
Slate Office REIT

Q3 2021 Quarterly Report



SLATE

Experience
gives us the
knowledge to
execute quickly.





Blue Cross Centre, Moncton, NB

About Slate Office REIT

(TSX: SOT.UN)

Slate Office REIT is an owner and operator of office real estate. The REIT owns interests in and operates a portfolio of 34 strategic and well-located real estate assets across Canada's major population centres and includes two assets in downtown Chicago, Illinois. 61% of the REIT's portfolio is comprised of government or credit rated tenants. The REIT acquires quality assets at a discount to replacement cost and creates value for unitholders by applying hands-on asset management strategies to grow rental revenue, extend lease term and increase occupancy.

Visit slateofficereit.com to learn more.

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

Visit slateam.com to learn more.

Forward-looking Statements

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

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

the year ended December 31, 2020 ("Annual Information Form"). Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: risks incidental to ownership and operation of real estate properties including local real estate conditions; financial risks related to obtaining available equity and debt financing at reasonable costs and interest rate fluctuations; operational risks including timely leasing of vacant space and re-leasing of occupied space on expiration of current leases on terms at current or anticipated rental rates; tenant defaults and bankruptcies; uncertainties of acquisition activities including availability of suitable property acquisitions and integration of acquisitions; competition including development of properties in close proximity to the REIT's properties; loss of key management and

employees; potential environmental liabilities; catastrophic events, such as earthquakes and hurricanes; governmental, taxation and other regulatory risks and litigation risks. Forward-looking statements included in this MD&A are made as of November 3, 2021, and accordingly are subject to change after such date. The REIT does not undertake to update any forward-looking statements that are included in this MD&A, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities laws. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. Investors are cautioned against placing undue reliance on forward-looking statements.

Highlights

34

Investment properties

6.9M

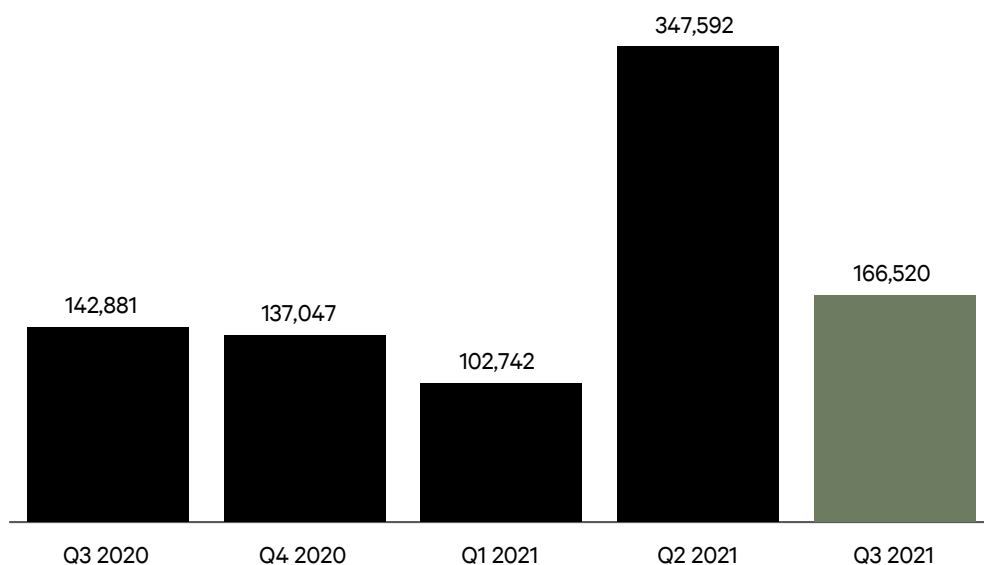
Square feet

\$1.7B

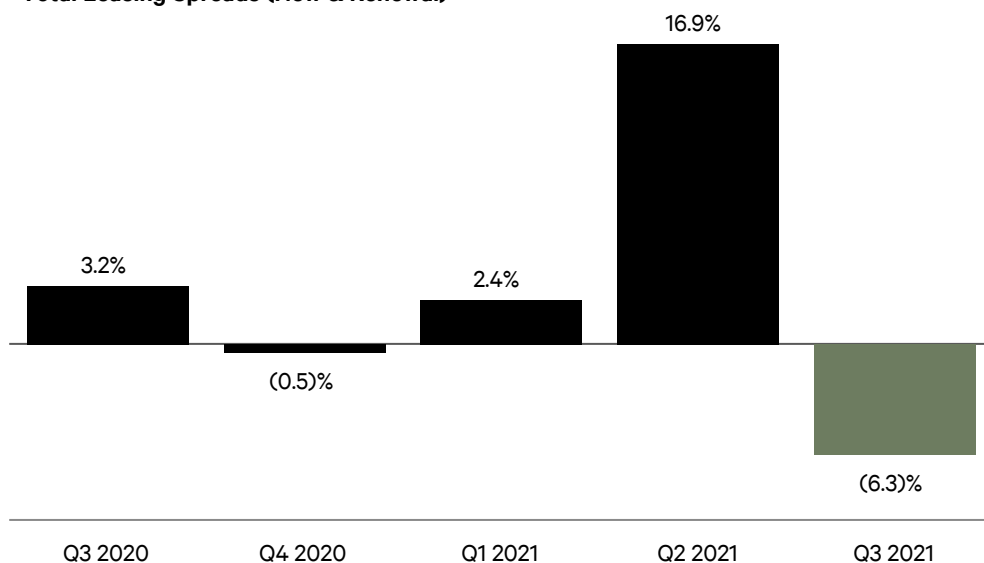
Total asset value

Strong Leasing Activity and Spreads

Total Leasing Activity (New and Renewal)



Total Leasing Spreads (New & Renewal)



Top 5 Tenants

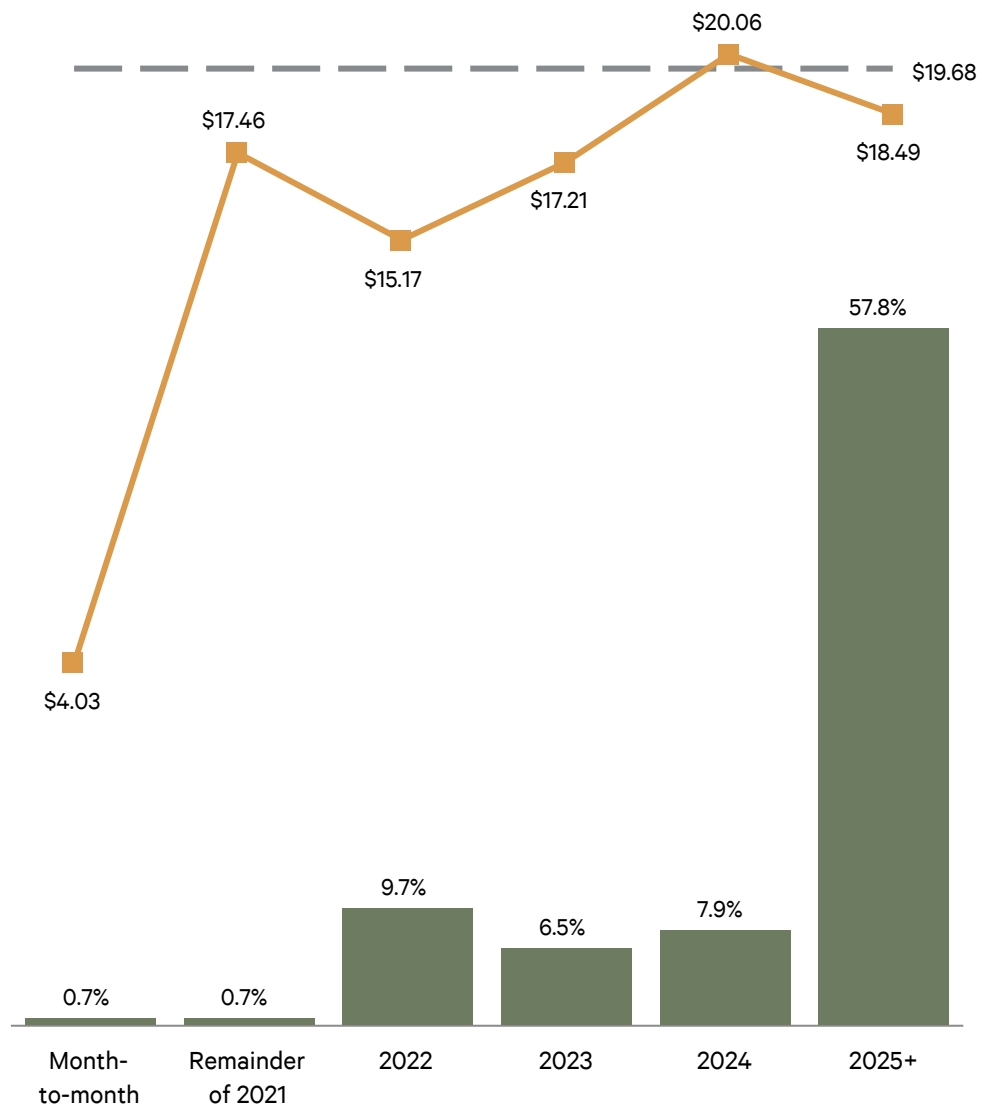
Ranked by Annual Base Rent*

1	7.0%	
2	7.3%	 SNC • LAVALIN
3	2.0%	
4	7.2%	 Canada
5	3.5%	




61% of base rent is derived from government or credit rated tenants

* As at September 30, 2021

In-Place vs. Market Rents



Legend

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

Slate.
Where value
investing meets
investors with
values.





Letter to Unitholders

Dear Fellow Unitholders,

Against the backdrop of strengthening market fundamentals, our third quarter results underscore that Slate Office REIT remains an attractive and timely investment opportunity with a compelling total return potential. The REIT offers unitholders a stable and attractive distribution yield, trading upside to its net asset value that is well supported by comparable real estate transactions and a best-in-class management platform that is scalable and well positioned for growth.

Our team has strong conviction in our strategy and the viability and resiliency of our real estate – and in the office sector as a whole. As markets across the US and Canada are seeing an influx of returning office workers, the steady performance of our existing assets, coupled with the strength of our balance sheet, sets us up for a unique opportunity to grow our business and create shareholder value. I would like to highlight some key points from our third quarter results that speak to our position:

Financial

We have achieved four consecutive quarters of per unit FFO, Core-FFO and AFFO growth. The REIT had an industry leading distribution yield of 7.7%, which was well covered with an AFFO payout ratio of 66.1%. From a balance sheet perspective, we extended our revolving credit facility and refinanced certain mortgage debt to create additional liquidity and reduce interest costs.

Operations

The announced disposition of 1 Eva Road in Toronto for \$34 million was a key highlight this quarter. The sale closed in October 2021, and the purchase price was significantly higher than the REIT's most recent IFRS value. Recycling capital that is raised from a disposition above our net asset value is an effective way to enhance returns. This transaction occurred at a low cap rate and was immediately accretive by using the proceeds to paydown debt, and the REIT intends to redeploy the capital into more accretive investment opportunities.

“ In summary, our income is stable, we are trading at a discount to a well validated net asset value and we have a positive outlook for continued growth. ”

Year to date 2021, our leasing volumes are approximately 12% higher than the same period in 2020, and our rental rate spreads are positive at 7.7%. The weighted average lease term in our portfolio is 5.3 years and 61% of our tenants are government or credit quality. Stable and growing cash flow is a key focus for the REIT.

Outlook

The REIT is well positioned to capitalize on investment opportunities that are mispriced coming out of the pandemic. Slate Asset Management has teams on the ground across Canada, the United States and Europe, which are seeing a robust pipeline of potential acquisition opportunities. We remain focused on buying well located, quality real estate, with credit tenants that will thrive in a post-pandemic environment. We will continue to favour assets that can be bought at a significant discount to replacement cost and have upside in rents.

In summary, our income is stable, we are trading at a discount to a well validated net asset value and we have a positive outlook for continued growth. Slate Office REIT has a proven track record of executing creative transactions to unlock value in the face of market dislocations, and we are confident there will be many opportunities for the REIT to grow its asset base through accretive acquisitions in the months to come. A larger asset base will contribute to the REIT's long-term success, as it will further diversify and stabilize our income and NAV, attract more institutional investors, reduce our cost of capital and further strengthen our balance sheet and liquidity.

Thank you for your continued support



Sincerely,
Steve Hodgson
Chief Executive Officer
November 3, 2021

Management's Discussion and Analysis

SLATE OFFICE REIT

TSX: SOT.UN

September 30, 2021

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FINANCIAL AND INFORMATIONAL HIGHLIGHTS

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

	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Summary of Portfolio Information					
Number of properties	34	34	34	34	36
Gross leasable area ("GLA") ¹	6,916,623	6,912,521	6,908,587	6,909,687	6,951,427
Total assets	\$ 1,692,896	\$ 1,680,405	\$ 1,674,255	\$ 1,679,207	\$ 1,694,187
Total debt	\$ 986,059	\$ 976,239	\$ 968,399	\$ 972,604	\$ 979,004
Occupancy ²	83.3%	83.6%	83.5%	84.2%	85.4%

	Three months ended				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Summary of Financial Information					
Revenue	\$ 43,636	\$ 41,559	\$ 43,161	\$ 43,436	\$ 45,852
Net operating income ("NOI") ³	\$ 23,012	\$ 22,378	\$ 21,345	\$ 21,118	\$ 24,040
Net income	\$ 8,657	\$ 5,684	\$ 18,638	\$ 6,644	\$ 16,221
Funds from operations ("FFO") ³	\$ 11,092	\$ 10,443	\$ 9,634	\$ 8,625	\$ 13,066
Core-FFO ³	\$ 11,888	\$ 11,226	\$ 10,406	\$ 9,384	\$ 13,813
Adjusted FFO ("AFFO") ³	\$ 11,041	\$ 10,069	\$ 9,211	\$ 8,439	\$ 11,777
IFRS net asset value ("NAV") ³	\$ 647,020	\$ 642,797	\$ 639,464	\$ 627,504	\$ 629,904
Per Unit Financial Information					
Weighted average diluted number of trust units (000s)	73,283	73,279	73,266	73,246	73,227
Diluted units outstanding (000s)	73,200	73,291	73,277	73,263	73,244
IFRS NAV per unit ³	\$ 8.84	\$ 8.77	\$ 8.73	\$ 8.57	\$ 8.60
FFO per unit ³	\$ 0.15	\$ 0.14	\$ 0.13	\$ 0.12	\$ 0.18
Core-FFO per unit ³	\$ 0.16	\$ 0.15	\$ 0.14	\$ 0.13	\$ 0.19
AFFO per unit ³	\$ 0.15	\$ 0.14	\$ 0.13	\$ 0.12	\$ 0.16
Distributions per unit ³	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10
FFO payout ratio ³	65.8%	69.9%	75.8%	84.6%	55.9%
Core-FFO payout ratio ³	61.4%	65.0%	70.1%	77.8%	52.8%
AFFO payout ratio ³	66.1%	72.5%	79.2%	86.5%	62.0%

	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Financial Data					
Loan-to-value ("LTV") ratio ³	58.3%	58.2%	58.0%	58.0%	57.8%
Weighted average debt interest rate	3.9%	3.9%	4.1%	4.1%	3.9%
Interest coverage ratio (times) ³	2.1x	2.1x	2.1x	2.2x	2.3x
Net debt to adjusted EBITDA ratio (times) ³	11.8x	11.6x	11.3x	11.1x	10.8x

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

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

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

PART I - OVERVIEW

INTRODUCTION

This MD&A of the financial position and results of operations of the REIT is intended to provide readers with an assessment of performance and summarize the financial position and results of operations of the REIT for the nine months ended September 30, 2021. The presentation of the REIT's financial results, including the related comparative information, contained in this MD&A are based on the REIT's unaudited condensed consolidated interim financial statements as at September 30, 2021 and for the nine months ended September 30, 2021 and 2020 (the "consolidated financial statements"). This MD&A should be read in conjunction with those consolidated financial statements. All dollar amounts are in thousands of Canadian dollars, unless otherwise noted.

The information contained in this MD&A is based on information available to the REIT and is dated as of November 3, 2021, which is also the date the Board of Trustees, upon the recommendation of its Audit Committee, approved the contents of this MD&A.

SLATE OFFICE REIT PROFILE

The REIT owns interests in and operates 34 properties comprised of 33 office properties and 1 non-office property totaling 6.85 million and 0.06 million square feet, respectively, of GLA as of September 30, 2021. The properties are located in geographically diversified markets in Canada and the United States of America (the "U.S."). The REIT is an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated as of March 21, 2016, as amended March 1, 2019 and as further amended on May 13, 2021, as it may be further amended, supplemented or amended and restated from time to time (the "Declaration of Trust").

The REIT is externally managed and operated by Slate Management ULC ("SMULC"), a subsidiary of Slate Asset Management L.P., (collectively, "Slate" or the "Manager"). Slate has an experienced and dedicated team of real estate professionals with a proven track record of success in real estate investment and management. Management's interests are aligned with the unitholders of the REIT through its sponsorship and as a significant unitholder of the REIT. Slate is the largest unitholder in the REIT, with a 9.5% interest at September 30, 2021 and accordingly, is highly motivated to increase the value of the REIT on a per unit basis and provide reliable returns to the REIT's unitholders. Slate assumed management responsibilities for the REIT in November 2014 with the vision of creating a pure-play office REIT focused on real estate assets with strong fundamentals. This vision was premised on the belief that the office market was changing and a pure-play office REIT would provide a vehicle to capitalize on future opportunities.

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

NON-IFRS MEASURES

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

RISKS AND UNCERTAINTIES

The REIT's business is subject to a number of risks and uncertainties which are described in its most recently filed Annual Information Form for the year ended December 31, 2020, available on SEDAR at www.sedar.com.

COVID-19

Slate, as manager of the REIT, has a robust COVID-19 response plan in-place with employee and tenant safety a top priority. This plan is intended to monitor and mitigate the business and health risks posed to the REIT and its stakeholders. The REIT is taking operational planning and cost-controlling measure to manage exposure to COVID-19. No assurance can be made that the plan will mitigate the adverse impacts of COVID-19. The COVID-19 pandemic may have a material long-term impact on the financial position, results and cash flows of the REIT, including tenants' ability to pay rent, occupancy, leasing demand, market rents, labor shortages and disruptions, and access to capital markets on acceptable terms or at all, certain of which may impact the REIT, including but not limited to, the valuation of its properties and the ability of the REIT to meet financial obligations, the measurement of which is not currently determinable. Market volatility has resulted and may continue to result in a negative impact on the market price of the REIT's equity securities particularly as it pertains to the spread of new variants and further outbreaks in the markets in which the REIT operates. Governments and central banks have intervened through

monetary and new fiscal policies, however, it is unknown at this time how these interventions will impact capital markets or the financial stability of the REIT's tenants.

Additional risks and uncertainties not presently known to the REIT or that the REIT currently considers immaterial also may impair its business and operations and cause the price of the REIT's units to decline in value. If any of the noted risks actually occur, the REIT's business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the units could decline and unitholders may lose all or part of their investment.

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

The REIT is exposed to U.S. LIBOR interest rate on debt pertaining to its U.S. properties, which is subject to the interest rate benchmark reform. The REIT has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the Financial Conduct Authority ("FCA") and the US Commodity Futures Trading Commission) regarding the transition away from U.S. LIBOR to the Secured Overnight Financing Rate ("SOFR"). The FCA has made clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit to LIBOR.

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

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

STRATEGY

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

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

- A focus on our cost basis, which means buying quality assets at a discount to replacement costs. We have a bias towards assets with strong credit tenants and where rents are below market so we can realize organic growth;
- Prudent and proactive capital and asset management to reposition properties, grow rental revenue, extend lease term and increase occupancy to create value while minimizing property and portfolio vacancy exposure;
- Prudent and disciplined management of capital outlays that will maintain and increase the attractiveness of the REIT's portfolio and achieve increased rents;
- Continue to increase the REIT's financial strength and flexibility through robust balance sheet management;
- Maintain a conservative AFFO payout ratio taking into account the REIT's other available opportunities and capital allocation requirements; and financing or disposing of stabilized assets and redeploying proceeds to new investment opportunities.

Overall, we believe that the REIT is positioned for long term growth with a portfolio of high credit-quality tenants and a conservative AFFO pay-out ratio.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

At Slate, we believe the responsibility of a fiduciary is not limited to generating investment returns – it is about treating people, our partners and our environment with respect and setting an example for others through our conduct. Our environmental, social and corporate governance ("ESG") philosophy is a key pillar of our firm and can be summarized as follows:

- Our people are our most important asset; an investment in our people positions our firm for future growth and success
- Our governing principles hold us accountable; these ensure our core values are apparent and adhered to in everything we do
- Our planet is home to all our stakeholders; we have a duty to invest in a sustainable and responsible manner

More than 80% of the properties in the REIT portfolio are currently certified or in the process of being certified as either Leadership in Energy and Environmental Design ("LEED") or Building Owners and Managers Association Building Environmental Standards ("BOMA BEST") compliant. These designations reflect a commitment to our ESG philosophy with a focus on operational best practices including energy and water conservation, waste reduction and improved indoor air quality. In addition to our efforts at the property level, we value the opportunity to collaborate with our tenants, neighbours and suppliers through various outreach projects with the goal of meaningfully contributing to the communities in which we work and live.

Our governance drives everything we do - we strive to be an example in the industry that acts responsibly and with integrity in all aspects of our business. Slate, as manager of the REIT, has formal governance measures in place which ensure alignment of all stakeholders and establish accountability. To learn more about our ESG initiatives please visit our website: www.slateofficereit.com.

TOTAL RETURN TO UNITHOLDERS

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

The following reconciliation shows the change in IFRS net asset value of the REIT on a total and per unit basis for the nine months ended September 30, 2021 and for the years ended December 31, 2020 and 2019:

	Nine months ended September 30, 2021		Year ended December 31, 2020		Year ended December 31, 2019	
	IFRS Net Asset Value ¹	Per Unit	IFRS Net Asset Value ¹	Per Unit	IFRS Net Asset Value ¹	Per Unit
Beginning of period	\$ 627,504	\$ 8.57	\$ 659,057	\$ 8.99	\$ 642,878	\$ 8.54
Core-FFO	33,520	0.46	49,664	0.68	56,011	0.76
Property fair value changes ²	6,220	0.08	(114)	—	32,738	0.44
Other fair value changes	11,651	0.16	(29,803)	(0.41)	(2,710)	(0.04)
Depreciation on hotel	(765)	(0.01)	(1,058)	(0.01)	(1,000)	(0.01)
Foreign exchange	(259)	—	(8,747)	(0.13)	(2,756)	(0.05)
Distributions	(21,894)	(0.30)	(29,203)	(0.40)	(36,133)	(0.46)
DRIP units	—	—	—	—	650	(0.01)
Unit repurchases	—	—	(358)	0.01	(12,974)	0.08
Transaction costs	—	—	(1,979)	(0.03)	(12,142)	(0.16)
Other	(8,957)	(0.12)	(9,955)	(0.13)	(5,505)	(0.10)
End of period	\$ 647,020	\$ 8.84	\$ 627,504	\$ 8.57	\$ 659,057	\$ 8.99

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

²Includes the impact of IFRIC 21 property tax adjustment.

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

Core-FFO contributed \$33.5 million to net asset value and the REIT has paid \$0.30 per unit in distributions to unitholders for the nine months ended September 30, 2021. Property fair value increased \$6.2 million or \$0.08 per unit primarily as a result of third party appraisals and the agreed upon sale price for one of the REIT's Greater Toronto Area properties. The increase in net asset value is furthered by a gain on other value changes of \$11.7 million primarily on the fair value of the REIT's pay-fixed interest rate swaps at September 30, 2021 compared to December 31, 2020.

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

	Nine months ended September 30, 2021		Year ended December 31, 2020		Year ended December 31, 2019	
	Percentage Return	Per Unit	Percentage Return	Per Unit	Percentage Return	Per Unit
IFRS net asset value change	3.2%	\$ 0.27	(4.7%)	\$ (0.42)	5.3%	\$ 0.45
Distributions	4.7%	0.30	4.4%	0.40	5.4%	0.46
Total	7.9%	\$ 0.57	(0.3)%	\$ (0.02)	10.7%	\$ 0.91

During the nine months ended September 30, 2021 the REIT has provided \$0.30 per unit in cash distributions to unitholders. It is important to note that this represents an annualized yield of 7.7% based on the closing price of the REIT's units at September 30, 2021 and an annual return of 4.7% based on the REIT's IFRS NAV at December 31, 2020. IFRS NAV increased \$0.27 per unit driven by Core-FFO of \$0.46 per unit and an increase in value from pay-fixed interest rate swaps and the fair value of investment properties. In 2020, the REIT's NAV decreased \$0.42 per unit primarily as a result of non-cash losses on pay-fixed interest rate swaps, offset by \$0.40 per unit of distributions. In 2019, total return to unitholders was \$0.91 per unit or 10.7% of which \$0.46 was returned to unitholders in the form of a distribution and \$0.45 was retained in the REIT which served to increase IFRS net asset value. Importantly, this value creation in 2019 is equivalent to a 10.7% total return on a per unit basis.

A large portion of the total return to unitholders is provided by way of distributions. In 2020, 43.3% of the distributions received by unitholders were treated as a return of capital and 56.7% were treated as capital gains due to the impact of capital gains and depreciation recapture on asset sales. For 2019, 77.0% of the distributions received by unitholders were treated as a return of capital for taxation purposes compared to 100.0% in 2018.

IFRS NET ASSET VALUE

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

The following is the calculation of IFRS net asset value on a total and per unit basis at September 30, 2021 and December 31, 2020 to the REIT's consolidated financial statements:

	September 30, 2021	December 31, 2020
Equity	\$ 616,962	\$ 604,743
Class B LP units	27,482	21,880
Deferred unit liability	775	881
Deferred tax liability	1,801	—
IFRS net asset value	\$ 647,020	\$ 627,504
Diluted number of units outstanding ¹	73,200	73,263
IFRS net asset value per unit	\$ 8.84	\$ 8.57

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

Management believes that there is a substantive basis to support a net asset value of \$8.84 per unit as the REIT has obtained independent third party appraisals for 11 of its assets in the twelve months preceding September 30, 2021 which had a combined appraisal value of \$0.5 billion, representing 29.5% of the REIT's property fair value at September 30, 2021.

The following is an illustration of the REIT's valuation used to determine IFRS net asset value at September 30, 2021:

(thousands, except per unit amount)	September 30, 2021
Property fair value	\$ 1,617,844
Data Centre	50,964
Working capital	(35,729)
Debt	(986,059)
IFRS net asset value	\$ 647,020
Diluted number of units outstanding (000s)	73,200
IFRS net asset value per unit	\$ 8.84

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

	September 30, 2021	
Atlantic	\$	3.05
Ontario		3.35
Western		0.67
U.S.		1.77
IFRS net asset value per unit	\$	8.84

SIGNIFICANT HIGHLIGHTS

- Durable and growing cash flow:
 - The REIT achieved its fourth consecutive quarter of per unit FFO, Core-FFO and AFFO growth.
 - The REIT's units traded at a 7.7% distribution yield, which was well covered with an AFFO payout ratio of 66.1% for the three months ended September 30, 2021.
 - Year-to-date leasing volume at September 30, 2021 totaled 616,854 square feet which represents a 12% increase as compared to leasing activity during the same period in 2020.
 - Rental rate spreads were up 7.7% overall year to date at the end of the third quarter.
- Transactions providing capital at net asset value:
 - In October 2021, the REIT completed its previously announced disposition of 1 Eva Road in Toronto at a premium to the REIT's June 30, 2021 IFRS value. This transaction was immediately accretive as proceeds were used to repay debt and the REIT intends to redeploy proceeds into more accretive investment opportunities.
 - The REIT refinanced its revolving credit facility in October 2021 which extends the maturity date to October 2023 and improves credit spreads by 50 basis points which will reduce the REIT's interest costs going forward.
- Strong growth outlook:
 - The REIT continues to underwrite a robust pipeline of attractive new investment opportunities and will look to redeploy capital into new investments that will drive value for unitholders and add scale and diversity to the REIT's operations.

The following are the significant highlights for the three months ended September 30, 2021:

Financial

- Net income was \$8.7 million for the three months ended September 30, 2021 compared to net income of \$5.7 million for the three months ended June 30, 2021 and \$16.2 million for the three months ended September 30, 2020.
- Net operating income was \$23.0 million for the three months ended September 30, 2021, an improvement from \$22.4 million for the three months ended June 30, 2021.
- Same property net operating income remained consistent at \$22.3 million for the three months ended September 30, 2021 compared to the three months ended June 30, 2021.
- FFO and Core-FFO for the three months ended September 30, 2021 were \$11.1 million and \$11.9 million, or \$0.15 and \$0.16, respectively on a per unit basis, which is an improvement from \$0.14 and \$0.15 per unit, respectively for the three months ended June 30, 2021.
- AFFO for the three months ended September 30, 2021 was \$11.0 million or \$0.15 per unit, which is an improvement from \$10.1 million or \$0.14 per unit for the three months ended June 30, 2021.
- AFFO payout ratio for the three months ended September 30, 2021 was 66.1%, an improvement from 72.5% compared to the three months ended June 30, 2021.

Leasing

- The REIT completed a total of 166,520 square feet of leasing in the third quarter comprised of 29,907 square feet of new lease deals and 136,613 square feet of renewals.
- Notable leasing throughout the quarter includes a five year renewal for approximately 103,000 square feet with a credit quality tenant in the Greater Toronto Area.
- New deals were 30.4% below in-place building rent while renewals were 0.9% above expiring rents. The negative rental rate spread for new deals is entirely attributable to a leasing tactic in St. John's to grow occupancy and attract high growth companies with short-term rent incentives. Excluding deals completed in St. John's, new deal rental rate spreads were 5.0% above in-place building rent.

- As at September 30, 2021, the portfolio had a weighted average remaining lease term of 5.3 years.
- Leasing activity in the Greater Toronto Area has gained momentum as a result of pent up demand due to continued lock downs and stay at home orders. 138,492 square feet of leasing was completed across the REIT's portfolio in the Greater Toronto Area in the third quarter.

PART II - LEASING AND PROPERTY PORTFOLIO

LEASING

Growing rental income by increasing occupancy and continuing to mark-to-market rental rates is a key focus for the REIT. Leasing volume year-to-date totaled 616,854 square feet at the end of the third quarter, which represents a 12% increase over the same period last year. Rental rate spreads year-to-date were 7.7% above in-place and expiring rents for new and renewed leasing. Going forward, in-place rental rates across the portfolio are 8.4% below current market rent, providing a significant opportunity for the REIT to increase rental income going forward.

In 2020, the REIT saw a reduction in occupancy due to a few larger tenants, primarily in Atlantic Canada, that vacated for reasons unrelated to the COVID-19 pandemic. The travel restrictions and lockdowns extended the timeframe to attract new tenants to our buildings but in 2021 we are seeing demand pick up across the portfolio. In Atlantic Canada, market fundamentals remain strong with year-to-date leasing volume of 247,389 square feet. In the Greater Toronto Area, leasing activity levels continued to increase in the third quarter with the REIT completing 138,492 square feet of leasing, which is the most volume the region has had in a single quarter since the onset of the pandemic. Leasing activity in Chicago is starting to pick up and we expect to see continued momentum in the fourth quarter.

OCCUPANCY

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

	Three months ended September 30, 2021			Three months ended June 30, 2021		
	GLA	Occupancy (square feet)	Occupancy (%)	GLA	Occupancy (square feet)	Occupancy (%)
Occupancy, beginning of period	6,912,521	5,775,488	83.6%	6,908,587	5,766,338	83.5%
Remeasurements	4,102	—	(0.1%)	3,934	—	(0.1%)
Change in same property occupancy	—	(15,789)	(0.3%)	—	9,150	0.2%
Occupancy, end of period	6,916,623	5,759,699	83.3%	6,912,521	5,775,488	83.6%

Occupancy at September 30, 2021 was 83.3% and the weighted average lease term was 5.3 years. Occupancy is expected to increase given the positive momentum the REIT is experiencing in tour activity across the portfolio and as a result of the dispositions of 4 Herald Avenue in Corner Brook, NL and 1 Eva Road in Toronto, ON. New leases have been completed to partially offset the impact of known vacancies and the REIT continues to execute on a strategy focused on increasing occupancy.

LEASE MATURITIES

The REIT generally enters into leases with an initial term to maturity between 2 and 10 years. The weighted average remaining term to maturity at September 30, 2021 was 5.3 years, not including tenants on month-to-month leases. Management considers the current average term of leases to be indicative of the stability of the portfolio's cash flow and diversified maturity risk.

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

	September 30, 2021			June 30, 2021		
	Weighted average years to maturity ¹	GLA	% of GLA	Weighted average years to maturity ¹	GLA	% of GLA
Atlantic	5.6	1,980,066	28.6%	5.8	1,981,016	28.7%
Ontario	4.5	2,480,107	35.9%	4.5	2,476,116	35.8%
Western	7.0	414,458	6.0%	7.3	415,553	6.0%
U.S.	6.4	885,068	12.8%	6.5	902,803	13.1%
	5.3	5,759,699	83.3%	5.4	5,775,488	83.6%
Vacant		1,156,924	16.7%		1,137,033	16.4%
Total		6,916,623	100.0%		6,912,521	100.0%

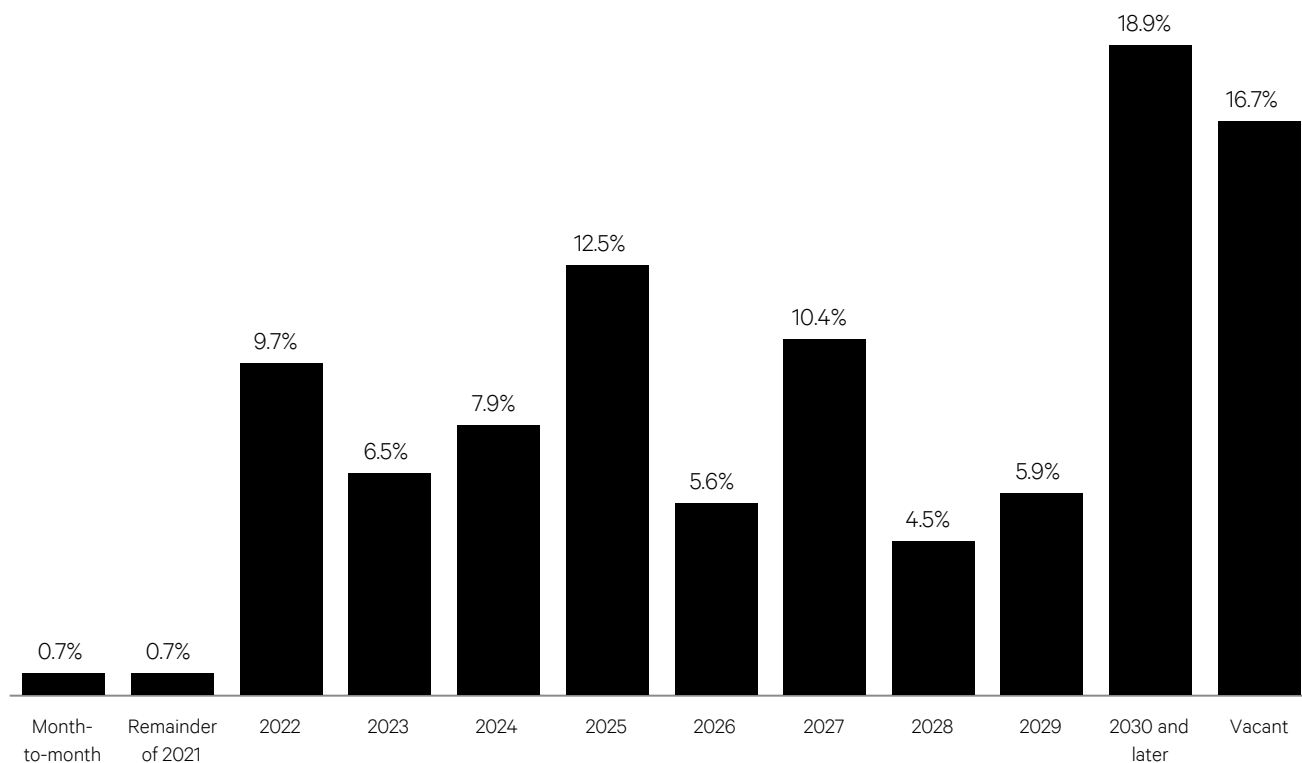
¹The calculation of weighted average term to maturity does not include month-to-month tenants.

The following is a profile of the maturities of the REIT's leases excluding the impact of tenant extension options at September 30, 2021:

	GLA	% of portfolio	Weighted average in-place rent (per square foot) ¹
Month-to-month	50,951	0.7%	\$ 4.03
Remainder of 2021	51,259	0.7%	17.46
2022	670,590	9.7%	15.17
2023	446,162	6.5%	17.21
2024	544,835	7.9%	20.06
2025	867,609	12.5%	16.56
2026	383,919	5.6%	15.66
2027	717,496	10.4%	16.74
2028	309,613	4.5%	17.60
2029	407,997	5.9%	17.07
2030 and later	1,309,268	18.9%	22.22
Vacant	1,156,924	16.7%	n/a
Total / weighted average	6,916,623	100.0%	\$ 18.02

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

Lease Maturities



Month-to-month tenants comprise 0.7% of the portfolio gross leasable area and throughout the balance of 2021, 0.7% of the REIT's portfolio gross leasable area is maturing. Securing renewals for these maturities and entering into new leases with tenants is a critical focus for the REIT in the markets in which it operates. The in-place rent of the next twelve month maturities is approximately 14.6% below market rent, providing significant upside opportunity for the REIT upon renewing and re-leasing this space.

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

IN-PLACE AND MARKET RENTS

The weighted-average in-place rent of the REIT's total office portfolio at September 30, 2021 is \$18.02 per square foot, representing an 8.4% discount to current market rent. The year-to-date rental rate spread is 7.7% for all deals done across the portfolio, illustrating the REIT's ability to unlock value by adjusting to market rents on expiry of existing leases and when entering into new leases. In certain markets, we will strategically drive occupancy with rent incentives, as has been the case recently in St. John's where we have completed over 17,500 square feet of new leasing year-to-date with high growth companies we expect to need expansion space in the near term. If you exclude the new deals completed in St. John's, the overall portfolio new deal rental rate spreads were 5.0% for the quarter and 11.9% year-to-date.

The estimate of current market rent is based on third party valuations, management's estimates, and leasing data obtained from actual new and renewed leases. While there are no assurances that maturing leases will be renewed at rates in excess of current in-place rents, or at all, management compares in-place rents to market rents to determine the future revenue capacity of the REIT's current portfolio and roll-over revenue risk.

The following table summarizes the REIT's leasing activity during the three months ended September 30, 2021:

	GLA	Number of leases	Weighted average expiring rent (per square foot)	Weighted average new rent (per square foot)	Increase in rent
Renewed leases	136,613	13	\$ 14.28	\$ 14.40	0.9%
New leases	29,907	13	19.27	13.41	(30.4%)
Total / weighted average	166,520	26	\$ 15.18	\$ 14.23	(6.3%)
Less: leases not renewed / vacated	(68,715)	(21)			
Net total	97,805	5			

The following table summarizes the REIT's leasing activity during the nine months ended September 30, 2021:

	GLA	Number of leases	Weighted average expiring rent (per square foot)	Weighted average new rent (per square foot)	Increase in rent
Renewed leases	484,600	41	\$ 14.28	\$ 16.37	14.6%
New leases	132,254	38	17.45	15.19	(12.9%)
Total / weighted average	616,854	79	\$ 14.96	\$ 16.12	7.7%
Less: leases not renewed / vacated	(224,421)	(51)			
Net total	392,433	28			

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

Quarter	Renewals			New leases			Total	
	GLA	Number of leases	Rental rate spread	GLA	Number of leases	Rental rate spread	GLA	Number of leases
Q4 2020	84,380	11	(2.6%)	52,667	13	4.0%	137,047	24
Q1 2021	62,154	11	1.2%	40,588	11	4.2%	102,742	22
Q2 2021	285,833	17	25.4%	61,759	14	(13.9%)	347,592	31
Q3 2021	136,613	13	0.9%	29,907	13	(30.4%)	166,520	26
Total	568,980	52	12.7%	184,921	51	(7.5%)	753,901	103

TENANT PROFILE

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

The REIT's total exposure to the Government of Canada and provinces is approximately 987,869 square feet or 14.1% of base rent at share with a weighted average lease term of 6.1 years. Further, 61% of the REIT's base rent is derived from government or credit rated tenants. The following are the REIT's top 10 largest tenants by percent of base rent receipts at September 30, 2021, which together represent 44.0% of base rental receipts:

Tenant	Credit rating ¹	GLA	Number of properties	% of base rental receipts	Weighted average lease term (years)
CIBC	A+	346,346	4	7.3%	7.3
SNC-Lavalin Inc. ²	BB+	433,800	3	7.2%	3.3
Bell Canada Enterprises	BBB+	136,464	4	7.0%	7.0
Government of Canada	AAA	382,637	9	5.5%	4.4
Thales Rail Signalling Solutions Inc.	BBB+	220,476	1	3.5%	4.0
Province of New Brunswick	A+	299,378	5	3.4%	5.7
Medavie Blue Cross	Unrated	184,708	3	3.0%	6.6
Johnson Insurance	A1	156,217	1	2.7%	9.2
Kraft Canada Inc.	BB+	156,426	1	2.4%	4.7
Province of Nova Scotia	AA-	148,219	1	2.0%	5.6
Total		2,464,671		44.0%	5.4

¹Source: DBRS, Moody's and S&P as at September 30, 2021.

²Includes 338,983 square feet of SNC-Lavalin Nuclear Inc.

PROPERTY PROFILE

The REIT's property portfolio at September 30, 2021 consists of interests in 34 properties, comprised of 33 office properties and 1 non-office property. The portfolio comprises 6.9 million square feet of gross leasable area. For a listing of all of the REIT's properties see Part VI of this MD&A.

Subsequent to September 30, 2021, the REIT disposed of 1 Eva Road in Toronto, ON for \$34.0 million and used net proceeds to repay debt. Furthermore, the REIT also disposed of 4 Herald Avenue in Corner Brook, NL for \$2.8 million in October 2021 and used net proceeds to repay debt. Both of these dispositions were completed at or above the REIT's reported IFRS fair value for June 30, 2021.

Acquisition pipeline

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

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

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

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

Redevelopment properties

Maritime Centre

Although not classified as a redevelopment property, the REIT has budgeted approximately \$17.6 million of return generating capital to significantly enhance Maritime Centre in downtown Halifax, Nova Scotia (www.maritimecentre.ca) which is expected to drive occupancy, rental rates and create a meaningful total return. The project converts the food court level to parking which is in high demand in downtown Halifax. This conversion has added more than 100 parking stalls to Maritime Centre. A new glass facade at the Barrington Street level will host a 6,000 square foot restaurant and a new common area lobby. Costs incurred are approximately \$14.1 million and the balance is expected to be spent through Q1 2022. Approximately \$7.1 million of project costs can be amortized and recovered through the tenant leases while the balance is non-recoverable capital aimed at driving incremental returns. The redevelopment has enabled the REIT to drive rent growth by 30% and improve occupancy by 25% since acquisition. The expected return from this redevelopment is compelling and is a great example of the REIT re-deploying capital into its existing assets to drive out-sized returns.

IFRS fair value

The REIT's property portfolio at September 30, 2021 had an estimated IFRS fair value of \$1.6 billion. The REIT's IFRS fair value reflects the current economics of the REIT's properties, including its 83.3% in-place occupancy and current weighted average in-place rents of \$18.02 per square foot, which management estimates to be on average \$1.66 per square foot below estimated market rents. Various properties within the REIT's portfolio are significantly below normalized occupancy, and several of which are expected to be so for all or a portion of the next twelve-month period.

Overall, the average estimated IFRS fair value per square foot of the REIT's portfolio excluding the Data Centre and Delta Brunswick Hotel is \$250 with an average cost to the REIT of \$243 per square foot. Management believes that this average value per square foot is significantly lower than replacement cost, which management estimates to be on average between \$300 and \$400 per square foot. In certain markets, such as St. John's, NL, the cost to construct is significantly higher. Furthermore, the difference between the IFRS fair value compared to the average cost to the REIT represents approximately \$45 million of value creation from ownership, based on the REIT's current portfolio.

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

	September 30, 2021		December 31, 2020	
	Discount rate	Terminal capitalization rate	Discount rate	Terminal capitalization rate
Minimum	6.25%	6.00%	6.25%	6.00%
Maximum	8.75%	8.50%	8.75%	8.50%
Weighted average	7.26%	6.63%	7.26%	6.63%

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

Property continuity

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Beginning of period	\$ 1,601,135	\$ 1,602,165	\$ 1,593,945	\$ 1,622,085
Capital expenditures	6,736	6,397	17,937	17,290
Leasing costs	2,921	6,066	8,184	13,925
Dispositions	—	—	—	(46,794)
Depreciation of hotel asset	(257)	(264)	(765)	(788)
Foreign exchange	7,415	(6,571)	(1,078)	8,211
Change in fair value	41	653	8,604	1,805
IFRIC 21 property tax adjustment ¹	2,368	2,254	(2,384)	(2,339)
Straight-line rent and other changes	(2,515)	(1,458)	(6,599)	(4,153)
End of period	\$ 1,617,844	\$ 1,609,242	\$ 1,617,844	\$ 1,609,242

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

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

For the three months ended September 30, 2021 the REIT's investment property value increased primarily as a result of leasing and capital spend and by an increase in value of \$7.4 million due to higher foreign exchange rate on U.S. dollars compared to Canadian dollars and capital and leasing expenditures of \$9.7 million.

For the nine months ended September 30, 2021 the REIT's investment property value increased from capital and leasing expenditures and an increase in fair value of \$8.6 million primarily from agreed upon sale prices and third party appraisals obtained. This is offset by a decrease in value of the REIT's U.S. properties of \$1.1 million as a result of lower prevailing foreign exchange rates.

PART III - RESULTS OF OPERATIONS

SUMMARY OF RESULTS OF OPERATIONS

The following is a summary of the results of operations:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Rental revenue	\$ 43,636	\$ 45,852	\$ 128,356	\$ 140,150
Property operating expenses	(20,771)	(21,016)	(70,604)	(76,196)
Finance income on finance lease receivable	809	858	2,465	2,606
Interest income	113	130	374	424
Interest and finance costs	(10,585)	(10,388)	(32,126)	(30,671)
General and administrative expenses	(1,847)	(1,941)	(5,959)	(5,783)
Change in fair value of financial instruments	(1,817)	2,349	11,651	(33,581)
Change in fair value of investment properties	41	653	8,604	1,805
Depreciation of hotel asset	(257)	(264)	(765)	(788)
Transaction costs	—	(12)	—	(1,577)
Deferred income tax (expense) recovery	(823)	—	(1,777)	96
Current income tax expense	(54)	—	(54)	—
Net income (loss) before Class B LP units	\$ 8,445	\$ 16,221	\$ 40,165	\$ (3,515)
Change in fair value of Class B LP units	740	528	(5,602)	12,103
Distributions to Class B LP unitholders	(528)	(528)	(1,584)	(1,584)
Net income	\$ 8,657	\$ 16,221	\$ 32,979	\$ 7,004
Other comprehensive gain (loss) to be subsequently reclassified to profit or loss:				
Foreign currency translation gain (loss)	2,733	(2,346)	(259)	3,181
Fair value loss on net investment hedges	—	—	—	(6,396)
Total other comprehensive gain (loss)	2,733	(2,346)	(259)	(3,215)
Comprehensive income	\$ 11,390	\$ 13,875	\$ 32,720	\$ 3,789

NET INCOME (LOSS) BEFORE CLASS B LP UNITS

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

Net income before Class B LP units for the three months ended September 30, 2021 was \$8.4 million compared to net income of \$16.2 million for the same period in 2020. The change is primarily due to lower net operating income as a result of vacancies in Atlantic Canada and termination income received in respect of these and other terminations during the three months ended September 30, 2021. Furthermore, the fair value of financial instruments decreased \$4.2 million year-over-year largely driven by a change in the value of a performance payment receivable in respect of a previously completed transaction, offset by an increase in the value of pay-fixed interest rate swaps.

Net income before Class B LP units for the nine months ended September 30, 2021 was \$40.2 million compared to net loss before Class B LP units of \$3.5 million for the same period in 2020. The increase is primarily due to an increase in the fair value of financial instruments of \$45.2 million year-over-year which includes the REIT's pay-fixed interest rate swaps. The change in fair value of investment properties is higher by \$6.8 million compared to the same period in 2020 as the REIT incurred capital expenditures and direct leasing costs which increased value in 2021 and an increase in value at 1 Eva Road as a result of the agreed upon sale price. The REIT also incurred \$1.6 million of transaction costs during the nine months ended September 30, 2020 on the sale of 4211 Yonge Street in Toronto, ON in January 2020 and an acquisition which did not close, whereas no transaction costs were incurred for the nine months ended September 30, 2021. These increases were offset by decreased NOI from the disposition of 4211 Yonge Street in January 2020, 307-311 Old Airport Road in Yellowknife, NT in October 2020 and 5404 36th Street SE in Calgary, AB in December 2020.

NET INCOME AND COMPREHENSIVE INCOME

For the three months ended September 30, 2021 net income was \$8.7 million which is lower than \$16.2 million for the same period in the prior year. The decrease is a result of lower net income before Class B LP units offset by a gain on the fair value of Class B LP units of \$0.7 million for the three months ended September 30, 2021 compared to a gain of \$0.5 million in the same period in the prior year. The REIT recognized net other comprehensive gain of \$2.7 million for the three months ended September 30, 2021 from U.S. dollar appreciation compared to a loss of \$2.3 million for the same period in the prior year.

For the nine months ended September 30, 2021 net income was \$33.0 million compared to \$7.0 million for the same period in the prior year. The increase in net income is due to higher net income before Class B LP Units, which was \$40.2 million for the nine months ended September 30, 2021, offset by a loss on the fair value of Class B LP units of \$5.6 million for the nine months ended September 30, 2021 compared to net loss before Class B LP units of \$3.5 million and a gain of \$12.1 million on the fair value of Class B LP units in the same period in the prior year. The REIT recognized net other comprehensive loss of \$0.3 million for the nine months ended September 30, 2021 from the REIT's exposure to its U.S. properties. For the same period in 2020, the REIT recognized net other comprehensive loss of \$3.2 million comprised of a \$3.2 million gain on the REIT's exposure to its U.S. properties, offset by a loss of \$6.4 million on hedges of the REIT's net investment in U.S. operations.

NET OPERATING INCOME

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

The following is a calculation of NOI for the three and nine months ended September 30, 2021 and 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue	\$ 43,636	\$ 45,852	\$ 128,356	\$ 140,150
Property operating expenses	(20,771)	(21,016)	(70,604)	(76,196)
IFRIC 21 property tax adjustment ¹	(2,368)	(2,254)	2,384	2,339
Straight-line rents and other changes	2,515	1,458	6,599	4,153
Net operating income	\$ 23,012	\$ 24,040	\$ 66,735	\$ 70,446

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

For the three months ended September 30, 2021, NOI decreased to \$23.0 million from \$24.0 million for the same period in the prior year. The decrease is a result of the disposition of 307-311 Old Airport Road in Yellowknife, NT in October 2020 and 5404 36th Street SE in Calgary, AB in December 2020. Furthermore, the REIT had tenants comprising approximately 119,000 square feet which vacated two of the REIT's assets during the second and third quarter of 2020. The REIT was paid termination income at these and other properties totalling \$1.3 million during the three months ended September 30, 2020. This is offset by higher NOI from the REIT's hotel which increased \$0.4 million as a result of improved occupancy from reduced travel restrictions. The REIT also received \$0.8 million of termination income during the three months ended September 30, 2021. This termination income pertains to a tenant in the REIT's U.S. portfolio which is expected to vacate mid-2022, providing the REIT with lead time to implement a leasing strategy to backfill this space.

For the nine months ended September 30, 2021, NOI decreased to \$66.7 million from \$70.4 million for the same period in the prior year. The \$3.7 million decrease in NOI is largely due to two tenant vacancies in Atlantic Canada which reduced NOI by \$3.2 million, including the impact of termination income. Lower parking revenue from lower contract and event parking reduced NOI by \$1.3 million from the same period in the prior year. This was offset by \$0.8 million of previously mentioned termination income received during the three months ended September 30, 2021.

The following is a reconciliation of the change in NOI for the three months ended September 30, 2021 compared to the same period in the prior year:

Net operating income, Q3 2020	\$	24,040
Change in same-property NOI		(485)
Impact of foreign exchange rates		(428)
Reduced contribution from sold properties		(115)
Net operating income, Q3 2021	\$	23,012
Year-over-year change - \$	\$	(1,028)
Year-over-year change - %		(4.3)%

The following is a reconciliation of the change in NOI for the three months ended September 30, 2021 compared to the immediately preceding quarter:

Net operating income, Q2 2021	\$	22,378
Change in same-property NOI		(60)
Impact of foreign exchange rates		18
Change in hotel contribution ¹		590
Reduced contribution from sold properties		86
Net operating income, Q3 2021	\$	23,012
Quarter-over-quarter change - \$	\$	634
Quarter-over-quarter change - %		2.8%

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

SAME-PROPERTY NOI

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

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

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

The same-property NOI comparison for the three months ended September 30, 2021 excludes assets disposed of prior to September 30, 2021. Where the REIT owns a partial interest in a property, NOI is included at the REIT's proportionate ownership for the current and comparative period based on its ownership at the current quarter end. The operations of the REIT's hotel asset are included when compared to the prior year as the seasonal variations are consistent.

	Three months ended	
	September 30, 2021	September 30, 2020
Number of properties	34	34
GLA ¹	6,916,623	6,916,623
Revenue	\$ 43,636	\$ 45,585
Operating expenses	(20,878)	(20,967)
IFRIC 21 property tax adjustment	(2,368)	(2,253)
Straight-line rents and other changes	2,515	1,453
Same-property NOI (including hotel asset)	\$ 22,905	\$ 23,818
Period-over-period change - \$	\$ (913)	
Period-over-period change - %	(3.8%)	

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

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

	Three months ended	
	September 30, 2021	September 30, 2020
Same-property NOI (including hotel asset)	\$ 22,905	\$ 23,818
Less: lease termination payments	(790)	(1,270)
Same-property NOI (excluding lease termination payments)	\$ 22,115	\$ 22,548
Period-over-period change - \$	\$ (433)	
Period-over-period change - %	(1.9%)	

Same-property NOI for the three months ended September 30, 2021 compared to the same period in 2020 decreased by \$0.9 million or 3.8%. The REIT had tenants comprising approximately 119,000 square feet which vacated two of the REIT's assets during the second and third quarter of 2020. The REIT received termination income at these and other properties totalling \$1.3 million during the three months ended September 30, 2020. This is offset by higher NOI from the REIT's hotel which increased \$0.4 million as a result of improved average occupancy from reduced travel restrictions. Lower foreign exchange rates during three months ended September 30, 2021 compared to the same period in 2020 resulted in decreased NOI of \$0.4 million from the REIT's U.S. properties. These decreases in same property NOI are offset by \$0.8 million of termination income received during the three months ended September 30, 2021. This termination income pertains to a tenant in the REIT's U.S. portfolio which is expected to vacate mid-2022, providing the REIT with lead time to implement a leasing strategy to backfill this space.

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

The same-property NOI comparison to the three months ended June 30, 2021 excludes the impact of properties disposed of in part or whole prior to September 30, 2021. Where the REIT owns a partial interest in a property, NOI is included at the REIT's proportionate ownership for the current and comparative period based on its ownership at the current quarter end. The comparison also excludes the impact of the REIT's hotel asset due to the seasonality of its earnings and contribution to NOI.

	Three months ended	
	September 30, 2021	June 30, 2021
Number of properties	34	34
GLA ¹	6,916,623	6,916,623
Revenue	\$ 43,636	\$ 41,558
Property operating expenses	(20,878)	(18,848)
IFRIC 21 property tax adjustment	(2,368)	(2,567)
Straight-line rents and other changes	2,515	2,214
Same-property NOI (including hotel asset)	22,905	22,357
NOI attributable to hotel asset	(630)	(40)
Same-property NOI (excluding hotel asset)	\$ 22,275	\$ 22,317
Period-over-period change - \$	\$ (42)	
Period-over-period change - %	(0.2%)	

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

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

	Three months ended	
	September 30, 2021	June 30, 2021
Same-property NOI (including hotel asset)	\$ 22,905	22,357
Less: hotel contribution	(630)	(40)
Less: lease termination payments	(790)	(968)
Same-property NOI (excluding hotel asset and lease termination payments)	\$ 21,485	\$ 21,349
Period-over-period change - \$	\$ 136	
Period-over-period change - %	0.6%	

Same-property NOI, excluding the REIT's hotel asset and termination payment, for the three months ended September 30, 2021 compared to the three months ended June 30, 2021, increased by 0.6%. The increase is primarily a result of rent steps on a lease renewal with a large government tenant in Atlantic Canada.

Looking forward, renewal spreads are expected to be strong as the current in-place rent is an estimated 8.4% below market. The REIT's portfolio has maturities throughout 2021 of 0.7% of its portfolio GLA. The REIT is actively managing to execute new and renewed leases and is in renewal discussions with most major tenants with upcoming expiries.

FUNDS FROM OPERATIONS

Funds from operations

Funds from operations ("FFO") is a non-IFRS measure for evaluating real estate operating performance. The REIT calculates FFO in accordance with the definition provided by the Real Property Association of Canada ("RealPAC") in its White Paper on Funds From Operations, as revised in February 2019.

Core-FFO

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

Reconciliation of FFO and Core-FFO

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cash flow from operating activities	\$ 12,329	\$ 17,354	\$ 29,095	\$ 36,922
Add (deduct):				
Leasing costs amortized to revenue	2,159	1,825	6,333	5,340
Transaction costs	—	12	—	1,577
Working capital items	(670)	(4,714)	2,981	(1,392)
Straight-line rent and other changes	(2,515)	(1,458)	(6,599)	(4,153)
Interest and other finance costs	(10,585)	(10,388)	(32,126)	(30,671)
Interest paid	9,846	9,907	29,901	29,002
Distributions paid to Class B unitholders	528	528	1,584	1,584
FFO	\$ 11,092	\$ 13,066	\$ 31,169	\$ 38,209
Finance income on finance lease receivable	(809)	(858)	(2,465)	(2,606)
Finance lease payments received	1,605	1,605	4,816	4,677
Core-FFO	\$ 11,888	\$ 13,813	\$ 33,520	\$ 40,280

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net income	\$ 8,657	\$ 16,221	\$ 32,979	\$ 7,004
Add (deduct):				
Leasing costs amortized to revenue	2,159	1,825	6,333	5,340
Change in fair value of properties	(41)	(653)	(8,604)	(1,805)
IFRIC 21 property tax adjustment ¹	(2,368)	(2,254)	2,384	2,339
Change in fair value of financial instruments	1,817	(2,349)	(11,651)	33,581
Transaction costs	—	12	—	1,577
Depreciation of hotel asset	257	264	765	788
Deferred income tax expense (recovery)	823	—	1,777	(96)
Change in fair value of Class B LP units	(740)	(528)	5,602	(12,103)
Distributions to Class B unitholders	528	528	1,584	1,584
FFO	\$ 11,092	\$ 13,066	\$ 31,169	\$ 38,209
Finance income on finance lease receivable	(809)	(858)	(2,465)	(2,606)
Finance lease payments received	1,605	1,605	4,816	4,677
Core-FFO	\$ 11,888	\$ 13,813	\$ 33,520	\$ 40,280
Weighted average number of units outstanding ²	73,283	73,227	73,276	73,236
FFO per unit (diluted)	\$ 0.15	\$ 0.18	\$ 0.43	\$ 0.52
Core-FFO per unit (diluted)	\$ 0.16	\$ 0.19	\$ 0.46	\$ 0.55

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

²Represents the diluted weighted average number of units outstanding and includes the weighted average outstanding of all REIT units, DUP units and Class B LP units and is shown in thousands at the end of the respective periods.

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Rental revenue	\$ 43,636	\$ 45,852	\$ 128,356	\$ 140,150
Property operating expenses	(20,771)	(21,016)	(70,604)	(76,196)
Finance income on finance lease receivable	809	858	2,465	2,606
Interest income	113	130	374	424
Interest and finance costs	(10,585)	(10,388)	(32,126)	(30,671)
General and administrative expenses	(1,847)	(1,941)	(5,959)	(5,783)
IFRIC 21 property tax adjustment ¹	(2,368)	(2,254)	2,384	2,339
Leasing costs amortized to revenue	2,159	1,825	6,333	5,340
Current income tax expense	(54)	—	(54)	—
FFO	\$ 11,092	\$ 13,066	\$ 31,169	\$ 38,209
Finance income on finance lease receivable	(809)	(858)	(2,465)	(2,606)
Finance lease payments received	1,605	1,605	4,816	4,677
Core-FFO	\$ 11,888	\$ 13,813	\$ 33,520	\$ 40,280
Weighted average number of units outstanding ²	73,283	73,227	73,276	73,236
FFO per unit (diluted)	\$ 0.15	\$ 0.18	\$ 0.43	\$ 0.52
Core-FFO per unit (diluted)	\$ 0.16	\$ 0.19	\$ 0.46	\$ 0.55

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

²Represents the diluted weighted average number of units outstanding and includes the weighted average outstanding of all REIT units, DUP units and Class B LP units and is shown in thousands at the end of the respective periods.

FFO for the three months ended September 30, 2021 was \$11.1 million and \$13.1 million for the same period in 2020. The decrease is a result of lower NOI from asset dispositions and two known vacancies in Atlantic Canada during the three months ended September 30, 2021. Interest and finance costs were higher for the three months ended September 30, 2021 compared to the same period in the prior year as a result of

debt refinancing completed in the fourth quarter of 2020. On a per unit basis, FFO decreased \$0.03 for the three months ended September 30, 2021 compared to the same period in the prior year.

For the nine months ended September 30, 2021 FFO was \$31.2 million and \$38.2 million for the nine months ended September 30, 2020. The decrease year-over-year is a result of reduced parking revenue of \$1.3 million due to decreased contract parking, low building utilization and less event parking across the REIT's portfolio. The REIT also disposed of 5404 36th Street SE in Calgary, AB in December 2020, 307-311 Old Airport Road in Yellowknife, NT in October 2020, and 4211 Yonge Street in Toronto, ON in January 2020. The decrease in FFO year-over-year is also due to higher interest costs on debt as a result of debt refinancing completed throughout 2020. On a per unit basis, FFO decreased \$0.09 for the nine months ended September 30, 2021 compared to the same period in the prior year.

Core-FFO decreased to \$11.9 million or \$0.16 per unit for the three months ended September 30, 2021 from \$13.8 million or \$0.19 per unit for the same period in 2020. The changes are a result of the changes as described for FFO and a step up in payments received on the REIT's finance lease receivable.

ADJUSTED FUNDS FROM OPERATIONS

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

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

Guaranteed income supplements are cash amounts received from vendors or properties acquired by the REIT that are not recognized in income. Such amounts were negotiated between the REIT and certain vendors to compensate the REIT for lost income related to free rent periods and/or vacancies. The REIT was provided an income supplement in the aggregate amount of \$2.4 million to be received in equal quarterly installments in each of the eight calendar quarters following the acquisition of a seven asset portfolio in the Greater Toronto Area and Atlantic Canada from Slate Canadian Real Estate Opportunity Fund I L.P. ("SCREO I L.P."). The REIT recognizes interest income related to the difference between the present value on acquisition and the \$2.4 million principal amount. Accordingly, the REIT recognizes in AFFO the cash portion received in excess of any amount already included in net income. The last payment under this income supplement was received in the first quarter of 2020.

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

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

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

The method applied by the REIT to calculate AFFO may differ from methods applied by other issuers in the real estate industry and differs from the definition of AFFO as defined by RealPAC in its White Paper, as issued in February 2019.

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cash flow from operating activities	\$ 12,329	\$ 17,354	\$ 29,095	\$ 36,922
Add (deduct):				
Working capital items	(670)	(4,714)	2,981	(1,392)
Principal repayments on finance lease receivable	796	747	2,351	2,071
Distributions paid to Class B LP unitholders	528	528	1,584	1,584
Transaction costs	—	12	—	1,577
Interest rate subsidy	108	108	324	324
Guaranteed income supplements	—	—	—	296
Normalized direct leasing and capital costs	(2,050)	(2,258)	(6,014)	(6,629)
AFFO	\$ 11,041	\$ 11,777	\$ 30,321	\$ 34,753

The following table reconciles AFFO from NOI:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net operating income	\$ 23,012	\$ 24,040	\$ 66,735	\$ 70,446
Add (deduct):				
General and administrative expenses	(1,847)	(1,941)	(5,959)	(5,783)
Finance lease payments received	1,605	1,605	4,816	4,677
Cash interest	(9,733)	(9,777)	(29,527)	(28,578)
Interest rate subsidy	108	108	324	324
Guaranteed income supplements	—	—	—	296
Normalized direct leasing and capital costs	(2,050)	(2,258)	(6,014)	(6,629)
Current income tax expense	(54)	—	(54)	—
AFFO	\$ 11,041	\$ 11,777	\$ 30,321	\$ 34,753

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Core-FFO	\$ 11,888	\$ 13,813	\$ 33,520	\$ 40,280
Add (deduct):				
Amortization of deferred transaction costs	778	695	2,343	1,999
Amortization of debt mark-to-market adjustments	(39)	(214)	(118)	(330)
Amortization of straight-line rent	356	(367)	266	(1,187)
Interest rate subsidy	108	108	324	324
Guaranteed income supplements	—	—	—	296
Normalized direct leasing and capital costs	(2,050)	(2,258)	(6,014)	(6,629)
AFFO	\$ 11,041	\$ 11,777	\$ 30,321	\$ 34,753
Weighted average number of units outstanding ¹	73,283	73,227	73,276	73,236
AFFO per unit (diluted)	\$ 0.15	\$ 0.16	\$ 0.41	\$ 0.47

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

For the three months ended September 30, 2021, AFFO was \$11.0 million or \$0.15 per unit, whereas AFFO for the same period in 2020 was \$11.8 million or \$0.16 per unit, representing a decrease of \$0.7 million and \$0.01 on a per unit basis. The decrease is a result of increased cash interest of \$0.7 million due to refinancings completed across the portfolio throughout 2020 and lower NOI of \$1.0 million. The decrease in NOI is driven by asset dispositions throughout 2020 which decreased NOI by \$0.1 million and two tenant vacancies in Atlantic Canada which reduced NOI by \$1.0 million, inclusive of termination income. This is offset by greater NOI contribution from the REIT's hotel asset of \$0.4 million from increased travel activity during the three months ended September 30, 2021 compared to the same period in the prior year.

For the nine months ended September 30, 2021, AFFO was \$30.3 million or \$0.41 per unit, a decrease of \$4.4 million or \$0.06 per unit compared to the same period in the prior year. This decrease is a result of higher cash interest of \$0.9 million from refinancings completed across the portfolio during 2020 and lower NOI of \$3.7 million. The decrease in NOI is largely due to asset dispositions and two tenant vacancies in Atlantic Canada which together reduced NOI by \$3.2 million inclusive of termination income. Lower parking revenue further reduced NOI by \$1.3 million.

Reconciliation of FFO, Core-FFO and AFFO

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net income	\$ 8,657	\$ 16,221	\$ 32,979	\$ 7,004
Add (deduct):				
Leasing costs amortized to revenue	2,159	1,825	6,333	5,340
Change in fair value of properties	(41)	(653)	(8,604)	(1,805)
IFRIC 21 property tax adjustment ¹	(2,368)	(2,254)	2,384	2,339
Change in fair value of financial instruments	1,817	(2,349)	(11,651)	33,581
Transaction costs	—	12	—	1,577
Depreciation of hotel asset	257	264	765	788
Deferred income tax expense (recovery)	823	—	1,777	(96)
Change in fair value of Class B LP units	(740)	(528)	5,602	(12,103)
Distributions to Class B unitholders	528	528	1,584	1,584
FFO	11,092	13,066	31,169	38,209
Finance income on finance lease receivable	(809)	(858)	(2,465)	(2,606)
Finance lease payments received	1,605	1,605	4,816	4,677
Core-FFO	11,888	13,813	33,520	40,280
Amortization of deferred transaction costs	778	695	2,343	1,999
Amortization of debt mark-to-market adjustments	(39)	(214)	(118)	(330)
Amortization of straight-line rent	356	(367)	266	(1,187)
Interest rate subsidy	108	108	324	324
Guaranteed income supplements	—	—	—	296
Normalized direct leasing and capital costs	(2,050)	(2,258)	(6,014)	(6,629)
AFFO	\$ 11,041	\$ 11,777	\$ 30,321	\$ 34,753

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
FFO per unit (diluted)	\$ 0.15	\$ 0.18	\$ 0.43	\$ 0.52
Core-FFO per unit (diluted)	0.16	0.19	0.46	0.55
AFFO per unit (diluted)	0.15	0.16	0.41	0.47

DISTRIBUTIONS

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

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

The following table summarizes distributions declared and settled during the three months ended September 30, 2021 and 2020 to unitholders of the REIT and Class B LP unitholders:

	Three months ended September 30, 2021			Three months ended September 30, 2020		
	Class B			Class B		
	Trust units	LP units	Total	Trust units	LP units	Total
Distributions declared and settled	\$ 6,770	\$ 528	\$ 7,298	\$ 6,770	\$ 528	\$ 7,298

The following table summarizes distributions declared and settled during the nine months ended September 30, 2021 and 2020 to unitholders of the REIT and Class B LP unitholders:

	Nine months ended September 30, 2021			Nine months ended September 30, 2020		
	Class B			Class B		
	Trust units	LP units	Total	Trust units	LP units	Total
Distributions declared and settled	\$ 20,310	\$ 1,584	\$ 21,894	\$ 20,317	\$ 1,584	\$ 21,901

The following table summarizes distributions made during the three and nine months ended September 30, 2021 and 2020 to unitholders of the REIT and Class B LP unitholders compared to cash provided by operations and net income:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cash provided by operations	\$ 12,329	\$ 17,354	\$ 29,095	\$ 36,922
Net income	8,657	16,221	32,979	7,004
Distributions declared	7,298	7,298	21,894	21,901
Excess cash provided by operations over total distributions	\$ 5,031	\$ 10,056	\$ 7,201	\$ 15,021
Excess (shortfall) of net income over total distributions	\$ 1,359	\$ 8,923	\$ 11,085	\$ (14,897)

Distributions made during the three and nine months ended September 30, 2021 and 2020 were settled in cash. Cash provided by operations exceeded total distributions for the three and nine months ended September 30, 2021 and 2020. Net income exceeded distributions declared for the three months ended September 30, 2021 and 2020 and for the nine months ended September 30, 2021. For the nine months ended September 30, 2020, distributions declared exceeded net income. This is largely due to non-cash loss on the fair value of financial instruments of \$33.6 million. When distributions are more than cash flow from operating activities the REIT finances such amounts from cash on hand and/or borrowings on its credit facility and represent a return of capital.

Taxation of distributions

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

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

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

FFO, CORE-FFO AND AFFO PAYOUT RATIOS

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

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

The REIT's AFFO payout ratio for the three months ended September 30, 2021 was 66.1% and the REIT looks to maintain current distribution rates to provide consistent returns to unitholders.

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
FFO	\$ 11,092	\$ 13,066	\$ 31,169	\$ 38,209
REIT unit and Class B LP distributions declared and settled	7,298	7,298	21,894	21,901
Excess of FFO over cash distributions	\$ 3,794	\$ 5,768	\$ 9,275	\$ 16,308
FFO payout ratio	65.8%	55.9%	70.2%	57.3%

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Core-FFO	\$ 11,888	\$ 13,813	\$ 33,520	\$ 40,280
REIT unit and Class B LP distributions declared and settled	7,298	7,298	21,894	21,901
Excess of Core-FFO over cash distributions	\$ 4,590	\$ 6,515	\$ 11,626	\$ 18,379
Core-FFO payout ratio	61.4%	52.8%	65.3%	54.4%

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
AFFO	\$ 11,041	\$ 11,777	\$ 30,321	\$ 34,753
REIT unit and Class B LP distributions declared and settled	7,298	7,298	21,894	21,901
Excess of AFFO over cash distributions	\$ 3,743	\$ 4,479	\$ 8,427	\$ 12,852
AFFO payout ratio	66.1%	62.0%	72.2%	63.0%

The FFO, Core-FFO and AFFO payout ratios have increased for the nine months ended September 30, 2021 compared to the same period in 2020 as a result of lower NOI from asset dispositions and certain known tenant vacancies.

SEGMENTED INFORMATION

The REIT has NOI from four geographic locations. The following is the REIT's NOI by geographic region for the three months ended September 30, 2021 and 2020:

	Three months ended September 30,			
	2021		2020	
	NOI	Percentage (%)	NOI	Percentage (%)
Atlantic	\$ 7,213	31.3%	\$ 8,464	35.2%
Ontario	8,766	38.2%	8,830	36.7%
Western	1,228	5.3%	1,489	6.2%
U.S.	5,805	25.2%	5,257	21.9%
Total	\$ 23,012	100.0%	\$ 24,040	100.0%

The following is the REIT's NOI by geographic region for the nine months ended September 30, 2021 and 2020:

	Nine months ended September 30,			
	2021		2020	
	NOI	Percentage (%)	NOI	Percentage (%)
Atlantic	\$ 20,286	30.4%	\$ 24,824	35.2%
Ontario	26,437	39.6%	26,215	37.2%
Western	3,478	5.2%	4,210	6.0%
U.S.	16,534	24.8%	15,197	21.6%
Total	\$ 66,735	100.0%	\$ 70,446	100.0%

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Atlantic				
# of properties	14	14	14	14
Owned GLA (000s of square feet)	2,663	2,639	2,663	2,639
Occupancy rate (%) (period-end)	74.4%	77.1%	74.4%	77.1%
Revenue	\$ 15,696	\$ 16,394	\$ 44,775	\$ 51,593
Property operating expenses	(9,343)	(8,803)	(26,648)	(29,147)
Straight-line rent and other changes	860	873	2,159	2,378
NOI	\$ 7,213	\$ 8,464	\$ 20,286	\$ 24,824

NOI for the Atlantic properties decreased by \$1.3 million for the three months ended September 30, 2021 compared to the same period in 2020. The decrease is a result of certain known tenant vacancies in 2020 comprising approximately 119,000 square feet which decreased NOI by \$1.0 million, inclusive of termination income. The REIT's hotel contributed \$0.4 million additional NOI compared to the same period in the prior year as a result of eased travel restrictions which offset the overall decrease in NOI.

NOI for the Atlantic properties decreased by \$4.5 million for the nine months ended September 30, 2021 compared to the same period in 2020. The decrease is a result of lower parking revenue of \$0.7 million and the previously known vacancies at two of the REIT's Atlantic Canada assets which have decreased NOI by \$3.2 million year-over-year, inclusive of termination income.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Ontario				
# of properties	12	12	12	12
Owned GLA (000s of square feet)	2,765	2,760	2,765	2,760
Occupancy rate (%) (period-end)	89.7%	90.5%	89.7%	90.5%
Revenue	\$ 14,970	\$ 16,455	\$ 46,111	\$ 48,732
Property operating expenses	(7,208)	(8,018)	(22,106)	(23,950)
Straight-line rent and other changes	1,004	393	2,432	1,433
NOI	\$ 8,766	\$ 8,830	\$ 26,437	\$ 26,215

NOI in Ontario was \$8.8 million for the three months ended September 30, 2021 was consistent with NOI for the three months ended September 30, 2020. NOI for the nine months ended September 30, 2021 was \$26.4 million compared to NOI of \$26.2 million for the nine months ended September 30, 2020, representing an increase of \$0.2 million. Parking revenue decreased \$0.7 million year-over-year as a result of decreased parking contracts, low utilization and less event parking at the REIT's properties, offset by higher termination income, mainly due to termination income from a tenant in the travel industry in the second quarter of 2021 of \$1.0 million.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Western				
# of properties	6	8	6	8
Owned GLA (000s of square feet)	463	513	463	513
Occupancy rate (%) (period-end)	89.6%	92.9%	89.6%	92.9%
Revenue	\$ 2,353	\$ 2,687	\$ 7,057	\$ 8,097
Property operating expenses	(1,149)	(1,220)	(3,647)	(3,950)
Straight-line rent and other changes	24	22	68	63
NOI	\$ 1,228	\$ 1,489	\$ 3,478	\$ 4,210
NOI from Data Centre	1,605	1,605	4,816	4,677
NOI including Data Centre	\$ 2,833	\$ 3,094	\$ 8,294	\$ 8,887

Including income from the Data Centre NOI for the Western properties was \$2.8 million for the three months ended September 30, 2021, which is a decrease from \$3.1 million in the comparable period. The decrease is primarily a result of the disposition of 5404 36th Street SE in Calgary, AB and 307-311 Old Airport Road in Yellowknife, NT. The Data Centre is accounted for as a finance lease and corresponding interest income is recorded below NOI and principal repayments reduce the balance of the lease receivable.

NOI for the nine months ended September 30, 2021 decreased \$0.6 million to \$8.3 million. The decrease is a result of the disposition of 5404 36th Street SE in Calgary, AB and 307-311 Old Airport Road in Yellowknife, NT. The Data Centre is accounted for as a finance lease and corresponding interest income is recorded below NOI and principal repayments reduce the balance of the lease receivable.

United States	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
# of properties	2	2	2	2
Owned GLA (000s of square feet)	1,026	1,040	1,026	1,040
Occupancy rate (%) (period-end)	86.3%	89%	86.3%	89%
Revenue	\$ 10,617	\$ 10,315	\$ 30,413	\$ 31,725
Property operating expenses	(3,071)	(2,976)	(18,203)	(19,149)
IFRIC 21 property tax adjustment ¹	(2,368)	(2,254)	2,384	2,340
Straight-line rent and other changes	627	171	1,940	281
NOI	\$ 5,805	\$ 5,257	\$ 16,534	\$ 15,197

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

NOI for the three months ended September 30, 2021 was \$5.8 million which is an increase of \$0.5 million compared to the same period in 2020. This is largely a result of termination income received of \$0.8 million. This termination income pertains to a tenant in the REIT's U.S. portfolio which is expected to vacate mid-2022, providing the REIT with lead time to implement a leasing strategy to backfill this space. This is offset by a decrease in the average U.S. exchange rate during the three months ended September 30, 2021 compared to the same period in 2020 which decreased NOI \$0.4 million.

For the nine months ended September 30, 2021, NOI was \$16.5 million which is an increase of \$1.3 million compared to the same period in 2020. The increase is due to \$0.8 million of termination income received during the nine months ended September 30, 2021. NOI from US properties decreased as a result of lower average U.S. exchange rates in 2021 compared to the same period in 2020.

REVENUE

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Property base rent ¹	\$ 22,226	\$ 23,451	\$ 66,525	\$ 70,219
Operating cost recoveries	14,553	15,006	42,760	46,809
Tax recoveries	7,594	8,013	23,062	24,567
Hotel	1,778	840	2,608	2,708
Straight-line adjustments and other changes	(2,515)	(1,458)	(6,599)	(4,153)
Total	\$ 43,636	\$ 45,852	\$ 128,356	\$ 140,150

¹Includes parking revenue earned at properties.

For the three months ended September 30, 2021, revenue from properties was \$43.6 million which is lower than \$45.9 million for the same period in 2020. The decrease is a result of the disposition 307-311 Old Airport Road in Yellowknife, NT in October 2020 and 5404 36th Street SE in Calgary, AB in December 2020. Furthermore, the REIT had tenants comprising approximately 119,000 square feet which vacated two of the REIT's assets as of the third quarter of 2020 which reduced revenue for the three months ended September 30, 2021 compared to the same period in the prior year. This was offset by increased revenue at the REIT's hotel property \$0.9 million as a result of eased COVID-19 related restrictions which increased travel in New Brunswick.

For the nine months ended September 30, 2021, revenue from properties was \$128.4 million, lower than \$140.2 million for the same period in 2020. The decrease is a result of the disposition of 3 properties in 2020, tenants comprising approximately 119,000 square feet which vacated two of the REIT's assets as of the third quarter of 2020 and decreased parking of \$1.3 million as a result of lower utilization rates across the REIT's portfolio and lower event traffic in 2021 compared to 2020.

PROPERTY OPERATING RECOVERIES AND EXPENSES

Property operating expenses consist of property taxes, property management fees and other expenses such as common area costs, utilities and insurance. The majority of the REIT's property operating expenses are recoverable from tenants in accordance with the terms of the tenants' lease agreements. Operating cost recoveries are included in revenue from properties and amounted to \$14.6 million for the three months ended September 30, 2021 compared to \$15.0 million for the same period in 2020. Property tax recoveries were \$7.6 million for the three months ended September 30, 2021 which is lower than \$8.0 million for the same period in 2020. The decrease is a result of asset dispositions, lower operating expenses due to lower building utilization during the COVID-19 pandemic and lower average occupancy in 2021 compared to the same period in the prior year.

For the nine months ended September 30, 2021, operating cost recoveries amounted to \$42.8 million compared to \$46.8 million for the same period in 2020. Property tax recoveries decreased to \$23.1 million for the nine months ended September 30, 2021 from \$24.6 million for the same period in 2020.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are primarily comprised of asset management fees, professional fees, trustee fees and other amounts. For the three months ended September 30, 2021, general and administrative expenses decreased \$0.1 million compared to the same period in the prior year as a result of lower bad debt expense and professional fees. For the nine months ended September 30, 2021 compared with the same period in 2020, general and administrative expenses increased \$0.2 million as a result of higher professional fees incurred on the renewal of the REIT's base shelf prospectus in 2021.

INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Mortgage interest	\$ 6,623	\$ 6,729	\$ 19,343	\$ 19,424
Interest on other debt	2,843	2,794	9,429	8,442
Amortization of financing costs	778	695	2,343	1,999
Amortization of debt mark-to-market adjustments	(39)	(214)	(118)	(330)
Interest on convertible debentures	380	384	1,129	1,136
Total	\$ 10,585	\$ 10,388	\$ 32,126	\$ 30,671

For the three months ended September 30, 2021, interest and finance costs were \$10.6 million, which increased by \$0.2 million when compared to the same period in 2020. Interest and finance costs for the nine months ended September 30, 2021 were \$32.1 million compared to \$30.7 million for the same period in 2020. These increases are primarily from debt refinancing completed throughout 2020.

FINANCE INCOME ON FINANCE LEASE RECEIVABLE

The REIT has a 15 year lease with Bell MTS Data Centres GP for the Data Centre. The terms of the lease at inception met the requirements for classification as a finance lease because the minimum lease payments amounted to at least substantially all of the fair value of the leased asset. As a result of this classification, a portion of the lease payments earned on the property is recorded as interest income on finance lease. Interest income recognized on the finance lease for the nine months ended September 30, 2021 was \$0.8 million and \$0.9 million for the same period in 2020.

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

CHANGE IN FAIR VALUE OF PROPERTIES

The gain in fair value of properties for the three months ended September 30, 2021 was \$0.6 million lower than the gain recognized in the comparative period in 2020. A large portion of the change in fair value of properties relates to property appraisals obtained in the three months ended September 30, 2020. This was offset by the agreed upon sale price for 1 Eva road which increased fair value for the nine months ended September 30, 2021.

CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

The change in fair value of financial instruments represents the change in the fair value of the REIT's interest rate swaps, deferred unit liabilities on deferred units issued to Trustees and Officers of the REIT and a performance payment receivable to the REIT based on the financial performance of certain properties. The fair value of financial instruments decreased \$4.2 million for the three months ended September 30, 2021 and increased \$45.2 million for the nine months ended September 30, 2021, compared to the same period in 2020 primarily due to higher forward interest rates for the current year which impacts the REIT's pay-fixed receive-float interest rate swaps. This was offset by a decrease in fair value of the performance payment.

INCOME TAXES

The REIT is a mutual fund trust and real estate investment trust pursuant to the Tax Act. Under the Tax Act, so long as the REIT meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"), the REIT is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders during the period. Management intends to operate the REIT in a manner that enables the REIT to continue to meet the REIT Conditions and to distribute all of its taxable income to unitholders. The REIT has reviewed the SIFT Rules and has assessed their application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions for the nine months ended September 30, 2021 and 2020, and accordingly is not subject to current income taxes in Canada. Accordingly, no provision for current income taxes is required, except for amounts incurred by the U.S. subsidiary.

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

QUARTERLY INFORMATION

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

	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Revenue	\$ 43,636	\$ 41,559	\$ 43,161	\$ 43,436	\$ 45,852	\$ 44,604	\$ 49,694	\$ 51,329
Operating costs	(20,771)	(18,828)	(31,005)	(21,450)	(21,016)	(20,365)	(34,815)	(25,599)
IFRIC 21 property tax adjustment	(2,368)	(2,567)	7,319	(2,339)	(2,254)	(2,576)	7,169	(2,555)
Straight-line rent and other	2,515	2,214	1,870	1,471	1,458	1,748	947	999
Net operating income	\$ 23,012	\$ 22,378	\$ 21,345	\$ 21,118	\$ 24,040	\$ 23,411	\$ 22,995	\$ 24,174
Net income (loss)	\$ 8,657	\$ 5,684	\$ 18,638	\$ 6,644	\$ 16,221	\$ 5,689	\$ (14,906)	\$ 19,813
Weighted average diluted units ¹	73,283	73,279	73,266	73,246	73,227	73,203	73,278	73,278
Net income (loss) and comprehensive income (loss) per unit	\$ 0.12	\$ 0.08	\$ 0.25	\$ 0.09	\$ 0.22	\$ 0.08	\$ (0.20)	\$ 0.27
Distributions ²	\$ 7,298	\$ 7,298	\$ 7,298	\$ 7,298	\$ 7,298	\$ 7,298	\$ 7,305	\$ 7,309
Distributions per unit	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10
FFO ³	\$ 11,092	\$ 10,443	\$ 9,634	\$ 8,625	\$ 13,066	\$ 12,735	\$ 12,408	\$ 12,600
FFO per unit - diluted ³	\$ 0.15	\$ 0.14	\$ 0.13	\$ 0.12	\$ 0.18	\$ 0.17	\$ 0.17	\$ 0.17
FFO payout ratio ³	65.8%	69.9%	75.8%	84.6%	55.9%	57.3%	58.9%	58.0%
Core-FFO ³	\$ 11,888	\$ 11,226	\$ 10,406	\$ 9,384	\$ 13,813	\$ 13,413	\$ 13,054	\$ 13,236
Core-FFO per unit - diluted ³	\$ 0.16	\$ 0.15	\$ 0.14	\$ 0.13	\$ 0.19	\$ 0.18	\$ 0.18	\$ 0.18
Core-FFO payout ratio ³	61.4%	65.0%	70.1%	77.8%	52.8%	54.4%	56.0%	55.2%
AFFO ³	\$ 11,041	\$ 10,069	\$ 9,211	\$ 8,439	\$ 11,777	\$ 11,787	\$ 11,189	\$ 11,498
AFFO per unit - diluted ³	\$ 0.15	\$ 0.14	\$ 0.13	\$ 0.12	\$ 0.16	\$ 0.16	\$ 0.15	\$ 0.16
AFFO payout ratio ³	66.1%	72.5%	79.2%	86.5%	62.0%	61.9%	65.3%	63.6%
Properties	\$1,617,844	\$1,601,135	\$1,595,777	\$1,593,945	\$1,609,242	\$1,602,165	\$1,608,638	\$1,622,085
Total assets	\$1,692,896	\$1,680,405	\$1,674,255	\$1,679,207	\$1,694,187	\$1,695,859	\$1,700,643	\$1,709,964
Debt	\$ 986,059	\$ 976,239	\$ 968,399	\$ 972,604	\$ 979,004	\$ 987,461	\$ 991,057	\$1,001,947
IFRS net asset value ("NAV")	\$ 647,020	\$ 642,797	\$ 639,464	\$ 627,504	\$ 629,904	\$ 623,277	\$ 629,983	\$ 659,057
Diluted units outstanding ¹	73,200	73,291	73,277	73,263	73,244	73,225	73,201	73,291
IFRS NAV per unit	\$ 8.84	\$ 8.77	\$ 8.73	\$ 8.57	\$ 8.60	\$ 8.51	\$ 8.61	\$ 8.99
LTV ratio	58.3%	58.2%	58.0%	58.0%	57.8%	58.3%	58.3%	58.7%
Net debt to adjusted EBITDA	11.8x	11.6x	11.3x	11.1x	10.8x	10.6x	10.4x	10.1x
Interest coverage ratio ³	2.1x	2.1x	2.1x	2.2x	2.3x	2.3x	2.2x	2.2x
Debt service coverage ratio ³	1.6x	1.6x	1.7x	1.7x	1.8x	1.8x	1.7x	1.7x
Leasing activity (square feet)	166,520	347,574	102,742	137,047	142,881	103,827	304,571	190,894
Leasing activity as a % of portfolio	2.4%	5.0%	1.5%	2.0%	2.1%	1.5%	4.4%	2.7%
Weighted average lease term (years)	5.3	5.4	5.3	5.4	5.5	5.4	5.5	5.6
Number of properties	34	34	34	34	36	36	36	37
Office GLA	6,853,184	6,849,082	6,845,148	6,846,248	6,836,593	6,825,669	6,821,215	6,998,980
Total GLA	6,916,623	6,912,521	6,908,587	6,909,687	6,951,427	6,940,503	6,936,049	7,113,814
Occupancy - excluding redevelopment	83.3%	83.6%	83.5%	84.2%	86.0%	88.0%	87.7%	88.3%
Occupancy	83.3%	83.6%	83.5%	84.2%	85.4%	86.8%	86.5%	87.1%

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

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

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

PART IV - FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

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

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

The REIT's available liquidity is as follows:

	September 30, 2021	December 31, 2020
Cash	\$ 5,323	\$ 8,520
Undrawn revolving facilities	26,354	46,245
Liquidity	\$ 31,677	\$ 54,765

DEBT STRATEGY

The REIT's obligations with respect to debt repayments and funding requirements for future investment property acquisitions will be primarily funded from cash retained after distributions, refinancing the REIT's maturing debt, financing unencumbered properties or future issuances of trust units.

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

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

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

Convertible Debentures

On January 26, 2018, the REIT issued \$28.8 million of 5.25% convertible unsecured subordinated debentures of the REIT. The convertible debentures are convertible into freely tradeable units at the option of the holder at any time prior to the close of business on the earliest of: (i) the last business day before February 28, 2023; or (ii) if called for redemption, the business day immediately preceding the date specified by the REIT for redemption of the debentures, at a conversion price of \$10.53 per unit (the "Conversion Price"). Convertible debenture holders converting their debentures will, in addition to the applicable number of units to be received on conversion, receive accrued and unpaid interest, if any, for the period from the last interest payment date on their convertible debentures to and including the last record date set by the REIT occurring prior to the date of conversion for determining the unitholders entitled to receive a distribution on the units.

On and from February 28, 2021, and prior to February 28, 2022, 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 February 28, 2022, and prior to February 28, 2023, the convertible debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice. During the nine months ended September 30, 2021 the REIT did not redeem any of the convertible debentures.

Maturity profile

The REIT's 2021 maturities relate to three office properties that are well tenanted with long weighted average lease terms and the REIT expects normal course renewals. The following is a summary of future principal repayments and maturities at September 30, 2021:

Remainder of 2021	\$ 32,638
2022	493,389
2023	218,617
2024	6,475
2025	88,187
Thereafter	151,481
Total	\$ 990,787

Debt profile

Debt held by the REIT at September 30, 2021 is as follows:

	Maturity	Coupon ¹	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn ²
Mortgages ^{3 4 5}	Various	Various	17	\$ 1,014,234	\$ 618,393	\$ 618,393	\$ —	\$ —
Revolving facilities ^{5 6 7}	Oct. 14, 2022	Various	16	600,210	370,898	343,644	900	26,354
Convertible debentures	Feb. 28, 2023	5.25%	—	—	28,750	28,750	—	—
Total			33	\$1,614,444	\$ 1,018,041	\$ 990,787	\$ 900	\$ 26,354

¹BA* means the one-month Bankers' Acceptances rate and "bps" means basis point or 1/100th of one percent.

²Debt is only available to be drawn subject to certain covenants and other requirements.

³The weighted average remaining term to maturity of mortgages is 2.7 years with maturities ranging from 0.1 to 9.0 years and the weighted average interest rate of mortgages is 3.21% with coupons ranging from 2.45% to 4.95%.

⁴Security includes the Data Centre, which is accounted for as a finance lease receivable and not included in the REIT's properties. The fair value of security includes the carrying value of the finance lease receivable.

⁵Certain amounts have been translated from U.S. to Canadian dollars using the prevailing exchange rate on September 30, 2021.

⁶Stand-by fees incurred on the unutilized portion of on the revolving operating facility and the revolving credit facility are 68.75 bps, charged and paid quarterly.

⁷Principal balance includes \$270.1 million and U.S. \$58.0 million of operating facilities. The remaining term to maturity of revolving facilities is 1 years and the weighted average interest rate of revolving facilities is 3.09%.

The carrying value of debt held by the REIT at September 30, 2021 is as follows:

	Principal	Mark-to-market ("MTM") adjustments and costs	Accumulated amortization of MTM adjustments, costs and other	Carrying amount	Current	Non-current
Mortgages	\$ 618,393	\$ (2,394)	\$ (59)	\$ 615,940	\$ 167,964	\$ 447,976
Revolving facilities	343,644	(3,318)	1,548	341,874	—	341,874
Convertible debentures ¹	28,750	(1,320)	815	28,245	—	28,245
Total	\$ 990,787	\$ (7,032)	\$ 2,304	\$ 986,059	\$ 167,964	\$ 818,095

¹Represents the debt component of the convertible debentures. The embedded derivative features, which are the holder conversion option and the issuer redemption option, originally recorded in the amount of \$0.2 million, are accounted for separately. These embedded derivative features are included within derivatives on the REIT's consolidated statements of financial position.

INDEBTEDNESS RATIO

The indebtedness ratio is a non-IFRS measure calculated by the REIT. In accordance with the REIT's Declaration of Trust, the REIT's indebtedness may not exceed 65% of gross book value, which is defined by the Declaration of Trust as total assets less restricted cash. The REIT's indebtedness ratio at September 30, 2021 was 58.3% (December 31, 2020 - 58.0%). Subject to market conditions and the growth of the REIT, management's medium term target is to maintain total indebtedness at approximately 55%. The success of this strategy is dependent upon debt market parameters existing at the time of borrowing, as well as the particular features and quality of the underlying assets being financed. If this strategy is unsuccessful, debt principal repayments may need to be funded by operating cash flows, additional draws under the REIT's revolving credit and operating facilities, financing of unencumbered income-producing properties or by issuances of equity or debt securities. Additional investment and operating guidelines are provided for by the Declaration of Trust. The REIT is in compliance with these guidelines.

The REIT's indebtedness level is calculated as follows:

	September 30, 2021	December 31, 2020
Total assets	\$ 1,692,896	\$ 1,679,207
Less: restricted cash	(1,056)	(3,327)
Gross book value	1,691,840	1,675,880
Debt	\$ 986,059	\$ 972,604
Leverage ratio	58.3%	58.0%

ADJUSTED EBITDA

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

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

	Twelve months ended September 30,	
	2021	2020
Net income	\$ 39,623	\$ 26,817
Straight line rent and other changes	8,070	5,152
Interest income	(505)	(573)
Interest and finance costs	43,952	41,788
Change in fair value of properties	(6,685)	(1,337)
IFRIC 21 property tax adjustment ¹	45	(216)
Change in fair value of financial instruments	(15,429)	27,081
Distributions to Class B shareholders	2,112	2,112
Transaction costs	402	2,393
Depreciation of hotel asset	1,035	1,049
Change in fair value of Class B LP units	8,667	(14,640)
Deferred income tax expense	1,777	765
Current income tax expense	54	—
Adjusted EBITDA	\$ 83,118	\$ 90,391

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

The following is a calculation of adjusted EBITDA:

	Twelve months ended September 30,	
	2021	2020
Rental revenue	\$ 171,792	\$ 191,479
Property operating expenses	(92,054)	(101,795)
IFRIC 21 property tax adjustment ¹	45	(216)
Finance income on finance lease receivable	3,311	3,495
Straight-line rent and other changes	8,070	5,152
General and administrative	(8,046)	(7,724)
Adjusted EBITDA	\$ 83,118	\$ 90,391

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

INTEREST COVERAGE

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

Net debt to adjusted EBITDA leverage ratio

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

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

	September 30, 2021	December 31, 2020
Debt	\$ 986,059	\$ 972,604
Less: Cash on hand	5,323	8,520
Net debt	980,736	964,084
Adjusted EBITDA ¹	83,118	87,146
Net debt to Adjusted EBITDA (times)	11.8x	11.1x

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

Interest coverage ratio

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

The following is a calculation of interest coverage ratio:

	Twelve months ended September 30,	
	2021	2020
Adjusted EBITDA	\$ 83,118	\$ 90,391
Interest expense	40,372	39,497
Interest coverage ratio (times)	2.1x	2.3x

Debt service coverage ratio

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

The following is a calculation of debt service coverage ratio:

	Twelve months ended September 30,	
	2021	2020
Adjusted EBITDA	\$ 83,118	\$ 90,391
Interest expense	40,372	39,497
Principal repayments	10,756	11,469
Debt service requirements	\$ 51,128	\$ 50,966
Debt service coverage ratio (times)	1.6x	1.8x

DEBT REPAYMENT SCHEDULE

The following table outlines the REIT's annual principal payments and maturity schedule, together with the weighted average annual interest rates at September 30, 2021:

	Annual Principal Payments	Principal Repayments on Maturity	Total	Percentage (%)	Weighted Average Contractual Interest Rate on Maturing Debt (%)
Remainder of 2021	\$ 2,626	\$ 30,012	\$ 32,638	3.2%	3.9%
2022	9,582	483,807	493,389	49.8%	2.9%
2023	7,566	211,051	218,617	22.1%	3.9%
2024	6,475	—	6,475	0.7%	0.0%
2025	6,416	81,771	88,187	8.9%	3.0%
Thereafter	15,217	136,264	151,481	15.3%	2.7%
Weighted average interest rate					3.2%

The REIT has managed indebtedness to ensure the REIT is not exposed to liquidity risk due to concentration of debt maturities. As part of this strategy, the REIT is proactive in negotiating renewals for near term debt maturities. The REIT has \$32.6 million of debt maturing throughout 2021. These maturities pertain to well tenanted buildings with long weighted average lease terms and as such, the REIT has completed the following subsequent to September 30, 2021:

- i. The REIT refinanced 365 Hargrave in Winnipeg, MB for incremental proceeds of \$3.0 million on a four year term.
- ii. The REIT refinanced 120 South LaSalle in Chicago, IL for a 1 year term and obtained incremental proceeds of U.S.\$10.0 million with the existing lender.
- iii. The REIT has agreed to terms to refinancing Gateway Centre for a period of 2 years and incremental proceeds of \$10.5 million.

At September 30, 2021, after the impact of the REIT's pay-fixed receive-float interest rate swaps, the REIT had floating rate debt of \$102.4 million (December 31, 2020 – nil).

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

	September 30, 2021	December 31, 2020
Change of 25 bps	\$ 256	\$ —

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following is a summary of the REIT's contractual obligations over the next five years at September 30, 2021:

	Total contractual cash flow		Remainder of 2021	2022-2023	2024-2025	Thereafter
Accounts payable and accrued liabilities	\$	35,221	\$ 32,831	\$ 1,226	\$ 1,164	\$ —
Amortizing principal repayments on debt		47,882	2,626	17,148	12,891	15,217
Principal repayments on maturity of debt		942,905	30,012	694,858	81,771	136,264
Interest on debt ¹		63,674	7,836	36,996	13,527	5,315
Interest rate swaps ²		15,227	1,972	10,390	2,738	127
Other liabilities		6,486	1,279	1,751	984	2,472
Total	\$	1,111,395	\$ 76,556	\$ 762,369	\$ 113,075	\$ 159,395

¹Interest amounts on floating debt have been determined using floating rates at September 30, 2021.

²Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the September 30, 2021 floating rate.

DERIVATIVES

Interest rate derivatives

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

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

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

Maturity date	Floating interest rate ¹	Fixed interest rate	Notional amount ²		Fair value	
			September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
June 10, 2021	1 month CDOR	1.87%	\$ —	\$ 61,528	\$ —	\$ (455)
June 30, 2021	1 month BA	1.94%	—	35,000	—	(260)
April 12, 2023	1 month BA	1.90%	58,281	58,281	(976)	(1,794)
April 12, 2023	1 month CDOR	2.04%	75,976	77,708	(1,545)	(2,699)
April 12, 2023	1 month CDOR	2.04%	35,879	36,697	(730)	(1,275)
August 14, 2023	1 month BA	2.77%	17,904	18,249	(657)	(1,073)
February 1, 2024	1 month U.S. LIBOR	1.80%	63,400	63,625	(2,127)	(3,253)
March 22, 2024	1 month BA	1.90%	100,000	100,000	(2,044)	(4,148)
March 3, 2025	1 month BA	1.23%	62,500	62,500	340	(1,276)
September 10, 2025	1 month U.S. LIBOR	2.56%	128,163	128,618	(7,302)	(11,565)
October 30, 2026	1 month BA	2.30%	100,000	100,000	(3,789)	(8,068)
Total			\$ 642,103	\$ 742,206	\$ (18,830)	\$ (35,866)

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

²The notional amount of the U.S. dollar pay-fixed receive-float interest rate swaps, maturing September 10, 2025 and February 1, 2024, are U.S. \$101.1 million and U.S. \$50 million respectively.

Foreign exchange derivative

From time to time, the REIT may enter into foreign exchange derivatives to sell U.S. dollars and buy Canadian dollars on a forward basis to mitigate the REIT's exposure to value changes in the Canadian dollar equivalent value of the REIT's equity in its U.S. properties resulting from U.S.-Canadian exchange rates. During the nine months ended September 30, 2021 the REIT did not enter into or settle any foreign exchange derivatives.

FINANCIAL CONDITION

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

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

	Nine months ended September 30,	
	2021	2020
Net change in cash related to:		
Operating	\$ 29,095	\$ 36,922
Investing	(23,770)	(6,831)
Financing	(8,540)	(30,969)
Foreign exchange gain on cash held in foreign currency	18	51
Decrease in cash	\$ (3,197)	\$ (827)

The change in cash for the nine months ended September 30, 2021 and 2020 was the result of the following factors:

- Operating – cash flows for the nine months ended September 30, 2021 decreased by \$7.8 million when compared to the same period in 2020. The decrease is the result of lower net operating income and changes in working capital accounts during the nine months ended September 30, 2021.
- Investing – cash outflows for the nine months ended September 30, 2021 were \$23.8 million compared to cash outflows of \$6.8 million for the same period in 2020. The cash outflows in the current period were from capital expenditures throughout the REIT's portfolio, mainly focused on the Maritime Centre redevelopment and a parking garage renovation in the Greater Toronto Area. For the nine months ended September 30, 2020 the REIT had cash outflows of \$6.8 million from the disposition of 4211 Yonge Street in Toronto, ON, offset by capital expenditures throughout the REIT's portfolio.
- Financing – cash expenditures for the nine months ended September 30, 2021 primarily relate to the repayment of debt and to distributions paid to unitholders. For the nine months ended September 30, 2020, the REIT settled an investment hedge and repaid debt on the disposition of 4211 Yonge Street in Toronto, ON resulting in total cash outflow of \$31.0 million.

DEFERRED UNIT PLAN

Trustee deferred unit plan

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

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

At September 30, 2021, the liability associated with the Trustee DUP was \$0.7 million (December 31, 2020 - \$0.8 million) and the number of outstanding deferred units was 137,096 (December 31, 2020 - 201,730 units).

Officer deferred unit plan

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

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

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

As at September 30, 2021, the liability associated with deferred units issued under the Officer DUP was \$62 thousand (December 31, 2020 - \$46 thousand) and the number of deferred units was 11,867 (December 31, 2020 - 11,145). During the three and nine months ended

September 30, 2021, 104,797 units (September 30, 2020 - nil) were redeemed under the Trustee deferred unit plan by a former Trustee of the REIT.

EQUITY

The REIT is authorized to issue an unlimited number of trust units. Each trust unit represents a proportionate undivided beneficial interest and voting right in the REIT and entitles the holder to an equal participation in distributions of the REIT. The trust units are redeemable at the option of the holder at any time. The REIT's trust units are traded on the TSX and had a closing price of \$5.20 on September 30, 2021.

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

As at September 30, 2021, the total number of trust units outstanding was 67,765,409. As at November 3, 2021, the total number of trust units outstanding was 67,765,409.

Normal course issuer bid

On June 15, 2021 the REIT renewed its normal course issuer bid ("NCIB"), whereby the REIT may purchase up to 6,586,683 trust units, subject to certain restrictions. The renewed NCIB expires on the earlier of June 14, 2022 and the repurchase of the maximum number of trust units. During the nine months ended September 30, 2021 the REIT did not repurchase units under its NCIB.

Potential trust units

	September 30, 2021	December 31, 2020
Class B LP units	5,285,160	5,285,160
Deferred units	148,963	212,875
Total	5,434,123	5,498,035

The Class B LP units are exchangeable into trust units of the REIT on a one-for-one basis, subject to anti-dilution adjustments. Each Class B LP unit is accompanied by one special voting unit of the REIT providing the same voting rights in the REIT as the trust units of the REIT and is entitled to distributions of cash equal to the cash distributions paid to holders of trust units by the REIT. The Class B LP units are recognized in the REIT's consolidated financial statements as financial liabilities measured at fair value through profit and loss. Upon exchange into trust units of the REIT, the carrying amount of the liability representing the fair value of the Class B LP units on exchange date will be reclassified to unitholders' equity. During the nine months ended September 30, 2021, there were no Class B LP units exchanged for the REIT's trust units.

Weighted average diluted units outstanding

The following is the weighted average diluted number of units outstanding during the nine months ended September 30, 2021 and 2020. 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 September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Basic weighted average units outstanding	67,765,409	67,765,409	67,765,409	67,798,402
Class B LP units	5,285,160	5,285,160	5,285,160	5,285,160
Deferred units	232,510	176,613	225,519	152,457
Diluted weighted average units outstanding	73,283,079	73,227,182	73,276,088	73,236,019

Diluted units outstanding

The following is the diluted number of units outstanding at September 30, 2021 and 2020. The diluted number of units outstanding is determined as if all of the Class B LP units and deferred units have been converted to units of the REIT:

	September 30, 2021	September 30, 2020
Trust units outstanding	67,765,409	67,765,409
Class B LP units	5,285,160	5,285,160
Deferred units	148,963	193,190
Diluted units outstanding	73,199,532	73,243,759

RELATED PARTY TRANSACTIONS

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

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

	September 30, 2021	December 31, 2020
REIT units	1,687,251	1,687,251
Class B LP units	5,285,160	5,285,160
Total	6,972,411	6,972,411
Economic interest	9.5%	9.5%

Since becoming the manager of the REIT in late 2014, Slate has been the largest unitholder in the REIT. Accordingly, Slate is highly motivated to continue to grow the operations and financial position of the REIT on an accretive basis.

The Management Agreement provides for the following fees:

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

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

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

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

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

The REIT incurred the following fees under the Management Agreement:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Property management	\$ 1,279	\$ 1,366	\$ 4,057	\$ 4,156
Asset management	1,269	1,280	3,794	3,855
Leasing, financing and construction management	493	1,018	1,537	2,620
Total	\$ 3,041	\$ 3,664	\$ 9,388	\$ 10,631

Property administration fees are generally recoverable under the tenants’ leases relating to assets or resources of the Manager that are directly attributable to the management of the REIT’s properties. Property administration fees were \$6.4 million for the nine months ended September 30, 2021 (September 30, 2020 – \$6.8 million). Administrative fees are recovered from most tenants by the REIT in accordance with the terms of the leases, whereas property management fees payable by the REIT to the Manager are determined in accordance with the Management Agreement. The REIT entered into an agreement to lease approximately 6,000 square feet of office space to Slate at one of its properties for a term of 10 years at market rents. For the nine months ended September 30, 2021, the REIT received \$0.2 million in rent payment in respect of this lease (September 30, 2020 – \$0.1 million). There were no amounts receivable related to this lease at September 30, 2021 and December 31, 2020.

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

	September 30, 2021	December 31, 2020
Accounts receivable	340	383
Accounts payable and accrued liabilities	(544)	(308)
Class B LP units	(27,482)	(21,880)

PART V - ACCOUNTING AND CONTROL

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

Overall income capitalization approach

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

Discounted cash flow method

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

Direct comparison approach

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

A summary of the significant assumptions used in the REIT's estimate of fair value as at September 30, 2021 is included in this MD&A. Changes in these assumptions would have a significant impact on the REIT's estimate of fair value, which can be impacted by changes in demand for properties similar to those owned by the REIT, expectations of market rents, the covenant quality of tenants and the general economic environment. Further, these changes can occur at different times and magnitudes for each of the REIT's regions based on the investment environments in each of their respective markets.

NEW ACCOUNTING POLICIES

Application of Interest Rate Benchmark Reform ("IBOR")

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

INCOME TAXES AND THE REIT EXCEPTION

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

The Tax Act imposes a special taxation regime (the "SIFT Rules") applicable to certain publicly traded income trusts (each a "SIFT"). A SIFT includes a trust resident in Canada with publicly traded units that holds one or more "non-portfolio properties". "Non-portfolio properties" include certain investments in real properties situated in Canada and certain investments in corporations and trust residents in Canada and in partnerships with specified connections in Canada. Under SIFT Rules, a SIFT is subject to tax in respect of certain distributions that are attributable to the SIFT's "non-portfolio earnings" (as defined in the Tax Act; generally, income (other than certain dividends) from, or capital gains realized on, "non-portfolio properties", which does not include certain investments in non-Canadian entities), at a rate substantially equivalent to the combined federal and provincial corporate tax rate on certain types of income. The SIFT Rules are not applicable to a SIFT that meets certain specified criteria relating to the nature of its revenues and investments in order to qualify as a real estate investment trust for purposes of the Tax Act (the "REIT Exception"). The REIT believes that it qualifies for the REIT Exception as of September 30, 2021.

The REIT's U.S. subsidiary is subject to federal and state income tax on taxable income from the operations of 20 South Clark and 120 South LaSalle. The REIT recognizes deferred tax assets and liabilities at prevailing tax rates when such differences are expected to settle, based on tax laws enacted at the reporting date. The REIT assesses each reporting period whether it can recognize the deferred tax asset of its U.S. subsidiary's net deferred tax asset of U.S. \$1.2 million.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS for the nine months ended September 30, 2021.

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

In the design of its internal controls the REIT uses the 2013 framework published by the Committee of Sponsoring Organizations of the Treadway Commission. No changes were made in the REIT's design of ICFR for the nine months ended September 30, 2021, that have materially affected, or are reasonably likely to materially affect, the REIT's ICFR.

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

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

PART VI - PROPERTY TABLE

Details of the REIT's property portfolio at September 30, 2021 are set out in the table below:

Asset Class	Property Address	Property Name	City	Year Built / Renovated / Expanded	Interest	Square feet of GLA	Occupancy
United States Office							
	20 South Clark Street		Chicago, IL	1970 / 2005	100%	369,935	83.5%
	120 South LaSalle Street		Chicago, IL	1929 / 1998	100%	656,114	87.8%
Total United States Office						1,026,049	86.3%
Greater Toronto Area Office							
	7030, 7050, 7100 Woodbine Avenue & 55, 85 Idema Road	Woodbine & Steeles Corporate Centre	Markham, ON	1984 / 2011	75%	359,541	86.8%
	3000 - 3100 Steeles Avenue East	Gateway Centre	Markham, ON	1982 / 1987	75%	244,887	88.8%
	2655 - 2695 North Sheridan Way	The Sheridan Exchange	Mississauga, ON	1987 / 1989	75%	158,233	89.0%
	2285 Speakman Drive		Mississauga, ON	1981 / 2016	100%	127,419	100.0%
	2599 Speakman Drive		Mississauga, ON	1971 / 2011	100%	127,782	52.3%
	2251 Speakman Drive		Mississauga, ON	1965 / 2016	100%	115,580	100.0%
	1189 Colonel Sam Drive		Oshawa, ON	2001	100%	103,179	100.0%
	1 Eva Road		Toronto, ON	1978 / 2011	100%	91,867	79.9%
	185 - 195 The West Mall	West Metro Corporate Centre	Toronto, ON	1986 / 2006	75%	618,336	93.6%
	401 - 405 The West Mall	Commerce West	Toronto, ON	1982 / 2009	75%	412,450	89.0%
	105 Moatfield Drive		Toronto, ON	1982	100%	248,981	88.8%
	95 Moatfield Drive		Toronto, ON	1982	100%	156,426	100.0%
Total Greater Toronto Area Office						2,764,681	89.7%
Atlantic Office							
	440 King Street	Kings Place	Fredericton, NB	1974 / 2001	100%	298,128	80.0%
	250 King Street		Fredericton, NB	2000	100%	80,162	100.0%
	460 Two Nations Crossing		Fredericton, NB	2008	100%	50,229	100.0%
	570 Queen Street		Fredericton, NB	1989	100%	69,137	47.4%
	644 Main Street	Blue Cross Centre	Moncton, NB	1988 / 2006	100%	320,154	94.5%
	81 Albert Street		Moncton, NB	2002	100%	64,954	100.0%
	39 King Street ¹	Brunswick Square	Saint John, NB	1976	100%	507,010	61.7%
	4 Herald Avenue		Corner Brook, NL	1968 / 1978	100%	73,393	37.0%
	100 New Gower Street	Cabot Place	St. John's, NL	1987	100%	136,715	38.9%
	10 Factory Lane	The Johnson Building	St. John's, NL	1980	100%	210,863	75.5%
	5 Springdale Street	Fortis Place	St. John's, NL	2014	100%	142,973	78.2%
	140 Water Street	TD Place	St. John's, NL	1980 / 2013	100%	102,747	37.4%
	1505 Barrington Street	Maritime Centre	Halifax, NS	1977 / 1985	100%	528,400	83.3%
	84 - 86 Chain Lake Drive		Halifax, NS	2008 / 2011	100%	78,203	87.0%
Total Atlantic Office						2,663,068	74.4%

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

Asset Class	Property Address	Property Name	City	Year Built / Renovated / Expanded	Interest	Square feet of GLA	Occupancy
Western Office							
	280 Broadway Avenue ²		Winnipeg, MB	1957	100%	105,341	86.2%
	114 Garry Street		Winnipeg, MB	1950 / 1995	100%	74,246	100.0%
	1450 Waverley Street	Bell MTS Data Centre	Winnipeg, MB	2015	100%	64,218	100.0%
	365 Hargrave Street		Winnipeg, MB	Various	100%	70,719	100.0%
	1870 Albert Street	Saskatchewan Place	Regina, SK	1985	100%	84,862	60.1%
Total Western Office						399,386	87.9%
Office						6,853,184	83.1%
Non-office							
	200 Manitoba 10	Walmart Flin Flon	Flin Flon, MB	2002	100%	63,439	100.0%
Non-office						63,439	100.0%
Total Portfolio						6,916,623	83.3%

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

Corporate Information

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

Trustees

Thomas Farley, Chair ¹²³
Corporate Director

Monty Baker ¹²³
Corporate Director

Nora Duke ²³
Executive Vice-President, Sustainability and Chief
Human Resources Officer, Fortis Inc.

Meredith Michetti ¹
Corporate Director

Lori-Ann Beausoleil ¹²
Corporate Director

Blair Welch ³
Partner and Co-founder,
Slate Asset Management

Brady Welch
Partner and Co-founder,
Slate Asset Management

¹ Compensation, Governance and Nomination Committee

² Audit Committee

³ Investment Committee

Head Office

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Independent Auditors

KPMG LLP
Chartered Professional Accountants
Toronto, Canada

Toronto Stock Exchange Listings

SOT.UN: trust units
SOT.DB: 5.25% convertible unsecured subordinated debentures

Registrar and Transfer Agent

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



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