
Slate Office REIT

2022 Annual Report



SLATE

Experience
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knowledge to
execute quickly.



Blue Cross Centre, Moncton, NB

About Slate Office REIT

(TSX: SOT.UN)

Slate Office REIT is a global owner and operator of high-quality workplace real estate. The REIT owns interests in and operates a portfolio of strategic and well-located real estate assets in North America and Europe. A majority of the REIT's portfolio is comprised of government and high-quality credit tenants. The REIT acquires quality assets at a discount to replacement cost and creates value for unitholders by applying hands-on asset management strategies to grow rental revenue, extend lease term and increase occupancy. Visit slateofficereit.com to learn more.

Slate Asset Management is a global alternative investment platform targeting real assets. We focus on fundamentals with the objective of creating long-term value for our investors and partners. Slate's platform has a range of real estate and infrastructure investment strategies, including opportunistic, value add, core plus, and debt investments. We are supported by exceptional people and flexible capital, which enable us to originate and execute on a wide range of compelling investment opportunities.

Visit slateam.com to learn more.

Forward-looking Statements

Forward-looking Statements Certain information in this management's discussion and analysis ("MD&A") constitutes "forward-looking statements" within the meaning of applicable securities legislation. These statements reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of Slate Office REIT (the "REIT") including expectations for the current financial year, and include, but are not limited to, statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Statements that contain words such as "could", "should", "would", "can", "anticipate", "expect", "does not expect", "believe", "plan",

"budget", "schedule", "estimate", "intend", "project", "will", "may", "might", "continue" and similar expressions or statements relating to matters that are not historical facts constitute forward-looking statements. Some of the specific forward-looking statements contained herein include, but are not limited to, statements relating to the impact of the COVID-19 pandemic. These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on the REIT's current estimates and assumptions, which are subject to significant risks and uncertainties. The REIT believes that these statements are made based on reasonable assumptions; however, there is no assurance that the events or circumstances reflected in these forward-looking statements will occur or be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to the risks that are more fully discussed under the "Risk Factors" section of the annual information form of the REIT for

the year ended December 31, 2022 ("Annual Information Form"). Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: risks incidental to ownership and operation of real estate properties including local real estate conditions; financial risks related to obtaining available equity and debt financing at reasonable costs and interest rate fluctuations; operational risks including timely leasing of vacant space and re-leasing of occupied space on expiration of current leases on terms at current or anticipated rental rates; tenant defaults and bankruptcies; uncertainties of acquisition activities including availability of suitable property acquisitions and integration of acquisitions; competition including development of properties in close proximity to the REIT's properties; loss of key management and

employees; potential environmental liabilities; catastrophic events, such as earthquakes and hurricanes; governmental, taxation and other regulatory risks and litigation risks. Forward-looking statements included in this MD&A are made as of February 21, 2023, and accordingly are subject to change after such date. The REIT does not undertake to update any forward-looking statements that are included in this MD&A, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities laws. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. Investors are cautioned against placing undue reliance on forward-looking statements.

Highlights

54

Investment properties

7.5M

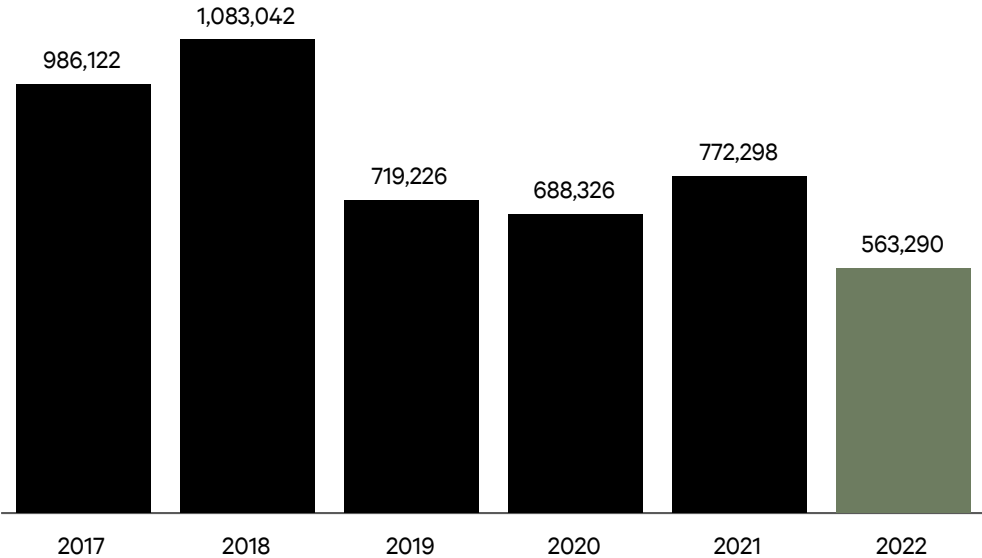
Square feet

\$1.9B

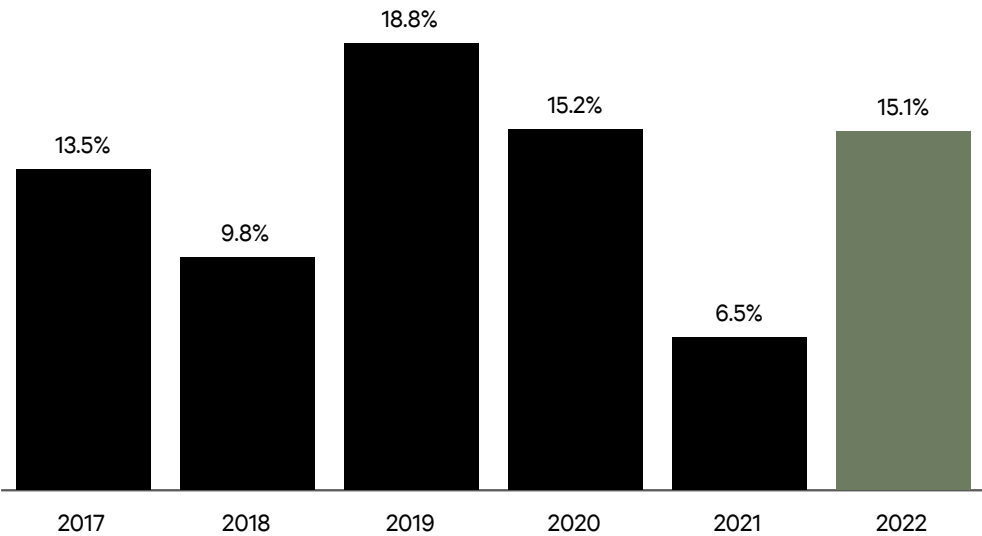
Total asset value

Strong Leasing Activity and Spreads

Total Leasing Activity (New and Renewal)









Total Leasing Spreads (New & Renewal)



Top 5 Tenants

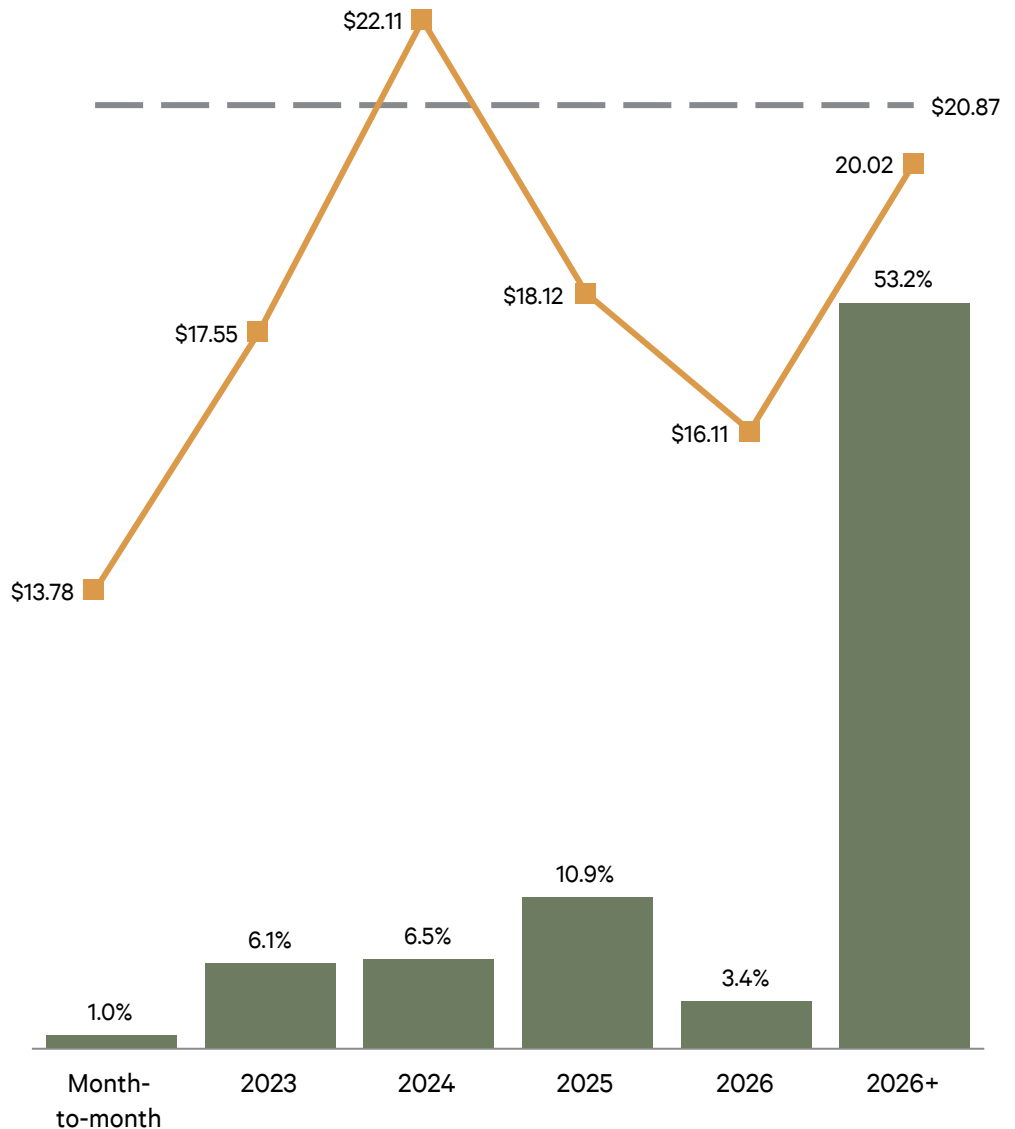
Ranked by Annual Base Rent*

1	6.6%	
2	6.1%	
3	5.1%	 
4	4.5%	 SNC • LAVALIN
5	2.8%	 Government of Ireland




66% of base rent is derived from government or credit rated tenants

* As at December 31, 2022

In-Place vs. Market Rents



Legend

-  Current Market Rent
-  Average Expiring Rent
-  Percentage of Portfolio Expiring

Slate.
Where value
investing meets
investors with
values.



Letter to Unitholders

Dear Fellow Unitholders,

Despite headwinds challenging the broader office market, the REIT successfully executed a number of high-impact transactions throughout 2022 that have meaningfully enhanced the quality of our real estate and the performance of Slate Office REIT's portfolio. Looking ahead, we remain focused on uncovering opportunities to maximize value for our unitholders and positioning our portfolio for stability and growth over the long-term.

Our Board of Trustees and management team recognizes that market disruptions related to the pandemic and elevated levels of inflation continue to weigh on the valuations of publicly-traded REITs in the office real estate sector, creating a divergence between asset values and unit price. As a Board and management team, we are cognizant of our responsibility to consider every possible opportunity to surface value for our unitholders.

To this end, we previously announced that the Board formed a special committee of Independent Trustees to oversee a comprehensive review of strategic alternatives for the REIT. As announced on October 25, 2022, this review is evaluating a broad range of options with a focus on maximizing value for unitholders. These alternatives could include acquisitions, divestments, corporate transactions, and other partnership opportunities with the potential to unlock the inherent value contained within the REIT's portfolio of high-quality workplace real estate. This work continues and the REIT will provide an update upon the conclusion of the review. There can be no assurance that the strategic review process will result in any transaction or other alternative, nor any assurance as to its outcome or timing.

I would like to highlight some additional key points from our 2022 results:

Portfolio Repositioning

We continue to focus on investment opportunities that align with tenant demand for well-located, high-quality, modern office buildings. The focus in 2022 was to add more assets that align with the following criteria: purchased below replacement cost, opportunity to grow occupancy and/or rents, strong credit quality tenants, high going-in yield, and manageable recurring capital investment.

In the first half of 2022, the REIT closed the transformative acquisition of Yew Grove REIT plc, an Irish entity that owned a high-quality, fit-for-purpose portfolio of 23 properties anchored by government, technology, and life-science tenants. The Irish portfolio immediately enhanced the REIT's occupancy, weighted-average lease term, and increased the quality of both tenants and physical buildings.

In the second half of 2022, the REIT disposed, at a very attractive price, an older property in Toronto that had tenant and capital risk in the near-term and purchased a higher yielding, newer asset in Chicago, anchored by a long-term lease with one of the world's premier innovative biopharmaceutical companies – with further upside on occupancy. This type of transaction enhances the REIT's ability to provide stable performance and highlights the REIT's ability to source attractive opportunities globally.

Operations

Our continued strong operational performance further enhanced the durability of the REIT's income. The weighted average lease term in our portfolio is 5.6 years and 66.3% of our tenants are government or high-quality credit tenants. Stable and growing cash flow is a key focus for the REIT.

“ The REIT successfully executed a number of high-impact transactions throughout 2022 that have meaningfully enhanced the quality of our real estate and the performance of Slate Office REIT’s portfolio. ”

In 2022, we completed 563,290 square feet of leasing at a rental rate spread of 15.1%. The positive rental rate spread demonstrates tenants are seeking a quality workplace and willing to pay for it.

We continue to see positive office utilization rates among our tenants. In general, suburban properties are seeing a faster return to office than downtown urban properties, and the Ireland and Atlantic Canada markets have the highest utilization rates.

Financial

Throughout 2022, Central Banks in the REIT's markets raised interest rates to manage rapidly increasing inflationary pressures. Notwithstanding this trend, the REIT was able to raise equity and subordinated debt and continued to re-finance its maturing debt and reduce its floating rate exposure, primarily with interest rate swaps and caps. In total, the REIT refinanced over \$600 million of senior debt and added new financing providers, raising debt capital in CAD, USD, and EUR, which demonstrates the confidence our lenders have in the REIT’s business and platform.

To return value to unitholders, in the fourth quarter, the REIT commenced the repurchase of units under the normal course issuer bid (“NCIB”) it renewed in June 2022. Under the NCIB, the REIT may purchase up to 6,252,619 units, subject to certain restrictions. The Board of Trustees determined that repurchasing units under the NCIB is currently an effective way to return value to unitholders as it does not believe the current trading price range of the REIT’s units reflect the underlying value nor longer-term upside of Slate Office REIT. For the year, the REIT repurchased 150,800 units for \$0.7 million, at a weighted average price of \$4.70 per unit.

Subsequent to the end of the quarter, in January 2023, holders of Slate Office REIT’s 5.25% convertible unsecured subordinated debentures adopted an extraordinary resolution to approve the implementation of certain amendments to the terms of the Debentures. These amendments enhance the REIT’s liquidity and financial flexibility in a challenging operating environment, helping to ensure continued stability and financial strength.

In February 2023, the REIT appointed George Armoyan and Jean-Charles Angers to its Board of Trustees, as part of its board renewal process. The addition of two experienced individuals to the Board of Trustees provides further expertise and stability for the REIT.

Outlook

As we continue to navigate a highly volatile macroeconomic environment, we remain focused on positioning our portfolio for stability. The recent transactions and actions we announced reflect this disciplined and unitholder-centric approach, and have further strengthened what is already a high-quality portfolio of essential workplace real estate. While the sector is facing a number of macroeconomic challenges, this environment can create unique opportunities to capitalize on historic market dislocations, and Slate Office REIT is well-positioned to take advantage of these opportunities. Against this backdrop, the strategic review will play a key role in identifying additional strategies to unlock additional value for unitholders.

On behalf of the Slate Office REIT team, I would like to thank the investor community for their confidence and support of our efforts.



Sincerely,
Steve Hodgson
Chief Executive Officer
February 21, 2023

Management's Discussion and Analysis

SLATE OFFICE REIT

TSX: SOT.UN

December 31, 2022

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FINANCIAL AND INFORMATIONAL HIGHLIGHTS

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

	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Summary of Portfolio Information					
Number of properties	54	53	55	55	32
Gross leasable area ("GLA") ¹	7,520,247	7,324,390	7,725,572	7,684,156	6,756,215
Total assets	\$ 1,869,362	\$ 1,955,525	\$ 1,989,219	\$ 1,972,562	\$ 1,808,907
Total debt	\$ 1,153,253	\$ 1,137,914	\$ 1,171,615	\$ 1,177,149	\$ 1,045,542
Occupancy ²	81.1%	81.9%	83.6%	84.7%	83.8%

	Three months ended				
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Summary of Financial Information					
Revenue	\$ 48,633	\$ 50,959	\$ 49,321	\$ 47,602	\$ 44,294
Net operating income ("NOI") ³	\$ 24,604	\$ 26,860	\$ 26,358	\$ 23,691	\$ 20,298
Net income (loss)	\$ (86,854)	\$ 18,357	\$ 22,834	\$ 29,044	\$ 13,661
Funds from operations ("FFO") ³	\$ 7,917	\$ 10,299	\$ 11,984	\$ 9,860	\$ 8,293
Core-FFO ³	\$ 8,778	\$ 11,146	\$ 12,818	\$ 10,681	\$ 9,101
Adjusted FFO ("AFFO") ³	\$ 7,562	\$ 11,253	\$ 11,504	\$ 9,622	\$ 8,027
IFRS net asset value ("NAV") ³	\$ 668,834	\$ 766,573	\$ 746,247	\$ 732,909	\$ 651,958
Per Unit Financial Information					
Weighted average diluted number of trust units (000s)	85,578	85,658	85,640	80,386	73,201
Diluted units outstanding (000s)	85,582	85,674	85,656	85,638	73,214
IFRS NAV per unit ³	\$ 7.82	\$ 8.95	\$ 8.71	\$ 8.56	\$ 8.90
FFO per unit ³	\$ 0.09	\$ 0.12	\$ 0.14	\$ 0.12	\$ 0.11
Core-FFO per unit ³	\$ 0.10	\$ 0.13	\$ 0.15	\$ 0.13	\$ 0.12
AFFO per unit ³	\$ 0.09	\$ 0.13	\$ 0.13	\$ 0.12	\$ 0.11
Distributions per unit ³	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10
FFO payout ratio ³	107.7%	82.9%	71.2%	82.4%	88.0%
Core-FFO payout ratio ³	97.1%	76.6%	66.6%	76.1%	80.2%
AFFO payout ratio ³	112.7%	75.9%	74.2%	84.4%	90.9%

	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Financial Data					
Loan-to-value ("LTV") ratio ³	61.9%	58.4%	59.0%	60.1%	59.7%
Weighted average debt interest rate ⁴	4.4%	3.9%	3.3%	3.3%	3.3%
Interest coverage ratio (times) ³	2.0x	2.0x	2.1x	2.0x	2.0x
Net debt to adjusted EBITDA ratio (times) ³	12.1x	12.1x	13.1x	13.7x	12.6x

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

²Occupancy is presented at 100% of the building's GLA, without taking ownership percentage into consideration.

³The calculation of these non-IFRS financial measures and a reconciliation to relevant International Financial Reporting Standards ("IFRS") measures are included in Part III and IV.

⁴Weighted average debt interest rate is presented after the impact of interest rate swaps and caps.

PART I - OVERVIEW

INTRODUCTION

This MD&A of the financial position and results of operations of the REIT is intended to provide readers with an assessment of performance and summarize the financial position and results of operations of the REIT for the year ended December 31, 2022. The presentation of the REIT's financial results, including the related comparative information, contained in this MD&A are based on the REIT's consolidated financial statements as at and for years ended December 31, 2022 and 2021 (the "consolidated financial statements"). This MD&A should be read in conjunction with those consolidated financial statements. All dollar amounts are in thousands of Canadian dollars, unless otherwise noted.

The information contained in this MD&A is based on information available to the REIT and is dated as of February 21, 2023, 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

Slate Office REIT is an owner and operator of office real estate. The REIT owns interests in and operates a portfolio of strategic and well-located real estate assets in North America and Europe. A majority of the REIT's portfolio is comprised of government or high-quality credit tenants. The REIT acquires quality assets at a discount to replacement cost and creates value for unitholders by applying hands-on asset management strategies to grow rental revenue, extend lease terms, and increase occupancy. During the year ended December 31, 2022, the REIT acquired a portfolio of high quality office, life sciences and lite-industrial assets in Ireland increasing the portfolio's scale, diversification and pipeline for future growth.

The REIT is an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated as of March 21, 2016, as amended March 1, 2019 and as further amended on May 13, 2021, as it may be further amended, supplemented or amended and restated from time to time (the "Declaration of Trust").

The REIT is externally managed and operated by Slate Management ULC ("SMULC"), a subsidiary of Slate Asset Management L.P., (collectively, "Slate" or the "Manager"). Slate has an experienced and dedicated team of real estate professionals with a proven track record of success in real estate investment and management. Management's interests are aligned with the unitholders of the REIT through its sponsorship and as a significant unitholder of the REIT. Slate is a significant unitholder in the REIT, with a 9.5% interest at December 31, 2022 and accordingly, is highly motivated to increase the value of the REIT on a per unit basis and provide reliable returns to the REIT's unitholders. Slate assumed management responsibilities for the REIT in November 2014 with the vision of creating a pure-play office REIT focused on real estate assets with strong fundamentals. This vision was premised on the belief that the office market was changing and a pure-play office REIT would provide a vehicle to capitalize on future opportunities. Slate has strong conviction in the importance of physical office space and is focused on servicing growing and emerging tenants and industries.

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

NON-IFRS MEASURES

We disclose a number of financial measures in this MD&A that are not measures used under International Financial Reporting Standards ("IFRS"), including net operating income, same property net operating income, funds from operations, core funds from operations, adjusted funds from operations, adjusted funds from operations payout ratio, IFRS net asset value, adjusted EBITDA, net debt to adjusted EBITDA ratio, interest coverage ratio, debt service coverage ratio and loan-to-value ratio, in addition to certain of these measures on a fully-diluted per unit basis. We use 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 use each measure is included in this MD&A. We believe that providing these performance measures on a supplemental basis to our IFRS results is helpful to investors in assessing the overall performance of our business in a manner similar to management. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with IFRS. We caution readers that these non-IFRS financial measures may differ from the calculations disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others. Reconciliations of these non-IFRS measures to the most directly comparable financial measures calculated and presented in accordance with IFRS are included within Part III and IV of this MD&A.

The definitions of non-IFRS financial measures are as follows:

- NOI is defined as rental revenue, excluding non-cash straight-line rent and leasing costs amortized to revenue, less property operating costs prior to IFRIC 21, *Levies* ("IFRIC 21") adjustments. Rental revenue for purposes of measuring NOI excludes revenue recorded as a result of determining rent on a straight-line basis and the amortization of leasing costs in revenue for IFRS. Same-property NOI includes those properties owned by the REIT for each of the current period and the relevant comparative period.
- FFO is defined as net income adjusted for certain items including transaction costs, change in fair value of properties, change in fair value of financial instruments, change in fair value of Class B LP units, deferred income taxes, distributions to Class B unitholders, depreciation and IFRIC 21 property tax adjustments.
- Core-FFO is defined as FFO adjusted for the REIT's share of lease payments received for its Data Centre asset, which for IFRS purposes is accounted for as a finance lease.

- AFFO is defined as FFO adjusted for amortization of deferred transaction costs; de-recognition and amortization of mark-to-market adjustments on mortgages refinanced or discharged; adjustments for interest rate subsidies received; recognition of the REIT's share of lease payments received for its Data Centre asset, which for IFRS purposes, is accounted for as a finance lease; amortization of straight-line rent; and normalized direct leasing and capital costs.
- FFO payout ratio, Core-FFO payout ratio and AFFO payout ratio are defined as aggregate distributions made in respect of units of the REIT and Class B LP units divided by FFO, Core-FFO and AFFO, respectively.
- Adjusted EBITDA is defined as earnings before interest, income taxes, depreciation, fair value gains (losses) from both financial instruments and investment properties, while also excluding non-recurring items such as transaction costs from dispositions, acquisitions or other events.
- Debt to adjusted EBITDA is defined as the aggregate amount of debt outstanding, less cash on hand, divided by the trailing twelve month adjusted EBITDA.
- Interest coverage ratio is defined as adjusted EBITDA divided by the REIT's interest expense for the period.
- Debt service coverage ratio is defined as adjusted EBITDA divided by the debt service requirements for the period, whereby the debt service requirements reflects amortizing principal repayments and interest expensed during the period. Payments related to defeasance, prepayment penalties, or payments upon discharge of a mortgage are excluded from the calculation.
- Net asset value is defined as the aggregate of the carrying value of the REIT's equity, Class B LP units, deferred units, and deferred tax liability.

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, 2022, available on SEDAR at www.sedar.com.

U.S. London Interbank Offering Rate ("U.S. LIBOR") Transition

The REIT is exposed to U.S. LIBOR interest rate on debt pertaining to various of its U.S. properties, which is subject to the interest rate benchmark reform. The REIT has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the Financial Conduct Authority ("FCA") and the US Commodity Futures Trading Commission) regarding the transition away from U.S. LIBOR to the Secured Overnight Financing Rate ("SOFR"). The FCA has made clear that it will no longer seek to persuade, or compel, banks to submit to LIBOR.

Upon the expected discontinuation of the U.S. LIBOR rates used by the REIT, there is uncertainty in the determination of the applicable interest rate and payment amount. This will depend on the terms agreed to by the REIT and may result in changes to the determination of the REIT's expected future cash flows. The calculation of interest rates under the replacement benchmarks may impact the REIT's interest and finance costs and overall financial condition or results of operations. Additionally, debt holders or governing bodies may decide to transition to a successor rate prior to the expected LIBOR phase-out date.

The REIT will continue to apply the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the REIT is exposed ends. The REIT has assumed that this uncertainty will not end until the REIT's contracts that reference U.S. LIBOR are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. The REIT has amended its debt agreements to introduce applicable fall back clauses for the transition of its benchmark rates from U.S. LIBOR.

In September 2022, the REIT refinanced debt of U.S. \$101.1 million, for which the interest rate benchmark was amended from U.S. LIBOR to SOFR. On October 19, 2022, the REIT extended the maturity to April 2023 and repaid U.S. \$20.0 million.

In October 2022, the REIT refinanced its revolving credit facility for which the interest rate benchmark on the U.S. revolving credit commitment was amended from U.S. LIBOR to SOFR.

STRATEGY

Our strategy is to own an institutional quality portfolio of assets in stable and growing office markets. We believe that seeking out assets that can be purchased at a significant discount to peak and replacement value while retaining stable operating fundamentals allows the potential for superior risk-adjusted returns. Approximately two-thirds of office inventory is often overlooked by large institutional investors for various reasons. The REIT's portfolio of office properties provides diversification, an ability to generate cash flow, and the opportunity to grow net asset value on a per unit basis. We have noted where these characteristics exist in numerous markets throughout Canada, the U.S. and Europe and have developed a robust pipeline of assets that meet our investment criteria.

While our primary goals are to grow net asset value on a per unit basis and provide an attractive total return to unitholders, we are focused on the following areas to achieve the REIT's objectives:

- A focus on our cost basis, which means buying quality assets at a discount to replacement costs. We have a bias towards assets with strong credit tenants and where rents are below market so we can realize organic growth;

- Prudent and proactive capital and asset management to reposition properties, grow rental revenue, extend lease term and increase occupancy to create value while minimizing property and portfolio vacancy exposure;
- Prudent and disciplined management of capital outlays that will maintain and increase the attractiveness of the REIT's portfolio and achieve increased rents;
- Continue to increase the REIT's financial strength and flexibility through robust balance sheet management;
- Target an appropriate AFFO payout ratio taking into account the REIT's other available opportunities and capital allocation requirements; and financing or disposing of stabilized assets and redeploying proceeds to new investment opportunities.

Overall, we believe that the REIT is positioned for long term growth with a portfolio of high credit-quality tenants, positive rental spreads and opportunities in multiple markets.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

At Slate, we believe the responsibility of a fiduciary is not limited to generating investment returns – it is about treating people, our partners and our environment with respect and setting an example for others through our conduct. In November 2021, Slate hired Bozena Jankowska as Global Head of Environmental, Social and Corporate Governance, who is responsible for implementing and advancing environmental, social, and corporate governance ("ESG") practices and thought leadership across Slate and its investment activities in line with Slate's ESG policy.

The policy provides a detailed framework for Slate's commitment across key areas (i) climate change, (ii) resource efficiency, (iii) social impact, and (iv) ethical business conduct. Management believes that a rigorous approach to ESG will further enhance the value we provide to our investors, tenants, communities, and employees by reducing our environmental impact, creating sustainable spaces where tenants and communities thrive, and creating a superior culture and work environment for our team members. Slate is committed to integrating ESG into its investment process, by identifying and managing issues that are material to each investment during its lifecycle. The consideration of ESG factors can be summarized as follows:

Environmental

Slate recognizes that climate change is the most pressing challenge facing the world today and that it has a role to play in delivering the change needed to reduce carbon emissions arising from its properties. Slate believes that managing climate change risks and opportunities brings key benefits which include managing regulatory and reputational risk, sharing costs and savings with tenants, reducing risk of stranded assets and enhanced asset value and desirability. By consistently managing environmental impacts and achieving efficiency gains, Slate believes there is an opportunity to own efficient and resilient buildings that serve our tenants, local communities, and the environment. For example, white roofs aid in the reduction of global warming by lowering energy consumption, greenhouse gas emissions and heat buildup in cities.

Social

Slate believes that fostering strong relationships and collaboration with tenants and stakeholders at the property level supports the creation of resilient, safe, and sustainable communities. In addition to our investment activities, as manager of the REIT, Slate is committed to integrating ESG throughout its own corporate operations by focusing on factors that are important to our employees and communities. This includes fostering a diverse and inclusive work environment, investing in the health, safety, and well-being of our teams, and engaging and supporting individual growth, professional development, and mentorship.

Governance

Good governance drives everything that Slate does. Integrity, accountability, and trust are at the core of Slate's culture. Slate believes that integrating ESG practices into its management practices, processes and systems is key to the long-term success of its business and is aligned with its commitment to good business conduct and ethics.

Further information on Slate's approach to environmental, social and governance topics is available on the [Slate ESG webpage](#) and [ESG report](#).

TOTAL RETURN TO UNITHOLDERS

As described above, our strategy is to grow net asset value on a per unit basis and provide appropriate distributions to unitholders. The REIT believes this strategy aligns with the perspective of the REIT's unitholders, as the combination of (i) change in net asset value on a per unit basis and (ii) distributions received, represents the value provided to them by the REIT. Over the past number of years, the REIT has provided a meaningful total return to unitholders as outlined below.

The following reconciliation shows the change in IFRS net asset value of the REIT on a total and per unit basis for the years ended December 31, 2022, and the years ended December 31, 2021 and 2020:

	Year ended December 31, 2022		Year ended December 31, 2021		Year ended December 31, 2020	
	IFRS Net Asset Value ¹	Per Unit	IFRS Net Asset Value ¹	Per Unit	IFRS Net Asset Value ¹	Per Unit
Beginning of period	\$ 651,958	\$ 8.90	\$ 627,504	\$ 8.57	\$ 659,057	\$ 8.99
Core-FFO	43,423	0.51	42,621	0.58	49,664	0.68
Property fair value changes ²	(87,508)	(1.02)	8,708	0.12	(114)	—
Other fair value changes	39,144	0.46	19,947	0.27	(29,803)	(0.41)
Depreciation on hotel	(966)	(0.01)	(1,022)	(0.01)	(1,058)	(0.01)
Foreign exchange	11,139	0.13	(710)	(0.01)	(8,747)	(0.13)
Unit issuances	60,202	(0.59)	—	—	—	—
Distributions	(33,316)	(0.40)	(29,192)	(0.40)	(29,203)	(0.40)
Unit repurchases	(710)	0.01	—	—	(358)	0.01
Transaction costs	(1,240)	(0.01)	(657)	(0.01)	(1,979)	(0.03)
Other	(13,292)	(0.16)	(15,241)	(0.21)	(9,955)	(0.13)
End of period	\$ 668,834	\$ 7.82	\$ 651,958	\$ 8.90	\$ 627,504	\$ 8.57

¹Refer to the IFRS Net Asset Value section of this MD&A for the calculation of IFRS net asset value on a total and per unit basis to the REIT's consolidated financial statements.

²Includes the impact of IFRIC 21 property tax adjustment.

Net asset value has been determined using the REIT's consolidated financial statements prepared in accordance with IFRS. It is important to note that the consolidated financial statements of the REIT may not be fully representative of the net asset value of the REIT. Specifically, the fair value of properties are measured individually without consideration to their aggregate value on a portfolio basis. No consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or to the utilization of a common management platform, amongst other benefits. As a result, the fair value of the REIT's properties taken in aggregate may differ from the fair value of properties measured individually in the REIT's consolidated statements of financial position.

IFRS NAV decreased \$1.08 per unit driven by a decrease in fair value of investment properties of \$87.5 million or \$1.02 per unit, much of which was due to increasing financing costs over the year caused by Central Banks' raising interest rates to combat inflation. The issuance of units in exchange for subscription receipts and a private placement to support the portfolio purchase in Q1 2022 cost \$0.59 per unit. This was offset by Core-FFO of \$43.4 million or \$0.51 per unit and an increase in value from pay-fixed interest rate swaps and the fair value of financial instruments of \$39.1 million at December 31, 2022 compared to December 31, 2021. The primary drivers of the increase value of pay-fixed swaps were Central Banks in the REIT's markets (Canada, the U.S. and Europe) increasing interest rates in the face of increased inflationary pressures. The REIT has paid \$0.40 per unit in distributions to unitholders for the year ended December 31, 2022.

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

	Year ended December 31, 2022		Year ended December 31, 2021		Year ended December 31, 2020	
	Percentage Return	Per Unit	Percentage Return	Per Unit	Percentage Return	Per Unit
IFRS net asset value change	(12.1)%	\$ (1.08)	3.9%	\$ 0.33	(4.7)%	\$ (0.42)
Distributions	4.5%	0.40	4.7%	0.40	4.4%	0.40
Total	(7.6)%	\$ (0.68)	8.6%	\$ 0.73	(0.3)%	\$ (0.02)

In 2022, the REIT has provided \$0.40 per unit in cash distributions to unitholders. This represents an annualized yield of 9.3% based on the closing price of the REIT's units at December 31, 2022 and a return of 4.5% for the year ended December 31, 2022 based on the REIT's IFRS NAV at December 31, 2021. In 2021, the REIT's NAV increased \$0.33 per unit primarily as a result of non-cash gains on pay-fixed interest rate swaps, accompanied by \$0.40 per unit of distributions. In 2020, total return to unitholders was \$(0.02) per unit or (0.3)%, as \$0.40 was returned to unitholders in the form of distributions and IFRS NAV decreased by \$0.42 as a result of property valuation changes.

A large portion of the total return to unitholders is provided by way of distributions. In 2021, 54.1% of the distributions received by unitholders were treated as a return of capital for taxation purposes and 45.9% was treated as capital gains. In 2020, 43.3% of the distributions received by unitholders were treated as a return of capital and 56.7% were treated as capital gains due to the impact of capital gains and depreciation recapture on asset sales.

IFRS NET ASSET VALUE

IFRS net asset value is a non-IFRS measure and is defined by the REIT as the aggregate of the carrying value of the REIT's equity, Class B LP units, deferred units and deferred tax liability. Management believes that this measure reflects the residual value of the REIT to equity holders and is used by management on both an aggregate and per unit basis to evaluate the net asset value attributable to unitholders and changes thereon based on the execution of the REIT's strategy.

The following is the calculation of IFRS net asset value on a total and per unit basis at December 31, 2022 and December 31, 2021 from the REIT's consolidated financial statements:

	December 31, 2022	December 31, 2021
Equity	\$ 644,366	\$ 621,967
Class B LP units	22,832	26,426
Deferred unit liability	1,182	815
Deferred tax liability	454	2,750
IFRS net asset value	\$ 668,834	\$ 651,958
Diluted number of units outstanding ¹	85,582	73,214
IFRS net asset value per unit	\$ 7.82	\$ 8.90

¹Represents the fully diluted number of units outstanding and includes outstanding REIT units, DUP units and Class B LP units and is shown in thousands at the end of the respective periods.

Management believes that there is a substantive basis to support a net asset value of \$7.82 per unit as the REIT has obtained independent third party appraisals for 23 out of 31 properties in the portfolio (excluding the Irish portfolio) in the 24 months preceding December 31, 2022 which had a combined appraisal value of \$1.1 billion representing 75% of the REIT's property (excluding the Irish portfolio) fair value at December 31, 2022.

The following is an illustration of the REIT's valuation used to determine IFRS net asset value at December 31, 2022:

<i>(thousands, except per unit amount)</i>	December 31, 2022
Property fair value	\$ 1,754,338
Data Centre	46,793
Working capital	20,956
Debt	(1,153,253)
IFRS net asset value	\$ 668,834
Diluted number of units outstanding	85,582
IFRS net asset value per unit	\$ 7.82

The following is a summary of the REIT's IFRS net asset value per unit by geographic segment:

	December 31, 2022
Ontario	\$ 2.62
Atlantic	2.28
Western	1.50
U.S.	1.14
Ireland	0.28
IFRS net asset value per unit	\$ 7.82

SIGNIFICANT HIGHLIGHTS

Leasing

The REIT completed 115 transactions in 2022, totaling 563,290 square feet, compared to 109 transactions in 2021 totaling 772,298 square feet, and 93 transactions in 2020 totaling 688,326 square feet. Rental rate spreads were 15.1% overall for the year, up from 6.5% in 2021. The performance of the portfolio in 2022 illustrates that high quality, well located office underpinned by strong tenants and industries continues to perform well. As restrictions are lifted in the markets we operate in we believe the importance of workplace to corporate culture, growth and innovation will drive a return to the office.

- Notable leasing transactions for the year include the following:
 - The renewal of a retail tenant at Flin Flon Wal-Mart in Flin Flon, Manitoba for approximately 63,439 square feet for 5.0 years
 - The new lease of a pharmaceutical tenant at IDA Athlone Block C - Extension, in Athlone, Ireland for approximately 35,897 square feet for 8.8 years
 - The renewal of a global engineering firm at 191 The West Mall in Markham, Ontario for approximately 30,076 square feet for 10.0 years

Property Transactions

The majority of the REIT's property growth was in the first quarter with the purchase of an Irish portfolio, following which a Canadian property was sold and a U.S. property purchased.

- On February 7, 2022, the REIT closed the transformative acquisition of Yew Grove, an Irish entity that owned a high quality, fit-for-purpose portfolio of 23 properties anchored by government, technology and life-science tenants (the "Irish portfolio"). The acquisition enhanced the REIT's occupancy and weighted-average lease term, increasing the REIT's exposure to high quality credit tenants from 61.3% to 67.0%
- On September 23, 2022, the REIT completed the disposition of the property at 95-105 Moatfield Drive in Toronto, Ontario at a 12.0% premium to the REIT's purchase price and a 5.0% premium to the REIT's June 30, 2022 IFRS value
- On October 17, 2022, the REIT announced its agreement to acquire a newly retrofitted Class A office property in Chicago, Illinois (the "Chicago Acquisition") for \$27.3 million at an attractive 8.4% capitalization rate based on in-place NOI and a 75.0% discount to the property's estimated replacement cost. The purchase was completed on November 1, 2022

Financing Transactions

During 2022, Central Banks in the REIT's markets of Canada, the U.S. and Europe raised rates to manage rapidly increasing inflationary pressures. The REIT raised equity capital and subordinated debt over the year and continued to re-finance its maturing debt, reducing its floating interest rate exposure in the second half of the year through the use of interest rate swaps and caps.

- On February 7, 2022, the REIT's 11,225,000 subscription receipts, which had been issued in November 2021, were converted to Units of the REIT and a 1,183,800 private placement of Units of the REIT was completed
- On April 4, 2022, the REIT re-financed the €93.6 million bridge loan that had partially financed the purchase of the Irish portfolio with a five year term loan
- On October 19, 2022, the REIT refinanced its revolving credit facility extending the maturity date to October 2024. The Canadian revolving credit commitment was reduced from \$285.0 million to \$260.0 million and the U.S. revolving credit commitment was reduced from U.S. \$60.0 million to U.S. \$56.1 million, the drawn amount was unaffected. The interest rate benchmark on the U.S. revolver was amended from U.S. LIBOR to SOFR
- On October 19, 2022, the REIT extended the maturity of a facility at 120 South LaSalle from October 2022 to April 2023 and repaid U.S. \$20.0 million
- On October 24, 2022, the REIT issued \$45.0 million of 7.50% convertible unsecured subordinated debentures of the REIT. The proceeds from the issuance of the convertible debentures were used to reduce the REIT's secured indebtedness and complete the Chicago Acquisition
- On October 26, 2022, the REIT increased the financing of one of its Atlantic properties by \$8.0 million, the proceeds from which are to be used for general corporate purposes
- In October 2022, the REIT repurchased 150,800 units under its NCIB program at an aggregate purchase price of \$0.7 million
- On December 15, 2022, the REIT purchased a €93.6 million interest rate cap, reducing its floating rate debt to \$75.4 million

Financial

- The REIT's units traded at a 9.3% distribution yield, which was well covered with an AFFO payout ratio of 84.4% for the year ended December 31, 2022
- Net loss was \$16.6 million and net operating income was \$92.4 million for the year ended December 31, 2022 compared to net income of \$46.6 million and net operating income of \$78.5 million for the year ended December 31, 2021
- Same property net operating income was \$19.2 million for the three months ended December 31, 2022 compared to \$18.7 million for the three months ended December 31, 2021
- FFO and Core-FFO for the year ended December 31, 2022 were \$40.1 million and \$43.4 million, or \$0.48 and \$0.51, respectively on a per unit basis, which is a decrease from \$0.54 and \$0.58 per unit respectively for the year ended December 31, 2021
- AFFO for the year ended December 31, 2022 was \$39.9 million or \$0.47 per unit

Special Committee

- On October 25, 2022, the REIT's Board of Trustees established a special committee of the REIT's independent trustees to oversee a comprehensive review of the REIT's strategic alternatives with a focus on maximizing value for unitholders.

PART II - LEASING AND PROPERTY PORTFOLIO

LEASING

Growing rental income by increasing occupancy and continuing to mark-to-market rental rates is a key focus for the REIT. Leasing volume for the fourth quarter of 2022 totaled 86,266 square feet at a rental rate spread of 7.6% above in-place and expiring rents for new and renewed leasing. In-place rental rates across the portfolio are 6.5% below current market rent, providing a significant opportunity for the REIT to continue increasing rental income going forward.

Notable lease transactions in the quarter include the following:

- A 5-year new lease for 7,307 square feet with a restaurant at Gateway Centre in Markham, Ontario
- A 7-year new lease for 7,123 square feet with a logistics company at Maritime Centre in Halifax, Nova Scotia
- A 5-year renewal for 13,888 square feet with an insurance company at Gateway Centre in Markham, Ontario
- A 10-year renewal for 10,461 square feet with a financial services firm at Brunswick Square in Saint John, New Brunswick

Physical workspace is critical to corporate culture, collaboration and innovation which is driving a return to the office for many of our tenants, particularly those in high growth, essential industries such as life sciences and technology. An improving economy coupled with employment growth is driving office space demand as evidenced by the strong leasing volumes and continued rental rate increases.

OCCUPANCY

The following is a continuity of the change in the in-place occupancy of the REIT's properties:

	Three months ended December 31, 2022			Three months ended September 30, 2022		
	GLA	Occupancy (square feet)	Occupancy (%)	GLA	Occupancy (square feet)	Occupancy (%)
Occupancy, beginning of period	7,324,390	6,001,948	81.9%	7,725,572	6,460,755	83.6%
Acquired properties						
275 North Field Drive	197,527	132,330	(0.4%)	—	—	—%
Disposed properties						
95-105 Moatfield	—	—	—%	(405,407)	(377,621)	(0.5%)
Remeasurements	(1,670)	—	—%	4,225	—	(0.1%)
Change in same property occupancy	—	(34,177)	(0.4%)	—	(81,186)	(1.1%)
Occupancy, end of period	7,520,247	6,100,101	81.1%	7,324,390	6,001,948	81.9%

Occupancy at December 31, 2022 was 81.1% and the weighted average lease term was 5.6 years. New leases completed in the fourth quarter 2022 partially offset the impact of known vacancies and the REIT continues to execute on a strategy focused on increasing occupancy.

LEASE MATURITIES

The REIT generally enters into leases with an initial term to maturity between 2 and 10 years. The weighted average remaining term to maturity at December 31, 2022 was 5.6 years, not including tenants on month-to-month leases. Management considers the current average term of leases to be indicative of the stability of the portfolio's cash flow and diversified maturity risk.

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

	December 31, 2022			September 30, 2022		
	Weighted average years to maturity ¹	GLA	% of GLA	Weighted average years to maturity ¹	GLA	% of GLA
Atlantic	5.0	1,992,166	26.4%	5.1	1,967,950	26.8%
Ontario	4.6	1,773,538	23.6%	4.5	1,832,009	25.0%
Western	6.6	412,250	5.5%	7.1	411,155	5.6%
Ireland	8.1	899,991	12.0%	8.5	899,104	12.3%
U.S.	6.0	1,022,156	13.6%	5.8	891,730	12.2%
	5.6	6,100,101	81.1%	5.6	6,001,948	81.9%
Vacant		1,420,146	18.9%		1,322,442	18.1%
Total		7,520,247	100.0%		7,324,390	100.0%

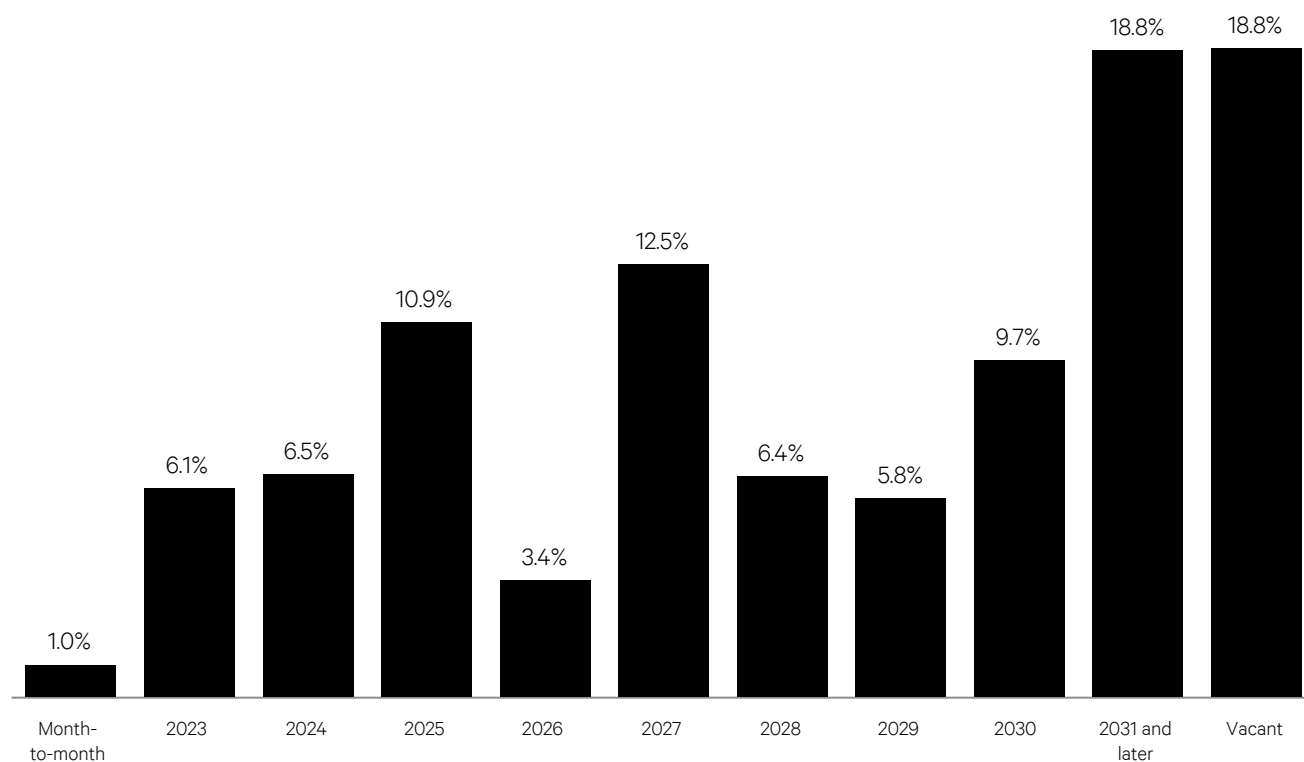
¹The calculation of weighted average years to maturity does not include month-to-month tenants.

The following is a profile of the maturities of the REIT's leases excluding the impact of tenant extension options at December 31, 2022:

	GLA	% of portfolio	Weighted average in-place rent (per square foot) ¹
Month-to-month	73,066	1.0%	\$ 13.78
2023	457,350	6.1%	17.55
2024	492,899	6.5%	22.11
2025	818,676	10.9%	18.12
2026	255,893	3.4%	16.11
2027	942,690	12.5%	18.73
2028	483,335	6.4%	18.88
2029	433,456	5.8%	16.89
2030	732,427	9.7%	27.29
2031 and later	1,410,309	18.8%	18.48
Vacant	1,420,146	18.8%	n/a
Total / weighted average	7,520,247	100.0%	\$ 19.52

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

Lease Maturities



Month-to-month tenants comprise 1.0% of the portfolio's gross leasable area and, throughout the remainder of 2023, 6.1% of the REIT's portfolio gross leasable area is maturing. Securing renewals for these maturities and entering into new leases with tenants is a critical focus for the REIT. The in-place rent of the next twelve month maturities is approximately 11.0% below market rent, providing significant upside opportunity for the REIT upon renewing and re-leasing this space.

Management's goal is to drive organic growth in the portfolio and focus on creating meaningful per unit net asset value accretion through positive rental rate spreads, increased occupancy, improved tenant quality, and longer weighted-average lease terms. The success of the REIT's leasing will depend on the demand for office space in the markets in which the REIT operates, which is in part determined by economic stability and growth.

IN-PLACE AND MARKET RENTS

The weighted-average in-place rent of the REIT's total office portfolio at December 31, 2022 is \$19.52 per square foot, representing a 6.5% discount to current market rent. The rental rate spread was 7.6% for all deals done across the portfolio in Q4 2022, illustrating the REIT's ability to unlock value by adjusting to market rents on expiry of existing leases and when entering into new leases.

The estimate of current market rent is based on third party valuations, management's estimates, and leasing data obtained from completed new and renewed leases. 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 rents to market rents to determine the future revenue capacity of the REIT's current portfolio and roll-over revenue risk.

The following table summarizes the REIT's leasing activity during the three months ended December 31, 2022:

	GLA	Number of leases	Weighted average expiring rent (per square foot)	Weighted average new rent (per square foot)	Increase in rent
Renewed leases	48,751	8	\$ 17.66	\$ 19.22	8.8%
New leases	37,515	13	18.05	19.14	6.0%
Total / weighted average	86,266	21	\$ 17.83	\$ 19.19	7.6%
Less: leases not renewed / vacated	(93,910)	(12)			
Net total	(7,644)	9			

The following is a summary of the REIT's new and renewal leasing activity during the last four quarters:

Quarter	Renewals			New leases			Total	
	GLA	Number of leases	Rental rate spread	GLA	Number of leases	Rental rate spread	GLA	Number of leases
Q1 2022	78,583	14	11.4%	50,952	20	1.0%	129,535	34
Q2 2022	123,972	17	5.1%	114,457	20	43.0%	238,429	37
Q3 2022	47,619	11	18.3%	61,441	12	7.2%	109,060	23
Q4 2022	48,751	8	8.8%	37,515	13	6.0%	86,266	21
Total	298,925	50	9.5%	264,365	65	21.3%	563,290	115

TENANT PROFILE

Management's strategy includes ensuring that the REIT's tenants are diversified and of high credit quality. A higher quality tenant base increases the stability of the REIT's income through economic cycles, which directly relates to their continued ability to meet their lease obligations to the REIT and to continue to retain their workforce, which directly impacts their need for office space. The REIT has experienced the benefit of this high quality tenant base through the collection of rents during COVID-19 related closures in markets across the REIT's portfolio.

The REIT's total exposure to the Government of Canada, Canadian provinces and the Government of Ireland is approximately 1,099,060 square feet or 16.3% of base rent at share with a weighted average lease term of 5.1 years. Further, 66.3% of the REIT's base rent is derived from government or quality credit rated tenants. The following are the REIT's top 10 largest tenants by percent of base rent receipts at December 31, 2022, which together represent 36.9% of base rental receipts:

Tenant	Credit rating ¹	GLA	Number of properties	% of base rental receipts	Weighted average lease term (years)
CIBC	A+	324,864	3	6.6%	6.6
Bell Canada Enterprises	BBB+	136,464	4	6.1%	5.7
Government of Canada	AAA	365,753	7	5.1%	3.4
SNC-Lavalin Inc. ²	BB+	273,075	3	4.5%	4.3
Government of Ireland	AA-	110,153	6	2.8%	5.0
Pfizer	A+	132,330	1	2.7%	9.8
Blue Cross	Unrated	179,521	4	2.5%	5.4
Johnson Insurance	A1	156,217	1	2.5%	7.9
Province of New Brunswick	A+	188,367	4	2.2%	2.5
Province of Nova Scotia	AA-	158,496	1	1.9%	4.9
Total		2,025,240		36.9%	5.3

¹Source: DBRS, Moody's and S&P as at December 31, 2022.

²Includes 127,419 square feet of SNC-Lavalin Nuclear Inc.

PROPERTY PROFILE

The REIT's property portfolio at December 31, 2022 consists of interests in 54 properties. The portfolio has 7.5 million square feet of gross leasable area. For a listing of all of the REIT's properties see Part VI of this MD&A.

Acquisition pipeline

The REIT continues to evaluate new or potential opportunities in the cities in which it operates and in markets that are new to the REIT. While the number of opportunities is high, we continue to be disciplined in our underwriting and pricing. We will not sacrifice long-term value creation for short-term income and accordingly do not pursue acquisitions that do not meet appropriate return expectations.

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

- *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.
- *Meaningful discount to replacement cost:* A property purchased well below replacement cost provides opportunity for investment in leasing or asset repositioning, with favourable economic returns to the REIT in excess of new build. We also believe that price per square

foot, if at a meaningful discount to replacement cost, provides prudent downside protection while retaining significant opportunity to attract tenants on a competitive basis, especially when competing against new builds.

Core-plus office properties will often satisfy these two characteristics. In contrast to core assets, which often trade in excess of replacement cost with an optimized tenant base, we believe that the risk-return profile of non-core assets remains attractive, and we will continue to seek the best opportunities.

IFRS fair value

The REIT's property portfolio at December 31, 2022 had an estimated IFRS fair value of \$1.8 billion. The REIT's IFRS fair value reflects the current economics of the REIT's properties, including its 81.1% in-place occupancy and current weighted average in-place rents of \$19.52 per square foot, which management estimates to be on average \$1.36 per square foot below estimated market rents. Various properties within the REIT's portfolio are significantly below normalized occupancy, several of which are expected to be so for all or a portion of the next twelve-month period.

Overall, the average estimated IFRS fair value per square foot of the REIT's portfolio excluding the Data Centre and Delta Brunswick Hotel is \$249 with an average cost to the REIT of \$248 per square foot. Management believes that this average value per square foot is significantly lower than replacement cost, which management estimates to be on average between \$300 and \$400 per square foot. In certain markets, such as St. John's, NL, the cost to construct is significantly higher. Furthermore, the difference between the IFRS fair value compared to the average cost to the REIT represents approximately \$10 million of value creation from ownership, based on the REIT's current portfolio.

The following table presents a summary of the discount and terminal capitalization rates for the fair value of the REIT's properties:

	December 31, 2022		December 31, 2021	
	Discount rate	Terminal capitalization rate	Discount rate	Terminal capitalization rate
Minimum	6.50%	6.25%	6.25%	6.00%
Maximum	10.75%	10.25%	8.75%	8.50%
Weighted average	7.64%	7.06%	7.23%	6.60%

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

Property continuity

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

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Beginning of period	\$ 1,807,677	\$ 1,617,844	\$ 1,591,958	\$ 1,593,945
Acquisitions ¹	27,491	—	293,088	—
Capital expenditures	3,883	6,761	22,924	24,698
Leasing costs	1,961	4,679	12,535	12,863
Dispositions	—	(36,535)	(92,712)	(36,535)
Depreciation of hotel asset	(242)	(257)	(966)	(1,022)
Foreign exchange	9,523	(1,132)	24,134	(2,210)
Change in fair value	(96,875)	104	(87,665)	8,708
IFRIC 21 property tax adjustment ²	3,152	2,384	157	—
Straight-line rent and other changes	(2,232)	(1,890)	(9,115)	(8,489)
End of period	\$ 1,754,338	\$ 1,591,958	\$ 1,754,338	\$ 1,591,958

¹Represents the purchase price and transaction costs.

²In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO, Core-FFO or AFFO.

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

For the three months ended December 31, 2022, the REIT's investment property value decreased by \$96.9 million due to increasing property financing costs over the year caused by Central Banks' raising interest rates to combat inflation. This was partially offset by the Chicago Acquisition, capital and leasing expenditures and an increase in foreign exchange of \$9.5 million due to Euro appreciation.

For the year ended December 31, 2022, the REIT's investment property value changed primarily as a result of the acquisition of the Irish portfolio and 275 North Field, and an increase in foreign exchange of \$24.1 million due to U.S. dollar appreciation. This was offset by a fair value decrease of \$87.7 million and the disposition of 95-105 Moatfield Drive.

PART III - RESULTS OF OPERATIONS

SUMMARY OF RESULTS OF OPERATIONS

The following is a summary of the results of operations:

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Rental revenue	\$ 48,633	\$ 44,294	\$ 196,515	\$ 172,650
Property operating expenses	(23,266)	(23,502)	(104,117)	(94,106)
Finance income on finance lease receivable	744	797	3,057	3,262
Interest income	155	115	485	489
Interest and finance costs	(13,440)	(11,963)	(52,944)	(44,089)
General and administrative expenses	(3,763)	(2,074)	(11,191)	(8,033)
Change in fair value of financial instruments	(4,700)	7,173	39,144	18,824
Change in fair value of investment properties	(96,875)	104	(87,665)	8,708
Depreciation of hotel asset	(242)	(257)	(966)	(1,022)
Transaction costs	(22)	(657)	(1,240)	(657)
Deferred income tax recovery (expense)	6,866	(951)	2,405	(2,728)
Current income tax recovery (expense)	(575)	54	(1,584)	—
Net income (loss) before Class B LP units	\$ (86,485)	\$ 13,133	\$ (18,101)	\$ 53,298
Change in fair value of Class B LP units	159	1,056	3,594	(4,546)
Distributions to Class B LP unitholders	(528)	(528)	(2,112)	(2,112)
Net income (loss)	\$ (86,854)	\$ 13,661	\$ (16,619)	\$ 46,640
Other comprehensive loss to be subsequently reclassified to profit or loss:				
Foreign currency translation gain (loss)	5,293	(451)	11,139	(710)
Total other comprehensive gain (loss)	5,293	(451)	11,139	(710)
Comprehensive income (loss)	\$ (81,561)	\$ 13,210	\$ (5,480)	\$ 45,930

NET INCOME AND COMPREHENSIVE INCOME (LOSS)

For the three months ended December 31, 2022, net loss was \$86.9 million which is a decrease from net income of \$13.7 million for the same period in the prior year. The decrease in net income is due to fair value losses on investment properties and financial instruments of \$96.9 million and \$4.7 million, respectively for the three months ended December 31, 2022 compared to a gains of \$0.1 million and \$7.2 million in the same period in the prior year. This was accompanied by an increase in interest and financing costs incurred in purchasing the Irish portfolio and from an increase in the REIT's weighted average interest rate. This was offset by an increase in rental revenue of \$4.3 million. The REIT recognized a net other comprehensive gain of \$5.3 million for the three months ended December 31, 2022 from Euro appreciation compared to a loss of \$0.5 million for the same period in the prior year.

For the year ended December 31, 2022, net loss was \$16.6 million which is a decrease from net income of \$46.6 million for the prior year. The decrease in net income is due to the fair value loss on investment properties of \$87.7 million for the year ended December 31, 2022 compared to a gain of \$8.7 million in the same period in the prior year, This is primarily due to increasing property financing costs over the year caused by Central Banks' raising interest rates to combat inflation, accompanied by an increase in property operating expenses of \$10.0 million and an increase in interest and financing costs incurred in purchasing the Irish portfolio and from an increase in the REIT's weighted average interest rate as Central Banks increased interest rates in the REIT's debt markets. This was offset by an increase in rental revenue of \$23.9 million primarily driven by revenue from the Irish properties purchased in the year and an increase in fair value of financial instruments of \$20.3 million as rising interest rates positively impacted the REIT's pay-fixed interest rate swaps and caps over the year. The REIT recognized a total other comprehensive gain of \$11.1 million for the year ended December 31, 2022 primarily from U.S. dollar and Euro appreciation compared to a loss of \$0.7 million for the same period in the prior year.

NET OPERATING INCOME

Net operating income is a non-IFRS measure and is defined by the REIT as rental revenue, excluding non-cash straight-line rent and leasing costs amortized to revenue, less property operating costs prior to IFRIC 21 adjustments. Rental revenue for purposes of measuring NOI excludes revenue recorded as a result of determining rent on a straight-line basis and the amortization of leasing costs in revenue for IFRS, which management believes better reflects the cash generation activity of the REIT's properties. NOI is an important measure of the income generated from the REIT's properties and is used by the REIT in evaluating the performance of its properties.

The following is a calculation of NOI for the three months and year ended December 31, 2022 and 2021:

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Revenue	\$ 48,633	\$ 44,294	\$ 196,515	\$ 172,650
Property operating expenses	(23,266)	(23,502)	(104,117)	(94,106)
IFRIC 21 property tax adjustment ¹	(2,995)	(2,384)	—	—
Straight-line rents and other changes	2,232	1,890	9,115	8,489
Net operating income	\$ 24,604	\$ 20,298	\$ 101,513	\$ 87,033

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

For the three months ended December 31, 2022, NOI increased to \$24.6 million from \$20.3 million for the same period in the prior year. For the year ended December 31, 2022, NOI increased to \$101.5 million from \$87.0 million for the prior year. The increase was driven by the Yew Grove acquisition in February 2022 and 275 North Field in November 2022, as well as an increase in NOI from the REIT's Atlantic properties and hotel asset as a result of eased travel restrictions to Atlantic Canada.

The following is a reconciliation of the change in NOI for the three months ended December 31, 2022 compared to the same period in the prior year:

Net operating income, Q4 2021	\$ 20,298
Change in same-property NOI	358
Contribution from acquired properties	5,394
Impact of foreign exchange rates	151
Reduced contribution from sold properties	(1,597)
Net operating income, Q4 2022	\$ 24,604
Year-over-year change - \$	\$ 4,306
Year-over-year change - %	21.2%

The following is a reconciliation of the change in NOI for the three months ended December 31, 2022 compared to the immediately preceding quarter:

Net operating income, Q3 2022	\$ 26,860
Change in same-property NOI	(1,089)
Contribution from acquired properties	671
Impact of foreign exchange rates	96
Change in hotel contribution ¹	(689)
Reduced contribution from sold properties	(1,245)
Net operating income, Q4 2022	\$ 24,604
Quarter-over-quarter change - \$	\$ (2,256)
Quarter-over-quarter change - %	(8.4%)

¹Contribution from the REIT's hotel is not included in same property changes when compared to the preceding quarter due to the seasonality of its contribution to NOI.

SAME-PROPERTY NOI

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

Management compares same-property NOI for the current quarter to the immediately preceding quarter and to the same quarter in the preceding year.

Same-property NOI: comparison of the current quarter to the same quarter in the prior year

The same-property NOI comparison for the three months ended December 31, 2022 excludes assets acquired and disposed of in the 15 months prior to December 31, 2022. Where the REIT owns a partial interest in a property, NOI is included at the REIT's proportionate ownership for the current and comparative period based on its ownership at the current quarter end. The operations of the REIT's hotel asset are included when compared to the prior year as the seasonal variations are consistent.

	Three months ended	
	December 31, 2022	December 31, 2021
Number of properties	30	30
GLA ¹	6,350,808	6,350,808
Revenue	\$ 41,604	\$ 41,238
Operating expenses	(21,699)	(22,029)
IFRIC 21 property tax adjustment	(2,995)	(2,384)
Straight-line rents and other changes	2,289	1,865
Same-property NOI (including hotel asset)	\$ 19,199	\$ 18,690
Period-over-period change - \$	\$ 509	
Period-over-period change - %	2.7%	

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

Same-property NOI for the three months ended December 31, 2022 compared to the same period in 2021 increased by \$0.5 million or 2.7%. The increase is primarily from rent increases and positive leasing activity at the REIT's Atlantic properties and \$0.5 million additional NOI from the REIT's hotel asset compared to the same period in the prior year. This is a result of eased travel restrictions to Atlantic Canada. NOI was further supplemented by an increase in the U.S. dollar during the three months ended December 31, 2022 compared to the same period in 2021. This was offset by certain vacancies at the REIT's Ontario properties.

Same-property NOI: comparison of the current quarter to the preceding quarter

The same-property NOI comparison to the three months ended September 30, 2022 excludes the impact of properties acquired or disposed of in part or whole over the two quarters. Where the REIT owns a partial interest in a property, NOI is included at the REIT's proportionate ownership for the current and comparative period based on its ownership at the current quarter end. The comparison also excludes the impact of the REIT's hotel asset due to the seasonality of its earnings and contribution to NOI.

	Three months ended	
	December 31, 2022	September 30, 2022
Number of properties	53	53
GLA ¹	7,324,390	7,324,390
Revenue	\$ 47,431	\$ 48,458
Property operating expenses	(22,814)	(22,459)
IFRIC 21 property tax adjustment	(2,995)	(2,942)
Straight-line rents and other changes	2,296	2,543
Same-property NOI (including hotel asset)	23,918	25,600
NOI attributable to hotel asset	(538)	(1,227)
Same-property NOI (excluding hotel asset)	\$ 23,380	\$ 24,373
Period-over-period change - \$	\$ (993)	
Period-over-period change - %	(4.1%)	

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

The following is a calculation of the REIT's same-property NOI excluding the REIT's hotel asset and lease termination income:

	Three months ended	
	December 31, 2022	September 30, 2022
Same-property NOI (including hotel asset)	\$ 23,918	25,600
Less: hotel contribution	(538)	(1,227)
Less: lease termination payments	—	(1,169)
Same-property NOI (excluding hotel asset and lease termination payments)	\$ 23,380	\$ 23,204
Period-over-period change - \$	\$ 176	
Period-over-period change - %	0.8%	

Same-property NOI, excluding the REIT's hotel asset, for the three months ended December 31, 2022 compared to the three months ended September 30, 2022, decreased by \$1.0 million or 4.1%. The decrease is primarily a result of termination income of \$1.2 million received pertaining to a tenant in the REIT's Ontario portfolio during the three months ended September 30, 2022. This was offset by an increase in the Euro during the three months ended December 31, 2022.

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 January 2022.

Core-FFO

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

Reconciliation of FFO and Core-FFO

Management believes that FFO and Core-FFO are important measures of the operating performance and are used by the REIT in evaluating the combined performance of its operations, including the impact of its capital structure and are useful for investors to evaluate the performance of the REIT.

The following is a reconciliation of FFO and Core-FFO from cash flow from operating activities:

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Cash flow from operating activities	\$ 12,555	\$ 9,137	\$ 49,563	\$ 38,232
Add (deduct):				
Leasing costs amortized to revenue	2,424	2,208	9,466	8,541
Transaction costs	22	657	1,240	657
Subscription receipts equivalent amount ¹	—	748	373	748
Working capital items	(4,167)	(1,369)	(8,218)	1,612
Straight-line rent and other changes	(2,232)	(1,890)	(9,115)	(8,489)
Interest and other finance costs	(13,813)	(11,963)	(52,944)	(44,089)
Interest paid	12,600	10,237	47,583	40,138
Distributions paid to Class B unitholders	528	528	2,112	2,112
FFO	\$ 7,917	\$ 8,293	\$ 40,060	\$ 39,462
Finance income on finance lease receivable	(744)	(797)	(3,057)	(3,262)
Finance lease payments received	1,605	1,605	6,420	6,421
Core-FFO	\$ 8,778	\$ 9,101	\$ 43,423	\$ 42,621

¹On February 7, 2022 each subscription receipt issued by the REIT on November 19, 2021 was exchanged for one unit and a cash distribution equivalent payment of \$0.0666 (being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between December 15, 2021 and January 17, 2022). The cash distribution equivalent payment was \$1.1 million. \$0.4 million and \$0.7 million has been recorded in interest and finance costs for 2022 and 2021, respectively.

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

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Net income (loss)	\$ (86,854)	\$ 13,661	\$ (16,619)	\$ 46,640
Add (deduct):				
Leasing costs amortized to revenue	2,424	2,208	9,466	8,541
Change in fair value of properties	96,875	(104)	87,665	(8,708)
IFRIC 21 property tax adjustment ¹	(2,995)	(2,384)	—	—
Change in fair value of financial instruments	4,700	(7,173)	(39,144)	(18,824)
Transaction costs	22	657	1,240	657
Depreciation of hotel asset	242	257	966	1,022
Deferred income tax expense (recovery)	(6,866)	951	(2,405)	2,728
Change in fair value of Class B LP units	(159)	(1,056)	(3,594)	4,546
Distributions to Class B unitholders	528	528	2,112	2,112
Subscription receipts equivalent amount ²	—	748	373	748
FFO	\$ 7,917	\$ 8,293	\$ 40,060	\$ 39,462
Finance income on finance lease receivable	(744)	(797)	(3,057)	(3,262)
Finance lease payments received	1,605	1,605	6,420	6,421
Core-FFO	\$ 8,778	\$ 9,101	\$ 43,423	\$ 42,621
Weighted average number of units outstanding ³	85,578	73,201	84,333	73,257
FFO per unit (diluted)	\$ 0.09	\$ 0.11	\$ 0.48	\$ 0.54
Core-FFO per unit (diluted)	\$ 0.10	\$ 0.12	\$ 0.51	\$ 0.58

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

²On February 7, 2022, each subscription receipt issued by the REIT on November 19, 2021 was exchanged for one unit and a cash distribution equivalent payment of \$0.0666 (being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between December 15, 2021 and January 17, 2022). The cash distribution equivalent payment was \$1.1 million. \$0.4 million and \$0.7 million has been recorded in interest and finance costs for 2022 and 2021, respectively.

³Represents the diluted weighted average number of units outstanding and includes the weighted average outstanding of all REIT units, DUP units and Class B LP units and is shown in thousands for their respective periods.

The following is a calculation of FFO and Core-FFO from the REIT's consolidated financial statements:

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Rental revenue	\$ 48,633	\$ 44,294	\$ 196,515	\$ 172,650
Property operating expenses	(23,266)	(23,502)	(104,117)	(94,106)
Finance income on finance lease receivable	744	797	3,057	3,262
Interest income	155	115	485	489
Interest and finance costs	(13,440)	(11,963)	(52,944)	(44,089)
General and administrative expenses	(3,763)	(2,074)	(11,191)	(8,033)
IFRIC 21 property tax adjustment ¹	(2,995)	(2,384)	—	—
Leasing costs amortized to revenue	2,424	2,208	9,466	8,541
Subscription receipts equivalent amount ²	—	748	373	748
Current income tax recovery (expense)	(575)	54	(1,584)	—
FFO	\$ 7,917	\$ 8,293	\$ 40,060	\$ 39,462
Finance income on finance lease receivable	(744)	(797)	(3,057)	(3,262)
Finance lease payments received	1,605	1,605	6,420	6,421
Core-FFO	\$ 8,778	\$ 9,101	\$ 43,423	\$ 42,621
Weighted average number of units outstanding ³	85,578	73,201	84,333	73,257
FFO per unit (diluted)	\$ 0.09	\$ 0.11	\$ 0.48	\$ 0.54
Core-FFO per unit (diluted)	\$ 0.10	\$ 0.12	\$ 0.51	\$ 0.58

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

²On February 7, 2022, each subscription receipt issued by the REIT on November 19, 2021 was exchanged for one unit and a cash distribution equivalent payment of \$0.0666 (being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between December 15, 2021 and January 17, 2022). The cash distribution equivalent payment was \$1.1 million, \$0.4 million and \$0.7 million has been recorded in interest and finance costs for 2022 and 2021, respectively.

³Represents the diluted weighted average number of units outstanding and includes the weighted average outstanding of all REIT units, DUP units and Class B LP units and is shown in thousands over their respective periods.

FFO for the three months ended December 31, 2022 was \$7.9 million, which is \$0.4 million lower than the same period in 2021. Net operating income increased from the Irish portfolio and 275 North Field in 2022 and from improvement in the REIT's hotel asset's performance. This was offset by an increase in interest and finance costs as a result of interest on debt issued to finance acquisitions and interest rate increases as Central Banks raised interest rates across the REIT's markets. General and administrative expenses increased due to bad debt allowances of \$0.5 million recorded in the three months ended December 31, 2022 as a result of an allowance for an expected credit loss on rent receivables at two of the U.S. properties and costs of third party advice for the REIT Board's special committee.

FFO for the year ended December 31, 2022 was \$40.1 million and \$39.5 million for the same period in 2021. The increase is a result of higher net operating income from the Irish portfolio and 275 North Field in 2022 and from improvement in the REIT's hotel asset and Atlantic properties. This was offset by mark-to-market adjustments and financing costs from the disposition of 95-105 Moatfield Drive in 2022 and from an increase in interest and financing costs and general and administrative expenses as described above. On a per unit basis, FFO decreased \$0.06 for the year ended December 31, 2022 compared to the same period in the prior year due to increased units in issuance.

Core-FFO decreased to \$8.8 million and \$0.10 per unit for the three months ended December 31, 2022 from \$9.1 million and \$0.12 per unit for the same period in 2021. The period change drivers are as described for FFO.

ADJUSTED FUNDS FROM OPERATIONS

Adjusted FFO ("AFFO") is a non-IFRS measure that is used by management of the REIT, certain of the real estate industry and investors to measure the cash flows generated from operations including certain capital costs, leasing costs, tenant improvements and the impact of non-cash revenue. It is a meaningful measure used to evaluate the extent of cash available for distribution to unitholders. The REIT's use and calculation of AFFO may be different than the use or as disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others.

In calculating AFFO, the REIT makes adjustments to FFO for certain items including: amortization of deferred transaction costs; de-recognition and amortization of mark-to-market adjustments on mortgages refinanced or discharged; adjustments for interest rate subsidies received; recognition of the REIT's share of lease payments received for its Data Centre asset, which for IFRS purposes, is accounted for as a finance lease; amortization of straight-line rent; and normalized direct leasing and capital costs.

Amortization of deferred transaction costs are costs incurred to obtain debt financing that are recorded in net income, generally, on a systematic basis over the life of the debt to which they relate. The REIT deducts these amounts in determining AFFO as they represent non-cash charges to net income in the current period. Amortization of mark-to-market adjustments are differences between debt assumed in conjunction with a property acquisition on assumption that are recorded in net income, generally, on a systematic basis over the life of the debt to which they relate. The REIT deducts or adds, as applicable, these amounts in determining AFFO as they represent non-cash charges to net income.

The interest rate subsidy was an amount received monthly by the REIT from a vendor of a property acquired by the REIT, to the extent not otherwise recognized in net income. This amount was negotiated between the REIT and a vendor to compensate the REIT, in part, for assuming debt in conjunction with a property acquisition that was unfavorable to debt that could otherwise have been obtained by the REIT had the vendor made the property available to be purchased on a 'free-and-clear' basis. The REIT adds this amount in determining AFFO as it represents cash received by the REIT not otherwise recognized in net income.

Normalized direct leasing and capital costs are determined as 10% of the net of rental revenue less property operating expenses and represents the normalized on-going costs required to maintain existing space of a stabilized property. Actual amounts will vary from period to period depending on various factors, including but not limited to, the timing of expenditures made and contractual lease obligations.

The method applied by the REIT to calculate AFFO may differ from methods applied by other issuers in the real estate industry and differs from the definition of AFFO as defined by RealPAC in its White Paper, as issued in January 2022.

The following table reconciles AFFO from cash flow from operating activities:

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Cash flow from operating activities	\$ 12,555	\$ 9,137	\$ 49,563	\$ 38,232
Add (deduct):				
Working capital items	(4,167)	(1,369)	(8,218)	1,612
Principal repayments on finance lease receivable	861	808	3,363	3,159
Distributions paid to Class B LP unitholders	528	528	2,112	2,112
Subscription receipts equivalent amount ¹	—	—	1,121	—
Transaction costs	22	657	1,240	657
Interest rate subsidy	—	108	—	432
Normalized direct leasing and capital costs	(2,237)	(1,842)	(9,240)	(7,856)
AFFO	\$ 7,562	\$ 8,027	\$ 39,941	\$ 38,348

¹On February 7, 2022, each subscription receipt issued by the REIT on November 19, 2021 was exchanged for one unit and a cash distribution equivalent payment of \$0.0666 (being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between December 15, 2021 and January 17, 2022). The cash distribution equivalent payment was \$1.1 million. \$0.4 million and \$0.7 million has been recorded in interest and finance costs for 2022 and 2021, respectively.

The following table reconciles AFFO from NOI:

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Net operating income	\$ 24,604	\$ 20,298	\$ 101,513	\$ 87,033
Add (deduct):				
General and administrative expenses	(3,763)	(2,074)	(11,191)	(8,033)
Finance lease payments received	1,605	1,605	6,420	6,421
Cash interest	(12,072)	(10,122)	(45,977)	(39,649)
Interest rate subsidy	—	108	—	432
Normalized direct leasing and capital costs	(2,237)	(1,842)	(9,240)	(7,856)
Current income tax recovery (expense)	(575)	54	(1,584)	—
AFFO	\$ 7,562	\$ 8,027	\$ 39,941	\$ 38,348

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

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Core-FFO	\$ 8,778	\$ 9,101	\$ 43,423	\$ 42,621
Add (deduct):				
Amortization of deferred transaction costs	1,224	1,015	5,068	3,358
Amortization of debt mark-to-market adjustments	(11)	(37)	1,041	(155)
Amortization of straight-line rent	(192)	(318)	(351)	(52)
Interest rate subsidy	—	108	—	432
Normalized direct leasing and capital costs	(2,237)	(1,842)	(9,240)	(7,856)
AFFO	\$ 7,562	\$ 8,027	\$ 39,941	\$ 38,348
Weighted average number of units outstanding ¹	85,578	73,201	84,333	73,257
AFFO per unit (diluted)	\$ 0.09	\$ 0.11	\$ 0.47	\$ 0.52

¹Represents the diluted weighted average number of units outstanding and includes the weighted average outstanding of all REIT units, DUP units and Class B LP units and is shown in thousands at the end of the respective periods.

For the three months ended December 31, 2022, AFFO was \$7.6 million or \$0.09 per unit, whereas AFFO for the same period in 2021 was \$8.0 million or \$0.11 per unit, representing a decrease of \$0.4 million or \$0.02 per unit. For the year ended December 31, 2022, AFFO was \$39.9 million or \$0.47 per unit, whereas AFFO for the same period in 2021 was \$38.3 million or \$0.52 per unit, representing an increase of \$1.6 million and a decrease in AFFO per unit of \$0.05. The increase in AFFO is primarily a result of additional NOI from the Irish portfolio, the REIT's hotel asset and the REIT's Atlantic properties offset by additional interest and financing costs as a result of acquisitions and an increase in general and administrative expenses from bad debt allowances of \$1.0 million as a result of an expected credit loss on a vendor-take-back loan that was due to be repaid in September 2022 and rent receivables at two of the U.S. properties. AFFO per unit decreased due to the increased units in issuance.

Reconciliation of FFO, Core-FFO and AFFO

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

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Net income (loss)	\$ (86,854)	\$ 13,661	\$ (16,619)	\$ 46,640
Add (deduct):				
Leasing costs amortized to revenue	2,424	2,208	9,466	8,541
Change in fair value of properties	96,875	(104)	87,665	(8,708)
IFRIC 21 property tax adjustment ¹	(2,995)	(2,384)	—	—
Change in fair value of financial instruments	4,700	(7,173)	(39,144)	(18,824)
Transaction costs	22	657	1,240	657
Depreciation of hotel asset	242	257	966	1,022
Deferred income tax expense (recovery)	(6,866)	951	(2,405)	2,728
Change in fair value of Class B LP units	(159)	(1,056)	(3,594)	4,546
Distributions to Class B unitholders	528	528	2,112	2,112
Subscription receipts equivalent amount ²	—	748	373	748
FFO	7,917	8,293	40,060	39,462
Finance income on finance lease receivable	(744)	(797)	(3,057)	(3,262)
Finance lease payments received	1,605	1,605	6,420	6,421
Core-FFO	8,778	9,101	43,423	42,621
Amortization of deferred transaction costs	1,224	1,015	5,068	3,358
Amortization of debt mark-to-market adjustments	(11)	(37)	1,041	(155)
Amortization of straight-line rent	(192)	(318)	(351)	(52)
Interest rate subsidy	—	108	—	432
Normalized direct leasing and capital costs	(2,237)	(1,842)	(9,240)	(7,856)
AFFO	\$ 7,562	\$ 8,027	\$ 39,941	\$ 38,348

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

²On February 7, 2022, each subscription receipt issued by the REIT on November 19, 2021 was exchangeable for one unit and a cash distribution equivalent payment of \$0.0666 (being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between December 15, 2021 and January 17, 2022). The cash distribution equivalent payment was \$1.1 million, \$0.4 million and \$0.7 million has been recorded in interest and finance costs for 2022 and 2021, respectively.

The following is FFO, Core-FFO and AFFO expressed on a per unit basis:

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
FFO per unit (diluted)	\$ 0.09	\$ 0.11	\$ 0.48	\$ 0.54
Core-FFO per unit (diluted)	0.10	0.12	0.51	0.58
AFFO per unit (diluted)	0.09	0.11	0.47	0.52

FFO, CORE-FFO AND AFFO PAYOUT RATIOS

FFO, Core-FFO and AFFO payout ratios (the "payout ratios") are non-IFRS measures that provide a comparison of the distributions made by the REIT to unitholders compared to FFO, Core-FFO and AFFO generated by the REIT. Management uses these measures to evaluate the REIT's ability to sustain its distributions. The payout ratios are calculated by dividing aggregate distributions made in respect of units of the REIT and Class B LP units by FFO, Core-FFO and AFFO during the period of measurement.

One of the REIT's objectives is to provide a distribution over time that is appropriate in consideration of the REIT's available liquidity to fund distributions, the asset allocation alternatives available to the REIT, the estimated impact on the trading price of the REIT's trust units and the expected future cash flows to be generated by the REIT in consideration of the REIT's future cash flow needs. To the extent these factors change, the Board of Trustees of the REIT will consider adjustments to its distribution policy.

The REIT's AFFO payout ratio for the three months ended December 31, 2022 was 112.7% and for the year ended December 31, 2022 was 84.4%. The AFFO payout ratio has increased from the comparative period as a result of increased interest costs on debt in 2022. The REIT aims to provide attractive total returns to unitholders while retaining sufficient cash flow for the REIT to support the enhancement of its portfolio.

The table below illustrates the REIT's FFO in comparison to its cash distributions:

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
FFO	\$ 7,917	\$ 8,293	\$ 40,060	\$ 39,462
REIT unit and Class B LP distributions declared	8,525	7,298	33,725	29,192
Excess (shortfall) of FFO over cash distributions	\$ (608)	\$ 995	\$ 6,335	\$ 10,270
FFO payout ratio	107.7%	88.0%	84.2%	74.0%

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

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Core-FFO	\$ 8,778	\$ 9,101	\$ 43,423	\$ 42,621
REIT unit and Class B LP distributions declared	8,525	7,298	33,725	29,192
Excess (shortfall) of Core-FFO over cash distributions	\$ 253	\$ 1,803	\$ 9,698	\$ 13,429
Core-FFO payout ratio	97.1%	80.2%	77.7%	68.5%

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

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
AFFO	\$ 7,562	\$ 8,027	\$ 39,941	\$ 38,348
REIT unit and Class B LP distributions declared	8,525	7,298	33,725	29,192
Excess (shortfall) of AFFO over cash distributions	\$ (963)	\$ 729	\$ 6,216	\$ 9,156
AFFO payout ratio	112.7%	90.9%	84.4%	76.1%

The FFO, Core-FFO and AFFO payout ratios have increased for the year ended December 31, 2022 compared to the same period in 2021 primarily as a result of increased NOI offset by greater units outstanding and greater interest expense.

DISTRIBUTIONS

The REIT pays monthly distributions to unitholders which are also paid at the same rate to holders of the REIT's Class B LP units. Distributions are paid on or about the 15th day of the month following declaration.

The Board of Trustees continually evaluates the distribution policy of the REIT in consideration of various factors. These factors generally include the REIT's available liquidity to fund distributions, the asset allocation alternatives available to the REIT including acquisitions and their impact, the interest rate environment, the REIT's cost of capital and the expected future cash flows to be generated by the REIT in consideration of the REIT's future cash flow needs, which include funding value add redevelopment opportunities, leasing costs, and other capital. Based on these factors the Board of Trustees of the REIT may determine a modification of the REIT's distribution to be beneficial to the REIT.

The following table summarizes distributions made during the three months ended December 31, 2022 and 2021 to unitholders of the REIT and Class B LP unitholders:

	Three months ended December 31, 2022			Three months ended December 31, 2021		
	Class B			Class B		
	Trust units	LP units	Total	Trust units	LP units	Total
Distributions declared	\$ 7,997	\$ 528	\$ 8,525	\$ 6,770	\$ 528	\$ 7,298

The following table summarizes distributions made during the year ended December 31, 2022 and 2021 to unitholders of the REIT and Class B LP unitholders:

	Year ended December 31, 2022			Year ended December 31, 2021		
	Class B			Class B		
	Trust units	LP units	Total	Trust units	LP units	Total
Distributions declared	\$ 31,613	\$ 2,112	\$ 33,725	\$ 27,080	\$ 2,112	\$ 29,192

The following table summarizes distributions declared during the three months and year ended December 31, 2022 and 2021 to unitholders of the REIT and Class B LP unitholders compared to cash provided by operations and net income:

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Cash provided by operations	\$ 12,555	\$ 9,137	\$ 49,563	\$ 38,232
Net income (loss)	(86,854)	13,661	(16,619)	46,640
Distributions declared	8,525	7,298	33,725	29,192
Excess of cash provided by operations over total distributions	\$ 4,030	\$ 1,839	\$ 15,838	\$ 9,040
Excess (shortfall) of net income over total distributions	\$ (95,379)	\$ 6,363	\$ (50,344)	\$ 17,448

Distributions made during the years ended December 31, 2022 and 2021 were settled in cash. Cash provided by operations exceeded total distributions for the three months and year ended December 31, 2022 and 2021. Distributions declared exceeded net income for the three months and year ended December 31, 2022 due primarily to non-cash items, notably a loss on the fair value of investment properties of \$96.9 million and \$87.7 million, respectively. Net income exceeded distributions for the three months and year ended December 31, 2021. When distributions are more than cash flow from operating activities, the REIT finances such amounts from cash on hand and/or borrowings on its credit facility which represents a return of capital.

Taxation of distributions

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

Taxation year	Return of capital	Capital gains	Other income
2021 per \$ of distribution	54.1%	45.9%	—
2020 per \$ of distribution	43.3%	56.7%	—
2019 per \$ of distribution	77.0%	23.0%	—
2018 per \$ of distribution	100.0%	—	—

Of the distributions received by unitholders in 2021, 45.9% were treated as capital gains and 54.1% were treated as return of capital due to the impact of capital gains and depreciation recapture on asset sales. For 2020, 56.7% were treated as capital gains and 43.3% were treated as return of capital. For 2019, 77.0% of the distributions received by unitholders were treated as a return of capital for taxation purposes compared to 100.0% in 2018.

SEGMENTED INFORMATION

The REIT operates in Canada, the United States, and Ireland. The following is a summary of investment properties by geographic location:

	December 31, 2022	December 31, 2021
Canada	\$ 1,118,886	\$ 1,256,756
United States	361,585	335,202
Ireland	273,867	—
Total	\$ 1,754,338	\$ 1,591,958

The following is the REIT's NOI by geographic location for the three months ended December 31, 2022 and 2021:

	Three months ended December 31,			
	2022		2021	
	NOI	Percentage (%)	NOI	Percentage (%)
Canada	\$ 14,253	57.9%	\$ 16,198	79.8%
U.S.	5,627	22.9%	4,100	20.2%
Ireland	4,724	19.2%	—	—%
Total	\$ 24,604	100.0%	\$ 20,298	100.0%

The Canadian segment can be further broken down into three regions. The following is the REIT's Canadian NOI for the three months ended December 31, 2022 and 2021:

	Three months ended December 31,			
	2022		2021	
	NOI	Percentage (%)	NOI	Percentage (%)
Atlantic	\$ 7,239	50.8%	\$ 6,645	41.0%
Ontario	5,706	40.0%	8,386	51.8%
Western	1,308	9.2%	1,167	7.2%
Total	\$ 14,253	100.0%	\$ 16,198	100.0%

The following is the REIT's NOI by geographic location for the year ended December 31, 2022 and 2021:

	Year ended December 31,			
	2022		2021	
	NOI	Percentage (%)	NOI	Percentage (%)
Canada	\$ 65,574	64.6%	\$ 66,399	76.2%
U.S.	21,222	20.9%	20,634	23.8%
Ireland	14,717	14.5%	—	—%
Total	\$ 101,513	100.0%	\$ 87,033	100.0%

The following is the REIT's Canadian NOI by region for the year ended December 31, 2022 and 2021:

	Year ended December 31,			
	2022		2021	
	NOI	Percentage (%)	NOI	Percentage (%)
Atlantic	\$ 30,248	46.1%	\$ 26,931	40.6%
Ontario	30,517	46.6%	34,823	52.4%
Western	4,809	7.3%	4,645	7.0%
Total	\$ 65,574	100.0%	\$ 66,399	100.0%

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Atlantic				
# of properties	13	13	13	13
Owned GLA (000s of square feet)	2,603	2,595	2,603	2,595
Occupancy rate (%) (period-end)	76.5%	75.3%	76.5%	75.3%
Revenue	\$ 17,123	\$ 15,290	\$ 66,639	\$ 60,065
Property operating expenses	(10,701)	(9,236)	(39,688)	(35,884)
Straight-line rent and other changes	817	591	3,297	2,750
NOI	\$ 7,239	\$ 6,645	\$ 30,248	\$ 26,931

NOI for the Atlantic properties increased by \$0.6 million for the three months ended December 31, 2022 compared to the same period in 2021. The increase is a result of positive leasing activity and additional NOI at the REIT's hotel asset of \$0.5 million as a result of eased travel restrictions.

NOI for the Atlantic properties increased by \$3.3 million for the year ended December 31, 2022 compared to the same period in 2021. The increase is a result of positive leasing activity and additional NOI at the REIT's hotel asset of \$2.2 million.

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Ontario				
# of properties	9	11	9	11
Owned GLA (000s of square feet)	2,266	2,671	2,266	2,671
Occupancy rate (%) (period-end)	78.3%	90.2%	78.3%	90.2%
Revenue	\$ 11,461	\$ 16,139	\$ 57,288	\$ 62,250
Property operating expenses	(6,436)	(8,485)	(29,470)	(30,591)
Straight-line rent and other changes	681	732	2,699	3,164
NOI	\$ 5,706	\$ 8,386	\$ 30,517	\$ 34,823

NOI in Ontario decreased by \$2.7 million for the three months ended December 31, 2022 compared to the same period in 2021. The decrease is largely a result of vacancies at two of the REIT's Ontario properties and the disposition of 95-105 Moatfield Drive in Toronto, ON in September 2022.

NOI in Ontario decreased by \$4.3 million for the year ended December 31, 2022 compared to the same period in 2021. The decrease is largely a result of termination income of \$1.0 million received in 2021, certain vacancies at two of the REIT's Ontario properties and the dispositions of 95-105 Moatfield Drive in 2022 and 1 Eva Road in Toronto, ON in 2021. This was partially offset by termination income of \$1.2 million received in 2022.

Western	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
# of properties	6	6	6	6
Owned GLA (000s of square feet)	463	463	463	463
Occupancy rate (%) (period-end)	89.1%	89.6%	89.1%	89.6%
Revenue	\$ 2,579	\$ 2,364	\$ 9,797	\$ 9,421
Property operating expenses	(1,234)	(1,218)	(4,973)	(4,865)
Straight-line rent and other changes	(37)	21	(15)	89
NOI	\$ 1,308	\$ 1,167	\$ 4,809	\$ 4,645
NOI from Data Centre	1,605	1,605	6,420	6,421
NOI including Data Centre	\$ 2,913	\$ 2,772	\$ 11,229	\$ 11,066

Including income from the Data Centre, NOI for the Western properties was \$2.9 million and \$11.2 million for the three months and year ended December 31, 2022, respectively, compared to \$2.8 million and \$11.1 million in the same periods in 2021. The increase is a result of an improved lease renewal at one of the Western properties. The Data Centre is accounted for as a finance lease and corresponding interest income is recorded below NOI and principal repayments reduce the balance of the lease receivable.

United States	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
# of properties	3	2	3	2
Owned GLA (000s of square feet)	1,227	1,027	1,227	1,027
Occupancy rate (%) (period-end)	83.3%	86.3%	83.3%	86.3%
Revenue	\$ 11,640	\$ 10,501	\$ 43,616	\$ 40,914
Property operating expenses	(3,781)	(4,563)	(25,349)	(22,766)
IFRIC 21 property tax adjustment ¹	(2,995)	(2,384)	—	—
Straight-line rent and other changes	763	546	2,955	2,486
NOI	\$ 5,627	\$ 4,100	\$ 21,222	\$ 20,634

¹In accordance with IFRIC 21, the REIT recognizes property tax liability and expense on its existing U.S. properties as at January 1 of each year, rather than progressively, i.e. ratably throughout the year. The recognition of property taxes as a result of IFRIC 21 has no impact on NOI, FFO or AFFO.

NOI for the United States properties increased by \$1.5 million for the three months ended December 31, 2022 compared to the same period in 2021 and by \$0.6 million for the year ended December 31, 2022 compared to the same period in 2021. The increase is largely a result of the acquisition of 275 North Field in Chicago, IL and an increase in the average U.S. exchange rate for the year ended December 31, 2022.

Ireland	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
# of properties	23	—	23	—
Owned GLA (000s of square feet)	962	—	962	—
Occupancy rate (%) (period-end)	93.5%	—%	93.5%	—%
Revenue	\$ 5,830	\$ —	\$ 19,175	\$ —
Property operating expenses	(1,114)	—	(4,637)	—
Straight-line rent and other changes	8	—	179	—
NOI	\$ 4,724	\$ —	\$ 14,717	\$ —

NOI for the three months ended December 31, 2022 was \$4.7 million and NOI for the year ended December 31, 2022 was \$14.7 million. The Irish portfolio's property under development was completed and occupied in the second quarter which was additive to revenue from completion date.

REVENUE

Revenue from properties includes rent from tenants under lease agreements, straight-line rental income, percentage rents, property taxes and operating cost recoveries, parking revenue and other incidental income. The following is a summary of the components of revenue:

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Property base rent ¹	\$ 33,854	\$ 21,103	\$ 112,308	\$ 87,628
Operating cost recoveries	11,680	16,485	56,268	59,245
Tax recoveries	2,420	7,349	26,873	30,411
Hotel	2,911	1,247	10,181	3,855
Straight-line adjustments and other changes	(2,232)	(1,890)	(9,115)	(8,489)
Total	\$ 48,633	\$ 44,294	\$ 196,515	\$ 172,650

¹Includes parking revenue earned at properties.

For the three months ended December 31, 2022, revenue from properties was \$48.6 million which is \$4.3 million higher than \$44.3 million for the same period in 2021, and for the year ended December 31, 2022, revenue from properties was \$196.5 million which is higher than \$172.7 million for the same period in 2021. The increase is a result of the Irish portfolio and 275 North Field, positive leasing activity in the Atlantic properties and increased hotel revenue.

PROPERTY OPERATING RECOVERIES AND EXPENSES

Property operating expenses consist of property taxes, property management fees and other expenses such as common area costs, utilities and insurance. The majority of the REIT's property operating expenses are recoverable from tenants in accordance with the terms of the tenants' lease agreements. Operating cost recoveries are included in revenue from properties and amounted to \$11.7 million for the three months ended December 31, 2022 compared to \$16.5 million for the same period in 2021. Property tax recoveries were \$2.4 million for the three months ended December 31, 2022 which is lower than \$7.3 million for the same period in 2021.

For the year ended December 31, 2022, operating costs recoveries amounted to \$56.3 million compared to \$59.2 million for the same period in 2021. Property tax recoveries decreased to \$26.9 million for the year ended December 31, 2022 from \$30.4 million for the same period in 2021. This was a result of lower operating expenses in 2021 due to lower building utilization during the COVID-19 pandemic and higher average occupancy in 2022 compared to the same period in the prior year.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are primarily comprised of asset management fees, professional fees, trustee fees and other amounts. For the three months and year ended December 31, 2022 compared with the same periods in 2021, general and administrative expenses increased \$1.7 million and \$3.2 million, respectively. This was a result of additional asset management fees charged on a higher book value of the REIT's assets and expenses specific to the acquisition of the Irish portfolio and third party advice for the Board's special committee. The REIT also provided a \$1.0 million allowance as an expected credit loss on a vendor-take-back loan that was due to be repaid in September 2022 and rent receivables at two of the U.S. properties.

INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Mortgage interest	\$ 6,432	\$ 6,444	\$ 26,051	\$ 25,787
Interest on other debt	3,620	2,816	13,715	12,245
Amortization of financing costs	1,224	1,015	5,068	3,358
Amortization of debt mark-to-market adjustments	(11)	(37)	1,041	(155)
Subscription receipts equivalent amount ¹	—	748	373	748
Interest on convertible debentures	2,175	977	6,696	2,106
Total	\$ 13,440	\$ 11,963	\$ 52,944	\$ 44,089

¹On February 7, 2022 each subscription receipt issued by the REIT on November 19, 2021 was exchanged for one unit and a cash distribution equivalent payment of \$0.0666 (being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between December 15, 2021 and January 17, 2022). The cash distribution equivalent payment was \$1.1 million. \$0.4 million and \$0.7 million has been recorded in interest and finance costs for 2022 and 2021, respectively.

For the three months ended December 31, 2022, interest and finance costs were \$13.4 million, which increased by \$1.5 million when compared to the same period in 2021. The increase is a result of interest on the convertible debentures issued in November 2021 and October 2022, additional term loan interest and amortization of financing costs from the Irish portfolio acquisition.

For the year ended December 31, 2022, interest and finance costs were \$52.9 million, which increased by \$8.9 million when compared to the same period in 2021. The increase is a result of interest on the convertible debentures issued in November 2021 and October 2022, additional term loan interest and amortization of financing costs from the Irish portfolio acquisition and accelerated amortization of mark-to-market adjustments and financing costs from the disposition of 95-105 Moatfield Drive. Central Banks in the REIT's markets raised interest rates over the year which increased interest expense on re-financed and floating rate debt.

FINANCE INCOME ON FINANCE LEASE RECEIVABLE

The REIT has a 15 year lease with Bell MTS Data Centres GP for the Data Centre. The terms of the lease at inception met the requirements for classification as a finance lease because the minimum lease payments amounted to at least substantially all of the fair value of the leased asset. As a result of this classification, a portion of the lease payments earned on the property is recorded as interest income on the finance lease. Interest income recognized on the finance lease for the three months and year ended December 31, 2022 were \$0.7 million and \$3.1 million, respectively, which is a decrease of \$0.1 million and \$0.2 million when compared to the same period in 2021.

The REIT makes an adjustment to recognize the contribution made by the Data Centre to its Core-FFO and AFFO to account for the difference between accounting under IFRS and the lease contributions on a cash basis. On a cash basis the Data Centre currently contributes approximately \$6.4 million annually from lease payments.

CHANGE IN FAIR VALUE OF PROPERTIES

The change in fair value of properties for the year ended December 31, 2022 was \$96.4 million lower than the gain recognized in the comparative period in 2021. A large portion of the change in fair value of properties relates to property valuation decreases across the Canadian and U.S. portfolio.

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 and caps, foreign exchange forwards, deferred unit liabilities on deferred units issued to Trustees and Officers of the REIT and a performance payment receivable to the REIT based on the financial performance of certain properties. The fair value of financial instruments decreased \$11.9 million for the three months ended December 31, 2022 and increased \$20.3 million for the year ended December 31, 2022 when compared to the same periods in 2021. The increase for the year ended December 31, 2022 was primarily due to higher forward interest rates which impact the REIT's pay-fixed receive-float interest rate swaps and caps, a fair value gain on the REIT's cross currency swap, a fair value gain on the conversion feature of the convertible debentures and a decrease in fair value loss of the performance payment. This was offset by a fair value loss on foreign exchange forwards.

INCOME TAXES

The REIT is a mutual fund trust and real estate investment trust pursuant to the Tax Act. Under the Tax Act, so long as the REIT meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"), the REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders during the period. Management intends to operate the REIT in a manner that enables the REIT to continue to meet the REIT Conditions and to distribute all of its taxable income to unitholders. The REIT has reviewed the SIFT Rules and has assessed their application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions for the years ended December 31, 2022, and accordingly is not subject to current income taxes in Canada. Accordingly, no provision for current income taxes is required, except for amounts incurred by the U.S. and Irish subsidiaries.

The REIT's U.S. and Irish subsidiaries are subject to income tax on taxable income from U.S. and Irish operations respectively. The REIT recognizes deferred tax assets and liabilities at prevailing tax rates when such differences are expected to settle. Based on tax laws enacted at the reporting date, the U.S. subsidiary is subject to a combined federal and state rate of 28.51%, and the Irish subsidiaries are subject to a tax rate of 25.00% on rental income, 33.00% on capital gain.

SELECTED ANNUAL INFORMATION

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

	Year ended December 31,		
	2022	2021	2020
Rental revenue	\$ 196,515	\$ 172,650	\$ 183,586
Net income (loss) and comprehensive income (loss)	(5,480)	45,930	4,901
Total assets	1,869,362	1,808,907	1,679,207
Non-current debt	779,226	883,333	803,449
Total debt	1,153,253	1,045,542	972,604
Annual distribution, per unit	0.40	0.40	0.40

QUARTERLY INFORMATION

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

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenue	\$ 48,633	\$ 50,959	\$ 49,321	\$ 47,602	\$ 44,294	\$ 43,636	\$ 41,559	\$ 43,161
Operating costs	(23,266)	(23,749)	(22,237)	(34,865)	(23,502)	(20,771)	(18,828)	(31,005)
IFRIC 21 property tax adjustment	(2,995)	(2,943)	(2,931)	8,869	(2,384)	(2,368)	(2,567)	7,319
Straight-line rent and other	2,232	2,593	2,205	2,085	1,890	2,515	2,214	1,870
Net operating income	\$ 24,604	\$ 26,860	\$ 26,358	\$ 23,691	\$ 20,298	\$ 23,012	\$ 22,378	\$ 21,345
Net income	\$ (86,854)	\$ 18,357	\$ 22,834	\$ 29,044	\$ 13,661	\$ 8,657	\$ 5,684	\$ 18,638
Weighted average diluted units ¹	85,578	85,658	85,640	80,386	73,201	73,283	73,279	73,266
Net income and comprehensive income per unit	\$ (1.01)	\$ 0.21	\$ 0.27	\$ 0.36	\$ 0.19	\$ 0.12	\$ 0.08	\$ 0.25
Distributions ²	\$ 8,525	\$ 8,538	\$ 8,538	\$ 8,124	\$ 7,298	\$ 7,298	\$ 7,298	\$ 7,298
Distributions per unit	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10
FFO ³	\$ 7,917	\$ 10,299	\$ 11,984	\$ 9,860	\$ 8,293	\$ 11,092	\$ 10,443	\$ 9,634
FFO per unit - diluted ³	\$ 0.09	\$ 0.12	\$ 0.14	\$ 0.12	\$ 0.11	\$ 0.15	\$ 0.14	\$ 0.13
FFO payout ratio ³	107.7%	82.9%	71.2%	82.4%	88.0%	65.8%	69.9%	75.8%
Core-FFO ³	\$ 8,778	\$ 11,146	\$ 12,818	\$ 10,681	\$ 9,101	\$ 11,888	\$ 11,226	\$ 10,406
Core-FFO per unit - diluted ³	\$ 0.10	\$ 0.13	\$ 0.15	\$ 0.13	\$ 0.12	\$ 0.16	\$ 0.15	\$ 0.14
Core-FFO payout ratio ³	97.1%	76.6%	66.6%	76.1%	80.2%	61.4%	65.0%	70.1%
AFFO ³	\$ 7,562	\$ 11,253	\$ 11,504	\$ 9,622	\$ 8,027	\$ 11,041	\$ 10,069	\$ 9,211
AFFO per unit - diluted ³	\$ 0.09	\$ 0.13	\$ 0.13	\$ 0.12	\$ 0.11	\$ 0.15	\$ 0.14	\$ 0.13
AFFO payout ratio ³	112.7%	75.9%	74.2%	84.4%	90.9%	66.1%	72.5%	79.2%
Properties	\$1,754,338	\$1,807,677	\$1,870,287	\$1,856,846	\$1,591,958	\$1,617,844	\$1,601,135	\$1,595,777
Total assets	\$1,869,362	\$1,955,525	\$1,989,219	\$1,972,562	\$1,808,907	\$1,692,896	\$1,680,405	\$1,674,255
Debt	\$1,153,253	\$1,137,914	\$1,171,615	\$1,177,149	\$1,045,542	\$986,059	\$976,239	\$968,399
IFRS net asset value ("NAV")	\$ 668,834	\$ 766,573	\$ 746,247	\$ 732,909	\$ 651,958	\$ 647,020	\$ 642,797	\$ 639,464
Diluted units outstanding ¹	85,582	85,674	85,656	85,638	73,214	73,200	73,291	73,277
IFRS NAV per unit	\$ 7.82	\$ 8.95	\$ 8.71	\$ 8.56	\$ 8.90	\$ 8.84	\$ 8.77	\$ 8.73
LTV ratio ³	61.9%	58.4%	59.0%	60.1%	59.7%	58.3%	58.2%	58.0%
Net debt to adjusted EBITDA ³	12.1x	12.1x	13.1x	13.7x	12.6x	11.8x	11.6x	11.3x
Interest coverage ratio ³	2.0x	2.0x	2.1x	2.0x	2.0x	2.1x	2.1x	2.1x
Debt service coverage ratio ³	1.7x	1.7x	1.6x	1.6x	1.5x	1.6x	1.6x	1.7x
Leasing activity (square feet)	86,266	109,060	238,429	129,535	155,462	166,520	347,574	102,742
Leasing activity as a % of portfolio	1.1%	1.5%	3.1%	1.7%	2.3%	2.4%	5.0%	1.5%
Weighted average lease term (years)	5.6	5.6	5.6	5.6	5.2	5.3	5.4	5.3
Number of properties	54	53	55	55	32	34	34	34
Office GLA	7,177,438	7,045,799	7,446,981	7,405,565	6,692,776	6,853,184	6,849,082	6,845,148
Total GLA	7,520,247	7,324,390	7,725,572	7,684,156	6,756,215	6,916,623	6,912,521	6,908,587
Occupancy - excluding redevelopment	81.1%	81.9%	83.6%	84.7%	83.8%	83.3%	83.6%	83.5%
Occupancy	81.1%	81.9%	83.6%	84.7%	83.8%	83.3%	83.6%	83.5%

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

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

³The calculation of these non-IFRS financial measures and a reconciliation to relevant IFRS measures are included in Part III and IV.

PART IV - FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

The REIT endeavors to maintain appropriate levels of financial liquidity to meet its business objectives and commitments. Primarily, the REIT utilizes revolving credit facilities to provide this financial liquidity, in addition to cash on hand. The revolving credit facilities can be drawn or repaid at short notice, which reduces the need to hold cash and deposits, while also minimizing borrowing rates.

The principal liquidity needs of the REIT arise from working capital requirements, distributions to unitholders, planned funding of maintenance capital expenditures, leasing costs and future property acquisitions. Cash flows from operating the REIT's property portfolio, available funding under the REIT's credit facilities and cash on hand represent the primary sources of liquidity. Cash flows from operations are dependent upon rental occupancy levels, rental rates, the collection of rents, recoveries of operating costs and the level of operating costs.

The REIT's available liquidity is as follows:

	December 31, 2022	December 31, 2021
Cash	\$ 19,905	\$ 9,909
Undrawn revolving facilities	41,750	57,879
Liquidity	\$ 61,655	\$ 67,788

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 in regards to the lease maturity profiles of the underlying properties and which allows the REIT to stagger debt maturities that reduce its exposure to interest rate fluctuations and re-financing risk in any particular period. The REIT also endeavors to have an appropriate amount of fixed rate debt and to extend loan terms when borrowing conditions are favourable, which is actively monitored by management.

The REIT has multiple sources of financing and borrowing capacity available from its credit facility which provides shorter term flexibility to support the REIT's multiple growth-oriented initiatives. Further, in instances where management believes that there are meaningful value creation opportunities, the REIT will generally seek to utilize short-term floating rate financing, to allow for maximum debt proceeds when subsequently utilizing term or mortgage debt upon full execution of management's asset strategy. Additionally, where management has identified properties for potential sale, the REIT will seek to utilize short-term floating rate financing to prevent value erosion on sale from requiring a purchaser to assume potentially above market low leverage debt. While the REIT's credit facilities represent one element of our funding strategy, this can be coupled with access to financing alternatives from multiple financial institutions at competitive rates, which the REIT has consistently done through proactive and early discussions with lenders on new and maturing debt. The recent increases in interest rates driven by Central Banks in the REIT's market of Canada, the U.S. and Europe seeking to reduce inflationary pressures have made this access to multiple lenders more important. In addition, the REIT's development pipeline and associated construction activities are funded by dedicated construction facilities provided by various banking syndicates at attractive rates for appropriate terms for each respective project.

The REIT's revolving credit facility, construction facility and some mortgages are subject to financial and other covenants, including customary maximum leverage ratios, interest service coverage ratios, minimum debt service coverage ratios, minimum unitholders' equity, among others, which may impact the available capacity based on the financial results of the REIT. The REIT is in compliance with these covenants.

Convertible Debentures

On October 24, 2022, the REIT issued \$45.0 million of 7.50% extendible convertible unsecured subordinated debentures of the REIT (the "2022 Convertible Debentures"). The proceeds from the issuance of the 2022 convertible debentures were used to proactively pay down secured mortgage debt and partially fund the acquisition of 275 North Field.

The 2022 Convertible Debentures are convertible into freely tradable units at the option of the holder at any time prior to the close of business on the earliest of: (i) the last business day before the Final Maturity Date; or (ii) if called for redemption, the business day immediately preceding the date specified by the REIT for redemption of the debentures, at a conversion price of \$5.50 per unit (the "Conversion Price"). Convertible debenture holders converting their debentures will, in addition to the applicable number of units to be received on conversion, receive accrued and unpaid interest, if any, for the period from the last interest payment date on their convertible debentures (or the date of the Offering closing if no interest has yet been paid on the convertible debentures) to and including the last record date set by the REIT occurring prior to the date of conversion for determining the unitholders entitled to receive a distribution on the units.

The 2022 Convertible Debentures may not be redeemed by the REIT prior to December 31, 2025. On and from December 31, 2025, and prior to December 31, 2026, the convertible debentures may be redeemed by the REIT, in whole at any time, or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice provided that the volume weighted-average trading price of the units on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and from December 31, 2026, and prior to December 31, 2027, the convertible debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice.

On November 19, 2021, the REIT issued \$84.2 million of 5.50% extendible convertible unsecured subordinated debentures of the REIT ("2021 Convertible Debentures"). The debentures became convertible unsecured debentures upon the completion of the Irish portfolio acquisition as below:

The 2021 convertible debentures will be convertible into freely tradable units at the option of the holder at any time prior to the close of business on the earliest of: (i) the last business day before the Final Maturity Date; or (ii) if called for redemption, the business day immediately preceding the date specified by the REIT for redemption of the debentures, at a conversion price of \$6.50 per unit (the "Conversion Price"). Convertible debenture holders converting their debentures will, in addition to the applicable number of units to be received on conversion, receive accrued and unpaid interest, if any, for the period from the last interest payment date on their convertible debentures to and including the last record date set by the REIT occurring prior to the date of conversion for determining the unitholders entitled to receive a distribution on the units. The convertible debentures may not be redeemed by the REIT prior to December 31, 2024, and none of the convertible debentures had been redeemed as at December 31, 2022.

On and from December 31, 2024, and prior to December 31, 2025, the 2021 convertible debentures may be redeemed by the REIT, in whole at any time, or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice provided that the volume weighted-average trading price of the units on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and from December 31, 2025, and prior to December 31, 2026, the convertible debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice.

On January 26, 2018, the REIT issued \$28.8 million of 5.25% convertible unsecured subordinated debentures of the REIT (the "2018 Convertible Debentures").

The 2018 Convertible Debentures are convertible into freely tradable units at the option of the holder at any time prior to the close of business on the earliest of: (i) the last business day before February 28, 2023; or (ii) if called for redemption, the business day immediately preceding the date specified by the REIT for redemption of the debentures, at a conversion price of \$10.53 per unit. Convertible debenture holders converting their debentures will, in addition to the applicable number of units to be received on conversion, receive accrued and unpaid interest, if any, for the period from the last interest payment date on their convertible debentures to and including the last record date set by the REIT occurring prior to the date of conversion for determining the unitholders entitled to receive a distribution on the units.

The 2018 Convertible Debentures may not be redeemed by the REIT prior to February 28, 2021, and none of the convertible debentures have been redeemed as at December 31, 2022. On and from February 28, 2022, and prior to February 28, 2023, the convertible debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice.

Maturity profile

The REIT's 2023 debt maturities relate to the 2018 Convertible Debentures and five office properties in the Greater Toronto Area in which the REIT owns a 75% interest. Subsequent to year end, the holders of the 2018 Convertible Debentures have agreed to extend the maturity to December 31, 2026. The REIT expects normal course renewals for the 2023 remaining maturities. The following is a summary of future principal repayments and maturities at December 31, 2022:

2023	\$ 374,027
2024	292,886
2025	192,605
2026	98,198
2027	202,245
Thereafter	13,414
Total	\$ 1,173,375

Debt profile

Debt held by the REIT at December 31, 2022 is as follows:

	Maturity	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn ¹
Mortgages ^{2,3,4}	Various	Various	16	\$ 947,623	\$ 591,592	\$ 591,592	\$ —	\$ —
Revolving facilities ^{4,5,6}	Oct. 14, 2024	Various	15	532,248	330,760	288,110	900	41,750
Term loan ^{4,7}	Apr. 5, 2027	Euribor+265 bps	23	273,867	135,723	135,723	—	—
Convertible debentures ⁸	Various	Various	—	—	157,950	157,950	—	—
Total			54	\$ 1,753,738	\$ 1,216,025	\$ 1,173,375	\$ 900	\$ 41,750

¹Debt is only available to be drawn subject to certain covenants and other requirements.

²The weighted average remaining term to maturity of mortgages is 1.6 years with maturities ranging from 0.3 years to 7.8 years and the weighted average interest rate of mortgages is 4.73% with coupons ranging from 2.53% to 7.70%.

³Security includes the Data Centre, which is accounted for as a finance lease receivable and not included in the REIT's investment properties. The fair value of security includes the carrying value of the finance lease receivable.

⁴Certain amounts have been translated from U.S. dollars and Euros to Canadian dollars using the prevailing exchange rates on December 31, 2022.

⁵Stand-by fees incurred on the unused portion of the revolving operating facility are 50.63 bps, charged and paid quarterly.

⁶Principal balance includes \$224,000 and U.S. \$47,300 of revolving facilities. The remaining term to maturity of revolving facilities is 1.8 year and the weighted average interest rate is 6.90%.

⁷The term loan facility is secured by 23 properties in Ireland.

⁸Principal balance includes \$28,750, \$84,200 and \$45,000 of convertible unsecured subordinated debentures of the REIT. The maturity dates of the convertible debentures ranges from February 28, 2023 to December 31, 2027, with coupons ranging from 5.25% to 7.50%.

The carrying value of debt held by the REIT at December 31, 2022 is as follows:

	Principal	Mark-to-market ("MTM") adjustments and costs	Accumulated amortization of MTM adjustments, costs and other	Carrying amount	Current	Non-current
Mortgages	\$ 591,592	\$ (3,542)	\$ 1,800	\$ 589,850	\$ 345,277	\$ 244,573
Revolving facilities	288,110	(6,356)	4,435	286,189	—	286,189
Term loan	135,723	(4,783)	660	131,600	—	131,600
Convertible debentures ¹	157,950	(14,269)	1,933	145,614	28,750	116,864
Total	\$ 1,173,375	\$ (28,950)	\$ 8,828	\$ 1,153,253	\$ 374,027	\$ 779,226

¹Represents the debt component of the convertible debentures. The embedded derivative features, which are the holder conversion option and the issuer redemption option, originally recorded in the aggregate amount of \$7.0 million, are accounted for separately. These embedded derivative features are included within derivatives on the REIT's consolidated statements of financial position.

INDEBTEDNESS RATIO

The indebtedness ratio is a non-IFRS measure calculated by the REIT. In accordance with the REIT's Declaration of Trust, the REIT's indebtedness may not exceed 65% of gross book value, which is defined by the Declaration of Trust as total assets less restricted cash. The REIT's indebtedness ratio at December 31, 2022 was 61.9% (December 31, 2021 - 59.7%). Subject to market conditions and the growth of the REIT, management's medium term target is to maintain total indebtedness at approximately 55%. The success of this strategy is dependent upon debt market conditions at borrowing, as well as the characteristics of the underlying assets being financed. If this strategy is unsuccessful, debt principal repayments may need to be funded by operating cash flows, additional draws under the REIT's revolving credit and operating facilities, financing of unencumbered income-producing properties or by issuances of equity or debt securities. Additional investment and operating guidelines are provided for by the Declaration of Trust. The REIT is in compliance with these guidelines.

The REIT's indebtedness level is calculated as follows:

	December 31, 2022	December 31, 2021
Total assets	\$ 1,869,362	\$ 1,808,907
Less: Subscription receipt funds in escrow	—	(53,912)
Less: Restricted cash	(5,300)	(2,623)
Gross book value	1,864,062	1,752,372
Debt	\$ 1,153,253	\$ 1,045,542
Leverage ratio	61.9%	59.7%

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 interest coverage ratio and debt service ratio, which the REIT uses to measure its debt profile, assess its ability to satisfy its obligations, and service its debt. Management views adjusted EBITDA as a proxy for operating cash flow prior to interest costs. Adjusted EBITDA represents earnings before interest, income taxes, depreciation, fair value gains (losses) from both financial instruments and investment properties, while also excluding non-recurring items such as transaction costs from dispositions, acquisitions or other events.

The following is a reconciliation from net income to adjusted EBITDA:

	Twelve months ended December 31,	
	2022	2021
Net income (loss)	\$ (16,619)	\$ 46,640
Straight line rent and other changes	9,115	8,489
Interest income	(485)	(489)
Interest and finance costs	52,944	44,089
Change in fair value of properties	87,665	(8,708)
Change in fair value of financial instruments	(39,144)	(18,824)
Distributions to Class B shareholders	2,112	2,112
Transaction costs	1,240	657
Depreciation of hotel asset	966	1,022
Change in fair value of Class B LP units	(3,594)	4,546
Deferred income tax expense (recovery)	(2,405)	2,728
Current income tax expense	1,584	—
Adjusted EBITDA	\$ 93,379	\$ 82,262

The following is a calculation of adjusted EBITDA:

	Twelve months ended December 31,	
	2022	2021
Rental revenue	\$ 196,515	\$ 172,650
Property operating expenses	(104,117)	(94,106)
Finance income on finance lease receivable	3,057	3,262
Straight-line rent and other changes	9,115	8,489
General and administrative	(11,191)	(8,033)
Adjusted EBITDA	\$ 93,379	\$ 82,262

INTEREST COVERAGE

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

Net debt to adjusted EBITDA leverage ratio

The net debt to adjusted EBITDA ratio is used to calculate the financial leverage of the REIT, specifically, its ability to meet financial obligations and to provide a measure of its balance sheet strength. The REIT calculates debt to adjusted EBITDA by dividing the aggregate

amount of debt outstanding, less cash on hand, by the trailing twelve month adjusted EBITDA. The net debt to adjusted EBITDA leverage ratio also indicates the number of years required for the REIT's unleveraged operating earnings (i.e. before depreciation, amortization, transaction costs, gains or losses, fair value adjustments and taxes) to cover or repay all outstanding debts. The net debt to adjusted EBITDA ratio also takes into consideration the cash on hand to decrease debt.

The following is a calculation of net debt to adjusted EBITDA for the trailing twelve months ended:

	December 31, 2022	December 31, 2021
Debt	\$ 1,153,253	\$ 1,045,542
Less: Cash on hand	19,905	9,909
Net debt	1,133,348	1,035,633
Adjusted EBITDA ¹	93,379	82,262
Net debt to Adjusted EBITDA (times)	12.1x	12.6x

¹Adjusted EBITDA is based on actuals for the twelve months preceding the balance sheet date.

Interest coverage ratio

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

The following is a calculation of interest coverage ratio:

	Twelve months ended December 31,	
	2022	2021
Adjusted EBITDA	\$ 93,379	\$ 82,262
Interest expense	46,462	40,138
Interest coverage ratio (times)	2.0x	2.0x

Debt service coverage ratio

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

The following is a calculation of debt service coverage ratio:

	Twelve months ended December 31,	
	2022	2021
Adjusted EBITDA	\$ 93,379	\$ 82,262
Interest expense	46,462	40,138
Principal repayments	9,751	10,464
Debt service requirements	\$ 56,213	\$ 50,602
Debt service coverage ratio (times)	1.7x	1.6x

DEBT REPAYMENT SCHEDULE

The following table outlines the REIT's annual principal payments and maturity schedule, together with the weighted average annual interest rates at December 31, 2022:

	Amortizing Principal Payments	Principal Repayments on Maturity	Total	Percentage (%)	Weighted Average Contractual Interest Rate on Maturing Debt (%)
2023	\$ 6,677	\$ 367,350	\$ 374,027	31.9%	5.4%
2024	4,776	288,110	292,886	25.0%	6.9%
2025	4,633	187,972	192,605	16.4%	3.7%
2026	13,998	84,200	98,198	8.4%	4.0%
2027	5,820	196,425	202,245	17.2%	5.0%
Thereafter	7,519	5,895	13,414	1.1%	4.4%
Weighted average interest rate					5.3%

The REIT has managed indebtedness to ensure the REIT mitigates liquidity risk due to concentration of debt maturities. As part of this strategy, the REIT is proactive in negotiating renewals for near term debt maturities. The REIT has \$374.0 million of debt maturing throughout 2023. At December 31, 2022, after the impact of the REIT's pay-fixed receive-float interest rate swaps and interest rate caps, the REIT had floating rate debt of \$75.4 million (December 31, 2021 – \$105.9 million).

The following table presents the annual impact of a change in floating interest rates of 25 bps on finance costs:

	December 31, 2022	December 31, 2021
Change of 25 bps	\$ 188	\$ 265

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following is a summary of the REIT's contractual obligations over the next five years at December 31, 2022:

	Total contractual cash flow	2023	2024-2025	2026-2027	Thereafter
Accounts payable and accrued liabilities	\$ 39,712	\$ 39,712	\$ —	\$ —	\$ —
Amortizing principal repayments on debt	43,423	6,677	9,409	19,818	7,519
Principal repayments on maturity of debt	1,129,952	367,350	476,082	280,625	5,895
Interest on debt ¹	130,669	50,345	56,771	22,342	1,211
Interest rate swaps ²	(17,994)	(11,372)	(6,345)	(277)	—
Other liabilities	7,140	1,222	1,395	806	3,717
Total	\$ 1,332,902	\$ 453,934	\$ 537,312	\$ 323,314	\$ 18,342

¹Interest amounts on floating rate debt have been determined using rates at December 31, 2022.

²Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the forward rates determined at December 31, 2022.

DERIVATIVES

Interest rate derivatives

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

The REIT has in-place certain pay-fixed and receive-float interest rate swaps. The swaps are derivative financial instruments that require a periodic exchange of payments with counter-parties without the exchange of the notional amount on which the payments are based. The recorded interest expense on the underlying mortgages payable reflects payments made and received under the interest rate swaps. These swaps are not designated as hedging instruments that qualify for hedge accounting under IFRS. Interest rate derivatives are measured at fair value with fair values estimated as the present value of contractual cash flows based on forward curves and an applicable discount rate.

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

Maturity date	Floating interest rate ¹	Fixed interest rate	Notional amount ²		Fair value	
			December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
April 12, 2023	1 month CDOR	2.04%	73,550	75,629	704	(881)
April 12, 2023	1 month CDOR	2.04%	34,735	35,716	332	(416)
April 12, 2023	1 month BA	1.90%	58,281	58,281	568	(488)
August 14, 2023	1 month BA	2.77%	17,303	17,786	137	(441)
February 1, 2024	1 month U.S. LIBOR	1.80%	67,770	63,185	2,303	(1,311)
March 22, 2024	1 month CDOR	1.90%	100,000	100,000	3,436	(797)
March 3, 2025	1 month BA	1.23%	62,500	62,500	4,199	1,234
March 3, 2025	1 month BA	1.23%	10,000	10,000	672	—
March 3, 2025	1 month BA	4.31%	8,000	—	11	—
September 10, 2025	1 month U.S. LIBOR	2.18%	136,997	127,728	7,229	(5,201)
October 30, 2026	1 month CDOR	2.30%	100,000	100,000	5,698	(2,491)
Total			\$ 669,136	\$ 650,825	\$ 25,289	\$ (10,792)

¹BA* means the Bankers' Acceptances rate, "LIBOR" means the U.S. London Interbank Offering Rate, and "CDOR" means the Canadian Dollar Offered Rate.

²The notional amount of the U.S. dollar pay-fixed receive-float interest rate swaps, maturing September 10, 2025 and February 1, 2024, are U.S. \$101.1 million and U.S. \$50.0 million respectively.

In connection with the Irish portfolio acquisition, the REIT entered into a cross currency interest rate swap transaction on November 16, 2021 to pay a fixed EUR rate of 3.72% and receive a fixed CAD rate of 5.50%, effective on January 31, 2022 and maturing on December 31, 2026. Payments are payable semi-annually on or around June 30 and December 30, commencing June 30, 2022. As at December 31, 2022, the REIT recorded a fair value gain of \$2.3 million which is recorded in the consolidated statement of income.

The following are the terms and fair value of the REIT's cross currency interest rate swap:

Maturity date	Pay EUR	Receive CAD	Notional amount ¹		Fair value	
			December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
December 31, 2026	3.72%	5.50%	75,000	75,000	1,570	(717)
Total			\$ 75,000	\$ 75,000	\$ 1,570	\$ (717)

¹The notional amount of the pay Euro interest rate of 3.72% is €52.5 million and the notional amount of the receive Canadian dollar interest rate of 5.50% is \$75.0 million.

In connection with the acquisition of 275 North Field in November 2022, the REIT entered into a U.S. dollar interest rate cap which has a \$16.1 million notional amount, a strike price of 3.75% based on one month SOFR and a maturity date of November 1, 2025. During the year ended December 31, 2022, the REIT also entered into a Euro interest rate cap which has a \$135.7 million notional amount, a strike price of 1.60% based on the three-month Euro Interbank Offered Rate ("EURIBOR") and a maturity date of July 8, 2024.

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

Maturity date	Strike price	Notional amount ¹		Fair value	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
July 8, 2024	1.60%	\$ 135,723	\$ —	\$ 3,454	\$ —
November 1, 2025	3.75%	\$ 16,129	\$ —	\$ 379	\$ —
Total		\$ 151,852	\$ —	\$ 3,833	\$ —

¹The notional amounts of the Euro and U.S. dollar interest rate caps are €93.6 million and U.S. \$11.9 million, respectively.

The following is a summary of the REIT's interest rate caps:

	Year ended December 31,	
	2022	2021
Beginning of the period	\$ —	\$ —
Premiums paid	3,161	—
Fair value changes	628	—
Foreign exchange gain	44	—
End of period	3,833	—

Foreign exchange derivative

From time to time, the REIT may use forward foreign exchange contracts to hedge against fair value changes in the REIT's U.S. dollar net investment in its U.S. operations arising from fluctuations in the U.S. and Canadian dollar exchange rates, and its Euro investment in its Irish operations arising from fluctuations in the Euro and Canadian dollar exchange rates. Sources of hedge ineffectiveness include instances where the net investments in U.S. and Irish operations is less or greater than outstanding hedge instruments and potential misalignment between the term of the hedging instrument and the holding term of the REIT's net investment in U.S. and Irish operations.

In connection with the Irish portfolio acquisition, the REIT entered into a foreign exchange transaction on November 16, 2021 to sell \$45.7 million at an exchange rate of 1.4284 and purchase Euro on January 31, 2022. This transaction was settled on January 31, 2022.

The REIT settled one foreign exchange transaction as above. It did not settle any other other derivative or foreign exchange contracts during the three months ended December 31, 2022 and did not enter into any derivative or foreign exchange contract during the year ended December 31, 2021 beyond cash management.

FINANCIAL CONDITION

The REIT's primary sources of capital are cash generated from operating, financing, and investing activities. Management expects to meet all of the REIT's obligations through current cash and cash equivalents, cash flows from operations, the REIT's revolving credit facility and refinancing of mortgages and equity. The REIT's contractual obligations as outlined above are expected to be funded through its sources of capital. Incremental to these contractual obligations, the REIT endeavours to invest in its current portfolio of assets through leasing and capital expenditure, the amount and timing of which are uncertain. The REIT intends to fund these expenditures through its various sources of capital.

The following table provides an overview of the REIT's cash flows from operating, financing and investing activities:

	Year ended December 31,	
	2022	2021
Net change in cash related to:		
Operating	\$ 49,563	\$ 38,232
Investing	(88,368)	(134,268)
Financing	49,753	97,441
Foreign exchange loss on cash held in foreign currency	(952)	(16)
Increase in cash	\$ 9,996	\$ 1,389

The change in cash for the year ended December 31, 2022 and 2021 was the result of the following factors:

- Operating – cash inflows for the year ended December 31, 2022 increased by \$11.3 million when compared to the same period in 2021. The increase is the result of higher net operating income and changes in working capital accounts during the year ended December 31, 2022.
- Investing – cash outflows for the year ended December 31, 2022 were \$88.4 million compared to \$134.3 million for the same period in 2021. The cash outflows in the current period were primarily a result of the Irish portfolio and 275 North Field acquisitions as well as capital expenditures throughout the REIT's portfolio net of proceeds from the disposition of 95-105 Moatfield Drive.
- Financing – cash inflows of \$49.8 million for the year ended December 31, 2022 were primarily from the conversion of subscription receipts into units, the issuance of units under private placement, and the drawing of funds under a bridge loan for the Irish portfolio acquisition, offset by the repayment of the debt assumed in connection with the acquisition and discharge of a mortgage from the disposition of 95-105 Moatfield Drive. For the year ended December 31, 2021, the cash inflows of \$97.4 million were primarily from issuance of the 2021 Convertible Debentures and proceeds on mortgages advances net of repayments on the revolving facility.

DEFERRED UNIT PLAN

Trustee deferred unit plan

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 deferred unit plan for Trustees (the "Trustee DUP"). Participants may elect to receive all or a portion of their annual retainer, meeting fees and additional compensation (including travel fees), in deferred units. One deferred unit, which vests immediately on the grant date, is equivalent to one trust unit. Additional deferred units accumulate at the same rate that distributions are paid on the trust units.

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

At December 31, 2022, the liability associated with the Trustee DUP was \$1.1 million (December 31, 2021 - \$0.8 million) and the number of outstanding deferred units was 260,332 (December 31, 2021 - 151,733 units).

Officer deferred unit plan

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

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

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

As at December 31, 2022, the liability associated with deferred units issued under the Officer DUP was \$57 thousand (December 31, 2021 - \$60 thousand) and the number of deferred units was 13,170 (December 31, 2021 - 12,103).

EQUITY

The REIT is authorized to issue an unlimited number of trust units. Each trust unit represents a proportionate undivided beneficial interest and voting right in the REIT and entitles the holder to an equal participation in distributions of the REIT. The trust units are redeemable at the option of the holder at any time. The REIT's trust units are traded on the TSX and had a closing price of \$4.32 on December 31, 2022.

The REIT is also authorized to create and issue an unlimited number of preferred units, in one or more classes comprised of unlimited series, having terms and conditions as may be determined by the Board of Trustees from time to time. There have been no preferred units created or issued.

As at December 31, 2022, the total number of trust units outstanding was 80,023,409. As at February 21, 2023, the total number of trust units outstanding was 80,023,409.

Normal course issuer bid

On June 22, 2022 the REIT renewed its NCIB, whereby the REIT may purchase up to 6,252,619 trust units, subject to certain restrictions. The renewed NCIB expires on the earlier of June 21, 2023 and the repurchase of the maximum number of trust units. During the year ended December 31, 2022, the REIT repurchased 150,800 units at a cost of \$0.7 million under its NCIB. The REIT did not repurchase units under its NCIB during the year ended December 31, 2021.

At The Market Program

On June 17, 2022 the REIT established an at the market equity program ("ATM program") that allows the REIT to issue, at its discretion, up to \$40.0 million of trust units to the public from time to time through its agents. Distributions pursuant to the ATM program will be made in accordance with the terms of an equity distribution agreement dated June 17, 2022 entered into among the REIT and its agents. The ATM program will be effective until May 29, 2023, unless terminated in accordance with the terms of the equity distribution agreement. During the years ended December 31, 2022 and 2021, the REIT did not issue units under its ATM program.

Potential trust units

	December 31, 2022	December 31, 2021
Class B LP units	5,285,160	5,285,160
Deferred units	273,502	163,836
Total	5,558,662	5,448,996

The Class B LP units are exchangeable into trust units of the REIT on a one-for-one basis, subject to anti-dilution adjustments. Each Class B LP unit is accompanied by one special voting unit of the REIT providing the same voting rights in the REIT as the trust units of the REIT and is entitled to distributions of cash equal to the cash distributions paid to holders of trust units by the REIT. The Class B LP units are recognized in the REIT's consolidated financial statements as financial liabilities measured at fair value through profit and loss. Upon exchange into trust units of the REIT, the carrying amount of the liability representing the fair value of the Class B LP units on exchange date will be reclassified to unitholders' equity. During the year ended December 31, 2022, there were no Class B LP units exchanged for the REIT's trust units.

Weighted average diluted units outstanding

The following is the weighted average diluted number of units outstanding during the year ended December 31, 2022 and 2021. The diluted weighted average trust units outstanding is determined as if all of the Class B LP units and deferred units have been converted to units of the REIT:

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Basic weighted average units outstanding	80,075,781	67,765,409	78,857,525	67,765,409
Class B LP units	5,285,160	5,285,160	5,285,160	5,285,160
Basic weighted average deferred units outstanding	217,473	150,425	190,561	206,591
Diluted weighted average units outstanding	85,578,414	73,200,994	84,333,246	73,257,160

Diluted units outstanding

The following is the diluted number of units outstanding at December 31, 2022 and 2021. The diluted number of units outstanding is determined as if all of the Class B LP units and deferred units have been converted to units of the REIT:

	December 31, 2022	December 31, 2021
Trust units outstanding	80,023,409	67,765,409
Class B LP units	5,285,160	5,285,160
Deferred units	273,502	163,836
Diluted units outstanding	85,582,071	73,214,405

RELATED PARTY TRANSACTIONS

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

Slate directly and indirectly held the following interests in the REIT:

	December 31, 2022	December 31, 2021
REIT units	2,871,051	1,687,251
Class B LP units	5,285,160	5,285,160
Total	8,156,211	6,972,411
Economic interest	9.5%	9.5%

Since becoming the manager of the REIT in late 2014, Slate has been a significant 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.

On February 7, 2022, Slate purchased 1,183,800 REIT units via a private placement on the acquisition of the Irish portfolio.

The Management Agreement provides for the following fees:

Type	Basis
Property management	3% of gross revenue ¹
Asset management	0.3% of gross book value ²
Leasing	5% on new leases, 2% on renewals ³
Financing	0.25% of debt financed
Construction	5.0% of costs
Acquisition	Variable ⁴

¹Gross revenue is defined as all revenues received by and/or on behalf of the REIT from the leasing and/or licensing of the REIT's properties.

²Gross book value is defined as the book value of the REIT's assets as shown on the previous quarter's consolidated financial statements, less restricted cash.

³Leasing fees are charged to the REIT net of any third party brokerage fees paid to leasing agents retained by the REIT. No fee is charged to the REIT where such third party fees are equal to or greater than the lease fee payable to SMULC.

⁴Acquisition fees are 1.0% on the first \$100.0 million of acquisitions; 0.75% on the next \$100.0 million of acquisitions and 0.50% for acquisitions in excess of \$200.0 million.

The REIT incurred the following fees under the Management Agreement:

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Property management	\$ 1,458	\$ 1,351	\$ 5,745	\$ 5,408
Asset management	1,472	1,275	5,837	5,069
Leasing, financing and construction management	1,655	1,414	4,146	2,951
Acquisition	98	—	2,091	—
Transaction fee ¹	—	—	2,899	—
Total	\$ 4,683	\$ 4,040	\$ 20,718	\$ 13,428

¹Fees charged for acquiring Yew Grove's processes and platform.

Property administration fees are generally recoverable under the tenants' leases relating to assets or resources of the Manager that are directly attributable to the management of the REIT's properties. Property administration fees were \$9.9 million for the year ended December 31, 2022 (December 31, 2021 – \$9.4 million). Administrative fees are recovered from most tenants by the REIT in accordance with the terms of the leases, whereas property management fees payable by the REIT to the Manager are determined in accordance with the Management Agreement. On November 1, 2019, the REIT entered into an agreement to lease approximately 6,000 square feet of office space to Slate at one of its properties for a term of 10 years at market rents. In 2022, the REIT agreed to lease approximately 4,000 additional square feet to Slate at the same property and at the same rent rate and expiration. For the year ended December 31, 2022, the REIT received \$0.5 million in rent payment in respect of this lease (December 31, 2021 - \$0.2 million). There were no amounts receivable related to this lease at December 31, 2022 and December 31, 2021.

The following are the assets and liabilities included in the consolidated statements of financial position of the REIT related to SMULC and Slate:

	December 31, 2022	December 31, 2021
Accounts receivable	412	376
Accounts payable and accrued liabilities	(220)	(304)
Class B LP units	(22,832)	(26,426)

PART V - ACCOUNTING AND CONTROL

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

Overall income capitalization approach

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

Discounted cash flow method

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

Direct comparison approach

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

A summary of the significant assumptions used in the REIT's estimate of fair value as at December 31, 2022 is included in this MD&A. Changes in these assumptions would have a significant impact on the REIT's estimate of fair value, which can be impacted by changes in demand for properties similar to those owned by the REIT, expectations of market rents, the covenant quality of tenants and the general economic environment. Further, these changes can occur at different times and magnitudes for each of the REIT's regions based on the investment environments in each of their respective markets.

NEW ACCOUNTING POLICIES

Application of Interest Rate Benchmark Reform ("IBOR")

In August 2020, the IASB issued IBOR Reform and the Effects on Financial Reporting – Phase II (amendments to IFRS 9, IFRS 7, IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"), IFRS 4 – Insurance Contracts ("IFRS 4") and IFRS 16 – Leases ("IFRS 16")). The objective of the second phase of the IASB's project was to assist entities in providing useful information about the effects of the transition to alternative benchmark rates and support preparers in applying the requirements of the IFRS Standards when changes are made to contractual cash flows or hedging relationships as a result of the transition to an alternative benchmark interest rate. The amendments affect the basis for determining the contractual cash flows as a result of benchmark interest rate reform, hedge accounting and disclosures. There was no impact to the REIT's financial position or results of operations as a result of implementing this standard.

FUTURE ACCOUNTING POLICIES

Application of Interest Rate Benchmark Reform ("IBOR")

In August 2020, the IASB issued IBOR Reform and the Effects on Financial Reporting – Phase II (amendments to IFRS 9, IFRS 7, IAS 39)

INCOME TAXES AND THE REIT EXCEPTION

The REIT currently qualifies as a "mutual fund trust" as defined in the Tax Act. In accordance with the REIT's Declaration of Trust, distributions to unitholders are declared at the discretion of the trustees. The REIT endeavours to distribute to unitholders, in cash or trust units, in each taxation year its taxable income to such an extent that the REIT will not be liable to income tax under Part I of the Tax Act.

The Tax Act imposes a special taxation regime (the "SIFT Rules") applicable to certain publicly traded income trusts (each a "SIFT"). A SIFT includes a trust resident in Canada with publicly traded units that holds one or more "non-portfolio properties". "Non-portfolio properties" include certain investments in real properties situated in Canada and certain investments in corporations and trust residents in Canada and in partnerships with specified connections in Canada. Under SIFT Rules, a SIFT is subject to tax in respect of certain distributions that are attributable to the SIFT's "non-portfolio earnings" (as defined in the Tax Act; generally, income (other than certain dividends) from, or capital gains realized on, "non-portfolio properties", which does not include certain investments in non-Canadian entities), at a rate substantially equivalent to the combined federal and provincial corporate tax rate on certain types of income. The SIFT Rules are not applicable to a SIFT that meets certain specified criteria relating to the nature of its revenues and investments in order to qualify as a real estate investment trust for purposes of the Tax Act (the "REIT Exception"). The REIT believes that it qualifies for the REIT Exception as of December 31, 2022.

The REIT's U.S. and Irish subsidiaries are subject to income tax on taxable income from U.S. and Irish operations respectively. The REIT recognizes deferred tax assets and liabilities at prevailing tax rates when such differences are expected to settle. Based on tax laws enacted at the reporting date, the U.S. subsidiary is subject to a combined federal and state rate of 28.51%, and the Irish subsidiaries are subject to a tax rate of 25.00% on rental income, 33.00% on capital gain. The REIT assesses each reporting period whether it can recognize the deferred tax asset of its U.S. and Irish subsidiaries.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The REIT's management, under the supervision of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as such terms are defined in National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109").

DC&P are those controls and other procedures that are designed to provide reasonable assurance that all material information required to be disclosed by the REIT in annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. Furthermore, DC&P are those controls and other procedures that are designed to ensure that material information required to be disclosed by the REIT in annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the REIT's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS for the year ended December 31, 2022.

The REIT's CEO and CFO, along with the assistance of others, have designed disclosure controls and procedures to provide reasonable assurance that information required to be disclosed in the various reports filed or submitted by the REIT under securities legislation is recorded, processed, summarized and reported accurately and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In the design of its internal controls the REIT uses the 2013 framework published by the Committee of Sponsoring Organizations of the Treadway Commission. No changes were made in the REIT's design of ICFR for the year ended December 31, 2022, 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

Details of the REIT's property portfolio at December 31, 2022 are set out in the table below:

Asset Class	Property Address	Property Name	City	Year Built / Renovated / Expanded	Interest	Square feet of GLA	Occupancy
United States Office							
	20 South Clark	20 South Clark	Chicago, IL	1970 / 2005	100%	372,737	84.8%
	120 South LaSalle	120 South LaSalle	Chicago, IL	1929 / 1998	100%	656,417	87.4%
	275 N Field Drive	275 N Field Drive	Chicago, IL	1989 / 2021	100%	197,527	67.0%
Total United States Office						1,226,681	83.3%
Greater Toronto Area Office							
	7030, 7050, 7100 Woodbine Avenue & 55, 85 Idema Road	Woodbine & Steeles Corporate Centre	Markham, ON	1984 / 2011	75%	359,563	81.8%
	3000 - 3100 Steeles Avenue East	Gateway Centre	Markham, ON	1982 / 1987	75%	243,672	88.3%
	2655 - 2695 North Sheridan Way	The Sheridan Exchange	Mississauga, ON	1987 / 1989	75%	158,233	91.0%
	2285 Speakman Drive		Mississauga, ON	1981 / 2016	100%	127,419	100.0%
	2599 Speakman Drive		Mississauga, ON	1971 / 2011	100%	127,782	52.3%
	2251 Speakman Drive		Mississauga, ON	1965/2016	100%	115,580	100.0%
	1189 Colonel Sam Drive		Oshawa, ON	2001	100%	103,179	100.0%
	185-195 The West Mall	West Metro Corporate Centre	Toronto, ON	1986 / 2006	75%	617,999	61.5%
	401-405 The West Mall	Commerce West	Toronto, ON	1982 / 2009	75%	412,450	79.3%
Total Greater Toronto Area Office						2,265,877	78.3%
Atlantic Office							
	440 King Street	Kings Place	Fredericton, NB	1974 / 2001	100%	298,454	73.4%
	250 King Street		Fredericton, NB	2000	100%	80,164	100.0%
	460 Two Nations Crossing		Fredericton, NB	2008	100%	50,229	100.0%
	570 Queen Street		Fredericton, NB	1989	100%	69,445	49.3%
	644 Main Street	Blue Cross Centre	Moncton, NB	1988 / 2006	100%	319,705	99.0%
	81 Albert Street		Moncton, NB	2002	100%	64,954	100.0%
	39 King Street ¹	Brunswick Square	Saint John, NB	1976	100%	509,186	58.1%
	100 New Gower Street	Cabot Place	St. John's, NL	1987	100%	141,758	55.9%
	10 Factory Lane	The Johnson Building	St. John's, NL	1980	100%	210,863	75.5%
	5 Springdale Street	Fortis Place	St. John's, NL	2014	100%	142,973	73.0%
	140 Water Street	TD Place	St. John's, NL	1980 / 2013	100%	108,272	48.1%
	1505 Barrington Street	Maritime Centre	Halifax, NS	1977 / 1985	100%	528,834	88.1%
	84-86 Chain Lake Drive	84-86 Chain Lake	Halifax, NS	2008 / 2011	100%	77,983	90.8%
Total Atlantic Office						2,602,820	76.5%

¹GLA and occupancy stats do not include the Delta Brunswick Hotel.

Asset Class	Property Address	Property Name	City	Year Built / Renovated / Expanded	Interest	Square feet of GLA	Occupancy
Ireland Office							
	Three Gateway, East Wall Road	Three Gateway	Dublin, Dublin	2006	100%	43,212	100.0%
	One Gateway, East Wall Road	One Gateway	Dublin, Dublin	2006	100%	51,495	46.6%
	Ashtown Gate Road	Ashtown Gate Blocks B&C	Dublin, Dublin	2000	100%	33,149	100.0%
	Citywest Business Campus	Citywest Blocks E&F	Dublin, Dublin	1998	100%	45,972	73.0%
	Birch House, Millennium Park	Birch House	Naas, Kildare	2006	100%	40,333	100.0%
	Chestnut House, Millennium Park	Chestnut House	Naas, Kildare	2006	100%	31,600	100.0%
	Hazel House, Millennium Park	Hazel House	Naas, Kildare	2006	100%	19,326	100.0%
	Ash House, Millennium Park	Ash House	Naas, Kildare	2006	100%	19,108	100.0%
	Willow House, Millennium Park	Willow House	Naas, Kildare	2006	100%	17,865	100.0%
	Beech House, Millennium Park	Beech House	Naas, Kildare	2006	100%	12,778	100.0%
	Athlone Business & Technology Park	Teleflex	Athlone, Westmeath	2016	100%	45,370	100.0%
	Cork Airport Business Park	Unit 2600, Cork Airport	Cork, Cork	1999	100%	40,827	49.6%
	Mallow Business Park	Blackwater House	Mallow, Cork	2000	100%	30,015	94.7%
	Letterkenny Business & Technology Park	Optum Buildings	Letterkenny, Donegal	1999 / 2007	100%	90,548	100.0%
	Waterford Business & Technolgy Park	IDA Waterford Block A	Waterford, Waterford	2005	100%	28,027	100.0%
	IDA Athlone Block A, Athlone Business & Technology Park	IDA Athlone Block A	Athlone, Westmeath	2009	100%	33,693	100.0%
	IDA Athlone Blocks B & B2, Athlone Business & Technology Park	IDA Athlone Blocks B & B2	Athlone, Westmeath	2009	100%	101,230	100.0%
	IDA Athlone Block C, Athlone Business & Technology Park	IDA Athlone Block C	Athlone, Westmeath	2008	100%	26,447	100.0%
	IDA Athlone Block C - Extension, Athlone Business & Technology Park	IDA Athlone Block C - Extension	Athlone, Westmeath	2022	100%	35,897	100.0%
Total Ireland Office						746,892	91.7%
Western Office							
	280 Broadway Avenue ²		Winnipeg, MB	1957	100%	105,341	86.2%
	114 Garry Street		Winnipeg, MB	1950 / 1995	100%	74,246	100.0%
	365 Hargrave		Winnipeg, MB	Various	100%	70,719	100.0%
	1870 Albert Street	Saskatchewan Place	Regina, SK	1985	100%	84,862	57.5%
Total Western Office						335,168	84.9%
Office						7,177,438	80.2 %
Non-office							
	Airways Industrial Estate	Airways Units 7 & 8	Dublin, Dublin	1979	100%	87,969	100.0%
	Naas Enterprise Park	Unit L2 Toughers	Naas, Kildare	2000	100%	34,494	100.0%
	Coes Road	Tanola House	Dundalk, Louth	2019	100%	86,451	100.0%
	Bridge Street	Bridge Centre	Tullamore, Offaly	1995	100%	6,238	100.0%
	1450 Waverley Street	Bell MTS Data Centre	Winnipeg, MB	2015	100%	64,218	100.0%
	200 Manitoba 10	Walmart Flin Flon	Flin Flon, MB	2002	100%	63,439	100.0%
Non-office						342,809	100.0%
Total Portfolio						7,520,247	81.1%

²Includes a seven-storey office building at 280 Broadway Avenue, a three-storey multi-family residential building located at 70 Smith Street and two parking lots located at 286 Broadway Avenue and 68 Smith Street; excludes occupancy from residential tenants at 70 Smith Street.

Corporate Information

Slate Office REIT is an unincorporated, open-ended investment trust fund under and governed by the laws of the Province of Ontario. The REIT focuses on acquiring, owning and leasing a portfolio of diversified revenue-producing commercial real estate office properties.

Trustees

Monty Baker, Chair^{1 2 3}
Corporate Director

Michael Fitzgerald^{2 3}
Corporate Director

Meredith Michetti¹
Corporate Director

Lori-Ann Beausoleil^{1 2}
Corporate Director

George Armoyan^{3 4}
Corporate Director

Jean-Charles Angers^{2 3 4}
Corporate Director

Blair Welch³
Partner and Co-founder,
Slate Asset Management

Brady Welch
Partner and Co-founder,
Slate Asset Management

¹ Compensation, Governance and Nomination Committee

² Audit Committee

³ Investment Committee

⁴ Appointed on February 21, 2023

Head Office

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Independent Auditors

KPMG LLP
Chartered Professional Accountants
Toronto, Canada

Toronto Stock Exchange Listings

SOT.UN: trust units
SOT.DB: 5.25% convertible unsecured subordinated debentures
SOT.DB.A: 5.50% convertible unsecured subordinated debentures
SOT.DB.B: 7.50% convertible unsecured subordinated debentures

Registrar and Transfer Agent

TSX Trust Company
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Toronto, ON M5H 4H1
T +1 416 361 0930
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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.



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