Slate Office REIT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2024

(unaudited)

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)

(unaudited)

	Note	March 31, 2024	December 31, 2023	January 1, 2023
	3		Restated	Restated
ASSETS				
Non-current assets				
Investment properties	5	$ 1,277,574	$ 1,362,188	$ 1,754,338
Finance lease receivable	6	38,411	39,401	43,213
Other assets	7	1,859	2,087	538
Derivatives	11	14,629	15,030	26,476
Restricted cash		6,217	5,856	5,300
		$ 1,338,690	**$ 1,424,562**	**$ 1,829,865**
Current assets				
Assets held for sale	5	343,881	299,163	—
Finance lease receivable	6	3,872	3,812	3,580
Other assets	7	6,680	2,909	5,668
Current tax receivable		—	49	—
Accounts receivable	8	8,391	6,095	10,344
Cash		11,853	11,270	19,905
		$ 374,677	**$ 323,298**	**$ 39,497**
Total assets		**$ 1,713,367**	**$ 1,747,860**	**$ 1,869,362**
LIABILITIES AND UNITHOLDERS' EQUITY				
Non-current liabilities				
Debt	9*	$ 481,984	$ 641,542	$ 779,226
Other liabilities	10	5,129	5,284	5,918
Deferred taxes	25	226	254	454
		$ 487,339	**$ 647,080**	**$ 785,598**
Current liabilities				
Debt	9*	442,618	341,470	374,027
Debt held for sale	9	233,521	195,722	—
Other liabilities	10	1,328	1,381	1,222
Class B LP units	12	3,964	4,281	22,832
Accounts payable and accrued liabilities	13	46,833	42,556	39,712
Taxes payable	25	1,897	—	1,605
		$ 730,161	**$ 585,410**	**$ 439,398**
Total liabilities		**$ 1,217,500**	**$ 1,232,490**	**$ 1,224,996**
Unitholders' equity		**$ 495,867**	**$ 515,370**	**$ 644,366**
Total liabilities and unitholders' equity		**$ 1,713,367**	**$ 1,747,860**	**$ 1,869,362**

*Certain adjustments have been made to current and non-current debt as at December 31, 2023 (see note 9).

The accompanying notes are an integral part of the condensed consolidated interim financial statements

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS

(in thousands of Canadian dollars)

(unaudited)

		Three months ended March 31,	
	Note	2024	2023
Rental revenue	16	$ 50,261	$ 49,092
Property operating expenses		(39,464)	(37,932)
Finance income on finance lease receivable	6	675	731
Interest income		95	88
Interest and finance costs	17	(18,306)	(14,396)
General and administrative expenses	18	(2,184)	(5,080)
Change in fair value of financial instruments	19	(485)	(3,488)
Change in fair value of investment properties	5	(10,792)	4,008
Depreciation of hotel asset	5	(249)	(240)
Transaction costs	4	(518)	—
Deferred income tax expense	25	28	(108)
Current income tax expense	25	(1,949)	(341)
Net loss before Class B LP units		**$ (22,888)**	**$ (7,666)**
Change in fair value of Class B LP units	12	317	4,123
Distributions to Class B LP unitholders	15	—	(528)
Net loss		**$ (22,571)**	**$ (4,071)**

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of Canadian dollars)

		Three months ended March 31,	
	Note	2024	2023
Net loss		$ (22,571)	$ (4,071)
Other comprehensive loss to be subsequently reclassified to profit or loss:			
Foreign currency translation income	14	3,068	1,007
Total other comprehensive income		3,068	1,007
Comprehensive loss		**$ (19,503)**	**$ (3,064)**

The accompanying notes are an integral part of the condensed consolidated interim financial statements

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)

(unaudited)

	Note	Trust units	Retained earnings	Accumulated other comprehensive income	**Total equity**
December 31, 2023		$ 578,406	$ (65,894)	$ 2,858	**$ 515,370**
Net loss and comprehensive loss		—	(22,571)	3,068	**(19,503)**
March 31, 2024		**$ 578,406**	**$ (88,465)**	**$ 5,926**	**$ 495,867**

	Note	Trust units	Retained earnings	Accumulated other comprehensive income	**Total equity**
December 31, 2022		$ 578,380	$ 60,819	$ 5,167	**$ 644,366**
Distributions	15	—	(7,994)	—	**(7,994)**
Net income (loss) and comprehensive income (loss)		—	(4,071)	1,007	**(3,064)**
March 31, 2023		**$ 578,380**	**$ 48,754**	**$ 6,174**	**$ 633,308**

The accompanying notes are an integral part of the condensed consolidated interim financial statements

Slate Office REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)
(unaudited)

	Note	Three months ended March 31, 2024	2023
OPERATING ACTIVITIES			
Net loss		$ (22,571)	$ (4,071)
Items not affecting cash:			
Depreciation of hotel asset	5	249	240
Change in fair value of investment properties	5	10,792	(4,008)
IFRIC 21 property tax adjustment	5	10,197	10,491
Straight-line rent and other changes	5	2,183	2,709
Change in fair value of Class B LP units	12	(317)	(4,123)
Change in fair value of financial instruments	19	485	3,488
Deferred income tax expense	25	(28)	108
Finance income on finance lease receivable	6	(675)	(731)
Finance interest payments received on finance lease receivable	6	675	731
Distributions declared to Class B LP unitholders	15	—	528
Distributions paid to Class B LP unitholders	15	—	(528)
Interest income		(95)	(88)
Interest received		95	88
Interest and finance costs	17	18,306	14,396
Interest paid		(16,570)	(13,216)
Changes in working capital items		2,592	2,183
		$ 5,318	**$ 8,197**
INVESTING ACTIVITIES			
Dispositions of investment properties	4	27,108	—
Capital expenditures	5	(1,993)	(2,639)
Leasing costs	5	(4,071)	(4,480)
Principal payments received on finance lease receivable	6	930	874
		$ 21,974	**$ (6,245)**
FINANCING ACTIVITIES			
Distributions on REIT units	15	—	(7,994)
Mortgage repayments	26	(28,833)	(2,592)
Financing costs on debt	26	(59)	173
Draws on revolving and term facilities, net	26	2,200	6,623
		$ (26,692)	**$ (3,790)**
Foreign exchange (loss) gain on cash held in foreign currency		(17)	873
Increase (decrease) in cash		**$ 583**	**$ (965)**
Cash, beginning of period		**11,270**	**19,905**
Cash, end of period		**$ 11,853**	**$ 18,940**

The accompanying notes are an integral part of the condensed consolidated interim financial statements

1. DESCRIPTION OF THE REIT AND OPERATIONS

Slate Office REIT (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, and as further amended on March 1, 2019, May 13, 2021 and January 15, 2024, as it may be further amended, supplemented or amended and restated from time to time (the "Declaration of Trust"). The REIT's portfolio consists of 52 commercial properties located in Canada, the United States, and Ireland. The units of the REIT trade on the Toronto Stock Exchange ("TSX") under the symbol "SOT.UN".

The principal, registered and head office of the REIT is 121 King Street West, Suite 200, Toronto, Ontario, Canada, M5H 3T9.

Key management personnel of the REIT are employed by Slate Asset Management L.P. ("SLAM"). The REIT has a management agreement (the "Management Agreement") with Slate (as defined below), whereby Slate Management ULC ("SMULC"), a subsidiary of SLAM (collectively, "Slate"), as the REIT's manager, provides the REIT with the strategic, administrative, property management, leasing, acquisition, financing and construction management services necessary to manage the strategy and day-to-day operations of the REIT and its assets.

2. BASIS OF PREPARATION

i. Statement of compliance

These condensed consolidated interim financial statements (the "consolidated financial statements") have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") have been omitted or condensed. As a result, these consolidated financial statements should be read in conjunction with the REIT's audited annual consolidated financial statements as at and for the year ended December 31, 2023.

ii. Approval of the consolidated financial statements

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on May 2, 2024.

iii. Basis of measurement and going concern

These consolidated financial statements have been prepared on a going concern basis and measured at historical cost except for investment properties, assets held for sale and certain financial instruments including derivatives and Class B LP units, which are measured at fair value.

The application of the going concern basis of presentation assumes that the REIT will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The REIT's borrowings provided by its revolving facility and other debt require compliance with covenants, which if breached could lead to lenders demanding repayment or reduced availability of drawings available to the REIT. Additionally, certain of the REIT's debt, including the REIT's revolving credit facility, include cross default provisions, generally for defaults on debt in excess of $5.0 million. These covenants are described in more detail in notes 9 and 23.

At March 31, 2024, the REIT exceeded debt service coverage and minimum unitholders' equity covenants pertaining to certain of its debt. In one case, on March 29, 2024, the REIT received a default letter relating to debt outstanding as of December 31, 2023 requiring a principal payment of $5.6 million to cure such default (see note 9). The REIT is in the process of amending its debt agreements with its lenders to modify or obtain waivers to provide relief on such covenants. As a result of the aforementioned covenants and cross defaults, the REIT has $562.2 million of debt presented as current on the statement of financial position (see note 22). The amendments made in November 2023, to the financial leverage, minimum unitholders equity and debt service coverage covenants of the revolver and other debt agreements (the "2023 debt amendments") are temporary and in addition, the overall commitment level will decrease in scheduled intervals. The calculation of the maximum capacity on a property by property basis, a greater net operating income divisor and changes in prevailing interest rates reduced the maximum drawings available by $35.7 million at March 31, 2024. From June 30, 2024, the maximum availability of the revolving facilities reduces to $150,000 and from September 30, 2024, reduces to $100,000 (see note 9). The decrease in overall commitment level as at March 31, 2024 requires a significant repayment of $35.7 million to be made by May 31, 2024. Accordingly, the REIT is in the process of amending its revolving credit facility with its lenders to remove the reduction in the overall commitment level in scheduled intervals. While the REIT is seeking to amend or obtain waivers from lenders as it relates to the revolving credit facility and other borrowings with covenant violations there is a risk that these efforts may not be successful, which may result in lenders exercising their rights to demand repayment.

Additionally, changes in interest rates driven by central banks in Canada, the U.S. and Europe seeking to reduce inflationary pressures and the broad market sentiment towards the office sector as a whole have reduced the availability of and increased the cost of financing which gives rise to the risk of the REIT not being able to service its debt costs.

The REIT has undertaken various actions in order to increase liquidity and reduce its financial leverage and borrowings. These actions include, a program to dispose of certain investment properties (the "Portfolio Realignment Plan"), working with lenders to provide additional flexibility and liquidity to the REIT, a suspension of its cash distribution to unitholders, and a program to reduce capital investment and general and administrative expenses.

Although the REIT expects its Portfolio Realignment Plan to raise capital to decrease borrowings and the REIT continues to proactively work with its lenders to achieve positive outcomes, the covenant violations will result in lenders having the right to demand repayment of such borrowings.

The REIT will continue to seek to dispose of certain investment properties, to refinance existing maturing debt and in certain cases to amend the terms of existing borrowings. However, the REIT may not be able to complete such dispositions or financing activities on terms and conditions acceptable to the REIT, or at all, which would have an adverse material effect on the REIT's liquidity. Additionally, by selling certain of its properties under its Portfolio Realignment Plan the REIT may be required to dispose of properties at amounts less than the estimated fair value at March 31, 2024. This difference could be material, especially in instances where there is limited purchaser interest or limited or no financing available for potential purchasers.

As a result, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the REIT's ability to continue as a going concern. The outcome is dependent on the successful completion of the dispositions, financing activities and ability to obtain waivers described above. If the going concern assumption is not appropriate as of March 31, 2024, material adjustments to the carrying values of assets and liabilities would be necessary.

iv. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the REIT's functional currency and the functional currency of all of its subsidiaries, except for subsidiaries directly or indirectly holding property in the United States of America (the "United States" or the "U.S.") for which the functional currency is U.S. dollars and the Republic of Ireland ("Ireland") for which the functional currency is Euros.

3. MATERIAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the significant accounting policies described below.

i. Material accounting policies

These consolidated financial statements have been prepared using the same accounting policies and methods disclosed in the REIT's audited annual consolidated financial statements for the year ended December 31, 2023 with the addition of the below.

ii. Application of new and revised IFRSs

Amendments to IAS 1

In January 2020 and October 2022, the IASB issued amendments to IAS 1 – Classification of Liabilities as Current or Non-Current to specify the requirements for the classification of liabilities as either current or non-current. The amendments clarified the following:

- Right to defer settlement – that if an entity's right to defer settlement is subject to compliance with future covenants, the entity has a right to defer settlement of the liability regardless of compliance with such covenants at the end of the reporting period.
- Expected deferrals – that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer the settlement of the liability for at least twelve months following the reporting period even if settlement occurs prior to the authorization of the issuance of the financial statements.
- Settlement by way of own instruments – that settlement by way of an entity's own equity instruments is considered settlement for classification purposes with the exception of a conversion option that itself is classified as an equity instrument.

The amendment also provided for additional disclosures surrounding non-current liabilities for which a right to defer settlement is subject to compliance with future covenants within twelve months. The REIT adopted the amendments retrospectively for the three months ended March 31, 2024. The amendment was adopted as of January 1, 2024 and applied retrospectively and thus $4,281 and $22,832 of Class B LP units have been re-classified on the statement of financial position as at December 31, 2023 and January 1, 2023 retrospectively from non current to current.

(in thousands of Canadian dollars)

4. DISPOSITIONS

2024 Dispositions

During the three months ended March 31, 2024, the REIT made the following investment property dispositions:

	The Sheridan Exchange	Airways Units 7 & 8	Total
Disposition date	February 1, 2024	February 28, 2024	
Location	Mississauga, ON	Dublin, Dublin	
Number of properties	1	1	**2**
Interest disposed	75 %	100 %	
Sale price	$ 19,200	$ 11,028	**$ 30,228**
Capital adjustments	(345)	—	**(345)**
Working capital	(493)	(63)	**(556)**
Transaction costs	(344)	(174)	**(518)**
Capital gains tax	—	(1,701)	**(1,701)**
Discharge of mortgage	(16,703)	(7,212)	**(23,915)**
Net proceeds	**$ 1,315**	**$ 1,878**	**$ 3,193**

2023 Dispositions

During the three months ended March 31, 2023, the REIT did not dispose of any investment properties.

5. INVESTMENT PROPERTIES

The change in the carrying value of the REIT's investment properties is as follows:

		Three months ended March 31,	
	Note	2024	2023
Beginning of period		$ 1,362,188	$ 1,754,338
Capital expenditures		1,993	2,639
Leasing costs		4,071	4,480
Dispositions[1]	4	(29,883)	—
Depreciation of hotel asset		(249)	(240)
Foreign exchange		7,342	1,764
Change in fair value		(10,792)	4,008
IFRIC 21 property tax adjustment		(10,197)	(10,491)
Straight-line rent and other changes		(2,183)	(2,709)
Transfer to assets held for sale		(44,716)	—
End of period		**$ 1,277,574**	**$ 1,753,789**

[1]Represents the purchase price and capital adjustments.

Investment properties at March 31, 2024 are comprised of the REIT's interests in 37 (December 31, 2023 - 39) properties, which includes one mixed-use hotel asset, and excludes 14 assets held for sale (December 31, 2023 - 14) (described below) and a data centre in Winnipeg, Manitoba (the "Data Centre"), which is classified as a finance lease (note 6). The REIT owns an undivided interest in all investment properties with the exception of three office properties in the Greater Toronto Area in which the REIT owns a 75% interest (December 31, 2023: four office properties).

The hotel portion of the REIT's mixed-use asset does not meet the definition of an investment property under IAS 40, *Investment Property*, and accordingly is measured at cost less depreciation and any accumulated impairment losses, with depreciation charged to income over the estimated useful life of the components of the hotel asset.

At the balance sheet date there exists a limited number of observable comparable transactions and certain of the observable comparable transactions may have occurred by seller distress, financing pressure or other factors specific to those particular market participants and transactions. Accordingly, estimation uncertainty with determining the fair value of investment properties remains high.

In 2023, the REIT initiated a Portfolio Realignment Plan to dispose of certain of its properties to raise capital in order to increase liquidity and reduce its outstanding borrowings. As at March 31, 2024, the REIT classified 14 investment properties with a total estimated fair value of $343.9 million and outstanding debt principal of $233.5 million as held for sale. To achieve the REIT's goal of increasing its liquidity and reducing its outstanding borrowings by selling certain of its properties the REIT may be required to dispose of such properties on an accelerated basis and at amounts materially less than the estimated fair value at March 31, 2024, especially in instances where there is limited purchaser interest or limited or no financing available for potential purchasers. The REIT classified 14 investment properties with a total estimated fair value of $299.2 million and outstanding debt principal of $195.7 million as held for sale as at December 31, 2023.

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

	March 31, 2024		December 31, 2023	
	Discount rate	Terminal capitalization rate	Discount rate	Terminal capitalization rate
Minimum	7.00%	6.75%	6.75%	6.75%
Maximum	11.50%	10.50%	11.50%	10.50%
Weighted average	8.07%	7.44%	7.99%	7.43%

The following table presents the estimated change to fair value of the REIT's investment properties in thousands when there is an increase or decrease to the discount and terminal capitalization rates ("TCR") at March 31, 2024:

		Discount Rate				
		50 bps-	25 bps-	No change	25 bps+	50 bps+
	50 bps-	$ 138,248	$ 104,665	$ 71,876	$ 39,859	$ 8,593
	25 bps-	99,291	66,592	34,665	3,488	(26,959)
TCR	No change	63,001	31,125	—	(30,395)	(60,078)
	25 bps+	29,110	(1,997)	(32,372)	(62,036)	(91,007)
	50 bps+	(2,612)	(32,999)	(62,673)	(91,653)	(119,957)

The following table presents the estimated change to fair value of the REIT's investment properties when there is an increase or decrease to the REIT's projected net operating income over the term of the discounted cash flows:

	March 31, 2024
1% increase	$ 10,131
1% decrease	(10,131)

The following table summarizes the number of independent appraisals obtained and the aggregate fair value represented by such appraisals:

Three months ended	Number of investment properties	Fair Value
September 30, 2023	15	$ 466,989
December 31, 2023	—	$ —
March 31, 2024	—	$ —

(in thousands of Canadian dollars)

6. FINANCE LEASE RECEIVABLE

The Data Centre owned by the REIT is fully leased. The tenant occupying the Data Centre has a lease with an initial term to maturity of 15 years, which commenced on June 5, 2015, with the option to extend for three additional five year terms. The tenant has a one-time option to acquire the property after the initial term of the lease for $12.0 million. At its inception, the lease met the requirements for classification as a finance lease, as the minimum lease payments amounted to substantially all of the fair value of the leased asset and the tenant has the right to acquire the Data Centre for a price expected to be below the fair value of the property at maturity.

A reconciliation of the change in the finance lease receivable is as follows:

	Three months ended March 31, 2024	Year ended December 31, 2023
Beginning of period	$ 43,213	$ 46,793
Lease payments received	(1,605)	(6,420)
Finance income on finance lease receivable	675	2,840
End of period	**$ 42,283**	**$ 43,213**

The following is a summary of the undiscounted future minimum lease payments receivable and the imputed interest and principal portions thereof. The principal portion represents the amount recorded on the consolidated statement of financial position at March 31, 2024:

	Future minimum lease payments	Interest portion of minimum lease payments	Principal portion of minimum lease payments
Less than one year	$ 6,420	$ 2,548	$ 3,872
Greater than one year but less than 5 years	26,967	7,356	19,611
Greater than 5 years	19,963	1,163	18,800
Total			**$ 42,283**

The following is a summary of the undiscounted future minimum lease payments receivable and the imputed interest and principal portions thereof. The principal portion represents the amount recorded on the consolidated statement of financial position at December 31, 2023:

	Future minimum lease payments	Interest portion of minimum lease payments	Principal portion of minimum lease payments
Less than one year	$ 6,420	$ 2,608	$ 3,812
Greater than one year but less than 5 years	26,882	7,660	19,222
Greater than 5 years	21,654	1,475	20,179
Total			**$ 43,213**

7. OTHER ASSETS

Other assets are comprised of the following:

	March 31, 2024	December 31, 2023
Prepaid expenses	$ 5,775	$ 2,733
Mortgage interest reserves	2,112	1,622
Investment tax credit receivable	549	538
Utilities deposits	103	103
Total	**$ 8,539**	**$ 4,996**

(in thousands of Canadian dollars)

Other assets have been classified between current and non-current as follows:

	March 31, 2024	December 31, 2023
Current	$ 6,680	$ 2,909
Non-current	1,859	2,087
Total	**$ 8,539**	**$ 4,996**

Included in other assets are mortgage interest reserves totaling $2.1 million held by three of the REIT's lenders. The REIT expects the reserves to be repaid upon mortgage maturity, between June 2024 and December 2025.

The REIT is eligible for a Manitoba data processing investment tax credit as a result of its development of the Data Centre. The REIT expects to receive the tax credit in installments through to 2029. Half of the tax credit is payable to the Data Centre tenant as the credits are received. The tax credit payable is included in other liabilities (see note 10).

8. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	March 31, 2024	December 31, 2023
Rent receivable	$ 2,500	$ 2,000
Accrued recovery income	1,792	904
Other amounts receivable	4,185	3,248
Allowance	(86)	(57)
Total	**$ 8,391**	**$ 6,095**

Rent receivable consists of base rent and operating expense recoveries receivable from tenants.

Accrued recovery income represents amounts that have not been billed to tenants and are generally billed and paid in the period following the period to which they relate.

Included in other amounts receivable are capital expenditures recoverable from tenants.

The change in allowance is as follows:

	Three months ended March 31, 2024	Year ended December 31, 2023
Beginning of period	$ (57)	$ (886)
Change in allowance	(29)	(529)
Bad debt write-off	—	1,358
End of period	**$ (86)**	**$ (57)**

The REIT measures the allowance at an amount equal to lifetime expected losses by taking into account past default experience and considering both current and potential bankruptcy, abandonment by tenants and certain tenant disputes.

The aging analysis of rents receivable past due but not impaired, net of allowance is as follows:

	March 31, 2024	December 31, 2023
Current to 30 days	$ 1,271	$ 951
31 to 90 days	638	443
Greater than 90 days	505	549
Total	**$ 2,414**	**$ 1,943**

(in thousands of Canadian dollars)

9. DEBT

Debt held by the REIT at March 31, 2024 is as follows:

	Maturity	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal
Mortgages [1 2 3 4]	Various	Various	15	$ 900,796	$ 576,902	$ 576,902
Revolving facilities [3 4 5 6 7]	Oct. 14, 2024	Various	15	466,766	311,170	311,170
Term loan [3 4 8]	Apr. 5, 2027	Euribor+265 bps	22	253,208	129,565	129,565
Convertible debentures	Feb. 28, 2026	9.0%	—	—	28,750	28,750
Convertible debentures	Dec. 31, 2026	5.5%	—	—	84,200	84,200
Convertible debentures	Dec. 31, 2027	7.5%	—	—	45,000	45,000
Total			**52**	**$1,620,770**	**$ 1,175,587**	**$ 1,175,587**

[1]The weighted average remaining term to maturity of mortgages is 1.0 years with maturities ranging from April 20, 2024 to October 1, 2030 and the weighted average interest rate of mortgages is 6.32% with coupons ranging from 2.53% to 10.00%.

[2]Security includes assets held for sale and the Data Centre, which is accounted for as a finance lease receivable all of which are not included in the REIT's investment properties.

[3]Certain amounts have been translated from U.S. dollars and Euros to Canadian dollars using the prevailing exchange rates on March 31, 2024.

[4]The REIT's revolving credit facility, term loan, 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. These covenants are described further in note 23.

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

[6]Principal balance includes $252,000 and U.S. $43,700 of revolving facilities. The maximum availability of the revolving facilities is the lesser of (i) $252,000 and U.S. $43,700, (ii) the sum of the margined fair value of the property securing the facility and (iii) the amount which can be serviced (both monthly principal and interest) by the quotient obtained by dividing the net operating income by 1.25 and assuming (a) a 25 year amortization period, and (b) an interest rate compounded semi-annually, equal to the greater of (i) 4.5%, and (ii) the relevant five year government bond yield plus 2.50%. From March 31, 2024, the maximum availability of the revolving facilities is calculated on an individual property basis and the net operating income divisor increases from 1.25 to 1.30. From June 30, 2024, the maximum availability of the revolving facilities reduces to $150,000 and U.S. $38,000 and the net operating income divisor increases from 1.30 to 1.40. From September 30, 2024, while maintaining the same calculation, the maximum availability of the revolving facility's Canadian dollar tranche reduces to $100,000. The calculation of the maximum capacity on a property by property basis, a greater net operating income divisor from March 31, 2024 and changes in prevailing interest rates reduced the maximum drawings available by $35.7 million. The change in the maximum available drawings is highly sensitive to changes in property valuations and changes in applicable prevailing interest rates. The contractual remaining term to maturity of revolving facilities is 0.5 years and the weighted average interest rate is 8.35%. Due to covenant violations, the revolving credit facility is contractually due on demand (see note 23).

[7]Security includes assets held for sale, which are not included in the REIT's investment properties on the consolidated statement of financial position.

[8]The term loan facility is secured by 22 properties in Ireland.

The carrying value of debt held by the REIT at March 31, 2024 is as follows:

	Principal	Mark-to-market ("MTM") adjustments and costs	Accumulated amortization of MTM adjustments, costs and other	Carrying amount	Current [1]	Non-current
Mortgages	$ 576,902	$ (5,057)	$ 3,691	$ 575,536	$ 365,893	$ 209,643
Revolving facilities	311,170	(7,276)	6,352	310,246	310,246	—
Term loan	129,565	(5,016)	1,884	126,433	—	126,433
Convertible debentures [2]	28,750	(1,464)	—	27,286	—	27,286
Convertible debentures [2]	84,200	(6,479)	1,607	79,328	—	79,328
Convertible debentures [2]	45,000	(6,252)	546	39,294	—	39,294
Total	**$ 1,175,587**	**$ (31,544)**	**$ 14,080**	**$ 1,158,123**	**$ 676,139**	**$ 481,984**

[1]Included in current liabilities and shown as debt held for sale on the consolidated statement of financial position is $233.5 million of principal associated with assets held for sale as described in note 5. Of the $233.5 million debt associated with assets held for sale, $161.8 million is contractually current debt and $71.7 million was reclassified to current. Total debt of $562.2 million was impacted due to covenant breaches as at March 31, 2024, all of which has been presented in current liabilities. Of the $562.2 million breached debt, $276.8 million is contractually current, $164.1 million is debt associated with assets held for sale and $121.3 million was reclassified to current debt.

[2]Represents the debt component of the convertible debentures. The embedded derivative features, which are the holder conversion options and the issuer redemption options, originally recorded in the aggregate amount of $8.3 million, are accounted for separately. These embedded derivative features are included within derivatives on the REIT's consolidated statements of financial position.

(in thousands of Canadian dollars)

On January 27, 2023, the REIT amended the terms of its 5.25% convertible unsecured subordinated debentures, due February 28, 2023. The amendments: (i) increased the interest rate of the Debentures from 5.25% to 9.00%, effective February 28, 2023; (ii) decreased the conversion price of the Debentures from $10.53 per trust unit of the REIT to $5.50 per unit; (iii) extended the maturity date of the Debentures from February 28, 2023 to February 28, 2026; and (iv) provided that the Debentures are not redeemable prior to February 28, 2025 and, at any time after February 28, 2025, the REIT will be permitted to redeem the amended Debentures, in whole or in part at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date of the redemption.

On August 23, 2023, in connection with the acquisition of West Metro Corporate Centre, the REIT assumed the remaining $24.0 million of debt associated with this property. Following this acquisition, the REIT refinanced the total outstanding debt of $95.9 million to a one year $82.3 million mortgage. The REIT also obtained a vendor-take-back loan of $2.9 million for the purchase of this property interest (note 4).

On November 14, 2023, the REIT amended its revolving credit facility. The amended revolving credit facility provided certain financial covenant relief in addition to increased borrowing base availability through to March 31, 2024. The Canadian revolving credit commitment was initially reduced from $260.0 million to $252.0 million and the U.S. dollar revolving credit commitment was reduced from $76.2 million to $59.3 million, with further reductions required at future dates. Concurrently with the amendment, the REIT repaid $7.3 million on the U.S. dollar revolving credit commitment. The drawn amount on the Canadian revolving credit commitment was unaffected.

Debt held by the REIT at December 31, 2023 was as follows:

	Maturity	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Available to be drawn [1]
Mortgages [2 3 4 5]	Various	Various	16	$ 920,513	$ 595,571	$ 595,571	$ —
Revolving facilities [4 5 6 7 8]	Oct. 14, 2024	Various	15	476,918	309,872	307,672	2,200
Term Loan [4 5 9]	Apr. 5, 2027	Euribor+265 bps	23	263,240	136,658	136,658	—
Convertible debentures	Feb. 28, 2026	9.00%	—	—	28,750	28,750	—
Convertible debentures	Dec. 31, 2026	5.50%	—	—	84,200	84,200	—
Convertible debentures	Dec. 31, 2027	7.50%	—	—	45,000	45,000	—
Total			**54**	**$1,660,671**	**$1,200,051**	**$ 1,197,851**	**$ 2,200**

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

[2]The weighted average remaining term to maturity of mortgages is 1.5 years with maturities ranging from one overheld mortgage that matured on December 31, 2023 to October 1, 2030 and the weighted average interest rate of mortgages is 6.30% with coupons ranging from 2.53% to 10.00%.

[3]Security includes assets held for sale and the Data Centre, which is accounted for as a finance lease receivable all of which are not included in the REIT's investment properties.

[4]Certain amounts have been translated from U.S. dollars and Euros to Canadian dollars using the prevailing exchange rates on December 31, 2023.

[5]The REIT's revolving credit facility, term loan, 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. These covenants are described further in note 23.

[6]Stand-by fees incurred on the unused portion of the revolving credit facility are 50.63 bps, charged and paid quarterly.

[7]Principal balance includes $249,800 and U.S. $43,700 of revolving facilities. During the year ended December 31, 2023, the REIT amended the terms for calculating its borrowing base as follows: The maximum availability of the revolving facilities is the lesser of (i) $252,000 and U.S. $43,700, (ii) the sum of the margined fair value of the property securing the facility and (iii) the amount which can be serviced (both monthly principal and interest) by the quotient obtained by dividing the net operating income by 1.25 and assuming (a) a 25 year amortization period, and (b) an interest rate compounded semi-annually, equal to the greater of (i) 4.5%, and (ii) the relevant five year government bond yield plus 2.50%. From March 31, 2024, the maximum availability of the revolving facilities is calculated on an individual property basis and the net operating income divisor increases from 1.25 to 1.30. From June 30, 2024, the maximum availability of the revolving facilities reduces to $150,000 and U.S. $38,000 and the net operating income divisor increases from 1.30 to 1.40. From September 30, 2024, while maintaining the same calculation, the maximum availability of the revolving facility's Canadian dollar tranche reduces to $100,000. The calculation of the maximum capacity on a property by property basis, a greater net operating income divisor from March 31, 2024 and changes in prevailing interest rates are collectively expected to reduce the maximum drawings available by $34.8 million. The change in the maximum available drawings is highly sensitive to changes in property valuations and changes in applicable prevailing interest rates. The contractual remaining term to maturity of revolving facilities is 0.8 years and the weighted average interest rate is 8.18%.

[8]Security includes assets held for sale, which are not included in the REIT's investment properties on the consolidated statement of financial position.

[9]The term loan facility is secured by 23 properties in Ireland.

(in thousands of Canadian dollars)

The carrying value of debt held by the REIT at December 31, 2023 is as follows:

	Principal	MTM adjustments and costs	Accumulated amortization of MTM adjustments, costs and other	Carrying amount	Current	Non-current
Mortgages	$ 595,571	$ (5,114)	$ 3,005	$ 593,462	$ 230,831	$ 362,631
Revolving facilities	307,672	(7,224)	5,913	306,361	306,361	—
Term loan	136,658	(5,013)	1,634	133,279	—	133,279
Convertible debentures [1]	28,750	(1,464)	—	27,286	—	27,286
Convertible debentures [1]	84,200	(6,479)	1,429	79,150	—	79,150
Convertible debentures [1]	45,000	(6,252)	448	39,196	—	39,196
	$ 1,197,851	**$ (31,546)**	**$ 12,429**	**$ 1,178,734**	**$ 537,192**	**$ 641,542**

[1]Included in current liabilities and shown as debt held for sale on the consolidated statement of financial position is $195.7 million of principal associated with assets held for sale as described in note 6. Of the $195.7 million debt associated with assets held for sale, $125.0 million is current debt and $70.7 million was reclassified to current.

[2]Represents the debt component of the convertible debentures. The embedded derivative features, which are the holder conversion options and the issuer redemption options, originally recorded in the aggregate amount of $8.3 million, are accounted for separately. These embedded derivative features are included within derivatives on the REIT's consolidated statements of financial position.

Future repayments of mortgages payable by year of maturity at March 31, 2024 are as follows:

	Weighted average interest rate of principal maturities [1]	Amortizing principal payments	Principal repayments on maturity	Total repayments
Remainder of 2024	8.40%	$ 3,896	$ 249,062	$ 252,958
2025	4.81%	4,607	284,500	289,107
2026	4.09%	3,037	—	3,037
2027	3.28%	3,057	15,329	18,386
2028	4.38%	2,548	—	2,548
Thereafter	4.38%	4,971	5,895	10,866
	6.32%	**$ 22,116**	**$ 554,786**	**$ 576,902**
Unamortized financing costs				(1,366)
Total				**$ 575,536**

[1]The weighted average interest rate of principal maturities is calculated using the rates in effect at March 31, 2024.

Future principal payments and maturities for all debt at March 31, 2024 are as follows:

Remainder of 2024	$ 564,129
2025	289,107
2026	140,544
2027	168,393
2028	2,548
Thereafter	10,866
	$ 1,175,587
Unamortized financing costs	(17,464)
Total	**$ 1,158,123**

Convertible Debentures

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 (the "2021 Convertible Debentures"). The proceeds from the issuance of the 2021 Convertible Debentures were received on February 7, 2022 and were used to partially fund the acquisition of Yew Grove.

The 2021 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 $6.50 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 (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 2021 Convertible Debentures may not be redeemed by the REIT prior to December 31, 2024. On and from December 31, 2024, and prior to December 31, 2025, 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, 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").

On January 27, 2023, the REIT amended the terms of its 2018 Convertible Debentures. The amendments: (i) increased the interest rate of the Debentures from 5.25% to 9.00%, effective February 28, 2023; (ii) decreased the conversion price of the Debentures from $10.53 per trust unit of the REIT to $5.50 per unit; (iii) extended the maturity date of the Debentures from February 28, 2023 to February 28, 2026; and (iv) provided that the Debentures are not redeemable at the option of the REIT prior to February 28, 2025 and, at any time after February 28, 2025, the REIT will be permitted to redeem the amended Debentures, in whole or in part at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date of the redemption. 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. On and from February 28, 2025, and prior to February 28, 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.

(in thousands of Canadian dollars)

Adjustment to the comparative statement of financial position as at December 31, 2023

On March 29, 2024, the REIT was notified of a breach of a covenant with a determination date of December 31, 2023 in respect of a mortgage with a borrowed amount of $13.8 million. This breach resulted in $5.6 million being repayable by the borrower within 30 days of the REIT receiving notice of a demand for repayment. At March 31, 2024, the REIT is working with the lender to amend or obtain waivers to cure the breach. Accordingly, the REIT has reclassified this $5.6 million of debt from non-current to current liabilities at December 31, 2023.

10. OTHER LIABILITIES

Other liabilities are comprised of the following:

	Note	March 31, 2024	December 31, 2023
Security deposits		$ 5,648	$ 5,907
Deferred units	14	535	489
Investment tax credit payable		274	269
Total		**$ 6,457**	**$ 6,665**

Other liabilities have been classified between current and non-current as follows:

	March 31, 2024	December 31, 2023
Current	$ 1,328	$ 1,381
Non-current	5,129	5,284
Total	**$ 6,457**	**$ 6,665**

The REIT is eligible to receive a Manitoba data processing investment tax credit in connection with the development of the Data Centre (see note 7). Half of the tax credit to be received is payable to the tenant of the Data Centre, the amount for which is recorded as an other liability. The credit is expected to be received through to 2029 and has been recorded in other liabilities at its discounted amount determined upon establishment of the liability.

11. DERIVATIVES

Derivatives include interest rate protection instruments, including interest rate swaps and caps, foreign exchange instruments, and derivative features embedded in the REIT's convertible debentures, which include the convertible debenture holder conversion option and the REIT's redemption option.

Derivatives are comprised of the following:

	March 31, 2024	December 31, 2023
Fair value of conversion option on convertible debentures	$ (160)	$ (435)
Fair value of interest rate swaps	13,322	13,613
Fair value of cross currency swap	(375)	(626)
Fair value of interest rate caps	1,842	2,478
Derivatives, net	**$ 14,629**	**$ 15,030**

(in thousands of Canadian dollars)

The following is a reconciliation of the change in the fair value of derivatives:

	Three months ended March 31, 2024	2023
Fair value, beginning of period	$ 15,030	$ 26,476
Initial recognition of embedded derivatives on issuance of convertible debentures	—	(1,463)
Fair value change of convertible debenture embedded derivatives	275	2,856
Fair value change of interest rate swaps	3,324	(1,280)
Net receipts on interest rate swaps	(3,724)	(4,632)
Foreign exchange gain (loss) on U.S. interest rate swap	109	(18)
Fair value change of cross currency interest rate swap	251	(67)
Fair value change of interest rate caps	(645)	(190)
Foreign exchange gain on U.S. and Euro interest rate caps	9	32
Fair value, end of period	**$ 14,629**	**$ 21,714**

Interest rate protection instruments

The REIT enters into interest rate derivatives to reduce the impact of interest rate risk of certain debt with floating interest rates. The REIT currently has in place certain pay-fixed receive-float interest rate swaps and two interest rate caps. 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.

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

The following are the terms and fair values of the REIT's interest rate swaps where the REIT pays fixed and receives floating interest rates:

			Notional amount [2]		Fair value	
Maturity date	Floating interest rate [1]	Fixed interest rate	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
February 1, 2024	1 month U.S. SOFR	1.80%	—	66,215	—	318
March 22, 2024	1 month CDOR	1.90%	—	100,000	—	858
April 20, 2024	1 month CDOR	5.61%	80,600	81,300	(35)	(97)
March 3, 2025	1 month BA	1.23%	62,500	62,500	2,286	2,670
March 3, 2025	1 month BA	1.23%	10,000	10,000	366	427
March 3, 2025	1 month BA	4.31%	8,000	8,000	53	44
May 1, 2025	1 month BA	4.36%	59,003	59,003	365	227
September 10, 2025	1 month U.S. SOFR	2.18%	136,856	133,854	5,277	4,839
October 30, 2026	1 month CDOR	2.30%	100,000	100,000	5,010	4,327
Total			**$ 456,959**	**$ 620,872**	**$ 13,322**	**$ 13,613**

[1]"BA" means the Bankers' Acceptances rate, "SOFR" means the Secured Overnight Financing Rate, and "CDOR" means the Canadian Dollar Offered Rate.
[2]The notional amount of the U.S. dollar pay-fixed receive-float interest rate swaps, maturing September 10, 2025 is U.S. $101.1 million.

In connection with an acquisition, the REIT entered into a cross currency interest rate swap transaction on November 16, 2021 to pay a fixed rate of 3.72% and receive a fixed rate of 5.50%, effective on January 31, 2022 and maturing on December 31, 2026. Interest payments are payable semi-annually on or around June 30 and December 30, commencing June 30, 2022. During the three months ended March 31, 2024, the REIT recorded a fair value gain of $0.3 million (March 31, 2023: loss of $0.1 million), which is recorded in the interim condensed consolidated statement of loss.

(in thousands of Canadian dollars)

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

			Notional amount [1]		Fair value	
Maturity date	Pay Euro interest rate	Receive $ interest rate	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
December 31, 2026	3.72%	5.50%	$ 75,000	$ 75,000	$ (375)	$ (626)
Total			**$ 75,000**	**$ 75,000**	**$ (375)**	**$ (626)**

[1]The 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.

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

			Notional amount[1]		Fair value	
Maturity date	Reference	Cap rate	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
July 8, 2024	3 month Euribor	1.60%	$ 136,733	$ 136,658	$ 1,580	$ 2,251
November 1, 2025	1 month U.S. SOFR	3.75%	16,113	15,737	262	227
Total			**$ 152,846**	**$ 152,395**	**$ 1,842**	**$ 2,478**

[1]The notional amount of the pay Euro and U.S. dollar interest rate caps are €93.6 million and US. $11.9 million, respectively.

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

	Three months ended March 31,	
	2024	2023
Beginning of the period	$ 2,478	$ 3,833
Fair value changes	(645)	(190)
Foreign exchange gain	9	32
End of period	**$ 1,842**	**$ 3,675**

Foreign exchange rate protection instruments

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 net 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 are 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.

The REIT did not enter into any derivative or foreign exchange contracts during the three months ended March 31, 2024 and 2023.

12. CLASS B LP UNITS

Class B LP units are exchangeable at the option of the holder into trust units of the REIT on a one-for-one basis subject to normal anti-dilution adjustments and are entitled to distributions of cash, as applicable, equal to the cash distributions paid to holders of units by the REIT.

Each Class B LP unit is attached to a special voting unit of the REIT, providing Class B LP unitholders voting rights in the REIT. Special voting units have no economic entitlement in the REIT but entitle the holder to one vote per special voting unit at any meeting of the unitholders of the REIT. Special voting units are not transferable separately from the Class B LP units to which they are attached. Upon the exchange or surrender of a Class B LP unit for a unit of the REIT, the special voting unit attached to a Class B LP unit will automatically be redeemed and cancelled.

The Class B LP units are remeasured based on the quoted closing price of REIT units into which they are exchangeable with changes in fair value recognized in net loss.

(in thousands of Canadian dollars)

The change in Class B LP units for the three months ended March 31, 2024 and 2023 is as follows:

	Three months ended March 31, 2024			Three months ended March 31, 2023		
	Units		Amount	Units		Amount
Beginning of period	5,285,160	$	4,281	5,285,160	$	22,832
Fair value changes	—		(317)	—		(4,123)
End of period	**5,285,160**	**$**	**3,964**	**5,285,160**	**$**	**18,709**

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	Note		March 31, 2024		December 31, 2023
Accounts payable and accrued liabilities		$	38,785	$	32,263
Prepaid rent			7,106		7,970
Tenant improvements payable			942		2,323
Total		**$**	**46,833**	**$**	**42,556**

14. UNITHOLDERS' EQUITY

The REIT is authorized to issue an unlimited number of trust units. Each trust unit represents a proportionate undivided beneficial interest and voting right in the REIT and entitles the holder to an equal participation in distributions of the REIT. The trust units are redeemable at the option of the holder at any time, with certain limitations on the quantity of trust units that may be redeemed for cash.

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. No preferred units have been issued.

The change in trust units during the three months ended March 31, 2024 and 2023 is as follows:

		Three months ended March 31, 2024			Three months ended March 31, 2023		
	Note	Units		Amount	Units		Amount
Beginning of period		80,049,062		578,406	80,023,409		578,380
End of period		**80,049,062**	**$**	**578,406**	**80,023,409**	**$**	**578,380**

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 REIT's Trustee deferred unit plan ("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 March 31, 2024, the liability associated with the deferred units issued under the Trustee DUP was $0.5 million (December 31, 2023: $0.5 million), and the number of outstanding deferred units was 698,036 (December 31, 2023: 588,311 units).

Officer deferred unit plan

The Officer deferred unit plan ("the Officer DUP") provides officers of the REIT the opportunity to receive deferred units of the REIT through the Officer DUP. 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 result in an equal reduction in the asset management fee payable to Slate Management Corporation, based on the trading price of units on the day of issuance.

(in thousands of Canadian dollars)

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.

At March 31, 2024, the liability associated with deferred units issued under the Officer DUP was $11 thousand (December 31, 2023: $12 thousand), and the number of deferred units was 14,294 units (December 31, 2023: 14,294 units).

The change in DUP units during the three months ended March 31, 2024 is as follows:

		Three months ended March 31, 2024			Three months ended March 31, 2023		
	Note	Units		Amount	Units		Amount
Beginning of period		602,606	$	489	273,502	$	1,182
Issued		109,724		80	47,293		162
Reinvested distributions		—		—	6,305		27
Fair value adjustment	19	—		(34)	—		(213)
End of period		**712,330**	**$**	**535**	**327,100**	**$**	**1,158**

Weighted average diluted units outstanding

The following is the weighted average diluted number of units outstanding during the three months ended March 31, 2024. 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 March 31,	
	2024	2023
Basic weighted average units outstanding	80,049,062	80,023,409
Class B LP units	5,285,160	5,285,160
Basic weighted average deferred units outstanding	602,606	276,576
Diluted weighted average units outstanding	**85,936,828**	**85,585,145**

Diluted units outstanding

The following is the diluted number of units outstanding as at March 31, 2024 and 2023. The diluted number of units outstanding is determined as if all of the Class B LP units and deferred units had been converted to units of the REIT:

	March 31, 2024	March 31, 2023
Trust units outstanding	80,049,062	80,023,409
Class B LP units	5,285,160	5,285,160
Deferred units	712,330	327,100
Diluted units outstanding	**86,046,552**	**85,635,669**

Accumulated other comprehensive income consists of the below:

	Three months ended March 31, 2024					Three months ended March 31, 2023				
		Foreign currency translation		Net investment hedges	Total		Foreign currency translation		Net investment hedges	Total
Beginning of period	$	7,678	$	(4,820) $	2,858	$	9,987	$	(4,820) $	5,167
Currency translation		3,068		—	3,068		1,007		—	1,007
End of period	**$**	**10,746**	**$**	**(4,820) $**	**5,926**	**$**	**10,994**	**$**	**(4,820) $**	**6,174**

OCI represents changes in the REIT's equity during a period arising from transactions and other events with non-owner sources.

(in thousands of Canadian dollars)

15. DISTRIBUTIONS

Pursuant to the Declaration of Trust, the income of the REIT is distributed on dates and in amounts as determined by the Board of Trustees. Distributions to Class B LP unitholders are recorded in net loss. Beginning April 2023, the REIT decreased monthly distributions from $0.0333 to $0.0100 per unit and in November 2023, the REIT suspended its monthly cash distribution to unitholders and holders of Class B LP units. All distributions settled during the three months ended March 31, 2023 were paid in cash.

The following table presents the distributions during the three months ended March 31, 2024:

	Three months ended March 31, 2024		Three months ended March 31, 2023	
	Trust units	Class B LP units	Trust units	Class B LP units
Distributions declared during the period	$ —	$ —	$ 7,994	$ 528
Add: Distributions payable, beginning of period	—	—	2,665	176
Less: Distributions payable, end of period	—	—	(2,665)	(176)
Distributions paid during the period	**$ —**	**$ —**	**$ 7,994**	**$ 528**

16. RENTAL REVENUE

Rental revenue is comprised of the following:

	Three months ended March 31,	
	2024	2023
Property base rent [1]	$ 26,903	$ 27,920
Operating cost recoveries	16,090	14,723
Tax recoveries	7,390	7,283
Hotel	2,061	1,875
Straight-line rent and other changes	(2,183)	(2,709)
Total	**$ 50,261**	**$ 49,092**

[1]Includes parking revenue earned at properties.

The REIT has contracted to receive the following future minimum lease payments under non-cancellable operating leases:

	March 31, 2024	December 31, 2023
Not later than one year	$ 110,508	$ 113,231
Later than one year and not later than five years	331,593	335,349
Later than five years	189,359	178,570
Total	**$ 631,460**	**$ 627,150**

Future minimum lease payments for the Data Centre are excluded from the above as the lease is classified as a finance lease. Future minimum lease payments for the Data Centre are disclosed in note 6.

(in thousands of Canadian dollars)

17. INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Three months ended March 31, 2024	2023
Mortgage interest	$ 9,020	$ 6,729
Interest on other debt	4,909	4,042
Amortization of financing costs	1,746	1,190
Amortization of debt mark-to-market adjustments	(10)	(10)
Interest on convertible debentures [1 2 3]	2,641	2,445
Total	**$ 18,306**	**$ 14,396**

[1]The convertible debentures issued on January 26, 2018 and amended on January 27, 2023 pay interest at 9.00%. Payments are made semi-annually on or about February 28th and August 30th. The amount above represents the interest accrued and paid.

[2]The convertible debentures issued on November 19, 2021 pay interest at 5.50%. Payments are made semi-annually on or about June 30th and December 31st. The amount above represents the interest accrued but not yet paid.

[3]The convertible debentures issued on October 24, 2022 pay interest at 7.50%. Payments are made semi-annually on or about June 30th and December 31st. The amount above represents the interest accrued but not yet paid.

Financing costs associated with financial liabilities measured at amortized cost such as mortgages payable and the revolving credit facility are netted against the carrying amount of the related debt instrument and amortized using the effective interest method over the term of the related debt.

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

	Note	Three months ended March 31, 2024	2023
Asset management fees	20	$ 1,315	$ 1,426
Professional fees	20	418	2,470
Trustee fees		112	191
Bad debt expense, net		26	335
Other		313	658
Total		**$ 2,184**	**$ 5,080**

19. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

The change in fair value of financial instruments is comprised of the following:

	Note	Three months ended March 31, 2024	2023
Interest rate swaps	11	$ 3,324	$ (1,280)
Net receipts on interest rate swaps	11	(3,724)	(4,632)
Interest rate caps	11	(645)	(190)
Convertible debenture embedded derivatives	11	275	2,856
Deferred units	14	34	213
Cross currency swap	11	251	(67)
Loss on extinguishment of debt		—	(388)
Total change in fair value of financial instruments recognized in net loss		**$ (485)**	**$ (3,488)**

(in thousands of Canadian dollars)

20. RELATED PARTY TRANSACTIONS

The REIT has a management agreement (the "Management Agreement") with Slate (as defined in note 1), whereby SMULC as the REIT's manager provides the REIT with the strategic, administrative, property management, leasing, acquisition, financing and construction management services necessary to manage the strategy and day-to-day operations of the REIT and its assets. Key management personnel of the REIT are employed by SLAM.

These transactions are in the normal course of operations and are in accordance with the management agreement and are measured at the exchange amount. The exchange amount is the consideration established under contract and as approved by the REIT's Board of Trustees. The REIT's key personnel include trustees and officers of the REIT.

Slate held the following interests in the REIT:

	March 31, 2024	December 31, 2023
REIT units	3,329,040	3,302,040
Class B LP units	5,285,160	5,285,160
Total	**8,614,200**	**8,587,200**
Economic interest	10.0%	10.0%

During the three months ended March 31, 2024, Slate purchased 27,000 REIT units (March 31, 2023: nil).

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]

[1]Gross 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 investment properties.

[2]Gross 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.

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

[4]Acquisition fees are 1.00% 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.

Property and asset management fees are recorded as property operating and general and administrative expenses, respectively, in the period incurred. Acquisition, construction and leasing fees are recorded as additions to investment properties when payable to SMULC. Financing fees are capitalized to debt placed at the time of closing and amortized to interest expense over the term to maturity of the related debt.

Fees payable during the period to SMULC and SLAM for services provided were as follows:

	Three months ended March 31,	
	2024	2023
Property management	$ 1,443	$ 1,369
Asset management	1,315	1,426
Leasing, financing and construction management	1,661	408
Total	**$ 4,419**	**$ 3,203**

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 investment properties. Property administration fees were $2.8 million for the three months ended March 31, 2024 (March 31, 2023: $2.4 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.

(in thousands of Canadian dollars)

The REIT entered into an agreement to lease approximately 6,000 square feet of office space to Slate at one of its properties at market rents which expires October 31, 2029. 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. Total rent of $0.1 million was received under this lease for the three months ended March 31, 2024 (March 31, 2023: $0.1 million). There were no amounts receivable related to this lease at March 31, 2024 and December 31, 2023.

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

	March 31, 2024	December 31, 2023
Accounts receivable	$ 54	$ 13
Accounts payable and accrued liabilities	(2,883)	(178)
Class B LP units	(3,964)	(4,281)

A trustee of the REIT and a corporation controlled by the trustee, G2S2 Capital Inc., through its wholly-owned subsidiary, Armco Alberta Inc. (collectively, “G2S2”), held the following interests in the REIT:

	March 31, 2024	December 31, 2023
REIT units	15,110,200	15,110,200
Deferred units	53,326	35,839
Total	**15,163,526**	**15,146,039**
Economic interest	17.6%	17.6%

G2S2 also held an aggregate principal amount of $12.1 million (December 31, 2023: $12.1 million) of the REIT's convertible debentures as at December 31, 2023. If G2S2 was the sole convertible debenture holder to convert to trust units, it would indirectly own a total of 17,299,652 trust units (December 31, 2023: 17,282,165), representing an economic interest of approximately 19.6% (December 31, 2023: 19.6%) on a diluted basis.

The REIT entered into an agreement to lease approximately 17,000 square feet of office space to G2S2 at one of its properties at market rents which expired June 30, 2023. G2S2 vacated the property subsequent to June 30, 2023. Total rent of $144 thousand was received under this lease for the three months ended March 31, 2023. There were no amounts receivable related to this lease at March 31, 2024 and December 31, 2023. In connection with a settlement agreement signed on February 16, 2023, between the REIT and G2S2, the REIT agreed to reimburse G2S2 for out-of-pocket fees and expenses including legal fees relating to the agreement. During the three months end March 31, 2023, the REIT reimbursed G2S2's legal fees of $161 thousand and recorded the cost to professional fees.

On January 12, 2024, the REIT announced that the REIT and G2S2 agreed to amend the settlement agreement to, among other things, (i) reduce the size of the Board from eight to six trustees at the REIT’s next annual general meeting, and (ii) to terminate certain restrictions applicable to G2S2 including restrictions on G2S2 acquiring additional securities of the REIT. G2S2 also agreed to provide credit support and a letter of credit in favour of a tenant of the REIT for certain obligations that the REIT has undertaken in connection with its pursuit of leasing opportunities, such as leasing costs and tenant inducements. As of the authorization date of the condensed consolidated interim financial statements G2S2 has not yet established the letter of credit or funded certain leasing costs which have been requested by the REIT.

21. FAIR VALUES

The REIT uses various methods in estimating the fair values of assets and liabilities recognized and measured at fair value in its consolidated financial statements. The REIT has a management team that has overall responsibility for overseeing all significant fair value measurements. Significant unobservable inputs and valuation adjustments are reviewed on a regular basis. In addition, when third party information is used to measure fair values, supporting evidence is obtained and reviewed to ensure compliance with the IFRS requirements.

The following categories in the fair value hierarchy reflect the significance of inputs used in determining fair values:

- Level 1: Quoted prices in active markets;
- Level 2: Inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3: Valuation technique for which significant inputs are not based on observable market data.

(in thousands of Canadian dollars)

The fair values of the REIT's cash, restricted cash, accounts receivable, other assets and accounts payable and accrued liabilities and other liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments. The fair value of the REIT's revolving credit facility and term loan approximates their carrying value since the facilities bear interest at floating market interest rates. Mortgages are measured at amortized cost, and their fair values are based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

To achieve the REIT's goal of increasing its liquidity and reducing its outstanding borrowings by selling certain of its properties under its Portfolio Realignment Plan, the REIT may be required to dispose of properties at amounts less than the estimated fair value at March 31, 2024. This difference could be material, especially in instances where there is limited purchaser interest or limited or no financing available for potential purchasers.

The following tables summarize the fair value measurements recognized on the consolidated statements of financial position or disclosed in the REIT's consolidated financial statements, categorized by fair value hierarchy, excluding current assets and liabilities measured at amortized cost:

			Fair value		
March 31, 2024	Note	Carrying amount	Level 1	Level 2	Level 3
Assets					
Investment properties	5	$ 1,277,574	$ —	$ —	$ 1,277,574
Assets held for sale	5	343,881	—	—	343,881
Derivatives, net	11	14,629	—	14,629	—
Restricted cash		6,217	6,217	—	—
Total assets		**$ 1,642,301**	**$ 6,217**	**$ 14,629**	**$ 1,621,455**
Liabilities					
Class B LP units	12	(3,964)	(3,964)	—	—
Debt	9	(924,602)	—	(934,408)	—
Debt held for sale	9	(233,521)	—	(230,699)	—
Total liabilities		**$ (1,162,087)**	**$ (3,964)**	**$ (1,165,107)**	**$ —**

			Fair value		
December 31, 2023	Note	Carrying amount	Level 1	Level 2	Level 3
Assets					
Investment properties	5	$ 1,362,188	$ —	$ —	$ 1,362,188
Assets held for sale	5	299,163	—	—	299,163
Derivatives, net	11	15,030	—	15,030	—
Restricted cash		5,856	5,856	—	—
Total assets		**$ 1,682,237**	**$ 5,856**	**$ 15,030**	**$ 1,661,351**
Liabilities					
Class B LP units	12	(4,281)	(4,281)	—	—
Debt	9	(983,012)	—	(993,720)	—
Debt held for sale	9	(195,722)	—	(192,780)	—
Total liabilities		**$ (1,183,015)**	**$ (4,281)**	**$ (1,186,500)**	**$ —**

22. RISK MANAGEMENT

In the normal course of business, the REIT is exposed to financial risks that arise from its financial instruments. Other than the use of interest rates and foreign exchange derivatives related to its floating rate mortgages and revolving facilities payable and net investment in foreign operations, the REIT does not use hedging transactions to manage risk. As a part of the overall operation of the REIT, management takes steps to avoid undue concentrations of risks. The following describes the types of risks that the REIT is exposed to and its objectives and policies for managing those risk exposures:

(in thousands of Canadian dollars)

Liquidity risk

Liquidity risk is the risk that the REIT will encounter difficulty in meeting its debt and other financial obligations as they mature.

The principal liquidity needs of the REIT arise from working capital requirements; debt servicing and repayment obligations; obligations to redeem outstanding puttable trust units at the option of the unitholders; and planned funding of maintenance capital expenditures and leasing costs.

The liquidity needs of the REIT are funded by cash flows from operating the REIT's investment property portfolio and available credit facilities, with the exception of debt repayment obligations, investment property acquisition funding requirements and obligations to redeem puttable trust units. These are funded by refinancing the REIT's maturing debt, disposition of investment properties and future issuances of REIT units and debentures. The particular features and quality of the underlying assets being financed and the debt market parameters existing at the time will affect the success of this strategy.

The REIT's liquidity is impacted by various covenants, certain of which are described in note 23. Compliance with the requirements of the revolving facility, which became more restrictive from March 31, 2024, as described in note 9, and the covenants applicable to the REIT's term loans and mortgages are dependent on the REIT achieving its financial forecasts including disposition of certain assets through the execution of its Portfolio Realignment Plan. The calculation of the maximum capacity on a property by property basis and changes in prevailing interest rates reduced the maximum drawings available by $35.7 million at March 31, 2024. The decrease in commitment level as at March 31, 2024 required a repayment of $35.7 million to be made by May 31, 2024. Accordingly, the REIT is in the process of amending its revolving credit facility with its lenders to remove the existing borrowing base calculations and mandatory maximum borrowing amount step-downs. At March 31, 2024, the REIT also exceeded debt service coverage and minimum unitholders' equity covenants pertaining to the revolving credit facility and certain mortgage agreements in the amount of $562.2 million. In one case, on March 29, 2024, the REIT received a default letter relating to debt outstanding as of December 31, 2023 requiring a principal payment of $5.6 million to cure such default (see note 9). The REIT is in the process of amending its debt agreements with its lenders to modify or obtain waivers to provide relief on such covenants. Although the REIT is seeking and expects to be provided with relief on these breached covenants, the lenders of these defaulted loans have the right to demand repayment. There is also a risk that lenders will not refinance maturing debt on terms and conditions acceptable to the REIT or on any terms at all. The REIT will continue to work to remediate the breach of these covenants and will carefully monitor its compliance with its covenants and seek waivers as the need arises.

The REIT seeks to maintain collaborative relationships with its financing counterparties to minimize the impact economic and property markets may have on the REIT's current and future debt. However, changes in interest rates driven by central banks in Canada, the U.S. and Europe seeking to reduce inflationary pressures and broad market sentiment towards the office sector as a whole have reduced the availability of and increased the cost of financing. The risk associated with the refinancing of maturing debt is mitigated, in part, by matching debt maturities on mortgages with lease renewals to optimize the value of the assets with the leverage to achieve the best value for pricing. If the REIT is unable to refinance or obtain new sources of financing, the REIT can dispose of assets through its Portfolio Realignment Plan, reduce discretionary capital expenditures and leasing costs which all remain at the discretion of the REIT. However, such activities and actions may be insufficient to address changes in liquidity as a result of not being able to dispose of assets or obtain financing on terms and conditions acceptable to the REIT or at all.

The following table summarizes the estimated future contractual maturities of the REIT's financial liabilities at March 31, 2024:

	Note	Total contractual cash flow	Remainder of 2024	2025-2026	2027-2028	Thereafter
Accounts payable and accrued liabilities	13	$ 46,833	$ 46,833	$ —	$ —	$ —
Amortizing principal repayments on debt	9	52,812	3,896	32,201	11,744	4,971
Principal repayments on maturity of debt	9	1,122,775	560,233	397,450	159,197	5,895
Interest on debt [1]		82,969	37,953	38,225	6,113	678
Interest rate swaps [2]		(11,267)	(6,235)	(5,032)	—	—
Other liabilities	10	6,457	1,333	993	1,007	3,124
Total		**$ 1,300,579**	**$ 644,013**	**$ 463,837**	**$ 178,061**	**$ 14,668**

[1]Interest amounts on floating rate debt have been determined using rates at March 31, 2024.

[2]Interest 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 March 31, 2024.

(in thousands of Canadian dollars)

Interest rate risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows or fair values of the REIT's financial instruments.

Interest rate cash flow risk is minimized by the REIT by having a portion of its mortgages on fixed term arrangements. In addition, the maturity dates of mortgages are staggered over a number of years to mitigate the exposure in any one year. The REIT also uses interest rate swaps to fix interest rates on a portion of its floating rate debt.

At March 31, 2024, after the impact of interest rate swaps and caps, the REIT had floating rate debt of $299.8 million (December 31, 2023: $132.3 million). The following table presents the annualized impact of a change in floating interest rates of 25 bps on finance costs:

	March 31, 2024	December 31, 2023
Change of 25 bps	$ 750	$ 331

Credit risk

Credit risk is the risk that the REIT incurs a loss as a result of a counterparty not fulfilling its financial obligation. Credit risk is associated with the REIT's accounts receivable and finance lease receivable. The REIT controls risks by avoiding undue concentration of assets in any geographic location, in any industry or with any specific tenants. This risk is further mitigated by signing long-term leases with tenants who have investment-grade credit ratings and investing cash and cash equivalents in large financial institutions with strong credit ratings. The REIT has credit policies to address credit risk, which are applied during lease negotiations and may include the analysis of the financial position of the debtor, and a review of credit limits, credit history and credit performance.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. Foreign currency forwards may be used from time-to-time to hedge the REIT's net investment in foreign operations. Refer to notes 11 and 19 for details of the REIT's forward currency transactions. The REIT is exposed to foreign currency risk on its foreign exchange forward transaction and its cross currency swap which were set to mitigate the foreign exchange risk of its Irish assets and U.S. assets as well as monetary assets and liabilities denominated in U.S. dollars and Euros. In order to mitigate a portion of this risk, the REIT has financed its U.S. operations with U.S. dollar denominated debt and its Irish operations with Euro denominated debt, acting as a natural hedge.

23. CAPITAL MANAGEMENT

The REIT's capital management objectives are to (i) ensure compliance with the REIT's Declaration of Trust, (ii) ensure compliance with restrictions in debt agreements, and (iii) provide sufficient liquidity to operate the REIT's investment properties, fund obligations as they become due and build unitholder value. Procedures to monitor compliance with the Declaration of Trust and debt agreements are performed as a part of the overall management of operations and periodically by review of the REIT's Board of Trustees and reporting to the REIT's lenders. In order to maintain or adjust the capital structure, the REIT may issue trust units, debentures or mortgage debt, increase the amount of distributions paid to unitholders, return capital to unitholders, or reduce debt.

The REIT considers its debt and equity instruments to be its capital as follows:

	March 31, 2024	December 31, 2023
Debt	$ 1,158,123	$ 1,178,734
Class B LP units	3,964	4,281
Equity	495,867	515,370
Total	**$ 1,657,954**	**$ 1,698,385**

(in thousands of Canadian dollars)

In order to provide for greater flexibility, and while management pursues the Portfolio Realignment Plan to decrease leverage, on January 15, 2024, the REIT amended the REIT's Declaration of Trust for the purposes of removing the restriction imposed on the REIT not to incur or assume additional indebtedness (being certain defined obligations set out in the REIT's Declaration of Trust) that would cause the REIT to achieve financial leverage in excess of 65% of its gross book value, which is defined in the Declaration of Trust as the REIT's total assets less restricted cash (the "Restriction"). The trustees of the REIT have decided to exercise their discretion to implement the proposed amendment to the declaration of trust in the form of a waiver of the Restriction until December 31, 2025, rather than implement the proposed amendment as a blanket removal of the Restriction. In addition to the foregoing, and as previously disclosed, the board of trustees adopted the Restriction within the board's operating guidelines, with the board having discretion to waive the Restriction to the extent that the board determines that doing so is in the best interests of the REIT. Additional investment and operating guidelines are provided for by the Declaration of Trust. The REIT is in compliance with these guidelines. After December 31, 2025, the Declaration of Trust provides that the REIT is not permitted to incur or assume additional indebtedness that would cause (as at the time of incurrence or assumption, as applicable) the REIT to achieve financial leverage in excess of 65% of its gross book value. For certainty, under the REIT's Declaration of Trust, the measurement of any indebtedness against the REIT's gross book value is completed only at the time of the incurrence or assumption of the indebtedness in question (which would exclude the refinancing of existing debt that is outstanding) and is not a determination that is continually assessed over time against the REIT's gross book value. The REIT's indebtedness ratio at March 31, 2024 was 67.8% (December 31, 2023: 67.7%) and calculated as follows:

	March 31, 2024	December 31, 2023
Total assets	$ 1,713,367	$ 1,747,860
Less: Restricted cash	(6,217)	(5,856)
Gross book value	**$ 1,707,150**	**$ 1,742,004**
Debt	1,158,123	1,178,734
Leverage ratio	**67.8%**	**67.7%**

Management's short-term target is to reduce the REIT's total indebtedness below 65% of its gross book value by executing on the Portfolio Realignment Plan to decrease leverage and generate equity to pay down the REIT's revolving credit and operating facilities. However, if such plan is unsuccessful and other financing is not available, and the REIT's gross book value declines further, total indebtedness may further exceed 65% of the REIT's gross book value.

Financial covenants

The REIT's revolving credit facility, term loan, 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 and mutual performance conditions among others which may impact the available capacity based on the financial results of the REIT. For the REIT's revolving credit facility, financial covenants include a maximum leverage ratio, minimum debt service coverage ratio, and minimum unitholders' equity, with calculations conducted quarterly. Similarly, the REIT's term loan is subject to financial covenants, including a maximum leverage ratio and minimum historical and forecasted interest coverage ratios, also calculated quarterly. Additionally, the construction facility and some mortgages are subject to financial covenants, including a maximum leverage ratio, minimum debt service coverage ratio, and minimum unitholders' equity, calculated quarterly or annually.

During the year ended December 31, 2023, the REIT amended its debt agreements with certain of its lenders to modify covenants. As a result of amending various debt agreements (see note 9), the REIT's debt was modified to include the following financial leverage, debt service coverage and minimum unitholders equity covenants.

- Total debt to gross book value of 70% or less effective for September 30, 2023 to March 31, 2024, and 65% or less thereafter. At March 31, 2024 the REIT's total debt to gross book value was 67.8%.
- Senior debt, which is total debt excluding the REIT's convertible debentures to gross book value, of 60% or less effective for September 30, 2023 to March 31, 2024, and 55% or less thereafter. At March 31, 2024 the REIT's senior debt to gross book value was 59.3%.
- Debt service coverage ratio not less than 1.25:1. At March 31, 2024 the REIT's debt service coverage ratio was 1.23:1.
- Minimum unitholders' equity, which includes the REIT's Class B LP Units, of $425.0 million. For purposes of the REIT's revolving credit facility, this amount decreases to $350.0 million subsequent to March 31, 2024. At March 31, 2024 the REIT's unitholders' equity was $500.4 million.

Certain of the REIT's debt, including the REIT's revolving credit facility, includes cross default provisions, generally for defaults on debt in excess of $5.0 million.

(in thousands of Canadian dollars)

At March 31, 2024, the REIT exceeded the debt service coverage covenant pertaining to the 2023 debt amendments. The REIT is in the process of amending its debt agreement with its lenders to modify or obtain waivers to provide relief on such covenant.

Although the REIT expects its Portfolio Realignment Plan to raise capital to decrease borrowings and plans to continue to proactively work with its lenders to achieve positive outcomes for the REIT, there is a risk that future covenant violations will result in lenders to demand repayment of such borrowings.

The REIT will continue to seek to dispose of certain investment properties, to refinance existing maturing debt and in certain cases to amend the terms of existing borrowings. The REIT may not be able to complete such dispositions or financing activities on terms and conditions acceptable to the REIT, or at all, which would have an adverse material effect on the REIT's liquidity.

24. SEGMENTED DISCLOSURES

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

	March 31, 2024	December 31, 2023
Canada	$ 1,045,713	$ 1,079,490
United States	322,534	318,621
Ireland	253,208	263,240
Total	**$ 1,621,455**	**$ 1,661,351**

The following is a summary of rental revenue and property operating expenses by geographic location:

	Three months ended March 31, 2024			
	Canada	United States	Ireland	**Total**
Property revenue	$ 34,408	$ 12,480	$ 5,556	**$ 52,444**
Property operating expenses	(20,121)	(7,783)	(1,363)	**(29,267)**
Net operating income	**$ 14,287**	**$ 4,697**	**$ 4,193**	**$ 23,177**
Straight-line rent and other changes				**(2,183)**
IFRIC 21 property tax adjustment				**(10,197)**
Finance income on finance lease receivable				**675**
Interest income				**95**
Interest and finance costs				**(18,306)**
General and administrative				**(2,184)**
Change in fair value of financial instruments				**(485)**
Change in fair value of investment properties				**(10,792)**
Depreciation of hotel asset				**(249)**
Transaction costs				**(518)**
Deferred income tax expense				**28**
Current income tax expense				**(1,949)**
Net loss before Class B LP units				**$ (22,888)**
Change in fair value of Class B LP units				**317**
Net loss				**$ (22,571)**

(in thousands of Canadian dollars)

	Three months ended March 31, 2023			
	Canada	United States	Ireland	**Total**
Property revenue	$ 32,283	$ 13,919	$ 5,599	**$ 51,801**
Property operating expenses	(18,497)	(7,767)	(1,177)	**(27,441)**
Net operating income	**$ 13,786**	**$ 6,152**	**$ 4,422**	**$ 24,360**
Straight-line rent and other changes				**(2,709)**
IFRIC 21 property tax adjustment				**(10,491)**
Finance income on finance lease receivable				**731**
Interest income				**88**
Interest and finance costs				**(14,396)**
General and administrative				**(5,080)**
Change in fair value of financial instruments				**(3,488)**
Change in fair value of investment properties				**4,008**
Depreciation of hotel asset				**(240)**
Deferred income tax expense				**(108)**
Current income tax expense				**(341)**
Net loss before Class B LP units				**$ (7,666)**
Change in fair value of Class B LP units				**4,123**
Distributions to Class B LP unitholders				**(528)**
Net loss				**$ (4,071)**

25. INCOME TAXES

The REIT has reviewed the specified investment flow-through trust ("SIFT") which include publicly-listed income trusts (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 three months ended March 31, 2024, and accordingly is not subject to current income taxes in Canada. Accordingly, no provision for current income taxes payable is required, except for amounts incurred by the U.S. and Irish subsidiaries.

As at March 31, 2024 and 2023, there were no taxes payable for the Canadian entity.

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 applicable dates the REIT is subject to the following tax rates:

	March 31, 2024	December 31, 2023
U.S. (combined Federal & strike)	28.51 %	28.51 %
Ireland - rental income	25.0 %	25.0 %
Ireland - capital gains	33.0 %	33.0 %

The following is a reconciliation of deferred tax liabilities during the period:

	Three months ended March 31,	
	2024	2023
Beginning of period	$ (254)	$ (454)
Deferred income tax expense	28	(108)
Foreign exchange	—	(6)
End of period	**$ (226)**	**$ (568)**

(in thousands of Canadian dollars)

A reconciliation of the expected income taxes based upon the 2024 statutory rates and the income tax recovery recognized during the three months ended March 31, 2024 and 2023 are as follows:

	Three months ended March 31,	
	2024	2023
Net loss before Class B LP units and taxes	$ (20,967)	$ (7,217)
Canadian statutory tax rate	26.5%	26.5%
	$ (5,556)	$ (1,913)
Income not subject to tax	3,646	750
Valuation allowance	3,924	1,740
Tax rate differential	(93)	(128)
Current and deferred income tax expense	**$ 1,921**	**$ 449**

Deferred tax assets are recognized to the extent that realization of the related tax benefit through future taxable profits is probable. Management has determined that it is probable that not all the deferred tax assets will be realized through one or a combination of future reversals of temporary differences and taxable income. A valuation allowance has been recorded for the quarter ended March 31, 2024.

26. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in liabilities arising from financing activities for the three months ended March 31, 2024 are as follows:

		Cash flows			Non-cash changes			
	December 31, 2023	Proceeds	Payments	Financing costs and other	Foreign exchange	Fair value changes	Amortization of MTM adjustments and costs	March 31, 2024
Derivatives, net	$ (15,030)	$ —	$ 3,724	$ —	$ (368)	$ (2,955)	$ —	$ (14,629)
Facilities[1]	306,361	2,200	—	(24)	1,294	—	415	310,246
Mortgages[1]	593,462	—	(21,620)	(35)	2,934	—	795	575,536
Term loan	133,279	—	(7,213)	—	117	—	250	126,433
Convertible debentures	145,632	—	—	—	—	—	276	145,908
Class B LP units	4,281	—	—	—	—	(317)	—	3,964
Total	**$ 1,167,985**	**$ 2,200**	**$ (25,109)**	**$ (59)**	**$ 3,977**	**$ (3,272)**	**$ 1,736**	**$ 1,147,458**

[1]Changes in financial instruments that hedge the REIT's liabilities arising from financing activities include the REIT's interest rate swaps. Refer to note 11 for more detail.

Changes in liabilities arising from financing activities for the three months ended March 31, 2023 are as follows:

		Cash flows			Non-cash changes			
	December 31, 2022	Proceeds	Payments	Financing costs and other	Foreign exchange	Fair value changes	Amortization of MTM adjustments and costs	March 31, 2023
Derivatives, net	$ (26,476)	$ —	$ 4,632	$ —	$ 53	$ 77	$ —	$ (21,714)
Facilities[1]	286,189	6,623	—	(30)	(181)	—	368	292,969
Mortgages[1]	589,850	—	(2,592)	(5)	(384)	—	297	587,166
Bridge loan	131,600	—	—	(10)	1,337	—	230	133,157
Convertible debentures	145,614	—	—	218	—	(1,293)	285	144,824
Class B LP units	22,832	—	—	—	—	(4,123)	—	18,709
Total	**$ 1,149,609**	**$ 6,623**	**$ 2,040**	**$ 173**	**$ 825**	**$ (5,339)**	**$ 1,180**	**$ 1,155,111**

[1]Changes in financial instruments that hedge the REIT's liabilities arising from financing activities include the REIT's interest rate swaps. Refer to note 11 for more detail.
[2]Changes in fair value consist of $1.3 million as the equity option on the amendment to the 2018 Convertible Debentures.

27. SUBSEQUENT EVENTS

The following events occurred subsequent to March 31, 2024:

i. On May 1, 2024, the REIT disposed of one of it's Atlantic properties for a gross purchase price of $10.4 million.