place building rents. The renewal rental rate spread is consistent with Management's expectations for the portfolio while the new lease spread was positively skewed by the Johnson Insurance deal.

As mentioned above, the most notable new lease in the quarter was the 154,018 new lease with Johnson Insurance at the newly named Johnson Building (formerly, Fort Williams Building) in St. John's, NL. Johnson Insurance was previously a sub-tenant of Bell Aliant until November 2020. The new lease secured Johnson Insurance in the building for an additional 10 years. This new lease was negotiated at 46% increase to in-place rents. Management believes this deal significantly increases the value of the Johnson Building and stabilizes the cash flow long-term.

The weighted-average in-place rent of the REIT's portfolio at March 31, 2017 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 2017. This estimate of current market rent is based on Management's estimates, third party valuations

and leasing data obtained from actual new and renewed leasing activity. While there are no assurances that maturing leases will be renewed at rates in excess of current in-place rents, or at all, Management compares in-place to market rents to determine the future revenue capacity of the REIT's current portfolio and roll-over revenue risk.

The following is a summary of the REIT's new and renewal leasing activity for the past five quarters:

Quarter	Renewals			New leases		
	GLA	Number of leases	Change	GLA	Number of leases	Change
Q1 2016	186,306	32	11.3 %	24,966	13	5.6 %
Q2 2016	154,375	16	10.2 %	33,000	7	(13.2)%
Q3 2016	257,551	11	(3.0)%	77,680	13	(2.1)%
Q4 2016	33,000	15	5.3 %	26,834	10	4.2 %
Q1 2017	45,893	8	8.1 %	192,757	11	37.9 %

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 March 31, 2017, which together represent 52.2% of base rental receipts:

Tenant	Credit rating ⁽¹⁾	GLA (square feet)	Number of properties	% of base rental receipts	Weighted average lease term (years)
Bell Canada Enterprises ⁽²⁾	BBB	509,844	7	16.0%	3.5
Government of Canada	AAA	334,117	8	9.9%	5.6
SNC-Lavalin Nuclear Inc. ⁽³⁾	BBB	342,580	2	7.4%	6.9
Johnson Insurance ⁽⁴⁾	A	154,018	1	4.6%	10
Province of New Brunswick	AA	126,609	2	3.7%	3.6
Blue Cross	Unrated	160,433	2	3.1%	11.5
Province of Nova Scotia	AA	129,759	1	2.4%	1.7
Province of Manitoba	AA	95,650	2	2.1%	20.6
Concentrix Technologies Inc.	Unrated	103,179	1	1.9%	4.7
Extendicare	B (high)	50,187	1	1.1%	2.6
Total		2,006,376		52.2%	6.3

(1) Source: DBRS, Moody's

(2) Bell Canada now includes MTS, as acquisition closed March 17, 2017.

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

(4) Johnson Insurance will take occupancy Dec 1, 2020.

Subsequent to the acquisition of West Metro Corporate Centre, 250 King, 460 Two Nations and Commerce West, SNC-Lavalin Inc. (including SNC-Lavalin Nuclear Inc.) will be the REIT's largest tenant and will occupy 576,754 square feet and contribute approximately 9.7% of base rental receipts. The Province of New Brunswick, the single occupant of both 250 King and 460 Two Nations, will occupy 257,000 square feet and contribute approximately 4.6% of base rents.

PROPERTY PROFILE

The REIT's property portfolio at March 31, 2017, 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

Subsequent to March 31, 2017, the REIT acquired three office properties, West Metro Corporate Centre in Toronto, ON and 250 King and 460 Two Nations in Fredericton, NB, for an aggregate purchase price of \$165.0 million. The West Metro Corporate Centre is a 616,364 square foot Class A office complex, consisting of three office buildings with strong location and high visibility located in Toronto, ON. The West Metro Corporate Centre has investment grade tenants and will contribute strong operating results to the REIT's portfolio.

250 King and 460 Two Nations are two Class B office building consisting of 80,162 and 50,945 square feet, respectively, located in Fredericton, NB. Both buildings are single tenanted and occupied by the Province of New Brunswick.

The REIT entered into a binding agreement to acquire a suburban office complex, Commerce West, located at 401-405 The West Mall in Toronto, ON for an aggregate purchase price of \$95.0 million. The transaction remains subject to lender consent to a loan assumption and other customary closing conditions.

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

Subsequent to the quarter end, the REIT entered into a firm commitment to sell an industrial building located at 7001 96th Street in Grande Prairie, AB ("Grande Prairie"), for a proceeds of \$4.4 million, before adjustments. Grande Prairie was vacant and its sale will positively contribute to NOI, due to the required holding costs during ownership. The sale of Grande Prairie is part of our strategy to dispose of non-strategic assets and recycle capital appropriately to manage leverage.

Redevelopment Properties

The REIT has classified the following properties as redevelopment during the quarter ending March 31, 2017:

Property Address	Property Name	City, Province	Year Built / Renovated / Expanded	Ownership Interest	Square feet 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 Business 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 Business 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 Business 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 March 31, 2017 had an estimated IFRS fair value of \$1.0 billion, with a weighted average going-in capitalization rate of 6.24%. It is important to highlight that this capitalization rate reflects the current economics of the REIT's properties, including its 84.0% 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 per square foot below market rents. Overall, the average estimated IFRS value per square foot of the REIT's portfolio is \$192 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 March 31, 2017 and December 31, 2016:

	March 31, 2017			December 31, 2016		
	Discount rate	Terminal cap rate	Capitalization rate ⁽¹⁾	Discount rate	Terminal cap rate	Capitalization rate ⁽¹⁾
Minimum	6.75%	6.25%	4.19%	6.75%	6.25%	4.16%
Maximum	11.00%	9.00%	11.99%	11.00%	9.00%	11.92%
Weighted average	7.43%	6.97%	6.24%	7.55%	7.05%	6.37%

(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 6.24%, 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 4.19% and 11.99%, respectively. The lower end of the range represents a property with a single tenant under a long term lease located in the Greater Toronto Area ("GTA"), while the upper end of the range represents a retail property located in Northwest Territories. Both of these properties have an estimated fair value of below \$5.5 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 and the two vacant Alberta industrial properties, one of which the REIT has entered into an agreement to sell, which is expected to close in the second quarter on 2017. After removing the NOI contribution of these properties from the REIT's calculation of its going-in capitalization rate of 6.24%, the rate would be adjusted to 6.47%.

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 is summarized below:

	Three months ended March 31,	
	2017	2016
Balance, beginning of period	\$ 946,939	\$ 729,089
Capital expenditures	4,509	6,099
Direct leasing costs	7,313	4,198
Depreciation of hotel asset	(189)	(136)
Change in fair value	227	1,938
Straight line rent and other changes	450	493
Balance, end of period	\$ 959,249	\$ 741,681

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 March 31, 2017 is primarily the result of additional capital and direct leasing spend. Only minor modifications to cash flows, discount and capitalization rates were made at certain properties.

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 March 31, 2017:

	Three months ended March 31,	
	2017	2016
Rental revenue	\$ 32,318	\$ 27,569
Property operating expenses	(17,693)	(15,302)
Finance income on finance lease receivable	990	1,022
Interest income	17	15
Interest and finance costs	(5,210)	(4,203)
General and administrative	(1,149)	(1,040)
Change in fair value of properties	227	1,938
Change in fair value of financial instruments	862	(811)
Depreciation of hotel asset	(189)	(136)
Net income before Class B LP units	\$ 10,173	\$ 9,052
Change in fair value of Class B LP units	(740)	(4,440)
Distributions to Class B LP unitholders	(991)	(991)
Net income and comprehensive income	\$ 8,442	\$ 3,621

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 March 31, 2017 was \$10.2 million compared to \$9.1 million for the same period in 2016. Net income before Class B LP units for the three months ended March 31, 2017 increased when compared to the same period in 2016 as a result of higher NOI from overall portfolio growth through acquisition activity in fiscal 2016, offset by higher interest expense as a result of additional borrowings to finance acquisitions. Interest and finance costs for the three months and year ended March 31, 2017 were \$5.2 million compared to \$4.2 million for the same period in 2016. The change in fair value of financial instruments has increased by \$1.7 million, from a loss of \$0.8 million to a gain of \$0.9 million. The change in fair value of financial instruments is primarily a result of a gain on revaluation of subscription receipts which were outstanding at March 31, 2017. Subsequent to quarter end, on April 25, 2017, the subscription receipts were converted into units.

NET INCOME

For the three months ended March 31, 2017, net income was \$8.4 million, representing an increase of \$4.8 million compared to the same period in 2016. This increase was primarily due to a loss of \$0.7 million from the change in fair value of the Class B LP units for the three months ended March 31, 2017 compared to a loss of \$4.4 million for the same period in 2016, which is directly correlated with the change in the unit price of the REIT's units during each respective 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.

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 ended March 31, 2017 and 2016:

	Three months ended March 31,	
	2017	2016
Revenue	\$ 32,318	\$ 27,569
Property operating expenses	(17,693)	(15,302)
Straight-line rents and other changes	(450)	(493)
Net operating income	\$ 14,175	\$ 11,774

The increase in NOI of \$2.4 million for the three months ended March 31, 2017 compared to the same period in 2016 was the result of portfolio growth offset by other same-property changes. The REIT completed 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 current quarter with no corresponding contributions in the comparative quarter.

In July 2016, the REIT completed the redevelopment of 2251 Speakman Drive and turned over the property to SNC-Lavalin Nuclear. SNC-Lavalin Nuclear moved out of 2285 Speakman in November 2016 but had an agreement in place to pay rent on both properties until the end of January 2017 while completing fixturing. As a part of the redevelopment, the REIT has begun construction in the first quarter of 2017 on 2285 Speakman. Completion is expected in late-2017. This has temporarily positively contributed to NOI in the current quarter.

The additions to NOI from acquisitions were offset by same-property NOI changes due to maturing leases. Bell Aliant's lease matured at Brunswick Square occupying 41,389 square feet and MMM Group Limited's ("MMM") lease matured at the Promontory creating 48,902 square feet of transitional vacancy in the first quarter of 2017. Management has been actively marketing these spaces and plans to fill some of this vacancy throughout 2017.

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-property NOI through high-occupancy, increasing rents on renewal to market rents and by signing leases with embedded rent increases throughout the term of the lease.

Management compares same-property NOI for the current quarter to the same quarter in the prior year. The same-property NOI comparison to March 31, 2016 excludes the REIT's acquired properties being the Gateway Complex and 365 Hargrave St. which were acquired in June and September 2016, respectively, as well as 125-185 First Street East located in Cochrane, AB which was disposed of in June 2016. The same-property comparison includes the REIT's interest in the St. John's Places at 30% as this was the REIT's ownership at March 31, 2016.

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

	Three months ended	
	March 31, 2017	March 31, 2016
Number of properties	33	33
GLA	4,420,522	4,420,522
Revenue	\$ 27,333	\$ 27,506
Operating expenses	(15,411)	(15,280)
Straight-line rents and other changes	(410)	(492)
Same-property NOI (including hotel asset)	11,512	11,734
Quarter-over-quarter change - \$	\$ (222)	
Quarter-over-quarter change - %	(1.9)%	

Same-property NOI for the three months ended March 31, 2017 compared to March 31, 2016 has decreased by \$0.2 million or 1.9%. The decline in same-property NOI is attributable to transitional maturities for MMM at the Promontory in Mississauga, ON and Bell Aliant at Brunswick Square in St. John, NB for 48,902 and 41,389 square feet, respectively. Additionally, the REIT's renewed lease with Medavie at the Blue Cross Centre in NB, included rent-steps that decreased NOI by \$0.2 million when compared to Q1 2016. These transitional maturities and rent steps were offset by NOI contributions from the REIT's redevelopment project at the Sheridan Business Park for SNC-Lavalin Nuclear. The REIT completed the redevelopment of 2251 Speakman Drive and turned over the property to SNC-Lavalin Nuclear in July 2016. The lease with SNC-Lavalin Nuclear at 2251 Speakman Drive commenced in 2016, however, SNC-Lavalin Nuclear continued to pay rent at 2285 Speakman Drive through to mid-February 2017 for a temporary holdover period, which has contributed positively to NOI in the quarter.

Management also compares the same-property NOI in the current quarter to the most recently completed comparative quarter. This comparison includes all of the portfolio's properties but excludes the impact of the REIT's hotel asset due to seasonality.

The following is a summary of the same-property NOI for the current quarter compared to the prior quarter ended December 31, 2016:

	Three months ended	
	March 31, 2017	December 31, 2016
Number of properties	35	35
GLA	4,990,052	4,990,052
Revenue	\$ 32,318	\$ 35,094
Property operating expenses	(17,693)	(19,404)
Straight-line rents and other changes	(450)	(625)
Same-property NOI (including hotel asset)	14,175	15,065
NOI attributable to hotel asset	106	(157)
Same-property NOI (excluding hotel asset)	14,281	14,908
Year-over-year change - \$	\$ (627)	
Year-over-year change - %	(4.2)%	

Same-property NOI, excluding the REIT's hotel asset, for the three months ended March 31, 2017 compared to the most recently completed comparative quarter, has decreased by \$0.6 million or 4.2%. This decrease in same property NOI is attributable to transitional maturities in the REIT's portfolio, most notably, with MMM at the Promontory in Mississauga, ON and Bell Aliant at Brunswick Square in St. John, NB occupying 48,902 and 41,389 square feet, respectively. These transitional maturities were offset by NOI contributions from the REIT's redevelopment project at the Sheridan Business Park for SNC-Lavalin Nuclear. The REIT completed the redevelopment of 2251 Speakman Drive and turned over the property to SNC-Lavalin Nuclear in July 2016. The lease with SNC-Lavalin Nuclear at 2251 Speakman Drive commenced in 2016, however, SNC-Lavalin Nuclear continued to pay rent at 2285 Speakman Drive through to mid-February 2017 for a temporary holdover period, which has contributed positively to NOI in the quarter.

FUNDS FROM OPERATIONS

Funds from operations

Funds from operations ("FFO") is a non-IFRS measure for evaluating real estate operating performance. The REIT calculates FFO in accordance with the definition provided by the Real Property Association of Canada ("RealPAC") in its White Paper on Funds From Operations, as revised in February 2017.

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 (if any).

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 ended March 31, 2017 and 2016 from net income and comprehensive income:

	Three months ended March 31,	
	2017	2016
Net income and comprehensive income	\$ 8,442	\$ 3,621
Add (deduct):		
Leasing costs amortized to revenue	222	112
Change in fair value of investment property	(227)	(1,938)
Change in fair value of financial instruments	(862)	811
Depreciation of hotel asset	189	136
Change in fair value of Class B LP units	740	4,440
Distributions to Class B unitholders	991	991
FFO	\$ 9,495	\$ 8,173
Finance income on finance lease receivable	(990)	(1,022)
Finance lease payments received	1,525	1,525
Core-FFO	\$ 10,030	\$ 8,676
Weighted average number of units outstanding ⁽¹⁾	46,101	35,334
FFO per unit (diluted)	\$ 0.21	\$ 0.23
Core-FFO per unit (diluted)	\$ 0.22	\$ 0.25

(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 March 31, 2017, FFO was \$9.5 million or \$0.21 per unit compared to FFO for the three months ended March 31, 2016, which was \$8.2 million or \$0.23 per unit, representing an increase of \$1.3 million or a decrease of \$0.02 per unit. The increase in FFO is primarily a result of the increase in NOI contribution in the quarter from 2016 acquisition activity offset by same property changes from maturing leases and resulting transitional vacancy. Bell Aliant's lease matured at Brunswick Square and Maritime Centre for 41,389 and 194,958 square feet, respectively. As previously disclosed, MMM's lease matured at the Promontory creating 48,902 square feet of vacancy. Management has been actively marketing these spaces. The Sheridan Business Park redevelopment for SNC Lavalin Nuclear has positively contributed to NOI in the current quarter as a result of a holdover period as they transitioned occupancy from 2285 Speakman to the newly developed 2251 Speakman. FFO per unit has decreased as a result of an increase in the weighted average number of units outstanding in the current quarter from the equity offerings completed in June and September of 2016.

Core-FFO for the three months ended March 31, 2017 was \$10.0 million, respectively, compared to \$8.7 million and for the same period in 2016. The increase in Core-FFO in the current quarter and for the year ended is attributable to the increase in FFO, as the contributions from the Data Centre are generally consistent in both periods. The decline in Core-FFO per unit is a result of increases in NOI from acquisition activity, offset by an increase in the weighted average number of units outstanding from the equity offerings completed in June and September of 2016.

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 subsidies 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, while 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 differs from the definition of AFFO as defined by RealPAC's in its White Paper, as revised February 2017. The REIT's calculation of AFFO differs from RealPAC's February 2017 White Paper as the REIT makes the following adjustments to arrive at reported AFFO: guaranteed income supplements; amortization of deferred transaction costs; de-recognition and amortization of mark-to-market adjustments on mortgages refinanced or discharged; adjustments for interest rate subsidies received and normalized direct leasing and capital costs.

A reconciliation of Core-FFO to AFFO for the three months ended March 31, 2017 as compared to the same period in the prior year is as follows:

	Three months ended March 31,	
	2017	2016
Core-FFO	\$ 10,030	\$ 8,676
Add (deduct):		
Guaranteed income supplements ⁽¹⁾	634	238
Amortization of deferred transaction costs	331	231
Amortization of debt mark-to-market adjustments	(126)	25
Interest rate subsidy	108	—
Amortization of straight-line rent	(672)	(605)
Normalized direct leasing and capital costs	(1,463)	(1,227)
AFFO	\$ 8,842	\$ 7,338
Weighted average number of units outstanding ⁽²⁾	46,101	35,334
AFFO per unit (diluted)	\$ 0.19	\$ 0.21

(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 March 31, 2017, AFFO was \$8.8 million or \$0.19 per unit, whereas AFFO for the three months ended March 31, 2016 was \$7.3 million or \$0.21 per unit, representing an increase of \$1.5 million while AFFO per unit decreased by \$0.02. The increase in AFFO is attributable to increases in NOI from overall portfolio growth as a result the acquisition of an additional 70% of St. John's Places throughout 2016, for total ownership of 100% at the end of 2016. The REIT also acquired 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 2016. The positive contributions to NOI from acquisition activity was offset by same-property NOI changes from transitional vacancies. AFFO per unit has declined in the comparable period as a result of dilution from the June and September 2016 equity offerings.

Reconciliation of FFO, Core-FFO and AFFO

A reconciliation of net income to FFO, Core-FFO and AFFO for the three months ended March 31, 2017 as compared to the same period in the prior year is as follows:

	Three months ended March 31,	
	2017	2016
Net income and comprehensive income	\$ 8,442	\$ 3,621
Add (deduct):		
Leasing costs amortized to revenue	222	112
Change in fair value of investment property	(227)	(1,938)
Change in fair value of financial instruments	(862)	811
Depreciation of hotel asset	189	136
Change in fair value of Class B LP units	740	4,440
Distributions to Class B unitholders	991	991
FFO	9,495	8,173
Finance income on finance lease receivable	(990)	(1,022)
Finance lease payments received	1,525	1,525
Core-FFO	10,030	8,676
Guaranteed income supplements ⁽¹⁾	634	238
Amortization of deferred transaction costs	331	231
Amortization of debt mark-to-market adjustments	(126)	25
Interest rate subsidy	108	—
Amortization of straight-line rent	(672)	(605)
Normalized direct leasing and capital costs	(1,463)	(1,227)
AFFO	\$ 8,842	\$ 7,338

(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 ended March 31, 2017 as compared to the same period in the prior year:

	Three months ended March 31,	
	2017	2016
FFO per unit (diluted)	\$ 0.21	\$ 0.23
Core FFO per unit (diluted)	0.22	0.25
AFFO per unit (diluted)	\$ 0.19	\$ 0.21

The following table reconciles AFFO from cash flow from operating activities for the three months ended March 31, 2017 and 2016:

	Three months ended March 31,	
	2017	2016
Cash flow from operating activities	\$ 7,846	\$ 11,091
Add (deduct):		
Working capital items	191	(4,258)
Principal repayments on finance lease receivable	535	503
Distributions paid to Class B LP unitholders	991	991
Guaranteed income supplement	634	238
Interest rate subsidy	108	—
Normalized direct leasing and capital costs	(1,463)	(1,227)
AFFO	\$ 8,842	\$ 7,338

The following table reconciles AFFO from NOI for the three months ended March 31, 2017 and 2016:

	Three months ended March 31,	
	2017	2016
Net operating income	\$ 14,175	\$ 11,774
Add (deduct):		
General and administrative	(1,149)	(1,040)
Finance lease payments received	1,525	1,525
Cash interest	(4,988)	(3,932)
Interest rate subsidy	108	—
Guaranteed income supplement	634	238
Normalized direct leasing and capital costs	(1,463)	(1,227)
AFFO	\$ 8,842	\$ 7,338

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 15th day of the month following declaration.

The following table summarizes distributions made during the three months ended March 31, 2017 and 2016 to unitholders of the REIT and Class B LP unitholders:

	Three months ended March 31, 2017			Three months ended March 31, 2016		
	Trust units	Class B LP units	Total	Trust units	Class B LP units	Total
Distributions declared	\$ 7,645	\$ 991	\$ 8,636	\$ 5,632	\$ 991	\$ 6,623
Distributions reinvested in trust units	210	—	210	335	—	335
Distributions made in cash	\$ 7,435	\$ 991	\$ 8,426	\$ 5,297	\$ 991	\$ 6,288

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 ended March 31, 2017 resulted in 36,747 trust units issued/ issuable under the DRIP. For the March 2017 distribution, approximately 2.9% 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.

Taxation of distributions

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

Taxation year	Return of capital	Capital gains	Other income
2016 per \$ of distribution	90.2%	3.8%	6.0%
2015 per \$ of distribution	1.8%	79.8%	18.4%
2014 per \$ of distribution	100.0%	—	—

The level of capital gains in 2015 are a result of the disposition strategy the REIT executed to dispose of non-office properties in order to reposition as a pure play office 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 March 31, 2017, the AFFO payout ratio was 97.7%, compared to the payout ratio of 90.3% for the same period in 2016. The increase in the AFFO pay-out ratio in the current year when compared to the prior year is the result of overall portfolio growth from acquisition

activities including 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 2016. The increase in NOI is offset by same-property NOI declines resulting from transitional vacancies. Distributions declared have increased from Q1 2016 from the June and September 2016 equity offerings. Management believes that the current distribution level is appropriate to meet the REIT's objective to provide a high level of certainty over ongoing distributions.

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

	Three months ended March 31,	
	2017	2016
AFFO	\$ 8,842	\$ 7,338
REIT unit and Class B LP distributions declared	8,636	6,623
Excess of AFFO over distributions declared	206	715
Cash retained from DRIP	210	335
Excess of AFFO over cash distributions	\$ 416	\$ 1,050
AFFO payout ratio	97.7%	90.3%
AFFO payout ratio after DRIP ⁽¹⁾	95.3%	85.7%

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 March 31, 2017 and 2016:

	Three months ended March 31,			
	2017		2016	
	NOI	Percentage (%)	NOI	Percentage (%)
Atlantic	\$ 6,872	48.5%	\$ 6,084	51.7%
Ontario	5,801	40.9%	4,336	36.8%
Western	1,502	10.5%	1,354	11.5%
	\$ 14,175	99.9%	\$ 11,774	100.0%

Atlantic

	Three months ended March 31,	
	2017	2016
# of properties	11	11
Owned GLA (000s of square feet)	2,452	2,190
Occupancy rate (%) (period-end)	87.0%	87.4%
Revenue	\$ 18,071	\$ 15,665
Property operating expenses	(10,966)	(9,480)
Straight-line rent and other changes	(233)	(101)
NOI	\$ 6,872	\$ 6,084

NOI for the Atlantic properties has increased by \$0.8 million for the three months ended March 31, 2017 compared to the same period in 2016. The increase in NOI in the current quarter is as a result of the acquisition of the remaining interest in St. John's Places assets in 2016 offset by transitional vacancy from maturing leases. As at March 31, 2016, the REIT owned 30% of St. John's Places and an additional 19% was acquired on June 15, 2016 and a further 51% was acquired on September 8, 2016 to increase total ownership to 100% at the end of 2016. These increases to NOI have been offset by maturing leases, specifically, Bell Aliant's lease maturity at Brunswick Square in St. John, NB, which occupied 41,389 square feet.

Ontario

	Three months ended March 31,	
	2017	2016
# of properties	12	11
Owned GLA (000s of square feet)	1,862	1,626
Occupancy rate (%) (period-end)	80.4%	82.4%
Revenue	\$ 11,135	\$ 9,047
Property operating expenses	(5,221)	(4,459)
Straight-line rent and other changes	(113)	(252)
NOI	\$ 5,801	\$ 4,336

NOI for the three months ended March 31, 2017 was \$5.8 million compared to NOI of \$4.3 million for the three months ended March 31, 2016, representing an increase of \$1.5 million. 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 contributes approximately \$1.0 million per quarter to NOI. Additionally, positive leasing at the REIT's Ontario properties has contributed to the increase in NOI in the current quarter. These positive contributions to NOI are offset by maturing leases, specifically at the Promontory in Mississauga, ON, where a tenant occupying 48,902 square feet has vacated.

Western

	Three months ended March 31,	
	2017	2016
# of properties	12	12
Owned GLA (000s of square feet)	676	621
Occupancy rate (%) (period-end)	83.3%	83.8%
Revenue	\$ 3,112	\$ 2,857
Property operating expenses	(1,506)	(1,363)
Straight-line rent and other changes	(104)	(140)
NOI	\$ 1,502	\$ 1,354
NOI from Data Centre	1,525	1,525
NOI including Data Centre	\$ 3,027	\$ 2,879

NOI for the three months ended March 31, 2017 was \$3.0 million including the income from the Data Centre, which is in-line with NOI for the comparable period. Changes to NOI are attributable to same property leasing activity. 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.

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 March 31,	
	2017	2016
Property base rent	\$ 18,140	\$ 15,084
Operating cost and tax recoveries	12,216	10,535
Hotel	1,512	1,457
Straight-line adjustments and other	450	493
	\$ 32,318	\$ 27,569

For the three months ended March 31, 2017, revenue from investment properties was \$32.3 million compared to \$27.6 million for the same period in 2016. The increase in revenue is a result of overall portfolio growth, most notably, the acquisition of the Gateway Complex in the second quarter of 2016, the acquisition of 365 Hargrave St. in September 2016, as well as the additional ownership acquired in the St. John's Places from 30% during the first quarter of 2016 to 100% at the end of the 2016. Contributions to NOI from acquisition activity were offset by changes in same-property rental revenue due to transitional vacancy, most notably, at the Promontory in Mississauga, ON (48,902 square feet) and Brunswick Square in St. John, NB (41,389 square feet).

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 \$12.2 million for the three months ended March 31, 2017 compared to \$10.5 million for the same period in 2016. Property operating recoveries and expenses have increased in-line with increase in property base rent, mainly attributable to acquisition activity.

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 March 31, 2017, general and administrative expenses have increased slightly over the same period in 2016. The increase in expenses is as a result of higher asset management fees of \$0.2 million, offset by lower professional and other fees, mainly due to the timing of expenses.

INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Three months ended March 31,	
	2017	2016
Mortgage interest	\$ 2,594	\$ 2,125
Interest on other debt	2,411	1,822
Amortization of deferred transaction costs	331	231
Amortization of mark-to-market adjustment on mortgages	(126)	25
	\$ 5,210	\$ 4,203

For the three months ended March 31, 2017, interest and finance costs were \$5.2 million which has increased by \$1.0 million when compared to the same period in 2016. The increase in finance costs in 2017 compared to the same period in 2016 is a result of the financings related to the acquisition of an additional 19% in June 2016, and a further 51% in September 2016 of the St. John's Places, as well the acquisition of the Gateway Complex in June 2016 and 365 Hargrave St. in September 2016. These assets were partially financed by debt which increased interest costs. The weighted average interest rate on the REIT's debt has remained relatively consistent at 3.3% compared to 3.2% at March 31, 2016.

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 ended March 31, 2017 was \$1.0 million which is comparable to interest income recognized for the same period in 2016. As the lease commenced on June 5, 2015, interest income from finance lease receivable for the Three months ended March 31, 2016 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 \$0.2 million for the three months ended March 31, 2017 compared to \$1.9 million for the same period in 2016. The quarterly 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, as well, in the current quarter, a gain on the change in fair value of subscription receipts has been recognized. The change for the three months ended March 31, 2017 was a gain of \$0.9 million compared to a loss of \$0.8 million in the same period in 2016. The fair value change is as a result of the gain recognized on the revaluation of subscription receipts, offset by other small changes in financial instruments.

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:

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Revenue	\$ 32,318	\$ 35,094	\$ 31,330	\$ 28,197	\$ 27,569	\$ 29,939	\$ 29,133	\$ 14,390
Operating costs	(17,693)	(19,404)	(16,362)	(14,994)	(15,302)	(17,295)	(14,808)	(6,387)
Straight-line rent and other	(450)	(625)	(522)	(443)	(493)	(318)	(438)	(369)
Net operating income	\$ 14,175	\$ 15,065	\$ 14,446	\$ 12,760	\$ 11,774	\$ 12,326	\$ 13,887	\$ 7,634
Net income and comprehensive income	\$ 8,442	\$ 14,571	\$ 2,984	\$ 15,244	\$ 3,621	\$ 13,201	\$ 4,830	\$ 10,480
Weighted average diluted units ⁽¹⁾	46,101	46,071	41,449	35,674	35,334	35,519	35,567	20,032
Net income and comprehensive income per unit	\$ 0.18	\$ 0.32	\$ 0.07	\$ 0.43	\$ 0.10	\$ 0.37	\$ 0.14	\$ 0.52
Distributions ⁽²⁾	8,636	8,629	7,862	6,912	6,623	6,646	6,664	4,729
Distributions per unit	0.1875	0.1875	0.1875	0.1875	0.1875	0.1875	0.1875	0.1875
FFO	9,495	10,650	9,989	9,078	8,173	7,513	9,525	4,720
FFO per unit - diluted	0.21	0.23	0.24	0.25	0.23	0.21	0.27	0.24
Core-FFO	10,030	11,177	10,507	9,588	8,676	8,528	9,867	4,764
Core-FFO per unit - diluted	0.22	0.24	0.25	0.27	0.25	0.24	0.28	0.24
AFFO	8,842	9,737	9,004	8,192	7,338	7,409	8,293	3,685
AFFO per unit - diluted	0.19	0.21	0.22	0.23	0.21	0.21	0.23	0.18
AFFO payout ratio	97.7%	88.6%	87.3%	84.4%	90.3%	89.7%	80.4%	128.3%
Properties	959,249	946,939	937,160	843,257	741,681	729,089	728,053	747,270
Total assets	1,164,104	1,025,522	1,020,671	926,179	817,233	812,995	813,571	801,946
Total debt	621,896	604,953	603,671	564,882	493,496	495,604	498,573	490,656
IFRS net asset value ("NAV")	389,298	387,465	383,200	333,599	291,953	289,417	283,505	284,443
Diluted units outstanding ⁽¹⁾	46,123	46,042	46,042	39,914	35,369	35,344	35,466	35,595
IFRS NAV per unit	\$ 8.44	\$ 8.42	\$ 8.32	\$ 8.36	\$ 8.25	\$ 8.19	\$ 7.99	\$ 7.99
LTV ratio	59.5%	59.1%	59.2%	61.1%	60.5%	61.1%	61.4%	61.3%
Net debt to adjusted EBITDA	10.4x	9.4x	9.8x	10.2x	9.7x	9.4x	8.5x	17.0x
Interest coverage ratio	3.0x	3.2x	3.2x	3.3x	3.2x	3.0x	3.3x	2.5x
Debt service coverage ratio	3.9x	2.7x	2.6x	2.7x	2.7x	2.4x	2.7x	1.9x
Leasing activity (square feet)	238,650	59,834	335,231	187,375	211,270	107,315	296,248	184,673
Leasing activity as a % of portfolio	4.8%	1.2%	6.7%	4.0%	4.8%	2.4%	5.9%	3.5%
Number of properties	35	35	35	34	34	34	48	48
Office GLA	4,813,458	4,813,458	4,813,458	4,550,820	4,243,928	4,243,928	4,204,054	4,152,854
Total GLA	4,990,052	4,990,052	4,990,052	4,727,414	4,436,293	4,436,293	5,054,812	5,262,636
Occupancy - excluding redevelopment	87.7%	90.2%	90.2%	89.7%	89.4%	89.7%	90.7%	90.7%
Occupancy	84.0%	86.4%	86.3%	85.8%	85.0%	85.4%	89.2%	90.0%

(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.

Debt held by the REIT at March 31, 2017 is as follows:

	Maturity	Coupon ⁽³⁾	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn ⁽⁴⁾
Mortgages ⁽¹⁾⁽²⁾	Various	Various	16	\$ 388,921	\$ 288,965	\$ 288,965	\$ —	\$ —
Revolving operating facility	Jun. 30, 2018	BA+200 bps	8	308,597	210,546	192,700	—	17,846
Revolving credit facility	Nov. 30, 2017	BA+200 bps	5	76,789	45,000	33,000	1,150	10,850
Construction facility	May 4, 2021	CDOR+300 bps	1	35,172	7,501	—	—	7,501
Term loan ⁽⁵⁾	Jun. 30, 2017	BA+213 bps	3	143,370	105,000	105,000	—	—
Other facility ⁽⁶⁾	Oct. 1, 2025	4.27%	1	62,621	2,900	2,659	—	241
			34	\$ 1,015,470	\$ 659,912	\$ 622,324	\$ 1,150	\$ 36,438

(1) The weighted average remaining term to maturity of mortgages is 5.7 years with maturities ranging from 0.9 to 13.6 years.

(2) The weighted average interest rate of mortgages is 3.63% with coupons ranging from 2.65% to 4.95%.

(3) "BA" means the one-month Bankers' Acceptances rate; "CDOR" means the Canadian Dealer Offered Rate; "bps" means basis point or 1/100th of one percent.

(4) Debt is only available to be drawn subject to certain covenants.

(5) On May 8, 2017, the REIT entered into a commitment letter with the lender for the renewal of the REIT's outstanding \$105.0 million term loan due June 30, 2017. The terms of the commitment provide for the extension of the term loan to June 30, 2019 and an increase in amount to \$120.0 million.

(6) Other facility is secured by the Data Centre, which is accounted for as a finance lease receivable and not included in the REIT's properties. The value above represents the carrying value of the finance lease receivable.

The carrying value of debt held by the REIT at March 31, 2017 is as follows:

	Principal	Mark-to-market ("MTM") adjustments and costs	Amortization of MTM adjustments and costs	Carrying amount	Current	Non-current
Mortgages	\$ 288,965	\$ 332	\$ 275	\$ 289,572	\$ 6,797	\$ 282,775
Revolving operating facility	192,700	(1,962)	1,105	191,843	—	191,843
Revolving credit facility	33,000	(655)	522	32,867	32,867	—
Term loan	105,000	(74)	60	104,986	104,986	—
Other facility	2,659	(36)	5	2,628	148	2,480
	\$ 622,324	\$ (2,395)	\$ 1,967	\$ 621,896	\$ 144,798	\$ 477,098

The REIT used the excess proceeds from the equity offering completed on April 25, 2017, to pay down borrowings on the revolving operating facility.

INDEBTEDNESS RATIO

The indebtedness ratio is a non-IFRS measure calculated by the REIT. In accordance with the REIT's Declaration of Trust the REIT's indebtedness may not exceed 65% of gross book value, which is defined by the Declaration of Trust as total assets less restricted cash. The REIT's indebtedness ratio at March 31, 2017 was 59.5% which is lower by 40 basis points compared to December 31, 2016. 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. Management believes that this objective will require at least two years to achieve. 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:

	March 31, 2017	December 31, 2016
Total assets ⁽¹⁾	\$ 1,046,438	\$ 1,025,522
Less: restricted cash	1,404	1,404
Gross book value	1,045,034	1,024,118
Debt	\$ 621,896	\$ 604,953
Leverage ratio	59.5%	59.1%

(1) Subscription receipt funds held in escrow have been removed from total assets for purposes of calculating the leverage ratio at March 31, 2017. The REIT's leverage ratio including subscription receipt funds held in escrow would be 53.4%.

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 ended March 31, 2017 and 2016:

	Three months ended March 31,	
	2017	2016
Net income and comprehensive income	\$ 8,442	\$ 3,621
Finance income on finance lease receivable	(990)	(1,022)
Net operating income from the Data Centre	1,525	1,525
Interest income	(17)	(15)
Interest and finance costs	5,210	4,203
Change in fair value of investment property	(227)	(1,938)
Change in fair value of financial instruments	(862)	811
Depreciation of hotel asset	189	136
Change in fair value of Class B LP units	740	4,440
Distributions to Class B LP unitholders	991	991
Adjusted EBITDA	\$ 15,001	\$ 12,752

The following is a calculation of adjusted EBITDA for the three months ended March 31, 2017 and 2016:

	Three months ended March 31,	
	2017	2016
Rental revenue	\$ 32,318	\$ 27,569
Property operating expenses	(17,693)	(15,302)
Net operating income from the Data Centre	1,525	1,525
General and administrative	(1,149)	(1,040)
Adjusted EBITDA	\$ 15,001	\$ 12,752

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 net debt to adjusted EBITDA for the three months ended March 31, 2017 and 2016:

	Three months ended March 31,	
	2017	2016
Debt, net	\$ 621,896	\$ 493,496
Adjusted EBITDA ⁽¹⁾	60,004	51,008
Net debt to Adjusted EBITDA	10.4x	9.7x

(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 interest coverage ratio for the three months ended March 31, 2017 and 2016:

	Three months ended March 31,	
	2017	2016
Adjusted EBITDA	\$ 15,001	\$ 12,752
Interest expense	5,005	3,947
Interest coverage ratio	3.0x	3.2x

Debt service coverage ratio

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

The following is a calculation of debt service coverage ratio for the three months ended March 31, 2017 and 2016:

	Three months ended March 31,	
	2017	2016
Adjusted EBITDA	\$ 15,001	\$ 12,752
Interest expense	5,005	3,947
Principal repayments	(1,180)	(704)
Debt service requirements	\$ 3,825	\$ 3,243
Debt service coverage ratio	3.9x	3.9x

DEBT REPAYMENT SCHEDULE

The following table outlines the REIT's annual principal payments and maturity schedule, together with the weighted average annual interest rates at March 31, 2017:

	Annual Principal Payments	Principal Repayments on Maturity ⁽¹⁾	Total	Percentage (%)	Weighted Average Contractual Interest Rate on Maturing Debt (%)
Remainder of 2017	\$ 3,793	\$ 138,000	\$ 141,793	22.8%	3.1%
2018	5,178	194,784	199,962	32.1%	2.9%
2019	5,370	10,376	15,746	2.5%	4.4%
2020	5,203	—	5,203	0.8%	0.0%
2021	5,383	179,918	185,301	29.8%	3.3%
Thereafter	\$ 24,053	\$ 50,266	\$ 74,319	12.0%	4.1%

(1) Includes payments under interest rate swaps.

Management has negotiated the renewal of the term loan maturing on June 30, 2017. The term loan will be renewed for an additional two years, at an interest rate of BA plus 213 bps and the borrowing base will increase to \$120 million.

At March 31, 2017, excluding the mortgages associated with interest rate swaps, the REIT had a floating rate mortgage and debt of \$474.7 million (December 31, 2016 – \$465.2 million). The following table presents the annualized impact of a change in floating interest rates of 25 basis points on finance costs.

	March 31, 2017	December 31, 2016
Change of 25 bps	\$ 1,187	\$ 1,163

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following is a summary of the REIT's contractual obligations over the next five years at March 31, 2017:

	Total contractual cash flow	Remainder of 2017	2018-2019 ⁽¹⁾	2020-2021	Thereafter
Accounts payable and accrued liabilities	\$ 24,357	\$ 24,357	\$ —	\$ —	\$ —
Amortizing principal repayments on debt	48,980	3,793	10,548	10,586	24,053
Principal repayments on maturity of debt	573,344	138,000	205,160	179,918	50,266
Interest on debt ⁽¹⁾	60,831	12,939	22,361	16,139	9,392
Interest rate swaps ⁽²⁾	4,139	699	1,343	1,248	849
Other liabilities	6,898	2,842	1,037	891	2,128
Total	\$ 718,549	\$ 182,630	\$ 240,449	\$ 208,782	\$ 86,688

(1) Interest amounts on floating debt have been determined using floating rates at March 31, 2017.

(2) Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the March 31, 2017 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 \$40.0 million of capital and redevelopment costs. At March 31, 2017, \$18.7 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	
		March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
August 14, 2023	4.60% \$	21,087 \$	21,231 \$	1,716 \$	1,765
May 1, 2023	3.64%	30,989	22,664	790	730
			\$	2,506 \$	2,495

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

	March 31, 2017	December 31, 2016
Balance, beginning of period	\$ 2,482	\$ 3,153
Premiums paid	—	—
Fair value change of interest rate swaps	11	811
Fair value changes	9	—
Balance, end of period	\$ 2,502	\$ 3,964

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 three months ended March 31, 2017 and 2016:

	Three months ended March 31,	
	2017	2016
Net change in cash related to:		
Operating	\$ 7,846	\$ 11,091
Investing	(18,987)	(9,794)
Financing	9,393	(7,889)
Decrease in cash	\$ (1,748)	\$ (6,592)

The change in cash for the three months ended March 31, 2017 and 2016 was the result of the following factors:

- Operating – cash flows for the three months ended March 31, 2017 decreased when compared to the same period in 2016. Net income and comprehensive income has increased period over period from contributions to NOI from acquisition activity, which includes the acquisition of 100% interest in St. John's Places, the Gateway Complex and 365 Hargrave St. The increase in net income is offset by changes in working capital items, which have decreased by \$4.4 million in the quarterly comparison.
- Investing – cash outflows for the three months ended March 31, 2017 were \$19.0 million compared to cash outflows of \$9.8 million in the same period in 2016. The cash outflows in the current quarter were increased due to \$7.7 million of deposits made on acquisition assets. The REIT completed the acquisition of three office properties on April 25, 2017, of which deposits were made prior to quarter end. Capital expenditures and leasing activities were comparable quarter over quarter, with additional spending on leasing costs of \$3.1 million in the current quarter mainly attributable to the leasing commissions incurred on the Johnson Insurance lease renewal.
- Financing – cash flows for the three months ended March 31, 2017 relate to proceeds from re-financing of 4211 Yonge Street mortgage of \$8.5 million as well as additional draws on the REIT's revolving operating facility of \$9.5 million.

EQUITY

The REIT is authorized to issue an unlimited number of trust units. Each trust unit represents a proportionate undivided beneficial interest and voting right in the REIT and entitles the holder to an equal participation in distributions of the REIT. The trust units are redeemable at the option of the holder at any time. The trust units are traded on the TSX with a closing ask price of \$8.04 as at March 31, 2017.

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 March 15, 2017, the REIT issued 14,820,000 subscription receipts at an issuance price of \$8.10 per unit, for gross proceeds of \$120.0 million in connection with the acquisition of three office properties, the West Metro Corporate Centre in Toronto, ON and 250 King and 460 Two Nations in Fredericton, NB. The REIT will also complete a private placement for 1,234,568 units at an issuance price of \$8.10 for gross proceeds of \$10.0 million when the acquisition closes. The acquisitions closed on April 25, 2017 and the subscription receipts were converted into trust units on this date.

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 March 31, 2017, the total number of trust units outstanding was 40,780,384. As at May 8, 2017, the total number of trust units outstanding was 56,843,875.

Normal course issuer bid

On March 2, 2017, the REIT renewed its normal course issuer bid ("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 March 1, 2018 and the repurchase of the maximum number of trust units.

No trust units were purchased during the three months ended March 31, 2017.

Potential trust units

	March 31, 2017	December 31, 2016
Class B LP units	5,285,160	5,285,160
Deferred units	57,566	25,802
	5,342,726	5,310,962

The Class B LP units are exchangeable into trust units of the REIT on a one-for-one basis, subject to anti-dilution adjustments. Each Class B LP unit is accompanied by one special voting unit of the REIT providing the same voting rights in the REIT as the trust units of the REIT and is entitled to distributions of cash equal to the cash distributions paid to holders of trust units by the REIT. The Class B LP units are recognized in the REIT's consolidated financial statements as financial liabilities measured at fair value through profit and loss. Upon exchange into trust units of the REIT, the carrying amount of the liability representing the fair value of the Class B LP units on exchange date will be reclassified to unitholders' equity. During the three months ended March 31, 2017, there were no Class B LP units exchanged for the REIT's trust units. Subscription receipts issued on March 15, 2017 have not been included in the calculation of diluted weighted average units outstanding as they do not meet the criteria for inclusion as at March 31, 2017.

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.

As at March 31, 2017, the liability associated with the deferred units was \$0.5 million (March 31, 2016- \$0.2 million), and the number of outstanding deferred units was 57,566 (March 31, 2016 - 25,802 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 March 31, 2017, the liability associated with deferred units issued under the Officer DUP was \$0.1 million (March 31, 2016 - nil) and the number of deferred units was 7,896 (March 31, 2016 - 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 March 31, 2017 and December 31, 2016:

	March 31, 2017	December 31, 2016
REIT units	1,687,251	1,687,251
Class B LP units	5,285,160	5,285,160
Total	6,972,411	6,972,411
Economic interest	15.1%	15.1%

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. Subsequent to closing of the equity offering on April 25, 2017, Slate's interest in the REIT is 11.2%. The Management Agreement provides for the following fees:

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

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

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

For the three months ended March 31, 2017 and 2016 the REIT incurred the following fees under the Management Agreement:

	Three months ended March 31,	
	2017	2016
Property management	\$ 948	\$ 803
Asset management	768	614
Leasing, financing, and construction management	2,017	557
	\$ 3,733	\$ 1,974

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 \$1.5 million for the three months ended March 31, 2017 (March 31, 2016 - \$1.3 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 March 31, 2017 and December 31, 2016:

	March 31, 2017	December 31, 2016
Accounts receivable	\$ 434	\$ 469
Accounts payable and accrued liabilities	262	215
Class B LP units	41,753	41,753

On September 8, 2016, the REIT acquired 365 Hargrave St. from SMC for consideration of \$12.4 million. No acquisition fees were charged by SMC.

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 March 31, 2017 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

IAS 7, Disclosure Initiative ("IAS 7")

The amendments to IAS 7 require disclosures that enable the evaluation of changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes. The amendments applied prospectively for annual periods beginning on or after January 1, 2017 and were adopted by the REIT in the consolidated financial statements.

The following are the primary disclosures are required for changes in liabilities from financing activities: changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair values.

Supplemental cash flow information disclosures have been included in the REIT's consolidated financial statements.

FUTURE ACCOUNTING POLICIES

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

IFRS 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 March 31, 2017.

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

No changes were made in the REIT's design of ICFR during the three months ended March 31, 2017, 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 March 31, 2017 is set out in the table below.

Asset Class	Property Address	Property Name	City, Province	Year Built / Renovated / Expanded	Square feet of GLA	Occupancy
Office - Income Producing						
	1870 Albert Street	Saskatchewan Place	Regina, SK	1985	84,243	70.2%
	280 Broadway Avenue ⁽¹⁾		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 ⁽²⁾	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%
Office - Redevelopment						
	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%
					4,813,458	87.1%
Industrial						
	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%
					97,680	36.9%
Retail						
	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%
					78,914	100.0%
Total - Total Portfolio					4,990,052	84.0%
Total - Excluding Office Redevelopment					4,709,593	87.7%

(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

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Independent auditors

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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

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

Trustees

John O'Bryan ⁽³⁾
Corporate Director

Georges Dubes ⁽¹⁾
Partner, McMillan LLP

Pam Spackman ⁽¹⁾⁽²⁾
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Blair Welch ⁽³⁾
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Al Mawani ⁽¹⁾⁽²⁾
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Brady Welch
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Nora Duke ⁽²⁾⁽³⁾
Executive Vice-President, Corporate Service and
Chief Human Resources Officer, Fortis Inc.

(1) Compensation, Governance and Nomination Committee

(2) Audit Committee

(3) Investment Committee